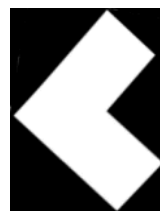


Town of Farmville, Virginia
Comprehensive Annual Financial Report
Year Ended June 30, 2012



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

Town of Farmville, Virginia

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FINANCIAL SECTION



**Creedle
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Farmville, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Farmville, Virginia's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Farmville, Virginia, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2012 on our consideration of the Town of Farmville, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 9 and 44 through 48 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Farmville, Virginia's financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

Credle, Jones & Alga, P.C.

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

South Hill, Virginia
October 9, 2012

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, 2012. We encourage readers to read this discussion and analysis in conjunction with the transmittal letter and the Town's financial statements.

Financial Highlights for Fiscal Year 2012

Highlights for Government-Wide Financial Statements

- At the close of the fiscal year, the assets of the Town, excluding its Component Unit, exceeded its liabilities by \$13,084,364. Of this amount, a deficit in unrestricted fund balances of \$5,014,129 exists for the governmental activities.
- For the fiscal year, general and program revenues of the Town's governmental activities were \$10,943,979 and expenses amounted to \$10,820,739. The Town's total net assets decreased \$1,110,930. The Town's revenues for the enterprise activities were \$5,632,716 and the expenses were \$4,458,790. Net assets increased by \$1,003,431.

Highlights for Fund Financial Statements

- As of June 30, 2012, the Town Governmental Funds reported combined fund balances of \$1,986,423 an increase of \$992,844 in comparison with the prior year. Unassigned fund balance amounts to \$1,540,659 which is available to meet the Town's current and future needs.
- The General Fund reported a fund balance of \$1,603,446, an increase of \$738,986 from June 30, 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Comprehensive Annual Financial Report consists of two sections: financial and compliance.

- The ***financial section*** has three component parts - management's discussion and analysis (this section), the basic financial statements which include government-wide financial statements and fund financial statements, and required supplementary information.
- The ***compliance section*** is required under the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, if applicable.

In the past, the primary focus of local government financial statements has summarized fund type information on a current financial resource basis. This approach has been modified and now consists of two kinds of statements, each with a different view of the Town's finances. The new government-wide financial statements provide both long-term and short-term information about the Town's overall financial status. The fund financial statements, which have been provided in the past, focus on individual parts of the Town's government, reporting the Town's operations in more detail than the government-wide statements.

The basic financial statements also contain notes to explain in greater detail, the information found in the financial statements.

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 assets and how they have changed during the fiscal year.

The first government-wide statement - the Statement of Net Assets - presents information on all of the Town's assets and liabilities. The difference between assets and liabilities, net assets, can be used as one way to measure the Town's financial health or financial condition. Over time, increases or decreases in the net assets 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.

The second statement - the Statement of Activities - presents information using the accrual basis accounting method and shows how the Town's net assets 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 statements are divided into the following three categories:

Governmental Activities: Most of the Town's basic services are reported here, including general government administration; public safety; public works; parks, recreation, and cultural; and community development. These activities are financed primarily by property taxes, other local taxes, and Federal and State grants. Governmental Funds are included in the governmental activities.

Business-Type Activities: Town of Farmville, Virginia has several Proprietary Enterprise Funds that account for the water and sewer system, an airport, and a transportation system.

Discretely Presented Component Unit: The Town includes the Farmville Industrial Development Authority in its annual financial report. Although legally separate, this component unit is important because the Town is financially accountable for it. The financial statements of the Farmville Industrial Development Authority are issued separately.

Fund Financial Statements

Traditional users of government financial statements will find the fund financial statements more familiar. These statements provide more detailed information about the Town's most significant funds. Funds are used to ensure compliance with finance-related legal requirements and are used to keep track of specific sources of revenue and expenses for particular purposes. The Town has three kinds 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 additional long-term focus of the government-wide statements, additional information is provided with the fund's financial statements to explain the relationship (or differences). The General Fund is the main operating account of the Town and, therefore, the largest of the Governmental Funds. All other Governmental Funds, which include Special Revenue Funds and Capital Projects Funds, are collectively referred to as nonmajor Governmental Funds.

Proprietary Funds - Proprietary Funds, which consist of Enterprise Funds, operate in a manner similar to private business enterprises in which costs are recovered primarily through a user charge. Proprietary Fund financial statements provide both long and short-term financial information. The Town has a Water and Sewer Fund that generates revenue based on consumer charges; an airport fund that supports the Town but receives much of its funding through grants; and a transportation system that services the Town, receiving its funding from local contributors and government grants.

Fiduciary Funds - Fiduciary Funds are used to account for resources held by the Town for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide statements because the funds are not available to support the Town's programs. The Town's Fiduciary Funds consist of Retirement Trust Funds and the Paulette Memorial Trust Fund. The funds are used to account for monies received, held, and disbursed on behalf of the Town's employees and the Paulette family.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets:

Summary of Net Assets								
As of June 30, 2012 and 2011								
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Component Unit Farmville IDA</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Assets								
Current and other assets	\$ 2,270,031	\$ 5,951,368	\$ 5,365,028	\$ 1,686,837	\$ 7,635,059	\$ 7,638,205	\$ 500,503	\$ 607,298
Capital assets (net)	24,444,237	23,822,663	7,912,289	8,714,025	32,356,526	32,536,688	-	171,899
Other assets	35,903	-	305,986	-	341,889	-	-	9,090
Total Assets	<u>\$ 26,750,171</u>	<u>\$ 29,774,031</u>	<u>\$ 13,583,303</u>	<u>\$ 10,400,862</u>	<u>\$ 40,333,474</u>	<u>\$ 40,174,893</u>	<u>\$ 500,503</u>	<u>\$ 788,287</u>
Liabilities								
Other liabilities	\$ 283,608	\$ 4,957,789	\$ 161,541	\$ 830,500	\$ 445,149	\$ 5,788,289	\$ 634,745	\$ 573,921
Long-term liabilities	21,573,947	18,685,821	5,230,014	3,275,105	26,803,961	21,960,926	559,427	721,898
Total Liabilities	<u>21,857,555</u>	<u>23,643,610</u>	<u>5,391,555</u>	<u>4,105,605</u>	<u>27,249,110</u>	<u>27,749,215</u>	<u>1,194,172</u>	<u>1,295,819</u>
Net Assets								
Invested in capital assets, net of related debt	6,439,527	8,139,104	7,260,155	4,840,466	13,699,682	12,979,570	-	171,899
Restricted - capital projects	-	-	4,398,811	-	4,398,811	-	-	-
Unrestricted	<u>(1,546,911)</u>	<u>(2,008,683)</u>	<u>(3,467,218)</u>	<u>1,454,791</u>	<u>(5,014,129)</u>	<u>(553,892)</u>	<u>(693,669)</u>	<u>(679,431)</u>
Total Net Assets (Deficit)	<u>4,892,616</u>	<u>6,130,421</u>	<u>8,191,748</u>	<u>6,295,257</u>	<u>13,084,364</u>	<u>12,425,678</u>	<u>(693,669)</u>	<u>(507,532)</u>
Total Liabilities and Net Assets	<u>\$ 26,750,171</u>	<u>\$ 29,774,031</u>	<u>\$ 13,583,303</u>	<u>\$ 10,400,862</u>	<u>\$ 40,333,474</u>	<u>\$ 40,174,893</u>	<u>\$ 500,503</u>	<u>\$ 788,287</u>

The Commonwealth of Virginia requires that counties and towns, as well as their financial dependent component units, be financed under a single taxing structure. This results in counties and towns issuing debt to finance capital assets, such as public schools, for their component units. For the purpose of this financial statement, the debt and correlating asset (or portion therefore) is recorded as an asset and long-term liability of the primary government. GASB Statement No. 14, The *Financial Reporting Entity*, requires that the primary government and its component units, which make up the total reporting entity, be accounted for separately on the face of the basic financial statements. The net assets of the total financial reporting entity best

represent the entity's financial position. In the case of the Town's reporting entity, assets exceeded liabilities by \$12,390,695 at June 30, 2012. The largest portion of the reporting entity's net assets, \$13,699,682, reflects investment in capital assets (e.g., land, buildings, and equipment), less the outstanding debt associated with the asset acquisition.

Statement of Activities

The following table summarizes revenues and expenses for the primary government as of June 30, 2012 and 2011:

Summary of Changes in Net Assets

For the Fiscal Years Ended June 30, 2012 and 2011

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Component Unit Farmville IDA</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues								
Program Revenues								
Charges for services	\$ 830,633	\$ 691,731	\$ 4,479,685	\$ 3,226,455	\$ 5,310,318	\$ 3,918,186	\$ -	\$ -
Operating grants and contributions	3,177,660	14,412,688	1,082,694	594,427	4,260,354	15,007,115	-	-
General Revenues								
General property taxes, real and personal	836,840	725,121	-	-	836,840	725,121	-	-
Other taxes	4,864,676	4,553,609	-	-	4,864,676	4,553,609	-	-
Noncategorical aid from state	753,563	790,239	-	-	753,563	790,239	-	-
Use of property	188,931	212,614	53,256	63,979	242,187	276,593	-	-
Investment earnings	12,233	7,648	1,608	1,079	13,841	8,727	23,407	27,725
Miscellaneous	279,443	282,352	15,473	169,234	294,916	451,586	-	-
Total Revenues	<u>10,943,979</u>	<u>21,676,002</u>	<u>5,632,716</u>	<u>4,055,174</u>	<u>16,576,695</u>	<u>25,731,176</u>	<u>23,407</u>	<u>27,725</u>
Expenses								
General government administration	1,222,310	1,202,594	-	-	1,222,310	1,202,594	-	-
Public safety	3,530,624	16,077,744	-	-	3,530,624	16,077,744	-	-
Public works	4,412,121	4,920,893	-	-	4,412,121	4,920,893	-	-
Parks, recreation, and cultural	639,211	1,035,746	-	-	639,211	1,035,746	-	-
Community development	105,882	227,496	-	-	105,882	227,496	184,514	41,355
Enterprise fund expenses	-	-	4,288,295	4,331,344	4,288,295	4,331,344	-	-
Interest on long-term debt	910,591	685,655	170,495	-	1,081,086	685,655	25,030	-
Total Expenses	<u>10,820,739</u>	<u>24,150,128</u>	<u>4,458,790</u>	<u>4,331,344</u>	<u>15,279,529</u>	<u>28,481,472</u>	<u>209,544</u>	<u>41,355</u>
Increase (Decrease) in Net Assets								
Before Transfers	123,240	(2,474,126)	1,173,926	(276,170)	1,297,166	(2,750,296)	(186,137)	(13,630)
Transfers	(799,400)	(107,653)	799,400	107,653	-	-	-	-
Increase (Decrease) in Net Assets	<u>(676,160)</u>	<u>(2,581,779)</u>	<u>1,973,326</u>	<u>(168,517)</u>	<u>1,297,166</u>	<u>(2,750,296)</u>	<u>(186,137)</u>	<u>(13,630)</u>
Beginning Net Assets (Deficit)	6,130,421	8,712,200	6,295,257	6,463,774	12,425,678	15,175,974	(507,532)	(493,902)
Prior Period Adjustment	(561,645)	-	(76,835)	-	(638,480)	-	-	-
Ending Net Assets (Deficit)	<u>\$ 4,892,616</u>	<u>\$ 6,130,421</u>	<u>\$ 8,191,748</u>	<u>\$ 6,295,257</u>	<u>\$ 13,084,364</u>	<u>\$ 12,425,678</u>	<u>\$ (693,669)</u>	<u>\$ (507,532)</u>

Governmental activities decreased the Town's net assets by \$676,160. Revenues from governmental activities totaled \$10,943,979. Other local taxes comprise the largest source of these revenues, totaling \$4,864,676 or 44.5 percent of all governmental activities revenue. Grants are the second largest revenue stream totaling \$3,177,660 or 29.0 percent of governmental revenues.

The total cost of all governmental activities for this fiscal year was \$10,820,739. Public Works is the Town's largest program with expenses totaling \$4,412,121 or 40.8 percent. Public Safety expenses, which total \$3,530,624 or 32.6 percent, represent 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, 2012 and 2011

	<u>2012</u>		<u>2011</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	\$ 1,222,310	\$ (1,018,902)	\$ 1,202,594	\$ (1,153,450)
Public safety	3,530,624	(3,055,376)	16,077,744	(15,402,324)
Public works	4,412,121	(1,251,441)	4,920,893	9,145,656
Parks, recreation, and cultural	639,211	(470,254)	1,035,746	(722,440)
Community development	105,882	(105,882)	227,496	(227,496)
Interest on long-term debt	910,591	(910,591)	685,655	(685,655)
Total	\$ 10,820,739	\$ (6,812,446)	\$ 24,150,128	\$ (9,045,709)

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As of June 30, 2012, the Town's Governmental Funds reported a combined ending fund balance of \$1,986,423, an increase of \$992,844 in comparison with 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 \$1,540,659. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 6.2 percent of total fund expenditures.

The Street Maintenance Fund had expenditures totaling \$2,065,996.

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, 2012 and 2011

	<u>2012</u>			<u>2011</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues						
Taxes	\$ 826,239	\$ 826,239	\$ 836,840	\$ 737,950	\$ 737,950	\$ 725,121
Other	6,014,526	6,014,526	6,209,981	5,849,201	5,849,201	5,840,365
Intergovernmental	<u>3,234,290</u>	<u>3,234,290</u>	<u>2,442,223</u>	<u>2,821,988</u>	<u>2,821,988</u>	<u>1,473,250</u>
Total	<u>10,075,055</u>	<u>10,075,055</u>	<u>9,489,044</u>	9,409,139	9,409,139	8,038,736
Expenditures						
	<u>10,795,676</u>	<u>10,795,676</u>	<u>24,857,218</u>	<u>10,565,572</u>	<u>10,565,572</u>	<u>9,738,944</u>
Excess (Deficiency) of Revenues Over Expenditures	(720,621)	(720,621)	(15,368,174)	(1,156,433)	(1,156,433)	(1,700,208)
Other Financing Sources (Uses)						
Proceeds of loans	-	-	17,803,745	-	-	-
Transfers in	-	-	2,410,926	-	-	15,018
Transfers out	<u>(512,126)</u>	<u>(512,126)</u>	<u>(4,107,511)</u>	<u>(406,004)</u>	<u>(406,004)</u>	<u>(613,509)</u>
Total	<u>(512,126)</u>	<u>(512,126)</u>	<u>16,107,160</u>	<u>(406,004)</u>	<u>(406,004)</u>	<u>(598,491)</u>
Net Change in Fund Balance	(1,232,747)	(1,232,747)	738,986	(1,562,437)	(1,562,437)	(2,298,699)
Contingency/Transfer from Surplus	<u>1,232,747</u>	<u>1,232,747</u>	<u>-</u>	<u>1,562,437</u>	<u>1,562,437</u>	<u>-</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 738,986</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,298,699)</u>

Street Maintenance Fund

For the Fiscal Years Ended June 30, 2012 and 2011

	<u>2012</u>			<u>2011</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues						
Intergovernmental	\$ 1,420,000	\$ 1,420,000	\$ 1,467,686	\$ 1,350,000	\$ 1,350,000	\$ 1,415,148
Total	<u>1,420,000</u>	<u>1,420,000</u>	<u>1,467,686</u>	1,350,000	1,350,000	1,415,148
Expenditures						
	<u>1,507,200</u>	<u>1,507,200</u>	<u>2,065,996</u>	<u>1,409,178</u>	<u>1,409,178</u>	<u>1,579,868</u>
Excess (Deficiency) of Revenues Over Expenditures	(87,200)	(87,200)	(598,310)	(59,178)	(59,178)	(164,720)
Other Financing Sources (Uses)						
Transfers in	<u>87,200</u>	<u>87,200</u>	<u>598,310</u>	<u>59,178</u>	<u>59,178</u>	<u>147,122</u>
Total	<u>87,200</u>	<u>87,200</u>	<u>598,310</u>	<u>59,178</u>	<u>59,178</u>	<u>147,122</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (17,598)</u>

For the General Fund, actual revenues were less than final budget amounts by \$586,011, or 5.8 percent, while actual expenditures were \$14,061,542, or 130.3 percent more than final budget amounts.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2012, the Town's investment in capital assets totals \$13,699,682 which is net capital assets less related debt.

During fiscal year 2012, the Town's Governmental Activity net capital assets (including additions, decreases, and depreciation) increased \$621,754 or 2.6 percent and the Town's Business-Type Activity net capital assets decreased by \$801,736 or 9.2 percent as summarized below:

Change in Capital Assets

Governmental Activities

	<u>Balance June 30, 2011</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2012</u>
Land and land improvements	\$ 2,408,507	\$ -	\$ 2,408,507
Other capital assets	<u>39,979,281</u>	<u>2,429,166</u>	<u>42,408,447</u>
Total Capital Assets	42,387,788	2,429,166	44,816,954
Less: Accumulated depreciation	<u>(18,565,125)</u>	<u>(1,807,592)</u>	<u>(20,372,717)</u>
Total Capital Assets, Net	<u>\$ 23,822,663</u>	<u>\$ 621,574</u>	<u>\$ 24,444,237</u>

Business-Type Activities

	<u>Balance June 30, 2011</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2012</u>
Land and land improvements	\$ 1,703,672	\$ 353,638	\$ 2,057,310
Other capital assets	<u>26,511,015</u>	<u>-</u>	<u>26,511,015</u>
Total Capital Assets	28,214,687	353,638	28,568,325
Less: Accumulated depreciation	<u>(19,500,662)</u>	<u>(1,155,374)</u>	<u>(20,656,036)</u>
Total Capital Assets, Net	<u>\$ 8,714,025</u>	<u>\$ (801,736)</u>	<u>\$ 7,912,289</u>

Component Unit Farmville IDA

	<u>Balance June 30, 2011</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2012</u>
Land	\$ 65,652	\$ (65,652)	\$ -
Land improvements	<u>106,247</u>	<u>(106,247)</u>	<u>-</u>
Total Capital Assets, Net	<u>\$ 171,899</u>	<u>\$ (171,899)</u>	<u>\$ -</u>

Long-Term Debt

As of June 30, 2012, the Town's long-term obligations for the primary government total \$23,425,847.

	<u>Balance June 30, 2011</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2012</u>
Primary Government			
Governmental Activities			
Long-term debt	\$ 15,683,559	\$ (347,594)	\$ 15,335,965
Net pension obligation	893,391	97,976	991,367
Landfill obligation	1,526,158	(171,597)	1,354,561
Compensated absences			
Governmental Funds	<u>1,144,358</u>	<u>78,951</u>	<u>1,223,309</u>
Total Governmental Activities	19,247,466	(342,264)	18,905,202
Business-Type Activities			
Long-term debt	3,873,357	468,221	4,341,578
Compensated absences			
Enterprise Funds	<u>155,515</u>	<u>23,552</u>	<u>179,067</u>
Total Business-Type Activities	<u>4,028,872</u>	<u>491,773</u>	<u>4,520,645</u>
Total Primary Government	<u>\$ 23,276,338</u>	<u>\$ 149,509</u>	<u>\$ 23,425,847</u>
Governmental Activities			
Bond Premiums	<u>\$ -</u>	<u>\$ 2,668,745</u>	<u>\$ 2,668,745</u>
Bond Issue Costs	<u>\$ -</u>	<u>\$ 35,903</u>	<u>\$ 35,903</u>
Business-Type Activities			
Bond Premiums	<u>\$ -</u>	<u>\$ 709,369</u>	<u>\$ 709,369</u>
Bond Issue Costs	<u>\$ -</u>	<u>\$ 305,986</u>	<u>\$ 305,986</u>
Component Unit Farmville IDA			
Long-term debt	<u>\$ 721,898</u>	<u>\$ (162,471)</u>	<u>\$ 559,427</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 9 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 2012, which uses Prince Edward County's rate, was 9.3 percent, a decrease of 0.2 percent from June 2011. This compares unfavorably to the state's rate of 6.0 percent and the national rate of 8.4 percent as of June 2012.
- According to the 2000 U.S. Census, the population in the Town of Farmville, Virginia was 6,845, an increase of 12.9%, since the 1990 U.S. Census.
- The per capita income in the Town of Farmville, Virginia was \$16,743, compared to \$23,975 for the state, according to the 2000 U.S. Census data.

The fiscal year 2013 adopted budget anticipates General Fund revenues to be \$8,736,662.

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 Assets

At June 30, 2012

	<u>Primary Government</u>			<u>Component Unit Farmville IDA</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
Assets				
Cash and cash equivalents	\$ 580,803	\$ 268,342	\$ 849,145	\$ 9,029
Restricted cash	20,356	4,398,811	4,419,167	-
Receivables, net	426,277	535,267	961,544	488,251
Accrued interest receivable	-	-	-	3,223
Inventory	73,346	162,608	235,954	-
Due from other governments	1,169,249	-	1,169,249	-
Capital Assets				
Land and construction in progress	2,408,507	1,703,672	4,112,179	-
Other capital assets, net of accumulated depreciation	<u>22,035,730</u>	<u>6,208,617</u>	<u>28,244,347</u>	-
Capital Assets, Net	24,444,237	7,912,289	32,356,526	-
Other Assets				
Unamortized bond costs	<u>35,903</u>	<u>305,986</u>	<u>341,889</u>	-
Total Assets	<u>\$ 26,750,171</u>	<u>\$ 13,583,303</u>	<u>\$ 40,333,474</u>	<u>\$ 500,503</u>
Liabilities				
Accounts payable and accrued expenses	\$ 205,040	\$ 88,386	\$ 293,426	\$ -
Accrued interest payable	-	-	-	2,154
Due to other governments	-	-	-	632,591
Customer deposits	-	73,155	73,155	-
Deferred revenue	78,568	-	78,568	-
Long-Term Liabilities				
<i>Due within one year</i>				
Bonds, loans, and capital leases payable	1,395,101	352,462	1,747,563	31,921
<i>Due in more than one year</i>				
Compensated absences	1,223,309	179,067	1,402,376	-
Net pension obligation	991,367	-	991,367	-
Landfill obligation	1,354,561	-	1,354,561	-
Bonds, loans, and capital leases payable	13,940,864	3,989,116	17,929,980	527,506
Add: Bond premiums	<u>2,668,745</u>	<u>709,369</u>	<u>3,378,114</u>	-
Total Liabilities	21,857,555	5,391,555	27,249,110	1,194,172
Net Assets				
Invested in capital assets, net of related debt	6,439,527	7,260,155	13,699,682	-
Restricted for capital projects	-	4,398,811	4,398,811	-
Unrestricted (deficit)	<u>(1,546,911)</u>	<u>(3,467,218)</u>	<u>(5,014,129)</u>	<u>(693,669)</u>
Total Net Assets (Deficit)	<u>4,892,616</u>	<u>8,191,748</u>	<u>13,084,364</u>	<u>(693,669)</u>
Total Liabilities and Net Assets	<u>\$ 26,750,171</u>	<u>\$ 13,583,303</u>	<u>\$ 40,333,474</u>	<u>\$ 500,503</u>

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

Town of Farmville, Virginia
 Statement of Activities
 For the Year Ended June 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>			<u>Component Unit Farmville IDA</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Primary Government Business-Type Activities</u>	<u>Total</u>	
Primary Government								
Governmental Activities								
General government administration	\$ 1,222,310	\$ 203,408	\$ -	\$ -	\$ (1,018,902)		\$ (1,018,902)	
Public safety	3,530,624	309,945	165,303	-	(3,055,376)		(3,055,376)	
Public works	4,412,121	153,323	3,007,357	-	(1,251,441)		(1,251,441)	
Parks, recreation, and cultural	639,211	163,957	5,000	-	(470,254)		(470,254)	
Community development	105,882	-	-	-	(105,882)		(105,882)	
Interest on long-term debt	910,591	-	-	-	(910,591)		(910,591)	
Total Governmental Activities	10,820,739	830,633	3,177,660	-	(6,812,446)		(6,812,446)	
Business-Type Activities								
Water fund	1,667,596	1,987,346	3,742	-		\$ 323,492	323,492	
Sewer fund	1,500,463	2,228,309	-	-		727,846	727,846	
Airport fund	578,999	251,700	234,075	-		(93,224)	(93,224)	
Transportation fund	711,732	12,330	844,877	-		145,475	145,475	
Total Business-Type Activities	4,458,790	4,479,685	1,082,694	-		1,103,589	1,103,589	
Total Primary Government	\$ 15,279,529	\$ 5,310,318	\$ 4,260,354	\$ -		1,103,589	(5,708,857)	
Component Unit								
Farmville IDA	\$ 209,544	\$ -	\$ -	\$ -				\$ (209,544)
General Revenues								
Taxes								
General property taxes, real and personal					836,840	-	836,840	-
Other local taxes					4,864,676	-	4,864,676	-
Noncategorical aid from state					753,563	-	753,563	-
Use of property					188,931	53,256	242,187	-
Investment earnings					12,233	1,608	13,841	23,407
Miscellaneous					279,443	15,473	294,916	-
Transfers					(799,400)	799,400	-	-
Total General Revenues					6,136,286	869,737	7,006,023	23,407
Change in Net Assets					(676,160)	1,973,326	1,297,166	(186,137)
Net Assets (Deficit) - Beginning of Year					6,130,421	6,295,257	12,425,678	(507,532)
Prior Period Adjustment (Deficit)					(561,645)	(76,835)	(638,480)	-
Net Assets (Deficit) - End of Year					\$ 4,892,616	\$ 8,191,748	\$ 13,084,364	\$ (693,669)

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

Town of Farmville, Virginia

Balance Sheet

Governmental Funds

At June 30, 2012

	General Fund	Street Maintenance Fund	ICA Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 221,743	\$ 5,108	\$ 135,192	\$ 218,760	\$ 580,803
Cash - restricted	20,356	-	-	-	20,356
Property taxes receivable, net	91,260	-	-	-	91,260
Accounts receivable	306,346	-	28,476	195	335,017
Inventory	62,787	-	-	10,559	73,346
Due from other governments	<u>1,169,249</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,169,249</u>
 Total Assets	 <u>\$ 1,871,741</u>	 <u>\$ 5,108</u>	 <u>\$ 163,668</u>	 <u>\$ 229,514</u>	 <u>\$ 2,270,031</u>
Liabilities					
Accounts payable and accrued liabilities	\$ 190,117	\$ 5,108	\$ -	\$ 9,815	\$ 205,040
Deferred revenue - other	-	-	-	390	390
Deferred revenue - property taxes	<u>78,178</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,178</u>
 Total Liabilities	 268,295	 5,108	 -	 10,205	 283,608
Fund Balance					
Nonspendable fund balance	62,787	-	-	10,559	73,346
Restricted fund balance	-	-	-	3,915	3,915
Assigned fund balance	-	-	163,668	204,835	368,503
Unassigned fund balance	<u>1,540,659</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,540,659</u>
 Total Fund Balance	 <u>1,603,446</u>	 <u>-</u>	 <u>163,668</u>	 <u>219,309</u>	 <u>1,986,423</u>
 Total Liabilities and Fund Balance	 <u>\$ 1,871,741</u>	 <u>\$ 5,108</u>	 <u>\$ 163,668</u>	 <u>\$ 229,514</u>	 <u>\$ 2,270,031</u>

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

Town of Farmville, Virginia

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

At June 30, 2012

Total Fund Balances for Governmental Funds	\$ 1,986,423
Total net assets reported for governmental activities in the Statement of Net Assets is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:	
Land	\$ 2,408,507
Buildings and improvements, net of accumulated depreciation	12,790,439
Infrastructure and equipment, net of accumulated depreciation	<u>9,245,291</u>
Total Capital Assets	24,444,237
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 assets are as follows:	
Bonds, loans, and capital leases payable	(15,335,965)
Bond premiums	(2,668,745)
Bond issue costs	35,903
Net pension obligation	(991,367)
Landfill obligation	(1,354,561)
Compensated absences	<u>(1,223,309)</u>
Total	<u>(21,538,044)</u>
Total Net Assets of Governmental Activities	<u>\$ 4,892,616</u>

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

Town of Farmville, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2012

	<u>General Fund</u>	<u>Street Maintenance Fund</u>	<u>ICA Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Property taxes	\$ 836,840	\$ -	\$ -	\$ -	\$ 836,840
Other local taxes	4,864,676	-	-	-	4,864,676
Permits, privilege fees, and regulatory licenses	113,523	-	-	-	113,523
Fines and forfeitures	90,777	-	-	-	90,777
Use of money and property	150,866	-	-	50,298	201,164
Charges for services	331,712	-	140,464	154,157	626,333
Miscellaneous	277,375	-	-	2,068	279,443
Recovered costs	381,052	-	-	-	381,052
<i>Intergovernmental</i>					
Revenue from the Commonwealth	1,692,074	1,467,686	-	21,314	3,181,074
Revenue from the Federal Government	750,149	-	-	-	750,149
Total Revenues	9,489,044	1,467,686	140,464	227,837	11,325,031
Expenditures					
Current					
General government administration	1,241,425	-	-	-	1,241,425
Public safety	3,414,251	-	-	984	3,415,235
Public works	3,443,454	2,065,996	-	3,472	5,512,922
Parks, recreation, and cultural	193,603	-	-	408,862	602,465
Community development	107,950	-	-	-	107,950
Debt service	16,456,535	-	-	-	16,456,535
Total Expenditures	24,857,218	2,065,996	-	413,318	27,336,532
Excess (Deficiency) of Revenues Over Expenditures	(15,368,174)	(598,310)	140,464	(185,481)	(16,011,501)
Other Financing Sources (Uses)					
Proceeds from long-term debt	17,803,745	-	-	-	17,803,745
Transfers in	2,410,926	598,310	-	298,875	3,308,111
Transfers out	(4,107,511)	-	-	-	(4,107,511)
Total Other Financing Sources (Uses)	16,107,160	598,310	-	298,875	17,004,345
Net Change in Fund Balance	738,986	-	140,464	113,394	992,844
Fund Balance - Beginning of Year	864,460	-	23,204	105,915	993,579
Fund Balance - End of Year	<u>\$ 1,603,446</u>	<u>\$ -</u>	<u>\$ 163,668</u>	<u>\$ 219,309</u>	<u>\$ 1,986,423</u>

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

Town of Farmville, Virginia

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

Year Ended June 30, 2012

Net Change in Fund Balances - Total Governmental Funds		\$ 992,844
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation and gains and losses in the current period.		621,574
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 Assets, 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 Assets.		
Proceeds of new debt - principal	\$ (15,135,000)	
Proceeds of new debt - premium	(2,668,745)	
Bond issue costs	35,903	
Repayments on debt	<u>15,482,594</u>	
Net Adjustment		(2,285,248)
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following:		
Net OPEB obligation	(97,976)	
Compensated absences	(78,951)	
Landfill obligation	<u>171,597</u>	
Net Adjustment		<u>(5,330)</u>
Change in Net Assets of Governmental Activities		<u>\$ (676,160)</u>

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

Town of Farmville, Virginia

Statement of Net Assets

Proprietary Funds

At June 30, 2012

	<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	\$ 100,000	\$ 100,000	\$ 2,429	\$ 65,913	\$ 268,342
Cash - restricted	4,398,811	-	-	-	4,398,811
Accounts receivable (net of allowance for bad debts)	226,262	307,452	352	1,201	535,267
Inventory	<u>87,987</u>	<u>21,027</u>	<u>-</u>	<u>53,594</u>	<u>162,608</u>
Total Current Assets	4,813,060	428,479	2,781	120,708	5,365,028
Capital Assets					
Capital assets	13,263,033	10,079,683	1,871,624	3,353,985	28,568,325
Less: Accumulated depreciation	<u>(9,730,786)</u>	<u>(8,401,711)</u>	<u>(639,312)</u>	<u>(1,884,227)</u>	<u>(20,656,036)</u>
Total Capital Assets	3,532,247	1,677,972	1,232,312	1,469,758	7,912,289
Other Assets					
Bond issue costs	<u>305,986</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>305,986</u>
Total Assets	<u>\$ 8,651,293</u>	<u>\$ 2,106,451</u>	<u>\$ 1,235,093</u>	<u>\$ 1,590,466</u>	<u>\$ 13,583,303</u>
Liabilities					
Current Liabilities					
Accounts payable	\$ 48,002	\$ 19,525	\$ 2,429	\$ 2,081	\$ 72,037
Accrued wages	<u>8,900</u>	<u>7,449</u>	<u>-</u>	<u>-</u>	<u>16,349</u>
Total Current Liabilities	56,902	26,974	2,429	2,081	88,386
Noncurrent Liabilities					
Customer deposits	73,155	-	-	-	73,155
Compensated absences	91,236	87,831	-	-	179,067
General obligation bonds	4,031,258	310,320	-	-	4,341,578
Bond premium	<u>709,369</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>709,369</u>
Total Noncurrent Liabilities	<u>4,905,018</u>	<u>398,151</u>	<u>-</u>	<u>-</u>	<u>5,303,169</u>
Total Liabilities	4,961,920	425,125	2,429	2,081	5,391,555
Net Assets					
Invested in capital assets, net of related debt	3,190,432	1,367,653	1,232,312	1,469,758	7,260,155
Restricted for capital projects	4,398,811	-	-	-	4,398,811
Unrestricted	<u>(3,899,870)</u>	<u>313,673</u>	<u>352</u>	<u>118,627</u>	<u>(3,467,218)</u>
Total Net Assets	<u>3,689,373</u>	<u>1,681,326</u>	<u>1,232,664</u>	<u>1,588,385</u>	<u>8,191,748</u>
Total Liabilities and Net Assets	<u>\$ 8,651,293</u>	<u>\$ 2,106,451</u>	<u>\$ 1,235,093</u>	<u>\$ 1,590,466</u>	<u>\$ 13,583,303</u>

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

Town of Farmville, Virginia

Statement of Revenues, Expenses, and Changes in Fund Net Assets

Proprietary Funds

Year Ended June 30, 2012

	<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>	
Operating Revenues					
Charges for services	\$ 1,491,247	\$ 1,748,079	\$ 12,330	\$ 251,700	\$ 3,503,356
Rental income	33,502	-	-	14,533	48,035
Operating grants - state	3,742	-	143,441	24,761	171,944
Operating grants - federal	-	-	545,986	199,814	745,800
Contribution - Counties and other	-	-	155,450	9,500	164,950
Miscellaneous	13,285	-	2,188	-	15,473
Tap fees	<u>496,099</u>	<u>480,230</u>	<u>-</u>	<u>-</u>	<u>976,329</u>
Total Operating Revenues	2,037,875	2,228,309	859,395	500,308	5,625,887
Operating Expenses					
Salaries and wages	389,964	377,173	335,515	15,113	1,117,765
Fringe benefits	136,609	113,096	85,033	3,436	338,174
Cost of fuel	-	-	81,255	214,285	295,540
Contractual services and professional fees	68,324	19,982	-	71,551	159,857
Sludge removal	-	48,875	-	-	48,875
Chemicals	58,831	91,435	-	-	150,266
Repairs and maintenance	115,025	165,160	54,753	49,030	383,968
Other charges	35,812	18,658	6,319	39,367	100,156
Depreciation	547,995	518,849	117,728	130,490	1,315,062
Utilities	116,597	122,041	7,617	17,379	263,634
Insurance	<u>27,944</u>	<u>25,194</u>	<u>23,512</u>	<u>38,348</u>	<u>114,998</u>
Total Operating Expenses	<u>1,497,101</u>	<u>1,500,463</u>	<u>711,732</u>	<u>578,999</u>	<u>4,288,295</u>
Operating Income (Loss)	540,774	727,846	147,663	(78,691)	1,337,592
Nonoperating Revenues (Expenses)					
Interest earned	1,256	61	13	278	1,608
Gain (loss) on sale of fixed assets	(5,835)	2,137	8,919	-	5,221
Interest expense on bonds	<u>(170,495)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(170,495)</u>
Total Nonoperating Revenues (Expenses)	<u>(175,074)</u>	<u>2,198</u>	<u>8,932</u>	<u>278</u>	<u>(163,666)</u>
Income (Loss) Before Operating Transfers	365,700	730,044	156,595	(78,413)	1,173,926
Operating Transfers In	3,281,341	-	2,119	138,481	3,421,941
Operating Transfers Out	<u>(839,502)</u>	<u>(1,783,039)</u>	<u>-</u>	<u>-</u>	<u>(2,622,541)</u>
Net Operating Transfers	<u>2,441,839</u>	<u>(1,783,039)</u>	<u>2,119</u>	<u>138,481</u>	<u>799,400</u>
Change in Net Assets	2,807,539	(1,052,995)	158,714	60,068	1,973,326
Total Net Assets - Beginning of Year	920,269	2,772,721	1,073,950	1,528,317	6,295,257
Prior Period Adjustment	<u>(38,435)</u>	<u>(38,400)</u>	<u>-</u>	<u>-</u>	<u>(76,835)</u>
Total Net Assets - End of Year	<u>\$ 3,689,373</u>	<u>\$ 1,681,326</u>	<u>\$ 1,232,664</u>	<u>\$ 1,588,385</u>	<u>\$ 8,191,748</u>

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

Town of Farmville, Virginia
Combining Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2012

Business-Type Activities - Enterprise Funds

	<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	\$ 1,980,049	\$ 2,224,297	\$ 12,330	\$ 250,995	\$ 4,467,671
Receipts from County and others	-	-	163,398	9,500	172,898
Operating grants from state and federal government	3,742	-	689,427	224,575	917,744
Other receipts	46,787	-	2,188	14,533	63,508
Payments to personnel and related expenses	(511,493)	(478,769)	(420,548)	(18,549)	(1,429,359)
Payments to suppliers	<u>(421,516)</u>	<u>(485,830)</u>	<u>(172,699)</u>	<u>(443,039)</u>	<u>(1,523,084)</u>
Net Cash Provided by Operating Activities	1,097,569	1,259,698	274,096	38,015	2,669,378
Cash Flows from Noncapital Financing Activities					
Funds from (paid to) other funds	<u>2,279,340</u>	<u>(1,620,540)</u>	<u>2,119</u>	<u>138,481</u>	<u>799,400</u>
Net Cash Provided by (Used in) Noncapital Financing Activities	2,279,340	(1,620,540)	2,119	138,481	799,400
Cash Flows from Financing Capital and Related Activities					
Purchase of capital assets	(78,212)	-	(301,909)	(157,273)	(537,394)
Gain (loss) on disposition of capital assets	1,250	1,600	26,438	-	29,288
Bond issue costs to be amortized	(305,986)	-	-	-	(305,986)
Proceeds from bond	3,880,000	-	-	-	3,880,000
Premium on bond	709,369	-	-	-	709,369
Principal paid on capital debt	(3,101,460)	(310,320)	-	-	(3,411,780)
Interest paid on capital debt	<u>(170,495)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(170,495)</u>
Net Cash Provided by (Used in) Financing Capital and Related Activities	934,466	(308,720)	(275,471)	(157,273)	193,002
Cash Flows from Investing Activities					
Interest income	<u>1,256</u>	<u>61</u>	<u>13</u>	<u>278</u>	<u>1,608</u>
Net Cash Provided by Investing Activities	1,256	61	13	278	1,608
Net Increase (Decrease) in Cash	4,312,631	(669,501)	757	19,501	3,663,388
Cash - Beginning of Year	<u>186,180</u>	<u>769,501</u>	<u>1,672</u>	<u>46,412</u>	<u>1,003,765</u>
Cash - End of Year	<u>\$ 4,498,811</u>	<u>\$ 100,000</u>	<u>\$ 2,429</u>	<u>\$ 65,913</u>	<u>\$ 4,667,153</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities					
Operating income (loss)	\$ 540,774	\$ 727,846	\$ 147,663	\$ (78,691)	\$ 1,337,592
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities					
Depreciation expense	547,995	518,849	117,728	130,490	1,315,062
Changes in assets and liabilities					
Receivables, net	(11,622)	(4,012)	7,948	(705)	(8,391)
Inventory	8,835	(433)	-	(14,811)	(6,409)
Accounts payable	(7,818)	5,948	757	1,732	619
Accrued wages	1,873	1,155	-	-	3,028
Compensated absences	13,207	10,345	-	-	23,552
Customer deposits	<u>4,325</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,325</u>
Net Cash Provided by Operating Activities	<u>\$ 1,097,569</u>	<u>\$ 1,259,698</u>	<u>\$ 274,096</u>	<u>\$ 38,015</u>	<u>\$ 2,669,378</u>

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

Town of Farmville, Virginia

Statement of Fiduciary Net Assets
Fiduciary Funds

At June 30, 2012

	Retirement Trust Fund	Paulette Memorial Trust Fund
Assets		
Cash and investments	<u>\$5,160,270</u>	<u>\$ 3,073</u>
Total Assets	<u><u>\$5,160,270</u></u>	<u><u>\$ 3,073</u></u>
Liabilities		
Amounts held for others	\$5,157,211	\$ 3,073
Due to forfeiture account	<u>3,059</u>	<u>-</u>
Total Liabilities	<u><u>\$5,160,270</u></u>	<u><u>\$ 3,073</u></u>

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

Town of Farmville, Virginia

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

For the Year Ended June 30, 2012

	Retirement Trust Fund	Paulette Memorial Trust Fund
Additions		
Contributions	\$ 423,639	\$ -
Interest, dividends, and unrealized gains (losses)	<u>(38,293)</u>	<u>8</u>
Total Additions	385,346	8
Deductions		
Benefits paid to participants or beneficiaries	184,197	-
Forfeitures	2,135	-
Administrative expenses	<u>2,700</u>	<u>177</u>
Total Deductions	<u>189,032</u>	<u>177</u>
Change in Net Assets	196,314	(169)
Amounts Held for Others - Beginning	<u>4,960,897</u>	<u>3,242</u>
Amounts Held for Others - Ending	<u><u>\$5,157,211</u></u>	<u><u>\$ 3,073</u></u>

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

Town of Farmville, Virginia

Notes to Financial Statements

Year Ended June 30, 2012

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 6,845 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 is governed under the Town Manager form of government. Town of Farmville, Virginia engages in a comprehensive range of municipal services, including general government administration, public safety, public works, planning, community development, parks, recreation, and cultural, and historic activities.

The financial statements of the Town of Farmville, Virginia 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:

A. *The Financial Reporting Entity*

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This statement, known as the “Reporting Model” statement, affects the way the Town prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private sector financial reports.

GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

—Management’s Discussion and Analysis: GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government’s financial activities in the form of “management’s discussion and analysis” (MD&A). This analysis is similar to analysis the private sector provides in their annual reports.

—Government-Wide Financial Statements: The reporting model includes financial statements prepared using full accrual accounting for all of the government’s activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

- Statement of Net Assets: The Statement of Net Assets is designed to display the financial position of the primary government (government and business-type activities) and its discretely presented component units. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expense – the cost of “using up” capital assets – in the Statement of Activities. The net assets of a government will be broken down into three categories: 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.
- Statement of Program Activities: The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government’s functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).
- Budgetary Comparison Schedules: Demonstrating compliance with the adopted budget is an important component of a government’s accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments and have a keen interest in following the actual financial progress of their governments over the course of the year. The Town and many other governments revise their original budgets over the course of the year for a variety of reasons.

As required by the accounting principles generally accepted in the United States, these financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government’s operations and so data from these units are combined with data of the primary government. The Town has no component units that meet the requirements for blending. The discretely presented component unit, on the other hand, is reported in a separate column in the government-wide statements to emphasize it is legally separate from the primary government. The discretely presented component unit has a June 30 fiscal year-end.

Inclusions in the Reporting Entity

Component Units

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.

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 organizations 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 \$35,000 in operating funds in fiscal year 2012. The Town has no equity interest in the Library.

B. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements. While the previous reporting model emphasized fund types (the total of all funds of a particular type), in the new reporting model the focus is on either the Town as a whole or major individual funds (within the fund financial statements). The focus is on both the Town as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the Fiduciary Funds (by category), and the Component Units. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Assets, the governmental activities columns (a) are presented on a consolidated basis, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information. The Town generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The Town may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that are otherwise being supported by general government revenues (property, 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 (public safety, public works, health and welfare, etc.) or a business-type activity. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The Town does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

Proprietary Fund operating revenues consist of charges for services and related revenues. Nonoperating revenues consist of contributions, grants, investment earnings, and other revenues not directly derived from the providing of services.

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 fund statements are presented on a current financial resource and modified accrual basis of accounting.

This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustment necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements.

The Town applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

The Town's Fiduciary Funds are presented in the fund financial statements by type (agency). Since by definition, these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The following is a brief description of the specific funds used by the Town in fiscal year 2012:

1. *Governmental Funds*

Governmental Funds account for the expendable financial resources, other than those accounted for in Proprietary and Fiduciary Funds. The Governmental Funds utilize the modified accrual basis of accounting where the measurement focus is upon determination of financial position and changes in financial position, rather than upon net income determination as would apply to a commercial enterprise. The individual Governmental Funds are:

a. 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. The General Fund is considered a major fund for financial reporting purposes.

b. 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 because of legal or regulatory provisions or administrative action. Special Revenue Funds include the following funds:

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

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

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

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

c. Debt Service Funds

The Town does not account for its debt service in a separate fund. The debt is paid from either the General Fund or the Component Unit Farmville IDA Fund.

d. Capital Projects Funds

Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by Proprietary Funds. The Capital Projects Funds consist of the CDBG Fund.

2. *Proprietary Funds*

Proprietary Funds account for operations that are financed in a manner similar to private business enterprises. The Proprietary Funds utilize the accrual basis of accounting where the measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Enterprise and Internal Service Funds.

a. Enterprise Funds

Enterprise Funds account 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.

b. Internal Service Funds

Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the Town government, on a cost-reimbursement basis. Internal Service Funds are not used by the Town at this time.

3. *Fiduciary Funds (Trust and Agency Funds)*

Fiduciary Funds (Trust and Agency Funds) account for assets held by a governmental unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. The funds include Private Purpose Trust and Agency Funds. Private Purpose Trust Funds utilize the accrual basis of accounting as described in the Proprietary Funds presentation. Agency Funds utilize the modified accrual basis of accounting described in the Governmental Funds presentation. The Private Purpose Trust and Agency Funds consist of the following:

a. Private Purpose Trust Funds

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

b. Agency Funds

The Town has no agency funds at this time.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet in the funds statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the Governmental Funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide Statements of Net Assets and Statements of Activities and the Proprietary Fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the Statement of Net Assets or on the Statement of Fiduciary Net Assets. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The fund financial statements of the General, Special Revenue, Capital Projects, and Fiduciary Funds (for the primary government and Component Unit Farmville IDA) are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term “available” is limited to collection within forty-five days of the fiscal year end. Levies made prior to the fiscal year end but which are not available are deferred. Interest income is recorded as earned. Federal and State reimbursement-type grants are recorded as revenue when related eligible expenditures are incurred. Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

D. Budgets and Budgetary Accounting

The Town annually adopts budgets for the various funds of the primary government. All appropriations are legally controlled at the departmental level for the primary Government Funds.

The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all major funds with annual budgets, compare the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedule for the major funds presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets 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 the following 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. Work sessions between the Town Council and Town Manager are conducted on the budget.
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. The appropriation for each fund, function, and department can be revised only by the Town Council. Supplemental appropriations in addition to the appropriated budget were necessary during the year. Supplemental appropriations may not be made without amending the budget.
5. The Town legally adopted budgets for all of its funds.

The Town may adopt budgets for other funds, such as the Agency Funds, for use as a management control device over such funds.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. All appropriations lapse on June 30 for all Town and Authority funds.
8. All budget data presented in the accompanying financial statements is the original budget as of June 30, 2012, as adopted, appropriated, and legally amended.
9. The expenditure budget is enacted through an annual appropriations ordinance. Appropriations are made at the departmental level for the primary government and the Authority. State law requires that if budget amendments exceed 1 percent of the original adopted budget, the Town Council may legally amend the budget only by following procedures used in the adoption of the original budget. The Town Council must approve all appropriations and transfers of appropriated amounts.

E. Investments

Investments are reported at fair value.

F. Allowance for Uncollectible Accounts

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:

General Fund - taxes receivable	\$ 7,804
General Fund - miscellaneous receivables	<u>51,148</u>
Total General Fund Allowance	<u>\$ 58,952</u>
Water Fund - water bills	\$ 4,114
Water Fund - miscellaneous receivables	<u>7,815</u>
Total Water Fund Allowance	<u>\$ 11,929</u>
Sewer Fund - sewer bills	\$ 19,262
Total Sewer Fund Allowance	<u>\$ 19,262</u>
Total Allowance - Primary Government	<u>\$ 90,143</u>

G. Capital Assets

Capital outlays are recorded as expenditures of the Governmental Funds of the primary government and as assets in the government-wide financial statements to the extent the Town's capitalization threshold of \$5,000 is met. Depreciation is recorded on general fixed assets on a government-wide basis using the straight-line method and the following estimated useful lives:

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

All fixed assets are valued at historical cost or estimated historical cost, if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated. The Town does not capitalize historical treasures or works of art.

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

H. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

I. 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.

2 Cash and Investments

Cash and Cash Equivalents

For purposes of reporting cash flows for proprietary-type funds, cash and cash equivalents include cash on hand, money market funds, certificates of deposit, and investments with maturities of three months or less.

The Town maintains a pool of cash and investments in which each fund participates on a dollar equivalent and daily transaction basis. Interest is distributed monthly based on average monthly balances. The majority of funds in the Town's accounts are invested at all times.

Deposits

All cash of the Town of Farmville, Virginia is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et seq. of the Code of Virginia or covered by Federal Depository Insurance.

Investments

Statutes authorize local governments and other public bodies 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, and the State Treasurer's Local Government Investment Pool (LGIP).

The following is a summary of investments:

	<u>Carrying Amount</u>	<u>Market Value</u>
DIG Investments	\$ 5,160,270	\$5,160,270
Total Investments	5,160,270	<u>\$5,160,270</u>
 Total Deposits	 <u>5,277,914</u>	
 Total Deposits and Investments - Primary Government	 10,438,184	
 Cash on Hand	 <u>2,500</u>	
 All Cash - Town	 <u>\$10,440,684</u>	

The following is a summary and reconciliation of the pooled cash and investments at June 30, 2012:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Responsibilities</u>	<u>Total</u>
Primary Government				
Cash and cash equivalents	\$ 580,803	\$ 268,342	\$ -	\$ 849,145
Cash - restricted	20,356	4,398,811	-	4,419,167
Investments	<u>-</u>	<u>-</u>	<u>5,163,343</u>	<u>5,163,343</u>
Total Primary Government	601,159	4,667,153	5,163,343	10,431,655
 Component Unit Farmville IDA				
Cash and cash equivalents	<u>9,029</u>	<u>-</u>	<u>-</u>	<u>9,029</u>
 Total Primary Government and Component Unit Farmville IDA	 <u>\$ 610,188</u>	 <u>\$ 4,667,153</u>	 <u>\$ 5,163,343</u>	 <u>\$ 10,440,684</u>

Cash on Hand. The Town has cash on hand of \$2,500.

3 Property Taxes

Real property taxes are assessed on property values as of January 1 and attached as an enforceable lien on property as of the date levied by the Town Council. Personal property taxes are assessed on a prorated basis for the period the property is located in the Town and also attached as an enforceable lien on the property.

Real estate and personal property taxes are due December 15.

A ten percent penalty or \$10 minimum 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 on January 1.

Property taxes for calendar year 2011 were levied by the Town Council in May 2011 on the assessed value listed as of January 1, 2011.

Property taxes for calendar year 2012 were levied by the Town Council in May 2012 on the assessed value listed as of January 1, 2012.

Property taxes levied in the current and prior year have been recorded as receivables as of the date the Town has the legal right to receive payments thereon. The receivables collected during the fiscal year and during the first 45 days of the succeeding fiscal year are recognized as revenues in the current fiscal year. Taxes receivable as of the end of the year (June 30) and not collected until the succeeding year are reported as deferred revenues.

4 Receivables

Receivables at June 30, 2012 consist of the following:

	<u>Primary Government</u>				<u>Business-Type Activities</u>	<u>Component Unit Farmville IDA</u>
	<u>Governmental Activities</u>			<u>Total</u>		
	<u>General</u>	<u>ICA Fund</u>	<u>Other Nonmajor</u>	<u>Total</u>		
Property taxes	\$ 91,260	\$ -	\$ -	\$ 91,260	\$ -	\$ -
Utility taxes	28,106	-	-	28,106	-	-
Sales tax	26,580	-	-	26,580	-	-
Food tax	181,210	-	-	181,210	-	-
Lodging tax	29,239	-	-	29,239	-	-
Block grant recipients	-	-	195	195	-	-
Other miscellaneous	100,163	28,476	-	128,639	-	488,251
Water fund accounts	-	-	-	-	238,191	-
Sewer fund accounts	-	-	-	-	326,714	-
Transportation fund accounts	-	-	-	-	352	-
Airport fund accounts	-	-	-	-	1,201	-
Total	456,558	28,476	195	485,229	566,458	488,251
Allowance for uncollectibles	(58,952)	-	-	(58,952)	(31,191)	-
Net Receivables	\$ 397,606	\$ 28,476	\$ 195	\$ 426,277	\$ 535,267	\$ 488,251

5 Due from Other Governmental Units

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	<u>Total Primary Government</u>
	<u>General</u>	<u>ICA</u>		
Commonwealth of Virginia				
E-911 wireless payments	\$ 5,424	\$ -	\$ -	\$ 5,424
Farmville IDA	<u>1,163,825</u>	<u>-</u>	<u>-</u>	<u>1,163,825</u>
Total	<u>\$ 1,169,249</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,169,249</u>

6 Interfund Balances and Activity

Balance due to/from other funds at June 30, 2012:

Primary Government

	<u>Transfer To</u>	<u>Transfer From</u>
Transfers To/From Other Funds		
General Fund		
To Airport Fund	\$ 138,481	\$ -
To Street Maintenance Fund	598,310	-
To Golf Course Fund	298,875	-
To Water Fund for debt refinancing	3,069,726	-
To Transportation Fund	2,119	-
From Water Fund	-	798,044
From Sewer Fund	-	<u>1,612,882</u>
Total General Fund	4,107,511	2,410,926
Street Maintenance Fund		
From General Fund for operating costs	-	598,310
Sewer Fund		
To Water Fund for vehicle	170,156	-
To General Fund for operating costs	1,612,882	-
Airport Fund		
From General Fund for operating costs	-	138,481
Transportation Fund		
From General Fund for operating costs	-	2,119
Water Fund		
To General Fund for operating costs	839,502	-
From Sewer Fund for operating costs	-	170,156
From General Fund for debt refinancing and operating costs	-	3,111,184
Golf Course Fund		
From General Fund for operating costs	-	<u>298,875</u>
Total Transfers	<u>\$ 6,730,051</u>	<u>\$ 6,730,051</u>

Due To/Due From's

There are no Due To/From's this year. They were closed to transfers.

	<u>Transfer To</u>	<u>Transfer From</u>
Between Town of Farmville, Virginia and Component Unit Farmville IDA		
Town of Farmville, Virginia - General Fund		
From Component Unit Farmville IDA (includes unamortized bond costs)	\$ 1,163,825	\$ -
Unamortized bond costs taken off IDA's books	28,193	-
Component Unit Farmville IDA		
To Town of Farmville, Virginia - General Fund	<u>-</u>	<u>1,192,018</u>
Total Between Primary Government and Component Unit	<u>\$ 1,192,018</u>	<u>\$ 1,192,018</u>

7 Capital Assets

Primary Government

	<u>Balance July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2012</u>
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 2,408,507	\$ -	\$ -	\$ 2,408,507
Total Capital Assets Not Being Depreciated	2,408,507	-	-	2,408,507
Other Capital Assets				
Buildings and improvements	15,905,064	154,058	-	16,059,122
Infrastructure	18,759,220	2,179,528	-	20,938,748
Vehicles and equipment	5,314,997	236,951	141,371	5,410,577
Total Other Capital Assets	39,979,281	2,570,537	141,371	42,408,447
Less: Accumulated depreciation for				
Buildings and improvements	2,792,254	476,429	-	3,268,683
Infrastructure	12,314,654	934,576	-	13,249,230
Vehicles and equipment	3,458,217	537,958	141,371	3,854,804
Total Accumulated Depreciation	18,565,125	1,948,963	141,371	20,372,717
Other Capital Assets, Net	21,414,156	621,574	-	22,035,730
Net Capital Assets	<u>\$ 23,822,663</u>	<u>\$ 621,574</u>	<u>\$ -</u>	<u>\$ 24,444,237</u>

Depreciation expense was allocated as follows:

General government administration	\$ 19,429
Public safety	244,696
Public works	1,606,313
Parks, recreation, and cultural	78,525
Total Depreciation Expense	<u>\$ 1,948,963</u>

Business-Type Activities

	<u>Balance July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2012</u>
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 1,703,672	\$ -	\$ -	\$ 1,703,672
Total Capital Assets Not Being Depreciated	1,703,672	-	-	1,703,672
Other Capital Assets				
Buildings and improvements	3,242,186	-	-	3,242,186
Infrastructure	21,662,622	204,317	-	21,866,939
Equipment and vehicles	1,606,207	333,077	183,756	1,755,528
Total Other Capital Assets	26,511,015	537,394	183,756	26,864,653
Less: Accumulated depreciation for				
Buildings and improvements	1,507,036	86,200	-	1,593,236
Infrastructure	16,796,497	1,076,557	-	17,873,054
Equipment and vehicles	1,197,129	152,305	159,688	1,189,746
Total Accumulated Depreciation	19,500,662	1,315,062	159,688	20,656,036
Other Capital Assets, Net	7,010,353	(777,668)	24,068	6,208,617
Net Capital Assets	<u>\$ 8,714,025</u>	<u>\$ (777,668)</u>	<u>\$ 24,068</u>	<u>\$ 7,912,289</u>

Depreciation expense was allocated to enterprise activities. \$ 1,315,062

Component Unit Farmville IDA

	<u>Balance July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2012</u>
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 171,899	\$ -	\$ 171,899	\$ -
Total Capital Assets Not Being Depreciated	171,899	-	171,899	-
Net Capital Assets	<u>\$ 171,899</u>	<u>\$ -</u>	<u>\$ 171,899</u>	<u>\$ -</u>

8 Short-Term Debt

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

	<u>Balance July 1, 2011</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2012</u>
Short-term Debt				
The Town has a Revenue Anticipation note with SunTrust Bank. The note carries an interest rate of 1.48 percent and an original balance of \$2,000,000. It is renegotiated annually.	<u>\$ 800,000</u>	<u>\$ -</u>	<u>\$ 800,000</u>	<u>\$ -</u>

9 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
2013	\$ 1,285,965	\$ 600,933	\$ 461,578	\$ 170,344	\$ 1,747,543	\$ 771,277
2014	895,000	648,253	120,000	185,425	1,015,000	833,678
2015	930,000	611,862	125,000	180,497	1,055,000	792,359
2016	975,000	565,847	130,000	174,313	1,105,000	740,160
2017	1,020,000	519,375	135,000	168,122	1,155,000	687,497
2018-2022	5,840,000	1,810,006	795,000	733,322	6,635,000	2,543,328
2023-2027	4,390,000	420,544	1,000,000	516,744	5,390,000	937,288
2028-2032	-	-	1,280,000	243,100	1,280,000	243,100
2033-2037	-	-	295,000	7,559	295,000	7,559
Compensated absences	1,223,309	-	179,067	-	1,402,376	-
Net Pension Obligation	991,367	-	-	-	991,367	-
Landfill obligation	1,354,561	-	-	-	1,354,561	-
Total	\$18,905,202	\$5,176,820	\$ 4,520,645	\$2,379,426	\$23,425,847	\$7,556,246

Year(s) Ended June 30,	Component Unit Farmville IDA		Total Above Town of Farmville		Total Reporting Entity	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 31,921	\$ 22,378	\$ 1,747,543	\$ 771,277	\$ 1,779,464	\$ 793,655
2014	29,861	24,528	1,015,000	833,678	1,044,861	858,206
2015	31,038	23,311	1,055,000	792,359	1,086,038	815,670
2016	32,509	21,775	1,105,000	740,160	1,137,509	761,935
2017	33,980	20,226	1,155,000	687,497	1,188,980	707,723
2018-2022	195,202	74,825	6,635,000	2,543,328	6,830,202	2,618,153
2023-2027	158,574	27,575	5,390,000	937,288	5,548,574	964,863
2028-2032	37,658	7,152	1,280,000	243,100	1,317,658	250,252
2033-2037	8,684	222	295,000	7,559	303,684	7,781
Compensated absences	-	-	1,402,376	-	1,402,376	-
Net Pension Obligation	-	-	991,367	-	991,367	-
Landfill obligation	-	-	1,354,561	-	1,354,561	-
Total	\$ 559,427	\$ 221,992	\$23,425,847	\$7,556,246	\$23,985,274	\$7,778,238

Changes in Long-Term Debt

The following is a summary of long-term debt transactions of the Town for the year ended June 30, 2012:

	<u>Balance July 1, 2011</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2012</u>	<u>Due Within One Year</u>
Primary Government					
<p>\$1,665,100 Refunding Bond Series 2002 w ith Carter Bank and Trust (to refund the old 1993 Series Bonds), issued December 2002 w ith an interest rate of 3.12 percent, payable semiannually in July and January over 10 years, and principal payments due in January each year maturing January 1, 2013.</p>					
Enterprise Fund Portion	\$ 297,902	\$ -	\$ 146,644	\$ 151,258	\$ 42,142
General Fund Portion - Firehouse	82,998	-	40,856	42,142	151,258
Total Series 2002 Refunding	380,900	-	187,500	193,400	193,400
<p>\$19,015,000 General Obligation Refunding Bond, Series 2012A w ith Virginia Resources Authority issued June 13, 2012 w ith 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.</p>					
Enterprise Fund Portion	-	3,880,000	-	3,880,000	-
General Fund Portion	-	15,135,000	-	15,135,000	1,085,000
Total Series 2012A Refunding Bonds	-	19,015,000	-	19,015,000	1,085,000
<p>\$2,973,471 General Obligation Refunding Bond, Series 2008B w ith US Bank Corporate Trust Services, issued February 2008 w ith an interest rate of 3.80 percent, payable semiannually in May and November, and annual principal payments ranging from \$147,186 to \$137,745 in May of every year.</p>					
Enterprise Fund Portion	432,376	-	432,376	-	-
General Fund Portion	1,729,510	-	1,729,510	-	-
Total Series 2008B Refunding Bonds	2,161,886	-	2,161,886	-	-
<p>\$3,000,000 General Obligation Public Improvement Bonds Series 2008A, w ith RBC Centura Bank, issued January 2008 w ith an interest rate of 3.55 percent, payable semiannually in August and February, and annual principal payments ranging from \$150,567 to \$252,825 in February of every year (Enterprise Fund).</p>					
	2,522,439	-	2,522,439	-	-
<p>\$7,000,000 General Obligation Public Improvement Bonds Series 2005, w ith SunTrust Bank, issued December 2005 w ith an interest rate of 4.15 percent, payable semiannually in December and June, and annual principal payments ranging from \$231,437 to \$501,140 in December of every year.</p>					
	5,742,756	-	5,742,756	-	-
<p>\$6,158,207 Sewer Construction Bonds Series 1991, w ith Virginia Resources Authority, issued December 1, 1991 and amended June 1, 1996, bearing no interest w ith the semiannual payments beginning November 1, 1993 and continuing until May 1, 2013. (Enterprise Fund)</p>					
	620,640	-	310,320	310,320	310,320

	<u>Balance July 1, 2011</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2012</u>	<u>Due Within One Year</u>
\$674,555 note payable to BB&T, issued August 9, 2005. The note is payable semiannually with an interest rate of 3.38 percent per annum. Proceeds used to buy a ladder truck.	158,158	-	104,553	53,605	53,625
\$4,200,000 Series 2009 bond payable to RBC Centura Bank, issued January 29, 2009. Interest is payable semiannually with a rate of 3.68 percent per annum. Principal is paid annually over 15 years.	3,763,259	-	3,763,259	-	-
\$4,000,000 Series 2010 A/B bonds payable to SunTrust Bank, issued April 28, 2010. Interest is payable semiannually with an average rate of 4.903 percent per annum. Principal is paid annually over 15 years.	4,000,000	-	4,000,000	-	-
\$400,000 loan payable to Margaret Carter, issued November 5, 2008. Payments are made annually for \$108,900 over 4 years with interest at 3.5 percent.	206,878	-	101,660	105,218	105,218
Net Pension Obligation	893,391	97,976	-	991,367	-
Landfill obligation	1,526,158	-	171,597	1,354,561	-
*Compensated absences - Governmental Funds	1,144,358	78,951	-	1,223,309	-
*Compensated absences - Enterprise Funds	155,515	23,552	-	179,067	-
Total Primary Government	<u>\$ 23,276,338</u>	<u>\$ 19,215,479</u>	<u>\$ 19,065,970</u>	<u>\$ 23,425,847</u>	<u>\$ 1,747,563</u>
Recap by Fund of Above Debt					
Governmental Funds	\$ 19,247,466	\$ 15,311,927	\$ 15,654,191	\$ 18,905,202	\$ 1,395,101
Enterprise Funds	4,028,872	3,903,552	3,411,779	4,520,645	352,462
Total Primary Government	<u>\$ 23,276,338</u>	<u>\$ 19,215,479</u>	<u>\$ 19,065,970</u>	<u>\$ 23,425,847</u>	<u>\$ 1,747,563</u>
Bond Premium on Series 2012 Bond - General Fund portion	\$ -	\$ 2,668,745	\$ -	\$ 2,668,745	\$ 177,916
Bond Premium on Series 2012 Bond - Enterprise Fund portion	\$ -	\$ 709,369	\$ -	\$ 709,369	\$ 33,779
Bond issue costs on Series 2012 Bond - General Fund portion	\$ -	\$ 35,903	\$ -	\$ 35,903	\$ -
Bond issue costs on Series 2012 Bond - Enterprise Fund portion	\$ -	\$ 305,986	\$ -	\$ 305,986	\$ -

*These beginning balances have been adjusted. See Note on Prior Period Adjustment.

Component Unit Farmville IDA

Town of Farmville, Virginia

The Authority originally borrowed \$1,595,000 to match the bond committed to by the Town on the Authority's behalf. While no payment terms are specified, it is assumed that the note payments will correspond with the bond payments. The bank has an adjustable interest rate and variable principal payments. In the current year, the note bears an interest rate of 1.85 percent with a required principal payment of \$95,000.

\$ 283,245	\$ -	\$ 283,245	\$ -	\$ -
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	<u>Balance July 1, 2011</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2012</u>	<u>Due Within One Year</u>
Town of Farmville, Virginia					
The Authority originally borrowed \$600,000 from the Town to provide financing for a local business. The terms of the note mirror the bond requirements that the Town must pay on a corresponding bond obligation. The note has a variable interest rate. In the current year, the note bears an interest rate of 1.85 percent with a required principal payment of \$16,800.	438,653	-	438,653	-	-
Town of Farmville, Virginia					
During the current fiscal year, the Town refinanced the bonds in which the Authority shared responsibility. As of the refinance, the Authority now is responsible for 2.942% of the total proceeds. The debt service schedule calls for semi-annual payments with interest only due each April 1 and principal and interest due each October 1 through October 1, 2032. Payments are scheduled to begin on October 1, 2012.	-	559,427	-	559,427	31,921
Total Component Unit Farmville IDA	<u>\$ 721,898</u>	<u>\$ 559,427</u>	<u>\$ 721,898</u>	<u>\$ 559,427</u>	<u>\$ 31,921</u>

10 Claims, Judgments, and Compensated Absences

In accordance with NCGA Statement 4 "Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences," the Town has accrued the liability arising from outstanding claims, judgments, and compensated absences. After 12 months of employment, each Town employee earns annual leave at the rate of eight hours per two-week pay period. After 10 years of employment, annual leave is earned at a rate of ten hours per two-week pay period. The maximum carryover of annual leave shall be 1,040 hours at the end of the last full two-week pay period in the calendar year. When an employee exceeds 1,040 hours of leave, he/she will be paid at 75% of the hours in excess of 1,040, multiplied by the current hourly rate. This will be paid annually on the last payday in December. The Town has outstanding compensated absences totaling \$1,223,309 in the governmental activities. The balance in the business-type activities is \$179,067.

11 Deferred Revenues

Governmental funds report deferred revenue in connection with receivables for resources that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet recognizable. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

Primary Government

General Fund

Property taxes \$ 78,178

Total General Fund 78,178

CDBG Fund

From CDBG recipients 390

Total Primary Government \$ 78,568

12 Contingent Liabilities (Including Federally Assisted Programs - Compliance Audits)

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

At June 30, 2012, there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decision or pending matter not be favorable to the Town.

13 Defined Contribution Plan

The Town provides retirement benefits for all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after 90 days of service and attainment of age 18. Employees can contribute not less than 4 percent of his base compensation and not to exceed the maximum percentage or amount allowable by law. The Town will match the employee contribution of either 4 or 5 percent. The Town's contributions for each employee (and interest allocated to the employee's account) are fully vested after ten years continuous service. Town contributions for, and interest forfeited by, employees who leave employment before five years of service are used to reduce the Town's current period contribution requirement.

The Town's total payroll in fiscal year 2012 was \$5,895,012. Employees contribute earnings and the Town matches this dollar for dollar with a cap of 5 percent. Both the Town and the covered employees made the required contributions totaling \$423,639 of which \$171,653 was from the Town.

14 Fund Balances

Fund balances have been allocated for the following purposes:

<u>Fund</u>	<u>Purpose</u>	<u>Amount</u>
Nonspendable		
General Fund	Used to identify inventory balance	\$ 62,787
Golf Fund	Used to identify inventory balance	10,559
		<u>\$ 73,346</u>
Restricted		
CDBG Fund	Used for collecting CDBG recovered costs	\$ 3,915
Total Restricted Funds		<u>\$ 3,915</u>
Assigned		
ICA Fund	Used for immigration center	\$ 163,668
Narcotic Fund	Used by police department	32,365
Golf Fund	Used in supporting golf club	51,634
Probation/Parole Building Fund	Used in paying building debt	120,836
Total Assigned Funds		<u>\$ 368,503</u>

15 Legal Compliance

Expenditures in Excess of Appropriations

Expenditures exceeded appropriations by \$558,796 for the Street Maintenance Fund. Expenditures exceeded budget in the general fund by \$14,061,542 due to the refinancing of debt and the payoff of old bonds.

Fund Deficits

There is an unrestricted net assets deficit balance in the governmental activities of \$1,546,911 and the business-type activities of \$3,467,218.

There is also a fund deficit in the Component Unit IDA this year of \$693,669.

16 Surety Bond Information

Aetna Insurance Company - Surety

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

17 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 postclosure care of \$1,354,561 as the cost to finalize closure of its landfill. These amounts are based on what it would cost to perform all closure and postclosure care as of June 30, 2012.

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 \$354,561. 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 postclosure costs. Therefore, the audit reports \$1,354,561 as long-term debt.

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

18 Post Retirement Compensation Plan

Following are the required disclosures for the Town's Post Retirement Compensation Plan for the years ending June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Actuarial Valuation Date	July 1, 2012	July 1, 2011
Annual Pension Cost (APC)		
Annual Required Contribution (ARC)	\$ 154,493	\$ 166,637
Interest on net beginning Net Pension Obligation (NPO)	31,269	27,470
Adjustment to ARC	(48,575)	(42,674)
Annual Pension Cost (APC)	137,187	151,433
Components of Annual Required Contribution (ARC)		
Normal Cost	68,597	74,919
Amortization of Accrued Liability	80,672	86,083
Interest Cost	5,224	5,635
Annual Required Contribution	154,493	166,637
Change in NPO During the Fiscal Year		
NPO at beginning of fiscal year	893,391	784,857
Interest on NPO	31,269	27,470
Annual Required Contribution (ARC) for the fiscal year	154,493	166,637
Adjustment to the ARC	(48,576)	(42,674)
Employer Contribution made during the fiscal year	(39,210)	(42,899)
NPO at end of fiscal year	991,367	893,391
Net change in NPO	97,976	108,534
Funded Status at End of Fiscal Year		
Accrued Liability at end of year	1,625,714	1,728,985
Plan assets at end of year	-	-
Unfunded Accrued Liability	(1,625,714)	(1,728,985)
Percentage of Funded Accrued Liability	0%	0%

The following methods and assumptions were utilized for the July 1, 2012 and 2011 actuarial valuation dates:

Actuarial Cost Method Used to Determine ARC	Projected Unit Credit	Projected Unit Credit
Amortization Method and Period of Accrued Liability	Level dollar over 30 years	Level dollar over 30 years
Actuarial Assumptions and Funding Method		
Annual Discount Rate	3.50%	3.50%
Employer Funding Policy	Pay as you go funding	Pay as you go funding

Mortality and Employee Turnover

Mortality Tables for Males and Females, as required for funding under IRC Section 430 for 2008; Scale T-1 employee turnover.	Current Age	Probability of Continued Employment until Age 65	
		Males	Females
Sample rates, based on combined mortality and turnover, illustrate probability of continued employment until age 65.	25	54.6%	55.4%
	35	80.9%	81.9%
	45	93.0%	93.8%
	55	94.9%	95.4%

Assumed Retirement Age

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

Actuarial Cost Method for Determining ARC Method

Projected Unit Credit Cost

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

Amortization of Accrued Liability

30-Year, level dollar, fresh start each year

Plan Description

Summary of Employer Provided Retiree Health Benefits

<i>Effective Date</i>	Plan adopted by Town Council 12-11-2002. First Payments made on 4-2-2003.
<i>Employee Class</i>	Permanent Full Time Employees
<i>Eligibility</i>	25 years of service and attainment of Town of Farmville Retirement age (62). Employees must meet both requirements upon retiring from Town to receive benefit. Employees terminating prior to meeting either requirement are not eligible for future benefits.
<i>Monthly Benefit</i>	\$250 per month, plus \$10/month for each year of credited service in excess of 25. Payments are made quarterly (1/1, 4/1, 7/1, 10/1). Payments are for the retiree's lifetime.
<i>Credited Service</i>	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.
<i>Surviving Spouses</i>	Benefit is payable only to retiree, no benefit payable to spouse after death of retiree.
<i>Retiree Cost Sharing</i>	Employer pays full cost.
<i>Employer Funding Policy</i>	Pay as you go funding.

Prior Period Adjustment

Due to the above retiree benefits, the Town has to recognize a net pension obligation. This resulted in restating the long-term debt for a beginning balance of this obligation.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Farmville, Virginia

Budgetary Comparison Schedule

General Fund

Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Revenues				
General Property Taxes				
Real property taxes	\$ 597,189	\$ 597,189	\$ 596,652	\$ (537)
Public service corporation property taxes	21,000	21,000	25,800	4,800
Personal property taxes	195,000	195,000	202,488	7,488
Mobile home taxes	2,050	2,050	2,815	765
Interest on taxes	6,000	6,000	5,522	(478)
Penalties on taxes	5,000	5,000	3,563	(1,437)
Total General Property Taxes	826,239	826,239	836,840	10,601
Other Local Taxes				
Local sales and use taxes	326,000	326,000	334,635	8,635
Consumption tax	31,500	31,500	27,210	(4,290)
Consumers' utility taxes	348,000	348,000	343,239	(4,761)
Business licenses	1,313,000	1,313,000	1,285,512	(27,488)
Franchise license taxes	70,000	70,000	32,259	(37,741)
Motor vehicle licenses	63,000	63,000	69,241	6,241
Bank stock taxes	205,000	205,000	192,115	(12,885)
Hotel and motel room taxes	300,000	300,000	319,960	19,960
Restaurant food taxes	2,052,653	2,052,653	2,260,505	207,852
Total Other Local Taxes	4,709,153	4,709,153	4,864,676	155,523
Permits, Privilege Fees, and Regulatory Licenses				
Building permits	60,025	60,025	98,114	38,089
Other permits, licenses, and fees	6,300	6,300	15,409	9,109
Total Permits, Privilege Fees, and Regulatory Licenses	66,325	66,325	113,523	47,198
Fines and Forfeitures				
Court fines	98,000	98,000	71,973	(26,027)
Other fines and forfeitures	24,050	24,050	18,804	(5,246)
Total Fines and Forfeitures	122,050	122,050	90,777	(31,273)
Revenue from Use of Money and Property				
Revenue from use of money	5,715	5,715	7,792	2,077
Revenue from use of property				
Rental of general property and real estate	105,467	105,467	113,395	7,928
Sale of property	44,700	44,700	29,679	(15,021)
Total Revenue from Use of Money and Property	155,882	155,882	150,866	(5,016)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Charges for Services				
Miscellaneous	13,560	13,560	42,764	29,204
Administrative - fuel	20,000	20,000	20,180	180
Rescue Squad	201,051	201,051	219,168	18,117
Parking meters	30,000	30,000	21,746	(8,254)
Public works	40,000	40,000	18,054	(21,946)
Grave openings	12,000	12,000	9,800	(2,200)
Total Charges for Services	<u>316,611</u>	<u>316,611</u>	<u>331,712</u>	<u>15,101</u>
Miscellaneous				
Payment from PE County for share of debt	246,281	246,281	246,281	-
Miscellaneous	7,700	7,700	31,094	23,394
Total Miscellaneous	<u>253,981</u>	<u>253,981</u>	<u>277,375</u>	<u>23,394</u>
Recovered Costs				
Interest from Farmville IDA for debt	33,153	33,153	27,447	(5,706)
Other funds and street department	275,000	275,000	283,772	8,772
Salaries - Chamber	68,842	68,842	56,263	(12,579)
Other recovered costs	13,529	13,529	13,570	41
Total Recovered Costs	<u>390,524</u>	<u>390,524</u>	<u>381,052</u>	<u>(9,472)</u>
Intergovernmental				
<i>Revenue from the Commonwealth</i>				
Non-Categorical Aid				
Communications taxes	565,000	565,000	525,230	(39,770)
Mobile home titling tax	1,500	1,500	95	(1,405)
Rolling stock taxes - motor vehicle carriers tax	100	100	143	43
Aid to localities with police departments	160,000	160,000	166,940	6,940
Auto rental tax	60,000	60,000	61,155	1,155
Total Non-Categorical Aid	<u>786,600</u>	<u>786,600</u>	<u>753,563</u>	<u>(33,037)</u>
Categorical Aid				
Wireless quarterly payments	70,000	70,000	64,225	(5,775)
VITA Grant	-	-	13,983	13,983
Litter Control Grant	3,000	3,000	2,688	(312)
VDOT Grants	720,000	720,000	26,987	(693,013)
Tobacco Commission - Farmers' Market	-	-	82,199	82,199
Other grants	53,000	53,000	5,000	(48,000)
VDOT Grant - Streetscape Phase 2	550,000	550,000	177,748	(372,252)
VDOT Grant - Milnwood Road	1,020,000	1,020,000	539,055	(480,945)
DMV and Police Grants	2,000	2,000	4,662	2,662
Fire program	17,510	17,510	21,964	4,454
Total Categorical Aid	<u>2,435,510</u>	<u>2,435,510</u>	<u>938,511</u>	<u>(1,496,999)</u>
Total Revenue from the Commonwealth	<u>3,222,110</u>	<u>3,222,110</u>	<u>1,692,074</u>	<u>(1,530,036)</u>

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<i>Revenue from the Federal Government</i>				
Police grants	12,180	12,180	39,155	26,975
VDOT Grant - Streetscape Phase 2	-	-	710,994	710,994
Total Revenue from the Federal Government	<u>12,180</u>	<u>12,180</u>	<u>750,149</u>	<u>737,969</u>
Total Intergovernmental Revenue	<u>3,234,290</u>	<u>3,234,290</u>	<u>2,442,223</u>	<u>(792,067)</u>
Total Revenues	10,075,055	10,075,055	9,489,044	(586,011)
Expenditures				
Current				
<i>General Government Administration</i>				
Town Council	199,004	199,004	184,904	14,100
Town Manager	554,366	554,366	540,260	14,106
Chamber of Commerce	68,842	68,842	65,800	3,042
Treasurer	<u>470,165</u>	<u>470,165</u>	<u>450,461</u>	<u>19,704</u>
Total General Government Administration	1,292,377	1,292,377	1,241,425	50,952
<i>Public Safety</i>				
Police Department	2,072,507	2,072,507	2,079,269	(6,762)
911 services	762,351	762,351	767,591	(5,240)
Fire services	153,721	153,721	208,871	(55,150)
Rescue services	201,051	201,051	221,257	(20,206)
Building inspector	115,190	115,190	117,886	(2,696)
Animal control	<u>21,347</u>	<u>21,347</u>	<u>19,377</u>	<u>1,970</u>
Total Public Safety	3,326,167	3,326,167	3,414,251	(88,084)
<i>Public Works</i>				
Recycling department	98,759	98,759	91,798	6,961
Sanitation	579,291	579,291	551,747	27,544
Maintenance of highways and streets	2,268,537	2,268,537	1,681,669	586,868
Surveying	130,298	130,298	58,038	72,260
Maintenance of buildings and grounds	917,526	917,526	995,574	(78,048)
Horticulturist	<u>68,833</u>	<u>68,833</u>	<u>64,628</u>	<u>4,205</u>
Total Public Works	4,063,244	4,063,244	3,443,454	619,790
<i>Parks, Recreation, and Cultural</i>				
Library	21,891	21,891	27,827	(5,936)
Appropriation - Library	35,000	35,000	35,000	-
Rails to Trails and Sarah Terry Trail	-	-	22,662	(22,662)
Field of Dreams	12,837	12,837	23,052	(10,215)
Parks and recreation	<u>62,592</u>	<u>62,592</u>	<u>85,062</u>	<u>(22,470)</u>
Total Parks, Recreation, and Cultural	132,320	132,320	193,603	(61,283)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<i>Community Development</i>				
Planning and community development	20,000	20,000	35,192	(15,192)
Town Planner	<u>77,749</u>	<u>77,749</u>	<u>72,758</u>	<u>4,991</u>
Total Community Development	97,749	97,749	107,950	(10,201)
<i>Debt Service</i>				
Principal	1,216,822	1,216,822	15,482,595	(14,265,773)
Interest	<u>666,997</u>	<u>666,997</u>	<u>973,940</u>	<u>(306,943)</u>
Total Debt Service	<u>1,883,819</u>	<u>1,883,819</u>	<u>16,456,535</u>	<u>(14,572,716)</u>
Total Expenditures	<u>10,795,676</u>	<u>10,795,676</u>	<u>24,857,218</u>	<u>(14,061,542)</u>
Excess (Deficiency) of Revenues Over Expenditures	(720,621)	(720,621)	(15,368,174)	(14,647,553)
Other Financing Sources (Uses)				
Proceeds from long-term debt	-	-	17,803,745	17,803,745
Transfers in	-	-	2,410,926	2,410,926
Transfers out	<u>(512,126)</u>	<u>(512,126)</u>	<u>(4,107,511)</u>	<u>(3,595,385)</u>
Total Other Financing Sources (Uses)	<u>(512,126)</u>	<u>(512,126)</u>	<u>16,107,160</u>	<u>16,619,286</u>
Net Change in Fund Balance	(1,232,747)	(1,232,747)	738,986	1,971,733
Fund Balance - Beginning of Year	-	-	864,460	864,460
Transfer from Surplus (Contingency)	<u>1,232,747</u>	<u>1,232,747</u>	-	<u>(1,232,747)</u>
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,603,446</u>	<u>\$ 1,603,446</u>

Street Maintenance Fund

Revenues

Intergovernmental

Revenue from the Commonwealth

Categorical Aid

Street maintenance fund

\$ 1,420,000 \$ 1,420,000 \$ 1,467,686 \$ 47,686

Total Categorical Aid and Revenues

1,420,000 1,420,000 1,467,686 47,686

Expenditures

Current

Public Works

Maintenance of streets and highways

1,507,200 1,507,200 2,065,996 (558,796)

Excess (Deficiency) of Revenues Over Expenditures

(87,200) (87,200) (598,310) (511,110)

Other Financing Sources (Uses)

Transfers in (out)

87,200 87,200 598,310 511,110

Total Other Financing Sources (Uses)

87,200 87,200 598,310 511,110

Net Change in Fund Balance

-

Fund Balance - Beginning of Year

-

Fund Balance - End of Year

\$ - \$ - \$ - \$ -

47

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
ICA Fund				
Revenues				
Charges for Services - administration of ICE	\$ 346,200	\$ 346,200	\$ 140,464	\$ (205,736)
Total Revenues	346,200	346,200	140,464	(205,736)
Expenditures				
	-	-	-	-
Net Change in Fund Balance	346,200	346,200	140,464	(205,736)
Fund Balance - Beginning of Year	-	-	23,204	23,204
Fund Balance - End of Year	<u>\$ 346,200</u>	<u>\$ 346,200</u>	<u>\$ 163,668</u>	<u>\$ (182,532)</u>

OTHER SUPPLEMENTARY INFORMATION

Town of Farmville, Virginia

Combining Balance Sheet

Other Governmental Funds

At June 30, 2012

	<u>Special Revenue Funds</u>			<u>Capital Projects</u>	<u>Total Other Governmental Funds</u>
	<u>Probation/ Parole Building Fund</u>	<u>Golf Fund</u>	<u>Narcotic Fund</u>	<u>CDBG Fund</u>	
Assets					
Cash and investments	\$ 120,836	\$ 61,449	\$ 32,365	\$ 4,110	\$ 218,760
Accounts receivable	-	-	-	195	195
Inventory	-	10,559	-	-	10,559
	<u>-</u>	<u>10,559</u>	<u>-</u>	<u>-</u>	<u>10,559</u>
Total Assets	<u>\$ 120,836</u>	<u>\$ 72,008</u>	<u>\$ 32,365</u>	<u>\$ 4,305</u>	<u>\$ 229,514</u>
Liabilities					
Accounts payable	\$ -	\$ 9,222	\$ -	\$ -	\$ 9,222
Accrued liabilities	-	593	-	-	593
Deferred revenue	-	-	-	390	390
	<u>-</u>	<u>-</u>	<u>-</u>	<u>390</u>	<u>390</u>
Total Liabilities	-	9,815	-	390	10,205
Fund Balance					
Nonspendable - inventory	-	10,559	-	-	10,559
Restricted	-	-	-	3,915	3,915
Assigned	120,836	51,634	32,365	-	204,835
	<u>120,836</u>	<u>51,634</u>	<u>32,365</u>	<u>-</u>	<u>204,835</u>
Total Fund Balance	<u>120,836</u>	<u>62,193</u>	<u>32,365</u>	<u>3,915</u>	<u>219,309</u>
Total Liabilities and Fund Balance	<u>\$ 120,836</u>	<u>\$ 72,008</u>	<u>\$ 32,365</u>	<u>\$ 4,305</u>	<u>\$ 229,514</u>

Town of Farmville, Virginia

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

Other Governmental Funds

At June 30, 2012

	Special Revenue Funds			Capital Projects	Total Other Governmental Funds
	Probation/ Parole Building Fund	Golf Fund	Narcotic Fund	CDBG Fund	
Revenues					
Use of money and property	\$ 45,857	\$ 1,553	\$ 2,876	\$ 12	\$ 50,298
Charges for services	-	154,157	-	-	154,157
Miscellaneous	-	800	-	1,268	2,068
Intergovernmental					
From the Commonwealth of Virginia	-	-	21,314	-	21,314
Total Revenues	45,857	156,510	24,190	1,280	227,837
Expenditures					
Current					
Public safety	-	-	984	-	984
Public works	3,472	-	-	-	3,472
Parks, recreation, and cultural	-	408,862	-	-	408,862
Total Expenditures	3,472	408,862	984	-	413,318
Excess (Deficiency) of Revenues Over Expenditures	42,385	(252,352)	23,206	1,280	(185,481)
Other Financing Sources (Uses)					
Transfers in	-	298,875	-	-	298,875
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	298,875	-	-	298,875
Net Change in Fund Balances	42,385	46,523	23,206	1,280	113,394
Fund Balance - Beginning of Year	78,451	15,670	9,159	2,635	105,915
Fund Balance - End of Year	<u>\$120,836</u>	<u>\$ 62,193</u>	<u>\$ 32,365</u>	<u>\$ 3,915</u>	<u>\$ 219,309</u>

Town of Farmville, Virginia

Farmville Industrial Development Authority
A Component Unit of the Town of Farmville, Virginia

Statement of Net Assets

As of June 30, 2012

Assets

Current Assets

Cash	\$	9,029
Accrued interest receivable		3,223
Notes receivable - current portion and related interest		<u>95,911</u>
Total Current Assets		108,163

Noncurrent Assets

Capital Assets

Land		-
Land improvements		<u>-</u>
Total Capital Assets		-

Long-Term Notes Receivable		392,340
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Other Assets

Unamortized bond costs		-
Accumulated amortized bond cost		<u>-</u>
Total Other Assets		<u>-</u>

Total Noncurrent Assets		<u>392,340</u>
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Total Assets		<u><u>\$ 500,503</u></u>
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Liabilities and Net Assets

Liabilities

Current Liabilities

Due to Town of Farmville, Virginia	\$	632,591
Accrued interest payable		2,154
Notes payable - current portion		<u>31,921</u>
Total Current Liabilities		666,666

Long-Term Liabilities

Note payable - less current portion		<u>527,506</u>
Total Long-Term Liabilities		<u>527,506</u>

Total Liabilities		1,194,172
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Net Assets

Invested in capital assets		-
Unrestricted (deficit)		<u>(693,669)</u>
Total Net Assets (Deficit)		<u>(693,669)</u>
Total Liabilities and Net Assets	\$	<u><u>500,503</u></u>

Town of Farmville, Virginia

Farmville Industrial Development Authority
A Component Unit of the Town of Farmville, Virginia

Statement of Activities (Deficit)

Year Ended June 30, 2012

Operating Income		\$	-
Operating Expenses			
Contributions - Cumberland County IDA			171,899
Professional fees			<u>3,525</u>
Total Operating Expenses			<u>175,424</u>
Net Operating Loss			(175,424)
Non-Operating Revenues (Expenses)			
Interest income			23,407
Interest expense			(25,030)
Amortization of bond fees			<u>(9,090)</u>
Net Non-Operating Revenues (Expenses)			<u>(10,713)</u>
Change in Net Assets			(186,137)
Total Net Assets (Deficit) - Beginning of Year			<u>(507,532)</u>
Total Net Assets (Deficit) - End of Year		\$	<u><u>(693,669)</u></u>

Town of Farmville, Virginia

Farmville Industrial Development Authority
A Component Unit of the Town of Farmville, Virginia

Statement of Cash Flows

Year Ended June 30, 2012

Cash Flows from Operating Activities

Payments to suppliers	\$ <u>(3,525)</u>
Net Cash Used in Operating Activities	(3,525)

Cash Flows from Capital and Related Financing Activities

Curtailment of borrowings	(162,471)
Proceeds resulting from curtailment of note receivable	107,281
Proceeds from Town of Farmville, Virginia	63,242
Accrued interest receivable	(264)
Accrued interest payable	(2,418)
Amortized bond fees	<u>9,090</u>
Net Cash Provided by Capital and Related Financing Activities	14,460

Cash Flows from Investing Activities

Interest income	23,407
Interest expense	(25,030)
Amortized bond cost	<u>(9,090)</u>
Net Cash Used in Investing Activities	<u>(10,713)</u>

Net Increase in Cash and Cash Equivalents	222
Cash and Cash Equivalents - Beginning of Year	<u>8,807</u>
Cash and Cash Equivalents - End of Year	<u>\$ 9,029</u>

Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities

Operating loss	\$ <u>(3,525)</u>
Net Cash Used in Operating Activities	<u>\$ (3,525)</u>

COMPLIANCE SECTION



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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Farmville, Virginia, as of and for the year ended June 30, 2012, which collectively comprise Town of Farmville, Virginia's basic financial statements and have issued our report thereon dated October 9, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Town of Farmville, Virginia is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Town of Farmville, Virginia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Farmville, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Farmville, Virginia's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, Town Council, others within the entity, Auditor of Public Accounts of the Commonwealth of Virginia, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



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

South Hill, Virginia
October 9, 2012



**Creedle
Jones
& Alga**

A Professional Corporation

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David V. Alga, CPA, CVA, CFF
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Scott A. Thompson, CPA
Kimberly N. Walker, CPA

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

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

Compliance

We have audited Town of Farmville, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Town of Farmville, Virginia's major federal programs for the year ended June 30, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Town of Farmville, Virginia's management. Our responsibility is to express an opinion on Town of Farmville, Virginia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards, OMB Circular A-133, 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 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. Our audit does not provide a legal determination of Town of Farmville, Virginia's compliance with those requirements.

In our opinion, Town of Farmville, Virginia complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

Management of Town of Farmville, Virginia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Town of Farmville, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Town Council, others within the entity, Auditor of Public Accounts of the Commonwealth of Virginia, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Credle, Jones & Alga, P.C.

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

South Hill, Virginia
October 9, 2012

Town of Farmville, Virginia

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalog Number	State Agency Number	Expenditures
U. S. Department of Homeland Security			
Pass-Through Payments			
Department of Emergency Management Emergency Management Preparedness Grant	97.042	127	\$ <u>39,155</u>
Subtotal - Department of Homeland Security			39,155
Federal Aviation Administration			
Direct Payments			
Obstruction removal and AWOS relocation	20.106	N/A	199,814
U. S. Department of Transportation			
Pass-Through Payments			
Department of Rail and Public Transportation Mass Transit Assistance	20.509*	505	545,986
Virginia Department of Transportation Highway Planning and Construction	20.205*	501	<u>710,994</u>
Subtotal - Department of Transportation			<u>1,256,980</u>
Grand Totals			<u>\$ 1,495,949</u>

*Denotes Major Program

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the Town and is presented on GAAP. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Town of Farmville, Virginia

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

1. SUMMARY OF AUDITOR'S RESULTS

- (a) The auditor's report expresses an **unqualified opinion** on the financial statements of Town of Farmville, Virginia.
- (b) **No deficiencies** relating to the audit of the financial statements are reported in the 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*.
- (c) **No instances of noncompliance** material to the financial statements of Town of Farmville, Virginia were disclosed during the audit.
- (d) **No deficiencies** relating to the audit of the major Federal award programs are reported in the Independent Auditor's Report on Compliance with Requirements that Could Have A Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance With OMB Circular A-133.
- (e) The auditor's report on compliance for the major Federal award programs for Town of Farmville, Virginia expresses an **unqualified opinion** on all major Federal programs.
- (f) There were **no audit findings** relative to the major Federal award programs for Town of Farmville, Virginia to be reported in this schedule.
- (g) The programs tested as major programs include:
 - CFDA #20.509, Mass Transit Assistance**
 - CFDA #20.205, Highway Planning and Construction**
- (h) The **threshold** for distinguishing Types A and B programs was **\$300,000**.
- (i) Town of Farmville, Virginia **was** determined to be a **low-risk auditee**.

2. FINDINGS - FINANCIAL STATEMENT AUDIT

None

3. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

Town of Farmville, Virginia

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2012

FINANCIAL STATEMENTS

There were no findings in the prior year.