

Town of Farmville, Virginia
Comprehensive Annual Financial Report
Year Ended June 30, 2013



*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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Farmville, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Farmville, Virginia, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 9 and 43 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Farmville, Virginia's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2013, on our consideration of the Town of Farmville, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Farmville, Virginia's internal control over financial reporting and compliance.

Credle, Jones & Alga, P.C.

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

South Hill, Virginia
October 1, 2013

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, 2013. 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 2013

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 \$12,106,835. Of this amount, a deficit in unrestricted fund balances of \$1,443,390 exists for the governmental activities and a deficit of \$3,497,311 exists for the business-type activities.
- For the fiscal year, general and program revenues of the Town's governmental activities were \$11,005,265 and expenses amounted to \$11,871,438. The Town's total net position increased \$345,520 for governmental activities after transfers. The Town's revenues for the enterprise activities were \$4,901,452 and the expenses were \$4,939,728. Net position decreased by \$1,249,969 after transfers.

Highlights for Fund Financial Statements

- As of June 30, 2013, the Town's Governmental Funds reported combined fund balances of \$2,095,470 an increase of \$109,047 in comparison with the prior year. Unassigned fund balance amounts to \$1,463,768 which is available to meet the Town's current and future needs.
- The General Fund reported a fund balance of \$1,523,299, a decrease of \$80,147 from June 30, 2012.

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.

The primary focus of local government financial statements consists of two kinds of statements, each with a different view of the Town's finances. The government-wide financial statements provide both long-term and short-term information about the Town's overall financial status. The fund financial statements 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 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 position and how they have changed during the fiscal year.

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

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

The government-wide 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 Position

The following table reflects the condensed Statement of Net Position:

Summary of Net Position								
As of June 30, 2013 and 2012								
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Component Unit Farmville IDA</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Assets								
Current and other assets	\$ 2,390,033	\$ 2,270,031	\$ 4,610,716	\$ 5,365,028	\$ 7,000,749	\$ 7,635,059	\$ 454,071	\$ 500,503
Capital assets	23,170,275	24,444,237	7,420,817	7,912,289	30,591,092	32,356,526	-	-
Other assets	33,509	35,903	291,415	305,986	324,924	341,889	-	-
Total Assets	<u>\$ 25,593,817</u>	<u>\$ 26,750,171</u>	<u>\$ 12,322,948</u>	<u>\$ 13,583,303</u>	<u>\$ 37,916,765</u>	<u>\$ 40,333,474</u>	<u>\$ 454,071</u>	<u>\$ 500,503</u>
Liabilities								
Other liabilities	\$ 200,340	\$ 283,608	\$ 640,538	\$ 161,541	\$ 840,878	\$ 445,149	\$ 488,851	\$ 634,745
Long-term liabilities	20,228,421	21,573,947	4,740,631	5,230,014	24,969,052	26,803,961	527,501	559,427
Total Liabilities	<u>20,428,761</u>	<u>21,857,555</u>	<u>5,381,169</u>	<u>5,391,555</u>	<u>25,809,930</u>	<u>27,249,110</u>	<u>1,016,352</u>	<u>1,194,172</u>
Net Position								
Net investment in capital assets	6,608,446	6,439,527	6,652,159	7,260,155	13,260,605	13,699,682	-	-
Restricted - capital projects	-	-	3,786,931	4,398,811	3,786,931	4,398,811	-	-
Unrestricted (deficit)	<u>(1,443,390)</u>	<u>(1,546,911)</u>	<u>(3,497,311)</u>	<u>(3,467,218)</u>	<u>(4,940,701)</u>	<u>(5,014,129)</u>	<u>(562,281)</u>	<u>(693,669)</u>
Total Net Position (Deficit)	<u>5,165,056</u>	<u>4,892,616</u>	<u>6,941,779</u>	<u>8,191,748</u>	<u>12,106,835</u>	<u>13,084,364</u>	<u>(562,281)</u>	<u>(693,669)</u>
Total Liabilities and Net Position	<u>\$ 25,593,817</u>	<u>\$ 26,750,171</u>	<u>\$ 12,322,948</u>	<u>\$ 13,583,303</u>	<u>\$ 37,916,765</u>	<u>\$ 40,333,474</u>	<u>\$ 454,071</u>	<u>\$ 500,503</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 position of the total financial reporting entity best represents the entity's financial position. In the case of the Town's reporting entity, assets exceeded liabilities by \$12,258,093 at June 30, 2013. The largest portion of the reporting entity's net position, \$13,414,257, reflects net 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, 2013 and 2012:

Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2013 and 2012

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Component Unit Farmville IDA</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues								
Program Revenues								
Charges for services	\$ 1,283,167	\$ 830,633	\$ 3,872,944	\$ 4,479,685	\$ 5,156,111	\$ 5,310,318	\$ 150,000	\$ -
Operating grants and contributions	2,667,637	3,177,660	982,569	1,082,694	3,650,206	4,260,354	-	-
General Revenues								
General property taxes, real and personal	850,381	836,840	-	-	850,381	836,840	-	-
Other taxes	4,887,841	4,864,676	-	-	4,887,841	4,864,676	-	-
Noncategorical aid from state	763,446	753,563	-	-	763,446	753,563	-	-
Use of property	219,245	188,931	32,573	53,256	251,818	242,187	-	-
Investment earnings	6,483	12,233	11,516	1,608	17,999	13,841	10,879	23,407
Miscellaneous	327,065	279,443	1,850	15,473	328,915	294,916	-	-
Total Revenues	11,005,265	10,943,979	4,901,452	5,632,716	15,906,717	16,576,695	160,879	23,407
Expenses								
General government administration	1,074,446	1,222,310	-	-	1,074,446	1,222,310	-	-
Public safety	3,751,726	3,530,624	-	-	3,751,726	3,530,624	-	-
Public works	4,855,490	4,412,121	-	-	4,855,490	4,412,121	-	-
Parks, recreation, and cultural	1,752,634	639,211	-	-	1,752,634	639,211	-	-
Community development	146,036	105,882	-	-	146,036	105,882	3,011	184,514
Enterprise fund expenses	-	-	4,805,522	4,288,295	4,805,522	4,288,295	-	-
Interest on long-term debt	442,364	910,591	134,206	170,495	576,570	1,081,086	26,595	25,030
Total Expenses	12,022,696	10,820,739	4,939,728	4,458,790	16,962,424	15,279,529	29,606	209,544
Increase (Decrease) in Net Position Before Transfers	(1,017,431)	123,240	(38,276)	1,173,926	(1,055,707)	1,297,166	131,273	(186,137)
Transfers	1,211,693	(799,400)	(1,211,693)	799,400	-	-	-	-
Increase (Decrease) in Net Position	194,262	(676,160)	(1,249,969)	1,973,326	(1,055,707)	1,297,166	131,273	(186,137)
Beginning Net Position (Deficit)	4,892,616	6,130,421	8,191,748	6,295,257	13,084,364	12,425,678	(693,669)	(507,532)
Prior Period Adjustment	78,178	(561,645)	-	(76,835)	78,178	(638,480)	115	-
Ending Net Position (Deficit)	\$ 5,165,056	\$ 4,892,616	\$ 6,941,779	\$ 8,191,748	\$ 12,106,835	\$ 13,084,364	\$ (562,281)	\$ (693,669)

Governmental activities increased the Town's net position by \$345,520. Revenues from governmental activities totaled \$11,005,265. Other local taxes comprise the largest source of these revenues, totaling \$4,887,841 or 44.4 percent of all governmental activities revenue. Grants are the second largest revenue stream totaling \$2,667,637 or 24.2 percent of governmental revenues.

The total cost of all governmental activities for this fiscal year was \$12,022,696. Public Works is the Town's largest program with expenses totaling \$4,855,490 or 40.39 percent. Public Safety expenses, which total \$3,751,726 or 31.2 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, 2013 and 2012

	<u>2013</u>		<u>2012</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	\$ 1,074,446	\$ (821,897)	\$ 1,222,310	\$ (1,018,902)
Public safety	3,751,726	(3,013,393)	3,530,624	(3,055,376)
Public works	4,855,490	(2,244,464)	4,412,121	(1,251,441)
Parks, recreation, and cultural	1,752,634	(1,403,738)	639,211	(470,254)
Community development	146,036	(146,036)	105,882	(105,882)
Interest on long-term debt	<u>442,364</u>	<u>(442,364)</u>	<u>910,591</u>	<u>(910,591)</u>
Total	<u>\$ 12,022,696</u>	<u>\$ (8,071,892)</u>	<u>\$ 10,820,739</u>	<u>\$ (6,812,446)</u>

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As of June 30, 2013, the Town's Governmental Funds reported a combined ending fund balance of \$2,095,470, an increase of \$109,047 in comparison with the prior year. The General Fund is the main operating fund of the Town. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$1,465,151. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 13.69 percent of total fund expenditures.

The Street Maintenance Fund had expenditures totaling \$1,843,145.

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, 2013 and 2012

	<u>2013</u>			<u>2012</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	\$ 843,550	\$ 843,550	\$ 834,336	\$ 826,239	\$ 826,239	\$ 836,840
Other	6,477,172	6,477,172	7,658,995	6,014,526	6,014,526	6,209,981
Intergovernmental	<u>1,414,940</u>	<u>1,414,940</u>	<u>1,910,209</u>	<u>3,234,290</u>	<u>3,234,290</u>	<u>2,442,223</u>
Total	8,735,662	8,735,662	10,403,540	10,075,055	10,075,055	9,489,044
Expenditures						
	<u>8,832,868</u>	<u>8,832,868</u>	<u>11,130,847</u>	<u>10,795,676</u>	<u>10,795,676</u>	<u>24,857,218</u>
Excess (Deficiency) of Revenues Over Expenditures	(97,206)	(97,206)	(727,307)	(720,621)	(720,621)	(15,368,174)
Other Financing Sources (Uses)						
Proceeds of loans	-	-	21,000	-	-	17,803,745
Transfers in	-	-	1,315,554	-	-	2,410,926
Transfers out	<u>(366,099)</u>	<u>(366,099)</u>	<u>(689,394)</u>	<u>(512,126)</u>	<u>(512,126)</u>	<u>(4,107,511)</u>
Total	<u>(366,099)</u>	<u>(366,099)</u>	<u>647,160</u>	<u>(512,126)</u>	<u>(512,126)</u>	<u>16,107,160</u>
Net Change in Fund Balance	(463,305)	(463,305)	(80,147)	(1,232,747)	(1,232,747)	738,986
Contingency/Transfer from Surplus	<u>463,305</u>	<u>463,305</u>	<u>-</u>	<u>1,232,747</u>	<u>1,232,747</u>	<u>-</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (80,147)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 738,986</u>

Street Maintenance Fund

For the Fiscal Years Ended June 30, 2013 and 2012

	<u>2013</u>			<u>2012</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	\$ 1,470,000	\$ 1,470,000	\$ 1,495,656	\$ 1,420,000	\$ 1,420,000	\$ 1,467,686
Total	1,470,000	1,470,000	1,495,656	1,420,000	1,420,000	1,467,686
Expenditures						
	<u>1,470,079</u>	<u>1,470,079</u>	<u>1,843,145</u>	<u>1,507,200</u>	<u>1,507,200</u>	<u>2,065,996</u>
Excess (Deficiency) of Revenues Over Expenditures	(79)	(79)	(347,489)	(87,200)	(87,200)	(598,310)
Other Financing Sources (Uses)						
Transfers in	<u>79</u>	<u>79</u>	<u>346,106</u>	<u>87,200</u>	<u>87,200</u>	<u>598,310</u>
Total	<u>79</u>	<u>79</u>	<u>346,106</u>	<u>87,200</u>	<u>87,200</u>	<u>598,310</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,383)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

For the General Fund, actual revenues were more than final budget amounts by \$1,667,878, or 19.1 percent, while actual expenditures were \$2,297,979, or 26 percent more than final budget amounts.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2013, the Town’s investment in capital assets totals \$13,414,257 which is capital assets less related debt. The governmental activities portion is \$6,762,098 and the business-type portion is \$6,652,159.

During fiscal year 2013, the Town’s Governmental Activities net capital assets (including additions, decreases, and depreciation) decreased \$1,273,962 or 5.2 percent and the Town’s Business-Type Activities capital assets decreased by \$491,472 or 6.2 percent as summarized below:

Change in Capital Assets

Governmental Activities

	<u>Balance June 30, 2012</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2013</u>
Land and land improvements	\$ 3,421,056	\$ (670,569)	\$ 2,750,487
Other capital assets, net of depreciation	<u>21,023,181</u>	<u>(603,393)</u>	<u>20,419,788</u>
Total Capital Assets	<u>\$ 24,444,237</u>	<u>\$ (1,273,962)</u>	<u>\$ 23,170,275</u>

Business-Type Activities

	<u>Balance June 30, 2012</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2013</u>
Land and land improvements	\$ 1,703,672	\$ -	\$ 1,703,672
Other capital assets, net of depreciation	<u>6,208,617</u>	<u>(491,472)</u>	<u>5,717,145</u>
Total Capital Assets	<u>\$ 7,912,289</u>	<u>\$ (491,472)</u>	<u>\$ 7,420,817</u>

Long-Term Debt

As of June 30, 2013, the Town's long-term obligations for the primary government total \$21,802,633.

	<u>Balance June 30, 2012</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2013</u>
Primary Government			
Governmental Activities			
Long-term debt	\$ 15,335,965	\$ (1,264,965)	\$ 14,071,000
Net pension obligation	991,367	102,896	1,094,263
Landfill obligation	1,354,561	(50,789)	1,303,772
Compensated absences			
Governmental Funds	<u>1,223,309</u>	<u>45,248</u>	<u>1,268,557</u>
Total Governmental Activities	18,905,202	(1,167,610)	17,737,592
Business-Type Activities			
Long-term debt	4,341,578	(461,578)	3,880,000
Compensated absences			
Enterprise Funds	<u>179,067</u>	<u>5,974</u>	<u>185,041</u>
Total Business-Type Activities	<u>4,520,645</u>	<u>(455,604)</u>	<u>4,065,041</u>
Total Primary Government	<u>\$ 23,425,847</u>	<u>\$ (1,623,214)</u>	<u>\$ 21,802,633</u>
Governmental Activities			
Bond Premiums	<u>\$ 2,668,745</u>	<u>\$ (177,916)</u>	<u>\$ 2,490,829</u>
Bond Issue Costs	<u>\$ 35,903</u>	<u>\$ (2,394)</u>	<u>\$ 33,509</u>
Business-Type Activities			
Bond Premiums	<u>\$ 709,369</u>	<u>\$ (33,779)</u>	<u>\$ 675,590</u>
Bond Issue Costs	<u>\$ 305,986</u>	<u>\$ (14,571)</u>	<u>\$ 291,415</u>
Component Unit Farmville IDA			
Long-term debt	<u>\$ 559,427</u>	<u>\$ (31,926)</u>	<u>\$ 527,501</u>

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

More detailed information on the Town's long-term obligations is presented in Note 9 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The average unemployment rate for the Town of Farmville, Virginia in June 2013, which uses Prince Edward County's rate, was 10.2 percent, an increase of .9 percent from June 2012. This compares unfavorably to the state's rate of 5.9 percent and the national rate of 7.8 percent as of June 2013.
- According to the 2010 U.S. Census, the population in the Town of Farmville, Virginia was 8,216, an increase of 20%, since the 2000 U.S. Census.
- The per capita income in the Town of Farmville, Virginia was \$13,552, compared to \$16,743 for the state, according to the 2010 U.S. Census data.

The fiscal year 2014 adopted budget anticipates General Fund revenues to be \$10,199,597.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

Town of Farmville, Virginia

Statement of Net Position

At June 30, 2013

	Primary Government			Component Unit Farmville IDA
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and cash equivalents	\$ 835,045	\$ 298,254	\$ 1,133,299	\$ 59,220
Restricted cash	-	3,786,931	3,786,931	-
Receivables, net	471,585	353,558	825,143	392,340
Accrued interest receivable	-	-	-	2,511
Inventory	65,802	171,973	237,775	-
Due from other governments	1,017,601	-	1,017,601	-
Capital Assets				
Land and construction in progress	2,750,487	1,703,672	4,454,159	-
Other capital assets, net of depreciation	20,419,788	5,717,145	26,136,933	-
Total Capital Assets	23,170,275	7,420,817	30,591,092	-
Other Assets				
Unamortized bond costs	33,509	291,415	324,924	-
Total Assets	<u>\$ 25,593,817</u>	<u>\$ 12,322,948</u>	<u>\$ 37,916,765</u>	<u>\$ 454,071</u>
Liabilities				
Accounts payable and accrued expenses	\$ 200,340	\$ 563,050	\$ 763,390	\$ -
Accrued interest payable	-	-	-	6,260
Due to other governments	-	-	-	482,591
Customer deposits	-	77,488	77,488	-
Long-Term Liabilities				
<i>Due within one year</i>				
Bonds, loans, and capital leases payable	897,700	120,000	1,017,700	29,861
<i>Due in more than one year</i>				
Compensated absences	1,268,557	185,041	1,453,598	-
Net pension obligation	1,094,263	-	1,094,263	-
Landfill obligation	1,303,772	-	1,303,772	-
Bonds, loans, and capital leases payable	13,173,300	3,760,000	16,933,300	497,640
Add: Bond premiums	2,490,829	675,590	3,166,419	-
Total Liabilities	20,428,761	5,381,169	25,809,930	1,016,352
Net Position				
Net investment in capital assets	6,608,446	6,652,159	13,260,605	-
Restricted for capital projects	-	3,786,931	3,786,931	-
Unrestricted (deficit)	(1,443,390)	(3,497,311)	(4,940,701)	(562,281)
Total Net Position (Deficit)	<u>5,165,056</u>	<u>6,941,779</u>	<u>12,106,835</u>	<u>(562,281)</u>
Total Liabilities and Net Position	<u>\$ 25,593,817</u>	<u>\$ 12,322,948</u>	<u>\$ 37,916,765</u>	<u>\$ 454,071</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, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Farmville IDA
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	
Primary Government								
Governmental Activities								
General government administration	\$ 1,074,446	\$ 252,549	\$ -	\$ -	\$ (821,897)		\$ (821,897)	
Public safety	3,751,726	349,408	388,925	-	(3,013,393)		(3,013,393)	
Public works	4,855,490	531,677	2,079,349	-	(2,244,464)		(2,244,464)	
Parks, recreation, and cultural	1,752,634	149,533	199,363	-	(1,403,738)		(1,403,738)	
Community development	146,036	-	-	-	(146,036)		(146,036)	
Interest on long-term debt	442,364	-	-	-	(442,364)		(442,364)	
Total Governmental Activities	12,022,696	1,283,167	2,667,637	-	(8,071,892)		(8,071,892)	
Business-Type Activities								
Water fund	2,019,223	1,694,361	24,861	-		\$ (300,001)	(300,001)	
Sewer fund	1,549,821	1,952,954	-	-		403,133	403,133	
Airport fund	599,598	215,163	163,467	-		(220,968)	(220,968)	
Transportation fund	771,086	10,466	794,241	-		33,621	33,621	
Total Business-Type Activities	4,939,728	3,872,944	982,569	-		(84,215)	(84,215)	
Total Primary Government	\$ 16,962,424	\$ 5,156,111	\$ 3,650,206	\$ -		(84,215)	(8,156,107)	
Component Unit								
Farmville IDA	\$ 29,606	\$ 150,000	\$ -	\$ -				\$ 120,394
General Revenues								
Taxes								
General property taxes, real and personal					850,381	-	850,381	-
Other local taxes					4,887,841	-	4,887,841	-
Noncategorical aid from state					763,446	-	763,446	-
Use of property					219,245	32,573	251,818	-
Investment earnings					6,483	11,516	17,999	10,879
Miscellaneous					327,065	1,850	328,915	-
Transfers					1,211,693	(1,211,693)	-	-
Total General Revenues					8,266,154	(1,165,754)	7,100,400	10,879
Change in Net Position					194,262	(1,249,969)	(1,055,707)	131,273
Net Position (Deficit) - Beginning of Year					4,892,616	8,191,748	13,084,364	(693,669)
Prior Period Adjustment					78,178	-	78,178	115
Net Position (Deficit) - End of Year					\$ 5,165,056	\$ 6,941,779	\$ 12,106,835	\$ (562,281)

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

Town of Farmville, Virginia

Balance Sheet

Governmental Funds

At June 30, 2013

	<u>General Fund</u>	<u>Street Maintenance Fund</u>	<u>ICA Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and investments	\$ 266,061	\$ 8,921	\$ 330,996	\$ 229,067	\$ 835,045
Property taxes receivable, net	98,875	-	-	-	98,875
Accounts receivable	356,807	-	15,903	-	372,710
Inventory	58,148	-	-	7,654	65,802
Due from other governments	<u>1,017,601</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,017,601</u>
 Total Assets	 <u>\$ 1,797,492</u>	 <u>\$ 8,921</u>	 <u>\$ 346,899</u>	 <u>\$ 236,721</u>	 <u>\$ 2,390,033</u>
Liabilities					
Accounts payable and accrued liabilities	\$ 179,970	\$ 10,304	\$ -	\$ 10,066	\$ 200,340
Deferred revenue - property taxes	<u>94,223</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>94,223</u>
 Total Liabilities	 274,193	 10,304	 -	 10,066	 294,563
Fund Balance					
Nonspendable fund balance - inventory	58,148	-	-	7,654	65,802
Restricted fund balance	-	-	-	4,124	4,124
Assigned fund balance	-	-	346,899	214,877	561,776
Unassigned fund balance	<u>1,465,151</u>	<u>(1,383)</u>	<u>-</u>	<u>-</u>	<u>1,463,768</u>
 Total Fund Balance	 <u>1,523,299</u>	 <u>(1,383)</u>	 <u>346,899</u>	 <u>226,655</u>	 <u>2,095,470</u>
 Total Liabilities and Fund Balance	 <u>\$ 1,797,492</u>	 <u>\$ 8,921</u>	 <u>\$ 346,899</u>	 <u>\$ 236,721</u>	 <u>\$ 2,390,033</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 Position

At June 30, 2013

Total Fund Balances for Governmental Funds	\$ 2,095,470
Total net position reported for governmental activities in the Statement of Net Position is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:	
Land	\$ 2,750,487
Buildings and improvements, net of accumulated depreciation	11,386,223
Infrastructure and equipment, net of accumulated depreciation	<u>9,033,565</u>
Total Capital Assets	23,170,275
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Deferred revenue	94,223
Liabilities applicable to the Town's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.	
Balances of long-term liabilities affecting net position are as follows:	
Bonds, loans, and capital leases payable	(14,071,000)
Bond premiums	(2,490,829)
Bond issue costs	33,509
Net pension obligation	(1,094,263)
Landfill obligation	(1,303,772)
Compensated absences	<u>(1,268,557)</u>
Total	<u>(20,194,912)</u>
Total Net Position of Governmental Activities	<u>\$ 5,165,056</u>

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

Town of Farmville, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2013

	<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	\$ 834,336	\$ -	\$ -	\$ -	\$ 834,336
Other local taxes	4,887,841	-	-	-	4,887,841
Permits, privilege fees, and regulatory licenses	54,515	-	-	-	54,515
Fines and forfeitures	92,642	-	-	-	92,642
Use of money and property	873,674	-	-	46,362	920,036
Charges for services	818,121	-	182,331	135,558	1,136,010
Miscellaneous	325,956	-	900	209	327,065
Recovered costs	606,246	-	-	-	606,246
<i>Intergovernmental</i>					
Revenue from the Commonwealth	1,620,520	1,495,656	-	25,218	3,141,394
Revenue from the Federal Government	289,689	-	-	-	289,689
Total Revenues	10,403,540	1,495,656	183,231	207,347	12,289,774
Expenditures					
Current					
General government administration	1,237,511	-	-	-	1,237,511
Public safety	3,786,057	-	-	3,928	3,789,985
Public works	2,671,407	1,843,145	-	11,586	4,526,138
Parks, recreation, and cultural	1,385,985	-	-	423,914	1,809,899
Community development	146,036	-	-	-	146,036
Debt service	1,903,851	-	-	-	1,903,851
Total Expenditures	11,130,847	1,843,145	-	439,428	13,413,420
Excess (Deficiency) of Revenues Over Expenditures	(727,307)	(347,489)	183,231	(232,081)	(1,123,646)
Other Financing Sources (Uses)					
Proceeds from long-term debt	21,000	-	-	-	21,000
Transfers in	1,315,554	346,106	-	269,016	1,930,676
Transfers out	(689,394)	-	-	(29,589)	(718,983)
Total Other Financing Sources (Uses)	647,160	346,106	-	239,427	1,232,693
Net Change in Fund Balance	(80,147)	(1,383)	183,231	7,346	109,047
Fund Balance - Beginning of Year	1,603,446	-	163,668	219,309	1,986,423
Fund Balance (Deficit) - End of Year	\$ 1,523,299	\$ (1,383)	\$ 346,899	\$ 226,655	\$ 2,095,470

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, 2013

Net Change in Fund Balances - Total Governmental Funds	\$	109,047	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation was less than capital outlays and gains and losses in the current period.			(1,273,962)
Revenues in the statement of activities that do not provide current financial resources are deferred in the fund statements. This amount represents the difference in the amounts deferred in the fund financial statements, but recognized in the statement of activities.			16,045
Bond and capital lease proceeds are reported as financing sources in Governmental Funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases the long-term liabilities and does not affect the Statement of Activities. Similarly, the repayment of principal is an expenditure in the Governmental Funds but reduces the liability in the Statement of Net Position.			
Proceeds of new debt - principal	\$	(21,000)	
Bond premium amortization		177,916	
Bond issue costs amortization		(2,394)	
Repayments on debt		<u>1,285,965</u>	
Net Adjustment			1,440,487
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following:			
Net OPEB obligation		(102,896)	
Compensated absences		(45,248)	
Landfill obligation		<u>50,789</u>	
Net Adjustment			<u>(97,355)</u>
Change in Net Position of Governmental Activities	\$		<u><u>194,262</u></u>

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

Town of Farmville, Virginia

Statement of Net Position

Proprietary Funds

At June 30, 2013

	Business-Type Activities - Enterprise Funds				Total
	Water Fund	Sewer Fund	Transportation Fund	Airport Fund	
Assets					
Current Assets					
Cash	\$ 125,344	\$ 151,194	\$ 2,939	\$ 18,777	\$ 298,254
Cash - restricted	3,786,931	-	-	-	3,786,931
Accounts receivable (net of allowance for bad debts)	148,784	203,026	783	965	353,558
Inventory	<u>92,629</u>	<u>20,357</u>	<u>-</u>	<u>58,987</u>	<u>171,973</u>
Total Current Assets	4,153,688	374,577	3,722	78,729	4,610,716
Capital Assets					
Land and construction in process	1,380,699	113,495	16,050	193,428	1,703,672
Other capital assets	12,531,092	9,969,109	1,995,161	3,168,335	27,663,697
Less: Accumulated depreciation	<u>(10,291,819)</u>	<u>(8,915,155)</u>	<u>(722,085)</u>	<u>(2,017,493)</u>	<u>(21,946,552)</u>
Total Capital Assets	3,619,972	1,167,449	1,289,126	1,344,270	7,420,817
Other Assets					
Bond issue costs (amortized)	<u>291,415</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>291,415</u>
Total Assets	<u>\$ 8,065,075</u>	<u>\$ 1,542,026</u>	<u>\$ 1,292,848</u>	<u>\$ 1,422,999</u>	<u>\$ 12,322,948</u>
Liabilities					
Current Liabilities					
Accounts payable	\$ 532,109	\$ 5,377	\$ 3,273	\$ 1,913	\$ 542,672
Accrued wages	<u>12,269</u>	<u>8,109</u>	<u>-</u>	<u>-</u>	<u>20,378</u>
Total Current Liabilities	544,378	13,486	3,273	1,913	563,050
Noncurrent Liabilities					
Customer deposits	77,488	-	-	-	77,488
Compensated absences	97,982	87,059	-	-	185,041
General obligation bonds	3,880,000	-	-	-	3,880,000
Bond premium	<u>675,590</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>675,590</u>
Total Noncurrent Liabilities	<u>4,731,060</u>	<u>87,059</u>	<u>-</u>	<u>-</u>	<u>4,818,119</u>
Total Liabilities	5,275,438	100,545	3,273	1,913	5,381,169
Net Position					
Net investment in capital assets	2,851,314	1,167,449	1,289,126	1,344,270	6,652,159
Restricted for capital projects	3,786,931	-	-	-	3,786,931
Unrestricted (deficit)	<u>(3,848,608)</u>	<u>274,032</u>	<u>449</u>	<u>76,816</u>	<u>(3,497,311)</u>
Total Net Position	<u>2,789,637</u>	<u>1,441,481</u>	<u>1,289,575</u>	<u>1,421,086</u>	<u>6,941,779</u>
Total Liabilities and Net Position	<u>\$ 8,065,075</u>	<u>\$ 1,542,026</u>	<u>\$ 1,292,848</u>	<u>\$ 1,422,999</u>	<u>\$ 12,322,948</u>

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

Town of Farmville, Virginia

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

Proprietary Funds

Year Ended June 30, 2013

	<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	\$ 1,624,932	\$ 1,923,054	\$ 10,466	\$ 215,163	\$ 3,773,615
Rental income	32,040	-	-	9,264	41,304
Operating grants - state	24,861	-	163,965	15,066	203,892
Operating grants - federal	-	-	469,826	138,901	608,727
Contribution - Counties and other	-	-	160,450	9,500	169,950
Miscellaneous	-	-	1,850	-	1,850
Tap fees	<u>69,429</u>	<u>29,900</u>	<u>-</u>	<u>-</u>	<u>99,329</u>
Total Operating Revenues	1,751,262	1,952,954	806,557	387,894	4,898,667
Operating Expenses					
Salaries and wages	428,317	367,685	366,014	21,632	1,183,648
Fringe benefits	140,724	104,553	84,971	6,540	336,788
Cost of fuel	-	-	92,255	165,586	257,841
Contractual services and professional fees	170,053	19,534	-	5,405	194,992
Obstruction removal	-	-	-	146,212	146,212
Administrative costs to general fund	69,426	67,809	-	-	137,235
Chemicals	62,218	93,523	-	-	155,741
Repairs and maintenance	214,933	192,063	43,710	42,650	493,356
Other charges	41,433	20,405	5,997	24,106	91,941
Bad debt	26,855	4,280	-	-	31,135
Depreciation	561,033	513,444	144,867	135,299	1,354,643
Amortized bond issue costs	14,571	-	-	-	14,571
Utilities	128,558	140,626	9,898	18,030	297,112
Insurance	<u>26,896</u>	<u>25,899</u>	<u>23,374</u>	<u>34,138</u>	<u>110,307</u>
Total Operating Expenses	<u>1,885,017</u>	<u>1,549,821</u>	<u>771,086</u>	<u>599,598</u>	<u>4,805,522</u>
Operating Income (Loss)	(133,755)	403,133	35,471	(211,704)	93,145
Nonoperating Revenues (Expenses)					
Interest earned	11,207	5	19	285	11,516
Gain (loss) on sale of fixed assets	-	-	(9,990)	1,259	(8,731)
Interest expense on bonds	<u>(134,206)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(134,206)</u>
Total Nonoperating Revenues (Expenses)	<u>(122,999)</u>	<u>5</u>	<u>(9,971)</u>	<u>1,544</u>	<u>(131,421)</u>
Income (Loss) Before Operating Transfers	(256,754)	403,138	25,500	(210,160)	(38,276)
Operating Transfers In	-	-	31,411	42,861	74,272
Operating Transfers Out	<u>(642,982)</u>	<u>(642,983)</u>	<u>-</u>	<u>-</u>	<u>(1,285,965)</u>
Net Operating Transfers	<u>(642,982)</u>	<u>(642,983)</u>	<u>31,411</u>	<u>42,861</u>	<u>(1,211,693)</u>
Change in Net Position	(899,736)	(239,845)	56,911	(167,299)	(1,249,969)
Total Net Position - Beginning of Year	<u>3,689,373</u>	<u>1,681,326</u>	<u>1,232,664</u>	<u>1,588,385</u>	<u>8,191,748</u>
Total Net Position - End of Year	<u>\$ 2,789,637</u>	<u>\$ 1,441,481</u>	<u>\$ 1,289,575</u>	<u>\$ 1,421,086</u>	<u>\$ 6,941,779</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, 2013

Business-Type Activities - Enterprise Funds

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Transportation Fund</u>	<u>Airport Fund</u>	<u>Total</u>
Cash Flows from Operating Activities					
Receipts from customers	\$ 1,781,356	\$ 2,057,381	\$ 10,035	\$ 224,663	\$ 4,073,435
Receipts from County and others	-	-	160,450	9,500	169,950
Operating grants from state and federal government	24,861	-	633,791	153,967	812,619
Other receipts	-	-	1,850	-	1,850
Payments to personnel and related expenses	(558,926)	(472,350)	(450,985)	(28,172)	(1,510,433)
Payments to suppliers	<u>(248,622)</u>	<u>(577,618)</u>	<u>(174,390)</u>	<u>(441,689)</u>	<u>(1,442,319)</u>
Net Cash Provided by (Used in) Operating Activities	998,669	1,007,413	180,751	(81,731)	2,105,102
Cash Flows from Noncapital Financing Activities					
Funds from (paid to) other funds	<u>(642,982)</u>	<u>(642,983)</u>	<u>31,411</u>	<u>42,861</u>	<u>(1,211,693)</u>
Net Cash Provided by (Used in) Noncapital Financing Activities	(642,982)	(642,983)	31,411	42,861	(1,211,693)
Cash Flows from Financing Capital and Related Activities					
Purchase of capital assets	(648,758)	(2,921)	(223,695)	(9,810)	(885,184)
Gain (loss) on disposition of capital assets	-	-	12,024	1,259	13,283
Bond issue costs to be amortized	14,571	-	-	-	14,571
Principal paid on capital debt	(185,037)	(310,320)	-	-	(495,357)
Interest paid on capital debt	<u>(134,206)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(134,206)</u>
Net Cash Used in Financing Capital and Related Activities	(953,430)	(313,241)	(211,671)	(8,551)	(1,486,893)
Cash Flows from Investing Activities					
Interest income	<u>11,207</u>	<u>5</u>	<u>19</u>	<u>285</u>	<u>11,516</u>
Net Cash Provided by Investing Activities	11,207	5	19	285	11,516
Net Increase (Decrease) in Cash	(586,536)	51,194	510	(47,136)	(581,968)
Cash - Beginning of Year	<u>4,498,811</u>	<u>100,000</u>	<u>2,429</u>	<u>65,913</u>	<u>4,667,153</u>
Cash - End of Year	<u>\$ 3,912,275</u>	<u>\$ 151,194</u>	<u>\$ 2,939</u>	<u>\$ 18,777</u>	<u>\$ 4,085,185</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities					
Operating income (loss)	\$ (133,755)	\$ 403,133	\$ 35,471	\$ (211,704)	\$ 93,145
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities					
Depreciation expense	561,033	513,444	144,867	135,299	1,354,643
Changes in assets and liabilities					
Receivables, net	77,478	104,427	(431)	236	181,710
Inventory	(4,642)	669	-	(5,393)	(9,366)
Accounts payable	484,108	(14,148)	844	(169)	470,635
Accrued wages	3,369	660	-	-	4,029
Compensated absences	6,746	(772)	-	-	5,974
Customer deposits	<u>4,332</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,332</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 998,669</u>	<u>\$ 1,007,413</u>	<u>\$ 180,751</u>	<u>\$ (81,731)</u>	<u>\$ 2,105,102</u>

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

Town of Farmville, Virginia

Statement of Fiduciary Net Position
Fiduciary Funds

At June 30, 2013

	Retirement Trust Fund	Paulette Memorial Trust Fund
Assets		
Cash and investments	\$6,148,171	\$ 2,842
Participant loans	<u>42,832</u>	<u>-</u>
Total Assets	<u><u>\$6,191,003</u></u>	<u><u>\$ 2,842</u></u>
Liabilities and Net Position		
Liabilities		
Due to forfeiture account	\$ 3,157	\$ -
Net Position - Restricted		
	<u>6,187,846</u>	<u>2,842</u>
Total Liabilities and Net Position	<u><u>\$6,191,003</u></u>	<u><u>\$ 2,842</u></u>

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

Town of Farmville, Virginia

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

For the Year Ended June 30, 2013

	Retirement Trust Fund	Paulette Memorial Trust Fund
Additions		
Contributions	\$ 443,269	\$ -
Interest, dividends, and unrealized gains (losses)	<u>614,173</u>	<u>8</u>
Total Additions	1,057,442	8
Deductions		
Benefits paid to participants or beneficiaries	25,003	-
Administrative expenses	<u>1,804</u>	<u>239</u>
Total Deductions	<u>26,807</u>	<u>239</u>
Change in Net Position	1,030,635	(231)
Net Position - Beginning	<u>5,157,211</u>	<u>3,073</u>
Net Position - Ending	<u><u>\$6,187,846</u></u>	<u><u>\$ 2,842</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, 2013

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 requirements and a 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 Position: The Statement of Net Position is designed to display the financial position of the primary government (government and business-type activities) and its discretely presented component unit. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Position and report depreciation expense – the cost of “using up” capital assets – in the Statement of Activities. The net position of a government will be broken down into three categories: 1) net investment in capital assets; 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 unit, 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 Unit

Farmville Industrial Development Authority

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

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

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

The Authority is a component unit of the financial reporting entity of the Town of Farmville, Virginia. The Authority issued a separate audit report dated August 29, 2013. Questions concerning this report or requests for additional information should be directed to Carol Anne Seal, Town Treasurer, Farmville Industrial Development Authority, P. O. Drawer 368, Farmville, Virginia 23901, telephone 434-392-3333.

Exclusions from the Reporting Entity

Jointly Governed Organizations

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

The financial activities of the following 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 and \$120,000 for rent subsidy in fiscal year 2013. 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. 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 Position, 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 2013:

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 operating near the Town of Farmville, Virginia.

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

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

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

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 Position 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 Position or on the Statement of Fiduciary Net Position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

D. Budgets and Budgetary Accounting

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

The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all major funds with annual budgets, compare the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedule for the major funds presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

Budgetary Data

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

1. Prior to April 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating budget and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments. Work sessions between the Town Council and Town Manager are conducted on the budget.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.

4. The Appropriations Resolution places legal restrictions on expenditures at the fund, function, and departmental level. The appropriation for each fund, function, and department can be revised only by the Town Council. Supplemental appropriations in addition to the appropriated budget were necessary during the year. Supplemental appropriations may not be made without amending the budget.
5. The Town legally adopted budgets for all of its funds.

The Town may adopt budgets for other funds, such as the Agency Funds, for use as a management control device over such funds.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. All appropriations lapse on June 30 for all Town and Authority funds.
8. All budget data presented in the accompanying financial statements is the original budget as of June 30, 2013, 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. Inventory

Inventory is stated at cost.

F. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance is composed of the following:

General Fund - taxes receivable	\$ 7,165
General Fund - miscellaneous receivables	<u>51,148</u>
Total General Fund Allowance	58,313
Water Fund - water bills	30,970
Water Fund - miscellaneous receivables	<u>7,815</u>
Total Water Fund Allowance	38,785
Sewer Fund - sewer bills	<u>23,542</u>
Total Sewer Fund Allowance	<u>23,542</u>
Total Allowance - Primary Government	<u><u>\$120,640</u></u>

G. Capital Assets

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

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

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

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

H. Use of Estimates

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

I. Long-Term Obligations

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

2 Cash and Investments

Cash and Cash Equivalents

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

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

Deposits

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

Investments

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). Investments are reported at fair value.

The following is a summary of investments:

	<u>Carrying Amount</u>	<u>Market Value</u>
DIG Investments	\$ 6,148,171	\$6,148,171
Total Investments	6,148,171	<u>\$6,148,171</u>
Total Deposits	<u>4,978,942</u>	
Total Deposits and Investments - Primary Government	11,127,113	
Cash on Hand	<u>3,350</u>	
All Cash - Town	<u>\$11,130,463</u>	

The following is a summary and reconciliation of the pooled cash and investments at June 30, 2013:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Responsibilities</u>	<u>Total</u>
Primary Government				
Cash and cash equivalents	\$ 835,045	\$ 298,254	\$ -	\$ 1,133,299
Cash - restricted	-	3,786,931	-	3,786,931
Investments	<u>-</u>	<u>-</u>	<u>6,151,013</u>	<u>6,151,013</u>
Total Primary Government	835,045	4,085,185	6,151,013	11,071,243
Component Unit Farmville IDA				
Cash and cash equivalents	<u>59,220</u>	<u>-</u>	<u>-</u>	<u>59,220</u>
Total Primary Government and Component Unit Farmville IDA	<u>\$ 894,265</u>	<u>\$ 4,085,185</u>	<u>\$ 6,151,013</u>	<u>\$ 11,130,463</u>

Cash on Hand. The Town has cash on hand of \$3,350.

3 Property Taxes

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

Real estate and personal property taxes are due December 15.

A ten percent penalty or \$10 minimum is levied on all taxes not collected on or before their due date. An interest charge of ten percent per annum is also levied on such taxes beginning on January 1.

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

Property taxes for calendar year 2013 were levied by the Town Council in May 2013 on the assessed value listed as of January 1, 2013.

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, 2013 consist of the following:

	<u>Primary Government</u>				<u>Business-Type Activities</u>	<u>Component Unit Farmville IDA</u>
	<u>Governmental Activities</u>			<u>Total</u>		
	<u>General</u>	<u>ICA Fund</u>	<u>Other Nonmajor</u>	<u>Total</u>		
Property taxes	\$ 106,040	\$ -	\$ -	\$ 106,040	\$ -	\$ -
Utility taxes	31,159	-	-	31,159	-	-
Sanitation fees	20,256	-	-	20,256	-	-
Sales tax	28,763	-	-	28,763	-	-
Food tax	169,046	-	-	169,046	-	-
Lodging tax	27,334	-	-	27,334	-	-
Other miscellaneous	131,397	15,903	-	147,300	-	392,340
Water fund accounts	-	-	-	-	187,569	-
Sewer fund accounts	-	-	-	-	226,568	-
Transportation fund accounts	-	-	-	-	783	-
Airport fund accounts	-	-	-	-	965	-
Total	513,995	15,903	-	529,898	415,885	392,340
Allowance for uncollectibles	(58,313)	-	-	(58,313)	(62,327)	-
Net Receivables	\$ 455,682	\$ 15,903	\$ -	\$ 471,585	\$ 353,558	\$ 392,340

5 Due from Other Governmental Units

	Governmental Activities
Commonwealth of Virginia	
E-911 wireless payments	\$ 7,509
Farmville IDA	<u>1,010,092</u>
Total	<u>\$ 1,017,601</u>

6 Interfund Balances and Activity

Interfund activities are as follows:

Primary Government

Transfers To/From Other Funds	Transfer To	Transfer From
General Fund		
To Airport Fund	\$ 42,861	\$ -
To Street Maintenance Fund	346,106	-
To Golf Course Fund	269,016	-
From Narcotics Fund	-	29,589
To Transportation Fund	31,411	-
From Water Fund	-	642,982
From Sewer Fund	-	<u>642,983</u>
Total General Fund	689,394	1,315,554
Street Maintenance Fund		
From General Fund for operating costs	-	346,106
Sewer Fund		
To General Fund for operating costs	642,983	-
Airport Fund		
From General Fund for operating costs	-	42,861
Transportation Fund		
From General Fund for operating costs	-	31,411
Water Fund		
To General Fund for debt payments	642,982	-
Narcotics Fund		
To General Fund for operating costs	29,589	-
Golf Course Fund		
From General Fund for operating costs	-	<u>269,016</u>
Total Transfers	<u>\$ 2,004,948</u>	<u>\$ 2,004,948</u>

Due To/Due From's

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

	<u>Transfer To</u>	<u>Transfer From</u>
Between Town of Farmville, Virginia and Component Unit Farmville IDA		
Town of Farmville, Virginia - General Fund		
From Component Unit Farmville IDA	\$ 1,010,092	\$ -
Component Unit Farmville IDA		
To Town of Farmville, Virginia - General Fund	<u>-</u>	<u>1,010,092</u>
Total Between Primary Government and Component Unit	<u>\$ 1,010,092</u>	<u>\$ 1,010,092</u>

7 Capital Assets

Primary Government

	<u>Balance July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2013</u>
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 3,421,056	\$ 100,285	\$ 770,854	\$ 2,750,487
Total Capital Assets Not Being Depreciated	3,421,056	100,285	770,854	2,750,487
Other Capital Assets				
Buildings and improvements	15,000,484	11,392	-	15,011,876
Infrastructure	20,984,837	748,403	(1,590)	21,734,830
Vehicles and equipment	<u>5,410,577</u>	<u>527,302</u>	<u>41,886</u>	<u>5,895,993</u>
Total Other Capital Assets	41,395,898	1,287,097	40,296	42,642,699
Less: Accumulated depreciation for				
Buildings and improvements	3,268,683	422,298	65,328	3,625,653
Infrastructure	13,249,230	1,046,135	(10,307)	14,305,672
Vehicles and equipment	<u>3,854,804</u>	<u>498,603</u>	<u>61,821</u>	<u>4,291,586</u>
Total Accumulated Depreciation	<u>20,372,717</u>	<u>1,967,036</u>	<u>116,842</u>	<u>22,222,911</u>
Other Capital Assets, Net	<u>21,023,181</u>	<u>(679,939)</u>	<u>(76,546)</u>	<u>20,419,788</u>
Net Capital Assets	<u>\$ 24,444,237</u>	<u>\$ (579,654)</u>	<u>\$ 694,308</u>	<u>\$ 23,170,275</u>

Depreciation expense was allocated as follows:

General government administration	\$ 24,641
Public safety	270,321
Public works	1,584,897
Parks, recreation, and cultural	<u>87,177</u>
Total Depreciation Expense	<u>\$ 1,967,036</u>

Business-Type Activities

	<u>Balance July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2013</u>
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 1,703,672	\$ -	\$ -	\$ 1,703,672
Total Capital Assets Not Being Depreciated	1,703,672	-	-	1,703,672
Other Capital Assets				
Buildings and improvements	2,829,033	-	-	2,829,033
Infrastructure	22,280,092	606,059	-	22,886,151
Equipment and vehicles	1,755,528	279,122	86,137	1,948,513
Total Other Capital Assets	26,864,653	885,181	86,137	27,663,697
Less: Accumulated depreciation for				
Buildings and improvements	1,502,743	66,598	-	1,569,341
Infrastructure	17,963,547	1,107,799	-	19,071,346
Equipment and vehicles	1,189,746	180,246	64,127	1,305,865
Total Accumulated Depreciation	20,656,036	1,354,643	64,127	21,946,552
Other Capital Assets, Net	6,208,617	(469,462)	22,010	5,717,145
Net Capital Assets	<u>\$ 7,912,289</u>	<u>\$ (469,462)</u>	<u>\$ 22,010</u>	<u>\$ 7,420,817</u>
Depreciation expense was allocated to enterprise activities.		<u>\$ 1,354,643</u>		

8 Short-Term Debt

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

	<u>Balance July 1, 2012</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2013</u>
Short-Term Debt				
The Town has an operating line of credit with Farmers Bank. The line is for \$1.5 million with an interest rate of 3.25 percent. Interest is paid monthly. There is an annual renewal fee of \$500.	\$ -	\$ 1,196,000	\$ 1,196,000	\$ -

9 Long-Term Debt

PRIMARY GOVERNMENT

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

Year(s) Ended June 30,	Governmental Activities		Business-Type Activities		Total Town of Farmville	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 897,700	\$ 648,988	\$ 120,000	\$ 185,425	\$ 1,017,700	\$ 834,413
2015	932,795	612,503	125,000	180,497	1,057,795	793,000
2016	977,892	566,390	130,000	174,313	1,107,892	740,703
2017	1,022,994	519,816	135,000	168,122	1,157,994	687,938
2018	1,068,098	470,934	145,000	161,547	1,213,098	632,481
2019-2023	6,121,521	1,527,608	830,000	694,781	6,951,521	2,222,389
2024-2028	3,050,000	232,694	1,050,000	466,413	4,100,000	699,107
2029-2033	-	-	1,345,000	177,984	1,345,000	177,984
Compensated Absences	1,268,557	-	185,041	-	1,453,598	-
Net Pension Obligation	1,094,263	-	-	-	1,094,263	-
Landfill Obligation	1,303,772	-	-	-	1,303,772	-
Total	\$ 17,737,592	\$ 4,578,933	\$ 4,065,041	\$ 2,209,082	\$ 21,802,633	\$ 6,788,015

Year(s) Ended June 30,	Component Unit Farmville IDA		Total Above Town of Farmville		Total Reporting Entity	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 29,861	\$ 24,527	\$ 1,017,700	\$ 834,413	\$ 1,047,561	\$ 858,940
2015	31,038	23,311	1,057,795	793,000	1,088,833	816,311
2016	32,509	21,775	1,107,892	740,703	1,140,401	762,478
2017	33,980	20,226	1,157,994	687,938	1,191,974	708,164
2018	35,598	18,598	1,213,098	632,481	1,248,696	651,079
2019-2023	204,322	65,372	6,951,521	2,222,389	7,155,843	2,287,761
2024-2028	120,622	20,568	4,100,000	699,107	4,220,622	719,675
2029-2033	39,571	5,268	1,345,000	177,984	1,384,571	183,252
Compensated Absences	-	-	1,453,598	-	1,453,598	-
Net Pension Obligation	-	-	1,094,263	-	1,094,263	-
Landfill Obligation	-	-	1,303,772	-	1,303,772	-
Total	\$ 527,501	\$ 199,645	\$ 21,802,633	\$ 6,788,015	\$ 22,330,134	\$ 6,987,660

Changes in Long-Term Debt

The following is a summary of long-term debt transactions of the Town for the year ended June 30, 2013:

	<u>Balance July 1, 2012</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2013</u>	<u>Due Within One Year</u>
Primary Government					
<p>\$1,665,100 Refunding Bond Series 2002 w ith Carter Bank and Trust (to refund the old 1993 Series Bonds), issued December 2002 w ith an interest rate of 3.12 percent, payable semiannually in July and January over 10 years, and principal payments due in January each year maturing January 1, 2013.</p>					
Enterprise Fund Portion	\$ 151,258	\$ -	\$ 151,258	\$ -	\$ -
General Fund Portion - Firehouse	42,142	-	42,142	-	-
Total Series 2002 Refunding	193,400	-	193,400	-	-
<p>\$19,015,000 General Obligation Refunding Bond, Series 2012A w ith Virginia Resources Authority issued June 13, 2012 w ith interest rates from 2.125% to 5.125% payable semiannually in October and April. Annual principal payments range from \$1,085,000 to \$295,000 due in October of every year.</p>					
Enterprise Fund Portion	3,880,000	-	-	3,880,000	120,000
General Fund Portion	15,135,000	-	1,085,000	14,050,000	895,000
Total Series 2012A Refunding Bonds	19,015,000	-	1,085,000	17,930,000	1,015,000
<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>					
	310,320	-	310,320	-	-
<p>\$21,000 note payable to USDA Rural Development dated August 23, 2012. The note is payable annually w ith an interest rate of 3.50 percent per annum. Proceeds used to buy a police car and Treasurer's computers.</p>					
	-	21,000	-	21,000	2,700
<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>					
	53,605	-	53,605	-	-
<p>\$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.</p>					
	105,218	-	105,218	-	-
Net Pension Obligation	991,367	102,896	-	1,094,263	-
Landfill Obligation	1,354,561	-	50,789	1,303,772	-
Compensated Absences - Governmental Activities	1,223,309	45,248	-	1,268,557	-
Compensated Absences - Business-Type Activities	179,067	5,974	-	185,041	-
Total Primary Government	<u>\$ 23,425,847</u>	<u>\$ 175,118</u>	<u>\$ 1,798,332</u>	<u>\$ 21,802,633</u>	<u>\$ 1,017,700</u>

	<u>Balance</u> <u>July 1, 2012</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Recap by Fund of Above Debt					
Governmental Funds	\$ 18,905,202	\$ 169,144	\$ 1,336,754	\$ 17,737,592	\$ 897,700
Enterprise Funds	4,520,645	5,974	461,578	4,065,041	120,000
Total Primary Government	<u>\$ 23,425,847</u>	<u>\$ 175,118</u>	<u>\$ 1,798,332</u>	<u>\$ 21,802,633</u>	<u>\$ 1,017,700</u>
Bond Premium on Series 2012 Bond - Governmental Fund portion	\$ 2,668,745	\$ -	\$ 177,916	\$ 2,490,829	\$ 177,916
Bond Premium on Series 2012 Bond - Enterprise Fund portion	<u>\$ 709,369</u>	<u>\$ -</u>	<u>\$ 33,779</u>	<u>\$ 675,590</u>	<u>\$ 33,779</u>
Bond Issue Costs on Series 2012 Bond - Governmental Fund portion	\$ 35,903	\$ -	\$ 2,394	\$ 33,509	\$ 2,394
Bond Issue Costs on Series 2012 Bond - Enterprise Fund portion	<u>\$ 305,986</u>	<u>\$ -</u>	<u>\$ 14,571</u>	<u>\$ 291,415</u>	<u>\$ 14,571</u>

Component Unit Farmville IDA

Town of Farmville, Virginia

During the current fiscal year, the Town refinanced the bonds in which the Authority shared responsibility. As of the refinance, the Authority now is responsible for 2.942% of the total proceeds. The debt service schedule calls for semi-annual payments with interest only due each April 1 and principal and interest due each October 1 through October 1, 2032. Payments are scheduled to begin on October 1, 2012.

<u>\$ 559,427</u>	<u>\$ -</u>	<u>\$ 31,926</u>	<u>\$ 527,501</u>	<u>\$ 29,861</u>
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10 Claims, Judgments, and Compensated Absences

In accordance with NCGA Statement 4 "Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences," the Town has accrued the liability arising from outstanding claims, judgments, and compensated absences. After 12 months of employment, each Town employee earns annual leave at the rate of eight hours per two-week pay period. After 10 years of employment, annual leave is earned at a rate of ten hours per two-week pay period. The maximum carryover of annual leave shall be 1,040 hours at the end of the last full two-week pay period in the calendar year. When an employee exceeds 1,040 hours of leave, he/she will be paid at 75% of the hours in excess of 1,040, multiplied by the current hourly rate. This will be paid annually on the last payday in December. The Town has outstanding compensated absences totaling \$1,268,557 in the governmental activities. The balance in the business-type activities is \$185,041.

11 Deferred Revenues

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

Primary Government
General Fund
Property taxes

\$94,223

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

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

At June 30, 2013, there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decision or pending matter not be favorable to the Town.

13 Defined Contribution Plan

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

The Town's total payroll in fiscal year 2013 was \$6,207,875. 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 \$443,269 of which \$176,725 was from the Town.

14 Fund Balances

Fund balances have been allocated for the following purposes:

<u>Fund</u>	<u>Purpose</u>	<u>Amount</u>
Nonspendable		
General Fund	Used to identify inventory balance	\$ 58,148
Golf Fund	Used to identify inventory balance	7,654
		<u>\$ 65,802</u>
Restricted		
CDBG Fund	Used for collecting CDBG recovered costs	\$ 4,124
Total Restricted Funds		<u>\$ 4,124</u>
Assigned		
ICA Fund	Used for immigration center	\$ 346,899
Narcotic Fund	Used by police department	24,150
Golf Fund	Used in supporting golf club	38,366
Probation/Parole Building Fund	Used in paying building debt	152,361
Total Assigned Funds		<u>\$ 561,776</u>

15 Legal Compliance

Expenditures in Excess of Appropriations

Expenditures exceeded appropriations by \$373,066 for the Street Maintenance Fund. Expenditures exceeded budget in the general fund by \$2,297,979.

Fund Deficits

There is an unrestricted net assets deficit balance in the governmental activities of \$1,445,784 and the business-type activities of \$3,497,311.

There is also a fund deficit in the Component Unit IDA this year of \$562,281.

16 Surety Bond Information

Aetna Insurance Company - Surety

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

17 Landfill Obligation

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

The Town will recognize the remaining estimated costs of closure and post closure care of \$1,303,772 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, 2013.

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 \$303,772. 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 \$1,303,772 as a long-term liability.

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

18 Post Retirement Compensation Plan

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

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

Following are the required disclosures for the Town's Post Retirement Compensation Plan for the years ending June 30, 2013, 2012, and 2011:

<i>Year ended June 30</i>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<i>Actuarial Valuation Date</i>	July 1, 2012	July 1, 2011*	July 1, 2010*
<i>Annual Pension Cost (APC)</i>			
Annual Required Contribution (ARC)	\$ 159,780	\$ 154,493	\$ 166,637
Interest on net beginning Net Pension Obligation (NPO)	34,698	31,269	27,470
Adjustment to ARC	(53,902)	(48,575)	(42,674)
Annual Pension Cost (APC)	140,576	137,187	151,433
<i>Components of Annual Required Contribution (ARC)</i>			
Normal Cost	69,399	68,597	74,919
Amortization of Accrued Liability	84,978	80,672	86,083
Interest Cost	5,403	5,224	5,635
Annual Required Contribution	159,780	154,493	166,637
% Annual Pension Cost Contributed	26.80%	28.58%	28.33%
<i>Change in NPO During the Fiscal Year</i>			
NPO at beginning of fiscal year	991,367	893,391	784,857
Interest on NPO	34,698	31,269	27,470
Annual Required Contribution (ARC) for the fiscal year	159,780	154,493	166,637
Adjustment to the ARC	(53,902)	(48,576)	(42,674)
Employer Contribution made during the fiscal year	(37,680)	(39,210)	(42,899)
NPO at end of fiscal year	1,094,263	991,367	893,391
Net change in NPO	102,896	97,976	108,534
<i>Funded Status at End of Fiscal Year</i>			
Accrued Liability at end of year	1,707,723	1,625,714	1,728,985
Plan assets at end of year	-	-	-
Unfunded Accrued Liability	(1,707,723)	(1,625,714)	(1,728,985)
Percentage of Funded Accrued Liability	0%	0%	0%
Covered Payroll	4,977,880	N/A	N/A
UAAL as a Percentage of Covered Payroll	34.31%	N/A	N/A

*Amounts represent Required Supplementary Information, which is unaudited.

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

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

Actuarial Valuation Date July 1, 2012

Annual Discount Rate 3.50%

Mortality and Employee Turnover

Mortality Tables for Males and Females, as required for funding under IRC Section 430 for 2012; Scale T-3 employee turnover.	Current <u>Age</u>	<u>Probability of Continued Employment until Age 65</u>	
		<u>Males</u>	<u>Females</u>
Sample rates, based on combined mortality and turnover illustrate probability of continued employment until age 65.	25	31.1%	31.5%
	35	51.6%	52.1%
	45	77.6%	78.1%
	55	94.5%	94.8%

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

Actuarial Cost Method for Determining ARC: Projected Unit Credit Cost Method

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

Amortization of Accrued Liability 30-Year, level dollar, fresh start each year

Plan Description

Summary of Employer Provided Retiree Health Benefits

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

Employee Class Permanent Full-Time Employees

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

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

Payments are for the retiree's lifetime.

Credited Service

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

Prior service of rehired employees is credited.

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

Surviving Spouses

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

Retiree Cost Sharing

Employer pays full cost.

Employer Funding Policy

Pay as you go funding.

19 **Prior Period Adjustment**

Due to the implementation of GASB Statement No. 63 “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,” only specific deferred items belong in the Statement of Net Position. Therefore, deferred revenue for taxes is a reconciliation item between the government-wide statements and the fund statements from this point forward. The beginning balance for deferred taxes of \$78,178 needed to be an adjustment to unrestricted net position.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Farmville, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2013

General Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Revenues				
General Property Taxes				
Real property taxes	\$ 600,000	\$ 600,000	\$ 585,553	\$ (14,447)
Public service corporation property taxes	26,000	26,000	29,357	3,357
Personal property taxes	206,000	206,000	211,935	5,935
Mobile home taxes	2,000	2,000	2,270	270
Interest on taxes	3,500	3,500	2,414	(1,086)
Penalties on taxes	<u>6,050</u>	<u>6,050</u>	<u>2,807</u>	<u>(3,243)</u>
Total General Property Taxes	843,550	843,550	834,336	(9,214)
Other Local Taxes				
Local sales and use taxes	204,000	204,000	347,146	143,146
Consumption tax	28,000	28,000	28,595	595
Consumers' utility taxes	345,000	345,000	352,864	7,864
Business licenses	1,322,500	1,322,500	1,305,925	(16,575)
Franchise license taxes	35,000	35,000	34,667	(333)
Motor vehicle licenses	75,000	75,000	76,684	1,684
Bank stock taxes	170,000	170,000	177,277	7,277
Hotel and motel room taxes	325,000	325,000	302,277	(22,723)
Restaurant food taxes	<u>2,131,000</u>	<u>2,131,000</u>	<u>2,262,406</u>	<u>131,406</u>
Total Other Local Taxes	4,635,500	4,635,500	4,887,841	252,341
Permits, Privilege Fees, and Regulatory Licenses				
Building permits	85,025	85,025	41,975	(43,050)
Other permits, licenses, and fees	<u>10,000</u>	<u>10,000</u>	<u>12,540</u>	<u>2,540</u>
Total Permits, Privilege Fees, and Regulatory Licenses	95,025	95,025	54,515	(40,510)
Fines and Forfeitures				
Court fines	70,000	70,000	78,166	8,166
Other fines and forfeitures	<u>20,050</u>	<u>20,050</u>	<u>14,476</u>	<u>(5,574)</u>
Total Fines and Forfeitures	90,050	90,050	92,642	2,592
Revenue from Use of Money and Property				
Revenue from use of money	7,280	7,280	6,399	(881)
Revenue from use of property				
Rental of general property and real estate	37,585	37,585	45,352	7,767
Sale of property - donation Field of Dreams	-	-	770,854	770,854
Sale of property	<u>44,475</u>	<u>44,475</u>	<u>51,069</u>	<u>6,594</u>
Total Revenue from Use of Money and Property	89,340	89,340	873,674	784,334

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Charges for Services				
Miscellaneous	72,538	72,538	51,140	(21,398)
Administrative - fuel	22,500	22,500	19,078	(3,422)
Sanitation fees	330,000	330,000	336,446	6,446
Rescue Squad	233,847	233,847	256,766	22,919
Parking meters	22,000	22,000	21,085	(915)
Public works	100,000	100,000	119,631	19,631
Grave openings	10,000	10,000	13,975	3,975
Total Charges for Services	<u>790,885</u>	<u>790,885</u>	<u>818,121</u>	<u>27,236</u>
Miscellaneous				
Payment from PE County for share of debt	246,281	246,281	227,378	(18,903)
Miscellaneous	<u>235,756</u>	<u>235,756</u>	<u>98,578</u>	<u>(137,178)</u>
Total Miscellaneous	<u>482,037</u>	<u>482,037</u>	<u>325,956</u>	<u>(156,081)</u>
Recovered Costs				
Other funds and street department	200,000	200,000	233,079	33,079
Library rent	-	-	120,000	120,000
Salaries - Chamber	70,805	70,805	78,933	8,128
Other recovered costs	<u>23,530</u>	<u>23,530</u>	<u>174,234</u>	<u>150,704</u>
Total Recovered Costs	<u>294,335</u>	<u>294,335</u>	<u>606,246</u>	<u>311,911</u>
Intergovernmental				
<i>Revenue from the Commonwealth</i>				
Non-Categorical Aid				
Communications taxes	495,000	495,000	541,368	46,368
Mobile home titling tax	-	-	527	527
Rolling stock taxes - motor vehicle carriers tax	-	-	123	123
Aid to localities with police departments	160,000	160,000	166,940	6,940
Auto rental tax	<u>60,000</u>	<u>60,000</u>	<u>54,488</u>	<u>(5,512)</u>
Total Non-Categorical Aid	<u>715,000</u>	<u>715,000</u>	<u>763,446</u>	<u>48,446</u>
Categorical Aid				
Wireless quarterly payments	70,000	70,000	53,702	(16,298)
PSAP Wireless	-	-	179,108	179,108
Litter Control Grant	3,000	3,000	3,879	879
Other grants	7,600	7,600	5,583	(2,017)
VDOT Grant - Main/Griffin	350,000	350,000	317,597	(32,403)
VDOT Grant - Water Works Grant	-	-	193,107	193,107
VDOT Grant - Streetscape Phase 2	-	-	61,570	61,570
VDOT Grant - Sarah Terry Trail	-	-	7,540	7,540
VDOT Grant - Milnwood Road	239,650	239,650	-	(239,650)
DMV and Police Grants	-	-	8,451	8,451
Fire program	<u>17,510</u>	<u>17,510</u>	<u>26,537</u>	<u>9,027</u>
Total Categorical Aid	<u>687,760</u>	<u>687,760</u>	<u>857,074</u>	<u>169,314</u>
Total Revenue from the Commonwealth	1,402,760	1,402,760	1,620,520	217,760

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
<i>Revenue from the Federal Government</i>				
Police grants	12,180	12,180	12,180	-
DCJS grants	-	-	53,146	53,146
CDBG Grant - Moton Exhibits	-	-	199,363	199,363
Grants - USDA - Rural Development	-	-	25,000	25,000
Total Revenue from the Federal Government	<u>12,180</u>	<u>12,180</u>	<u>289,689</u>	<u>277,509</u>
Total Intergovernmental Revenue	<u>1,414,940</u>	<u>1,414,940</u>	<u>1,910,209</u>	<u>495,269</u>
Total Revenues	8,735,662	8,735,662	10,403,540	1,667,878

Expenditures

Current

General Government Administration

Town Council	204,970	204,970	202,552	2,418
Town Manager	545,895	545,895	531,504	14,391
Chamber of Commerce	70,784	70,784	78,748	(7,964)
Treasurer	445,035	445,035	424,707	20,328
Total General Government Administration	<u>1,266,684</u>	<u>1,266,684</u>	<u>1,237,511</u>	<u>29,173</u>

Public Safety

Police Department	2,032,867	2,032,867	2,211,324	(178,457)
911 services	811,452	811,452	1,004,495	(193,043)
Fire services	107,753	107,753	155,607	(47,854)
Rescue services	229,223	229,223	256,766	(27,543)
Building inspector	124,773	124,773	136,305	(11,532)
Animal control	19,107	19,107	21,560	(2,453)
Total Public Safety	<u>3,325,175</u>	<u>3,325,175</u>	<u>3,786,057</u>	<u>(460,882)</u>

Public Works

Recycling department	89,929	89,929	106,990	(17,061)
Sanitation	526,061	526,061	656,341	(130,280)
Maintenance of highways and streets	457,197	457,197	666,448	(209,251)
Surveying	135,963	135,963	74,116	61,847
Maintenance of buildings and grounds	824,561	824,561	1,095,078	(270,517)
Horticulturist	73,274	73,274	72,434	840
Total Public Works	<u>2,106,985</u>	<u>2,106,985</u>	<u>2,671,407</u>	<u>(564,422)</u>

Parks, Recreation, and Cultural

Library	18,448	18,448	22,464	(4,016)
Appropriation - Library	35,000	35,000	155,000	(120,000)
Rails to Trails and Sarah Terry Trail	-	-	8,284	(8,284)
Moton Museum Grant	-	-	225,728	(225,728)
Field of Dreams - donated	-	-	770,854	(770,854)
Field of Dreams	10,358	10,358	48,925	(38,567)
Parks and recreation	84,877	84,877	154,730	(69,853)
Total Parks, Recreation, and Cultural	<u>148,683</u>	<u>148,683</u>	<u>1,385,985</u>	<u>(1,237,302)</u>

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
<i>Community Development</i>				
Planning and community development	130,000	130,000	81,860	48,140
Town Planner	<u>81,676</u>	<u>81,676</u>	<u>64,176</u>	<u>17,500</u>
Total Community Development	211,676	211,676	146,036	65,640
<i>Debt Service</i>				
Principal	1,153,036	1,153,036	1,285,965	(132,929)
Interest	<u>620,629</u>	<u>620,629</u>	<u>617,886</u>	<u>2,743</u>
Total Debt Service	<u>1,773,665</u>	<u>1,773,665</u>	<u>1,903,851</u>	<u>(130,186)</u>
Total Expenditures	<u>8,832,868</u>	<u>8,832,868</u>	<u>11,130,847</u>	<u>(2,297,979)</u>
Excess (Deficiency) of Revenues Over Expenditures	(97,206)	(97,206)	(727,307)	(630,101)
Other Financing Sources (Uses)				
Proceeds from long-term debt	-	-	21,000	21,000
Transfers in	-	-	1,315,554	1,315,554
Transfers out	<u>(366,099)</u>	<u>(366,099)</u>	<u>(689,394)</u>	<u>(323,295)</u>
Total Other Financing Sources (Uses)	<u>(366,099)</u>	<u>(366,099)</u>	<u>647,160</u>	<u>1,013,259</u>
Net Change in Fund Balance	(463,305)	(463,305)	(80,147)	383,158
Transfer from Surplus (Contingency)	<u>463,305</u>	<u>463,305</u>	-	<u>(463,305)</u>
Net Change after Transfer from Surplus	<u>\$ -</u>	<u>\$ -</u>	(80,147)	<u>\$ (80,147)</u>
Fund Balance - Beginning of Year			1,603,446	
Fund Balance - End of Year			<u>\$ 1,523,299</u>	

Street Maintenance Fund

Revenues

Intergovernmental

Revenue from the Commonwealth

Categorical Aid

 Street maintenance fund

\$ 1,470,000 \$ 1,470,000 \$ 1,495,656 \$ 25,656

 Total Categorical Aid and Revenues

1,470,000 1,470,000 1,495,656 25,656

Expenditures

Current

Public Works

 Maintenance of streets and highways

1,470,079 1,470,079 1,843,145 (373,066)

Excess (Deficiency) of Revenues Over Expenditures

(79) (79) (347,489) (347,410)

Other Financing Sources (Uses)

 Transfers in (out)

79 79 346,106 346,027

 Total Other Financing Sources (Uses)

79 79 346,106 346,027

Net Change in Fund Balance

\$ - \$ - (1,383) \$ (1,383)

Fund Balance - Beginning of Year

-

Fund Balance - End of Year (Deficit)

\$ (1,383)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
ICA Fund				
Revenues				
Use of property - Rental of trailers	\$ 4,200	\$ 4,200	\$ -	\$ (4,200)
Miscellaneous	-	-	900	900
Charges for Services - administration of ICE	<u>125,000</u>	<u>125,000</u>	<u>182,331</u>	<u>57,331</u>
Total Revenues	129,200	129,200	183,231	54,031
Expenditures				
	<u>129,200</u>	<u>129,200</u>	-	<u>129,200</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	183,231	<u>\$ 183,231</u>
Fund Balance - Beginning of Year			<u>163,668</u>	
Fund Balance - End of Year			<u>\$ 346,899</u>	

OTHER SUPPLEMENTARY INFORMATION

Town of Farmville, Virginia

Combining Balance Sheet

Other Governmental Funds

At June 30, 2013

	<u>Special Revenue Funds</u>			<u>Capital Projects</u>	
	<u>Probation/ Parole Building Fund</u>	<u>Golf Fund</u>	<u>Narcotic Fund</u>	<u>CDBG Fund</u>	<u>Total Other Governmental Funds</u>
Assets					
Cash and investments	\$ 152,918	\$ 47,680	\$ 24,150	\$ 4,319	\$ 229,067
Inventory	-	7,654	-	-	7,654
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 152,918</u>	<u>\$ 55,334</u>	<u>\$ 24,150</u>	<u>\$ 4,319</u>	<u>\$ 236,721</u>
Liabilities					
Accounts payable	\$ 557	\$ 9,024	\$ -	\$ -	\$ 9,581
Accrued liabilities	-	290	-	195	485
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	557	9,314	-	195	10,066
Fund Balance					
Nonspendable - inventory	-	7,654	-	-	7,654
Restricted	-	-	-	4,124	4,124
Assigned	152,361	38,366	24,150	-	214,877
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balance	<u>152,361</u>	<u>46,020</u>	<u>24,150</u>	<u>4,124</u>	<u>226,655</u>
Total Liabilities and Fund Balance	<u>\$ 152,918</u>	<u>\$ 55,334</u>	<u>\$ 24,150</u>	<u>\$ 4,319</u>	<u>\$ 236,721</u>

Town of Farmville, Virginia

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

Other Governmental Funds

At June 30, 2013

	Special Revenue Funds			Capital Projects	Total Other Governmental Funds
	Probation/ Parole Building Fund	Golf Fund	Narcotic Fund	CDBG Fund	
Revenues					
Use of money and property	\$ 43,111	\$ 3,167	\$ 84	\$ -	\$ 46,362
Charges for services	-	135,558	-	-	135,558
Miscellaneous	-	-	-	209	209
Intergovernmental					
From the Commonwealth of Virginia	-	-	25,218	-	25,218
Total Revenues	43,111	138,725	25,302	209	207,347
Expenditures					
Current					
Public safety	-	-	3,928	-	3,928
Public works	11,586	-	-	-	11,586
Parks, recreation, and cultural	-	423,914	-	-	423,914
Total Expenditures	11,586	423,914	3,928	-	439,428
Excess (Deficiency) of Revenues Over Expenditures	31,525	(285,189)	21,374	209	(232,081)
Other Financing Sources (Uses)					
Transfers in	-	269,016	-	-	269,016
Transfers out	-	-	(29,589)	-	(29,589)
Total Other Financing Sources (Uses)	-	269,016	(29,589)	-	239,427
Net Change in Fund Balances	31,525	(16,173)	(8,215)	209	7,346
Fund Balance - Beginning of Year	120,836	62,193	32,365	3,915	219,309
Fund Balance - End of Year	<u>\$152,361</u>	<u>\$ 46,020</u>	<u>\$ 24,150</u>	<u>\$ 4,124</u>	<u>\$ 226,655</u>

Town of Farmville, Virginia

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

Statement of Net Position

As of June 30, 2013

Assets

Assets

Current Assets

Cash	\$ 59,220
Accrued interest receivable	2,511
Notes receivable - current portion and related interest	<u>24,312</u>
Total Current Assets	86,043

Long-Term Notes Receivable

	<u>368,028</u>
Total Assets	<u><u>\$ 454,071</u></u>

Liabilities and Net Position (Deficit)

Liabilities

Current Liabilities

Due to Town of Farmville, Virginia	\$ 482,591
Accrued interest payable	6,260
Notes payable - current portion	<u>29,861</u>
Total Current Liabilities	518,712

Long-Term Liabilities

Note payable - less current portion	<u>497,640</u>
Total Long-Term Liabilities	<u>497,640</u>
Total Liabilities	1,016,352

Net Position (Deficit)

Unrestricted (deficit)	<u>(562,281)</u>
Total Net Position (Deficit)	<u>(562,281)</u>
Total Liabilities and Net Position	<u><u>\$ 454,071</u></u>

Town of Farmville, Virginia

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

Statement of Activities (Deficit)

Year Ended June 30, 2013

Operating Income - Administration Fee		\$ 150,000
Operating Expenses		
Professional fees		3,000
Other		11
Total Operating Expenses		<u>3,011</u>
Net Operating Income		146,989
Non-Operating Revenues (Expenses)		
Interest income		10,879
Interest expense		<u>(26,595)</u>
Net Non-Operating Revenues (Expenses)		<u>(15,716)</u>
Change in Net Position		131,273
Total Net Position (Deficit) - Beginning of Year		(693,669)
Prior Period Adjustment - Note Payable		<u>115</u>
Total Net Position (Deficit) - End of Year		<u><u>\$ (562,281)</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, 2013

Cash Flows from Operating Activities

Receipts	\$ 150,000
Payments to suppliers	<u>(3,011)</u>
Net Cash Provided by Operating Activities	146,989

Cash Flows from Capital and Related Financing Activities

Curtailment of borrowings	(31,926)
Proceeds resulting from curtailment of note receivable	91,208
Curtailment of due to Town of Farmville, Virginia	(150,000)
Accrued interest receivable	712
Accrued interest payable	<u>4,106</u>
Net Cash Used in Capital and Related Financing Activities	(85,900)

Cash Flows from Investing Activities

Interest income	11,591
Interest expense	<u>(22,489)</u>
Net Cash Used in Investing Activities	<u>(10,898)</u>

Net Increase in Cash and Cash Equivalents	50,191
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Cash and Cash Equivalents - Beginning of Year	<u>9,029</u>
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Cash and Cash Equivalents - End of Year	<u><u>\$ 59,220</u></u>
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Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities

Operating income	<u>\$ 146,989</u>
Net Cash Provided by Operating Activities	<u><u>\$ 146,989</u></u>

COMPLIANCE SECTION



**Creedle
Jones
& Alga**

A Professional Corporation

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Farmville, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Town of Farmville, Virginia’s basic financial statements and have issued our report thereon dated October 1, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



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

South Hill, Virginia
October 1, 2013



**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited Town of Farmville, Virginia’s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Town of Farmville, Virginia’s major federal programs for the year ended June 30, 2013. Town of Farmville, Virginia’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of Town of Farmville, Virginia’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; 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*. Those standards, specifications, and OMB Circular A-133 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Town of Farmville, Virginia’s compliance.

Opinion on Each Major Federal Program

In our opinion, Town of Farmville, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Town of Farmville, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Town of Farmville, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Credle, Jones & Alga, P.C.

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

South Hill, Virginia
October 1, 2013

Town of Farmville, Virginia

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalog Number	State Agency Number	Expenditures
U. S. Department of Homeland Security			
Pass-Through Payments			
Department of Emergency Management			
Emergency Management Preparedness Grant	97.042	127	\$ 12,180
Subtotal - Department of Homeland Security			<u>12,180</u>
 U. S. Department of Agriculture			
Direct Payments			
Rural Development - Grant	10.766	N/A	25,000
Rural Development - Loan	10.766	N/A	<u>21,000</u>
Subtotal - Department of Agriculture			46,000
 Federal Aviation Administration			
Direct Payments			
Airport Improvement Program	20.106	N/A	<u>138,901</u>
Subtotal - Federal Aviation Administration			138,901
 U. S. Department of Housing and Urban Development			
Pass-Through Payments			
Department of Housing and Community Development			
Community Development Block Grants/State's Program	14.228	165	<u>199,363</u>
Subtotal - Department of Housing and Urban Development			199,363
 U. S. Department of Transportation			
Pass-Through Payments			
Department of Rail and Public Transportation			
Mass Transit Assistance	20.509*	505	469,826
Department of Motor Vehicles			
Alcohol Impaired Driving Countermeasure Incentive Grants	20.601	530	<u>53,146</u>
Subtotal - Department of Transportation			<u>522,972</u>
Grand Totals			<u>\$ 919,416</u>

*Denotes Major Program

Notes to Schedule of Expenditures of Federal Awards

1. *Basis of Presentation*

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

Town of Farmville, Virginia

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

1. SUMMARY OF AUDITOR'S RESULTS

- (a) The auditor's report expresses an **unmodified opinion** on the financial statements of Town of Farmville, Virginia.
- (b) **No deficiencies** relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*.
- (c) **No instances of noncompliance** material to the financial statements of Town of Farmville, Virginia were disclosed during the audit.
- (d) **No deficiencies** relating to the audit of the major Federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133.
- (e) The auditor's report on compliance for the major Federal award programs for Town of Farmville, Virginia expresses an **unmodified opinion** on all major Federal programs.
- (f) There were **no audit findings** relative to the major Federal award programs for Town of Farmville, Virginia to be reported in this schedule.
- (g) The programs tested as major programs include:
 - CFDA #20.509, Mass Transit Assistance**
- (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, 2013

FINANCIAL STATEMENTS

There were no findings in the prior year.