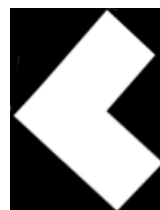


Town of Farmville, Virginia
Comprehensive Annual Financial Report
Year Ended June 30, 2015



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

Town of Farmville, Virginia

Table of Contents

Year Ended June 30, 2015

	Pages
FINANCIAL SECTION	
Independent Auditor's Report	i-ii
Management's Discussion and Analysis	1-8

Basic Financial Statements

Exhibits

Government-Wide Financial Statements

1	Statement of Net Position	9
2	Statement of Activities	10

Fund Financial Statements

3	Balance Sheet – Governmental Funds and Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	11-12
4	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds and Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13-14
5	Statement of Net Position – Proprietary Funds	15
6	Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	16
7	Statement of Cash Flows – Proprietary Funds	17
8	Statement of Fiduciary Net Position – Fiduciary Funds	18
9	Statement of Changes in Fiduciary Net Position – Fiduciary Funds	19
	Notes to the Financial Statements	20-44

Required Supplementary Information

Exhibit

10	Budgetary Comparison Schedule – General Fund – Street Maintenance Fund – ICA Fund	45-49
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Other Supplementary Information

Schedules

1	Combining Balance Sheet – Other Governmental Funds	50
2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Other Governmental Funds	51
3	Statement of Net Position (Deficit) – Discretely Presented Component Unit – IDA – Farmville Industrial Development Authority	52
4	Statement of Revenues, Expenses, and Changes in Net Position (Deficit) – Discretely Presented Component Unit – IDA – Farmville Industrial Development Authority	53
5	Statement of Cash Flows – Discretely Presented Component Unit – IDA – Farmville Industrial Development Authority	54

COMPLIANCE SECTION

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 <i>Government Auditing Standards</i>	55-56
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	57-58
Schedule of Expenditures of Federal Awards	59
Notes to Schedule of Expenditures of Federal Awards	60-61
Schedule of Findings and Questioned Costs	62
Summary Schedule of Prior Audit Findings	63

FINANCIAL SECTION



**Creedle
Jones
& Alga**

A Professional Corporation

*Robin B. Jones, CPA, CFP
David V. Alga, CPA, CVA, CFF
Denise C. Williams, CPA, CSEP
Scott A. Thompson, CPA
Nadia A. Rogers, CPA*

*James A. Allen, Jr., CPA
Nadine L. Chase, CPA
Kimberly W. Jackson, CPA*

Sherwood H. Creedle, Emeritus

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

INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Farmville, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Farmville, Virginia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Farmville, Virginia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Farmville, Virginia, as of June 30, 2015, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 8 and 45 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Farmville, Virginia's basic financial statements. The combining nonmajor fund financial statements 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 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 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 2, 2015, 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 the 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 2, 2015

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, 2015. We encourage readers to read this discussion and analysis in conjunction with the transmittal letter and the Town's financial statements.

Financial Highlights

Highlights for Government-Wide Financial Statements

- At the close of the fiscal year, the assets of the Town, excluding its Component Unit, exceeded its liabilities by \$13,295,176. The governmental activities had a net position of \$6,630,113 of which \$564,121 was an unrestricted deficit and the business-type activities had a net position of \$6,665,063 of which \$1,226,107 was unrestricted.
- For the fiscal year, general and program revenues of the Town's governmental activities were \$11,080,519 and expenses amounted to \$9,912,813. The Town's total net position increased \$2,314,891.
- For business-type activities, revenues were \$5,429,973 and expenses were \$3,908,281. The net position increased by \$374,507.

Highlights for Fund Financial Statements

- As of June 30, 2015, the Town's Governmental Funds reported combined fund balances of \$2,641,351, an increase of \$699,659 in comparison with the prior year. Unassigned fund balances are \$2,357,467 or 89.2% and are available to meet the Town's current and future needs.
- The General Fund reported a fund balance of \$2,388,435, an increase of \$1,253,192 from June 30, 2014.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

The Town has three types of funds:

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

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

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

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Notes to the Basic Financial Statements

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

Other

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

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

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

	Summary of Net Position							
	As of June 30, 2015 and 2014							
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Component Unit Farmville IDA</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Assets								
Current and other assets	\$ 3,159,567	\$ 2,226,360	\$ 1,454,567	\$ 1,366,505	\$ 4,614,134	\$ 3,592,865	\$ 433,539	\$ 406,443
Capital assets	<u>21,569,736</u>	<u>22,035,834</u>	<u>9,681,988</u>	<u>9,761,184</u>	<u>31,251,724</u>	<u>31,797,018</u>	<u>52,650</u>	<u>-</u>
Total Assets	<u>\$ 24,729,303</u>	<u>\$ 24,262,194</u>	<u>\$ 11,136,555</u>	<u>\$ 11,127,689</u>	<u>\$ 35,865,858</u>	<u>\$ 35,389,883</u>	<u>\$ 486,189</u>	<u>\$ 406,443</u>
Liabilities								
Other liabilities	\$ 505,971	\$ 256,655	\$ 157,887	\$ 363,758	\$ 663,858	\$ 620,413	\$ 488,243	\$ 488,595
Long-term liabilities	<u>17,593,219</u>	<u>19,690,317</u>	<u>4,313,605</u>	<u>4,473,375</u>	<u>21,906,824</u>	<u>24,163,692</u>	<u>466,601</u>	<u>497,639</u>
Total Liabilities	<u>18,099,190</u>	<u>19,946,972</u>	<u>4,471,492</u>	<u>4,837,133</u>	<u>22,570,682</u>	<u>24,784,105</u>	<u>954,844</u>	<u>986,234</u>
Net Position								
Net investment in capital assets	<u>7,194,234</u>	6,549,621	<u>5,438,956</u>	5,739,414	<u>12,633,190</u>	12,289,035	<u>52,650</u>	-
Restricted - capital projects	-	-	-	380,041	-	380,041	-	-
Unrestricted (deficit)	<u>(564,121)</u>	<u>(2,234,399)</u>	<u>1,226,107</u>	<u>171,101</u>	<u>661,986</u>	<u>(2,063,298)</u>	<u>(521,305)</u>	<u>(579,791)</u>
Total Net Position (Deficit)	<u>6,630,113</u>	<u>4,315,222</u>	<u>6,665,063</u>	<u>6,290,556</u>	<u>13,295,176</u>	<u>10,605,778</u>	<u>(468,655)</u>	<u>(579,791)</u>
Total Liabilities and Net Position	<u>\$ 24,729,303</u>	<u>\$ 24,262,194</u>	<u>\$ 11,136,555</u>	<u>\$ 11,127,689</u>	<u>\$ 35,865,858</u>	<u>\$ 35,389,883</u>	<u>\$ 486,189</u>	<u>\$ 406,443</u>

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Statement of Activities

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

Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2015 and 2014

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Component Unit Farmville IDA</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues								
Program Revenues								
Charges for services	\$ 937,201	\$ 1,040,749	\$ 4,410,608	\$ 4,179,479	\$ 5,347,809	\$ 5,220,228	\$ 75,000	\$ -
Operating grants and contributions	2,892,308	1,854,031	972,562	850,544	3,864,870	2,704,575	-	-
General Revenues								
General property taxes, real and personal	849,256	804,662	-	-	849,256	804,662	-	-
Other taxes	5,174,286	5,152,335	-	-	5,174,286	5,152,335	-	-
Noncategorical aid from state	746,890	741,095	-	-	746,890	741,095	-	-
Use of property	151,997	152,903	44,197	54,801	196,194	207,704	-	-
Investment earnings	9,505	8,234	556	2,992	10,061	11,226	9,065	9,760
Miscellaneous	319,076	300,351	2,050	11,362	321,126	311,713	-	-
Total Revenues	11,080,519	10,054,360	5,429,973	5,099,178	16,510,492	15,153,538	84,065	9,760
Expenses								
General government administration	1,221,787	1,063,691	-	-	1,221,787	1,063,691	-	-
Public safety	3,507,564	3,614,517	-	-	3,507,564	3,614,517	-	-
Public works	3,231,753	5,936,059	-	-	3,231,753	5,936,059	-	-
Parks, recreation, and cultural	1,336,638	798,331	-	-	1,336,638	798,331	-	-
Community development	167,328	144,554	-	-	167,328	144,554	2,619	3,000
Enterprise fund expenses	-	-	3,761,563	4,136,241	3,761,563	4,136,241	-	-
Interest on long-term debt	447,743	484,632	146,718	151,646	594,461	636,278	22,960	24,270
Total Expenses	9,912,813	12,041,784	3,908,281	4,287,887	13,821,094	16,329,671	25,579	27,270
Increase (Decrease) in Net Position Before Transfers	1,167,706	(1,987,424)	1,521,692	811,291	2,689,398	(1,176,133)	58,486	(17,510)
Transfers	<u>1,147,185</u>	<u>1,171,099</u>	<u>(1,147,185)</u>	<u>(1,171,099)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Position	2,314,891	(816,325)	374,507	(359,808)	2,689,398	(1,176,133)	58,486	(17,510)
Beginning Net Position (Deficit)	4,315,222	5,165,056	6,290,556	6,941,779	10,605,778	12,106,835	(527,141)	(562,281)
Prior Period Adjustment	-	(33,509)	-	(291,415)	-	(324,924)	-	-
Ending Net Position (Deficit)	<u>\$ 6,630,113</u>	<u>\$ 4,315,222</u>	<u>\$ 6,665,063</u>	<u>\$ 6,290,556</u>	<u>\$ 13,295,176</u>	<u>\$ 10,605,778</u>	<u>\$ (468,655)</u>	<u>\$ (579,791)</u>

Governmental activities increased the Town's net position by \$2,314,891 for fiscal year 2015. Revenues from governmental activities totaled \$11,080,519. Other taxes comprise the largest source of these revenues, totaling \$5,174,286 or 46.7 percent of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$9,912,813. Public safety was the Town's largest program with expenses totaling \$3,507,564. Public works, which totals \$3,231,753, represents the second largest expense.

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

Net Cost of Governmental Activities

For the Fiscal Years Ended June 30, 2015 and 2014

	<u>2015</u>		<u>2014</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	\$ 1,221,787	\$ (978,431)	\$ 1,063,691	\$ (816,036)
Public safety	3,507,564	(2,867,320)	3,614,517	(3,192,269)
Public works	3,231,753	(1,049,791)	5,936,059	(3,848,345)
Parks, recreation, and cultural	1,336,638	(572,691)	798,331	(661,168)
Community development	167,328	(167,328)	144,554	(144,554)
Interest on long-term debt	<u>447,743</u>	<u>(447,743)</u>	<u>484,632</u>	<u>(484,632)</u>
Total	<u>\$ 9,912,813</u>	<u>\$ (6,083,304)</u>	<u>\$ 12,041,784</u>	<u>\$ (9,147,004)</u>

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As of June 30, 2015, the Town's Governmental Funds reported a combined ending fund balance of \$2,641,351. Of this, \$2,357,467 is unassigned and is available for spending at the government's discretion.

The General Fund is the main operating fund of the Town. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$2,357,467. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 22.8 percent of total fund expenditures.

BUDGETARY HIGHLIGHTS

General Fund

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

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Budgetary Comparison

General Fund

For the Fiscal Years Ended June 30, 2015 and 2014

	<u>2015</u>			<u>2014</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	\$ 868,500	\$ 868,500	\$ 865,024	\$ 860,000	\$ 860,000	\$ 870,872
Other	6,426,114	6,426,114	6,757,806	6,564,413	6,564,413	6,922,333
Intergovernmental	<u>851,620</u>	<u>1,988,004</u>	<u>2,046,158</u>	<u>1,443,283</u>	<u>1,443,283</u>	<u>1,054,495</u>
Total	8,146,234	9,282,618	9,668,988	8,867,696	8,867,696	8,847,700
Expenditures	<u>8,876,787</u>	<u>10,013,171</u>	<u>10,331,821</u>	<u>8,932,081</u>	<u>8,932,081</u>	<u>9,632,543</u>
Excess (Deficiency) of Revenues Over Expenditures	(730,553)	(730,553)	(662,833)	(64,385)	(64,385)	(784,843)
Other Financing Sources (Uses)						
Transfers in	1,261,063	1,261,063	2,177,538	1,331,900	1,331,900	1,284,733
Transfers out	<u>(1,091,725)</u>	<u>(1,091,725)</u>	<u>(261,513)</u>	<u>(1,184,917)</u>	<u>(1,184,917)</u>	<u>(887,946)</u>
Total	<u>169,338</u>	<u>169,338</u>	<u>1,916,025</u>	<u>146,983</u>	<u>146,983</u>	<u>396,787</u>
Net Change in Fund Balance	(561,215)	(561,215)	1,253,192	82,598	82,598	(388,056)
Contingency/Transfer from Surplus	<u>561,215</u>	<u>561,215</u>	-	<u>(82,598)</u>	<u>(82,598)</u>	-
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,253,192</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (388,056)</u>

Actual revenues were more than final budget amounts by \$386,370, or 4.2 percent, while actual expenditures were \$318,650, or 3.1 percent more than final budget amounts.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2015, the Town's net investment in capital assets totals \$7,194,234, which are net capital assets less related debt for governmental activities and \$5,438,956 for business-type activities.

During fiscal year 2015, the Town's net capital assets (including additions, decreases, and depreciation) decreased \$466,098, or 2.1 percent, for governmental activities and decreased \$79,196, or .8 percent, for business-type activities, as summarized in the following table:

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Change in Capital Assets

Governmental Activities

	<u>Balance July 1, 2014</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2015</u>
Land and land improvements	\$ 2,718,487	\$ 252,147	\$ 2,970,634
Other capital assets, net of depreciation	<u>19,317,347</u>	<u>(718,245)</u>	<u>18,599,102</u>
Total Capital Assets	<u>\$ 22,035,834</u>	<u>\$ (466,098)</u>	<u>\$ 21,569,736</u>

Business-Type Activities

	<u>Balance July 1, 2014</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2015</u>
Land and land improvements	\$ 1,703,672	\$ 200,925	\$ 1,904,597
Other capital assets, net of depreciation	<u>8,057,512</u>	<u>(280,121)</u>	<u>7,777,391</u>
Total Capital Assets	<u>\$ 9,761,184</u>	<u>\$ (79,196)</u>	<u>\$ 9,681,988</u>

Long-Term Debt

As of June 30, 2015, the Town's long-term obligations, excluding the Component Unit, total \$19,163,795.

	<u>Balance July 1, 2014</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2015</u>
Primary Government			
Governmental Activities			
Long-term debt	\$ 13,173,300	\$ (932,795)	\$ 12,240,505
Net pension obligation	1,192,070	113,335	1,305,405
Landfill obligation	2,443,598	(1,073,172)	1,370,426
Compensated absences			
Governmental Funds	<u>568,436</u>	<u>(26,550)</u>	<u>541,886</u>
Total Governmental Activities	17,377,404	(1,919,182)	15,458,222
Business-Type Activities			
Long-term debt	3,760,000	(125,000)	3,635,000
Compensated absences			
Enterprise Funds	<u>71,564</u>	<u>(991)</u>	<u>70,573</u>
Total Business-Type Activities	<u>3,831,564</u>	<u>(125,991)</u>	<u>3,705,573</u>
Total Primary Government	<u>\$ 21,208,968</u>	<u>\$ (2,045,173)</u>	<u>\$ 19,163,795</u>
Governmental Activities			
Bond Premiums	<u>\$ 2,312,913</u>	<u>\$ (177,916)</u>	<u>\$ 2,134,997</u>
Business-Type Activities			
Bond Premiums	<u>\$ 641,811</u>	<u>\$ (33,779)</u>	<u>\$ 608,032</u>
Component Unit Farmville IDA			
Long-term debt	<u>\$ 497,639</u>	<u>\$ (31,038)</u>	<u>\$ 466,601</u>

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The average unemployment rate for the Town of Farmville, Virginia in June 2015, which uses Prince Edward County's rate, was 8.3 percent, a decrease of 1.5 percent from June 2014. This compares unfavorably to the state's rate of 5.0 percent and the national rate of 5.3 percent as of June 2015.
- According to the 2010 U.S. Census, the population in the Town of Farmville, Virginia was 8,216, an increase of 20%, since the 2000 U.S. Census.
- The per capita income in the Town of Farmville, Virginia was \$14,817, compared to \$27,705 for the state, according to the 2010 U.S. Census data.

The fiscal year 2016 adopted budget anticipates General Fund revenues to be \$10,206,316.

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, 2015

	Primary Government			Component Unit Farmville IDA
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and cash equivalents	\$ 1,800,693	\$ 889,410	\$ 2,690,103	\$ 87,627
Receivables, net	370,923	402,165	773,088	345,912
Inventory	30,968	162,992	193,960	-
Due from other governments	956,983	-	956,983	-
Capital Assets				
Land and construction in progress	2,970,634	1,904,597	4,875,231	52,650
Other capital assets, net of depreciation	18,599,102	7,777,391	26,376,493	-
Total Capital Assets	<u>21,569,736</u>	<u>9,681,988</u>	<u>31,251,724</u>	<u>52,650</u>
Total Assets	<u>\$ 24,729,303</u>	<u>\$ 11,136,555</u>	<u>\$ 35,865,858</u>	<u>\$ 486,189</u>
Liabilities				
Accounts payable and accrued expenses	\$ 505,971	\$ 74,979	\$ 580,950	\$ 5,652
Due to other governments	-	-	-	482,591
Customer deposits	-	82,908	82,908	-
Long-Term Liabilities				
<i>Due within one year</i>				
Bonds, loans, and capital leases payable	1,107,892	130,000	1,237,892	32,509
<i>Due in more than one year</i>				
Compensated absences	541,886	70,573	612,459	-
Net pension obligation	1,305,405	-	1,305,405	-
Landfill obligation	1,370,426	-	1,370,426	-
Bonds, loans, and capital leases payable	11,132,613	3,505,000	14,637,613	434,092
Add: Bond premiums	<u>2,134,997</u>	<u>608,032</u>	<u>2,743,029</u>	<u>-</u>
Total Liabilities	18,099,190	4,471,492	22,570,682	954,844
Net Position (Deficit)				
Net investment in capital assets	7,194,234	5,438,956	12,633,190	52,650
Unrestricted (deficit)	<u>(564,121)</u>	<u>1,226,107</u>	<u>661,986</u>	<u>(521,305)</u>
Total Net Position (Deficit)	<u>6,630,113</u>	<u>6,665,063</u>	<u>13,295,176</u>	<u>(468,655)</u>
Total Liabilities and Net Position (Deficit)	<u>\$ 24,729,303</u>	<u>\$ 11,136,555</u>	<u>\$ 35,865,858</u>	<u>\$ 486,189</u>

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

Town of Farmville, Virginia
Statement of Activities
 For the Year Ended June 30, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>		<u>Governmental Activities</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>		<u>Component Unit Farmville IDA</u>
			<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>		<u>Primary Government Business-Type Activities</u>	<u>Total</u>	
Primary Government								
Governmental Activities								
General government administration	\$ 1,221,787	\$ 223,874	\$ 19,482	\$ -	\$ (978,431)		\$ (978,431)	
Public safety	3,507,564	89,891	550,353	-	(2,867,320)		(2,867,320)	
Public works	3,231,753	473,612	1,708,350	-	(1,049,791)		(1,049,791)	
Parks, recreation, and cultural	1,336,638	149,824	614,123	-	(572,691)		(572,691)	
Community development	167,328	-	-	-	(167,328)		(167,328)	
Interest on long-term debt	447,743	-	-	-	(447,743)		(447,743)	
Total Governmental Activities	9,912,813	937,201	2,892,308	-	(6,083,304)		(6,083,304)	
Business-Type Activities								
Water fund	1,672,254	1,947,473	9,985	-		\$ 285,204	285,204	
Sewer fund	1,003,647	2,254,390	-	-		1,250,743	1,250,743	
Airport fund	434,805	199,654	306,223	-		71,072	71,072	
Transportation fund	797,575	9,091	656,354	-		(132,130)	(132,130)	
Total Business-Type Activities	3,908,281	4,410,608	972,562	-		1,474,889	1,474,889	
Total Primary Government	\$ 13,821,094	\$ 5,347,809	\$ 3,864,870	\$ -		1,474,889	(4,608,415)	
Component Unit								
Farmville IDA	\$ 25,579	\$ 75,000	\$ -	\$ -				\$ 49,421
General Revenues								
Taxes								
General property taxes, real and personal					849,256	-	849,256	-
Other local taxes					5,174,286	-	5,174,286	-
Noncategorical aid from state					746,890	-	746,890	-
Use of property					151,997	44,197	196,194	-
Investment earnings					9,505	556	10,061	9,065
Miscellaneous					319,076	2,050	321,126	-
Transfers					1,147,185	(1,147,185)	-	-
Total General Revenues and Transfers					8,398,195	(1,100,382)	7,297,813	9,065
Change in Net Position					2,314,891	374,507	2,689,398	58,486
Net Position (Deficit) - Beginning of Year					4,315,222	6,290,556	10,605,778	(527,141)
Net Position (Deficit) - End of Year					\$ 6,630,113	\$ 6,665,063	\$ 13,295,176	\$ (468,655)

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

Town of Farmville, Virginia

Balance Sheet

Governmental Funds

At June 30, 2015

	<u>General Fund</u>	<u>Street Maintenance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and investments	\$ 1,522,497	\$ 269,907	\$ 8,289	\$ 1,800,693
Property taxes receivable, net	14,649	-	-	14,649
Accounts receivable	356,274	-	-	356,274
Inventory	30,968	-	-	30,968
Due from other governments	<u>956,983</u>	<u>-</u>	<u>-</u>	<u>956,983</u>
 Total Assets	 <u>\$ 2,881,371</u>	 <u>\$ 269,907</u>	 <u>\$ 8,289</u>	 <u>\$ 3,159,567</u>
Liabilities				
Accounts payable	\$ 355,477	\$ 25,280	\$ -	\$ 380,757
Accrued payroll and related liabilities	<u>125,214</u>	<u>-</u>	<u>-</u>	<u>125,214</u>
 Total Liabilities	 480,691	 25,280	 -	 505,971
Deferred Inflows of Resources				
Unavailable revenue - property taxes	<u>12,245</u>	<u>-</u>	<u>-</u>	<u>12,245</u>
 Total Deferred Inflows of Resources	 12,245	 -	 -	 12,245
Fund Balance				
Nonspendable fund balance - inventory	30,968	-	-	30,968
Assigned fund balance	-	244,627	8,289	252,916
Unassigned fund balance	<u>2,357,467</u>	<u>-</u>	<u>-</u>	<u>2,357,467</u>
 Total Fund Balance	 <u>2,388,435</u>	 <u>244,627</u>	 <u>8,289</u>	 <u>2,641,351</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balance	 <u>\$ 2,881,371</u>	 <u>\$ 269,907</u>	 <u>\$ 8,289</u>	 <u>\$ 3,159,567</u>

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

Town of Farmville, Virginia

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

At June 30, 2015

Total Fund Balances for Governmental Funds	\$ 2,641,351
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	\$ 2,970,634
Buildings and improvements, net of accumulated depreciation	10,910,719
Infrastructure and equipment, net of accumulated depreciation	<u>7,688,383</u>
Total Capital Assets	21,569,736
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Unavailable revenue - property taxes	12,245
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	(12,240,505)
Bond premiums	(2,134,997)
Net pension obligation	(1,305,405)
Landfill obligation	(1,370,426)
Compensated absences	<u>(541,886)</u>
Total	<u>(17,593,219)</u>
Total Net Position of Governmental Activities	<u>\$ 6,630,113</u>

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

Town of Farmville, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2015

	General Fund	Street Maintenance Fund	ICA Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 865,024	\$ -	\$ -	\$ -	\$ 865,024
Other local taxes	5,174,286	-	-	-	5,174,286
Permits, privilege fees, and regulatory licenses	55,750	-	-	-	55,750
Fines and forfeitures	89,891	-	-	-	89,891
Use of money and property	161,095	-	-	2,038	163,133
Charges for services	476,133	-	179,353	136,074	791,560
Miscellaneous	318,276	-	-	800	319,076
Recovered costs	482,375	-	-	-	482,375
<i>Intergovernmental</i>					
Revenue from the Commonwealth	1,327,328	1,582,007	-	11,033	2,920,368
Revenue from the Federal Government	718,830	-	-	-	718,830
Total Revenues	9,668,988	1,582,007	179,353	149,945	11,580,293
Expenditures					
Current					
General government administration	1,226,827	-	-	-	1,226,827
Public safety	3,319,760	-	-	3,428	3,323,188
Public works	2,941,646	1,330,889	-	-	4,272,535
Parks, recreation, and cultural	1,117,806	-	-	361,681	1,479,487
Community development	167,328	-	-	-	167,328
Debt service	1,558,454	-	-	-	1,558,454
Total Expenditures	10,331,821	1,330,889	-	365,109	12,027,819
Excess (Deficiency) of Revenues Over Expenditures	(662,833)	251,118	179,353	(215,164)	(447,526)
Other Financing Sources (Uses)					
Transfers in	2,177,538	-	-	147,484	2,325,022
Transfers out	(261,513)	-	(718,175)	(198,149)	(1,177,837)
Total Other Financing Sources (Uses)	1,916,025	-	(718,175)	(50,665)	1,147,185
Net Change in Fund Balance	1,253,192	251,118	(538,822)	(265,829)	699,659
Fund Balance (Deficit) - Beginning of Year	1,135,243	(6,491)	538,822	274,118	1,941,692
Fund Balance - End of Year	<u>\$ 2,388,435</u>	<u>\$ 244,627</u>	<u>\$ -</u>	<u>\$ 8,289</u>	<u>\$ 2,641,351</u>

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

Town of Farmville, Virginia

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

Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds	\$	699,659	
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 exceeded net capital outlays in the current period.			(466,098)
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.			(15,768)
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.			
Bond premium amortization	\$	177,916	
Repayments on debt		<u>932,795</u>	
Net Adjustment			1,110,711
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		(113,335)	
Compensated absences		26,550	
Landfill obligation		<u>1,073,172</u>	
Net Adjustment			<u>986,387</u>
Change in Net Position of Governmental Activities	\$		<u><u>2,314,891</u></u>

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

Town of Farmville, Virginia

Statement of Net Position

Proprietary Funds

At June 30, 2015

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Total</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Transportation Fund</u>	<u>Airport Fund</u>	
Assets					
Current Assets					
Cash	\$ 245,317	\$ 381,884	\$ 130,485	\$ 131,724	\$ 889,410
Accounts receivable (net of allowance for bad debts)	154,198	247,293	235	439	402,165
Inventory	<u>118,412</u>	<u>22,624</u>	<u>-</u>	<u>21,956</u>	<u>162,992</u>
Total Current Assets	517,927	651,801	130,720	154,119	1,454,567
Capital Assets					
Land and construction in process	1,380,699	113,495	16,050	394,353	1,904,597
Other capital assets	15,985,514	9,990,418	1,894,681	3,235,712	31,106,325
Less: Accumulated depreciation	<u>(11,085,324)</u>	<u>(9,054,245)</u>	<u>(917,178)</u>	<u>(2,272,187)</u>	<u>(23,328,934)</u>
Total Capital Assets	<u>6,280,889</u>	<u>1,049,668</u>	<u>993,553</u>	<u>1,357,878</u>	<u>9,681,988</u>
Total Assets	<u>\$ 6,798,816</u>	<u>\$ 1,701,469</u>	<u>\$ 1,124,273</u>	<u>\$ 1,511,997</u>	<u>\$ 11,136,555</u>
Liabilities					
Current Liabilities					
Accounts payable	\$ 37,116	\$ 13,098	\$ 2,304	\$ 1,976	\$ 54,494
Accrued wages	<u>12,901</u>	<u>7,584</u>	<u>-</u>	<u>-</u>	<u>20,485</u>
Total Current Liabilities	50,017	20,682	2,304	1,976	74,979
Noncurrent Liabilities					
Customer deposits	82,908	-	-	-	82,908
Compensated absences	36,932	33,641	-	-	70,573
General obligation bonds	3,635,000	-	-	-	3,635,000
Bond premium	<u>608,032</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>608,032</u>
Total Noncurrent Liabilities	<u>4,362,872</u>	<u>33,641</u>	<u>-</u>	<u>-</u>	<u>4,396,513</u>
Total Liabilities	4,412,889	54,323	2,304	1,976	4,471,492
Net Position					
Net investment in capital assets	2,037,857	1,049,668	993,553	1,357,878	5,438,956
Unrestricted	<u>348,070</u>	<u>597,478</u>	<u>128,416</u>	<u>152,143</u>	<u>1,226,107</u>
Total Net Position	<u>2,385,927</u>	<u>1,647,146</u>	<u>1,121,969</u>	<u>1,510,021</u>	<u>6,665,063</u>
Total Liabilities and Net Position	<u>\$ 6,798,816</u>	<u>\$ 1,701,469</u>	<u>\$ 1,124,273</u>	<u>\$ 1,511,997</u>	<u>\$ 11,136,555</u>

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

Town of Farmville, Virginia

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

Year Ended June 30, 2015

	<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	\$ 1,755,419	\$ 2,109,990	\$ 9,091	\$ 199,654	\$ 4,074,154
Rental income	39,240	-	-	6,660	45,900
Operating grants - state	2,102	-	133,767	82,223	218,092
Operating grants - federal	7,883	-	286,237	214,500	508,620
Contribution - Counties and other	-	-	236,350	9,500	245,850
Miscellaneous	-	-	2,050	-	2,050
Tap fees	<u>192,054</u>	<u>144,400</u>	<u>-</u>	<u>-</u>	<u>336,454</u>
Total Operating Revenues	1,996,698	2,254,390	667,495	512,537	5,431,120
Operating Expenses					
Salaries and wages	451,189	325,224	387,863	40,410	1,204,686
Fringe benefits	155,789	101,085	92,115	18,142	367,131
Cost of fuel	-	-	73,681	130,014	203,695
Contractual services and professional fees	36,998	22,243	-	2,399	61,640
Sludge removal	-	33,539	-	-	33,539
Administrative costs to general fund	71,657	64,825	-	-	136,482
Chemicals	71,580	97,269	-	-	168,849
Repairs and maintenance	188,403	118,977	31,121	47,262	385,763
Other charges	33,539	16,074	5,506	15,760	70,879
Bad debt	15,664	-	-	-	15,664
Depreciation	369,006	66,739	172,122	122,490	730,357
Utilities	106,398	134,169	9,982	20,005	270,554
Insurance	<u>25,313</u>	<u>23,503</u>	<u>25,185</u>	<u>38,323</u>	<u>112,324</u>
Total Operating Expenses	<u>1,525,536</u>	<u>1,003,647</u>	<u>797,575</u>	<u>434,805</u>	<u>3,761,563</u>
Operating Income (Loss)	471,162	1,250,743	(130,080)	77,732	1,669,557
Nonoperating Revenues (Expenses)					
Interest earned	374	60	2	120	556
Gain (loss) on sale of fixed assets	773	-	(2,476)	-	(1,703)
Interest expense on bonds	<u>(146,718)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(146,718)</u>
Total Nonoperating Revenues (Expenses)	<u>(145,571)</u>	<u>60</u>	<u>(2,474)</u>	<u>120</u>	<u>(147,865)</u>
Income (Loss) Before Operating Transfers	325,591	1,250,803	(132,554)	77,852	1,521,692
Operating Transfers In	-	-	-	114,029	114,029
Operating Transfers Out	<u>(300,000)</u>	<u>(961,214)</u>	<u>-</u>	<u>-</u>	<u>(1,261,214)</u>
Net Operating Transfers	<u>(300,000)</u>	<u>(961,214)</u>	<u>-</u>	<u>114,029</u>	<u>(1,147,185)</u>
Change in Net Position	25,591	289,589	(132,554)	191,881	374,507
Total Net Position - Beginning of Year	<u>2,360,336</u>	<u>1,357,557</u>	<u>1,254,523</u>	<u>1,318,140</u>	<u>6,290,556</u>
Total Net Position - End of Year	<u>\$ 2,385,927</u>	<u>\$ 1,647,146</u>	<u>\$ 1,121,969</u>	<u>\$ 1,510,021</u>	<u>\$ 6,665,063</u>

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

Town of Farmville, Virginia

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2015

	Business-Type Activities - Enterprise Funds				Total
	Water Fund	Sewer Fund	Transportation Fund	Airport Fund	
Cash Flows from Operating Activities					
Receipts from customers	\$ 2,054,847	\$ 2,184,168	\$ 30,198	\$ 206,469	\$ 4,475,682
Receipts from County and others	-	-	236,350	9,500	245,850
Operating grants from state and federal government	9,985	-	420,004	296,723	726,712
Payments to personnel and related expenses	(606,978)	(426,309)	(479,978)	(58,552)	(1,571,817)
Payments to suppliers	(721,452)	(555,515)	(145,074)	(218,222)	(1,640,263)
Net Cash Provided by Operating Activities	736,402	1,202,344	61,500	235,918	2,236,164
Cash Flows from Noncapital Financing Activities					
Funds from (paid to) other funds	(300,000)	(961,214)	-	114,029	(1,147,185)
Net Cash Provided by (Used in) Noncapital Financing Activities	(300,000)	(961,214)	-	114,029	(1,147,185)
Cash Flows from Financing Capital and Related Activities					
Purchase of capital assets	(377,384)	(19,189)	-	(256,777)	(653,350)
Gain (loss) on disposition of capital assets	774	(290)	-	-	484
Principal paid on capital debt	(158,779)	-	-	-	(158,779)
Interest paid on capital debt	(146,718)	-	-	-	(146,718)
Net Cash Used in Financing Capital and Related Activities	(682,107)	(19,479)	-	(256,777)	(958,363)
Cash Flows from Investing Activities					
Interest income	374	60	2	120	556
Net Cash Provided by Investing Activities	374	60	2	120	556
Net Increase (Decrease) in Cash	(245,331)	221,711	61,502	93,290	131,172
Cash - Beginning of Year	490,648	160,173	68,983	38,434	758,238
Cash - End of Year	\$ 245,317	\$ 381,884	\$ 130,485	\$ 131,724	\$ 889,410
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities					
Operating income (loss)	\$ 471,162	\$ 1,250,743	\$ (130,080)	\$ 77,732	\$ 1,669,557
<i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities</i>					
Depreciation expense	369,006	66,739	172,122	122,490	730,357
<i>Changes in assets and liabilities</i>					
Receivables, net	65,732	(70,222)	19,057	155	14,722
Inventory	(12,072)	269	-	40,193	28,390
Accounts payable	(151,110)	(39,536)	401	(4,652)	(194,897)
Accrued wages	(9,484)	(3,892)	-	-	(13,376)
Compensated absences	766	(1,757)	-	-	(991)
Customer deposits	2,402	-	-	-	2,402
Net Cash Provided by Operating Activities	\$ 736,402	\$ 1,202,344	\$ 61,500	\$ 235,918	\$ 2,236,164

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, 2015

	Retirement Trust Fund	Paulette Memorial Trust Fund
Assets		
Cash and investments	\$ 7,372,894	\$ 2,413
Cash and investments - participant loans portion	<u>28,896</u>	<u>-</u>
Total Assets	<u>\$ 7,401,790</u>	<u>\$ 2,413</u>
Liabilities and Net Position		
Liabilities		
Due to forfeiture account	\$ 13,681	\$ -
Net Position		
Restricted	<u>7,388,109</u>	<u>2,413</u>
Total Liabilities and Net Position	<u>\$ 7,401,790</u>	<u>\$ 2,413</u>

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

Town of Farmville, Virginia

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

For the Year Ended June 30, 2015

	Retirement Trust Fund	Paulette Memorial Trust Fund
Additions		
Contributions	\$ 443,168	\$ -
Interest, dividends, and unrealized gains (losses)	<u>157,010</u>	<u>6</u>
Total Additions	600,178	6
Deductions		
Benefits paid to participants or beneficiaries	187,745	-
Administrative expenses	<u>800</u>	<u>222</u>
Total Deductions	<u>188,545</u>	<u>222</u>
Change in Net Position	411,633	(216)
Net Position - Beginning	<u>6,976,476</u>	<u>2,629</u>
Net Position - Ending	<u><u>\$ 7,388,109</u></u>	<u><u>\$ 2,413</u></u>

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

Town of Farmville, Virginia

Notes to the Financial Statements

Year Ended June 30, 2015

1 Summary of Significant Accounting Policies

Narrative Profile

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

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

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

1-A. Financial Reporting Entity

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

Individual Component Unit Disclosures

Discretely Presented Component Unit

Farmville Industrial Development Authority

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

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

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

The Authority is a component unit of the financial reporting entity of the Town of Farmville, Virginia. The Authority issued a separate audit report dated September 9, 2015. Questions concerning this report or requests for additional information should be directed to Carol Anne Seal, Town Treasurer, Farmville Industrial Development Authority, P. O. Drawer 368, Farmville, Virginia 23901, telephone 434-392-3333.

Exclusions from the Reporting Entity

Jointly Governed Organizations

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

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

Central Virginia Regional Library

The Library provides library services to the Town of Farmville, Virginia. The participating localities provide annual contributions for operations based on book circulation. No one locality contributes significantly more funding nor can impose its will on the organization, and there is no financial benefit/burden relationship. The Town appropriated \$45,000 in operating funds and \$120,000 for rent subsidy in fiscal year 2015. The Town has no equity interest in the Library.

1-B. Financial Reporting Model

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

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

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

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

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

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

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

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

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

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

1-C. Financial Statement Presentation

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

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

Major Governmental Funds

General Fund – The General Fund is the primary operating fund of the Town and accounts for all revenues and expenditures applicable to the general operations of the Town which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants.

Special Revenue Funds – Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting due to legal or regulatory provisions or administrative action. Special Revenue Funds include the following:

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.

Capital Projects Funds – The Capital Projects Fund consists of the CDBG Fund which accounts for financial resources to be used for rehabilitation projects other than those financed by proprietary funds.

Proprietary Funds – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The Town has four enterprise funds, which accounts for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Town is that the cost of providing services to the general public be financed or recovered through user charges. The Enterprise Funds consist of the following:

The Water Fund accounts for activities associated with providing water services to customers in the Town.

The Sewer Fund accounts for activities associated with providing sewer services to customers in the Town.

The Transportation Fund accounts for activities providing bus transportation services to local residents of the Town of Farmville and Prince Edward County residents.

The Airport Fund accounts for activities associated with maintaining the airport and providing airport services to the local Farmville area.

Fiduciary Funds – (Trust and Agency Funds) – Fiduciary funds account for assets held by the Town in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds utilize the accrual basis of accounting. Since by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements. Trust and Agency Funds consist of the following:

Private Purpose Trust Funds

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

Agency Funds

The Town has no agency funds at this time.

Discretely Presented Component Unit (Farmville Industrial Development Authority)

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

1-D. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

1-E-1 Cash and Cash Equivalents

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

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

1-E-2 Investments

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

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

1-E-3 Receivables and Payables

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

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

Governmental Funds

General Fund - taxes receivable	\$ 92,058
General Fund - miscellaneous receivables	<u>82,315</u>
Total General Fund Allowance	174,373

Enterprise Funds

Water Fund - water bills	44,544
Water Fund - miscellaneous receivables	<u>7,280</u>
Total Water Fund Allowance	51,824

Sewer Fund - sewer bills	<u>27,437</u>
Total Sewer Fund Allowance	<u>27,437</u>

Total Enterprise Funds Allowance	<u>79,261</u>
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Total Allowance - Primary Government	<u><u>\$ 253,634</u></u>
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Real and Personal Property Tax Data

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

Real Property Personal Property

Assessed	January 1	January 1
Due Date	December 15	December 15

The Town bills and collects its own property taxes.

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

1-E-4 Prepaid Items

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

1-E-5 Capital Assets

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

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

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

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

1-E-6 Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources until then.

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources until that time. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30 and is deferred and recognized as an inflow of resources in the period that the amount becomes available.

1-E-7 Compensated Absences

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

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

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

1-E-8 Defined Contribution Plan

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

1-E-9 Post Retirement Compensation Plan

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

1-E-10 Fund Equity

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

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

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

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

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

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

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

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

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

1-E-11 Operating Revenues and Expenses

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

1-E-12 Interfund Activity

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

1-E-13 Long-Term Obligations

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

1-E-14 Estimates

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

2 Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

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

Budgetary Data

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

1. Prior to April 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing July 1. The operating budget and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.

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

Expenditures in Excess of Appropriations

Expenditures exceeded budget in the General Fund by \$318,650.

Fund Deficits

There is an unrestricted net position deficit balance in the governmental activities of \$564,121.

There is also a fund deficit in the Discretely Presented Component Unit this year of \$468,655.

3 Deposits and Investments

Deposits

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

Investments

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

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

The following is a summary of cash and investments:

<u>Asset Type</u>	<u>Balance June 30, 2015</u>
Petty cash	\$ 2,750
Deposit accounts	2,777,393
Investments for retirement plan	<u>7,401,790</u>
Total Cash and Investments	<u>\$ 10,181,933</u>

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Responsibilities</u>	<u>Total</u>
Primary Government				
Cash and cash equivalents	\$ 1,800,693	\$ 889,410	\$ 2,413	\$ 2,692,516
Investments	<u>-</u>	<u>-</u>	<u>7,401,790</u>	<u>7,401,790</u>
Total Primary Government	1,800,693	889,410	7,404,203	10,094,306
Component Unit Farmville IDA				
Cash and cash equivalents	<u>87,627</u>	<u>-</u>	<u>-</u>	<u>87,627</u>
Total Primary Government and Component Unit Farmville IDA	<u>\$ 1,888,320</u>	<u>\$ 889,410</u>	<u>\$ 7,404,203</u>	<u>\$ 10,181,933</u>

4 Receivables

Receivables at June 30, 2015 consist of the following:

Primary Government

	<u>Governmental Activities</u>			<u>Business-Type Activities</u>	<u>Component Unit Farmville IDA</u>
	<u>General</u>	<u>Other Nonmajor</u>	<u>Total</u>		
Property taxes	\$ 106,707	\$ -	\$ 106,707	\$ -	\$ -
Utility taxes	29,711	-	29,711	-	-
Sanitation fees	39,420	-	39,420	-	-
Sales tax	30,829	-	30,829	-	-
Food tax	191,539	-	191,539	-	-
Lodging tax	33,391	-	33,391	-	-
Other miscellaneous	113,699	-	113,699	-	345,912
Water fund accounts	-	-	-	206,022	-
Sewer fund accounts	-	-	-	274,730	-
Transportation fund accounts	-	-	-	235	-
Airport fund accounts	<u>-</u>	<u>-</u>	<u>-</u>	<u>439</u>	<u>-</u>
Total	545,296	-	545,296	481,426	345,912
Allowance for uncollectibles	<u>(174,373)</u>	<u>-</u>	<u>(174,373)</u>	<u>(79,261)</u>	<u>-</u>
Net Receivables	<u>\$ 370,923</u>	<u>\$ -</u>	<u>\$ 370,923</u>	<u>\$ 402,165</u>	<u>\$ 345,912</u>

5 Interfund Transfers

Interfund transfers for the year ended June 30, 2015 consisted of the following:

Primary Government

	<u>Transfer To</u>	<u>Transfer From</u>
Transfers To/From Other Funds		
General Fund		
To Airport Fund for operating costs	\$ 114,029	\$ -
From ICA Fund to close fund	-	718,175
From CDBG Fund to close fund	-	4,339
To Golf Course Fund for operating costs and maintenance	147,484	-
From Probation/Parole Building fund to close fund	-	193,810
From Water Fund for debt service	-	300,000
From Sewer Fund for debt service	-	961,214
	<hr/>	<hr/>
Total General Fund	261,513	2,177,538
CDBG Fund		
To General Fund to close fund	4,339	-
ICA Fund		
To General Fund to close fund	718,175	-
Probation/Parole Building Fund		
To General Fund to close fund	193,810	-
Golf Course Fund		
From General Fund for operating costs	-	147,484
	<hr/>	<hr/>
Total Governmental Activities	1,177,837	2,325,022
Sewer Fund		
To General Fund for operating costs	961,214	-
Airport Fund		
From General Fund for operating costs	-	114,029
Water Fund		
To General Fund for debt payments	300,000	-
	<hr/>	<hr/>
Total Business-Type Activities	1,261,214	114,029
	<hr/>	<hr/>
Total Transfers - Primary Government	<u>\$ 2,439,051</u>	<u>\$ 2,439,051</u>

6 Due From Component Unit/Due to Primary Government

Details of the primary government due from component unit as of June 30, 2015 are as follows:

	<u>Due From</u>	<u>Due To</u>
Between Town of Farmville, Virginia and Component Unit Farmville IDA		
Town of Farmville, Virginia - General Fund		
From Component Unit Farmville IDA	\$ 949,192	\$ -
Component Unit Farmville IDA		
To Town of Farmville, Virginia - General Fund	-	949,192
	<hr/>	<hr/>
Total Between Primary Government and Component Unit	<u>\$ 949,192</u>	<u>\$ 949,192</u>

7 Due from Other Governmental Units

Details of the Town's receivables from other governmental units, as of June 30, 2015, are as follows:

	Governmental Activities
Commonwealth of Virginia	
E-911 wireless payments	\$ 7,792
Farmville IDA	<u>949,192</u>
 Total	 <u>\$ 956,984</u>

8 Capital Assets

The following is a summary of changes in capital assets for the year ended June 30, 2015:

Primary Government

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 2,718,487	\$ 252,147	\$ -	\$ 2,970,634
Total Capital Assets Not Being Depreciated	2,718,487	252,147	-	2,970,634
Other Capital Assets				
Buildings and improvements	15,102,520	288,259	-	15,390,779
Infrastructure	21,750,188	115,833	-	21,866,021
Vehicles and equipment	<u>5,966,793</u>	<u>219,817</u>	<u>96,329</u>	<u>6,090,281</u>
Total Other Capital Assets	42,819,501	623,909	96,329	43,347,081
Less: Accumulated depreciation for				
Buildings and improvements	4,049,181	430,879	-	4,480,060
Infrastructure	14,762,262	420,169	-	15,182,431
Vehicles and equipment	<u>4,690,711</u>	<u>489,475</u>	<u>94,698</u>	<u>5,085,488</u>
Total Accumulated Depreciation	<u>23,502,154</u>	<u>1,340,523</u>	<u>94,698</u>	<u>24,747,979</u>
Other Capital Assets, Net	<u>19,317,347</u>	<u>(716,614)</u>	<u>1,631</u>	<u>18,599,102</u>
Net Capital Assets	<u>\$ 22,035,834</u>	<u>\$ (464,467)</u>	<u>\$ 1,631</u>	<u>\$ 21,569,736</u>

Depreciation expense was allocated as follows:

General government administration	\$ 19,527
Public safety	299,480
Public works	947,015
Parks, recreation, and cultural	<u>74,501</u>
Total Depreciation Expense	<u>\$ 1,340,523</u>

Business-Type Activities

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 1,703,672	\$ 200,925	\$ -	\$ 1,904,597
Total Capital Assets Not Being Depreciated	1,703,672	200,925	-	1,904,597
Other Capital Assets				
Buildings and improvements	2,973,837	12,105	-	2,985,942
Infrastructure	25,845,492	426,741	-	26,272,233
Equipment and vehicles	1,869,589	13,333	34,772	1,848,150
Total Other Capital Assets	30,688,918	452,179	34,772	31,106,325
Less: Accumulated depreciation for				
Buildings and improvements	1,635,879	66,965	-	1,702,844
Infrastructure	19,645,151	481,362	-	20,126,513
Equipment and vehicles	1,350,376	182,030	32,829	1,499,577
Total Accumulated Depreciation	22,631,406	730,357	32,829	23,328,934
Other Capital Assets, Net	8,057,512	(278,178)	1,943	7,777,391
Net Capital Assets	\$ 9,761,184	\$ (77,253)	\$ 1,943	\$ 9,681,988

9 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 \$541,886 in the governmental activities and \$70,573 in the business-type activities.

10 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:

	Balance July 1, 2014	Increase	Decrease	Balance June 30, 2015
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.	\$ -	\$ 1,100,000	\$ 1,100,000	\$ -

11 Long-Term Debt

PRIMARY GOVERNMENT

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

Year(s) Ended June 30,	Governmental Activities		Business-Type Activities		Total Town of Farmville	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 977,892	\$ 566,390	\$ 130,000	\$ 174,313	\$ 1,107,892	\$ 740,703
2017	1,022,993	519,816	135,000	168,122	1,157,993	687,938
2018	1,068,098	470,933	145,000	161,547	1,213,098	632,480
2019	1,118,207	420,063	150,000	154,588	1,268,207	574,651
2020	1,163,315	366,758	160,000	147,244	1,323,315	514,002
2021-2025	5,850,000	941,369	910,000	610,506	6,760,000	1,551,875
2026-2030	1,040,000	32,112	1,160,000	360,600	2,200,000	392,712
2031-2035	-	-	845,000	66,240	845,000	66,240
Compensated Absences	541,886	-	70,573	-	612,459	-
Net Pension Obligation	1,305,405	-	-	-	1,305,405	-
Landfill Obligation	1,370,426	-	-	-	1,370,426	-
Total	<u>\$ 15,458,222</u>	<u>\$3,317,441</u>	<u>\$ 3,705,573</u>	<u>\$1,843,160</u>	<u>\$19,163,795</u>	<u>\$5,160,601</u>

Year(s) Ended June 30,	Component Unit Farmville IDA		Total Above Town of Farmville		Total Reporting Entity	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 32,509	\$ 21,775	\$ 1,107,892	\$ 740,703	\$ 1,140,401	\$ 762,478
2017	33,980	20,226	1,157,993	687,938	1,191,973	708,164
2018	35,598	18,598	1,213,098	632,480	1,248,696	651,078
2019	37,216	16,899	1,268,207	574,651	1,305,423	591,550
2020	38,834	8,057	1,323,315	514,002	1,362,149	522,059
2021-2025	198,879	36,810	6,760,000	1,551,875	6,958,879	1,588,685
2026-2030	64,724	16,800	2,200,000	392,712	2,264,724	409,512
2031-2035	24,861	1,559	845,000	66,240	869,861	67,799
Compensated Absences	-	-	612,459	-	612,459	-
Net Pension Obligation	-	-	1,305,405	-	1,305,405	-
Landfill Obligation	-	-	1,370,426	-	1,370,426	-
Total	<u>\$ 466,601</u>	<u>\$ 140,724</u>	<u>\$19,163,795</u>	<u>\$5,160,601</u>	<u>\$19,630,396</u>	<u>\$5,301,325</u>

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Changes in Long-Term Debt

The following is a summary of changes in long-term obligations of the Town for the year ended June 30, 2015:

	<u>Balance July 1, 2014</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2015</u>	<u>Due Within One Year</u>
Primary Government					
<p>\$19,015,000 General Obligation Refunding Bond, Series 2012A with Virginia Resources Authority issued June 13, 2012 with interest rates from 2.125% to 5.125% payable semiannually in October and April. Annual principal payments range from \$1,085,000 to \$295,000 due in October of every year. The final maturity date is October 1, 2032.</p>					
Enterprise Fund Portion	\$ 3,760,000	\$ -	\$ 125,000	\$ 3,635,000	\$ 130,000
General Fund Portion	<u>13,155,000</u>	<u>-</u>	<u>930,000</u>	<u>12,225,000</u>	<u>975,000</u>
Total Series 2012A Refunding Bonds	16,915,000	-	1,055,000	15,860,000	1,105,000
<p>\$21,000 note payable to USDA Rural Development dated August 23, 2012. The note is payable annually with an interest rate of 3.50 percent per annum. Proceeds used to buy a police car and Treasurer's computers. The note matures August 2019.</p>					
	18,300	-	2,795	15,505	2,892
Net Pension Obligation	1,192,070	113,335	-	1,305,405	-
Landfill Obligation	2,443,598	-	1,073,172	1,370,426	-
Compensated Absences - Governmental Activities	568,436	-	26,550	541,886	-
Compensated Absences - Business-Type Activities	<u>71,564</u>	<u>-</u>	<u>991</u>	<u>70,573</u>	<u>-</u>
Total Primary Government	<u>\$ 21,208,968</u>	<u>\$ 113,335</u>	<u>\$ 2,158,508</u>	<u>\$ 19,163,795</u>	<u>\$ 1,107,892</u>
Recap by Fund of Above Debt					
Governmental Funds	\$ 17,377,404	\$ 113,335	\$ 2,032,517	\$ 15,458,222	\$ 977,892
Enterprise Funds	<u>3,831,564</u>	<u>-</u>	<u>125,991</u>	<u>3,705,573</u>	<u>130,000</u>
Total Primary Government	<u>\$ 21,208,968</u>	<u>\$ 113,335</u>	<u>\$ 2,158,508</u>	<u>\$ 19,163,795</u>	<u>\$ 1,107,892</u>
Bond Premium on Series 2012 Bond - Governmental Fund portion	<u>\$ 2,312,913</u>	<u>\$ -</u>	<u>\$ 177,916</u>	<u>\$ 2,134,997</u>	<u>\$ -</u>
Bond Premium on Series 2012 Bond - Enterprise Fund portion	<u>\$ 641,811</u>	<u>\$ -</u>	<u>\$ 33,779</u>	<u>\$ 608,032</u>	<u>\$ 33,779</u>
Component Unit Farmville IDA					
<i>Town of Farmville, Virginia</i>					
<p>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.</p>					
	<u>\$ 497,639</u>	<u>\$ -</u>	<u>\$ 31,038</u>	<u>\$ 466,601</u>	<u>\$ 32,509</u>

12 Net Investment in Capital Assets

The "net investment in capital assets" amount reported on the government-wide Statement of Net Position as of June 30, 2015 is determined as follows:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total Primary Government</u>
Net Investment in Capital Assets			
Cost of capital assets	\$ 46,317,715	\$ 33,010,922	\$ 79,328,637
Less: Accumulated depreciation	<u>(24,747,979)</u>	<u>(23,328,934)</u>	<u>(48,076,913)</u>
Book value	21,569,736	9,681,988	31,251,724
Less: Capital related debt	(12,240,505)	(3,635,000)	(15,875,505)
Less: Unamortized debt issuance premium	<u>(2,134,997)</u>	<u>(608,032)</u>	<u>(2,743,029)</u>
Net Investment in Capital Assets	<u>\$ 7,194,234</u>	<u>\$ 5,438,956</u>	<u>\$ 12,633,190</u>

13 Deferred Inflows of Resources

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

Primary Government - Deferred Inflows of Resources

General Fund

Delinquent taxes not collected within 60 days and adjusted for uncollectible amounts after 3 years	<u>\$ 12,245</u>
Total Deferred Inflows of Resources - Governmental Funds	<u>\$ 12,245</u>

14 Risk Management

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

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

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15 Commitments and Contingencies

If applicable, federal programs in which the Town and the discretely presented component unit participate were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Pursuant to the provisions of this circular, all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by the audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

16 Litigation

At June 30, 2015, there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decisions or pending matters not be favorable to such entities.

17 Legal Compliance

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

Computation of Legal Debt Margin

Total Assessed Value of Taxed Real Estate	<u>\$ 505,184,482</u>
Debt Limit - 10 Percent of Total Assessed Value	\$ 50,518,448
Amount of Debt Applicable to Debt Limit	
General obligation debt	<u>15,875,505</u>
Legal Debt Margin	<u>\$ 34,642,943</u>

18 Surety Bond Information

The following are insured through the Aetna Insurance Company - Surety in effect at June 30, 2015:

Aetna Insurance Company - Surety	
Carol Anne Seal, Treasurer	\$ 50,000
All Town Employees - Blanket Bond	50,000

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19 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 \$1,370,426 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, 2015.

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 \$370,426. 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 \$1,370,426 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.

20 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 2015 was \$5,993,938. 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 \$443,168 of which \$181,445 was from the Town.

21 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, 2015, 2014, and 2013:

<i>Year Ended June 30</i>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<i>Actuarial Valuation Date</i>	July 1, 2014	July 1, 2013*	July 1, 2012*
<i>Annual Pension Cost (APC)</i>			
Annual Required Contribution (ARC)	\$ 183,707	\$ 162,734	\$ 159,780
Interest on net beginning Net Pension Obligation (NPO)	41,722	38,299	34,698
Adjustment to ARC	<u>(64,814)</u>	<u>(59,497)</u>	<u>(53,902)</u>
Annual Pension Cost (APC)	160,615	141,536	140,576
<i>Components of Annual Required Contribution (ARC)</i>			
Normal Cost	75,649	68,323	69,399
Amortization of Accrued Liability	101,846	88,909	84,978
Interest Cost	<u>6,212</u>	<u>5,503</u>	<u>5,403</u>
Annual Required Contribution	183,707	162,735	159,780
% Annual Pension Cost Contributed	29.44%	30.90%	26.80%
<i>Change in NPO During the Fiscal Year</i>			
NPO at beginning of fiscal year	1,192,070	1,094,263	991,367
Interest on NPO	41,722	38,299	34,698
Annual Required Contribution (ARC) for the fiscal year	183,707	162,735	159,780
Adjustment to the ARC	(64,814)	(59,497)	(53,902)
Employer Contribution made during the fiscal year	<u>(47,280)</u>	<u>(43,730)</u>	<u>(37,680)</u>
NPO at end of fiscal year	1,305,405	1,192,070	1,094,263
Net change in NPO	113,335	97,807	102,896
<i>Funded Status at End of Fiscal Year</i>			
Accrued Liability at end of year	2,036,760	1,774,286	1,707,723
Plan assets at end of year	-	-	-
Unfunded Accrued Liability	<u>(2,036,760)</u>	<u>(1,774,286)</u>	<u>(1,707,723)</u>
Percentage of Funded Accrued Liability	0%	0%	0%
Covered Payroll	4,796,901	\$ 4,777,906	\$ 4,977,880
UAAL as a Percentage of Covered Payroll	42.46%	37.14%	34.31%

*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.

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The following methods and assumptions were utilized for the July 1, 2014 actuarial valuation date:

Actuarial Valuation Date July 1, 2014

Annual Discount Rate 3.50%

Mortality and Employee Turnover

Mortality Tables for Males and Females, as required for funding under IRC Section 430 for 2014; 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	30.9%	31.9%
	35	51.3%	52.8%
	45	77.0%	79.1%
	55	93.9%	95.9%

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 Cost 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.

22 Fund Balances – Governmental Funds

As of June 30, 2015, fund balances are composed of the following:

Primary Government

	<u>General Fund</u>	<u>Street Maintenance Fund</u>	<u>Narcotic Fund</u>	<u>Total Governmental Funds</u>
Nonspendable				
Used to identify inventory balance	\$ 30,968	\$ -	\$ -	\$ 30,968
Assigned for				
Used for street maintenance	\$ -	\$ 244,627	\$ -	\$ 244,627
Used by police department	-	-	8,289	8,289
Total Assigned Fund Balances	<u>\$ -</u>	<u>\$ 244,627</u>	<u>\$ 8,289</u>	<u>\$ 252,916</u>

23 Discretely Presented Component Unit Farmville IDA - Net Position

Fiscal year ending June 30, 2015 for the Discretely Presented Component Unit Farmville IDA reflected an increase in position of \$58,486 as net position reflected a balance of negative \$468,655. The major cause of the increase resulted from the administration fee of \$75,000. The Authority has expended resources in developing industrial sites to bring business to the Farmville area. The previous deficits have been funded by the Town of Farmville, Virginia and are reflected as a liability of the Authority.

24 Implementation of GASB Statement No. 65

The Town implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in fiscal year ended June 30, 2015. These statements required changes in account captions in the Statements of Net Position.

25 Governmental Accounting Standards Board Statement No. 68

In June 2012, the GASB issued Statement No. 68—*Accounting and Financial Reporting for Pensions—an amendment of GASB No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions not covered by the scope of this Statement. The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Farmville, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2015

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	\$ 603,500	\$ 603,500	\$ 603,025	\$ (475)
Public service corporation property taxes	34,000	34,000	33,212	(788)
Personal property taxes	222,000	222,000	216,225	(5,775)
Mobile home taxes	1,000	1,000	-	(1,000)
Interest on taxes	4,000	4,000	6,740	2,740
Penalties on taxes	<u>4,000</u>	<u>4,000</u>	<u>5,822</u>	<u>1,822</u>
Total General Property Taxes	868,500	868,500	865,024	(3,476)
Other Local Taxes				
Local sales and use taxes	330,000	330,000	347,721	17,721
Consumption tax	27,000	27,000	29,015	2,015
Consumers' utility taxes	370,000	370,000	372,437	2,437
Business licenses	1,103,000	1,103,000	1,282,415	179,415
Franchise license taxes	35,000	35,000	29,549	(5,451)
Motor vehicle licenses	75,000	75,000	13,394	(61,606)
Bank stock taxes	160,000	160,000	192,810	32,810
Cigarette taxes	300,000	300,000	231,780	(68,220)
Hotel and motel room taxes	290,000	290,000	326,850	36,850
Restaurant food taxes	<u>2,171,500</u>	<u>2,171,500</u>	<u>2,348,315</u>	<u>176,815</u>
Total Other Local Taxes	4,861,500	4,861,500	5,174,286	312,786
Permits, Privilege Fees, and Regulatory Licenses				
Building permits	80,025	80,025	42,675	(37,350)
Other permits, licenses, and fees	<u>13,700</u>	<u>13,700</u>	<u>13,075</u>	<u>(625)</u>
Total Permits, Privilege Fees, and Regulatory Licenses	93,725	93,725	55,750	(37,975)
Fines and Forfeitures				
Court fines	81,000	81,000	74,044	(6,956)
Other fines and forfeitures	<u>36,050</u>	<u>36,050</u>	<u>15,847</u>	<u>(20,203)</u>
Total Fines and Forfeitures	117,050	117,050	89,891	(27,159)
Revenue from Use of Money and Property				
Revenue from use of money	6,980	6,980	9,484	2,504
<i>Revenue from Use of Property</i>				
Rental of general property and real estate	66,110	66,110	109,175	43,065
Sale of property	<u>20,550</u>	<u>20,550</u>	<u>42,436</u>	<u>21,886</u>
Total Revenue from Use of Money and Property	93,640	93,640	161,095	67,455

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Charges for Services				
Miscellaneous	15,520	15,520	38,010	22,490
Administrative - fuel	19,000	19,000	6,511	(12,489)
Sanitation fees	330,000	330,000	334,067	4,067
Longwood Streets	30,000	30,000	35,000	5,000
Parking meters	34,000	34,000	36,240	2,240
Public works	20,000	20,000	12,555	(7,445)
Grave openings	10,000	10,000	13,750	3,750
Total Charges for Services	<u>458,520</u>	<u>458,520</u>	<u>476,133</u>	<u>17,613</u>
Miscellaneous				
Payment from PE County for share of debt	226,299	226,299	226,299	-
Miscellaneous	<u>94,150</u>	<u>94,150</u>	<u>91,977</u>	<u>(2,173)</u>
Total Miscellaneous	<u>320,449</u>	<u>320,449</u>	<u>318,276</u>	<u>(2,173)</u>
Recovered Costs				
Other funds and street department	353,000	353,000	308,880	(44,120)
Library rent	120,000	120,000	120,000	-
Other recovered costs	<u>8,230</u>	<u>8,230</u>	<u>53,495</u>	<u>45,265</u>
Total Recovered Costs	<u>481,230</u>	<u>481,230</u>	<u>482,375</u>	<u>1,145</u>
Intergovernmental				
<i>Revenue from the Commonwealth</i>				
Non-Categorical Aid				
Communications taxes	530,000	530,000	524,178	(5,822)
Mobile home titling tax	400	400	1,380	980
Rolling stock taxes - motor vehicle carriers tax	100	100	135	35
Aid to localities with police departments	166,940	166,940	166,940	-
Auto rental tax	<u>40,000</u>	<u>40,000</u>	<u>54,257</u>	<u>14,257</u>
Total Non-Categorical Aid	<u>737,440</u>	<u>737,440</u>	<u>746,890</u>	<u>9,450</u>
Categorical Aid				
Wireless quarterly payments	70,000	70,000	96,238	26,238
Litter Control Grant	3,000	3,000	3,418	418
Other grants	5,000	5,000	19,482	14,482
Grant - Sports Arena	-	-	75,000	75,000
Tobacco Commission - Moton	-	-	123,018	123,018
Agri-business grant	-	394,000	-	(394,000)
VDOT Grants	-	-	122,925	122,925
DMV and Police Grants	2,000	2,000	1,827	(173)
Fire program	22,000	22,000	26,030	4,030
Grant - Burn Building	-	480,000	112,500	(367,500)
Total Categorical Aid	<u>102,000</u>	<u>976,000</u>	<u>580,438</u>	<u>(395,562)</u>
Total Revenue from the Commonwealth	<u>839,440</u>	<u>1,713,440</u>	<u>1,327,328</u>	<u>(386,112)</u>

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
<i>Revenue from the Federal Government</i>				
Emergency Services grants	12,180	12,180	12,180	-
VDOT Grant - Moton	-	-	416,105	416,105
Asset forfeitures	-	262,384	262,384	-
DMV Ground Transportation Safety	-	-	28,161	28,161
Total Revenue from the Federal Government	<u>12,180</u>	<u>274,564</u>	<u>718,830</u>	<u>444,266</u>
Total Intergovernmental Revenue	<u>851,620</u>	<u>1,988,004</u>	<u>2,046,158</u>	<u>58,154</u>
Total Revenues	8,146,234	9,282,618	9,668,988	386,370
Expenditures				
Current				
<i>General Government Administration</i>				
Town Council	207,982	207,982	226,782	(18,800)
Town Manager	591,860	591,860	567,315	24,545
Treasurer	<u>470,960</u>	<u>470,960</u>	<u>432,730</u>	<u>38,230</u>
Total General Government Administration	1,270,802	1,270,802	1,226,827	43,975
<i>Public Safety</i>				
Police Department	2,348,191	2,610,575	2,136,457	474,118
911 services	896,560	896,560	846,630	49,930
Fire services	149,580	149,580	171,487	(21,907)
Building inspector	149,467	149,467	142,750	6,717
Animal control	<u>23,005</u>	<u>23,005</u>	<u>22,436</u>	<u>569</u>
Total Public Safety	3,566,803	3,829,187	3,319,760	509,427
<i>Public Works</i>				
Recycling department	118,606	118,606	105,941	12,665
Sanitation	844,323	844,323	755,657	88,666
Maintenance of highways and streets	(412,019)	(412,019)	443,528	(855,547)
South Street Conference Center	4,077	4,077	5,070	(993)
Train Station	5,044	5,044	9,337	(4,293)
Surveying	102,401	102,401	76,362	26,039
Maintenance of buildings and grounds	1,125,371	1,519,371	1,464,087	55,284
Burn Building Grant expenses	-	480,000	8,442	471,558
Horticulturist	<u>78,069</u>	<u>78,069</u>	<u>73,222</u>	<u>4,847</u>
Total Public Works	1,865,872	2,739,872	2,941,646	(201,774)
<i>Parks, Recreation, and Cultural</i>				
Library	21,032	21,032	27,346	(6,314)
Appropriation - Library - Rent	120,000	120,000	120,000	-
Appropriation - Library	45,000	45,000	45,000	-
Sports Arena	89,186	89,186	165,193	(76,007)
Wilck's Lake	8,399	8,399	14,494	(6,095)
Moton Museum Grant	-	-	571,480	(571,480)
Field of Dreams	7,762	7,762	4,520	3,242
Parks and recreation	<u>168,977</u>	<u>168,977</u>	<u>169,773</u>	<u>(796)</u>
Total Parks, Recreation, and Cultural	460,356	460,356	1,117,806	(657,450)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<i>Community Development</i>				
Planning and community development	83,000	83,000	99,879	(16,879)
Town Planner	<u>70,656</u>	<u>70,656</u>	<u>67,449</u>	<u>3,207</u>
Total Community Development	153,656	153,656	167,328	(13,672)
<i>Debt Service</i>				
Principal	932,700	932,700	932,795	(95)
Interest	<u>626,598</u>	<u>626,598</u>	<u>625,659</u>	<u>939</u>
Total Debt Service	<u>1,559,298</u>	<u>1,559,298</u>	<u>1,558,454</u>	<u>844</u>
Total Expenditures	<u>8,876,787</u>	<u>10,013,171</u>	<u>10,331,821</u>	<u>(318,650)</u>
Excess (Deficiency) of Revenues Over Expenditures	(730,553)	(730,553)	(662,833)	67,720
Other Financing Sources (Uses)				
Transfers in	1,261,063	1,261,063	2,177,538	916,475
Transfers out	<u>(1,091,725)</u>	<u>(1,091,725)</u>	<u>(261,513)</u>	<u>830,212</u>
Total Other Financing Sources (Uses)	<u>169,338</u>	<u>169,338</u>	<u>1,916,025</u>	<u>1,746,687</u>
Net Change in Fund Balance	(561,215)	(561,215)	1,253,192	1,814,407
Transfer from Surplus (Contingency)	<u>561,215</u>	<u>561,215</u>	-	<u>(561,215)</u>
Net Change after Transfer from Surplus	<u>\$ -</u>	<u>\$ -</u>	1,253,192	<u>\$ 1,253,192</u>
Fund Balance - Beginning of Year			<u>1,135,243</u>	
Fund Balance - End of Year			<u>\$ 2,388,435</u>	

Street Maintenance Fund

Revenues				
Intergovernmental				
<i>Revenue from the Commonwealth</i>				
Categorical Aid				
Street maintenance fund	<u>\$ 1,530,000</u>	<u>\$ 1,530,000</u>	<u>\$ 1,582,007</u>	<u>\$ 52,007</u>
Total Categorical Aid and Revenues	1,530,000	1,530,000	1,582,007	52,007
Expenditures				
Current				
<i>Public Works</i>				
Maintenance of streets and highways	<u>2,214,760</u>	<u>2,214,760</u>	<u>1,330,889</u>	<u>883,871</u>
Excess (Deficiency) of Revenues Over Expenditures	(684,760)	(684,760)	251,118	935,878
Other Financing Sources (Uses)				
Transfers in (out)	<u>684,760</u>	<u>684,760</u>	-	<u>(684,760)</u>
Total Other Financing Sources (Uses)	<u>684,760</u>	<u>684,760</u>	-	<u>(684,760)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	251,118	<u>\$ 251,118</u>
Fund Balance (Deficit) - Beginning of Year			<u>(6,491)</u>	
Fund Balance - End of Year			<u>\$ 244,627</u>	

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
ICA Fund				
Revenues				
Charges for Services - administration of ICE	\$ 185,000	\$ 185,000	\$ 179,353	\$ (5,647)
Total Revenues	185,000	185,000	179,353	(5,647)
Expenditures				
	<u>185,000</u>	<u>185,000</u>	<u>-</u>	<u>185,000</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	179,353	179,353
Other Financing Sources (Uses)				
Transfers in (out)	<u>-</u>	<u>-</u>	<u>(718,175)</u>	<u>(718,175)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(718,175)</u>	<u>(718,175)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>(538,822)</u>	<u>\$ (538,822)</u>
Fund Balance - Beginning of Year			<u>538,822</u>	
Fund Balance - End of Year			<u>\$ -</u>	

OTHER SUPPLEMENTARY INFORMATION

Town of Farmville, Virginia

Combining Balance Sheet

Other Governmental Funds

At June 30, 2015

	<u>Narcotic Fund</u>	<u>Total Other Governmental Funds</u>
Assets		
Cash and investments	\$ 8,289	\$ 8,289
Inventory	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 8,289</u>	<u>\$ 8,289</u>
Liabilities	\$ -	\$ -
Fund Balance		
Assigned	<u>8,289</u>	<u>8,289</u>
Total Fund Balance	<u>8,289</u>	<u>8,289</u>
Total Liabilities and Fund Balance	<u>\$ 8,289</u>	<u>\$ 8,289</u>

Town of Farmville, Virginia

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

Other Governmental Funds

At June 30, 2015

	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	\$ -	\$ 2,017	\$ 12	\$ 9	\$ 2,038
Charges for services	-	136,074	-	-	136,074
Miscellaneous	-	800	-	-	800
Intergovernmental					
From the Commonwealth of Virginia	-		11,033	-	11,033
Total Revenues	-	138,891	11,045	9	149,945
Expenditures					
Current					
Public safety	-	-	3,428	-	3,428
Parks, recreation, and cultural	-	361,681	-	-	361,681
Total Expenditures	-	361,681	3,428	-	365,109
Excess (Deficiency) of Revenues Over Expenditures	-	(222,790)	7,617	9	(215,164)
Other Financing Sources (Uses)					
Transfers in	-	147,484	-	-	147,484
Transfers out	(193,810)	-	-	(4,339)	(198,149)
Total Other Financing Sources (Uses)	(193,810)	147,484	-	(4,339)	(50,665)
Net Change in Fund Balances	(193,810)	(75,306)	7,617	(4,330)	(265,829)
Fund Balance - Beginning of Year	193,810	75,306	672	4,330	274,118
Fund Balance - End of Year	\$ -	\$ -	\$ 8,289	\$ -	\$ 8,289

Town of Farmville, Virginia

Statement of Net Position (Deficit)

Discretely Presented Component Unit - IDA

Farmville Industrial Development Authority

As of June 30, 2015

Assets

Current Assets

Cash	\$ 87,627
Accrued interest receivable	2,200
Notes receivable - current portion	<u>25,462</u>
Total Current Assets	115,289

Land

52,650

Long-Term Notes Receivable

318,250

Total Assets \$ 486,189

Liabilities and Net Position (Deficit)

Liabilities

Current Liabilities

Due to Town of Farmville, Virginia	\$ 482,591
Accrued interest payable	5,652
Notes payable - current portion	<u>32,509</u>
Total Current Liabilities	520,752

Long-Term Liabilities

Note payable - less current portion	<u>434,092</u>
Total Liabilities	954,844

Net Position (Deficit)

Net investment in capital assets	52,650
Unrestricted (deficit)	<u>(521,305)</u>
Total Net Position (Deficit)	<u>(468,655)</u>
Total Liabilities and Net Position (Deficit)	<u>\$ 486,189</u>

Town of Farmville, Virginia

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

Discretely Presented Component Unit - IDA

Farmville Industrial Development Authority

Year Ended June 30, 2015

Operating Income - Administration Fee	\$	75,000
Operating Expenses		
Professional fees		2,500
Taxes		<u>119</u>
Total Operating Expenses		<u>2,619</u>
Net Operating Income		72,381
Non-Operating Revenues (Expenses)		
Interest income		9,065
Interest expense		<u>(22,960)</u>
Net Non-Operating Revenues (Expenses)		<u>(13,895)</u>
Change in Net Position		58,486
Total Net Position (Deficit) - Beginning of Year		<u>(527,141)</u>
Total Net Position (Deficit) - End of Year	\$	<u><u>(468,655)</u></u>

Town of Farmville, Virginia

Statement of Cash Flows

Discretely Presented Component Unit - IDA

Farmville Industrial Development Authority

Year Ended June 30, 2015

Cash Flows from Operating Activities

Receipts	\$ 75,000
Payments to suppliers	<u>(2,619)</u>
Net Cash Provided by Operating Activities	72,381

Cash Flows from Capital and Related Financing Activities

Curtailment of borrowings	(31,038)
Proceeds resulting from curtailment of note receivable	24,316
Accrued interest receivable	156
Accrued interest payable	<u>(351)</u>
Net Cash Used in Capital and Related Financing Activities	(6,917)

Cash Flows from Investing Activities

Interest income	9,063
Interest expense	<u>(22,960)</u>
Net Cash Used in Investing Activities	<u>(13,897)</u>

Net Increase in Cash and Cash Equivalents	51,567
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Cash and Cash Equivalents - Beginning of Year	<u>36,060</u>
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Cash and Cash Equivalents - End of Year	<u><u>\$ 87,627</u></u>
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Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating income	<u>\$ 72,381</u>
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Net Cash Provided by Operating Activities	<u><u>\$ 72,381</u></u>
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COMPLIANCE SECTION



**Creedle
Jones
& Alga**

A Professional Corporation

*Robin B. Jones, CPA, CFP
David V. Alga, CPA, CVA, CFF
Denise C. Williams, CPA, CSEP
Scott A. Thompson, CPA
Nadia A. Rogers, CPA*

*James A. Allen, Jr., CPA
Nadine L. Chase, CPA
Kimberly W. Jackson, CPA*

Sherwood H. Creedle, Emeritus

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

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

To the Town Council
Town of Farmville, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Farmville, Virginia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Farmville, Virginia's basic financial statements and have issued our report thereon dated October 2, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Credle, Jones & Alga, P.C.

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

South Hill, Virginia
October 2, 2015



**Creedle
Jones
& Alga**

A Professional Corporation

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

To the Town Council
Town of Farmville, Virginia

Report on Compliance for Each Major Federal Program

We have audited the Town of Farmville, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of Farmville, Virginia's major federal programs for the year ended June 30, 2015. 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 the Town of Farmville, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*; and *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards, *OMB Circular A-133*, and specifications require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Farmville, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Town of Farmville, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Town of Farmville, Virginia, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Farmville, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 the Town of Farmville, Virginia's internal control over compliance.

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

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

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

Creedle, Jones & Alga, P.C.

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

South Hill, Virginia
October 2, 2015

Town of Farmville, Virginia

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

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
Emergency Response and Recovery	97.042	127	<u>7,883</u>
Subtotal - U. S. Department of Homeland Security			20,063
U. S. Department of Justice			
Pass-Through Payments			
Commonwealth of Virginia - Attorney General			
Equitable Sharing Funds	16.922	141	262,384
U. S. Department of Transportation			
Pass-Through Payments			
<i>Department of Rail and Public Transportation</i>			
Mass Transit Assistance	20.509	505	286,237
<i>Department of Motor Vehicles</i>			
Ground Transportation Safety -			
Alcohol Impaired Driving Countermeasure Incentive Grants	20.601	530	28,161
Pass-Through Payments			
<i>Department of Transportation</i>			
Transportation Enhancement Program Funds	20.205	501	416,105
Direct Payments			
Federal Aviation Administration - Airport Improvement Program	20.106	N/A	<u>214,500</u>
Subtotal - U. S. Department of Transportation			<u>945,003</u>
Grand Totals			<u>\$ 1,227,450</u>

Notes to Schedule of Expenditures of Federal Awards

1. Significant Accounting Policies

Basis of Presentation and Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the Town and is presented on the modified accrual basis of accounting. 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 basic financial statements.

Federal Financial Assistance – The Single Audit Act Amendments of 1996 (Public Law 104-156) and OMB Circular A-133 define federal financial assistance as grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations or other assistance. Nonmonetary deferral assistance including food commodities is considered federal assistance and, therefore, is reported on the Schedule of Expenditures of Federal Awards. Federal financial assistance does not include direct federal cash assistance to individuals.

Direct Payments – Assistance received directly from the Federal government is classified as direct payments on the Schedule of Expenditures of Federal Awards.

Pass-through Payments – Assistance received in a pass-through relationship from entities other than the Federal government is classified as pass-through payments on the Schedule of Expenditures of Federal Awards.

Major Programs – The Single Audit Act Amendments of 1996 and OMB Circular A-133 establish the criteria to be used in defining major programs. Major programs for the Town were determined using a risk-based approach in accordance with OMB Circular A-133.

Catalog of Federal Domestic Assistance – The Catalog of Federal Domestic Assistance (CFDA) is a government-wide compendium of individual federal programs. Each program included in the catalog is assigned a five-digit program identification number (CFDA Number), which is reflected in the accompanying schedule.

Cluster of Programs – Closely related programs that share common compliance requirements are grouped into clusters of programs. A cluster of programs is considered as one federal program for determining major programs.

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2. Relationship to Financial Statements

Federal expenditures, revenues and capital contributions are reported in the Town's basic financial statements as follows:

Intergovernmental Federal Revenues per the Basic Financial Statements

Primary Government

General Fund

Emergency Preparedness	\$ 12,180
Asset Forfeiture Funds	262,384
VDOT Highway Enhancement Program	416,105
DMV Ground Transportation Safety	28,161

Enterprise Funds

Water Fund - Emergency Response and Recovery	7,883
Airport Fund - Airport Improvement Program	214,500
Transportation Fund - Mass Transit System	<u>286,237</u>
Total Federal Expenditures per Basic Financial Statements	<u>\$ 1,227,450</u>

Total Federal Expenditures per the Schedule of Expenditures of Federal Awards \$ 1,227,450

Town of Farmville, Virginia

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

1. SUMMARY OF AUDITOR'S RESULTS

- (a) The auditor's report expresses an **unmodified opinion** on the financial statements of the Town of Farmville, Virginia.
- (b) **No significant 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 the Town of Farmville, Virginia were disclosed during the audit.
- (d) **No significant deficiencies** relating to the audit of the major federal award programs are reported in the 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 the Town of Farmville, Virginia expresses an **unmodified opinion** on all major federal programs.
- (f) There were no findings relative to the major federal award programs for the Town of Farmville, Virginia to be reported in this schedule.
- (g) The programs tested as major programs included:
 - 1. **CFDA #20.205, Transportation Enhancement Program Funds**
 - 2. **CFDA #16.922, Equitable Sharing Funds**
- (h) The **threshold** for distinguishing Types A and B programs was **\$300.000**.
- (i) The Town of Farmville, Virginia was determined **not** 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, 2015

FINANCIAL STATEMENTS

FINDINGS – FINANCIAL STATEMENT AUDIT

Prior audit was not single audit.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

Prior audit was not single audit.