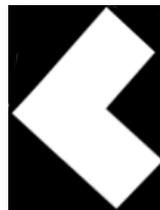


Town of Farmville, Virginia
Comprehensive Annual Financial Report
Year Ended June 30, 2017



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

Town of Farmville, Virginia

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FINANCIAL SECTION



**Creedle
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INDEPENDENT AUDITOR'S REPORT

To the 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, 2017, 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, 2017, 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 and component unit statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2017, 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.

Creedle, Jones & Alga, P.C.

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

South Hill, Virginia
November 27, 2017

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, 2017. We encourage readers to read this discussion and analysis in conjunction with the Town's basic 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 \$15,856,542. The governmental activities had a net position of \$9,303,032, of which \$242,475 was unrestricted and the business-type activities had a net position of \$6,553,510 of which \$2,951,527 was unrestricted.
- For the fiscal year, general and program revenues of the Town's governmental activities were \$11,509,711 and expenses amounted to \$11,278,184. The Town's total net position increased \$231,527 before transfers.
- For business-type activities, revenues were \$5,365,849 and expenses were \$4,140,242. The net position increased by \$1,225,607 before transfers.

Highlights for Fund Financial Statements

- As of June 30, 2017, the Town's Governmental Funds reported combined fund balances of \$3,736,484, an increase of \$809,419 in comparison with the prior year. Unassigned fund balances are \$3,700,887 or 99.05% and are available to meet the Town's current and future needs.
- The General Fund reported a fund balance of \$3,616,329, an increase of \$685,339 from June 30, 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

The Town has three types of funds:

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

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

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

Notes to the Basic Financial Statements

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

Other

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

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

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

Summary of Net Position

As of June 30, 2017 and 2016

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Component Unit Farmville IDA</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Assets								
Current and other assets	\$ 4,250,520	\$ 3,376,025	\$ 3,631,012	\$ 3,167,485	\$ 7,881,532	\$ 6,543,510	\$ 346,388	\$ 385,465
Capital assets	<u>21,079,331</u>	<u>21,607,130</u>	<u>7,512,457</u>	<u>7,638,636</u>	<u>28,591,788</u>	<u>29,245,766</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 25,329,851</u>	<u>\$ 24,983,155</u>	<u>\$ 11,143,469</u>	<u>\$ 10,806,121</u>	<u>\$ 36,473,320</u>	<u>\$ 35,789,276</u>	<u>\$ 346,388</u>	<u>\$ 385,465</u>
Liabilities								
Other liabilities	\$ 477,333	\$ 414,401	\$ 602,679	\$ 254,808	\$ 1,080,012	\$ 669,209	\$ 497,223	\$ 487,827
Long-term liabilities	<u>15,549,486</u>	<u>16,571,651</u>	<u>3,987,280</u>	<u>4,149,008</u>	<u>19,536,766</u>	<u>20,720,659</u>	<u>400,112</u>	<u>434,092</u>
Total Liabilities	<u>16,026,819</u>	<u>16,986,052</u>	<u>4,589,959</u>	<u>4,403,816</u>	<u>20,616,778</u>	<u>21,389,868</u>	<u>897,335</u>	<u>921,919</u>
Net Position								
Net investment in capital assets	<u>9,060,557</u>	<u>8,387,436</u>	<u>3,601,983</u>	<u>3,559,383</u>	<u>12,662,540</u>	<u>11,946,819</u>	<u>-</u>	<u>-</u>
Unrestricted (deficit)	<u>242,475</u>	<u>(390,333)</u>	<u>2,951,527</u>	<u>2,842,922</u>	<u>3,194,002</u>	<u>2,452,589</u>	<u>(550,947)</u>	<u>(536,454)</u>
Total Net Position (Deficit)	<u>9,303,032</u>	<u>7,997,103</u>	<u>6,553,510</u>	<u>6,402,305</u>	<u>15,856,542</u>	<u>14,399,408</u>	<u>(550,947)</u>	<u>(536,454)</u>
Total Liabilities and Net Position	<u>\$ 25,329,851</u>	<u>\$ 24,983,155</u>	<u>\$ 11,143,469</u>	<u>\$ 10,806,121</u>	<u>\$ 36,473,320</u>	<u>\$ 35,789,276</u>	<u>\$ 346,388</u>	<u>\$ 385,465</u>

Statement of Activities

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

Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2017 and 2016

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Component Unit Farmville IDA</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues								
Program Revenues								
Charges for services	\$ 1,097,302	\$ 1,038,589	\$ 4,482,163	\$ 4,275,400	\$ 5,579,465	\$ 5,313,989	\$ -	\$ -
Operating grants and contributions	2,485,956	2,397,893	837,420	915,893	3,323,376	3,313,786	-	-
General Revenues								
General property taxes, real and personal	867,326	881,944	-	-	867,326	881,944	-	-
Other taxes	5,757,202	5,351,170	-	-	5,757,202	5,351,170	-	-
Noncategorical aid from state	745,675	745,074	-	-	745,675	745,074	-	-
Use of property	192,689	339,845	41,580	(191,270)	234,269	148,575	-	-
Investment earnings	15,819	13,962	1,583	619	17,402	14,581	7,875	8,610
Miscellaneous	347,742	326,421	3,103	2,595	350,845	329,016	-	-
Total Revenues	11,509,711	11,094,898	5,365,849	5,003,237	16,875,560	16,098,135	7,875	8,610
Expenses								
General government administration	1,268,384	1,130,394	-	-	1,268,384	1,130,394	-	-
Public safety	3,689,104	3,704,042	-	-	3,689,104	3,704,042	-	-
Public works	4,715,205	4,787,649	-	-	4,715,205	4,787,649	-	-
Parks, recreation, and cultural	711,172	709,046	-	-	711,172	709,046	-	-
Community development	552,862	168,503	-	-	552,862	168,503	2,500	55,050
Enterprise fund expenses	-	-	4,005,899	3,957,452	4,005,899	3,957,452	-	-
Interest on long-term debt	341,457	396,283	134,343	140,534	475,800	536,817	19,868	21,359
Total Expenses	11,278,184	10,895,917	4,140,242	4,097,986	15,418,426	14,993,903	22,368	76,409
Increase (Decrease) in Net Position Before Transfers	231,527	198,981	1,225,607	905,251	1,457,134	1,104,232	(14,493)	(67,799)
Transfers	1,074,402	1,168,009	(1,074,402)	(1,168,009)	-	-	-	-
Increase (Decrease) in Net Position	1,305,929	1,366,990	151,205	(262,758)	1,457,134	1,104,232	(14,493)	(67,799)
Beginning Net Position (Deficit)	7,997,103	6,630,113	6,402,305	6,665,063	14,399,408	13,295,176	(536,454)	(468,655)
Ending Net Position (Deficit)	\$ 9,303,032	\$ 7,997,103	\$ 6,553,510	\$ 6,402,305	\$ 15,856,542	\$ 14,399,408	\$ (550,947)	\$ (536,454)

Governmental activities increased the Town's net position by \$1,305,929 for fiscal year 2017. Revenues from governmental activities totaled \$11,509,711. Other taxes comprise the largest source of these revenues, totaling \$5,757,202 or 50.02 percent of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$11,278,184. Public works was the Town's largest program with expenses totaling \$4,715,205. Public safety, which totals \$3,689,104, 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, 2017 and 2016

	<u>2017</u>		<u>2016</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	\$ 1,268,384	\$ (994,978)	\$ 1,130,394	\$ (871,591)
Public safety	3,689,104	(3,342,138)	3,704,042	(3,087,308)
Public works	4,715,205	(2,206,506)	4,787,649	(2,431,834)
Parks, recreation, and cultural	711,172	(534,385)	709,046	(546,650)
Community development	552,862	(275,462)	168,503	(125,769)
Interest on long-term debt	<u>341,457</u>	<u>(341,457)</u>	<u>396,283</u>	<u>(396,283)</u>
Total	<u>\$ 11,278,184</u>	<u>\$ (7,694,926)</u>	<u>\$ 10,895,917</u>	<u>\$ (7,459,435)</u>

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As of June 30, 2017, the Town's Governmental Funds reported a combined ending fund balance of \$3,736,484. Of this, \$3,700,887 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 \$3,596,155. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 33.19 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:

Budgetary Comparison

General Fund

For the Fiscal Years Ended June 30, 2017 and 2016

	<u>2017</u>			<u>2016</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	\$ 867,600	\$ 867,600	\$ 865,182	\$ 861,500	\$ 861,500	\$ 859,630
Other	7,538,008	7,538,008	7,983,183	7,059,849	7,074,849	7,568,078
Intergovernmental	<u>5,649,220</u>	<u>5,649,220</u>	<u>1,556,175</u>	<u>889,720</u>	<u>5,097,170</u>	<u>1,490,323</u>
Total	14,054,828	14,054,828	10,404,540	8,811,069	13,033,519	9,918,031
Expenditures						
	<u>15,679,068</u>	<u>16,019,944</u>	<u>10,834,722</u>	<u>9,580,889</u>	<u>14,211,875</u>	<u>10,529,267</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,624,240)	(1,965,116)	(430,182)	(769,820)	(1,178,356)	(611,236)
Other Financing Sources (Uses)						
Proceeds of loans	41,000	41,000	41,000	135,000	135,000	-
Transfers in	1,269,075	1,300,215	1,259,148	1,260,247	1,260,247	1,260,263
Transfers out	<u>(467,188)</u>	<u>(467,188)</u>	<u>(184,627)</u>	<u>(625,427)</u>	<u>(1,054,051)</u>	<u>(106,472)</u>
Total	<u>842,887</u>	<u>874,027</u>	<u>1,115,521</u>	<u>769,820</u>	<u>341,196</u>	<u>1,153,791</u>
Net Change in Fund Balance	(781,353)	(1,091,089)	685,339	-	(837,160)	542,555
Contingency/Transfer from Surplus	<u>781,353</u>	<u>1,091,089</u>	<u>-</u>	<u>-</u>	<u>837,160</u>	<u>-</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 685,339</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 542,555</u>

Actual revenues were less than final budget amounts by \$3,650,288, or 25.97 percent, while actual expenditures were \$5,185,222, or 32.37 percent less than final budget amounts.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2017, the Town's net investment in capital assets which are net capital assets less related debt, totals \$9,060,557 for governmental activities and \$3,601,983 for business-type activities.

During fiscal year 2017, the Town's net capital assets (including additions, decreases, and depreciation) decreased \$527,799, or 2.44 percent, for governmental activities and decreased \$126,179, or 1.65 percent, for business-type activities, as summarized in the following table:

Change in Capital Assets

Governmental Activities

	<u>Balance July 1, 2016</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2017</u>
Land and land improvements	\$ 3,095,803	\$ -	\$ 3,095,803
Other capital assets, net of depreciation	<u>18,511,327</u>	<u>(527,799)</u>	<u>17,983,528</u>
Total Capital Assets	<u>\$ 21,607,130</u>	<u>\$ (527,799)</u>	<u>\$ 21,079,331</u>

Business-Type Activities

	<u>Balance July 1, 2016</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2017</u>
Land and land improvements	\$ 683,098	\$ -	\$ 683,098
Other capital assets, net of depreciation	<u>6,955,538</u>	<u>(126,179)</u>	<u>6,829,359</u>
Total Capital Assets	<u>\$ 7,638,636</u>	<u>\$ (126,179)</u>	<u>\$ 7,512,457</u>

Long-Term Debt

As of June 30, 2017, the Town's long-term obligations, excluding the Component Unit, total \$17,217,129.

	<u>Balance July 1, 2016</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2017</u>
Primary Government			
Governmental Activities			
Long-term debt	\$ 11,262,613	\$ (987,807)	\$ 10,274,806
Net pension obligation	1,414,563	120,652	1,535,215
Landfill obligation	1,379,366	4,932	1,384,298
<i>Compensated absences</i>			
Governmental Funds	<u>558,028</u>	<u>17,976</u>	<u>576,004</u>
Total Governmental Activities	14,614,570	(844,247)	13,770,323
Business-Type Activities			
Long-term debt	3,505,000	(135,000)	3,370,000
<i>Compensated absences</i>			
Enterprise Funds	<u>69,755</u>	<u>7,051</u>	<u>76,806</u>
Total Business-Type Activities	<u>3,574,755</u>	<u>(127,949)</u>	<u>3,446,806</u>
Total Primary Government	<u>\$ 18,189,325</u>	<u>\$ (972,196)</u>	<u>\$ 17,217,129</u>
Governmental Activities			
Bond Premiums	<u>\$ 1,957,081</u>	<u>\$ (177,918)</u>	<u>\$ 1,779,163</u>
Business-Type Activities			
Bond Premiums	<u>\$ 574,253</u>	<u>\$ (33,779)</u>	<u>\$ 540,474</u>
Component Unit Farmville IDA			
Long-term debt	<u>\$ 434,092</u>	<u>\$ (33,980)</u>	<u>\$ 400,112</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 2017, which uses Prince Edward County's rate, was 6.0 percent, a decrease of .3 percent from June 2016. This compares unfavorably to the state's rate of 3.9 percent and the national rate of 4.5 percent as of June 2017.
- 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 2018 adopted budget anticipates General Fund revenues to be \$19,475,058 .

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, 2017

	<u>Primary Government</u>			<u>Component Unit Farmville IDA</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
Assets				
Cash and cash equivalents	\$ 2,838,325	\$ 2,133,928	\$ 4,972,253	\$ 51,726
Receivables, net	391,056	368,842	759,898	294,662
Inventory	20,174	197,351	217,525	-
Due from other governments	890,879	5,006	895,885	-
Note receivable	-	855,000	855,000	-
Prepaid expenses	110,086	70,885	180,971	-
Capital Assets				
Land and construction in progress	3,095,803	683,098	3,778,901	-
Other capital assets, net of depreciation	<u>17,983,528</u>	<u>6,829,359</u>	<u>24,812,887</u>	-
Total Capital Assets	<u>21,079,331</u>	<u>7,512,457</u>	<u>28,591,788</u>	-
Total Assets	<u>\$ 25,329,851</u>	<u>\$ 11,143,469</u>	<u>\$ 36,473,320</u>	<u>\$ 346,388</u>
Liabilities				
Accounts payable and accrued expenses	\$ 477,333	\$ 513,638	\$ 990,971	\$ 14,632
Due to other governments	-	-	-	482,591
Customer deposits	-	89,041	89,041	-
Long-Term Liabilities				
<i>Due within one year</i>				
Bonds, loans, and capital leases payable	1,218,637	145,000	1,363,637	35,598
<i>Due in more than one year</i>				
Compensated absences	576,004	76,806	652,810	-
Net pension obligation	1,535,215	-	1,535,215	-
Landfill obligation	1,384,298	-	1,384,298	-
Bonds, loans, and capital leases payable	9,056,169	3,225,000	12,281,169	364,514
Add: Bond premiums	<u>1,779,163</u>	<u>540,474</u>	<u>2,319,637</u>	-
Total Liabilities	16,026,819	4,589,959	20,616,778	897,335
Net Position (Deficit)				
Net investment in capital assets	9,060,557	3,601,983	12,662,540	-
Unrestricted (deficit)	<u>242,475</u>	<u>2,951,527</u>	<u>3,194,002</u>	<u>(550,947)</u>
Total Net Position (Deficit)	<u>9,303,032</u>	<u>6,553,510</u>	<u>15,856,542</u>	<u>(550,947)</u>
Total Liabilities and Net Position (Deficit)	<u>\$ 25,329,851</u>	<u>\$ 11,143,469</u>	<u>\$ 36,473,320</u>	<u>\$ 346,388</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, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>			<u>Component Unit Farmville IDA</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Primary Government Business-Type Activities</u>	
Primary Government							
Governmental Activities							
General government administration	\$ 1,268,384	\$ 273,406	\$ -	\$ -	\$ (994,978)		\$ (994,978)
Public safety	3,689,104	57,714	289,252	-	(3,342,138)		(3,342,138)
Public works	4,715,205	592,470	1,916,229	-	(2,206,506)		(2,206,506)
Parks, recreation, and cultural	711,172	173,712	3,075	-	(534,385)		(534,385)
Community development	552,862	-	277,400	-	(275,462)		(275,462)
Interest on long-term debt	341,457	-	-	-	(341,457)		(341,457)
Total Governmental Activities	<u>11,278,184</u>	<u>1,097,302</u>	<u>2,485,956</u>	<u>-</u>	<u>(7,694,926)</u>		<u>(7,694,926)</u>
Business-Type Activities							
Water fund	1,720,283	2,049,053	12,306	-		\$ 341,076	341,076
Sewer fund	1,083,365	2,276,987	-	-		1,193,622	1,193,622
Airport fund	511,157	145,322	154,708	-		(211,127)	(211,127)
Transportation fund	825,437	10,801	670,406	-		(144,230)	(144,230)
Total Business-Type Activities	<u>4,140,242</u>	<u>4,482,163</u>	<u>837,420</u>	<u>-</u>		<u>1,179,341</u>	<u>1,179,341</u>
Total Primary Government	<u>\$ 15,418,426</u>	<u>\$ 5,579,465</u>	<u>\$ 3,323,376</u>	<u>\$ -</u>			<u>(6,515,585)</u>
Component Unit							
Farmville IDA	<u>\$ 22,368</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			<u>\$ (22,368)</u>
General Revenues							
Taxes							
General property taxes, real and personal					867,326	-	867,326
Other local taxes					5,757,202	-	5,757,202
Noncategorical aid from state					745,675	-	745,675
Use of property					192,689	41,580	234,269
Investment earnings					15,819	1,583	17,402
Miscellaneous					347,742	3,103	350,845
Transfers					<u>1,074,402</u>	<u>(1,074,402)</u>	<u>-</u>
Total General Revenues and Transfers					<u>9,000,855</u>	<u>(1,028,136)</u>	<u>7,972,719</u>
Change in Net Position					1,305,929	151,205	1,457,134
Net Position (Deficit) - Beginning of Year					<u>7,997,103</u>	<u>6,402,305</u>	<u>14,399,408</u>
Net Position (Deficit) - End of Year					<u>\$ 9,303,032</u>	<u>\$ 6,553,510</u>	<u>\$ 15,856,542</u>

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

Town of Farmville, Virginia

Balance Sheet

Governmental Funds

At June 30, 2017

	General Fund	Street Maintenance Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 2,713,661	\$ 109,241	\$ 15,423	\$ 2,838,325
Property taxes receivable, net	40,249	-	-	40,249
Accounts receivable, net	350,807	-	-	350,807
Inventory	20,174	-	-	20,174
Due from other governments	890,879	-	-	890,879
Prepaid expenses	<u>86,476</u>	<u>23,610</u>	-	<u>110,086</u>
 Total Assets	 <u>\$ 4,102,246</u>	 <u>\$ 132,851</u>	 <u>\$ 15,423</u>	 <u>\$ 4,250,520</u>
Liabilities				
Accounts payable	\$ 378,440	\$ 28,119	\$ -	\$ 406,559
Accrued payroll and related liabilities	<u>70,774</u>	<u>-</u>	<u>-</u>	<u>70,774</u>
 Total Liabilities	 449,214	 28,119	 -	 477,333
Deferred Inflows of Resources				
Unavailable revenue - property taxes	<u>36,703</u>	<u>-</u>	<u>-</u>	<u>36,703</u>
 Total Deferred Inflows of Resources	 36,703	 -	 -	 36,703
Fund Balance				
Nonspendable fund balance - inventory	20,174	-	-	20,174
Assigned fund balance	-	-	15,423	15,423
Unassigned fund balance	<u>3,596,155</u>	<u>104,732</u>	<u>-</u>	<u>3,700,887</u>
 Total Fund Balance	 <u>3,616,329</u>	 <u>104,732</u>	 <u>15,423</u>	 <u>3,736,484</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balance	 <u>\$ 4,102,246</u>	 <u>\$ 132,851</u>	 <u>\$ 15,423</u>	 <u>\$ 4,250,520</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, 2017

Total Fund Balances for Governmental Funds \$ 3,736,484

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

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

Land	\$ 3,095,803
Buildings and improvements, net of accumulated depreciation	10,574,324
Infrastructure and equipment, net of accumulated depreciation	<u>7,409,204</u>

Total Capital Assets 21,079,331

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

Unavailable revenue - property taxes	36,703
--------------------------------------	--------

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	(10,274,806)
Bond premiums	(1,779,163)
Net pension obligation	(1,535,215)
Landfill obligation	(1,384,298)
Compensated absences	<u>(576,004)</u>

Total (15,549,486)

Total Net Position of Governmental Activities \$ 9,303,032

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, 2017

	<u>General Fund</u>	<u>Street Maintenance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 865,182	\$ -	\$ -	\$ 865,182
Other local taxes	5,757,202	-	-	5,757,202
Permits, privilege fees, and regulatory licenses	110,645	-	-	110,645
Fines and forfeitures	57,714	-	-	57,714
Use of money and property	208,452	-	56	208,508
Charges for services	928,943	-	-	928,943
Miscellaneous	347,742	-	-	347,742
Recovered costs	572,485	-	-	572,485
<i>Intergovernmental</i>				
Revenue from the Commonwealth	1,201,655	1,671,801	3,655	2,877,111
Revenue from the Federal Government	<u>354,520</u>	<u>-</u>	<u>-</u>	<u>354,520</u>
Total Revenues	10,404,540	1,671,801	3,711	12,080,052
Expenditures				
Current				
General government administration	1,446,809	-	-	1,446,809
Public safety	3,618,835	-	2,800	3,621,635
Public works	2,853,387	1,548,513	-	4,401,900
Parks, recreation, and cultural	814,647	-	-	814,647
Community development	552,862	-	-	552,862
Debt service	<u>1,548,182</u>	<u>-</u>	<u>-</u>	<u>1,548,182</u>
Total Expenditures	<u>10,834,722</u>	<u>1,548,513</u>	<u>2,800</u>	<u>12,386,035</u>
Excess (Deficiency) of Revenues Over Expenditures	(430,182)	123,288	911	(305,983)
Other Financing Sources (Uses)				
Proceeds of loans	41,000	-	-	41,000
Transfers in	1,259,148	(119)	-	1,259,029
Transfers out	<u>(184,627)</u>	<u>-</u>	<u>-</u>	<u>(184,627)</u>
Total Other Financing Sources (Uses)	<u>1,115,521</u>	<u>(119)</u>	<u>-</u>	<u>1,115,402</u>
Net Change in Fund Balance	685,339	123,169	911	809,419
Fund Balance (Deficit) - Beginning of Year	<u>2,930,990</u>	<u>(18,437)</u>	<u>14,512</u>	<u>2,927,065</u>
Fund Balance - End of Year	<u>\$ 3,616,329</u>	<u>\$ 104,732</u>	<u>\$ 15,423</u>	<u>\$ 3,736,484</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, 2017

Net Change in Fund Balances - Total Governmental Funds		\$	809,419
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.			
Capitalized assets	\$	710,764	
Depreciation		(1,238,563)	(527,799)
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.			
			2,144
Bond and capital lease proceeds are reported as financing sources in Governmental Funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases the long-term liabilities and does not affect the Statement of Activities. Similarly, the repayment of principal is an expenditure in the Governmental Funds but reduces the liability in the Statement of Net Position.			
Loan proceeds		(41,000)	
Bond premium amortization		177,918	
Repayments on debt		<u>1,028,807</u>	
Net Adjustment			1,165,725
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		(120,652)	
Compensated absences		(17,976)	
Landfill obligation		<u>(4,932)</u>	
Net Adjustment			<u>(143,560)</u>
Change in Net Position of Governmental Activities		\$	<u><u>1,305,929</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, 2017

	<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	\$ 885,977	\$ 856,544	\$ 168,151	\$ 223,256	\$ 2,133,928
Accounts receivable (net of allowance for bad debts)	141,869	226,322	94	557	368,842
Note receivable	855,000	-	-	-	855,000
Due from other governments	5,006	-	-	-	5,006
Inventory	143,147	30,350	-	23,854	197,351
Prepaid expenses	32,541	18,202	17,371	2,771	70,885
Total Current Assets	2,063,540	1,131,418	185,616	250,438	3,631,012
Capital Assets					
Land and construction in process	159,200	113,495	16,050	394,353	683,098
Other capital assets	15,624,506	10,146,193	2,256,983	3,252,824	31,280,506
Less: Accumulated depreciation	(11,585,529)	(9,195,235)	(1,196,942)	(2,473,441)	(24,451,147)
Total Capital Assets	4,198,177	1,064,453	1,076,091	1,173,736	7,512,457
Total Assets	\$ 6,261,717	\$ 2,195,871	\$ 1,261,707	\$ 1,424,174	\$ 11,143,469
Liabilities					
Current Liabilities					
Accounts payable	\$ 45,125	\$ 37,155	\$ 377,840	\$ 6,327	\$ 466,447
Accrued wages	30,263	16,928	-	-	47,191
Total Current Liabilities	75,388	54,083	377,840	6,327	513,638
Noncurrent Liabilities					
Customer deposits	89,041	-	-	-	89,041
Compensated absences	38,622	38,184	-	-	76,806
General obligation bonds	3,370,000	-	-	-	3,370,000
Bond premium	540,474	-	-	-	540,474
Total Noncurrent Liabilities	4,038,137	38,184	-	-	4,076,321
Total Liabilities	4,113,525	92,267	377,840	6,327	4,589,959
Net Position					
Net investment in capital assets	287,703	1,064,453	1,076,091	1,173,736	3,601,983
Unrestricted	1,860,489	1,039,151	(192,224)	244,111	2,951,527
Total Net Position	2,148,192	2,103,604	883,867	1,417,847	6,553,510
Total Liabilities and Net Position	\$ 6,261,717	\$ 2,195,871	\$ 1,261,707	\$ 1,424,174	\$ 11,143,469

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, 2017

	<u>Business-Type Activities - Enterprise Funds</u>				
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Transportation Fund</u>	<u>Airport Fund</u>	<u>Total</u>
Operating Revenues					
Charges for services	\$ 1,832,311	\$ 2,168,493	\$ 10,801	\$ 145,322	\$ 4,156,927
Rental income	29,720	-	-	6,660	36,380
Operating grants - state	-	-	149,155	92,359	241,514
Operating grants - federal	5,006	-	284,901	54,749	344,656
Contribution - counties and other	7,300	-	236,350	7,600	251,250
Miscellaneous	950	-	2,153	-	3,103
Tap fees	<u>216,742</u>	<u>108,494</u>	<u>-</u>	<u>-</u>	<u>325,236</u>
Total Operating Revenues	2,092,029	2,276,987	683,360	306,690	5,359,066
Operating Expenses					
Salaries and wages	485,099	365,742	433,753	38,553	1,323,147
Fringe benefits	157,579	116,126	112,095	21,786	407,586
Cost of fuel	-	-	52,859	93,736	146,595
Contractual services and professional fees	10,789	17,345	-	3,605	31,739
Sludge removal	10,904	42,921	-	-	53,825
Administrative costs to general fund	85,513	71,186	-	-	156,699
Chemicals	79,354	87,143	-	-	166,497
Repairs and maintenance	250,622	110,889	55,834	223,675	641,020
Other charges	49,589	15,707	13,199	7,682	86,177
Depreciation	337,591	80,277	132,048	80,449	630,365
Utilities	91,348	138,252	9,250	15,074	253,924
Insurance	<u>27,552</u>	<u>37,777</u>	<u>16,399</u>	<u>26,597</u>	<u>108,325</u>
Total Operating Expenses	<u>1,585,940</u>	<u>1,083,365</u>	<u>825,437</u>	<u>511,157</u>	<u>4,005,899</u>
Operating Income (Loss)	506,089	1,193,622	(142,077)	(204,467)	1,353,167
Nonoperating Revenues (Expenses)					
Interest earned	1,268	6	9	300	1,583
Gain (loss) on sale of fixed assets	-	5,200	-	-	5,200
Interest expense on bonds	<u>(134,343)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(134,343)</u>
Total Nonoperating Revenues (Expenses)	<u>(133,075)</u>	<u>5,206</u>	<u>9</u>	<u>300</u>	<u>(127,560)</u>
Income (Loss) Before Operating Transfers	373,014	1,198,828	(142,068)	(204,167)	1,225,607
Operating Transfers In	-	-	-	184,627	184,627
Operating Transfers Out	<u>(332,763)</u>	<u>(926,232)</u>	<u>(34)</u>	<u>-</u>	<u>(1,259,029)</u>
Net Operating Transfers	<u>(332,763)</u>	<u>(926,232)</u>	<u>(34)</u>	<u>184,627</u>	<u>(1,074,402)</u>
Change in Net Position	40,251	272,596	(142,102)	(19,540)	151,205
Total Net Position - Beginning of Year	<u>2,107,941</u>	<u>1,831,008</u>	<u>1,025,969</u>	<u>1,437,387</u>	<u>6,402,305</u>
Total Net Position - End of Year	<u>\$ 2,148,192</u>	<u>\$ 2,103,604</u>	<u>\$ 883,867</u>	<u>\$ 1,417,847</u>	<u>\$ 6,553,510</u>

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, 2017

	<u>Business-Type Activities - Enterprise Funds</u>				
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Transportation Fund</u>	<u>Airport Fund</u>	<u>Total</u>
Cash Flows from Operating Activities					
Receipts from customers	\$ 2,128,861	\$ 2,267,309	\$ 13,029	\$ 151,919	\$ 4,561,118
Receipts from counties and other	7,300	-	236,350	7,600	251,250
Operating grants from state and federal government	9,328	-	434,056	149,008	592,392
Payments to personnel and related expenses	(659,861)	(493,194)	(563,219)	(63,110)	(1,779,384)
Payments to suppliers	<u>(634,331)</u>	<u>(531,313)</u>	<u>227,129</u>	<u>(383,527)</u>	<u>(1,322,042)</u>
Net Cash Provided by (Used in) Operating Activities	851,297	1,242,802	347,345	(138,110)	2,303,334
Cash Flows from Noncapital Financing Activities					
Funds from (paid to) other funds	<u>(332,763)</u>	<u>(926,232)</u>	<u>(34)</u>	<u>184,627</u>	<u>(1,074,402)</u>
Net Cash Provided by (Used in) Noncapital Financing Activities	(332,763)	(926,232)	(34)	184,627	(1,074,402)
Cash Flows from Financing Capital and Related Activities					
Purchase of capital assets	(28,548)	(102,353)	(371,980)	(1,305)	(504,186)
Sale of capital assets	-	5,200	-	-	5,200
Principal paid on capital debt	(135,000)	-	-	-	(135,000)
Interest paid on capital debt	<u>(168,122)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(168,122)</u>
Net Cash Used in Financing Capital and Related Activities	(331,670)	(97,153)	(371,980)	(1,305)	(802,108)
Cash Flows from Investing Activities					
Interest income	<u>1,268</u>	<u>6</u>	<u>9</u>	<u>300</u>	<u>1,583</u>
Net Cash Provided by Investing Activities	1,268	6	9	300	1,583
Net Increase (Decrease) in Cash	188,132	219,423	(24,660)	45,512	428,407
Cash - Beginning of Year	<u>697,845</u>	<u>637,121</u>	<u>192,811</u>	<u>177,744</u>	<u>1,705,521</u>
Cash - End of Year	<u>\$ 885,977</u>	<u>\$ 856,544</u>	<u>\$ 168,151</u>	<u>\$ 223,256</u>	<u>\$ 2,133,928</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities					
Operating income (loss)	\$ 506,089	\$ 1,193,622	\$ (142,077)	\$ (204,467)	\$ 1,353,167
<i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</i>					
Depreciation expense	337,591	80,277	132,048	80,449	630,365
<i>Changes in assets and liabilities</i>					
Receivables, net	(41,845)	(9,678)	75	(63)	(51,511)
Note receivable	95,000	-	-	-	95,000
Inventory	(16,360)	(4,574)	-	6,988	(13,946)
Due from other government	4,322	-	-	1,900	6,222
Prepaid expenses	(32,541)	(18,202)	(17,371)	(2,771)	(70,885)
Accounts payable	(12,300)	(5,519)	374,670	(20,146)	336,705
Accrued wages	11,901	3,282	-	-	15,183
Compensated absences	3,457	3,594	-	-	7,051
Customer deposits	<u>(4,017)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,017)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 851,297</u>	<u>\$ 1,242,802</u>	<u>\$ 347,345</u>	<u>\$ (138,110)</u>	<u>\$ 2,303,334</u>

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

Town of Farmville, Virginia

Statement of Fiduciary Net Position
Fiduciary Funds

At June 30, 2017

	Retirement Trust Fund	Paulette Memorial Trust Fund
Assets		
Cash and investments	\$ 9,129,653	\$ 1,956
Cash and investments - participant loans portion	62,787	-
Other receivables - employee deferrals	<u>2</u>	<u>-</u>
Total Assets	<u>\$ 9,192,442</u>	<u>\$ 1,956</u>
Liabilities and Net Position		
Liabilities	\$ 63	\$ -
Net Position		
Restricted	<u>9,192,379</u>	<u>1,956</u>
Total Liabilities and Net Position	<u>\$ 9,192,442</u>	<u>\$ 1,956</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, 2017

	Retirement Trust Fund	Paulette Memorial Trust Fund
Additions		
Contributions	\$ 537,617	\$ -
Interest, dividends, and unrealized gains (losses)	<u>1,017,332</u>	<u>6</u>
Total Additions	1,554,949	6
Deductions		
Benefits paid to participants or beneficiaries	57,435	-
Forfeiture adjustments	18,508	-
Administrative expenses	<u>1,073</u>	<u>247</u>
Total Deductions	<u>77,016</u>	<u>247</u>
Change in Net Position	1,477,933	(241)
Net Position - Beginning	<u>7,714,446</u>	<u>2,197</u>
Net Position - Ending	<u><u>\$9,192,379</u></u>	<u><u>\$ 1,956</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, 2017

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 27, 2017. 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 \$50,000 in operating funds and \$120,000 for rent subsidy in fiscal year 2017. The Town has no equity interest in the Library.

1-B. Financial Reporting Model

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

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

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

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

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

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

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

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

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

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

1-C. Financial Statement Presentation

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

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

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

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

The Town maintains the Retirement Trust Fund as a service to the Town's employees. The fund is administered by 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 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	\$ 77,640
General Fund - miscellaneous receivables	<u>29,476</u>
Total General Fund Allowance	107,116

Enterprise Funds

Water Fund - water bills	<u>36,945</u>
Total Water Fund Allowance	36,945
Sewer Fund - sewer bills	<u>17,664</u>
Total Sewer Fund Allowance	<u>17,664</u>
Total Enterprise Funds Allowance	<u>54,609</u>
Total Allowance - Primary Government	<u>\$ 161,725</u>

Real and Personal Property Tax Data

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

Real Property Personal Property

Assessed	January 1	January 1
Due Date	December 15	December 15

The Town bills and collects its own property taxes.

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

1-E-4 Prepaid Items

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

1-E-5 Capital Assets

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

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

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

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

1-E-6 Deferred Outflows/Inflows of Resources

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 Adoption of New GASB Statement

During the fiscal year ended June 30, 2017, the Town adopted the following GASB statement:

- Statement No. 82, "Pension Issues, an Amendment of GASB Statements No. 67, No. 68, and No. 73"

The adoption of this statement had no effect on the current financial statements.

1-F. Estimates

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

1-G. Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2017 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2017. Management has performed their analysis through November 27, 2017.

2 Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

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

Budgetary Data

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

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

Expenditures in Excess of Appropriations

Expenditures did not exceed budget in any of the governmental funds during the fiscal year.

Fund Deficits

There is also a fund deficit in the Discretely Presented Component Unit - IDA this year of \$(550,947).

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, 2017</u>
Petty cash	\$ 3,000
Deposit accounts	5,022,935
Investments for retirement plan	<u>9,192,440</u>
Total Cash and Investments	<u>\$ 14,218,375</u>

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Responsibilities</u>	<u>Total</u>
Primary Government				
Cash and cash equivalents	\$ 2,838,325	\$ 2,133,928	\$ 1,956	\$ 4,974,209
Investments	<u>-</u>	<u>-</u>	<u>9,192,440</u>	<u>9,192,440</u>
Total Primary Government	2,838,325	2,133,928	9,194,396	14,166,649
Component Unit Farmville IDA				
Cash and cash equivalents	<u>51,726</u>	<u>-</u>	<u>-</u>	<u>51,726</u>
Total Primary Government and Component Unit Farmville IDA	<u>\$ 2,890,051</u>	<u>\$ 2,133,928</u>	<u>\$ 9,194,396</u>	<u>\$ 14,218,375</u>

4 Receivables

Receivables at June 30, 2017 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	\$ 117,889	\$ -	\$ 117,889	\$ -	\$ -
Utility taxes	28,461	-	28,461	-	-
Sanitation fees	47,412	-	47,412	-	-
Bank franchise tax	29,499	-	29,499	-	-
Sales tax	30,576	-	30,576	-	-
Food tax	134,465	-	134,465	-	-
Lodging tax	28,015	-	28,015	-	-
Other miscellaneous	81,855	-	81,855	-	294,662
Water fund accounts	-	-	-	178,814	-
Sewer fund accounts	-	-	-	243,986	-
Transportation fund accounts	-	-	-	94	-
Airport fund accounts	-	-	-	557	-
Total	498,172	-	498,172	423,451	294,662
<i>Allowance for uncollectibles</i>					
Taxes	(77,640)	-	(77,640)	-	-
Water and sewer	-	-	-	(54,609)	-
Other receivables	(29,476)	-	(29,476)	-	-
Net Receivables	\$ 391,056	\$ -	\$ 391,056	\$ 368,842	\$ 294,662

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

<u>Year(s) Ended June 30,</u>	<u>Business-Type Activities (Water Fund)</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 95,000	\$ -
2019	95,000	-
2020	95,000	-
2021	95,000	-
2022	95,000	16,625
2023-2027	380,000	33,250
Total	\$ 855,000	\$ 49,875

5 Interfund Transfers

Interfund transfers for the year ended June 30, 2017 consisted of the following:

Primary Government

Transfers To/From Other Funds	Transfer To	Transfer From
General Fund		
To Airport Fund for operating costs	\$ 184,627	\$ -
From Street Maintenance Fund for operating costs	-	119
From Transportation Fund for operating costs	-	34
From Water Fund for debt service	-	332,763
From Sewer Fund for debt service	-	926,232
Total General Fund	184,627	1,259,148
Street Maintenance Fund		
To General Fund for operating costs	119	-
Total Governmental Activities	184,746	1,259,148
Sewer Fund		
To General Fund for debt payments	926,232	-
Airport Fund		
From General Fund for operating costs	-	184,627
Transportation Fund		
To General Fund for operating costs	34	-
Water Fund		
To General Fund for debt payments	332,763	-
Total Business-Type Activities	1,259,029	184,627
Total Transfers - Primary Government	\$ 1,443,775	\$ 1,443,775

6 Due From Component Unit/Due to Primary Government

Details of the primary government due from component unit as of June 30, 2017 are as follows:

	Due From	Due To
Between Town of Farmville, Virginia and Component Unit Farmville IDA		
Town of Farmville, Virginia - General Fund		
From Component Unit Farmville IDA	\$ 882,703	\$ -
Component Unit Farmville IDA		
To Town of Farmville, Virginia - General Fund	-	882,703
Total Between Primary Government and Component Unit	\$ 882,703	\$ 882,703

7 Due from Other Governmental Units

Details of the Town's receivables from other governmental units, as of June 30, 2017, are as follows:

	Governmental Activities
Commonwealth of Virginia	
E-911 wireless payments	\$ 8,176
Farmville IDA	<u>882,703</u>
Total	<u>\$ 890,879</u>

8 Capital Assets

The following is a summary of changes in capital assets for the year ended June 30, 2017:

Primary Government

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 3,095,803	\$ -	\$ -	<u>\$ 3,095,803</u>
Total Capital Assets Not Being Depreciated	3,095,803	-	-	3,095,803
Other Capital Assets				
Buildings and improvements	15,926,289	48,557	41,247	15,933,599
Infrastructure	22,185,963	298,984	-	22,484,947
Vehicles and equipment	<u>6,193,161</u>	<u>363,223</u>	<u>259,208</u>	<u>6,297,176</u>
Total Other Capital Assets	44,305,413	710,764	300,455	44,715,722
Less: Accumulated depreciation for				
Buildings and improvements	4,929,269	471,253	41,247	5,359,275
Infrastructure	15,592,163	423,058	-	16,015,221
Vehicles and equipment	<u>5,272,654</u>	<u>344,252</u>	<u>259,208</u>	<u>5,357,698</u>
Total Accumulated Depreciation	<u>25,794,086</u>	<u>1,238,563</u>	<u>300,455</u>	<u>26,732,194</u>
Other Capital Assets, Net	<u>18,511,327</u>	<u>(527,799)</u>	-	<u>17,983,528</u>
Net Capital Assets	<u>\$ 21,607,130</u>	<u>\$ (527,799)</u>	<u>\$ -</u>	<u>\$ 21,079,331</u>

Depreciation expense was allocated as follows:

General government administration	\$ 6,290
Public safety	209,321
Public works	952,111
Parks, recreation, and cultural	<u>70,841</u>
Total Depreciation Expense	<u>\$ 1,238,563</u>

Business-Type Activities

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 683,098	\$ -	\$ -	\$ 683,098
Total Capital Assets Not Being Depreciated	683,098	-	-	683,098
Other Capital Assets				
Buildings and improvements	2,841,139	-	-	2,841,139
Infrastructure	26,033,214	112,411	-	26,145,625
Equipment and vehicles	1,921,536	391,775	19,569	2,293,742
Total Other Capital Assets	30,795,889	504,186	19,569	31,280,506
Less: Accumulated depreciation for				
Buildings and improvements	1,770,415	67,570	-	1,837,985
Infrastructure	20,400,924	423,240	-	20,824,164
Equipment and vehicles	1,669,012	139,555	19,569	1,788,998
Total Accumulated Depreciation	23,840,351	630,365	19,569	24,451,147
Other Capital Assets, Net	6,955,538	(126,179)	-	6,829,359
Net Capital Assets	\$ 7,638,636	\$ (126,179)	\$ -	\$ 7,512,457

9 Compensated Absences

For the first year (12 months) of employment, an employee earns six hours of leave per pay period. After 12 months, the employee earns eight hours per pay period and then after 10 years of employment, ten hours per pay period. The maximum carryover of annual leave shall be 480 hours at the end of the last full two-week pay period in the calendar year. The Town has outstanding compensated absences totaling \$576,004 in the governmental activities and \$76,806 in the business-type activities.

10 Line of Credit

The Town has an operating line of credit with Farmers Bank. The line is for 1.5 million with an interest rate of 3.25 percent. Interest is paid monthly. There is an annual renewal fee of \$500. There were no draws or payments associated with this loan during the fiscal year and no balance was outstanding at fiscal year end.

11 Long-Term Debt

PRIMARY GOVERNMENT

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

Year(s) Ended June 30.	Governmental Activities		Business-Type Activities		Total Town of Farmville	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 1,073,637	\$ 471,945	\$ 145,000	\$ 161,547	\$ 1,218,637	\$ 633,492
2019	1,123,905	420,915	150,000	154,587	1,273,905	575,502
2020	1,169,169	367,447	160,000	147,244	1,329,169	514,691
2021	1,226,031	306,170	165,000	138,916	1,391,031	445,086
2022	1,286,204	247,634	175,000	131,028	1,461,204	378,662
2023-2027	4,395,860	420,712	1,000,000	516,744	5,395,860	937,456
2028-2032	-	-	1,280,000	243,100	1,280,000	243,100
2033	-	-	295,000	7,559	295,000	7,559
Compensated Absences	576,004	-	76,806	-	652,810	-
Net Pension Obligation	1,535,215	-	-	-	1,535,215	-
Landfill Obligation	1,384,298	-	-	-	1,384,298	-
Total	\$ 13,770,323	\$ 2,234,823	\$ 3,446,806	\$ 1,500,725	\$ 17,217,129	\$ 3,735,548

Year(s) Ended June 30.	Component Unit Farmville IDA		Total Above Town of Farmville		Total Reporting Entity	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 35,598	\$ 18,598	\$ 1,218,637	\$ 633,492	\$ 1,254,235	\$ 652,090
2019	37,216	16,900	1,273,905	575,502	1,311,121	592,402
2020	38,834	15,118	1,329,169	514,691	1,368,003	529,809
2021	40,747	13,079	1,391,031	445,086	1,431,778	458,165
2022	42,806	11,130	1,461,204	378,662	1,504,010	389,792
2023-2027	158,574	27,575	5,395,860	937,456	5,554,434	965,031
2028-2032	37,658	7,152	1,280,000	243,100	1,317,658	250,252
2033	8,679	222	295,000	7,559	303,679	7,781
Compensated Absences	-	-	652,810	-	652,810	-
Net Pension Obligation	-	-	1,535,215	-	1,535,215	-
Landfill Obligation	-	-	1,384,298	-	1,384,298	-
Total	\$ 400,112	\$ 109,774	\$ 17,217,129	\$ 3,735,548	\$ 17,617,241	\$ 3,845,322

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, 2017:

	<u>Balance July 1, 2016</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
Primary Government					
\$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.					
Enterprise Fund Portion	\$ 3,505,000	\$ -	\$ 135,000	\$ 3,370,000	\$ 145,000
General Fund Portion	<u>11,250,000</u>	<u>-</u>	<u>1,020,000</u>	<u>10,230,000</u>	<u>1,065,000</u>
Total Series 2012A Refunding Bonds	14,755,000	-	1,155,000	13,600,000	1,210,000
\$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.	12,613	-	3,002	9,611	3,098
\$41,000 note payable to USDA Rural Development dated June 7, 2016. The note is payable annually with an interest rate of 2.875 percent per annum. Proceeds used to purchase police vehicles. The note matures June 2023.	-	41,000	5,805	35,195	5,539
Net Pension Obligation	1,414,563	120,652	-	1,535,215	-
Landfill Obligation	1,379,366	4,932	-	1,384,298	-
Compensated Absences - Governmental Activities	558,028	17,976	-	576,004	-
Compensated Absences - Business-Type Activities	<u>69,755</u>	<u>7,051</u>	<u>-</u>	<u>76,806</u>	<u>-</u>
Total Primary Government	<u>\$ 18,189,325</u>	<u>\$ 191,611</u>	<u>\$ 1,163,807</u>	<u>\$ 17,217,129</u>	<u>\$ 1,218,637</u>
Recap by Fund of Above Debt					
Governmental Funds	\$ 14,614,570	\$ 184,560	\$ 1,028,807	\$ 13,770,323	\$ 1,073,637
Enterprise Funds	<u>3,574,755</u>	<u>7,051</u>	<u>135,000</u>	<u>3,446,806</u>	<u>145,000</u>
Total Primary Government	<u>\$ 18,189,325</u>	<u>\$ 191,611</u>	<u>\$ 1,163,807</u>	<u>\$ 17,217,129</u>	<u>\$ 1,218,637</u>
Bond Premium on Series 2012 Bond - Governmental Fund portion	<u>\$ 1,957,081</u>	<u>\$ -</u>	<u>\$ 177,918</u>	<u>\$ 1,779,163</u>	<u>\$ 177,916</u>
Bond Premium on Series 2012 Bond - Enterprise Fund portion	<u>\$ 574,253</u>	<u>\$ -</u>	<u>\$ 33,779</u>	<u>\$ 540,474</u>	<u>\$ 33,779</u>
Component Unit Farmville IDA					
<i>Town of Farmville, Virginia</i>					
The Town refinanced the bonds in which the Authority shared responsibility. As of the refinance, the Authority now is responsible for 2.942% of the total proceeds. The debt service schedule calls for semi-annual payments with interest only due each April 1 and principal and interest due each October 1 through October 1, 2032. Payments are scheduled to begin on October 1, 2012.					
	<u>\$ 434,092</u>	<u>\$ -</u>	<u>\$ 33,980</u>	<u>\$ 400,112</u>	<u>\$ 35,598</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, 2017 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	\$ 47,811,525	\$ 31,963,604	\$ 79,775,129
Less: Accumulated depreciation	<u>(26,732,194)</u>	<u>(24,451,147)</u>	<u>(51,183,341)</u>
Book value	21,079,331	7,512,457	28,591,788
Less: Capital related debt	(10,239,611)	(3,370,000)	(13,609,611)
Less: Unamortized debt issuance premium	<u>(1,779,163)</u>	<u>(540,474)</u>	<u>(2,319,637)</u>
Net Investment in Capital Assets	<u>\$ 9,060,557</u>	<u>\$ 3,601,983</u>	<u>\$ 12,662,540</u>

13 Deferred Inflows of Resources

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

Primary Government

General Fund

Delinquent taxes not collected within 60 days and adjusted for uncollectible amounts after 3 years	\$ <u>36,703</u>
Total Deferred Inflows of Resources - Governmental Funds	\$ <u><u>36,703</u></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.

15 Commitments and Contingencies

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

16 Litigation

At June 30, 2017, 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>\$ 543,682,420</u>
Debt Limit - 10 Percent of Total Assessed Value	\$ 54,368,242
<i>Amount of Debt Applicable to Debt Limit</i>	
General obligation debt	<u>13,609,611</u>
Legal Debt Margin	<u>\$ 40,758,631</u>

18 Surety Bond Information

The following are insured through the Aetna Insurance Company - Surety in effect at June 30, 2017:

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

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 \$1,384,298 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, 2017.

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 \$384,298. 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 \$1,384,298 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/her base compensation and not to exceed the maximum percentage or amount allowable by law. The Town will match the employee contribution of either 4 or 5 percent. The Town's contributions for each employee (and interest allocated to the employee's account) are fully vested after five years' continuous service. Town contributions for, and interest forfeited by, employees who leave employment before five years of service are used to reduce the Town's current period contribution requirement.

The Town's total payroll in fiscal year 2017 was \$6,278,522. 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 \$537,617 of which \$211,640 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, 2017, 2016, and 2015:

<i>Year Ended June 30</i>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<i>Actuarial Valuation Date</i>	July 1, 2016*	July 1, 2015*	July 1, 2014*
<i>Annual Pension Cost (APC)</i>			
Annual Required Contribution (ARC)	\$ 187,294	\$ 181,546	\$ 183,707
Interest on net beginning Net Pension Obligation (NPO)	49,510	45,689	41,722
Adjustment to ARC	(76,912)	(70,977)	(64,814)
Annual Pension Cost (APC)	159,892	156,258	160,615
<i>Components of Annual Required Contribution (ARC)</i>			
Normal Cost	78,735	76,803	75,649
Amortization of Accrued Liability	102,225	98,604	101,846
Interest Cost	6,334	6,139	6,212
Annual Required Contribution	187,294	181,546	183,707
% Annual Pension Cost Contributed	24.54%	30.14%	29.44%
<i>Change in NPO During the Fiscal Year</i>			
NPO at beginning of fiscal year	1,414,563	1,305,405	1,192,070
Interest on NPO	49,510	45,689	41,722
Annual Required Contribution (ARC) for the fiscal year	187,294	181,546	183,707
Adjustment to the ARC	(76,912)	(70,977)	(64,814)
Employer Contribution made during the fiscal year	(39,240)	(47,100)	(47,280)
NPO at end of fiscal year	1,535,215	1,414,563	1,305,405
Net change in NPO	120,652	109,158	113,335
<i>Funded Status at End of Fiscal Year</i>			
Accrued Liability at end of year	2,055,607	1,982,261	2,036,760
Plan assets at end of year	-	-	-
Unfunded Accrued Liability	(2,055,607)	(1,982,261)	(2,036,760)
Percentage of Funded Accrued Liability	0%	0%	0%
Covered Payroll	5,113,418	\$ 4,852,909	\$ 4,796,901
UAAL as a Percentage of Covered Payroll	40.20%	40.85%	42.46%

*Amounts represent Required Supplementary Information, which is unaudited.

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

The following methods and assumptions were utilized for the July 1, 2016 actuarial valuation date:

<i>Actuarial Valuation Date</i>	July 1, 2016		
<i>Annual Discount Rate</i>	3.50%		
<i>Mortality and Employee Turnover</i>	Probability of Continued Employment until Age 65		
Mortality Tables for Males and Females, as required for funding under IRC Section 430 for 2016; Scale T-3 employee turnover.	Current Age	<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%
<i>Assumed Retirement Age</i>	Later of age 65 or date eligible for benefits, but not more than age 75.		
<i>Actuarial Cost Method for Determining ARC</i>	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, 2017, 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	\$ 20,174	\$ -	\$ -	\$ 20,174
Assigned for				
Used by police department	\$ -	\$ -	\$ 15,423	\$ 15,423

23 Discretely Presented Component Unit Farmville IDA - Net Position

For fiscal year ending June 30, 2017, the Discretely Presented Component Unit Farmville IDA reflected a decrease in net position of \$14,493 as net position reflected a negative balance of \$550,947. 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.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Town of Farmville, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2017

General Fund

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
General Property Taxes				
Real property taxes	\$ 615,000	\$ 615,000	\$ 617,232	\$ 2,232
Public service corporation property taxes	31,000	31,000	33,517	2,517
Personal property taxes	212,000	212,000	207,691	(4,309)
Interest on taxes	4,800	4,800	2,938	(1,862)
Penalties on taxes	4,800	4,800	3,804	(996)
Total General Property Taxes	867,600	867,600	865,182	(2,418)
Other Local Taxes				
Local sales and use taxes	360,000	360,000	351,766	(8,234)
Consumption tax	25,000	25,000	27,914	2,914
Consumers' utility taxes	361,000	361,000	363,357	2,357
Business licenses	1,303,000	1,303,000	1,413,369	110,369
Franchise license taxes	25,000	25,000	32,024	7,024
Motor vehicle licenses	75,000	75,000	130,342	55,342
Bank stock taxes	195,000	195,000	215,462	20,462
Cigarette taxes	220,000	220,000	200,800	(19,200)
Hotel and motel room taxes	346,500	346,500	379,872	33,372
Restaurant food taxes	2,500,500	2,500,500	2,642,296	141,796
Total Other Local Taxes	5,411,000	5,411,000	5,757,202	346,202
Permits, Privilege Fees, and Regulatory Licenses				
Building permits	60,025	60,025	101,096	41,071
Other permits, licenses, and fees	12,100	12,100	9,549	(2,551)
Total Permits, Privilege Fees, and Regulatory Licenses	72,125	72,125	110,645	38,520
Fines and Forfeitures				
Court fines	38,000	38,000	45,934	7,934
Other fines and forfeitures	6,450	6,450	11,780	5,330
Total Fines and Forfeitures	44,450	44,450	57,714	13,264
Revenue from Use of Money and Property				
Revenue from use of money	9,400	9,400	15,763	6,363
<i>Revenue from Use of Property</i>				
Rental of general property and real estate	100,308	100,308	102,469	2,161
Sale of property	25,950	25,950	90,220	64,270
Total Revenue from Use of Money and Property	135,658	135,658	208,452	72,794

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Charges for Services				
Miscellaneous	89,350	89,350	23,674	(65,676)
ICA per diem	216,000	216,000	249,732	33,732
Sanitation fees	350,000	350,000	345,377	(4,623)
Golf course charges	156,650	156,650	160,387	3,737
Longwood Streets	35,000	35,000	35,000	-
Parking meters	43,000	43,000	35,457	(7,543)
Public works	50,000	50,000	65,991	15,991
Grave openings	15,000	15,000	13,325	(1,675)
Total Charges for Services	<u>955,000</u>	<u>955,000</u>	<u>928,943</u>	<u>(26,057)</u>
Miscellaneous				
Payment from PE County for share of debt	270,300	270,300	236,771	(33,529)
Miscellaneous	172,945	172,945	110,971	(61,974)
Total Miscellaneous	<u>443,245</u>	<u>443,245</u>	<u>347,742</u>	<u>(95,503)</u>
Recovered Costs				
Other funds and street department	348,000	348,000	377,290	29,290
Library rent	120,000	120,000	120,000	-
Other recovered costs	8,530	8,530	75,195	66,665
Total Recovered Costs	<u>476,530</u>	<u>476,530</u>	<u>572,485</u>	<u>95,955</u>
Intergovernmental				
<i>Revenue from the Commonwealth</i>				
Non-Categorical Aid				
Communications taxes	509,000	509,000	494,783	(14,217)
Mobile home titling tax	2,500	2,500	4,125	1,625
Rolling stock taxes - motor vehicle carriers tax	100	100	151	51
Aid to localities with police departments	166,940	166,940	172,312	5,372
Auto rental tax	65,000	65,000	74,304	9,304
Total Non-Categorical Aid	<u>743,540</u>	<u>743,540</u>	<u>745,675</u>	<u>2,135</u>
Categorical Aid				
Wireless quarterly payments	90,000	90,000	96,203	6,203
Litter Control Grant	4,000	4,000	3,329	(671)
Virginia Tourism Brochure	5,000	5,000	3,075	(1,925)
Tobacco Commission - Weyanoke	-	-	145,000	145,000
Presidential debate	134,000	134,000	132,400	(1,600)
VDOT and other grants	1,270,000	1,270,000	-	(1,270,000)
DMV and Police Grants	100,000	100,000	200	(99,800)
Fire program	26,000	26,000	26,662	662
Grant - Burn Vehicle	50,000	50,000	49,111	(889)
Total Categorical Aid	<u>1,679,000</u>	<u>1,679,000</u>	<u>455,980</u>	<u>(1,223,020)</u>
Total Revenue from the Commonwealth	<u>2,422,540</u>	<u>2,422,540</u>	<u>1,201,655</u>	<u>(1,220,885)</u>

Variance
With
Final Budget
Positive
(Negative)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
<i>Revenue from the Federal Government</i>				
Emergency Services grants	12,180	12,180	12,180	-
Police related grants	164,500	164,500	51,241	(113,259)
USDA Rural Development	50,000	50,000	50,000	-
VDOT Grant - Milnwood and Buffalo Creek	3,000,000	3,000,000	15,475	(2,984,525)
VDOT Grant - Traffic lights	-	-	44,887	44,887
VDOT Grant - Pavement overlay	-	-	180,737	180,737
Total Revenue from the Federal Government	<u>3,226,680</u>	<u>3,226,680</u>	<u>354,520</u>	<u>(2,872,160)</u>
Total Intergovernmental Revenue	<u>5,649,220</u>	<u>5,649,220</u>	<u>1,556,175</u>	<u>(4,093,045)</u>
Total Revenues	14,054,828	14,054,828	10,404,540	(3,650,288)
Expenditures				
Current				
<i>General Government Administration</i>				
Town Council	267,055	268,012	240,114	27,898
Town Manager	811,563	912,213	748,944	163,269
Treasurer	<u>486,395</u>	<u>486,395</u>	<u>457,751</u>	<u>28,644</u>
Total General Government Administration	1,565,013	1,666,620	1,446,809	219,811
<i>Public Safety</i>				
Police Department	2,751,304	2,758,444	2,411,864	346,580
911 services	1,017,216	1,017,216	866,039	151,177
Fire services	165,996	168,496	181,344	(12,848)
Building inspector	153,789	153,789	139,491	14,298
Animal control	<u>25,178</u>	<u>26,178</u>	<u>20,097</u>	<u>6,081</u>
Total Public Safety	4,113,483	4,124,123	3,618,835	505,288
<i>Public Works</i>				
Recycling department	113,095	113,095	95,266	17,829
Sanitation	733,331	770,371	741,322	29,049
Maintenance of highways and streets	3,968,304	4,137,041	681,748	3,455,293
South Street Conference Center	15,552	15,552	10,398	5,154
Train Station	5,650	5,650	1,757	3,893
Surveying	95,123	95,123	89,675	5,448
Maintenance of buildings and grounds	2,166,199	1,831,818	1,142,125	689,693
Burn Building Grant	642	2,477	1,905	572
Horticulturist	<u>87,078</u>	<u>99,078</u>	<u>89,191</u>	<u>9,887</u>
Total Public Works	7,184,974	7,070,205	2,853,387	4,216,818
<i>Parks, Recreation, and Cultural</i>				
Library	26,228	26,228	18,220	8,008
Appropriation - Library - Rent	120,000	120,000	120,000	-
Appropriation - Library	50,000	50,000	50,000	-
Golf Course	283,418	365,033	331,131	33,902
Banquet Room	31,413	34,513	24,019	10,494
Pool	79,321	79,321	45,286	34,035
Sports Arena	65,858	76,739	42,365	34,374
Wilck's Lake	21,539	22,339	17,867	4,472
Train station	3,500	3,500	2,565	935
Parks and recreation	<u>253,527</u>	<u>253,486</u>	<u>163,194</u>	<u>90,292</u>
Total Parks, Recreation, and Cultural	934,804	1,031,159	814,647	216,512

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<i>Community Development</i>				
Planning and community development	112,000	257,000	242,785	14,215
Presidential debate	134,000	236,043	236,043	-
Town Planner	<u>76,484</u>	<u>76,484</u>	<u>74,034</u>	<u>2,450</u>
Total Community Development	322,484	569,527	552,862	16,665
<i>Debt Service</i>				
Principal	1,028,494	1,028,494	1,028,807	(313)
Interest	<u>529,816</u>	<u>529,816</u>	<u>519,375</u>	<u>10,441</u>
Total Debt Service	<u>1,558,310</u>	<u>1,558,310</u>	<u>1,548,182</u>	<u>10,128</u>
Total Expenditures	<u>15,679,068</u>	<u>16,019,944</u>	<u>10,834,722</u>	<u>5,185,222</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,624,240)	(1,965,116)	(430,182)	1,534,934
Other Financing Sources (Uses)				
Proceeds from loans	41,000	41,000	41,000	-
Transfers in	1,269,075	1,300,215	1,259,148	(41,067)
Transfers out	<u>(467,188)</u>	<u>(467,188)</u>	<u>(184,627)</u>	<u>282,561</u>
Total Other Financing Sources (Uses)	<u>842,887</u>	<u>874,027</u>	<u>1,115,521</u>	<u>241,494</u>
Net Change in Fund Balance	(781,353)	(1,091,089)	685,339	1,776,428
Transfer from Surplus (Contingency)	<u>781,353</u>	<u>1,091,089</u>	-	<u>(1,091,089)</u>
Net Change after Transfer from Surplus	<u>\$ -</u>	<u>\$ -</u>	685,339	<u>\$ 685,339</u>
Fund Balance - Beginning of Year			<u>2,930,990</u>	
Fund Balance - End of Year			<u>\$ 3,616,329</u>	

Variance
With
Final Budget
Positive
(Negative)

Street Maintenance Fund

Revenues

Intergovernmental

Revenue from the Commonwealth

Categorical Aid

Street maintenance fund

	<u>\$ 1,650,000</u>	<u>\$ 1,650,000</u>	<u>\$ 1,671,801</u>	<u>\$ 21,801</u>
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Total Categorical Aid and Revenues

	1,650,000	1,650,000	1,671,801	21,801
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Expenditures

Current

Public Works

Maintenance of streets and highways

	<u>2,042,333</u>	<u>2,042,333</u>	<u>1,548,513</u>	<u>493,820</u>
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Excess (Deficiency) of Revenues Over Expenditures

	(392,333)	(392,333)	123,288	515,621
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Other Financing Sources (Uses)

Transfers in (out)

	<u>(119)</u>	<u>(119)</u>	<u>(119)</u>	<u>-</u>
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Total Other Financing Sources (Uses)

	<u>(119)</u>	<u>(119)</u>	<u>(119)</u>	<u>-</u>
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Net Change in Fund Balance

	(392,452)	(392,452)	123,169	515,621
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Transfer from Surplus (Contingency)

	<u>392,452</u>	<u>392,452</u>	<u>-</u>	<u>(392,452)</u>
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Net Change after Transfer from Surplus

	<u>\$ -</u>	<u>\$ -</u>	123,169	<u>\$ 123,169</u>
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Fund Balance (Deficit) - Beginning of Year

	<u>(18,437)</u>
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Fund Balance - End of Year

	<u>\$ 104,732</u>
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OTHER SUPPLEMENTARY INFORMATION

Town of Farmville, Virginia

Combining Balance Sheet

Other Governmental Funds

At June 30, 2017

	Narcotic Fund	Total Other Governmental Funds
Assets		
Cash and investments	<u>\$ 15,423</u>	<u>\$ 15,423</u>
Total Assets	<u>\$ 15,423</u>	<u>\$ 15,423</u>
Liabilities	\$ -	\$ -
Fund Balance		
Assigned	<u>15,423</u>	<u>15,423</u>
Total Fund Balance	<u>15,423</u>	<u>15,423</u>
Total Liabilities and Fund Balance	<u>\$ 15,423</u>	<u>\$ 15,423</u>

Town of Farmville, Virginia

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

Other Governmental Funds

At June 30, 2017

	<u>Special Revenue Fund Narcotic Fund</u>	<u>Total Other Governmental Funds</u>
Revenues		
Use of money and property	\$ 56	\$ 56
Intergovernmental		
From the Commonwealth of Virginia	<u>3,655</u>	<u>3,655</u>
Total Revenues	3,711	3,711
Expenditures		
Current		
Public safety	<u>2,800</u>	<u>2,800</u>
Total Expenditures	<u>2,800</u>	<u>2,800</u>
Excess (Deficiency) of Revenues Over Expenditures	911	911
Other Financing Sources (Uses)		
Transfers in	-	-
Transfers out	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
Net Change in Fund Balances	911	911
Fund Balance - Beginning of Year	<u>14,512</u>	<u>14,512</u>
Fund Balance - End of Year	<u>\$ 15,423</u>	<u>\$ 15,423</u>

Town of Farmville, Virginia

Statement of Net Position (Deficit)

Discretely Presented Component Unit - IDA

Farmville Industrial Development Authority

As of June 30, 2017

Assets**Current Assets**

Cash	\$	51,726
Accrued interest receivable		1,874
Notes receivable - current portion		<u>26,603</u>

Total Current Assets		80,203
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Long-Term Notes Receivable

		<u>266,185</u>
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Total Assets	\$	<u><u>346,388</u></u>
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Liabilities and Net Position (Deficit)**Liabilities***Current Liabilities*

Due to Town of Farmville, Virginia	\$	482,591
Accrued interest payable		14,632
Notes payable - current portion		<u>35,598</u>

Total Current Liabilities		532,821
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Long-Term Liabilities

Note payable - less current portion		<u>364,514</u>
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Total Liabilities		897,335
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Net Position (Deficit)

Unrestricted (deficit)		<u>(550,947)</u>
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Total Net Position (Deficit)		<u>(550,947)</u>
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Total Liabilities and Net Position (Deficit)	\$	<u><u>346,388</u></u>
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Town of Farmville, Virginia

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

Discretely Presented Component Unit - IDA

Farmville Industrial Development Authority

Year Ended June 30, 2017

Operating Income	\$ -
Operating Expenses	
Professional fees	2,500
Total Operating Expenses	<u>2,500</u>
Net Operating Loss	(2,500)
Non-Operating Revenues (Expenses)	
Interest income	7,875
Interest expense	<u>(19,868)</u>
Net Non-Operating Revenues (Expenses)	<u>(11,993)</u>
Change in Net Position	(14,493)
Total Net Position (Deficit) - Beginning of Year	<u>(536,454)</u>
Total Net Position (Deficit) - End of Year	<u>\$ (550,947)</u>

Town of Farmville, Virginia

Statement of Cash Flows

Discretely Presented Component Unit - IDA

Farmville Industrial Development Authority

Year Ended June 30, 2017

Cash Flows from Operating Activities

Payments to suppliers	\$ (2,500)
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Net Cash Used in Operating Activities	(2,500)
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Cash Flows from Capital and Related Financing Activities

Curtailment of borrowings	(33,980)
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Proceeds resulting from curtailment of note receivable	<u>25,462</u>
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Net Cash Used in Capital and Related Financing Activities	(8,518)
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Cash Flows from Investing Activities

Interest income	8,038
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Interest expense	<u>(10,472)</u>
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Net Cash Used in Investing Activities	<u>(2,434)</u>
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Net Decrease in Cash and Cash Equivalents	(13,452)
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Cash and Cash Equivalents - Beginning of Year	<u>65,178</u>
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Cash and Cash Equivalents - End of Year	<u><u>\$ 51,726</u></u>
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Reconciliation of Operating Loss to Net Cash Used in Operating Activities

Operating loss	\$ (2,500)
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Net Cash Used in Operating Activities	<u><u>\$ (2,500)</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
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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, 2017, and the related notes to the financial statements, which collectively comprise the Town of Farmville, Virginia's basic financial statements and have issued our report thereon dated November 27, 2017.

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
November 27, 2017