

**FARMVILLE INDUSTRIAL
DEVELOPMENT AUTHORITY
(A Component Unit of the
Town of Farmville, Virginia)**

FINANCIAL REPORT

June 30, 2021

FARMVILLE INDUSTRIAL DEVELOPMENT AUTHORITY

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INTRODUCTORY SECTION

FARMVILLE INDUSTRIAL DEVELOPMENT AUTHORITY

DIRECTORY OF PRINCIPAL OFFICIALS

June 30, 2021

BOARD OF DIRECTORS

Perry Carrington, Chairman
Cindy Cave, Vice Chairman

Jack Houghton
Marie Ellen Godin
Teresa Stewart
Leigh Lunsford
Travis Mason

OFFICIALS

Carol Anne Seal.....Treasurer
C. Scott Davis.....Secretary
Gary Elder.....Attorney

INDEPENDENT AUDITORS

Brown, Edwards & Company, L.L.P.

FINANCIAL SECTION

**Financial Section contains the
Basic Financial Statements.**

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Farmville Industrial Development Authority
Farmville, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the Farmville Industrial Development Authority (the "Authority"), a discretely presented component unit of the Town of Farmville, Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority'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 an opinion 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 Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards 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 Authority'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 Authority'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 opinion.

Report on the Financial Statements (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2021, and the 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

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not modified with respect to this matter.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section and schedule of bonds outstanding are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and schedule of bonds outstanding have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2021 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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 Authority's internal control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
December 13, 2021

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BASIC FINANCIAL STATEMENTS

FARMVILLE INDUSTRIAL DEVELOPMENT AUTHORITY

STATEMENT OF NET POSITION

June 30, 2021

ASSETS**CURRENT ASSETS**

Cash and cash equivalents (Note 2)	\$ 89,743
Accrued interest receivable	1,180
Accounts receivable	23,406
Note receivable – current portion (Note 3)	<u>28,853</u>
Total current assets	<u>143,182</u>

NONCURRENT ASSETS

Note receivables (Note 3)	<u>155,282</u>
Total noncurrent assets	<u>155,282</u>
Total assets	<u>298,464</u>

LIABILITIES**CURRENT LIABILITIES**

Performance incentive payable	23,406
Accrued interest payable	3,009
Due to primary government (Note 4)	<u>42,806</u>
Total current liabilities	<u>69,221</u>

NONCURRENT LIABILITIES

Due to primary government (Note 4)	<u>627,501</u>
Total noncurrent liabilities	<u>627,501</u>
Total liabilities	<u>696,722</u>

NET POSITION

Unrestricted	<u>(398,258)</u>
Total net position	<u>\$ (398,258)</u>

The Notes to Financial Statements are an integral part of this statement.

FARMVILLE INDUSTRIAL DEVELOPMENT AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
Year Ended June 30, 2021

OPERATING REVENUES	
Hotel Weyanoke, LLC performance agreement	\$ 36,857
Administrative fees for bonds	<u>50,000</u>
Total operating revenues	<u>86,857</u>
OPERATING EXPENSES	
Performance incentive payments	39,246
Business grants expense	<u>10,000</u>
Total operating expenses	<u>49,246</u>
Operating income	<u>37,611</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	5,053
Interest expense	<u>(12,555)</u>
Nonoperating expenses	<u>(7,502)</u>
Increase in net position	30,109
NET POSITION	
Beginning of year	<u>(428,367)</u>
End of year	<u><u>\$ (398,258)</u></u>

The Notes to Financial Statements are an integral part of this statement.

FARMVILLE INDUSTRIAL DEVELOPMENT AUTHORITY

STATEMENT OF CASH FLOWS
Year Ended June 30, 2021**OPERATING ACTIVITIES**

Incentive and performance grant receipts	\$ 13,451
Administrative fees	50,000
Business grants payments	(10,000)
Incentive and performance grant payments	<u>(15,840)</u>

Net cash provided by operating activities	<u>37,611</u>
-------------------------------------------	---------------

NONCAPITAL FINANCING ACTIVITIES

Interest paid to Town	(13,077)
Payments made to Town	<u>(60,747)</u>

Net cash used in noncapital financing activities	<u>(73,824)</u>
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INVESTING ACTIVITIES

Payments on notes receivable	30,111
Interest received	<u>5,229</u>

Net cash provided by investing activities	<u>35,340</u>
-------------------------------------------	---------------

Net decrease in cash and cash equivalents	(873)
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CASH AND CASH EQUIVALENTS

Beginning of year	<u>90,616</u>
End of year	<u>\$ 89,743</u>

The Notes to Financial Statements are an integral part of this statement.

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies

Reporting entity

The Farmville Industrial Development Authority (the “Authority”) was created as a political subdivision of the Commonwealth of Virginia by ordinance of the Town Council of Farmville on March 12, 1981, pursuant to the provisions of the Industrial Development and Revenue Bond Act (Chapter 33, Section 15.1-1373 et. seq., of the *Code of Virginia* (1950) as amended). The Authority is governed by seven directors appointed by the Town Council. It is authorized to acquire, own, lease, and dispose of properties to the end that such activities may promote industry and develop trade by inducing enterprises to locate and remain in Virginia. The Authority is also authorized to issue debt to aid it in these activities as well.

For financial reporting purposes, the Authority is a discretely presented component unit of the Town of Farmville, Virginia (the “Town”). The Authority is so classified because its members are appointed by Town Council and the Town provides significant funding to the Authority; thus, the Town is financially accountable for the Authority.

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.

Measurement focus and basis of accounting

The Authority’s financial statements consist of a single enterprise fund and are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing grant and incentive services and producing and delivering goods in connection with the Authority’s principal ongoing operations. The principal operating revenues of the Authority generally result from operating leases and financing leases. All revenue 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 Authority’s policy to use restricted resources first, and then unrestricted resources as they are needed.

(Continued)

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities three months or less from the date of acquisition.

Notes receivable

Notes receivable consist of an amount owed to the Authority from a local business.

Net position

At June 30, the Industrial Development Authority had a deficit in unrestricted net position of \$398,258. This deficit is anticipated to be recovered through future revenues, as well as possible contributions from the Primary Government.

Estimates

Management uses estimates and assumptions in preparing its financial statements. Actual results could differ from those estimates.

Note 2. 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.

Note 3. Notes Receivable

Notes receivable consist of a \$600,000 note bearing an interest rate of 2.56% (rate of interest is 2.31% plus .25% for admin.). The loan is secured by the guarantee of the owner and his related business. The note requires interest payments semiannually in April and October and principal payments every October only. As of June 30, 2021, the balance of the note amounted to \$184,135.

Based on the Authority's analysis of the loan at June 30, 2021, no allowance was recorded. Management evaluates the performance and payment history of the company annually in determining the required allowance.

(Continued)

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 3. Notes Receivable (Continued)

The schedule of principal payments to be received is as follows:

Fiscal Year	Notes Receivable		
	Principal	Interest	Total
2022	\$ 28,853	\$ 4,345	\$ 33,198
2023	29,978	3,592	33,570
2024	29,954	2,825	32,779
2025	31,073	2,044	33,117
2026	32,186	1,234	33,420
2027	32,091	410	32,501
	<u>\$ 184,135</u>	<u>\$ 14,450</u>	<u>\$ 198,585</u>

Note 4. Due To Primary Government

Due to prior year deficits in operations, the Town of Farmville, Virginia has funded the Authority resources to meet its loan obligations. During the year ended June 30, 2021, operations produced an operating gain, and existing cash balances were able to reimburse a portion of the deficit and the Authority met its cash flow needs. The Authority owed the Town \$422,591 at June 30. The Authority anticipates paying the “Due to” down through future administrative fees collected on sponsorship of industrial bonds for area businesses.

In 2012, 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 to be repaid to the Town. 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 2033. There is no collateral for this loan.

The following is a summary of changes in long-term liabilities for the year:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Due to Town (prior deficits)	\$ 442,591	\$ -	\$ 20,000	\$ 422,591	\$ -
Due to Town (bond payments)	288,463	-	40,747	247,716	42,806
	<u>\$ 731,054</u>	<u>\$ -</u>	<u>\$ 60,747</u>	<u>\$ 670,307</u>	<u>\$ 42,806</u>

(Continued)

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 4. Due To Primary Government (Continued)

The annual requirements to amortize long-term bond payments and related interest are as follows:

Fiscal Year	Due to Town (Bond Payments)		
	Principal	Interest	Total
2022	\$ 42,806	\$ 11,130	\$ 53,936
2023	44,718	9,145	53,863
2024	39,423	7,055	46,478
2025	31,185	5,246	36,431
2026	32,950	3,603	36,553
2027-2031	39,717	9,021	48,738
2032-2033	16,917	878	17,795
	<u>\$ 247,716</u>	<u>\$ 46,078</u>	<u>\$ 293,794</u>

Note 5. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority is insured through the Town's insurance policies. There were no significant reductions in insurance coverage from the prior year, and settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 6. Related Party Transactions

The Town provides office space and management services in the form of employees to the Authority at no charge.

Note 7. COVID-19 Impact

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The Authority's operations are heavily dependent on the ability to raise taxes, assess fees, and access the capital markets. The outbreak will have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. This situation has depressed the tax bases and other areas in which the Authority received revenue during fiscal year 2021. As such, the Authority's financial condition and liquidity may be negatively impacted for the fiscal year 2022.

(Continued)

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 7. COVID-19 Impact (Continued)

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude the pandemic will have on the Authority's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Authority is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2022.

Note 8. Conduit Debt Obligations

From time to time, the Authority has issued Economic Revenue Bonds ("Bonds") to provide financial assistance to private sector entities for the acquisition and construction of industrial, commercial, and educational facilities deemed to be in the public interest. The Bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Neither the City, the state, nor any political subdivision thereof, including the Authority, is obligated in any manner for repayment of the Bonds. Accordingly, the Bonds are not reported as liabilities in the accompanying financial statements.

At June 30, 2021, there was one Revenue and Refunding Bond outstanding, with a principal amount payable of \$128,425,000.

Note 9. Incentive Grants

In fiscal year 2018, the Authority, in conjunction with the Town of Farmville, entered into a performance agreement with Hotel Weyanoke, LLC. The Authority and other parties agreed to provide certain cash incentives to Hotel Weyanoke, LLC provided the Hotel meets the capital investment set forth in the agreement. During fiscal year 2021, the Hotel was considered in compliance with performance requirements to date.

Note 10. New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective. The effective dates below are updated based on **Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance** due to the COVID-19 pandemic.

The GASB issued **Statement No. 87, Leases** in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after June 15, 2021.

(Continued)

TOWN OF FARMVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 10. New Accounting Standards (Continued)

The GASB issued **Statement No. 91**, *Conduit Debt Obligations* in May 2019. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

In January 2020, the GASB issued **Statement No. 92**, *Omnibus*. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued **Statement No. 93**, *Replacement of Interbank Offered Rates*. This Statement addresses accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued **Statement No. 94**, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In May 2020, the GASB issued **Statement No. 96**, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In June 2020, the GASB issued **Statement No. 97**, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. This Statement provides a more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

SUPPLEMENTARY SCHEDULE

FARMVILLE INDUSTRIAL DEVELOPMENT AUTHORITY

SCHEDULE OF BONDS OUTSTANDING – CONDUIT DEBT

June 30, 2021

Type of Issue	Date Issued	Amount of Bonds Issued	Bonds Outstanding June 30, 2021	Project Financed
Revenue Bond	Dec 1, 2018	\$ 128,425,000	\$ 128,425,000	Longwood University Student Housing Projects

COMPLIANCE SECTION

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

Board of Directors
Farmville Industrial Development Authority
Farmville, Virginia

We have audited, 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 Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the Farmville Industrial Development Authority (the "Authority"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 13, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Authority'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 a 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. **We consider the deficiency described in the accompanying schedule of findings and responses as item 2021-002, to be a material weakness.**

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. **We consider the deficiency described in the accompanying schedule of findings and, as item 2021-001, to be a significant deficiency.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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 statements. 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*.**

The Authority's Response to Finding

The Authority's response to the finding identified in our audit is described in the accompanying schedule of finding and responses. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
December 13, 2021

FARMVILLE INDUSTRIAL DEVELOPMENT AUTHORITY

SUMMARY OF COMPLIANCE MATTERS

June 30, 2021

As more fully described in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* we performed tests of the Authority's compliance with certain provisions of the laws, regulations, contracts and grant agreements, and other matters shown below.

STATE COMPLIANCE MATTERS

Code of Virginia

Cash and Investment Laws

Conflicts of Interest Act

Procurement Laws

Uniform Disposition of Unclaimed Property Act

LOCAL COMPLIANCE

Authority By-Laws

FARMVILLE INDUSTRIAL DEVELOPMENT AUTHORITY

SCHEDULE OF FINDING AND RESPONSES

June 30, 2021

A. FINDING – FINANCIAL STATEMENT AUDIT

2021-001: Segregation of Duties (Significant Deficiency)

Condition:

There is a lack of segregation of duties between employees.

- Employees who prepare the bank reconciliations also have the ability to process cash and write manual checks.
- The employee who processes payroll also has the ability to edit the master employee/payroll file, can generate payroll checks and record payroll expenses to the general ledger.
- The Treasurer has access to cash receipts prior to being recorded, prepares the deposits and takes deposit to the bank, and has access to change utility charges on individual accounts.

Criteria:

The Town should maintain proper segregation of duties between employees.

Cause:

The Town lacks sufficient staff to properly segregate their duties.

Effects:

No one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction. A lack of segregation of duties increases the exposure of the Town to various risk such as an increased risk of errors or fraud that may go undetected due to the involvement of only one person performing these functions.

Recommendations:

We recommend the Town take steps to eliminate performance of conflicting duties where possible. For those areas where this is not feasible, we recommend the Town take steps to implement effective compensating controls.

Management's Response:

The Town will continue to evaluate our internal procedures to see how we can utilize current staff in different capacities to reduce some of the concerns associated with segregation of duties.

(Continued)

FARMVILLE INDUSTRIAL DEVELOPMENT AUTHORITY

SCHEDULE OF FINDING AND RESPONSES

June 30, 2021

A. FINDING – FINANCIAL STATEMENT AUDIT (Continued)

2021-002: Information Technology (Material Weakness)

Condition:

During our review of the Information Technology controls for the Town we noted several areas where there is a lack of controls or a lack of segregation of duties.

Criteria:

The following Information Technology lack of controls were noted:

- Information Technology is not evaluated for risk.
- There is no formal security policy.
- The Treasurer has financial application administrator access.
- The Town does not use formal access requests to provision or de-provision users' access to the network or financial application.

Cause:

The Town has not had their Information Technology system evaluated in the past.

Effects:

The lack of Information Technology controls expose the Town to various risks including:

- Failure to identify risk factors and address associated system vulnerabilities can lead to breach of systems and financial loss.
- Lack of formal security policy indicates lack of due care.
- Inadequate segregation of financial and IT duties (or appropriate compensating controls) can facilitate fraudulent activities.
- Non-procedural provisioning/de-provisioning activities can introduce security vulnerabilities and facilitate unauthorized access to systems.

(Continued)

FARMVILLE INDUSTRIAL DEVELOPMENT AUTHORITY

SCHEDULE OF FINDING AND RESPONSES

June 30, 2021

A. FINDING – FINANCIAL STATEMENT AUDIT (Continued)

2021-002: Information Technology (Material Weakness) (Continued)

Recommendations:

We suggest the Town implement the following control consideration:

- The Town should conduct a formal IT risk assessment at least annually.
- The Town should document of IT policies, standards, and procedures – including information security policy.
- The Town should identify and document compensating controls for Treasurer's administrative access and ability to provision financial system accounts.
- Provisioning and de-provisioning account access processes should be included in IT procedures documentation.

Management's Response:

The Town will review its information technology policies and procedures to ensure appropriate controls are in place.

B. FINDING – COMMONWEALTH OF VIRGINIA

None.

FARMVILLE INDUSTRIAL DEVELOPMENT AUTHORITY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2021

2020-001: Segregation of Duties (Material Weakness)

Condition:

There is a lack of segregation of duties between employees.

- Employees who prepare the bank reconciliations also have the ability to process cash and write manual checks.
- Employees who prepare the accounts receivable billings also collect the money and have the ability to post cash receipts in the accounts receivable subledger.
- The employee who processes payroll also has the ability to edit the master employee/payroll file, can generate payroll checks and record payroll expenses to the general ledger.
- The Treasurer has access to cash receipts prior to being recorded, prepares the deposits and takes deposit to the bank, and has access to change utility charges on individual accounts.

Recommendations:

We recommend the Town take steps to eliminate performance of conflicting duties where possible. For those areas where this is not feasible, we recommend the Town take steps to implement effective compensating controls.

Current Status:

The Town has made strides in implementing internal controls to reduce segregation of duties. See current year finding 2021-001 for the continued planned corrected action.

2020-002: Adjustments (Material Weakness)

Condition:

The Town did not post journal entries, which were deemed material to the financial statements, in order for them to be presented in accordance with accounting principles generally accepted in the United States of America.

Recommendations:

We recommend reconciliations of all significant assets and liability accounts especially at year end, and rigorous analysis of variances and grant related activity.

Current Status:

Town staff worked to ensure all significant assets and liabilities accounts were reviewed and reconciled at year end for variances. The planned correct action was implemented in the current year.

(Continued)

FARMVILLE INDUSTRIAL DEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2021

2020-003: Information Technology (Material Weakness)

Condition:

During review of the Information Technology controls for the Town we noted several areas where there is a lack of controls or a lack of segregation of duties.

Recommendations:

We suggest the Town implement the following control consideration:

- The Town should conduct a formal IT risk assessment at least annually.
- The Town should move the application server to a separate, secure room with dedicated environmental equipment and with access limited to IT staff only.
- The Town should formally document information security and acceptable use policies and procedures.
- IT should be responsible for application administration and the Treasurer's access to provision application accounts be removed.
- The Town should develop a formal means for communicating provision and de-provision access requests.
- The Treasurer should not have access to process financial transactions as well as provision access privileges. The 5 or 6 front office staff that interact with the public should NOT share login information to access desktop applications for collections, etc.
- The Treasurer is notified of terminations for financial application access. For network access to be disabled, CXE must be notified to take such action. A formal access request form for terminations should be made.
- The passwords for the financial application should enforce complexity. Also, the Active Directory passwords are required to be 6 characters in length with 24 passwords remembered and locks out the account after 5 unsuccessful login attempts. However, complexity should be enabled and there should be password expiration.

Current Status:

See current year finding 2021-002 for the continued planned corrected action.