

Town of Farmville, Virginia
Comprehensive Annual Financial Report
Year Ended June 30, 2010



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

Town of Farmville, Virginia

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FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

To the 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 units, each major fund, and the aggregate remaining fund information of Town of Farmville, Virginia, as of and for the year ended June 30, 2010, 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 above 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, 2010, and the respective changes in financial position, and cash flows, where applicable, 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 26, 2010, reissued January 28, 2011, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* 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 as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Creedle, Jones & Alga, P.C.

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

South Hill, Virginia
October 26, 2010
Reissued January 28, 2011

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, 2010. 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 2010

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 \$15,175,974. Of this amount, \$1,416,779 is reported as unrestricted for the governmental activities.
- For the fiscal year, general and program revenues of the Town's governmental activities were \$12,211,877 and expenses amounted to \$12,421,405. The Town's total net assets decreased \$209,528. The Town's revenues for the enterprise activities were \$4,340,799 and the expenses were \$4,655,567. Net assets decreased by \$314,768.

Highlights for Fund Financial Statements

- As of June 30, 2010, the Town Governmental Funds reported combined fund balances of \$3,095,612 a decrease of \$1,030,066 in comparison with the prior year. Undesignated fund balance amounts to \$3,163,159 of which \$3,163,159 is available to meet the Town's current and future needs.
- The General Fund reported a fund balance of \$3,163,159, a decrease of \$874,351 from June 30, 2009.

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, 2010 and 2009

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Component Unit Farmville IDA</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Assets								
Current and other assets	\$ 4,297,466	\$ 5,720,337	\$ 1,540,264	\$ 1,342,067	\$ 5,837,730	\$ 7,062,404	\$ 735,269	\$ 848,420
Capital assets (net)	25,028,358	21,596,663	9,865,201	10,897,728	34,893,559	32,494,391	171,899	171,899
Other assets	-	-	-	-	-	-	14,717	20,344
Total Assets	<u>\$ 29,325,824</u>	<u>\$ 27,317,000</u>	<u>\$ 11,405,465</u>	<u>\$ 12,239,795</u>	<u>\$ 40,731,289</u>	<u>\$ 39,556,795</u>	<u>\$ 921,885</u>	<u>\$ 1,040,663</u>
Liabilities								
Other liabilities	\$ 1,201,854	\$ 1,594,659	\$ 272,464	\$ 195,037	\$ 1,474,318	\$ 1,789,696	\$ 537,048	\$ 494,052
Long-term liabilities	19,411,770	16,129,386	4,669,227	5,266,216	24,080,997	21,395,602	878,739	1,025,968
Total Liabilities	<u>20,613,624</u>	<u>17,724,045</u>	<u>4,941,691</u>	<u>5,461,253</u>	<u>25,555,315</u>	<u>23,185,298</u>	<u>1,415,787</u>	<u>1,520,020</u>
Net Assets								
Invested in capital assets, net of related debt	8,427,923	11,468,501	5,331,272	5,671,444	13,759,195	17,139,945	171,899	171,899
Unrestricted	284,277	(1,875,546)	1,132,502	1,107,098	1,416,779	(768,448)	(665,801)	(651,256)
Total Net Assets (Deficit)	<u>8,712,200</u>	<u>9,592,955</u>	<u>6,463,774</u>	<u>6,778,542</u>	<u>15,175,974</u>	<u>16,371,497</u>	<u>(493,902)</u>	<u>(479,357)</u>
Total Liabilities and Net Assets	<u>\$ 29,325,824</u>	<u>\$ 27,317,000</u>	<u>\$ 11,405,465</u>	<u>\$ 12,239,795</u>	<u>\$ 40,731,289</u>	<u>\$ 39,556,795</u>	<u>\$ 921,885</u>	<u>\$ 1,040,663</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 \$15,175,974 at June 30, 2010. The largest portion of the reporting entity's net assets, \$13,759,195, 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, 2010 and 2009:

Summary of Changes in Net Assets

For the Fiscal Years Ended June 30, 2010 and 2009

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Component Unit Farmville IDA</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues								
Program Revenues								
Charges for services	\$ 715,441	\$ 687,486	\$ 3,122,861	\$ 3,349,129	\$ 3,838,302	\$ 4,036,615	\$ -	\$ -
Operating grants and contributions	4,556,811	3,800,407	659,301	1,058,443	5,216,112	4,858,850	-	-
General Revenues								
General property taxes, real and personal	688,527	723,122	-	-	688,527	723,122	-	-
Other taxes	4,338,336	4,370,121	-	-	4,338,336	4,370,121	-	-
Noncategorical aid from state	761,243	798,564	-	-	761,243	798,564	-	-
Use of property	169,515	197,160	1,255,900	1,267,607	1,425,415	1,464,767	-	-
Investment earnings	15,895	15,269	902	2,972	16,797	18,241	33,813	39,305
Miscellaneous	265,244	7,604	2,700	15,165	267,944	22,769	-	-
Transfers	700,865	1,344,958	(700,865)	(1,344,958)	-	-	-	-
Total Revenues	12,211,877	11,944,691	4,340,799	4,348,358	16,552,676	16,293,049	33,813	39,305
Expenses								
General government administration	1,344,187	1,198,934	-	-	1,344,187	1,198,934	-	-
Public safety	5,674,974	5,355,067	-	-	5,674,974	5,355,067	-	-
Public works	3,432,814	4,519,187	-	-	3,432,814	4,519,187	-	-
Parks, recreation, and cultural	1,254,545	765,775	-	-	1,254,545	765,775	-	-
Community development	166,629	163,098	-	-	166,629	163,098	3,200	3,200
Enterprise fund expenses	-	-	4,655,567	4,789,645	4,655,567	4,789,645	-	-
Interest on long-term debt	548,256	398,126	-	-	548,256	398,126	45,158	50,181
Total Expenses	12,421,405	12,400,187	4,655,567	4,789,645	17,076,972	17,189,832	48,358	53,381
Increase (Decrease) in Net Assets	(209,528)	(455,496)	(314,768)	(441,287)	(524,296)	(896,783)	(14,545)	(14,076)
Beginning Net Assets (Deficit)	9,592,955	10,048,451	6,778,542	7,219,829	16,371,497	17,268,280	(479,357)	(390,461)
Reclassification-Contributed Capital	-	-	-	-	-	-	-	(75,000)
Prior Period Adjustment	(671,227)	-	-	-	(671,227)	-	-	180
Ending Net Assets (Deficit)	\$ 8,712,200	\$ 9,592,955	\$ 6,463,774	\$ 6,778,542	\$ 15,175,974	\$ 16,371,497	\$ (493,902)	\$ (479,357)

Governmental activities decreased the Town's net assets by \$209,528. Revenues from governmental activities totaled \$12,211,877. Operating grants and contributions comprise the largest source of these revenues, totaling \$4,556,811 or 37.3 percent of all governmental activities revenue. Other local taxes are the second largest revenue stream totaling \$4,338,336 or 35.5 percent of governmental revenues.

The total cost of all governmental activities for this fiscal year was \$12,421,405. Public Safety is the Town's largest program with expenses totaling \$5,674,974 or 45.7 percent. Public Works expenses, which total \$3,432,814 or 27.6 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, 2010 and 2009

	<u>2010</u>		<u>2009</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	\$ 1,344,187	\$ (1,298,349)	\$ 1,198,934	\$ (1,158,261)
Public safety	5,674,974	(2,960,089)	5,355,067	(2,915,892)
Public works	3,432,814	(1,577,285)	4,519,187	(2,656,223)
Parks, recreation, and cultural	1,254,545	(598,545)	765,775	(620,694)
Community development	166,629	(166,629)	163,098	(163,098)
Interest on long-term debt	<u>548,256</u>	<u>(548,256)</u>	<u>398,126</u>	<u>(398,126)</u>
Total	<u>\$ 12,421,405</u>	<u>\$ (7,149,153)</u>	<u>\$ 12,400,187</u>	<u>\$ (7,912,294)</u>

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As of June 30, 2010, the Town's Governmental Funds reported a combined ending fund balance of \$3,095,612, a decrease of \$1,030,066 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 unreserved fund balance of \$3,163,159 and a reserved fund balance of \$-0-. The General Fund's liquidity can be measured by comparing both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 23.4 percent of total fund expenditures.

The Street Maintenance Fund had expenditures totaling \$1,405,175. The ICA had expenditures totaling \$1,991,328 for the immigration facility and the golf fund, which is part of the Other Governmental Funds, spent \$1,117,928.

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, 2010 and 2009

	<u>2010</u>			<u>2009</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	\$ 739,650	\$ 739,650	\$ 688,527	\$ 720,650	\$ 720,650	\$ 723,122
Other	6,381,857	6,381,857	6,216,622	6,309,024	6,309,024	5,877,105
Intergovernmental	<u>2,951,201</u>	<u>2,951,201</u>	<u>1,911,973</u>	<u>2,177,198</u>	<u>2,177,198</u>	<u>1,402,775</u>
Total	<u>10,072,708</u>	<u>10,072,708</u>	<u>8,817,122</u>	9,206,872	9,206,872	8,003,002
Expenditures						
	<u>13,397,071</u>	<u>13,397,071</u>	<u>13,514,249</u>	<u>16,119,654</u>	<u>16,119,654</u>	<u>10,217,129</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,324,363)</u>	<u>(3,324,363)</u>	<u>(4,697,127)</u>	(6,912,782)	(6,912,782)	(2,214,127)
Other Financing Sources (Uses)						
Proceeds of loans	3,400,000	3,400,000	4,000,000	7,000,000	7,000,000	4,600,000
Transfers in	-	-	1,258,318	-	-	947,768
Transfers out	<u>(971,806)</u>	<u>(971,806)</u>	<u>(1,435,542)</u>	<u>(1,024,307)</u>	<u>(1,024,307)</u>	<u>(929,742)</u>
Total	<u>2,428,194</u>	<u>2,428,194</u>	<u>3,822,776</u>	<u>5,975,693</u>	<u>5,975,693</u>	<u>4,618,026</u>
Net Change in Fund Balance	<u>(896,169)</u>	<u>(896,169)</u>	<u>(874,351)</u>	(937,089)	(937,089)	2,403,899
Contingency/Transfer from Surplus	<u>896,169</u>	<u>896,169</u>	-	<u>937,089</u>	<u>937,089</u>	-
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (874,351)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,403,899</u>

Street Maintenance Fund

For the Fiscal Years Ended June 30, 2010 and 2009

	<u>2010</u>			<u>2009</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	\$ 1,338,686	\$ 1,338,686	\$ 1,365,949	\$ 1,290,500	\$ 1,290,500	\$ 1,338,686
Total	<u>1,338,686</u>	<u>1,338,686</u>	<u>1,365,949</u>	1,290,500	1,290,500	1,338,686
Expenditures						
	<u>1,642,685</u>	<u>1,642,685</u>	<u>1,405,175</u>	<u>1,785,270</u>	<u>1,785,270</u>	<u>1,411,305</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(303,999)</u>	<u>(303,999)</u>	<u>(39,226)</u>	(494,770)	(494,770)	(72,619)
Other Financing Sources (Uses)						
Transfers in	<u>303,999</u>	<u>303,999</u>	<u>56,824</u>	494,770	494,770	72,619
Total	<u>303,999</u>	<u>303,999</u>	<u>56,824</u>	<u>494,770</u>	<u>494,770</u>	<u>72,619</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,598</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

ICA Fund

For the Fiscal Years Ended June 30, 2010 and 2009

	<u>2010</u>			<u>2009</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	\$ -	\$ -	\$ 2,046,386	\$ -	\$ -	\$ 1,836,550
Total	-	-	2,046,386	-	-	1,836,550
Expenditures						
	-	-	1,991,328	-	-	1,836,550
Excess (Deficiency) of Revenues Over Expenditures	-	-	55,058	-	-	-
Other Financing Sources (Uses)						
Transfers in	-	-	(112,593)	-	-	-
Total	-	-	(112,593)	-	-	-
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (57,535)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

For the General Fund, actual revenues were less than final budget amounts by \$1,255,586, or 12.5 percent, while actual expenditures were \$117,178, or .9 percent more than final budget amounts.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2010, the Town's investment in capital assets totals \$13,759,195 which is net capital assets less related debt.

During fiscal year 2010, the Town's Governmental Activity net capital assets (including additions, decreases, and depreciation) increased \$3,431,695 or 13.7 percent and the Town's Business-Type Activity net capital assets decreased by \$1,032,527 or 9.5 percent as summarized below:

Change in Capital Assets

Governmental Activities

	<u>Balance June 30, 2009</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2010</u>
Land and land improvements	\$ 2,408,507	\$ -	\$ 2,408,507
Other capital assets	<u>34,574,171</u>	<u>5,060,436</u>	<u>39,634,607</u>
Total Capital Assets	36,982,678	5,060,436	42,043,114
Less: Accumulated depreciation	<u>(15,386,015)</u>	<u>(1,628,741)</u>	<u>(17,014,756)</u>
Total Capital Assets, Net	<u>\$ 21,596,663</u>	<u>\$ 3,431,695</u>	<u>\$ 25,028,358</u>

Business-Type Activities

	<u>Balance June 30, 2009</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2010</u>
Land and land improvements	\$ 1,703,672	\$ -	\$ 1,703,672
Other capital assets	<u>26,208,167</u>	<u>193,973</u>	<u>26,402,140</u>
Total Capital Assets	27,911,839	193,973	28,105,812
Less: Accumulated depreciation	<u>(17,014,111)</u>	<u>(1,226,500)</u>	<u>(18,240,611)</u>
Total Capital Assets, Net	<u>\$ 10,897,728</u>	<u>\$ (1,032,527)</u>	<u>\$ 9,865,201</u>

Component Unit Farmville IDA

	<u>Balance June 30, 2009</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2010</u>
Land	\$ 65,652	\$ -	\$ 65,652
Land improvements	<u>106,247</u>	<u>-</u>	<u>106,247</u>
Total Capital Assets, Net	<u>\$ 171,899</u>	<u>\$ -</u>	<u>\$ 171,899</u>

Long-Term Debt

As of June 30, 2010, the Town's long-term obligations total \$24,019,987.

	<u>Balance</u> <u>June 30, 2009</u>	<u>Net Additions</u> <u>and Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
Primary Government			
Governmental Activities			
Long-term debt	\$ 13,515,595	\$ 3,084,840	\$ 16,600,435
Net pension obligation	671,227	113,630	784,857
Landfill obligation	2,029,919	(575,520)	1,454,399
Compensated absences			
Governmental Funds	<u>583,872</u>	<u>(11,793)</u>	<u>572,079</u>
Total Governmental Activities	16,800,613	2,611,157	19,411,770
Business-Type Activities			
Long-term debt	5,185,494	(651,564)	4,533,930
Compensated absences			
Enterprise Funds	<u>80,722</u>	<u>(6,435)</u>	<u>74,287</u>
Total Business-Type Activities	<u>5,266,216</u>	<u>(657,999)</u>	<u>4,608,217</u>
Total Primary Government	<u>\$ 22,066,829</u>	<u>\$ 1,953,158</u>	<u>\$ 24,019,987</u>
Component Unit Farmville IDA			
Long-term debt	<u>\$ 1,025,968</u>	<u>\$ (147,229)</u>	<u>\$ 878,739</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 8 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 2010, which uses Prince Edward County's rate, was 10.9 percent, an increase of .6 percent from June 2009. This compares unfavorably to the state's rate of 7.1 percent and the national rate of 9.6 percent as of June 2010.
- 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 \$32,338 for the state, according to the 2000 U.S. Census data.

The fiscal year 2011 adopted budget anticipates General Fund revenues and expenditures to be \$10,665,140.

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 web site at www.farmvilleva.com.

BASIC FINANCIAL STATEMENTS

Town of Farmville, Virginia

Statement of Net Assets

At June 30, 2010

	Primary Government			Component Unit Farmville IDA
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and cash equivalents	\$ 2,242,114	\$ 558,933	\$ 2,801,047	\$ 20,650
Restricted cash	16,467	105,173	121,640	-
Receivables, net	578,051	519,074	1,097,125	711,658
Accrued interest receivable	-	-	-	2,961
Due from other funds	17,597	47,428	65,025	-
Inventory	50,488	147,157	197,645	-
Due from other governments	1,392,749	-	1,392,749	-
Capital Assets				
Land and construction in progress	2,408,507	1,703,672	4,112,179	171,899
Other capital assets, net of accumulated depreciation	22,619,851	8,161,529	30,781,380	-
Capital Assets, Net	25,028,358	9,865,201	34,893,559	171,899
Other Assets				
Unamortized bond costs	-	-	-	28,135
Accumulated amortized bond costs	-	-	-	(13,418)
Total Other Assets	-	-	-	14,717
Total Assets	<u>\$ 29,325,824</u>	<u>\$ 11,242,966</u>	<u>\$ 40,568,790</u>	<u>\$ 921,885</u>
Liabilities				
Accounts payable and accrued expenses	\$ 715,215	\$ 109,965	\$ 825,180	\$ -
Accrued interest payable	-	-	-	5,638
Short-term line of credit	400,000	-	400,000	-
Due to other funds	65,025	-	65,025	-
Due to other governments	-	-	-	531,145
Customer deposits	-	61,010	61,010	-
Deferred revenue	21,614	-	21,614	265
Long-Term Liabilities				
<i>Due within one year</i>				
Bonds, loans, and capital leases payable	1,077,667	660,370	1,738,037	156,840
<i>Due in more than one year</i>				
Compensated absences	572,079	74,287	646,366	-
Net pension obligation	784,857	-	784,857	-
Landfill obligation	1,454,399	-	1,454,399	-
Bonds, loans, and capital leases payable	15,522,768	3,873,560	19,396,328	721,899
Total Liabilities	20,613,624	4,779,192	25,392,816	1,415,787
Net Assets				
Invested in capital assets, net of related debt	8,427,923	5,331,272	13,759,195	171,899
Unrestricted (deficit)	284,277	1,132,502	1,416,779	(665,801)
Total Net Assets (Deficit)	<u>8,712,200</u>	<u>6,463,774</u>	<u>15,175,974</u>	<u>(493,902)</u>
Total Liabilities and Net Assets	<u>\$ 29,325,824</u>	<u>\$ 11,242,966</u>	<u>\$ 40,568,790</u>	<u>\$ 921,885</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, 2010

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			Component Unit Farmville IDA	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities		Total
Primary Government								
Governmental Activities								
General government administration	\$ 1,344,187	\$ 45,838	\$ -	\$ -	\$ (1,298,349)	\$ (1,298,349)		
Public safety	5,674,974	464,368	2,250,517	-	(2,960,089)	(2,960,089)		
Public works	3,432,814	195,735	1,659,794	-	(1,577,285)	(1,577,285)		
Parks, recreation, and cultural	1,254,545	9,500	646,500	-	(598,545)	(598,545)		
Community development	166,629	-	-	-	(166,629)	(166,629)		
Interest on long-term debt	548,256	-	-	-	(548,256)	(548,256)		
Total Governmental Activities	12,421,405	715,441	4,556,811	-	(7,149,153)	(7,149,153)		
Business-Type Activities								
Water fund	1,767,521	1,449,408	1,890	-	\$ (316,223)	(316,223)		
Sewer fund	1,523,218	1,459,864	5,090	-	(58,264)	(58,264)		
Airport fund	467,003	201,633	126,519	-	(138,851)	(138,851)		
Transportation fund	897,825	11,956	525,802	-	(360,067)	(360,067)		
Total Business-Type Activities	4,655,567	3,122,861	659,301	-	(873,405)	(873,405)		
Total Primary Government	\$ 17,076,972	\$ 3,838,302	\$ 5,216,112	\$ -	(873,405)	(8,022,558)		
Component Unit								
Farmville IDA	\$ 48,358	\$ -	\$ -	\$ -			\$ (48,358)	
General Revenues								
Taxes								
General property taxes, real and personal					688,527	-	688,527	-
Other local taxes					4,338,336	-	4,338,336	-
Noncategorical aid from state					761,243	-	761,243	-
Use of property					169,515	1,255,900	1,425,415	-
Investment earnings					15,895	902	16,797	33,813
Miscellaneous					265,244	2,700	267,944	-
Transfers					700,865	(700,865)	-	-
Total General Revenues					6,939,625	558,637	7,498,262	33,813
Change in Net Assets					(209,528)	(314,768)	(524,296)	(14,545)
Net Assets (Deficit) - Beginning of Year					9,592,955	6,778,542	16,371,497	(479,357)
Prior Period Adjustment					(671,227)	-	(671,227)	-
Net Assets (Deficit) - End of Year					\$ 8,712,200	\$ 6,463,774	\$ 15,175,974	\$ (493,902)

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

Town of Farmville, Virginia

Balance Sheet

Governmental Funds

At June 30, 2010

	General Fund	Street Maintenance Fund	ICA Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 2,238,965	\$ 10,224	\$ -	\$ 95,080	\$ 2,344,269
Cash - restricted	16,467	-	-	-	16,467
Due from other funds	-	17,598	-	10,200	27,798
Property taxes receivable, net	19,743	-	-	-	19,743
Accounts receivable	335,353	-	218,597	4,358	558,308
Inventory	34,820	-	-	15,668	50,488
Due from other governments	<u>1,392,749</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,392,749</u>
 Total Assets	 <u>\$ 4,038,097</u>	 <u>\$ 27,822</u>	 <u>\$ 218,597</u>	 <u>\$ 125,306</u>	 <u>\$ 4,409,822</u>
Liabilities					
Pooled cash deficit	\$ -	\$ -	\$ 102,155	\$ -	\$ 102,155
Due to other funds	75,226	-	-	-	75,226
Accounts payable and accrued liabilities	382,651	10,224	173,977	148,363	715,215
Short-term note - line of credit	400,000	-	-	-	400,000
Deferred revenue	-	-	-	4,553	4,553
Deferred revenue - property taxes	<u>17,061</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,061</u>
 Total Liabilities	 874,938	 10,224	 276,132	 152,916	 1,314,210
Fund Balance					
Designated	-	17,598	(57,535)	(27,610)	(67,547)
Unreserved/undesignated	<u>3,163,159</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,163,159</u>
 Total Fund Balance (Deficit)	 <u>3,163,159</u>	 <u>17,598</u>	 <u>(57,535)</u>	 <u>(27,610)</u>	 <u>3,095,612</u>
 Total Liabilities and Fund Balance	 <u>\$ 4,038,097</u>	 <u>\$ 27,822</u>	 <u>\$ 218,597</u>	 <u>\$ 125,306</u>	 <u>\$ 4,409,822</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, 2010

Total Fund Balances for Governmental Funds \$ 3,095,612

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	13,460,180
Infrastructure and equipment, net of accumulated depreciation	<u>9,159,671</u>

Total Capital Assets 25,028,358

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	(16,600,435)
Net pension obligation	(784,857)
Landfill obligation	(1,454,399)
Compensated absences	<u>(572,079)</u>

Total (19,411,770)

Total Net Assets of Governmental Activities \$ 8,712,200

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, 2010

	<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	\$ 688,527	\$ -	\$ -	\$ -	\$ 688,527
Other local taxes	4,338,336	-	-	-	4,338,336
Permits, privilege fees, and regulatory licenses	71,355	-	-	-	71,355
Fines and forfeitures	103,985	-	-	-	103,985
Use of money and property	146,909	-	-	42,656	189,565
Charges for services	373,106	-	-	166,995	540,101
Miscellaneous	265,244	-	-	-	265,244
Recovered costs	917,687	-	19,046	4,077	940,810
<i>Intergovernmental</i>					
Revenue from the Commonwealth	1,869,132	1,365,949	83,581	10,770	3,329,432
Revenue from the Federal Government	42,841	-	1,943,759	2,022	1,988,622
Total Revenues	<u>8,817,122</u>	<u>1,365,949</u>	<u>2,046,386</u>	<u>226,520</u>	<u>12,455,977</u>
Expenditures					
Current					
General government administration	1,352,851	-	-	-	1,352,851
Public safety	3,618,175	-	1,991,328	3,965	5,613,468
Public works	6,107,586	1,405,175	-	33,293	7,546,054
Parks, recreation, and cultural	764,323	-	-	1,238,898	2,003,221
Community development	170,388	-	-	-	170,388
Debt service	1,500,926	-	-	-	1,500,926
Total Expenditures	<u>13,514,249</u>	<u>1,405,175</u>	<u>1,991,328</u>	<u>1,276,156</u>	<u>18,186,908</u>
Excess (Deficiency) of Revenues Over Expenditures	(4,697,127)	(39,226)	55,058	(1,049,636)	(5,730,931)
Other Financing Sources (Uses)					
Proceeds from long-term debt	4,000,000	-	-	-	4,000,000
Transfers in	1,258,318	56,824	-	960,176	2,275,318
Transfers out	(1,435,542)	-	(112,593)	(26,318)	(1,574,453)
Total Other Financing Sources (Uses)	<u>3,822,776</u>	<u>56,824</u>	<u>(112,593)</u>	<u>933,858</u>	<u>4,700,865</u>
Net Change in Fund Balance	(874,351)	17,598	(57,535)	(115,778)	(1,030,066)
Fund Balance - Beginning of Year	<u>4,037,510</u>	<u>-</u>	<u>-</u>	<u>88,168</u>	<u>4,125,678</u>
Fund Balance (Deficit) - End of Year	<u>\$ 3,163,159</u>	<u>\$ 17,598</u>	<u>\$ (57,535)</u>	<u>\$ (27,610)</u>	<u>\$ 3,095,612</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, 2010

Net Change in Fund Balances - Total Governmental Funds \$ (1,030,066)

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.

3,431,695

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 from debt	\$ (4,000,000)	
Repayments on debt	<u>915,160</u>	
Net Adjustment		(3,084,840)

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:

Compensated absences	11,793	
Net pension obligation	(113,630)	
Landfill obligation	<u>575,520</u>	
Net Adjustment		<u>473,683</u>

Change in Net Assets of Governmental Activities \$ (209,528)

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, 2010

	<u>Business-Type Activities - Enterprise Funds</u>				
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Transportation Fund</u>	<u>Airport Fund</u>	<u>Total</u>
Assets					
Current Assets					
Cash	\$ 56,229	\$ 446,519	\$ 2,785	\$ 53,400	\$ 558,933
Cash - restricted	105,173	-	-	-	105,173
Due from other funds	17,015	177,414	13,170	2,328	209,927
Accounts receivable (net of allowance for bad debts)	248,157	260,928	8,418	1,571	519,074
Inventory	96,555	18,039	-	32,563	147,157
Total Current Assets	<u>523,129</u>	<u>902,900</u>	<u>24,373</u>	<u>89,862</u>	<u>1,540,264</u>
Capital Assets					
Capital assets	13,208,643	10,043,367	1,654,880	3,198,922	28,105,812
Less: Accumulated depreciation	<u>(8,636,177)</u>	<u>(7,379,609)</u>	<u>(597,825)</u>	<u>(1,627,000)</u>	<u>(18,240,611)</u>
Total Capital Assets	<u>4,572,466</u>	<u>2,663,758</u>	<u>1,057,055</u>	<u>1,571,922</u>	<u>9,865,201</u>
Total Assets	<u>\$ 5,095,595</u>	<u>\$ 3,566,658</u>	<u>\$ 1,081,428</u>	<u>\$ 1,661,784</u>	<u>\$ 11,405,465</u>
Liabilities					
Current Liabilities					
Accounts payable	\$ 56,228	\$ 6,820	\$ 2,785	\$ 12,202	\$ 78,035
Due to other funds	162,499	-	-	-	162,499
Accrued wages	17,015	14,915	-	-	31,930
Total Current Liabilities	<u>235,742</u>	<u>21,735</u>	<u>2,785</u>	<u>12,202</u>	<u>272,464</u>
Noncurrent Liabilities					
Customer deposits	61,010	-	-	-	61,010
Compensated absences	38,037	36,250	-	-	74,287
General obligation bonds	<u>3,602,971</u>	<u>930,959</u>	<u>-</u>	<u>-</u>	<u>4,533,930</u>
Total Noncurrent Liabilities	<u>3,702,018</u>	<u>967,209</u>	<u>-</u>	<u>-</u>	<u>4,669,227</u>
Total Liabilities	<u>3,937,760</u>	<u>988,944</u>	<u>2,785</u>	<u>12,202</u>	<u>4,941,691</u>
Net Assets					
Invested in capital assets, net of related debt	969,496	1,732,799	1,057,055	1,571,922	5,331,272
Unrestricted	<u>188,339</u>	<u>844,915</u>	<u>21,588</u>	<u>77,660</u>	<u>1,132,502</u>
Total Net Assets	<u>1,157,835</u>	<u>2,577,714</u>	<u>1,078,643</u>	<u>1,649,582</u>	<u>6,463,774</u>
Total Liabilities and Net Assets	<u>\$ 5,095,595</u>	<u>\$ 3,566,658</u>	<u>\$ 1,081,428</u>	<u>\$ 1,661,784</u>	<u>\$ 11,405,465</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, 2010

	<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	\$ 1,279,457	\$ 1,385,997	\$ 11,956	\$ 189,088	\$ 2,866,498
Rental income	9,231	-	-	12,545	21,776
Operating grants - state	1,890	5,090	69,978	44,639	121,597
Operating grants - federal	-	-	280,224	72,380	352,604
Contribution - Counties and other	-	-	175,600	9,500	185,100
Miscellaneous	-	-	2,700	-	2,700
Tap fees	<u>160,720</u>	<u>73,867</u>	<u>-</u>	<u>-</u>	<u>234,587</u>
Total Operating Revenues	1,451,298	1,464,954	540,458	328,152	3,784,862
Operating Expenses					
Salaries and wages	375,758	355,153	326,304	32,896	1,090,111
Fringe benefits	124,510	114,573	84,866	4,943	328,892
Cost of fuel	-	-	56,208	141,348	197,556
Contractual services and professional fees	31,398	17,816	-	47,291	96,505
Chemicals	60,121	36,021	-	-	96,142
Sludge removal	-	43,838	-	-	43,838
Repairs and maintenance	131,693	87,687	49,812	12,111	281,303
Other charges	26,167	24,499	7,600	16,178	74,444
Depreciation	586,029	512,765	71,632	131,294	1,301,720
Indirect costs	181,062	188,286	277,281	32,914	679,543
Utilities	101,883	121,284	8,822	18,779	250,768
Insurance	<u>21,032</u>	<u>21,296</u>	<u>15,300</u>	<u>29,249</u>	<u>86,877</u>
Total Operating Expenses	<u>1,639,653</u>	<u>1,523,218</u>	<u>897,825</u>	<u>467,003</u>	<u>4,527,699</u>
Operating Income (Loss)	(188,355)	(58,264)	(357,367)	(138,851)	(742,837)
Nonoperating Revenues (Expenses)					
Interest earned	473	-	6	423	902
Sale of lines to County	616,000	616,000	-	-	1,232,000
Gain (loss) on sale of fixed assets	23,900	-	-	-	23,900
Interest expense on bonds	<u>(127,868)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(127,868)</u>
Total Nonoperating Revenues (Expenses)	<u>512,505</u>	<u>616,000</u>	<u>6</u>	<u>423</u>	<u>1,128,934</u>
Income (Loss) Before Operating Transfers	324,150	557,736	(357,361)	(138,428)	386,097
Operating Transfers In	15,290	97,303	306,370	112,172	531,135
Operating Transfers Out	<u>(616,000)</u>	<u>(616,000)</u>	<u>-</u>	<u>-</u>	<u>(1,232,000)</u>
Net Operating Transfers	<u>(600,710)</u>	<u>(518,697)</u>	<u>306,370</u>	<u>112,172</u>	<u>(700,865)</u>
Change in Net Assets	(276,560)	39,039	(50,991)	(26,256)	(314,768)
Total Net Assets - Beginning of Year	<u>1,434,395</u>	<u>2,538,675</u>	<u>1,129,634</u>	<u>1,675,838</u>	<u>6,778,542</u>
Total Net Assets - End of Year	<u>\$ 1,157,835</u>	<u>\$ 2,577,714</u>	<u>\$ 1,078,643</u>	<u>\$ 1,649,582</u>	<u>\$ 6,463,774</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, 2010

	Business-Type Activities - Enterprise Funds				Total
	Water Fund	Sewer Fund	Transportation Fund	Airport Fund	
Cash Flows from Operating Activities					
Receipts from customers	\$ 1,406,727	\$ 1,453,130	\$ 3,937	\$ 202,012	\$ 3,065,806
Receipts from County and others	9,231	-	175,600	9,500	194,331
Operating grants from state and federal government	1,890	5,090	350,202	117,019	474,201
Other receipts	-	-	2,700	-	2,700
Payments to personnel and related expenses	(503,131)	(475,415)	(411,170)	(37,839)	(1,427,555)
Payments to suppliers	(568,461)	(546,925)	(413,324)	(317,479)	(1,846,189)
Net Cash Provided by (Used in) Operating Activities	346,256	435,880	(292,055)	(26,787)	463,294
Cash Flows from Noncapital Financing Activities					
Funds from (paid to) other funds	(455,226)	(696,110)	293,200	109,844	(748,292)
Net Cash Provided by (Used in) Noncapital Financing Activities	(455,226)	(696,110)	293,200	109,844	(748,292)
Cash Flows from Financing Capital and Related Activities					
Purchase of capital assets	(66,106)	(121,658)	(11,894)	(74,438)	(274,096)
Gain (loss) on disposition of capital assets	23,900	-	-	4,903	28,803
Installment sale of lines to PE County	616,000	616,000	-	-	1,232,000
Principal paid on capital debt	(341,245)	(310,320)	-	-	(651,565)
Interest paid on capital debt	(127,868)	-	-	-	(127,868)
Net Cash Provided by (Used in) Financing Capital and Related Activities	104,681	184,022	(11,894)	(69,535)	207,274
Cash Flows from Investing Activities					
Interest income	473	-	6	423	902
Net Cash Provided by Investing Activities	473	-	6	423	902
Net Increase (Decrease) in Cash	(3,816)	(76,208)	(10,743)	13,945	(76,822)
Cash - Beginning of Year	165,218	522,727	13,528	39,455	740,928
Cash - End of Year	<u>\$ 161,402</u>	<u>\$ 446,519</u>	<u>\$ 2,785</u>	<u>\$ 53,400</u>	<u>\$ 664,106</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities					
Operating income (loss)	\$ (188,355)	\$ (58,264)	\$ (357,367)	\$ (138,851)	\$ (742,837)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities					
Depreciation expense	586,029	512,765	71,632	131,294	1,301,720
Changes in assets and liabilities					
Receivables, net	(36,223)	(6,733)	(8,018)	379	(50,595)
Inventory	29	510	-	(15,035)	(14,496)
Accounts payable	(14,696)	(6,709)	1,698	(4,574)	(24,281)
Accrued wages	(774)	(1,782)	-	-	(2,556)
Compensated absences	(2,528)	(3,907)	-	-	(6,435)
Customer deposits	2,774	-	-	-	2,774
Net Cash Provided by (Used in) Operating Activities	<u>\$ 346,256</u>	<u>\$ 435,880</u>	<u>\$ (292,055)</u>	<u>\$ (26,787)</u>	<u>\$ 463,294</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, 2010

	Retirement Trust Fund	Paulette Memorial Trust Fund
Assets		
Cash and investments	<u>\$ 3,999,391</u>	<u>\$ 3,391</u>
Total Assets	<u><u>\$ 3,999,391</u></u>	<u><u>\$ 3,391</u></u>
Liabilities		
Amounts held for others	<u>\$ 3,999,391</u>	<u>\$ 3,391</u>
Total Liabilities	<u><u>\$ 3,999,391</u></u>	<u><u>\$ 3,391</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, 2010

	Retirement Trust Fund	Paulette Memorial Trust Fund
Additions		
Contributions	\$ 501,880	\$ -
Interest, dividends, and unrealized gains (losses)	<u>372,432</u>	<u>68</u>
Total Additions	874,312	68
Deductions		
Benefits paid to participants or beneficiaries	204,131	-
Forfeitures	2,656	-
Administrative expenses	<u>-</u>	<u>177</u>
Total Deductions	<u>206,787</u>	<u>177</u>
Change in Net Assets	667,525	(109)
Amounts Held for Others - Beginning	<u>3,331,866</u>	<u>3,500</u>
Amounts Held for Others - Ending	<u><u>\$ 3,999,391</u></u>	<u><u>\$ 3,391</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, 2010

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 2010. 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 2010:

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.

Encumbrances

Encumbrance accounting, the recording of purchase orders, contracts, and other monetary commitments in order to reserve an applicable portion of an appropriation, is not used by the Town.

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, 2010, 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	\$ 63,292
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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).

Investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Town and/or its Component Unit or their safekeeping agent in the entity's name. Category 2 includes uninsured or unregistered investments for which the securities are held by the counterparty's trust department (if a bank) or agent in the entity's name. Category 3 includes uninsured and unregistered investments for which the securities are held by a broker, dealer, or by a counterparty or safekeeping agent but not in the entity's name.

The following is a summary of investments:

	<u>Carrying Amount</u>	<u>Market Value</u>
DIG Investments	\$ 3,999,391	\$ 3,999,391
Total Investments	3,999,391	<u>\$ 3,999,391</u>
 Total Deposits	 <u>2,944,228</u>	
 Total Deposits and Investments - Primary Government	 6,943,619	
 Cash on Hand	 <u>2,500</u>	
 All Cash - Town	 <u>\$ 6,946,119</u>	

The following is a summary and reconciliation of the pooled cash and investments at June 30, 2010:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Responsibilities</u>	<u>Total</u>
Primary Government				
Cash and cash equivalents	\$ 2,242,114	\$ 558,933	\$ 3,391	\$ 2,804,438
Cash - restricted	16,467	105,173	-	121,640
Investments	<u>-</u>	<u>-</u>	<u>3,999,391</u>	<u>3,999,391</u>
Total Primary Government	2,258,581	664,106	4,002,782	6,925,469
 Component Unit Farmville IDA				
Cash and cash equivalents	<u>20,650</u>	<u>-</u>	<u>-</u>	<u>20,650</u>
 Total Primary Government and Component Unit Farmville IDA	 <u>\$ 2,279,231</u>	 <u>\$ 664,106</u>	 <u>\$ 4,002,782</u>	 <u>\$ 6,946,119</u>

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

3 Property Taxes

Real property taxes are assessed on property values as of January 1 and attach 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 attach 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 2009 were levied by the Town Council in May 2009 on the assessed value listed as of January 1, 2009.

Property taxes for calendar year 2010 were levied by the Town Council in May 2010 on the assessed value listed as of January 1, 2010.

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, 2010 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>			
Property taxes	\$ 83,035	\$ -	\$ -	\$ 83,035	\$ -	\$ -
Utility taxes	29,514	-	-	29,514	-	-
Sales tax	25,683	-	-	25,683	-	-
Food and lodging tax	175,671	-	-	175,671	-	-
Block grant recipients	-	-	4,358	4,358	-	-
Other miscellaneous	104,485	218,597	-	323,082	-	711,658
Water fund accounts	-	-	-	-	248,157	-
Sewer fund accounts	-	-	-	-	260,928	-
Transportation fund accounts	-	-	-	-	8,418	-
Airport fund accounts	-	-	-	-	1,571	-
Total	418,388	218,597	4,358	641,343	519,074	711,658
Allowance for uncollectibles	<u>(63,292)</u>	<u>-</u>	<u>-</u>	<u>(63,292)</u>	<u>-</u>	<u>-</u>
Net Receivables	<u>\$ 355,096</u>	<u>\$ 218,597</u>	<u>\$ 4,358</u>	<u>\$ 578,051</u>	<u>\$ 519,074</u>	<u>\$ 711,658</u>

5 Due from Other Governmental Units

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
	<u>General</u>	<u>Airport</u>	
Commonwealth of Virginia			
Fire program	\$ 11,000	\$ -	\$ 11,000
Farmville IDA	1,381,749	-	1,381,749
Total	<u>\$ 1,392,749</u>	<u>\$ -</u>	<u>\$ 1,392,749</u>

6 Interfund Balances and Activity

Balance due to/from other funds at June 30, 2010:

Primary Government

	<u>Transfer To</u>	<u>Transfer From</u>
Transfers To/From Other Funds		
General Fund		
To Airport Fund	\$ 112,172	\$ -
To Street Maintenance Fund	56,824	-
From Water Fund	-	616,000
To Golf Course Fund	960,176	-
To Transportation Fund	306,370	-
From Narcotic Fund	-	26,318
From Sewer Fund	-	616,000
Total General Fund	<u>1,435,542</u>	<u>1,258,318</u>
Street Maintenance Fund		
From General Fund for operating costs	-	56,824
Narcotics Fund		
To General Fund for operating costs	26,318	-
Airport Fund		
From General Fund for operating costs	-	112,172
Transportation Fund		
From General Fund for operating costs	-	306,370
ICA Fund		
To Water Fund for water lines	15,290	-
To Sewer Fund for sewer lines	97,303	-
Water Fund		
To General Fund	616,000	-
From ICA Fund	-	15,290
Sewer Fund		
From ICA Fund	-	97,303
To General Fund	616,000	-
Golf Course Fund		
From General Fund for acquisition and start up costs	-	960,176
Total Transfers	<u>\$ 2,806,453</u>	<u>\$ 2,806,453</u>

Due To/Due From's

General Fund

Due to other funds for payroll deposit \$ - \$ 75,226

Street Maintenance

Due from General Fund for payroll deposit 17,598 -

Golf Fund

Due from General Fund for payroll deposit 10,200 -

Water Fund

Due from General Fund for payroll deposit 17,015 -

Due from Sewer Fund - 162,499

Sewer Fund

Due from General Fund for payroll deposit 14,915 -

Due from Water Fund 162,499 -

Transportation Fund

Due from General Fund for payroll deposit 13,170 -

Airport Fund

Due from General Fund for payroll deposit 2,328 -

Total Due To's and Due From's \$ 237,725 \$ 237,725

**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) \$ 1,381,749 \$ -

Component Unit Farmville IDA

To Town of Farmville, Virginia - General Fund (includes unamortized
bond costs) - 1,381,749

Total Between Primary Government and Component Unit \$ 1,381,749 \$ 1,381,749

7 Capital Assets

Primary Government

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
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	11,393,928	4,443,544	-	15,837,472
Infrastructure	18,214,612	260,431	-	18,475,043
Vehicles and equipment	4,965,631	475,280	118,819	5,322,092
Total Other Capital Assets	34,574,171	5,179,255	118,819	39,634,607
Less: Accumulated depreciation for				
Buildings and improvements	2,059,950	317,342	-	2,377,292
Infrastructure	10,491,978	903,428	-	11,395,406
Vehicles and equipment	2,834,087	522,635	114,664	3,242,058
Total Accumulated Depreciation	15,386,015	1,743,405	114,664	17,014,756
Other Capital Assets, Net	19,188,156	3,435,850	4,155	22,619,851
Net Capital Assets	<u>\$ 21,596,663</u>	<u>\$ 3,435,850</u>	<u>\$ 4,155</u>	<u>\$ 25,028,358</u>
Depreciation expense was allocated as follows:				
General government administration	\$ 13,570			
Public safety	264,105			
Public works	1,424,591			
Parks, recreation, and cultural	41,139			
Total Depreciation Expense	<u>\$ 1,743,405</u>			

Business-Type Activities

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
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	21,367,680	232,446	-	21,600,126
Equipment and vehicles	1,598,301	41,650	80,123	1,559,828
Total Other Capital Assets	26,208,167	274,096	80,123	26,402,140
Less: Accumulated depreciation for				
Buildings and improvements	1,334,640	86,198	-	1,420,838
Infrastructure	14,623,502	1,087,536	-	15,711,038
Equipment and vehicles	1,055,969	127,986	75,220	1,108,735
Total Accumulated Depreciation	17,014,111	1,301,720	75,220	18,240,611
Other Capital Assets, Net	9,194,056	(1,027,624)	4,903	8,161,529
Net Capital Assets	<u>\$ 10,897,728</u>	<u>\$ (1,027,624)</u>	<u>\$ 4,903</u>	<u>\$ 9,865,201</u>
Depreciation expense was allocated to enterprise activities.		<u>\$ 1,301,720</u>		

Component Unit Farmville IDA

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
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>\$ -</u>	<u>\$ 171,899</u>

8 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
2011	\$ 916,067	\$ 633,874	\$ 660,370	\$ 109,048	\$ 1,576,437	\$ 742,922
2012	1,138,477	641,831	676,932	98,841	1,815,409	740,672
2013	1,124,263	596,535	688,568	88,151	1,812,831	684,686
2014	844,218	552,305	205,534	77,099	1,049,752	629,404
2015	876,133	516,827	212,094	70,543	1,088,227	587,370
2016-2020	4,944,976	1,999,100	1,176,073	245,917	6,121,049	2,245,017
2021-2025	5,666,592	863,169	859,230	52,631	6,525,822	915,800
2026-2030	1,089,709	32,067	55,129	-	1,144,838	32,067
Compensated absences	572,079	-	74,287	-	646,366	-
Net Pension Obligation	784,857	-	-	-	784,857	-
Landfill obligation	1,454,399	-	-	-	1,454,399	-
Total	\$19,411,770	\$5,835,708	\$ 4,608,217	\$ 742,230	\$24,019,987	\$6,577,938

Year(s) Ended June 30,	Component Unit Farmville IDA		Total Above Town of Farmville		Total Reporting Entity	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 156,840	\$ 34,989	\$ 1,576,437	\$ 742,922	\$ 1,733,277	\$ 777,911
2012	162,530	28,974	1,815,409	740,672	1,977,939	769,646
2013	167,029	22,764	1,812,831	684,686	1,979,860	707,450
2014	24,312	16,359	1,049,752	629,404	1,074,064	645,763
2015	24,316	13,987	1,088,227	587,370	1,112,543	601,357
2016-2020	131,856	288,911	6,121,049	2,245,017	6,252,905	2,533,928
2021-2025	147,579	29,344	6,525,822	915,800	6,673,401	945,144
2026-2030	64,277	3,666	1,144,838	32,067	1,209,115	35,733
Compensated absences	-	-	646,366	-	646,366	-
Net Pension Obligation	-	-	784,857	-	784,857	-
Landfill obligation	-	-	1,454,399	-	1,454,399	-
Total	\$ 878,739	\$ 438,994	\$24,019,987	\$6,577,938	\$24,898,726	\$7,016,932

Changes in Long-Term Debt

The following is a summary of long-term debt transactions of the Town for the year ended June 30, 2010:

	<u>Balance</u> <u>July 1, 2009</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Due</u> <u>Within</u> <u>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	\$ 572,497	\$ -	\$ 136,711	\$ 435,786	\$ 137,884
General Fund Portion - Firehouse	159,503	-	38,089	121,414	38,416
Total Series 2002 Refunding	732,000	-	174,800	557,200	176,300
<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	522,285	-	43,888	478,397	45,818
General Fund Portion	2,089,142	-	175,551	1,913,591	183,272
Total Series 2008B Refunding Bonds	2,611,427	-	219,439	2,391,988	229,090
<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>					
	2,849,433	-	160,645	2,688,788	166,349
<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>					
	6,276,533	-	261,463	6,015,070	272,314
<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>					
	1,241,279	-	310,320	930,959	310,319
<p>\$674,555 note payable to BB&T, issued August 9, 2005. The note is payable semiannually w ith an interest rate of 3.38 percent per annum. Proceeds used to buy a ladder truck.</p>					
	357,038	-	97,774	259,264	101,106
<p>\$44,334 capital lease purchase w ith GE Leasing for 911 equipment made on May 14, 2007 payable over 32 months w ith payments of \$1,541 monthly w ith interest at 8.21 percent per annum.</p>					
	12,006	-	12,006	-	-

	<u>Balance July 1, 2009</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2010</u>	<u>Due Within One Year</u>
\$220,880 capital lease purchase w ith GE Leasing for 911 equipment made on August 1, 2004 payable over 5 years w ith payments of \$4,347 monthly w ith interest at 6.74 percent per annum.	21,373	-	21,373	-	-
\$4,200,000 Series 2009 bond payable to RBC Bank, issued January 29, 2009. Interest is payable semiannually w ith a rate of 3.68 percent per annum. Principal is paid annually over 15 years.	4,200,000	-	214,004	3,985,996	222,737
\$4,000,000 Series 2010 A/B bonds payable to SunTrust Bank, issued April 28, 2010. Interest is payable semiannually w ith 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 w ith interest at 3.5 percent.	400,000	-	94,900	305,100	98,222
Net Pension Obligation	671,227	113,630	-	784,857	-
Landfill obligation	2,029,919	-	575,520	1,454,399	161,600
Compensated absences - Governmental Funds	583,872	-	11,793	572,079	-
Compensated absences - Enterprise Funds	<u>80,722</u>	<u>-</u>	<u>6,435</u>	<u>74,287</u>	<u>-</u>
Total Primary Government	<u>\$ 22,066,829</u>	<u>\$ 4,113,630</u>	<u>\$ 2,160,472</u>	<u>\$ 24,019,987</u>	<u>\$ 1,738,037</u>

Recap by Fund of Above Debt

Governmental Funds	\$ 16,800,613	\$ 4,113,630	\$ 1,502,473	\$ 19,411,770	\$ 1,077,667
Enterprise Funds	<u>5,266,216</u>	<u>-</u>	<u>657,999</u>	<u>4,608,217</u>	<u>660,370</u>
Total Primary Government	<u>\$ 22,066,829</u>	<u>\$ 4,113,630</u>	<u>\$ 2,160,472</u>	<u>\$ 24,019,987</u>	<u>\$ 1,738,037</u>

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.

\$ 543,332	\$ -	\$ 125,244	\$ 418,088	\$ 134,843
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	<u>Balance</u> <u>July 1, 2009</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Due</u> <u>Within</u> <u>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.	<u>482,636</u>	-	<u>21,985</u>	<u>460,651</u>	<u>21,997</u>
Total Component Unit Farmville IDA	<u>\$ 1,025,968</u>	<u>\$ -</u>	<u>\$ 147,229</u>	<u>\$ 878,739</u>	<u>\$ 156,840</u>

9 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 vacation at the rate of a minimum of 1 day per month up to 1-¾ days per month based on years of service. After 10 years of employment, the employee accumulates 12 hours per month. Sick leave is earned at the rate of 1-¼ days per month. Sick pay is paid based on 25 percent of unused sick leave up to a maximum of \$2,500. The maximum carryover of annual leave shall be 30 days (240 hours) at the end of the last two week pay period in the calendar year. Accumulated vacation is paid at termination. The Town has outstanding compensated absences totaling \$572,079 in the governmental activities. The balance in the business-type activities is \$74,287.

10 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	<u>\$ 17,061</u>
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Total General Fund	17,061
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CDBG Fund

From CDBG recipients	<u>4,553</u>
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Total Primary Government	<u>\$ 21,614</u>
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11 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, 2010, 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.

12 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 2010 was \$5,925,685. 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 \$501,880 of which \$195,356 was from the Town.

13 Designated Fund Balances

Fund balances have been designated for the following purposes:

<u>Fund</u>	<u>Designation</u>	<u>Amount</u>
Narcotic Fund	Subsequent years' appropriations	\$ 5,899
Golf Fund	Subsequent years' appropriations	(94,965)
Probation/Parole Building Fund	Subsequent years' appropriations	47,637
CDBG Fund	Subsequent years' appropriations	<u>13,819</u>
Total Primary Government - Town of Farmville, Virginia		<u>\$ (27,610)</u>

14 Legal Compliance

A. Expenditures in Excess of Appropriations

Expenditures exceeded appropriations by \$286,391 for the General Fund. Budgets also need to be established and appropriated for the ICA Fund.

B. Fund Deficits

There is a fund deficit in the Component Unit IDA this year of \$493,902.

15 Surety Bond Information

Aetna Insurance Company - Surety

Carol Anne Seal, Treasurer

\$ 50,000

All Town Employees - Blanket Bond

50,000

16 Landfill Obligation

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

The Town will recognize the remaining estimated costs of closure and post closure care of \$1,454,399 as the cost to finalize closure of its landfill. These amounts are based on what it would cost to perform all closure and post closure care as of June 30, 2010. 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 \$454,399. However, due to a contamination issue, EPA Regulation 9 VAC 20-70-113.A requires that a flat \$1 million be added to calculated closure and post closure costs. Therefore, the audit reports \$1,454,399 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.

17 Post Retirement Compensation Plan

A. Following are the required disclosures for the Town's Post Retirement Compensation Plan for the years ending June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Annual Pension Cost (APC)		
Annual Required Contribution (ARC)	\$ 164,463	\$ 158,079
Interest on net beginning Net Pension Obligation (NPO)	23,493	19,749
Adjustment to ARC	(36,496)	(30,679)
Annual Pension Cost (APC)	151,460	147,149
Components of Annual Required Contribution (ARC)		
Normal Cost	76,500	73,786
Amortization of Accrued Liability	82,401	78,948
Interest Cost	5,562	5,346
Annual Required Contribution	164,463	158,079
Change in NPO During the Fiscal Year		
NPO at beginning of fiscal year	671,227	564,248
Interest on NPO	23,493	19,749
Annual Required Contribution (ARC) for the fiscal year	164,463	158,079
Adjustment to the ARC	(36,496)	(30,679)
Employer Contribution made during the fiscal year	(37,830)	(40,170)
NPO at end of fiscal year	784,857	671,227
Net change in NPO	113,630	106,979

	<u>2010</u>	<u>2009</u>
Funded Status at End of Fiscal Year		
Accrued Liability at end of year	1,661,743	1,590,530
Plan assets at end of year	-	-
Unfunded Accrued Liability	(1,661,743)	(1,590,530)
Percentage of Funded Accrued Liability	0%	0%

The following methods and assumptions were utilized for the July 1, 2009 and 2008 actuarial valuation dates:

Actuarial Cost Method Used to Determine ARC Projected Unit Credit

Amortization Method and Period of Accrued Liability Level dollar over 30 years

Actuarial Assumptions and Funding Method
Annual Discount Rate 3.50%

Mortality and Employee Turnover

Mortality Tables for Males and Females, as required for funding under IRC Section 430 for 2009; 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.

B. 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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Revenues				
General Property Taxes				
Real property taxes	\$ 500,000	\$ 500,000	\$ 477,809	\$ (22,191)
Public service corporation property taxes	21,000	21,000	19,604	(1,396)
Personal property taxes	206,000	206,000	178,197	(27,803)
Mobile home taxes	2,000	2,000	2,775	775
Interest on taxes	4,800	4,800	5,444	644
Penalties on taxes	5,850	5,850	4,698	(1,152)
Total General Property Taxes	<u>739,650</u>	<u>739,650</u>	<u>688,527</u>	<u>(51,123)</u>
Other Local Taxes				
Local sales and use taxes	350,000	350,000	327,978	(22,022)
Consumption tax	29,000	29,000	28,166	(834)
Consumers' utility taxes	338,000	338,000	342,597	4,597
Business licenses	1,306,200	1,306,200	1,174,375	(131,825)
Franchise license taxes	35,000	35,000	30,936	(4,064)
Motor vehicle licenses	69,000	69,000	52,554	(16,446)
Bank stock taxes	140,000	140,000	185,847	45,847
Hotel and motel room taxes	250,000	250,000	254,918	4,918
Restaurant food taxes	1,903,500	1,903,500	1,940,965	37,465
Total Other Local Taxes	<u>4,420,700</u>	<u>4,420,700</u>	<u>4,338,336</u>	<u>(82,364)</u>
Permits, Privilege Fees, and Regulatory Licenses				
Building permits	80,025	80,025	62,857	(17,168)
Other permits, licenses, and fees	11,900	11,900	8,498	(3,402)
Total Permits, Privilege Fees, and Regulatory Licenses	<u>91,925</u>	<u>91,925</u>	<u>71,355</u>	<u>(20,570)</u>
Fines and Forfeitures				
Court fines	170,000	170,000	83,596	(86,404)
Other fines and forfeitures	32,075	32,075	20,389	(11,686)
Total Fines and Forfeitures	<u>202,075</u>	<u>202,075</u>	<u>103,985</u>	<u>(98,090)</u>
Revenue from Use of Money and Property				
Revenue from use of money	15,500	15,500	14,989	(511)
Revenue from use of property				
Rental of general property and real estate	37,740	37,740	98,592	60,852
Sale of property	54,810	54,810	33,328	(21,482)
Total Revenue from Use of Money and Property	<u>108,050</u>	<u>108,050</u>	<u>146,909</u>	<u>38,859</u>

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Charges for Services				
Miscellaneous	9,000	9,000	10,602	1,602
Administrative - fuel	45,000	45,000	35,236	(9,764)
Rescue Squad	134,590	134,590	193,388	58,798
Parking meters	60,000	60,000	37,293	(22,707)
Public works	20,000	20,000	87,087	67,087
Grave openings	9,500	9,500	9,500	-
Total Charges for Services	278,090	278,090	373,106	95,016
Miscellaneous				
Payment from PE County for share of debt	246,281	246,281	246,281	-
Miscellaneous	5,612	5,612	18,963	13,351
Total Miscellaneous	251,893	251,893	265,244	13,351
Recovered Costs				
Interest from Farmville IDA for debt	209,542	209,542	37,510	(172,032)
Other funds and street department	760,503	760,503	817,904	57,401
Salaries - Chamber	55,700	55,700	52,782	(2,918)
Other recovered costs	3,379	3,379	9,491	6,112
Total Recovered Costs	1,029,124	1,029,124	917,687	(111,437)
Intergovernmental				
<i>Revenue from the Commonwealth</i>				
Non-Categorical Aid				
Communications taxes	572,000	572,000	533,915	(38,085)
Mobile home titling tax	1,000	1,000	1,880	880
Rolling stock taxes - motor vehicle carriers tax	100	100	165	65
Aid to localities with police departments	184,643	184,643	175,069	(9,574)
Auto rental tax	35,000	35,000	50,214	15,214
Total Non-Categorical Aid	792,743	792,743	761,243	(31,500)
Categorical Aid				
Wireless quarterly payments	138,000	138,000	106,408	(31,592)
VITA Grant	-	-	79,286	79,286
Litter Control Grant	3,278	3,278	2,719	(559)
VDOT Grants	1,981,000	1,981,000	248,285	(1,732,715)
Rails to Trails	-	-	637,500	637,500
Other grants	2,000	2,000	4,000	2,000
Virginia Tourism Grant	-	-	5,000	5,000
DMV and Police Grants	2,500	2,500	5,806	3,306
Fire program	19,500	19,500	18,885	(615)
Total Categorical Aid	2,146,278	2,146,278	1,107,889	(1,038,389)
Total Revenue from the Commonwealth	2,939,021	2,939,021	1,869,132	(1,069,889)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
<i>Revenue from the Federal Government</i>				
Emergency Services Grant	12,180	12,180	12,180	-
ARRA JAG Recovery Act State	-	-	1,640	1,640
DMV and related police grants	-	-	29,021	29,021
Total Revenue from the Federal Government	<u>12,180</u>	<u>12,180</u>	<u>42,841</u>	<u>30,661</u>
Total Intergovernmental Revenue	<u>2,951,201</u>	<u>2,951,201</u>	<u>1,911,973</u>	<u>(1,039,228)</u>
Total Revenues	10,072,708	10,072,708	8,817,122	(1,255,586)

Expenditures

Current

General Government Administration

Town Council	174,466	174,466	174,760	(294)
Town Manager	573,829	573,829	662,385	(88,556)
Chamber of Commerce	55,700	55,700	50,875	4,825
Treasurer	470,589	470,589	464,831	5,758
Total General Government Administration	<u>1,274,584</u>	<u>1,274,584</u>	<u>1,352,851</u>	<u>(78,267)</u>

Public Safety

Police Department	2,179,772	2,179,772	2,289,616	(109,844)
911 services	735,899	735,899	802,952	(67,053)
Fire services	189,937	189,937	186,243	3,694
Rescue services	149,590	149,590	197,626	(48,036)
Building inspector	118,215	118,215	117,139	1,076
Animal control	21,572	21,572	24,599	(3,027)
Total Public Safety	<u>3,394,985</u>	<u>3,394,985</u>	<u>3,618,175</u>	<u>(223,190)</u>

Public Works

Recycling department	108,943	108,943	93,359	15,584
Sanitation	569,785	569,785	546,089	23,696
Maintenance of highways and streets	1,644,797	1,644,797	279,074	1,365,723
Surveying	129,725	129,725	124,733	4,992
Maintenance of buildings and grounds	1,030,536	1,030,536	1,166,052	(135,516)
Capital outlay - Field of Dreams	-	-	770,854	(770,854)
Capital outlay - library building	3,400,000	3,400,000	3,051,357	348,643
Horticulturist	73,093	73,093	76,068	(2,975)
Total Public Works	<u>6,956,879</u>	<u>6,956,879</u>	<u>6,107,586</u>	<u>849,293</u>

Parks, Recreation, and Cultural

Library	35,000	35,000	134,129	(99,129)
Rails to Trails	-	-	501,305	(501,305)
Visual Art	20,000	20,000	20,000	-
Cemetery	5,000	5,000	5,000	-
Parks and recreation	64,659	64,659	103,889	(39,230)
Total Parks, Recreation, and Cultural	<u>124,659</u>	<u>124,659</u>	<u>764,323</u>	<u>(639,664)</u>

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<i>Community Development</i>				
Planning and community development	45,750	45,750	96,091	(50,341)
Town Planner	<u>77,149</u>	<u>77,149</u>	<u>74,297</u>	<u>2,852</u>
Total Community Development	122,899	122,899	170,388	(47,489)
<i>Debt Service</i>				
	<u>1,523,065</u>	<u>1,523,065</u>	<u>1,500,926</u>	<u>22,139</u>
Total Expenditures	<u>13,397,071</u>	<u>13,397,071</u>	<u>13,514,249</u>	<u>(117,178)</u>
Excess (Deficiency) of Revenues Over Expenditures	(3,324,363)	(3,324,363)	(4,697,127)	(1,372,764)
Other Financing Sources (Uses)				
Proceeds from debt	3,400,000	3,400,000	4,000,000	600,000
Transfers in	-	-	1,258,318	1,258,318
Transfers out	<u>(971,806)</u>	<u>(971,806)</u>	<u>(1,435,542)</u>	<u>(463,736)</u>
Total Other Financing Sources (Uses)	<u>2,428,194</u>	<u>2,428,194</u>	<u>3,822,776</u>	<u>1,394,582</u>
Net Change in Fund Balance	(896,169)	(896,169)	(874,351)	21,818
Fund Balance - Beginning of Year	-	-	4,037,510	4,037,510
Transfer from Surplus	<u>896,169</u>	<u>896,169</u>	-	<u>(896,169)</u>
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,163,159</u>	<u>\$ 3,163,159</u>

Street Maintenance Fund

Revenues

Intergovernmental

Revenue from the Commonwealth

Categorical Aid

Street maintenance fund

\$ 1,338,686 \$ 1,338,686 \$ 1,365,949 \$ 27,263

Total Categorical Aid and Revenues

1,338,686 1,338,686 1,365,949 27,263

Expenditures

Current

Public Works

Maintenance of streets and highways

1,642,685 1,642,685 1,405,175 237,510

Excess (Deficiency) of Revenues Over Expenditures

(303,999) (303,999) (39,226) 264,773

Other Financing Sources (Uses)

Transfers in (out)

303,999 303,999 56,824 (247,175)

Total Other Financing Sources (Uses)

303,999 303,999 56,824 (247,175)

Net Change in Fund Balance

- - 17,598 17,598

Fund Balance - Beginning of Year

- - - -

Fund Balance - End of Year

\$ - \$ - \$ 17,598 \$ 17,598

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
ICA Fund				
Revenues				
Recovered costs	\$ -	\$ -	\$ 19,046	\$ 19,046
Intergovernmental				
<i>Revenue from the Commonwealth</i>				
Tobacco Indemnification Funds	-	-	83,581	83,581
<i>Revenue from the Federal Government</i>				
ICA Transportation Funds	-	-	<u>1,943,759</u>	<u>1,943,759</u>
Total Intergovernmental Revenues	-	-	2,046,386	2,046,386
Expenditures				
Current				
<i>Public Safety</i>				
Detention expenses	-	-	<u>1,991,328</u>	<u>(1,991,328)</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	55,058	55,058
Other Financing Sources (Uses)				
Transfers in (out)	-	-	<u>(112,593)</u>	<u>(112,593)</u>
Total Other Financing Sources (Uses)	-	-	<u>(112,593)</u>	<u>(112,593)</u>
Net Change in Fund Balance	-	-	(57,535)	(57,535)
Fund Balance - Beginning of Year	-	-	-	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (57,535)</u>	<u>\$ (57,535)</u>

OTHER SUPPLEMENTARY INFORMATION

Town of Farmville, Virginia

Combining Balance Sheet

Other Governmental Funds

At June 30, 2010

Special Revenue Funds

	<u>Probation/ Parole Building Fund</u>	<u>Golf Fund</u>	<u>Narcotic Fund</u>	<u>Capital Projects CDBG Fund</u>	<u>Total Other Governmental Funds</u>
Assets					
Cash and investments	\$ 47,673	\$ 27,494	\$ 5,899	\$ 14,014	\$ 95,080
Due from general fund	-	10,200	-	-	10,200
Accounts receivable	-	-	-	4,358	4,358
Inventory	-	15,668	-	-	15,668
	<u>-</u>	<u>15,668</u>	<u>-</u>	<u>-</u>	<u>15,668</u>
Total Assets	<u>\$ 47,673</u>	<u>\$ 53,362</u>	<u>\$ 5,899</u>	<u>\$ 18,372</u>	<u>\$ 125,306</u>
Liabilities					
Accounts payable	\$ 36	\$ 147,864	\$ -	\$ -	\$ 147,900
Accrued liabilities	-	463	-	-	463
Deferred revenue	-	-	-	4,553	4,553
	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,553</u>	<u>4,553</u>
Total Liabilities	36	148,327	-	4,553	152,916
Fund Balance					
Designated					
Subsequent years' expenditures	<u>47,637</u>	<u>(94,965)</u>	<u>5,899</u>	<u>13,819</u>	<u>(27,610)</u>
Total Fund Balance	<u>47,637</u>	<u>(94,965)</u>	<u>5,899</u>	<u>13,819</u>	<u>(27,610)</u>
Total Liabilities and Fund Balance	<u>\$ 47,673</u>	<u>\$ 53,362</u>	<u>\$ 5,899</u>	<u>\$ 18,372</u>	<u>\$ 125,306</u>

Town of Farmville, Virginia

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

Other Governmental Funds

At June 30, 2010

	<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>	
Revenues					
Use of money and property	\$ 41,750	\$ 624	\$ 282	\$ -	\$ 42,656
Charges for services	-	166,995	-	-	166,995
Recovered costs	-	318	-	3,759	4,077
Intergovernmental					
From the Commonwealth of Virginia	-	-	10,770	-	10,770
From the Federal Government	-	-	2,022	-	2,022
Total Revenues	41,750	167,937	13,074	3,759	226,520
Expenditures					
Current					
Public safety	-	-	3,965	-	3,965
Public works	33,293	-	-	-	33,293
Parks, recreation, and cultural	-	1,238,898	-	-	1,238,898
Total Expenditures	33,293	1,238,898	3,965	-	1,276,156
Excess (Deficiency) of Revenues Over Expenditures	8,457	(1,070,961)	9,109	3,759	(1,049,636)
Other Financing Sources (Uses)					
Transfers in	-	960,176	-	-	960,176
Transfers out	-	-	(26,318)	-	(26,318)
Total Other Financing Sources (Uses)	-	960,176	(26,318)	-	933,858
Net Change in Fund Balances	8,457	(110,785)	(17,209)	3,759	(115,778)
Fund Balance - Beginning of Year	39,180	15,820	23,108	10,060	88,168
Fund Balance - End of Year	\$ 47,637	\$ (94,965)	\$ 5,899	\$ 13,819	\$ (27,610)

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, 2010

Assets

Current Assets

Cash	\$	20,650
Accrued interest receivable		2,961
Notes receivable - current portion and related interest		<u>116,223</u>
Total Current Assets		139,834

Noncurrent Assets

Capital Assets

Land		65,652
Land improvements		<u>106,247</u>
Total Capital Assets		171,899

Long-Term Notes Receivable		595,435
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Other Assets

Unamortized bond costs		28,135
Accumulated amortized bond cost		<u>(13,418)</u>
Total Other Assets		<u>14,717</u>

Total Noncurrent Assets		<u>782,051</u>
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Total Assets		<u><u>\$ 921,885</u></u>
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Liabilities and Net Assets

Liabilities

Current Liabilities

Due to Town of Farmville, Virginia	\$	531,145
Accrued interest payable		5,638
Notes payable - current portion		<u>156,840</u>
Total Current Liabilities		693,623

Long-Term Liabilities

Note payable - less current portion		721,899
Deferred revenue		<u>265</u>
Total Long-Term Liabilities		<u>722,164</u>

Total Liabilities		1,415,787
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Net Assets

Invested in capital assets		171,899
Unrestricted (deficit)		<u>(665,801)</u>
Total Net Assets (Deficit)		<u>(493,902)</u>
Total Liabilities and Net Assets	\$	<u><u>921,885</u></u>

Town of Farmville, Virginia

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

Statement of Activities

Year Ended June 30, 2010

Operating Income		\$	-
Operating Expenses			
Professional fees			<u>3,200</u>
Net Operating Income (Loss)			(3,200)
Non-Operating Revenues (Expenses)			
Interest income			33,813
Interest expense			(39,531)
Amortization of bond fees			<u>(5,627)</u>
Net Non-Operating Revenues (Expenses)			<u>(11,345)</u>
Change in Net Assets			(14,545)
Total Net Assets (Deficit) - Beginning of Year			<u>(479,357)</u>
Total Net Assets (Deficit) - End of Year		\$	<u><u>(493,902)</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, 2010

Cash Flows from Operating Activities

Payments to suppliers	\$ <u>(3,200)</u>
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Net Cash Used in Operating Activities	(3,200)
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Cash Flows from Capital and Related Financing Activities

Curtailment of borrowings	(147,229)
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Proceeds resulting from curtailment of note receivable	112,910
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Proceeds from Town of Farmville, Virginia	58,153
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Curtailment of due to Town of Farmville, Virginia	(14,813)
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Recognition of deferred revenue	(886)
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Accrued interest receivable	297
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Accrued interest payable	542
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Amortized bond fees	<u>5,627</u>
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Net Cash Provided by Capital and Related Financing Activities	14,601
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Cash Flows from Investing Activities

Interest income	33,813
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Interest expense	(39,531)
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Amortized bond cost	<u>(5,627)</u>
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Net Cash Used in Investing Activities	<u>(11,345)</u>
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Net Increase in Cash and Cash Equivalents	56
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Cash and Cash Equivalents - Beginning of Year	<u>20,594</u>
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Cash and Cash Equivalents - End of Year	<u><u>\$ 20,650</u></u>
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Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities

Operating income (loss)	<u>\$ (3,200)</u>
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Net Cash Used in Operating Activities	<u><u>\$ (3,200)</u></u>
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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 units, each major fund, and the aggregate remaining fund information of the Town of Farmville, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the Town of Farmville, Virginia's basic financial statements and have issued our report thereon dated October 26, 2010, reissued January 28, 2011. 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

In planning and performing our audit, we considered the 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 the Town of Farmville, Virginia's internal control over financial reporting. Accordingly, we do 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 control 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 above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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, the audit committee, Town Council, and others within the entity, 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.

Credle, Jones & Alga, P.C.

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

South Hill, Virginia
October 26, 2010
Reissued January 28, 2011



**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO 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 the compliance of Town of Farmville, Virginia with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. 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 requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The 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 in order to determine our 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, the audit committee, others within the entity, 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.

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

South Hill, Virginia
October 26, 2010
Reissued January 28, 2011

Town of Farmville, Virginia

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2010

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalog Number	State Agency Number	Expenditures
U. S. Department of Homeland Security			
Direct Payments			
U.S. Immigration and Customs Enforcement	97.000	N/A	\$ 1,943,759
Pass-Through Payments			
Department of Emergency Management Emergency Management Preparedness Grant	97.042	127	<u>12,180</u>
Subtotal - Department of Homeland Security			1,955,939
U. S. Department of Justice			
Pass-Through Payments			
Department of Criminal Justice Services ARRA Recovery Act of JAG State	16.803	140	<u>1,640</u>
Subtotal - Department of Justice			1,640
U. S. Department of Transportation			
Direct Payments			
Airport Improvement Program Airport Master Plan	20.106	N/A	72,380
Pass-Through Payments			
Department of Rail and Public Transportation Mass Transit Assistance	20.509	505	224,886
ARRA Formula Grants for Other Than Urbanized Areas	20.509	505	55,338
Highway Safety Cluster - Department of Motor Vehicles National Highway Traffic Safety - Ground Transportation	20.607	530	<u>29,021</u>
Subtotal - Highway Safety Cluster			<u>29,021</u>
Subtotal - Department of Transportation			<u>381,625</u>
Grand Totals			<u>\$ 2,339,204</u>

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, 2010

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 significant 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 significant deficiencies** relating to the audit of the major Federal award programs are reported in the Report on Compliance with Requirements Applicable to 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 #97.000, U.S. Immigration and Customs Enforcement**
- (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, 2010

FINANCIAL STATEMENTS

There were no findings in the prior year.