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

FINANCIAL REPORT

June 30, 2020

FARMVILLE INDUSTRIAL DEVELOPMENT AUTHORITY

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INTRODUCTORY SECTION

FARMVILLE INDUSTRIAL DEVELOPMENT AUTHORITY

DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2020

BOARD OF DIRECTORS

William W. Poulston, Chairman
Perry Carrington, Vice Chairman

Jack Houghton
William Overstreet
Teresa Stewart
Rev. Rex Williams
Cindy Cave

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.

BROWNEDWARDS
certified public accountants

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, 2020, 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, 2020, 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 14, 2020 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 14, 2020

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BASIC FINANCIAL STATEMENTS

EXHIBIT 1

FARMVILLE INDUSTRIAL DEVELOPMENT AUTHORITY

STATEMENT OF NET POSITION
June 30, 2020

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 2)	$	90,616
Accrued interest receivable		1,356
Prepaids		8,057
Accounts receivable		2,389
Note receivable – current portion (Note 3)		27,722
Total current assets		130,140
NONCURRENT ASSETS		
Note receivables (Note 3)		184,135
Total noncurrent assets		184,135
Total assets		314,275
LIABILITIES		
CURRENT LIABILITIES		
Accrued interest payable		3,531
Due to primary government (Note 4)		40,747
Total current liabilities		44,278
NONCURRENT LIABILITIES		
Due to primary government (Note 4)		698,364
Total noncurrent liabilities		698,364
Total liabilities		742,642
NET POSITION		
Unrestricted		(428,367)
Total net position	$	(428,367)

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

EXHIBIT 2

FARMVILLE INDUSTRIAL DEVELOPMENT AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
Year Ended June 30, 2020

OPERATING REVENUES	
Hotel Weyanoke, LLC performance agreement	$ 64,359
Administrative fees for bonds	35,000
Miscellaneous income	2,389
Total operating revenues	101,748
OPERATING EXPENSES	
Performance incentive payments	64,359
Total operating expenses	64,359
Operating income	37,389
NONOPERATING REVENUES (EXPENSES)	
Interest income	5,818
Interest expense	(14,619)
Nonoperating expenses	(8,801)
Income before contributions	28,588
Capital contributions	10,000
Increase in net position	38,588
NET POSITION	
Beginning of year	(466,955)
End of year	$ (428,367)

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

EXHIBIT 3

FARMVILLE INDUSTRIAL DEVELOPMENT AUTHORITY

STATEMENT OF CASH FLOWS
Year Ended June 30, 2020

OPERATING ACTIVITIES	
Incentive and performance grant receipts	$ 64,359
Administrative fees	35,000
Receipts from others	2,389
Payments to suppliers	(7,273)
Incentive and performance grant payments	(64,359)
Net cash provided by operating activities	30,116
NONCAPITAL FINANCING ACTIVITIES	
Interest paid to Town	(15,117)
Payments made to Town	(39,620)
Net cash used in noncapital financing activities	(54,737)
INVESTING ACTIVITIES	
Payments on notes receivable	25,344
Interest received	5,996
Other contributions	10,000
Net cash provided by investing activities	41,340
Net increase in cash and cash equivalents	16,719
CASH AND CASH EQUIVALENTS	
Beginning of year	73,897
End of year	$ 90,616
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ 37,389
Adjustments to reconcile operating income to net cash provided by operating activities	
Increase in prepaids	(7,273)
Net cash provided by operating activities	$ 30,116

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

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, financing leases, and proceeds of land and buildings held for resale. 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.

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.

(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

Notes receivable

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

Net position

Net position is the difference between assets and liabilities. Net position invested in capital assets represent capital assets, less accumulated depreciation. Restricted net position represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

At June 30, the Industrial Development Authority had a deficit in unrestricted net position of $428,367. 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, 2020, the balance of the note amounted to $211,857.

Based on the Authority’s analysis of the loan at June 30, 2020, no allowance was recorded. Management evaluates the performance and payment history of the company annually in determining the required allowance.

(Continued)

Note 3. Notes Receivable (Continued)

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

	Notes Receivable		
Fiscal Year	**Principal**	**Interest**	**Total**
2021	$ 27,722	$ 5,069	$ 32,791
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
2026-2028	64,277	1,644	65,921
	$ 211,857	$ 19,519	$ 231,376

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, 2020, 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 $450,648 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)	$ 451,434	$ -	$ 786	$ 450,648	$ -
Due to Town (bond payments)	327,297	-	38,834	288,463	40,747
	$ 778,731	$ -	$ 39,620	$ 739,111	$ 40,747

(Continued)

Note 4. Due To Primary Government (Continued)

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

	Due to Town (Bond Payments)		
Fiscal Year	**Principal**	**Interest**	**Total**
2021	$ 40,747	$ 13,079	$ 53,826
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
2026-2030	64,724	11,553	76,277
2031-2033	24,860	1,950	26,810
	$ 288,463	$ 59,158	$ 347,621

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 is impacted by activity at the Town of Farmville. The Town'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 Town received revenue during fiscal year 2020. As such, the Town's, and thus the Authority's, financial condition and liquidity may be negatively impacted for the fiscal year 2021.

(Continued)

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 2021.

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, 2020, 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 2020, 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.

In January 2017, the GASB issued **Statement No. 84**, *Fiduciary Activities*. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

(Continued)

Note 10. New Accounting Standards (Continued)

In August 2018, the GASB issued **Statement No. 90**, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61*. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for periods beginning after December 15, 2019. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

In May 2019, the GASB issued **Statement No. 91**, *Conduit Debt Obligations*. 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 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.

(Continued)

Note 10. New Accounting Standards (Continued)

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.

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SUPPLEMENTARY SCHEDULE

FARMVILLE INDUSTRIAL DEVELOPMENT AUTHORITY

SCHEDULE OF BONDS OUTSTANDING – CONDUIT DEBT
June 30, 2020

Type of Issue	Date Issued	Amount of Bonds Issued	Bonds Outstanding June 30, 2020	Project Financed
Revenue Bond	Dec 1, 2018	$ 128,425,000	$ 128,425,000	Longwood University Student Housing Projects

COMPLIANCE SECTION

BROWNEDWARDS
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*

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, 2020, 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 14, 2020.

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. 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. **We did identify certain deficiencies in internal control, described in the accompanying schedule of finding and response as Item 2020-001, that we consider to be a material weakness.**

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 response. 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 14, 2020

FARMVILLE INDUSTRIAL DEVELOPMENT AUTHORITY

SUMMARY OF COMPLIANCE MATTERS
June 30, 2020

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 RESPONSE
June 30, 2020

A. FINDING – FINANCIAL STATEMENT AUDIT

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.

Criteria:

The Authority should maintain proper segregation of duties between employees.

Cause:

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

Management Response:

The Authority 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.

B. FINDING – COMMONWEALTH OF VIRGINIA

None.

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