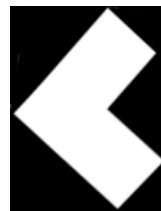


Town of Farmville, Virginia
Comprehensive Annual Financial Report
Year Ended June 30, 2018



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

Town of Farmville, Virginia

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FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Farmville, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Farmville, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Farmville, Virginia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Farmville, Virginia, as of June 30, 2018, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, schedule of changes in the political subdivision's net OPEB liability – retiree health insurance and related ratios, and schedule of employer contributions OPEB retiree health insurance on pages 1 through 8 and 47 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Farmville, Virginia's basic financial statements. The combining nonmajor fund financial statements and component unit statements are presented for purposes of additional analysis and are 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2018, on our consideration of the Town of Farmville, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 of Farmville, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Farmville, Virginia's internal control over financial reporting and compliance.

Creedle, Jones & Alga, P.C.

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

South Hill, Virginia
November 27, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Town of Farmville, Virginia presents the following discussion and analysis as an overview of the Town of Farmville, Virginia's financial activities for the fiscal year ending June 30, 2018. We encourage readers to read this discussion and analysis in conjunction with the Town's basic financial statements.

Financial Highlights

- At the close of the fiscal year, the assets and deferred outflows of resources, excluding the Component Unit, of the Town's governmental activities exceeded its liabilities and deferred inflows of resources by \$10,682,374. Of this amount, \$259,171 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. For the business-type activities, the assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources by \$6,813,424 with an unrestricted balance of \$3,067,887.
- The Town's total net position increased by \$2,029,981 during the current fiscal year. Of this amount, an increase of \$1,770,067 is related to governmental activities and an increase of \$259,914 is attributed to business-type activities.
- As of June 30, 2018, the Town's Governmental Funds reported combined ending fund balances of \$4,275,764, an increase of \$469,920 in comparison with the prior year. Approximately 71.18% of this amount is available for spending at the Town's discretion (unassigned fund balance).
- The general fund reported a fund balance of \$3,891,623, an increase of \$205,934 from June 30, 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

The Town has three types of funds:

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

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

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

Notes to the Basic Financial Statements

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

Other

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

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

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

Summary of Net Position

As of June 30, 2018 and 2017

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Component Unit Farmville IDA</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Assets								
Current and other assets	\$ 4,546,058	\$ 4,250,520	\$ 3,821,575	\$ 3,631,012	\$ 8,367,633	\$ 7,881,532	\$ 385,948	\$ 346,388
Capital assets	<u>21,719,630</u>	<u>21,079,331</u>	<u>7,477,232</u>	<u>7,512,457</u>	<u>29,196,862</u>	<u>28,591,788</u>	-	-
Total Assets	<u>\$26,265,688</u>	<u>\$25,329,851</u>	<u>\$11,298,807</u>	<u>\$11,143,469</u>	<u>\$37,564,495</u>	<u>\$36,473,320</u>	<u>\$ 385,948</u>	<u>\$ 346,388</u>
Deferred Outflows of Resources	<u>37,500</u>	<u>39,240</u>	-	-	<u>37,500</u>	<u>39,240</u>	-	-
Total Assets and Deferred Outflows of Resources	<u>\$26,303,188</u>	<u>\$25,369,091</u>	<u>\$11,298,807</u>	<u>\$11,143,469</u>	<u>\$37,601,995</u>	<u>\$36,512,560</u>	<u>\$ 385,948</u>	<u>\$ 346,388</u>
Liabilities								
Other liabilities	\$ 267,072	\$ 477,333	\$ 680,459	\$ 602,679	\$ 947,531	\$ 1,080,012	\$ 495,856	\$ 497,223
Long-term liabilities	<u>15,194,676</u>	<u>15,979,451</u>	<u>3,804,924</u>	<u>3,987,280</u>	<u>18,999,600</u>	<u>19,966,731</u>	<u>364,514</u>	<u>400,112</u>
Total Liabilities	<u>15,461,748</u>	<u>16,456,784</u>	<u>4,485,383</u>	<u>4,589,959</u>	<u>19,947,131</u>	<u>21,046,743</u>	<u>860,370</u>	<u>897,335</u>
Deferred Inflows of Resources	<u>159,066</u>	-	-	-	<u>159,066</u>	-	-	-
Net Position								
Net investment in capital assets	<u>10,423,203</u>	<u>9,060,557</u>	<u>3,745,537</u>	<u>3,601,983</u>	<u>14,168,740</u>	<u>12,662,540</u>	-	-
Unrestricted (deficit)	<u>259,171</u>	<u>(148,250)</u>	<u>3,067,887</u>	<u>2,951,527</u>	<u>3,327,058</u>	<u>2,803,277</u>	<u>(474,422)</u>	<u>(550,947)</u>
Total Net Position (Deficit)	<u>10,682,374</u>	<u>8,912,307</u>	<u>6,813,424</u>	<u>6,553,510</u>	<u>17,495,798</u>	<u>15,465,817</u>	<u>(474,422)</u>	<u>(550,947)</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$26,303,188</u>	<u>\$25,369,091</u>	<u>\$11,298,807</u>	<u>\$11,143,469</u>	<u>\$37,601,995</u>	<u>\$36,512,560</u>	<u>\$ 385,948</u>	<u>\$ 346,388</u>

Statement of Activities

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

Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2018 and 2017

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Component Unit Farmville IDA</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues								
Program Revenues								
Charges for services	\$ 1,124,695	\$ 1,097,302	\$ 4,458,750	\$ 4,482,163	\$ 5,583,445	\$ 5,579,465	\$ -	\$ -
Operating grants and contributions	2,246,006	2,485,956	1,283,556	837,420	3,529,562	3,323,376	-	-
General Revenues								
General property taxes, real and personal	935,432	867,326	-	-	935,432	867,326	-	-
Other taxes	6,106,842	5,757,202	-	-	6,106,842	5,757,202	-	-
Grants and contributions not restricted to specific programs	557,752	745,675	-	-	557,752	745,675	-	-
Unrestricted revenues from use of money and property	342,525	208,508	71,686	43,163	414,211	251,671	7,304	7,875
Miscellaneous	581,382	347,742	26,697	3,103	608,079	350,845	90,000	-
Total Revenues	11,894,634	11,509,711	5,840,689	5,365,849	17,735,323	16,875,560	97,304	7,875
Expenses								
General government administration	1,626,421	1,268,384	-	-	1,626,421	1,268,384	-	-
Public safety	3,857,548	3,689,104	-	-	3,857,548	3,689,104	-	-
Public works	4,787,285	4,715,205	-	-	4,787,285	4,715,205	-	-
Parks, recreation, and cultural	712,379	711,172	-	-	712,379	711,172	-	-
Community development	120,107	552,862	-	-	120,107	552,862	2,637	2,500
Enterprise fund expenses	-	-	4,179,792	4,005,899	4,179,792	4,005,899	-	-
Interest on long-term debt	294,042	341,457	127,768	134,343	421,810	475,800	18,142	19,868
Total Expenses	11,397,782	11,278,184	4,307,560	4,140,242	15,705,342	15,418,426	20,779	22,368
Increase (Decrease) in Net Position Before Transfers	496,852	231,527	1,533,129	1,225,607	2,029,981	1,457,134	76,525	(14,493)
Transfers	1,273,215	1,074,402	(1,273,215)	(1,074,402)	-	-	-	-
Increase (Decrease) in Net Position	1,770,067	1,305,929	259,914	151,205	2,029,981	1,457,134	76,525	(14,493)
Beginning Net Position (Deficit) - Restated	8,912,307	7,606,378	6,553,510	6,402,305	15,465,817	14,008,683	(550,947)	(536,454)
Ending Net Position (Deficit)	\$ 10,682,374	\$ 8,912,307	\$ 6,813,424	\$ 6,553,510	\$ 17,495,798	\$ 15,465,817	\$ (474,422)	\$ (550,947)

Governmental activities increased the Town's net position by \$1,770,067 for fiscal year 2018. Revenues from governmental activities totaled \$11,894,634. Other taxes comprise the largest source of these revenues, totaling \$6,106,842 or 51.34% of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$11,397,782. Public works was the Town's largest program with expenses totaling \$4,787,285. Public safety, which totals \$3,857,548, represents the second largest expense.

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

Net Cost of Governmental Activities

For the Fiscal Years Ended June 30, 2018 and 2017

	<u>2018</u>		<u>2017</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government administration	\$ 1,626,421	\$ (1,347,055)	\$ 1,268,384	\$ (994,978)
Public safety	3,857,548	(3,353,005)	3,689,104	(3,342,138)
Public works	4,787,285	(2,393,932)	4,715,205	(2,206,506)
Parks, recreation, and cultural	712,379	(518,940)	711,172	(534,385)
Community development	120,107	(120,107)	552,862	(275,462)
Interest on long-term debt	<u>294,042</u>	<u>(294,042)</u>	<u>341,457</u>	<u>(341,457)</u>
Total	<u>\$ 11,397,782</u>	<u>\$ (8,027,081)</u>	<u>\$ 11,278,184</u>	<u>\$ (7,694,926)</u>

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The Town's governmental funds reported combined ending fund balances of \$4,275,764. The combined governmental fund balance increased \$469,920 from the prior year.

The General Fund is the main operating fund of the Town. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$2,681,248. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 21.93% of total fund expenditures, while total fund balance represents 31.84% of that same amount.

BUDGETARY HIGHLIGHTS

General Fund

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

Budgetary Comparison

General Fund

For the Fiscal Years Ended June 30, 2018 and 2017

	2018			2017		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenues						
Taxes	\$ 904,600	\$ 904,600	\$ 899,553	\$ 867,600	\$ 867,600	\$ 865,182
Other	8,364,716	8,364,716	8,999,545	7,538,008	7,538,008	7,983,183
Intergovernmental	<u>8,149,039</u>	<u>8,149,039</u>	<u>1,111,321</u>	<u>5,649,220</u>	<u>5,649,220</u>	<u>1,556,175</u>
Total	17,418,355	17,418,355	11,010,419	14,054,828	14,054,828	10,404,540
Expenditures	<u>18,898,482</u>	<u>19,108,962</u>	<u>12,223,829</u>	<u>15,679,068</u>	<u>16,019,944</u>	<u>10,834,722</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,480,127)	(1,690,607)	(1,213,410)	(1,624,240)	(1,965,116)	(430,182)
Other Financing Sources (Uses)						
Issuance of debt	408,202	408,202	645,850	41,000	41,000	41,000
Transfers in	1,255,101	1,283,106	1,283,385	1,269,075	1,300,215	1,259,148
Transfers out	<u>(343,757)</u>	<u>(945,867)</u>	<u>(509,891)</u>	<u>(467,188)</u>	<u>(467,188)</u>	<u>(184,627)</u>
Total	<u>1,319,546</u>	<u>745,441</u>	<u>1,419,344</u>	<u>842,887</u>	<u>874,027</u>	<u>1,115,521</u>
Net Change in Fund Balance	(160,581)	(945,166)	205,934	(781,353)	(1,091,089)	685,339
Contingency/Transfer from Surplus	<u>160,581</u>	<u>945,166</u>	<u>-</u>	<u>781,353</u>	<u>1,091,089</u>	<u>-</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 205,934</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 685,339</u>

Actual revenues were less than final budget amounts by \$6,407,936, or 36.79%, while actual expenditures were \$6,885,133, or 36.03% less than final budget amounts.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2018, the Town's governmental activities net capital assets total \$21,719,630, which represents a net increase of \$687,435 or 3.27% over the previous fiscal year-end balance. The business-type activities net capital assets total \$7,477,232, a decrease of \$35,225 or 0.47% over the previous fiscal year.

Change in Capital Assets

Governmental Activities

	<u>Balance July 1, 2017</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2018</u>
Land and land improvements	\$ 3,095,803	\$ 551,850	\$ 3,647,653
Other capital assets, net of depreciation	<u>17,936,392</u>	<u>135,585</u>	<u>18,071,977</u>
Total Capital Assets	<u>\$ 21,032,195</u>	<u>\$ 687,435</u>	<u>\$ 21,719,630</u>

Business-Type Activities

	<u>Balance July 1, 2017</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2018</u>
Land and land improvements	\$ 683,098	\$ -	\$ 683,098
Other capital assets, net of depreciation	<u>6,829,359</u>	<u>(35,225)</u>	<u>6,794,134</u>
Total Capital Assets	<u>\$ 7,512,457</u>	<u>\$ (35,225)</u>	<u>\$ 7,477,232</u>

Long-Term Debt

As of June 30, 2018, the Town's long-term obligations, excluding the Component Unit, total \$14,992,890.

	<u>Balance July 1, 2017</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2018</u>
Primary Government			
Governmental Activities			
Long-term debt	\$ 10,274,806	\$ (579,626)	\$ 9,695,180
Landfill obligation	1,384,298	6,917	1,391,215
<i>Compensated absences</i>			
Governmental Funds	<u>576,004</u>	<u>32,262</u>	<u>608,266</u>
Total Governmental Activities	12,235,108	(540,447)	11,694,661
Business-Type Activities			
Long-term debt	3,370,000	(145,000)	3,225,000
<i>Compensated absences</i>			
Enterprise Funds	<u>76,806</u>	<u>(3,577)</u>	<u>73,229</u>
Total Business-Type Activities	<u>3,446,806</u>	<u>(148,577)</u>	<u>3,298,229</u>
Total Primary Government	<u>\$ 15,681,914</u>	<u>\$ (689,024)</u>	<u>\$ 14,992,890</u>
Governmental Activities			
Bond Premiums	<u>\$ 1,779,163</u>	<u>\$ (177,916)</u>	<u>\$ 1,601,247</u>
Business-Type Activities			
Bond Premiums	<u>\$ 540,474</u>	<u>\$ (33,779)</u>	<u>\$ 506,695</u>
Component Unit Farmville IDA			
Long-term debt	<u>\$ 400,112</u>	<u>\$ (35,598)</u>	<u>\$ 364,514</u>

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The average unemployment rate for the Town of Farmville, Virginia in June 2018, which uses Prince Edward County's rate, was 4.8%, a decrease of 1.2% from June 2017. This compares unfavorably to the state's rate of 3.3% and the national rate of 4.2% as of June 2018.
- According to the 2010 U.S. Census, the population in the Town of Farmville, Virginia was 8,216, an increase of 20%, since the 2000 U.S. Census.
- The per capita income in the Town of Farmville, Virginia was \$14,817, compared to \$27,705 for the state, according to the 2010 U.S. Census data.

The fiscal year 2019 adopted budget anticipates General Fund revenues to be \$18,211,644 .

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

Town of Farmville, Virginia

Statement of Net Position

At June 30, 2018

	Primary Government			Component Unit Farmville IDA
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and cash equivalents	\$ 3,016,228	\$ 2,351,193	\$ 5,367,421	\$ 114,650
Receivables, net	582,552	441,866	1,024,418	5,112
Inventory	27,237	221,707	248,944	-
Due from other governments	920,041	46,809	966,850	-
Note receivable	-	760,000	760,000	266,186
Capital Assets				
Land and construction in progress	3,647,653	683,098	4,330,751	-
Other capital assets, net of depreciation	18,071,977	6,794,134	24,866,111	-
Total Capital Assets	<u>21,719,630</u>	<u>7,477,232</u>	<u>29,196,862</u>	-
Total Assets	26,265,688	11,298,807	37,564,495	385,948
Deferred Outflows of Resources				
Retiree health insurance	<u>37,500</u>	-	<u>37,500</u>	-
Total Assets and Deferred Outflows of Resources	<u>\$ 26,303,188</u>	<u>\$ 11,298,807</u>	<u>\$ 37,601,995</u>	<u>\$ 385,948</u>
Liabilities				
Accounts payable and accrued expenses	\$ 267,072	\$ 588,996	\$ 856,068	\$ 4,422
Due to other governments	-	-	-	491,434
Customer deposits	-	91,463	91,463	-
Long-Term Liabilities				
<i>Due within one year</i>				
Bonds, loans, and capital leases payable	1,236,081	150,000	1,386,081	37,216
Compensated absences	60,827	7,323	68,150	-
<i>Due in more than one year</i>				
Compensated absences	547,439	65,906	613,345	-
Bonds, loans, and capital leases payable	8,459,099	3,075,000	11,534,099	327,298
Add: Bond premiums	1,601,247	506,695	2,107,942	-
Landfill obligation	1,391,215	-	1,391,215	-
Retiree health insurance OPEB	<u>1,898,768</u>	-	<u>1,898,768</u>	-
Total Liabilities	15,461,748	4,485,383	19,947,131	860,370
Deferred Inflows of Resources				
Retiree health insurance	<u>159,066</u>	-	<u>159,066</u>	-
Total Deferred Inflows of Resources	159,066	-	159,066	-
Net Position (Deficit)				
Net investment in capital assets	10,423,203	3,745,537	14,168,740	-
Unrestricted (deficit)	<u>259,171</u>	<u>3,067,887</u>	<u>3,327,058</u>	<u>(474,422)</u>
Total Net Position (Deficit)	<u>10,682,374</u>	<u>6,813,424</u>	<u>17,495,798</u>	<u>(474,422)</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 26,303,188</u>	<u>\$ 11,298,807</u>	<u>\$ 37,601,995</u>	<u>\$ 385,948</u>

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

Town of Farmville, Virginia
 Statement of Activities
 For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Farmville IDA
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	
Primary Government								
Governmental Activities								
General government administration	\$ 1,626,421	\$ 279,366	\$ -	\$ -	\$ (1,347,055)		\$ (1,347,055)	
Public safety	3,857,548	105,125	399,418	-	(3,353,005)		(3,353,005)	
Public works	4,787,285	555,445	1,837,908	-	(2,393,932)		(2,393,932)	
Parks, recreation, and cultural	712,379	184,759	8,680	-	(518,940)		(518,940)	
Community development	120,107	-	-	-	(120,107)		(120,107)	
Interest on long-term debt	294,042	-	-	-	(294,042)		(294,042)	
Total Governmental Activities	11,397,782	1,124,695	2,246,006	-	(8,027,081)		(8,027,081)	
Business-Type Activities								
Water fund	1,753,615	2,076,228	8,772	-		\$ 331,385	331,385	
Sewer fund	1,343,341	2,242,577	-	-		899,236	899,236	
Airport fund	350,860	129,320	58,921	-		(162,619)	(162,619)	
Transportation fund	859,744	10,625	1,215,863	-		366,744	366,744	
Total Business-Type Activities	4,307,560	4,458,750	1,283,556	-		1,434,746	1,434,746	
Total Primary Government	<u>\$ 15,705,342</u>	<u>\$ 5,583,445</u>	<u>\$ 3,529,562</u>	<u>\$ -</u>			(6,592,335)	
Component Unit								
Farmville IDA	<u>\$ 20,779</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				\$ (20,779)
General Revenues								
Taxes								
General property taxes, real and personal					935,432	-	935,432	-
Other local taxes					6,106,842	-	6,106,842	-
Grants and contributions not restricted to specific programs					557,752	-	557,752	-
Unrestricted revenues from use of money and property					342,525	71,686	414,211	7,304
Miscellaneous					581,382	26,697	608,079	90,000
Transfers					<u>1,273,215</u>	<u>(1,273,215)</u>	<u>-</u>	<u>-</u>
Total General Revenues and Transfers					<u>9,797,148</u>	<u>(1,174,832)</u>	<u>8,622,316</u>	<u>97,304</u>
Change in Net Position					1,770,067	259,914	2,029,981	76,525
Net Position (Deficit) - Beginning of Year (Restated)					<u>8,912,307</u>	<u>6,553,510</u>	<u>15,465,817</u>	<u>(550,947)</u>
Net Position (Deficit) - End of Year					<u>\$ 10,682,374</u>	<u>\$ 6,813,424</u>	<u>\$ 17,495,798</u>	<u>\$ (474,422)</u>

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

Town of Farmville, Virginia

Balance Sheet

Governmental Funds

At June 30, 2018

	General Fund	Street Maintenance Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 2,587,413	\$ 406,970	\$ 21,845	\$ 3,016,228
Property taxes receivable, net	8,842	-	-	8,842
Accounts receivable, net	573,710	-	-	573,710
Inventory	27,237	-	-	27,237
Due from other governments	<u>920,041</u>	<u>-</u>	<u>-</u>	<u>920,041</u>
Total Assets	<u>\$ 4,117,243</u>	<u>\$ 406,970</u>	<u>\$ 21,845</u>	<u>\$ 4,546,058</u>
Liabilities				
Accounts payable and accrued liabilities	<u>\$ 222,398</u>	<u>\$ 44,674</u>	<u>\$ -</u>	<u>\$ 267,072</u>
Total Liabilities	222,398	44,674	-	267,072
Deferred Inflows of Resources				
Unavailable revenue - property taxes	<u>3,222</u>	<u>-</u>	<u>-</u>	<u>3,222</u>
Total Deferred Inflows of Resources	3,222	-	-	3,222
Fund Balance				
Nonspendable fund balance - inventory	27,237	-	-	27,237
Assigned fund balance	1,183,138	-	21,845	1,204,983
Unassigned fund balance	<u>2,681,248</u>	<u>362,296</u>	<u>-</u>	<u>3,043,544</u>
Total Fund Balance	<u>3,891,623</u>	<u>362,296</u>	<u>21,845</u>	<u>4,275,764</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 4,117,243</u>	<u>\$ 406,970</u>	<u>\$ 21,845</u>	<u>\$ 4,546,058</u>

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

Town of Farmville, Virginia

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

At June 30, 2018

Total Fund Balances for Governmental Funds \$ 4,275,764

Total net position reported for governmental activities in the Statement of Net Position is different because:

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

Land	\$ 3,647,653
Buildings and improvements, net of accumulated depreciation	10,066,434
Infrastructure and equipment, net of accumulated depreciation	<u>8,005,543</u>

Total Capital Assets 21,719,630

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

Unavailable revenue - property taxes	3,222
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Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to OPEB	37,500
Deferred inflows of resources related to OPEB	<u>(159,066)</u>
	(121,566)

Liabilities applicable to the Town's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.

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

Bonds, loans, and capital leases payable	(9,695,180)
Bond premiums	(1,601,247)
Net OPEB obligation	(1,898,768)
Landfill obligation	(1,391,215)
Compensated absences	<u>(608,266)</u>

Total	<u>(15,194,676)</u>
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Total Net Position of Governmental Activities \$ 10,682,374

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

Town of Farmville, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2018

	<u>General Fund</u>	<u>Street Maintenance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 899,553	\$ -	\$ -	\$ 899,553
Other local taxes	6,106,842	-	-	6,106,842
Permits, privilege fees, and regulatory licenses	128,456	-	-	128,456
Fines and forfeitures	105,125	-	-	105,125
Use of money and property	342,453	-	72	342,525
Charges for services	891,114	-	-	891,114
Miscellaneous	581,382	-	-	581,382
Recovered costs	844,173	-	-	844,173
<i>Intergovernmental</i>				
Revenue from the Commonwealth	874,368	1,682,333	10,104	2,566,805
Revenue from the Federal Government	<u>236,953</u>	<u>-</u>	<u>-</u>	<u>236,953</u>
Total Revenues	11,010,419	1,682,333	10,176	12,702,928
Expenditures				
Current				
General government administration	1,649,556	-	-	1,649,556
Public safety	4,737,396	-	3,475	4,740,871
Public works	2,638,027	1,924,769	-	4,562,796
Parks, recreation, and cultural	1,381,310	-	-	1,381,310
Community development	120,107	-	-	120,107
Debt service	<u>1,697,433</u>	<u>-</u>	<u>-</u>	<u>1,697,433</u>
Total Expenditures	<u>12,223,829</u>	<u>1,924,769</u>	<u>3,475</u>	<u>14,152,073</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,213,410)	(242,436)	6,701	(1,449,145)
Other Financing Sources (Uses)				
Issuance of debt	645,850	-	-	645,850
Transfers in	1,283,385	500,000	-	1,783,385
Transfers out	<u>(509,891)</u>	<u>-</u>	<u>(279)</u>	<u>(510,170)</u>
Total Other Financing Sources (Uses)	<u>1,419,344</u>	<u>500,000</u>	<u>(279)</u>	<u>1,919,065</u>
Net Change in Fund Balance	205,934	257,564	6,422	469,920
Fund Balance - Beginning of Year (Restated)	<u>3,685,689</u>	<u>104,732</u>	<u>15,423</u>	<u>3,805,844</u>
Fund Balance - End of Year	<u>\$ 3,891,623</u>	<u>\$ 362,296</u>	<u>\$ 21,845</u>	<u>\$ 4,275,764</u>

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

Town of Farmville, Virginia

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities

Year Ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds		\$ 469,920
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capitalized assets	\$ 1,942,854	
Depreciation	<u>(1,302,553)</u>	
		640,301
Revenues in the Statement of Activities that do not provide current financial resources are deferred in the fund statements. This amount represents the difference in the amounts deferred in the fund financial statements, but recognized in the Statement of Activities.		
		35,879
Bond and capital lease proceeds are reported as financing sources in Governmental Funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases the long-term liabilities and does not affect the Statement of Activities. Similarly, the repayment of principal is an expenditure in the Governmental Funds but reduces the liability in the Statement of Net Position.		
Loan proceeds	(645,850)	
Bond premium amortization	177,916	
Repayments on debt	<u>1,225,476</u>	
Net Adjustment		757,542
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following:		
Deferred outflows - OPEB	37,500	
Postemployment benefits	(131,896)	
Compensated absences	(32,262)	
Landfill obligation	<u>(6,917)</u>	
Net Adjustment		<u>(133,575)</u>
Change in Net Position of Governmental Activities		<u>\$ 1,770,067</u>

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

Town of Farmville, Virginia

Statement of Net Position

Proprietary Funds

At June 30, 2018

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Total</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Transportation Fund</u>	<u>Airport Fund</u>	
Assets					
Current Assets					
Cash	\$ 1,014,811	\$ 898,680	\$ 299,310	\$ 138,392	\$ 2,351,193
Accounts receivable (net of allowance for bad debts)	192,597	249,269	-	-	441,866
Note receivable	760,000	-	-	-	760,000
Due from other governments	-	-	43,001	3,808	46,809
Inventory	146,304	30,520	-	44,883	221,707
Total Current Assets	2,113,712	1,178,469	342,311	187,083	3,821,575
Capital Assets					
Land and construction in process	159,200	113,495	16,050	394,353	683,098
Other capital assets	15,685,662	10,251,891	2,387,412	3,251,518	31,576,483
Less: Accumulated depreciation	(11,873,329)	(9,265,989)	(1,091,074)	(2,551,957)	(24,782,349)
Total Capital Assets	3,971,533	1,099,397	1,312,388	1,093,914	7,477,232
Total Assets	\$ 6,085,245	\$ 2,277,866	\$ 1,654,699	\$ 1,280,997	\$ 11,298,807
Liabilities					
Current Liabilities					
Accounts payable	\$ 47,033	\$ 92,325	\$ 392,287	\$ 8,891	\$ 540,536
Accrued wages	26,542	21,918	-	-	48,460
Current portion of compensated absences	3,779	3,544	-	-	7,323
Current portion of long-term debt	150,000	-	-	-	150,000
Total Current Liabilities	227,354	117,787	392,287	8,891	746,319
Noncurrent Liabilities					
Customer deposits	91,463	-	-	-	91,463
Compensated absences	34,008	31,898	-	-	65,906
General obligation bonds	3,075,000	-	-	-	3,075,000
Bond premium	506,695	-	-	-	506,695
Total Noncurrent Liabilities	3,707,166	31,898	-	-	3,739,064
Total Liabilities	3,934,520	149,685	392,287	8,891	4,485,383
Net Position					
Net investment in capital assets	239,838	1,099,397	1,312,388	1,093,914	3,745,537
Unrestricted	1,910,887	1,028,784	(49,976)	178,192	3,067,887
Total Net Position	2,150,725	2,128,181	1,262,412	1,272,106	6,813,424
Total Liabilities and Net Position	\$ 6,085,245	\$ 2,277,866	\$ 1,654,699	\$ 1,280,997	\$ 11,298,807

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

Town of Farmville, Virginia

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

Year Ended June 30, 2018

	<u>Business-Type Activities - Enterprise Funds</u>				
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Transportation Fund</u>	<u>Airport Fund</u>	<u>Total</u>
Operating Revenues					
Charges for services	\$ 1,813,641	\$ 2,121,197	\$ 10,625	\$ 129,320	\$ 4,074,783
Rental income	29,594	-	-	6,660	36,254
Operating grants - state	-	-	203,521	13,338	216,859
Operating grants - federal	8,772	-	775,992	37,983	822,747
Contribution - counties and other	-	-	236,350	7,600	243,950
Miscellaneous	22,405	4,292	-	-	26,697
Tap fees	<u>262,587</u>	<u>121,380</u>	<u>-</u>	<u>-</u>	<u>383,967</u>
Total Operating Revenues	2,136,999	2,246,869	1,226,488	194,901	5,805,257
Operating Expenses					
Salaries and wages	508,487	437,663	428,789	43,676	1,418,615
Fringe benefits	183,578	147,831	116,890	22,188	470,487
Cost of fuel	-	-	63,763	87,291	151,054
Contractual services and professional fees	10,096	20,519	12,222	2,200	45,037
Sludge removal	9,950	47,644	-	-	57,594
Administrative costs to general fund	110,362	66,464	-	-	176,826
Chemicals	80,659	80,884	-	-	161,543
Repairs and maintenance	227,593	233,338	54,465	67,408	582,804
Other charges	30,301	42,296	2,620	7,719	82,936
Depreciation	333,321	90,062	154,626	78,550	656,559
Utilities	106,173	141,674	9,597	13,420	270,864
Insurance	<u>25,327</u>	<u>34,966</u>	<u>16,772</u>	<u>28,408</u>	<u>105,473</u>
Total Operating Expenses	<u>1,625,847</u>	<u>1,343,341</u>	<u>859,744</u>	<u>350,860</u>	<u>4,179,792</u>
Operating Income (Loss)	511,152	903,528	366,744	(155,959)	1,625,465
Nonoperating Revenues (Expenses)					
Interest earned	5,249	4,155	1	327	9,732
Gain (loss) on sale of fixed assets	13,900	-	11,800	-	25,700
Interest expense on bonds	<u>(127,768)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(127,768)</u>
Total Nonoperating Revenues (Expenses)	<u>(108,619)</u>	<u>4,155</u>	<u>11,801</u>	<u>327</u>	<u>(92,336)</u>
Income (Loss) Before Operating Transfers	402,533	907,683	378,545	(155,632)	1,533,129
Operating Transfers In	-	-	-	9,891	9,891
Operating Transfers Out	<u>(400,000)</u>	<u>(883,106)</u>	<u>-</u>	<u>-</u>	<u>(1,283,106)</u>
Net Operating Transfers	<u>(400,000)</u>	<u>(883,106)</u>	<u>-</u>	<u>9,891</u>	<u>(1,273,215)</u>
Change in Net Position	2,533	24,577	378,545	(145,741)	259,914
Total Net Position - Beginning of Year	<u>2,148,192</u>	<u>2,103,604</u>	<u>883,867</u>	<u>1,417,847</u>	<u>6,553,510</u>
Total Net Position - End of Year	<u>\$ 2,150,725</u>	<u>\$ 2,128,181</u>	<u>\$ 1,262,412</u>	<u>\$ 1,272,106</u>	<u>\$ 6,813,424</u>

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

Town of Farmville, Virginia
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2018

	<u>Business-Type Activities - Enterprise Funds</u>				
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Transportation Fund</u>	<u>Airport Fund</u>	<u>Total</u>
Cash Flows from Operating Activities					
Receipts from customers	\$ 2,174,921	\$ 2,223,922	\$ 10,719	\$ 136,537	\$ 4,546,099
Receipts from counties and other	-	-	236,350	7,600	243,950
Operating grants from state and federal government	13,778	-	936,512	47,513	997,803
Payments to personnel and related expenses	(664,080)	(565,044)	(528,308)	(63,091)	(1,820,523)
Payments to suppliers	<u>(601,710)</u>	<u>(612,785)</u>	<u>(144,992)</u>	<u>(224,911)</u>	<u>(1,584,398)</u>
Net Cash Provided by (Used in) Operating Activities	922,909	1,046,093	510,281	(96,352)	2,382,931
Cash Flows from Noncapital Financing Activities					
Funds from (paid to) other funds	<u>(400,000)</u>	<u>(883,106)</u>	-	<u>9,891</u>	<u>(1,273,215)</u>
Net Cash Provided by (Used in) Noncapital Financing Activities	(400,000)	(883,106)	-	9,891	(1,273,215)
Cash Flows from Financing Capital and Related Activities					
Purchase of capital assets	(108,185)	(120,713)	(390,923)	-	(619,821)
Sale of capital assets	13,900	-	11,800	-	25,700
Transfers of capital assets	1,508	(4,293)	-	1,270	(1,515)
Principal paid on capital debt	(145,000)	-	-	-	(145,000)
Interest paid on capital debt	<u>(161,547)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(161,547)</u>
Net Cash Used in Financing Capital and Related Activities	(399,324)	(125,006)	(379,123)	1,270	(902,183)
Cash Flows from Investing Activities					
Interest income	<u>5,249</u>	<u>4,155</u>	<u>1</u>	<u>327</u>	<u>9,732</u>
Net Cash Provided by Investing Activities	5,249	4,155	1	327	9,732
Net Increase (Decrease) in Cash	128,834	42,136	131,159	(84,864)	217,265
Cash - Beginning of Year	<u>885,977</u>	<u>856,544</u>	<u>168,151</u>	<u>223,256</u>	<u>2,133,928</u>
Cash - End of Year	<u>\$ 1,014,811</u>	<u>\$ 898,680</u>	<u>\$ 299,310</u>	<u>\$ 138,392</u>	<u>\$ 2,351,193</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities					
Operating income (loss)	\$ 511,152	\$ 903,528	\$ 366,744	\$ (155,959)	\$ 1,625,465
<i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</i>					
Depreciation expense	333,321	90,062	154,626	78,550	656,559
<i>Changes in assets and liabilities</i>					
Receivables, net	(50,728)	(22,947)	94	557	(73,024)
Note receivable	95,000	-	-	-	95,000
Inventory	(3,157)	(170)	-	(21,029)	(24,356)
Due from other government	5,006	-	(43,001)	(3,808)	(41,803)
Prepaid expenses	32,541	18,202	17,371	2,773	70,887
Accounts payable	1,908	55,170	14,447	2,564	74,089
Accrued wages	(3,721)	4,990	-	-	1,269
Compensated absences	(835)	(2,742)	-	-	(3,577)
Customer deposits	<u>2,422</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,422</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 922,909</u>	<u>\$ 1,046,093</u>	<u>\$ 510,281</u>	<u>\$ (96,352)</u>	<u>\$ 2,382,931</u>

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

Town of Farmville, Virginia

Statement of Fiduciary Net Position
Fiduciary Funds

At June 30, 2018

	Retirement Trust Fund	Paulette Memorial Trust Fund
Assets		
Cash and investments	\$ 10,138,415	\$ 1,695
Cash and investments - participant loans portion	89,511	-
Other receivables - accrued loan adjustment	<u>100</u>	<u>-</u>
Total Assets	<u>\$ 10,228,026</u>	<u>\$ 1,695</u>
Liabilities and Net Position		
Liabilities	\$ -	\$ -
Net Position		
Restricted	<u>10,228,026</u>	<u>1,695</u>
Total Liabilities and Net Position	<u>\$ 10,228,026</u>	<u>\$ 1,695</u>

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

Town of Farmville, Virginia

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

For the Year Ended June 30, 2018

	Retirement Trust Fund	Paulette Memorial Trust Fund
Additions		
Contributions	\$ 533,981	\$ -
Interest, dividends, and unrealized gains (losses)	<u>672,291</u>	<u>4</u>
Total Additions	1,206,272	4
Deductions		
Benefits paid to participants or beneficiaries	169,578	-
Administrative expenses	<u>1,047</u>	<u>265</u>
Total Deductions	<u>170,625</u>	<u>265</u>
Change in Net Position	1,035,647	(261)
Net Position - Beginning	<u>9,192,379</u>	<u>1,956</u>
Net Position - Ending	<u>\$ 10,228,026</u>	<u>\$ 1,695</u>

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

Town of Farmville, Virginia

Notes to the Financial Statements

Year Ended June 30, 2018

1 Summary of Significant Accounting Policies

Narrative Profile

The Town of Farmville, Virginia (the "Town"), which was founded in 1798, has a population of approximately 8,216 living within an area of 7.2 square miles. The Town is located in the heart of Virginia. The Town is governed by an elected mayor and an elected Town Council with each serving administrative and legislative functions.

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

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

1-A. Financial Reporting Entity

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

Individual Component Unit Disclosures

Discretely Presented Component Unit

Farmville Industrial Development Authority

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

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

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

The Authority is a component unit of the financial reporting entity of the Town of Farmville, Virginia. The Authority issued a separate audit report dated September 11, 2018. Questions concerning this report or requests for additional information should be directed to Carol Anne Seal, Town Treasurer, Farmville Industrial Development Authority, P. O. Drawer 368, Farmville, Virginia 23901, telephone 434-392-3333.

Exclusions from the Reporting Entity

Jointly Governed Organizations

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

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

Central Virginia Regional Library

The Library provides library services to the Town of Farmville, Virginia. The participating localities provide annual contributions for operations based on book circulation. No one locality contributes significantly more funding nor can impose its will on the organization, and there is no financial benefit/burden relationship. The Town appropriated \$51,500 in operating funds and \$180,000 for rent subsidy in fiscal year 2018. The Town has no equity interest in the Library.

1-B. Financial Reporting Model

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

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

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

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

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

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

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

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

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

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

1-C. Financial Statement Presentation

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

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

- *General Fund* – The General Fund is the primary operating fund of the Town and accounts for all revenues and expenditures applicable to the general operations of the Town which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants.
- *Special Revenue Funds* – Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting due to legal or regulatory provisions or administrative action. Special Revenue Funds include the following:
 - Narcotic Fund – This fund accounts for special police activity having to do with narcotics and drug seizures and forfeitures.
 - Street Maintenance Fund – This fund accounts for the maintenance of the Town streets.
- *Capital Projects Funds* – The Capital Projects Fund accounts for financial resources to be used for rehabilitation projects other than those financed by proprietary funds. The Town has no Capital Projects Funds at this time.
- *Proprietary Funds* – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The Town has four enterprise funds, which accounts for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Town is that the cost of providing services to the general public be financed or recovered through user charges. The Enterprise Funds consist of the following:
 - The Water Fund accounts for activities associated with providing water services to customers in the Town.
 - The Sewer Fund accounts for activities associated with providing sewer services to customers in the Town.

- The Transportation Fund accounts for activities providing bus transportation services to local residents of the Town of Farmville and Prince Edward County residents.
- The Airport Fund accounts for activities associated with maintaining the airport and providing airport services to the local Farmville area.
- *Fiduciary Funds (Trust and Agency Funds)* – Fiduciary funds account for assets held by the Town in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds utilize the accrual basis of accounting. Since by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements. Trust and Agency Funds consist of the following:
 - Private Purpose Trust Funds

The Town maintains the Retirement Trust Fund as a service to the Town's employees. The fund is administered by Ascensus TPA Solutions (formerly known as RPAS) in Richmond, Virginia. It also has the Paulette Memorial Trust Fund for the cemetery.
 - Agency Funds

The Town has no agency funds at this time.
- *Discretely Presented Component Unit (Farmville Industrial Development Authority)*

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

1-D. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

1-E-1 Cash and Cash Equivalents

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

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

1-E-2 Investments

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

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

1-E-3 Receivables and Payables

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

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

Governmental Funds

General Fund - sanitation	\$ 7,568
General Fund - taxes receivable	20,850
General Fund - miscellaneous receivables	<u>15,972</u>
Total General Fund Allowance	44,390

Enterprise Funds

Water Fund - service revenue	<u>22,069</u>
Total Water Fund Allowance	22,069
Sewer Fund - service revenue	<u>40,513</u>
Total Sewer Fund Allowance	<u>40,513</u>
Airport Fund - miscellaneous receivables	<u>563</u>
Total Airport Fund Allowance	<u>563</u>
Total Enterprise Funds Allowance	<u>63,145</u>
Total Allowance - Primary Government	<u>\$ 107,535</u>

Real and Personal Property Tax Data

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

Real Property Personal Property

Assessed	January 1	January 1
Due Date	December 15	December 15

The Town bills and collects its own property taxes.

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

1-E-4 Prepaid Items

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

1-E-5 Capital Assets

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

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

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

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

1-E-6 Deferred Outflows/Inflows of Resources

The Statement of Net Position includes a separate section for Deferred Outflows of Resources. This represents the usage of net position applicable to future periods and will be recognized as expenditures in the future period to which it applies. This category also includes amounts related to pensions for certain actuarially determined differences projected and actual investment earnings.

The Statement of Net Position also includes a separate section for Deferred Inflows of Resources. This represents the acquisition of net position applicable to future periods and will be recognized as revenue in the future period to which it applies. Currently, this category includes revenue received in advance, and amounts related to pensions for certain actuarially determined differences between projected and actual experience.

Deferred Inflows of Resources in the Governmental Funds Balance Sheet include unavailable revenue. Unavailable revenue consists primarily of special assessment, loans, and notes receivable. The Town considers revenues available if they are collected within 45 days of the end of the fiscal year.

1-E-7 Compensated Absences

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

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

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

1-E-8 Defined Contribution Plan

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

1-E-9 Post Retirement Compensation Plan

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

1-E-10 Fund Equity

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

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

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

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

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

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

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

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

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

1-E-11 Operating Revenues and Expenses

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

1-E-12 Interfund Activity

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

1-E-13 Long-Term Obligations

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

1-E-14 Adoption of New GASB Statement

During the fiscal year ended June 30, 2018, the Town adopted the following GASB statement:

- Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions".

1-F. Estimates

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

2 Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

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

Budgetary Data

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

1. Prior to April 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing July 1. The operating budget and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund, function, and departmental level. These appropriations for each fund, function, and department can be revised only by the Town Council.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for all major funds and component unit.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Supplemental Appropriations are adopted if necessary during the fiscal year.

Expenditures in Excess of Appropriations

Expenditures did not exceed appropriations in any of the major governmental funds at the end of the fiscal year.

Fund Deficits

There were no fund deficits in any fund.

3 Deposits and Investments

Deposits

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

Investments

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

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

The following is a summary of cash and investments:

<u>Asset Type</u>	<u>Balance June 30, 2018</u>			
Petty cash			\$	3,000
Deposit accounts				5,480,766
Investments for retirement plan				<u>10,228,026</u>
Total Cash and Investments				<u>\$ 15,711,792</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Responsibilities</u>	<u>Total</u>
Primary Government				
Cash and cash equivalents	\$ 3,016,228	\$ 2,351,193	\$ 1,695	\$ 5,369,116
Investments	<u>-</u>	<u>-</u>	<u>10,228,026</u>	<u>10,228,026</u>
Total Primary Government	3,016,228	2,351,193	10,229,721	15,597,142
Component Unit Farmville IDA				
Cash and cash equivalents	<u>114,650</u>	<u>-</u>	<u>-</u>	<u>114,650</u>
Total Primary Government and Component Unit Farmville IDA	<u>\$ 3,130,878</u>	<u>\$ 2,351,193</u>	<u>\$ 10,229,721</u>	<u>\$ 15,711,792</u>

4 Receivables

Receivables at June 30, 2018 consist of the following:

Primary Government

	<u>Governmental Activities</u>			<u>Business-Type Activities</u>	<u>Component Unit Farmville IDA</u>
	<u>General</u>	<u>Other Nonmajor</u>	<u>Total</u>		
Property taxes	\$ 29,692	\$ -	\$ 29,692	\$ -	\$ -
Tax liens	119,879	-	119,879	-	-
Utility taxes	26,014	-	26,014	-	-
Sanitation fees	49,610	-	49,610	-	-
Sales tax	27,867	-	27,867	-	-
Food tax	230,526	-	230,526	-	-
Lodging tax	52,232	-	52,232	-	-
Insurance refund	21,527	-	21,527	-	-
Other miscellaneous	69,595	-	69,595	-	5,112
Water fund accounts	-	-	-	214,666	-
Sewer fund accounts	-	-	-	289,782	-
Airport fund accounts	-	-	-	563	-
Total	626,942	-	626,942	505,011	5,112
<i>Allowance for uncollectibles</i>					
Taxes	(20,850)	-	(20,850)	-	-
Service revenue	(7,568)	-	(7,568)	(62,582)	-
Other receivables	(15,972)	-	(15,972)	(563)	-
Net Receivables	\$ 582,552	\$ -	\$ 582,552	\$ 441,866	\$ 5,112

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

<u>Year(s) Ended June 30.</u>	<u>Business-Type Activities (Water Fund)</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 95,000	\$ -
2020	95,000	-
2021	95,000	-
2022	95,000	16,625
2023	95,000	13,300
2024-2026	<u>285,000</u>	<u>19,950</u>
Total	\$ 760,000	\$ 49,875

The Authority currently has one note receivable outstanding for the fiscal year ended June 30, 2018 as follows:

A \$600,000 note bearing an interest rate of 2.56 percent (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, 2018, the balance of the note amounted to \$266,186.

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

Fiscal Year(s) Ending	Principal	Interest
2019	\$ 26,597	\$ 6,475
2020	27,733	5,779
2021	27,721	5,069
2022	28,853	4,345
2023	29,978	3,592
2024-2028	<u>125,304</u>	<u>6,513</u>
Total	<u>\$ 266,186</u>	<u>\$ 31,773</u>

5 Interfund Transfers

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

Primary Government

Transfers To/From Other Funds	Transfer To	Transfer From
General Fund		
To Airport Fund for operating costs	\$ 9,891	\$ -
To Street Maintenance Fund for operating costs	500,000	-
From Narcotics Fund for operating costs	-	279
From Water Fund for debt service	-	400,000
From Sewer Fund for debt service	-	<u>883,106</u>
Total General Fund	509,891	1,283,385
Street Maintenance Fund		
From General Fund for operating costs	-	500,000
Narcotics Fund		
To General Fund for operating costs	<u>279</u>	-
Total Governmental Activities	510,170	1,783,385
Sewer Fund		
To General Fund for debt service	883,106	-
Airport Fund		
From General Fund for operating costs	-	9,891
Water Fund		
To General Fund for debt service	<u>400,000</u>	-
Total Business-Type Activities	<u>1,283,106</u>	<u>9,891</u>
Total Transfers - Primary Government	<u>\$ 1,793,276</u>	<u>\$ 1,793,276</u>

6 Due From Component Unit/Due to Primary Government

Details of the primary government due from component unit as of June 30, 2018 are as follows:

	<u>Due From</u>	<u>Due To</u>
Between Town of Farmville, Virginia and Component Unit Farmville IDA		
Town of Farmville, Virginia - General Fund		
From Component Unit Farmville IDA	\$ 855,948	\$ -
Component Unit Farmville IDA		
To Town of Farmville, Virginia - General Fund	<u>-</u>	<u>855,948</u>
Total Between Primary Government and Component Unit	<u>\$ 855,948</u>	<u>\$ 855,948</u>

7 Due from Other Governmental Units

Details of the Town's receivables from other governmental units, as of June 30, 2018, are as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Commonwealth of Virginia		
E-911 wireless payments	\$ 8,295	\$ -
Consumption tax	2,014	-
Dept. of Aviation		3,808
Farmville IDA	855,948	-
Federal Government		
Dept. of Transportation	<u>53,784</u>	<u>43,001</u>
Total	<u>\$ 920,041</u>	<u>\$ 46,809</u>

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8 Capital Assets

The following is a summary of changes in capital assets for the year ended June 30, 2018:

Primary Government

	Balance July 1, 2017	Transfers	Increases	Decreases	Balance June 30, 2018
Capital Assets Not Being Depreciated					
Land and land improvements	\$ 3,095,803	\$ -	\$ 551,850	\$ -	\$ 3,647,653
Total Capital Assets Not Being Depreciated	3,095,803	-	551,850	-	3,647,653
Other Capital Assets					
Buildings and improvements	15,933,599	-	4,925	-	15,938,524
Infrastructure	22,484,947	-	338,602	-	22,823,549
Vehicles and equipment	6,293,419	138,061	1,097,346	583,983	6,944,843
Total Other Capital Assets	44,711,965	138,061	1,440,873	583,983	45,706,916
Less: Accumulated depreciation for					
Buildings and improvements	5,400,179	-	471,911	-	5,872,090
Infrastructure	16,015,221	-	438,214	-	16,453,435
Vehicles and equipment	5,360,173	140,786	392,428	583,973	5,309,414
Total Accumulated Depreciation	26,775,573	140,786	1,302,553	583,973	27,634,939
Other Capital Assets, Net	17,936,392	(2,725)	138,320	10	18,071,977
Net Capital Assets	<u>\$21,032,195</u>	<u>\$ (2,725)</u>	<u>\$ 690,170</u>	<u>\$ 10</u>	<u>\$21,719,630</u>
Depreciation expense was allocated as follows:					
General government administration	\$ 7,363				
Public safety	243,929				
Public works	981,329				
Parks, recreation, and cultural	69,932				
Total Depreciation Expense	<u>\$ 1,302,553</u>				

Business-Type Activities

	Balance July 1, 2017	Transfers	Increases	Decreases	Balance June 30, 2018
Capital Assets Not Being Depreciated					
Land and land improvements	\$ 683,098	\$ -	\$ -	\$ -	\$ 683,098
Total Capital Assets Not Being Depreciated	683,098	-	-	-	683,098
Other Capital Assets					
Buildings and improvements	2,841,139	-	17,000	-	2,858,139
Infrastructure	26,145,625	-	137,466	-	26,283,091
Equipment and vehicles	<u>2,293,742</u>	<u>(138,061)</u>	<u>465,355</u>	<u>185,783</u>	<u>2,435,253</u>
Total Other Capital Assets	31,280,506	(138,061)	619,821	185,783	31,576,483
Less: Accumulated depreciation for					
Buildings and improvements	1,837,985	-	67,642	-	1,905,627
Infrastructure	20,824,164	-	428,356	-	21,252,520
Equipment and vehicles	<u>1,788,998</u>	<u>(140,786)</u>	<u>160,562</u>	<u>184,572</u>	<u>1,624,202</u>
Total Accumulated Depreciation	<u>24,451,147</u>	<u>(140,786)</u>	<u>656,560</u>	<u>184,572</u>	<u>24,782,349</u>
Other Capital Assets, Net	<u>6,829,359</u>	<u>2,725</u>	<u>(36,739)</u>	<u>1,211</u>	<u>6,794,134</u>
Net Capital Assets	<u>\$ 7,512,457</u>	<u>\$ 2,725</u>	<u>\$ (36,739)</u>	<u>\$ 1,211</u>	<u>\$ 7,477,232</u>

9 Compensated Absences

For the first year (12 months) of employment, an employee earns six hours of leave per pay period. After 12 months, the employee earns eight hours per pay period and then after 10 years of employment, ten hours per pay period. The maximum carryover of annual leave shall be 480 hours at the end of the last full two-week pay period in the calendar year. The Town has outstanding compensated absences totaling \$608,266 in the governmental activities and \$73,229 in the business-type activities.

10 Line of Credit

The Town has an operating line of credit with Farmers Bank. The line is for 1.5 million with an interest rate of 5.00%. Interest is paid monthly. There is an annual renewal fee of \$500. There were no draws or payments associated with this loan during the fiscal year and no balance was outstanding at fiscal year end.

11 Long-Term Debt

PRIMARY GOVERNMENT

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

Year(s) Ended June 30.	Governmental Activities		Business-Type Activities		Total Town of Farmville	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 1,236,081	\$ 423,970	\$ 150,000	\$ 154,587	\$ 1,386,081	\$ 578,557
2020	1,281,740	370,106	160,000	147,244	1,441,740	517,350
2021	1,339,011	308,421	165,000	138,916	1,504,011	447,337
2022	1,399,606	249,463	175,000	131,028	1,574,606	380,491
2023	1,359,710	189,412	180,000	123,006	1,539,710	312,418
2024-2028	3,079,032	234,124	1,050,000	466,413	4,129,032	700,537
2029-2033	-	-	1,345,000	177,984	1,345,000	177,984
Compensated Absences	608,266	-	73,229	-	681,495	-
Landfill Obligation	1,391,215	-	-	-	1,391,215	-
Total	\$ 11,694,661	\$ 1,775,496	\$ 3,298,229	\$ 1,339,178	\$ 14,992,890	\$ 3,114,674

Year(s) Ended June 30.	Component Unit Farmville IDA		Total Above Town of Farmville		Total Reporting Entity	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 37,216	\$ 16,899	\$ 1,386,081	\$ 578,557	\$ 1,423,297	\$ 595,456
2020	38,834	15,118	1,441,740	517,350	1,480,574	532,468
2021	40,747	13,079	1,504,011	447,337	1,544,758	460,416
2022	42,806	11,130	1,574,606	380,491	1,617,412	391,621
2023	44,718	9,145	1,539,710	312,418	1,584,428	321,563
2024-2028	120,622	20,568	4,129,032	700,537	4,249,654	721,105
2029-2033	39,571	5,237	1,345,000	177,984	1,384,571	183,221
Compensated Absences	-	-	681,495	-	681,495	-
Landfill Obligation	-	-	1,391,215	-	1,391,215	-
Total	\$ 364,514	\$ 91,176	\$ 14,992,890	\$ 3,114,674	\$ 15,357,404	\$ 3,205,850

Changes in Long-Term Debt

The following is a summary of changes in long-term obligations of the Town for the year ended June 30, 2018:

	<u>Balance July 1, 2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
Primary Government					
<p>\$19,015,000 General Obligation Refunding Bond, Series 2012A with Virginia Resources Authority issued June 13, 2012 with interest rates from 2.125% to 5.125% payable semiannually in October and April. Annual principal payments range from \$1,085,000 to \$295,000 due in October of every year. The final maturity date is October 1, 2032.</p>					
Enterprise Fund Portion	\$ 3,370,000	\$ -	\$ 145,000	\$ 3,225,000	\$ 150,000
General Fund Portion	<u>10,230,000</u>	<u>-</u>	<u>1,065,000</u>	<u>9,165,000</u>	<u>1,115,000</u>
Total Series 2012A Refunding Bonds	13,600,000	-	1,210,000	12,390,000	1,265,000
<p>\$21,000 note payable to USDA Rural Development dated August 23, 2012. The note is payable annually with an interest rate of 3.50 percent per annum. Proceeds used to buy a police car and Treasurer's computers. The note matures August 2019.</p>					
	9,611	-	3,099	6,512	3,207
<p>\$41,000 note payable to USDA Rural Development dated June 7, 2016. The note is payable annually with an interest rate of 2.875 percent per annum. Proceeds used to purchase police vehicles. The note matures June 2023.</p>					
	35,195	-	5,527	29,668	5,698
<p>\$94,000 note payable to USDA Rural Development dated May 5, 2018. The note is payable annually with an interest rate of 3.250 percent per annum. Proceeds used to purchase a frail mower. The note matures May 2025.</p>					
	-	94,000	-	94,000	12,176
<p>\$551,850 note payable to Wilck Family Limited Partnership dated September 29, 2017. The note is payable annually (October 1) with no interest. The note matures October 2021.</p>					
	-	551,850	151,850	400,000	100,000
Landfill Obligation	1,384,298	6,917	-	1,391,215	-
Compensated Absences - Governmental Activities	576,004	502,321	470,059	608,266	60,827
Compensated Absences - Business-Type Activities	<u>76,806</u>	<u>51,625</u>	<u>55,202</u>	<u>73,229</u>	<u>7,323</u>
Total Primary Government	<u>\$ 15,681,914</u>	<u>\$ 1,206,713</u>	<u>\$ 1,895,737</u>	<u>\$ 14,992,890</u>	<u>\$ 1,454,231</u>
Recap by Fund of Above Debt					
Governmental Funds	\$ 12,235,108	\$ 1,155,088	\$ 1,695,535	\$ 11,694,661	\$ 1,296,908
Enterprise Funds	<u>3,446,806</u>	<u>51,625</u>	<u>200,202</u>	<u>3,298,229</u>	<u>157,323</u>
Total Primary Government	<u>\$ 15,681,914</u>	<u>\$ 1,206,713</u>	<u>\$ 1,895,737</u>	<u>\$ 14,992,890</u>	<u>\$ 1,454,231</u>
Bond Premium on Series 2012 Bond - Governmental Fund portion	<u>\$ 1,779,163</u>	<u>\$ -</u>	<u>\$ 177,916</u>	<u>\$ 1,601,247</u>	<u>\$ 177,916</u>
Bond Premium on Series 2012 Bond - Enterprise Fund portion	<u>\$ 540,474</u>	<u>\$ -</u>	<u>\$ 33,779</u>	<u>\$ 506,695</u>	<u>\$ 33,779</u>
Component Unit Farmville IDA					
<i>Town of Farmville, Virginia</i>					
<p>The Town refinanced the bonds in which the Authority shared responsibility. As of the refinance, the Authority now is responsible for 2.942% of the total proceeds. The debt service schedule calls for semi-annual payments with interest only due each April 1 and principal and interest due each October 1 through October 1, 2032. Payments are scheduled to begin on October 1, 2012.</p>					
	<u>\$ 400,112</u>	<u>\$ -</u>	<u>\$ 35,598</u>	<u>\$ 364,514</u>	<u>\$ 37,216</u>

12 Net Investment in Capital Assets

The “net investment in capital assets” amount reported on the government-wide Statement of Net Position as of June 30, 2018 is determined as follows:

	Governmental Activities	Business- Type Activities	Total Primary Government
Net Investment in Capital Assets			
Cost of capital assets	\$ 49,354,569	\$ 32,259,581	\$ 81,614,150
Less: Accumulated depreciation	<u>(27,634,939)</u>	<u>(24,782,349)</u>	<u>(52,417,288)</u>
Book value	21,719,630	7,477,232	29,196,862
Less: Capital related debt	(9,695,180)	(3,225,000)	(12,920,180)
Less: Unamortized debt issuance premium	<u>(1,601,247)</u>	<u>(506,695)</u>	<u>(2,107,942)</u>
Net Investment in Capital Assets	<u>\$ 10,423,203</u>	<u>\$ 3,745,537</u>	<u>\$ 14,168,740</u>

13 Deferred Inflows of Resources

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

Primary Government General Fund

Delinquent taxes not collected within 45 days	\$ 3,222
Total Deferred Inflows of Resources - Governmental Funds	<u>\$ 3,222</u>

14 Risk Management

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

The Town continues to carry commercial insurance for all other risks of loss, including employee dishonesty and employee health and accident insurance. The Component Unit Farmville IDA carries commercial insurance for all risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Surety Bond coverage is as follows:

Aetna Insurance Company - Surety

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

15 Commitments and Contingencies

If applicable, federal programs in which the Town and the discretely presented component unit participate were audited in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Pursuant to the requirements of the Uniform Guidance, all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by the audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

16 Litigation

At June 30, 2018, there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decisions or pending matters not be favorable to such entities.

17 Legal Compliance

The Virginia Public Finance Act contains state law for issuance of long-term and short-term debt. The Act states, in part, that no municipality may issue bonds or other interest-bearing obligations, including existing indebtedness, which will at any time exceed ten percent of the assessed valuation on real estate as shown by the last preceding assessment for taxes. Short-term revenue anticipation bonds/notes, general obligation bonds approved in a referendum, revenue bonds, and contract obligations for publically owned or regional projects should not be included in the debt limitation.

Computation of Legal Debt Margin

Total Assessed Value of Taxed Real Estate	<u>\$ 525,065,080</u>
Debt Limits per Constitution of Virginia - 10% Assessed Value	\$ 52,506,508
<i>Amount of Debt Applicable to Debt Limit</i>	
Gross Debt	<u>12,920,180</u>
Legal Debt Margin	<u>\$ 39,586,328</u>

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

18 Landfill Obligation

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

The Town will recognize the remaining estimated costs of closure and post-closure care of \$1,391,215 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, 2018. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The Town is paying these costs on an annual pay-as-you-go basis. The calculated landfill costs were \$391,215. However, due to a contamination issue, EPA Regulation 9 VAC 20-70-113.A requires that a flat \$1 million be added to calculated closure and post-closure costs. Therefore, the audit reports \$1,391,215 as a long-term liability.

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

19 Defined Contribution Plan

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

The Town's total payroll in fiscal year 2018 was \$6,889,952. Employees contribute earnings and the Town matches this dollar for dollar with a cap of 5%. Both the Town and the covered employees made the required contributions totaling \$533,981 of which \$207,831 was from the Town.

20 Post Retirement Compensation Plan

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

Although the Town intends that the payments assist retirees with obtaining medical benefits, the payments are made in cash directly to retirees and are reported as W-2 compensation to the IRS. Thus, the payments constitute a form of retirement income provided through a defined benefit plan, albeit there is no pre-funding of plan benefits nor is the Plan qualified. Previously pension benefits, for which no trust exists, were covered under GASB 27. With the adoption of GASB 75, they are now considered "Other Postemployment Benefits" and as such are covered under GASB 75.

Actuarial Assumptions and Funding Method

Actuarial Valuation Date	July 1, 2017
Measurement Date for GASB 75 Reporting	June 30, 2017
Actuarial Funding Method	Entry Age Normal, level % of pay
Amortization of Unfunded Accrued Liability	30 year open from Valuation Date level dollar using valuation discount rate
Discount Rate (selected using Index, as of measurement date)	3.58% Bond Buyer 20-Bond GO Index
Mortality	RP-2006 (rates underlying RP-2014) generational Scale MP-2017, Male and Female (total dataset) for employees and healthy annuitants (combined at age 65)

Actuarial Assumptions and Funding Method (continued)

Rates of Retirement	<u>Age</u>	<u>Annual Rate</u>
	62	10.0%
	63	5.0%
	64	5.0%
	65	50.0%
	66	50.0%
	67	10.0%
	68	5.0%
	69	5.0%
	70	100.0%

Employee Turnover	<u>Age</u>	<u>Annual Rate</u>
	25	5.3%
	35	4.5%
	45	3.2%
	55	0.3%
	60	0.0%

Future Salary Increase (per annum) 3.00%

Summary of Other Post-Employment Benefits

Effective Date	Plan adopted by Town Council December 11, 2002 First payments made on April 2, 2003
Employee Class	Permanent full-time employees
Eligibility	25 years of service and attainment of Town of Farmville Retirement age (62). Employees must meet both requirements upon retiring from Town to receive benefits. Employees terminated prior to meeting either requirement are not eligible for future benefits.
Monthly Benefit	\$250 per month, plus \$10/month for each year of credited service in excess of 25. Payments are made quarterly (January 1, April 1, July 1, and October 1). Payments are for the retiree's lifetime.
Credited Service	Credited service must be earned while employed as a permanent full-time employee. 12 months of service is required for each year of credit. Prior service of rehired employees is credited. Employees who have met retirement age and continue working at least 24 hours per week may meet 25 year service requirement with combination of prior full-time service and part-time service after meeting retirement age.
Surviving Spouses	Benefit is payable only to retiree, no benefit payable to spouse after death of retiree.
Employee Contributions	Employer pays full cost

Executive Summary

<i>Actuarial Valuation Date</i>	<i>July 1, 2017</i>
<i>Measurement Date of the Net OPEB Liability</i>	<i>June 30, 2017</i>
<i>Financial Reporting Fiscal Year End</i>	<i>June 30, 2018</i>
Membership	
Active members	134
Retirees and beneficiaries	8
Inactive, non-retired members	<u>0</u>
Total	142
Covered Valuation Payroll	\$ 5,052,986
Net OPEB Liability	
Total OPEB Liability	\$ 1,898,768
Plan Fiduciary Net Position	<u>-</u>
Net OPEB Liability/(Asset)	<u>\$ 1,898,768</u>
Plan Fiduciary Net Position as a percentage of Total OPEB Liability	0.00%
Net OPEB Liability as a percentage of Covered Valuation Payroll	37.58%
Total OPEB Expense/(Income)	<u>\$ 131,895</u>

Deferred Outflows/Inflows of Resources

Deferred Outflows and Deferred Inflows of Resources by Source to be recognized in Future OPEB Expense are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 82,779
Change in actuarial assumptions	-	76,287
Net difference between projected and actual earnings on OPEB plan investments	-	-
Contributions subsequent to measurement date	<u>37,500</u>	<u>-</u>
Total	<u>\$ 37,500</u>	<u>\$ 159,066</u>

Discount Rate

20-year Municipal Bond Index used to select Discount	Bond Buyer 20-Bond GO Index
Long-term Municipal Bond Rate, as of Measurement Date	3.58%
Long-term Expected Rate of Investment Return (if applicable)	Not applicable
Resulting Single Discount Rate	3.58%

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

Year Ended June 30.	
2019	\$ (10,739)
2020	(10,739)
2021	(10,739)
2022	(10,739)
2023	(10,739)
Thereafter	(105,371)

Net OPEB Liability

Changes in Net OPEB Liability are as follows:

	Total OPEB Retiree HI Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Retiree HI Liability (Asset) (a) - (b)
Balances at July 1, 2017	\$ 1,965,180	\$ -	\$ 1,965,180
Changes for the Year			
Service cost	72,280	-	72,280
Interest	70,354	-	70,354
Changes in assumptions	(81,438)	-	(81,438)
Difference between expected and actual experience	(88,368)	-	(88,368)
Contributions - employer	-	39,240 *	(39,240)
Net investment income	-	-	-
Benefit payments, including refunds	(39,240)	(39,240)	-
Administrative expenses	-	-	-
Net Changes	<u>(66,412)</u>	<u>-</u>	<u>(66,412)</u>
Balances at June 30, 2018	<u>\$ 1,898,768</u>	<u>\$ -</u>	<u>\$ 1,898,768</u>

*Contributions include benefit payments

21 Fund Balances – Governmental Funds

As of June 30, 2018, fund balances are composed of the following:

	Primary Government			
	General Fund	Street Maintenance Fund	Narcotic Fund	Total Governmental Funds
Nonspendable				
Inventory	<u>\$ 27,237</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,237</u>
Assigned for				
Police department	\$ -	\$ -	\$ 21,845	\$ 21,845
Debt payments	632,697	-	-	632,697
Wireless	340,022	-	-	340,022
Library trust	<u>210,419</u>	<u>-</u>	<u>-</u>	<u>210,419</u>
	<u>\$ 1,183,138</u>	<u>\$ -</u>	<u>\$ 21,845</u>	<u>\$ 1,204,983</u>

22 Discretely Presented Component Unit Farmville IDA - Net Position

For fiscal year ending June 30, 2018, the Discretely Presented Component Unit Farmville IDA reflected a decrease in net position of \$13,475 as net position reflected a negative balance of \$564,422. The Authority has expended resources in developing industrial sites to bring business to the Farmville area. The previous deficits have been funded by the Town of Farmville, Virginia and are reflected as a liability of the Authority.

23 Restatement

The net position of the Governmental Activities at June 30, 2017 has been restated to reflect the cumulative effect resulting from the implementation of GASB 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The following reflects the effect of implementation of this new accounting standard.

Net Position Restated Due to GASB 75 Implementation:

	Governmental Activities
Beginning Balance as previously reported - June 30, 2017	\$ 9,303,032
Retiree Health Insurance - Net OPEB	<u>(390,725)</u>
Restated Balance - beginning of the year - July 1, 2017	<u>\$ 8,912,307</u>

The fund balance of the General Fund at June 30, 2017 has been restated to reflect the cumulative effect resulting from tax liens recorded in the property tax software module.

Beginning Balance	\$ 3,616,329
Tax Liens	<u>69,360</u>
Ending Balance	<u>\$ 3,685,689</u>

24 Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2018 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2018. Management has performed their analysis through November 27, 2018.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Town of Farmville, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2018

General Fund

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
General Property Taxes				
Real property taxes	\$ 650,000	\$ 650,000	\$ 629,232	\$ (20,768)
Public service corporation property taxes	32,000	32,000	34,052	2,052
Personal property taxes	213,000	213,000	205,151	(7,849)
Delinquent taxes	-	-	24,486	24,486
Interest on taxes	5,100	5,100	554	(4,546)
Penalties on taxes	4,500	4,500	6,078	1,578
Total General Property Taxes	904,600	904,600	899,553	(5,047)
Other Local Taxes				
Local sales and use taxes	375,000	375,000	358,479	(16,521)
Consumption tax	29,000	29,000	30,831	1,831
Consumers' utility taxes	365,000	365,000	369,512	4,512
Business licenses	1,363,000	1,363,000	1,445,788	82,788
Franchise license taxes	28,000	28,000	27,389	(611)
Motor vehicle licenses	100,000	100,000	75,232	(24,768)
Bank stock taxes	220,000	220,000	243,533	23,533
Cigarette taxes	200,000	200,000	210,477	10,477
Hotel and motel room taxes	501,750	501,750	471,197	(30,553)
Restaurant food taxes	2,661,750	2,661,750	2,874,404	212,654
Total Other Local Taxes	5,843,500	5,843,500	6,106,842	263,342
Permits, Privilege Fees, and Regulatory Licenses				
Building permits	80,025	80,025	120,888	40,863
Other permits, licenses, and fees	10,150	10,150	7,568	(2,582)
Total Permits, Privilege Fees, and Regulatory Licenses	90,175	90,175	128,456	38,281
Fines and Forfeitures				
Court fines	38,000	38,000	76,182	38,182
Other fines and forfeitures	4,000	4,000	28,943	24,943
Total Fines and Forfeitures	42,000	42,000	105,125	63,125
Revenue from Use of Money and Property				
Revenue from use of money	11,260	11,260	14,733	3,473
<i>Revenue from Use of Property</i>				
Rental of general property and real estate	96,765	96,765	102,378	5,613
Sale of property	178,630	178,630	225,342	46,712
Total Revenue from Use of Money and Property	286,655	286,655	342,453	55,798

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Charges for Services				
Miscellaneous	80,810	80,810	34,239	(46,571)
ICA per diem	275,000	275,000	245,127	(29,873)
Sanitation fees	355,000	355,000	343,494	(11,506)
Golf course charges	148,550	148,550	174,059	25,509
Longwood Streets	35,000	35,000	35,000	-
Parking meters	35,000	35,000	41,429	6,429
Public works	50,000	50,000	7,066	(42,934)
Grave openings	10,000	10,000	10,700	700
Total Charges for Services	989,360	989,360	891,114	(98,246)
Miscellaneous				
Payment from PE County for share of debt	226,300	226,300	226,299	(1)
Payment from Walk to Campus for traffic light	-	-	117,009	117,009
Miscellaneous	186,296	186,296	238,074	51,778
Total Miscellaneous	412,596	412,596	581,382	168,786
Recovered Costs				
Other funds and street department	378,000	378,000	415,003	37,003
Longwood - fire truck	150,000	150,000	150,000	-
Library rent	120,000	120,000	180,000	60,000
Other recovered costs	52,430	52,430	99,170	46,740
Total Recovered Costs	700,430	700,430	844,173	143,743
Intergovernmental				
<i>Revenue from the Commonwealth</i>				
Non-Categorical Aid				
Communications taxes	495,000	495,000	482,213	(12,787)
Mobile home titling tax	3,000	3,000	1,994	(1,006)
Rolling stock taxes - motor vehicle carriers tax	100	100	160	60
Auto rental tax	60,000	60,000	73,385	13,385
Total Non-Categorical Aid	558,100	558,100	557,752	(348)
Categorical Aid				
Wireless quarterly payments	91,000	91,000	99,494	8,494
Litter control grant	3,500	3,500	3,246	(254)
Law enforcement grant	172,312	172,312	172,312	-
Virginia tourism brochure	5,000	5,000	5,680	680
Virginia commission for the arts	5,000	5,000	3,000	(2,000)
VDOT and other grants	826,000	826,000	3,908	(822,092)
DMV and police grants	290,000	290,000	1,509	(288,491)
Fire program	26,040	26,040	27,467	1,427
Buildings and grounds grants	500,000	500,000	-	(500,000)
Total Categorical Aid	1,918,852	1,918,852	316,616	(1,602,236)
Total Revenue from the Commonwealth	2,476,952	2,476,952	874,368	(1,602,584)

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<i>Revenue from the Federal Government</i>				
Emergency Services grants	12,180	12,180	12,180	-
Police related grants	188,907	188,907	51,643	(137,264)
USDA Rural Development	-	-	24,709	24,709
VDOT Grant - Milnwood and Buffalo Creek	5,000,000	5,000,000	148,421	(4,851,579)
VDOT Grant - Pavement overlay	<u>471,000</u>	<u>471,000</u>	<u>-</u>	<u>(471,000)</u>
Total Revenue from the Federal Government	<u>5,672,087</u>	<u>5,672,087</u>	<u>236,953</u>	<u>(5,435,134)</u>
 Total Intergovernmental Revenue	 <u>8,149,039</u>	 <u>8,149,039</u>	 <u>1,111,321</u>	 <u>(7,037,718)</u>
 Total Revenues	 17,418,355	 17,418,355	 11,010,419	 (6,407,936)
Expenditures				
<i>General Government Administration</i>				
Town Council	250,428	251,378	226,600	24,778
Town Manager	963,744	992,992	929,509	63,483
Treasurer	<u>596,655</u>	<u>612,574</u>	<u>493,447</u>	<u>119,127</u>
Total General Government Administration	1,810,827	1,856,944	1,649,556	207,388
<i>Public Safety</i>				
Police Department	2,674,967	2,976,770	2,734,449	242,321
911 services	1,163,705	1,120,705	879,282	241,423
Fire services	938,650	938,650	955,023	(16,373)
Building inspector	152,608	152,608	146,065	6,543
Animal control	<u>21,157</u>	<u>25,509</u>	<u>22,577</u>	<u>2,932</u>
Total Public Safety	4,951,087	5,214,242	4,737,396	476,846
<i>Public Works</i>				
Recycling department	105,892	105,892	95,113	10,779
Sanitation	749,283	749,283	641,817	107,466
Maintenance of highways and streets	6,414,098	6,436,219	585,128	5,851,091
South Street Conference Center	17,545	17,545	12,319	5,226
Town shop	-	-	18,118	(18,118)
Surveyor	98,075	105,925	96,678	9,247
Maintenance of buildings and grounds	1,926,655	1,637,438	1,105,775	531,663
Horticulturist	<u>90,443</u>	<u>91,943</u>	<u>83,079</u>	<u>8,864</u>
Total Public Works	9,401,991	9,144,245	2,638,027	6,506,218
<i>Parks, Recreation, and Cultural</i>				
Library	20,081	24,744	20,088	4,656
Appropriation - Library - Rent	120,000	180,000	180,000	-
Appropriation - Library	51,500	51,500	51,500	-
Golf Course	324,363	324,363	254,276	70,087
Banquet Room	28,210	36,715	28,829	7,886
Pool	64,172	64,172	50,369	13,803
Sports Arena	34,590	45,200	37,139	8,061
Wilck's Lake	20,583	31,183	579,178	(547,995)
Train station	17,671	17,671	12,245	5,426
Parks and recreation	<u>341,803</u>	<u>259,729</u>	<u>167,686</u>	<u>92,043</u>
Total Parks, Recreation, and Cultural	1,022,973	1,035,277	1,381,310	(346,033)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
<i>Community Development</i>				
Planning and community development	87,000	88,800	80,140	8,660
Town Planner	<u>79,021</u>	<u>72,021</u>	<u>39,967</u>	<u>32,054</u>
Total Community Development	166,021	160,821	120,107	40,714
<i>Debt Service</i>				
Principal	1,073,549	1,225,475	1,225,475	-
Interest	<u>472,034</u>	<u>471,958</u>	<u>471,958</u>	<u>-</u>
Total Debt Service	<u>1,545,583</u>	<u>1,697,433</u>	<u>1,697,433</u>	<u>-</u>
Total Expenditures	<u>18,898,482</u>	<u>19,108,962</u>	<u>12,223,829</u>	<u>6,885,133</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,480,127)	(1,690,607)	(1,213,410)	477,197
Other Financing Sources (Uses)				
Issuance of debt	408,202	408,202	645,850	237,648
Transfers in	1,255,101	1,283,106	1,283,385	279
Transfers out	<u>(343,757)</u>	<u>(945,867)</u>	<u>(509,891)</u>	<u>435,976</u>
Total Other Financing Sources (Uses)	<u>1,319,546</u>	<u>745,441</u>	<u>1,419,344</u>	<u>673,903</u>
Net Change in Fund Balance	(160,581)	(945,166)	205,934	1,151,100
Transfer from Surplus (Contingency)	<u>160,581</u>	<u>945,166</u>	<u>-</u>	<u>(945,166)</u>
Net Change after Transfer from Surplus	<u>\$ -</u>	<u>\$ -</u>	205,934	<u>\$ 205,934</u>
Fund Balance - Beginning of Year (Restated)			<u>3,685,689</u>	
Fund Balance - End of Year			<u>\$ 3,891,623</u>	

Variance
With
Final Budget
Positive
(Negative)

Street Maintenance Fund

Revenues

Intergovernmental

Revenue from the Commonwealth

Categorical Aid

Street maintenance fund

	<u>\$ 1,690,000</u>	<u>\$ 1,690,000</u>	<u>\$ 1,682,333</u>	<u>\$ (7,667)</u>
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Total Categorical Aid and Revenues

	1,690,000	1,690,000	1,682,333	(7,667)
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Expenditures

Public Works

Maintenance of streets and highways

	<u>1,867,514</u>	<u>1,955,149</u>	<u>1,924,769</u>	<u>30,380</u>
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Excess (Deficiency) of Revenues Over Expenditures

	(177,514)	(265,149)	(242,436)	22,713
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Other Financing Sources (Uses)

Transfers in (out)

	<u>177,514</u>	<u>265,149</u>	<u>500,000</u>	<u>234,851</u>
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Total Other Financing Sources (Uses)

	<u>177,514</u>	<u>265,149</u>	<u>500,000</u>	<u>234,851</u>
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Net Change in Fund Balance

	-	-	257,564	257,564
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Transfer from Surplus (Contingency)

	-	-	-	-
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Net Change after Transfer from Surplus

	<u>\$ -</u>	<u>\$ -</u>	257,564	<u>\$ 257,564</u>
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Fund Balance - Beginning of Year

	<u>104,732</u>
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Fund Balance - End of Year

	<u>\$ 362,296</u>
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Town of Farmville, Virginia

Schedule of Changes in the Political Subdivision's
Net OPEB Liability - Retiree Health Insurance
and Related Ratios ⁽¹⁾

Last 10 Fiscal Years (as information becomes available)

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 72,280
Interest	70,354
Changes of benefit terms	-
Differences between expected and actual experience	(88,368)
Changes in assumptions	(81,438)
Benefit payments	<u>(39,240)</u>
Net change in total OPEB liability	(66,412)
Total OPEB liability - beginning	<u>1,965,180</u>
Total OPEB liability - ending (a)	<u>\$ 1,898,768</u>
Plan fiduciary net position	
Contributions - employer *	\$ 39,240
Contributions - employee	-
Net investment income	-
Benefit payments	(39,240)
Administrative expense	-
Other	<u>-</u>
Net change in plan fiduciary net position	-
Plan fiduciary net position - beginning	<u>-</u>
Plan fiduciary net position - ending (b)	<u>\$ -</u>
Political subdivision's net OPEB liability - ending (a) - (b)	<u>\$ 1,898,768</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%
Covered employee-payroll	\$ 5,113,418
Political subdivision's net OPEB liability as a percentage of covered payroll	37.13%

* Contributions include benefit payments

⁽¹⁾ Schedule will be populated going forward following implementation of GASB 75

Town of Farmville, Virginia

Schedule of Employer Contributions - OPEB Retiree Health Insurance

Last 10 Fiscal Years

Date	Actuarially Determined Contribution (1)	Contributions in Relation to Actuarially Determined Contribution (2)	Contribution Deficiency (Excess) (3)	Expected Covered Employee Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	\$ 179,144	\$ 37,500	\$ 141,644	\$ 5,113,418	0.73%

Schedule is intended to show information for 10 years. Since 2018 is the first year of presentation, only one year of data is available. However, additional years will be included as they become available.

OTHER SUPPLEMENTARY INFORMATION

Town of Farmville, Virginia

Combining Balance Sheet

Other Governmental Funds

At June 30, 2018

	Narcotic Fund	Total Other Governmental Funds
Assets		
Cash and investments	<u>\$ 21,845</u>	<u>\$ 21,845</u>
Total Assets	<u>\$ 21,845</u>	<u>\$ 21,845</u>
Liabilities	\$ -	\$ -
Fund Balance		
Assigned	<u>21,845</u>	<u>21,845</u>
Total Fund Balance	<u>21,845</u>	<u>21,845</u>
Total Liabilities and Fund Balance	<u>\$ 21,845</u>	<u>\$ 21,845</u>

Town of Farmville, Virginia

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

Other Governmental Funds

At June 30, 2018

	<u>Special Revenue Fund Narcotic Fund</u>	<u>Total Other Governmental Funds</u>
Revenues		
Use of money and property	\$ 72	\$ 72
Intergovernmental		
From the Commonwealth of Virginia	<u>10,104</u>	<u>10,104</u>
Total Revenues	10,176	10,176
Expenditures		
Public safety	<u>3,475</u>	<u>3,475</u>
Total Expenditures	<u>3,475</u>	<u>3,475</u>
Excess (Deficiency) of Revenues Over Expenditures	6,701	6,701
Other Financing Sources (Uses)		
Transfers	<u>(279)</u>	<u>(279)</u>
Total Other Financing Sources (Uses)	<u>(279)</u>	<u>(279)</u>
Net Change in Fund Balances	6,422	6,422
Fund Balance - Beginning of Year	<u>15,423</u>	<u>15,423</u>
Fund Balance - End of Year	<u>\$ 21,845</u>	<u>\$ 21,845</u>

Town of Farmville, Virginia

Statement of Net Position (Deficit)

Discretely Presented Component Unit - IDA

Farmville Industrial Development Authority

As of June 30, 2018

Assets**Current Assets**

Cash	\$ 114,650
Accounts receivable	3,408
Accrued interest receivable	1,704
Notes receivable - current portion	<u>26,597</u>

Total Current Assets	146,359
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Long-Term Notes Receivable

<u>239,589</u>

Total Assets	<u><u>\$ 385,948</u></u>
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Liabilities and Net Position (Deficit)**Liabilities***Current Liabilities*

Due to Town of Farmville, Virginia	\$ 491,434
Accrued interest payable	4,422
Notes payable - current portion	<u>37,216</u>

Total Current Liabilities	533,072
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Long-Term Liabilities

Note payable - less current portion	<u>327,298</u>
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Total Liabilities	860,370
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Net Position (Deficit)

Unrestricted (deficit)	<u>(474,422)</u>
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Total Net Position (Deficit)	<u>(474,422)</u>
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Total Liabilities and Net Position (Deficit)	<u><u>\$ 385,948</u></u>
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Town of Farmville, Virginia

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

Discretely Presented Component Unit - IDA

Farmville Industrial Development Authority

Year Ended June 30, 2018

Operating Income	\$ 90,000
Operating Expenses	
Supplies	12
Professional fees	<u>2,625</u>
Total Operating Expenses	<u>2,637</u>
Net Operating Income	87,363
Non-Operating Revenues (Expenses)	
Interest income	7,304
Interest expense	<u>(18,142)</u>
Net Non-Operating Revenues (Expenses)	<u>(10,838)</u>
Change in Net Position	76,525
Total Net Position (Deficit) - Beginning of Year	<u>(550,947)</u>
Total Net Position (Deficit) - End of Year	<u><u>\$ (474,422)</u></u>

Town of Farmville, Virginia

Statement of Cash Flows

Discretely Presented Component Unit - IDA

Farmville Industrial Development Authority

Year Ended June 30, 2018

Cash Flows from Operating Activities

Administrative fees	\$ 90,000
Payments to suppliers	<u>(2,637)</u>
Net Cash Provided by Operating Activities	87,363

Cash Flows from Capital and Related Financing Activities

Curtailment of borrowings	(35,598)
Proceeds resulting from curtailment of note receivable	<u>26,603</u>
Net Cash Used in Capital and Related Financing Activities	(8,995)

Cash Flows from Investing Activities

Interest income	4,066
Interest expense	<u>(19,510)</u>
Net Cash Used in Investing Activities	<u>(15,444)</u>

Net Increase in Cash and Cash Equivalents	62,924
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Cash and Cash Equivalents - Beginning of Year	<u>51,726</u>
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Cash and Cash Equivalents - End of Year	<u><u>\$ 114,650</u></u>
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Reconciliation of Operating Income to Net Cash Used in Operating Activities

Operating income	<u>\$ 87,363</u>
Net Cash Provided by Operating Activities	<u><u>\$ 87,363</u></u>

COMPLIANCE SECTION



**Creedle
Jones
& Alga**

A Professional Corporation

*Robin B. Jones, CPA, CFP
David V. Alga, CPA, CVA, CFF
Denise C. Williams, CPA, CSEP
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INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Town Council
Town of Farmville, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Farmville, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Farmville, Virginia’s basic financial statements and have issued our report thereon dated November 27, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



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

South Hill, Virginia
November 27, 2018



**Creedle
Jones
& Alga**

A Professional Corporation

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

*Nadine L. Chase, CPA
Monique A. Lubick, CPA*

Sherwood H. Creedle, Emeritus

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Virginia Society of Certified Public Accountants*

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

To the Town Council
Town of Farmville, Virginia

Report on Compliance for Each Major Federal Program

We have audited the Town of Farmville, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Farmville, Virginia's major federal programs for the year ended June 30, 2018. Town of Farmville, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Farmville, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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); and *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards, the Uniform Guidance, and specifications 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 of Farmville, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Farmville, Virginia'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 each of its major federal programs for the year ended June 30, 2018.

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 of Farmville, Virginia'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 of Farmville, Virginia'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.

Creedle, Jones & Alga, P.C.

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

South Hill, Virginia
November 27, 2018



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REPORT ON COMPLIANCE WITH COMMONWEALTH OF VIRGINIA'S LAWS, REGULATIONS, CONTRACTS, AND GRANTS

To the Town Council
Town of Farmville, Virginia

We have audited the financial statements of the Town of Farmville, Virginia, as of and for the year ended June 30, 2018, and have issued our report thereon dated November 27, 2018.

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

Compliance with Commonwealth of Virginia's laws, regulations, contracts, and grants applicable to the Town of Farmville, Virginia, is the responsibility of the Town of Farmville, Virginia's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Town of Farmville, Virginia's compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts, and grants. However, the objective of our audit of the basic financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The following is a summary of the Commonwealth of Virginia's laws, regulations, contracts, and grants for which we performed tests of compliance:

Code of Virginia

- Budget and Appropriation Laws
- Cash and Investments
- Conflicts of Interest
- Retirement Systems
- Debt Provisions
- Procurement
- Unclaimed Property
- Personal Property Tax Relief Act

State Agency Requirements

Social Services
Education
Children's Services Act Funds
Economic Development Opportunity Fund

The results of our tests disclosed no instances of noncompliance with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Town of Farmville, Virginia had not complied, in all material respects, with those provisions.

This report is intended solely for the information of the Town Council, Town of Farmville, Virginia's management, Auditor of Public Accounts of the Commonwealth of Virginia, and applicable state agencies, and is not intended to be, and should not be, used by anyone other than these specified parties.

Creedle, Jones & Alga, P.C.

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

South Hill, Virginia
November 27, 2018

Town of Farmville, Virginia

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass- through Entity Identifying Number	Total Federal Expenditures
U. S. Department of Homeland Security			
Pass-Through Payments			
<i>Department of Emergency Management</i>			
Emergency Management Performance Grants	97.042	127	\$ 12,180
U. S. Department of Transportation			
Pass-Through Payments			
<i>Department of Rail and Public Transportation</i>			
Formula Grants for Rural Areas	20.509	505	775,992
<i>Department of Transportation</i>			
<i>Highway Planning and Construction Cluster</i>			
Highway Planning and Construction	20.205	501	148,421
<i>Department of Motor Vehicles</i>			
Alcohol Open Container Requirements	20.607	530	35,972
<i>Highway Safety Cluster</i>			
State and Community Highway Safety	20.600	530	11,700
Direct Payments			
Airport Improvement Program	20.106	N/A	<u>37,983</u>
Subtotal - U. S. Department of Transportation			1,010,068
U.S. Department of Justice			
Pass-Through Payments			
<i>Department of Criminal Justice Services</i>			
Edward Byrne Memorial Justice Assistance Grant	16.738	140	2,826
Direct Payments			
Bulletproof Vest Partnership Program	16.607	N/A	<u>1,145</u>
Subtotal - U.S. Department of Agriculture			3,971
Department of Health - DHHS			
Direct Payments			
Preventative Health and Health Services Block Grant	93.758	N/A	8,772
U.S. Department of Agriculture			
Direct Payments			
<i>Community Facilities Loans and Grants Cluster</i>			
Community Facilities Loans and Grants	10.766	N/A	<u>24,709</u>
Grand Totals			<u>\$ 1,059,700</u>

Town of Farmville, Virginia

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Town of Farmville, Virginia under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Town of Farmville, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of Town of Farmville, Virginia.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

Town of Farmville has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

4. Subrecipients

No awards passed through to subrecipients.

Town of Farmville, Virginia

Schedule of Findings and Questioned Costs

Year Ended June 30, 2018

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiencies identified? None Reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiencies identified? None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance 2 CFR section 200.516(a)? No

Major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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20.509	Formula Grants for Rural Area
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Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? No