

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

**FINANCIAL REPORT**

**June 30, 2019**



**FARMVILLE INDUSTRIAL DEVELOPMENT AUTHORITY**

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# **INTRODUCTORY SECTION**

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**FARMVILLE INDUSTRIAL DEVELOPMENT AUTHORITY**

**DIRECTORY OF PRINCIPAL OFFICIALS**

**June 30, 2019**

**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  
Gerald Spates.....Secretary  
Gary Elder..... Attorney

**INDEPENDENT AUDITORS**

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

## **FINANCIAL SECTION**

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**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, 2019, 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, 2019, 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. Neither section has 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 November 26, 2019 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  
November 26, 2019

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# **BASIC FINANCIAL STATEMENTS**

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**FARMVILLE INDUSTRIAL DEVELOPMENT AUTHORITY**

**STATEMENT OF NET POSITION**

**June 30, 2019**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents (Note 2)	\$ 73,897
Accrued interest receivable	1,534
Prepays	784
Note receivable – current portion (Note 3)	<u>27,733</u>

Total current assets	<u>103,948</u>
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**NONCURRENT ASSETS**

Note receivables (Note 3)	<u>211,857</u>
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Total noncurrent assets	<u>211,857</u>
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Total assets	<u>315,805</u>
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**LIABILITIES**

**CURRENT LIABILITIES**

Accrued interest payable	4,029
Due to primary government (Note 4)	<u>38,834</u>

Total current liabilities	<u>42,863</u>
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**NONCURRENT LIABILITIES**

Due to primary government (Note 4)	<u>739,897</u>
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Total noncurrent liabilities	<u>739,897</u>
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Total liabilities	<u>782,760</u>
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**NET POSITION**

Unrestricted	<u>(466,955)</u>
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Total net position	<u><u>\$ (466,955)</u></u>
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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, 2019

OPERATING REVENUES	
Charges for services	\$ 69,726
	<u>69,726</u>
Total operating revenues	<u>69,726</u>
OPERATING EXPENSES	
Professional fees	2,700
Performance incentive payments	49,726
	<u>52,426</u>
Total operating expenses	<u>52,426</u>
Operating income	<u>17,300</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	6,674
Interest expense	(16,507)
	<u>(9,833)</u>
Nonoperating expenses	<u>(9,833)</u>
Increase in net position	7,467
NET POSITION	
Beginning of year	<u>(474,422)</u>
End of year	<u><u>\$ (466,955)</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, 2019**OPERATING ACTIVITIES**

Administrative fees	\$ 73,134
Payments to suppliers	(3,484)
Incentive and performance grant payments	<u>(49,726)</u>
Net cash provided by operating activities	<u>19,924</u>

**NONCAPITAL FINANCING ACTIVITIES**

Interest paid to Town	(16,900)
Payments made to Town	<u>(77,217)</u>
Net cash used in noncapital financing activities	<u>(94,117)</u>

**INVESTING ACTIVITIES**

Payments on notes receivable	26,596
Interest received	<u>6,844</u>
Net cash provided by investing activities	<u>33,440</u>
Net decrease in cash and cash equivalents	(40,753)

**CASH AND CASH EQUIVALENTS**

Beginning of year	<u>114,650</u>
End of year	<u><u>\$ 73,897</u></u>

**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating income	\$ 17,300
Adjustments to reconcile operating income to net cash provided by operating activities	
(Increase) decrease in assets	
Receivables	3,408
Prepays	<u>(784)</u>
Net cash provided by operating activities	<u><u>\$ 19,924</u></u>

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

# FARMVILLE INDUSTRIAL DEVELOPMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

### 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)

## FARMVILLE INDUSTRIAL DEVELOPMENT AUTHORITY

### NOTES TO FINANCIAL STATEMENTS

June 30, 2019

#### 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 \$466,955. 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 percent (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, 2019, the balance of the note amounted to \$239,590.

Based on the Authority's analysis of the loan at June 30, 2019, no allowance was recorded. Management evaluates the performance and payment history of the company annually in determining the required allowance.

(Continued)

**FARMVILLE INDUSTRIAL DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**Note 3. Notes Receivable (Continued)**

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

<b>Fiscal Year</b>	<b>Notes Receivable</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 27,733	\$ 5,779	\$ 33,512
2021	27,721	5,069	32,790
2022	28,853	4,345	33,198
2023	29,978	3,592	33,570
2024	29,954	2,825	32,779
2025-2028	95,351	3,688	99,039
	\$ 239,590	\$ 25,298	\$ 264,888

**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, 2019, operations produced an operating gain, and existing cash balances were available to fund the deficit as the Authority was able to meet its cash flow needs. The Authority owed the Town \$451,434. 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:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Due to Town (prior deficits)	\$ 491,434	\$ -	\$ 40,000	\$ 451,434	\$ -
Due to Town (bond payments)	364,514	-	37,217	327,297	38,834
	\$ 855,948	\$ -	\$ 77,217	\$ 778,731	\$ 38,834

(Continued)

**FARMVILLE INDUSTRIAL DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**Note 4. Due To Primary Government (Continued)**

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

<b>Fiscal Year</b>	<b>Due to Town (Bond Payments)</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 38,834	\$ 15,118	\$ 53,952
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
2025-2030	95,909	16,800	112,709
2031-2033	24,860	1,949	26,809
	\$ 327,297	\$ 74,276	\$ 401,573

**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. New Accounting Standards**

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective.

The GASB issued **Statement No. 84, *Fiduciary Activities*** in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2018.

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 December 15, 2019.

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## FARMVILLE INDUSTRIAL DEVELOPMENT AUTHORITY

### NOTES TO FINANCIAL STATEMENTS

June 30, 2019

#### Note 7. New Accounting Standards (Continued)

The GASB issued **Statement No. 89**, *Accounting for Interest Cost Incurred before the End of a Construction Period* in June 2018. This Statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for periods beginning after December 15, 2019. The requirements of this Statement should be applied prospectively.

The GASB issued **Statement No. 90**, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61* in August 2018. 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, 2018. 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.

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, 2020.

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

(Continued)

**FARMVILLE INDUSTRIAL DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019**

**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, 2019, 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 2019, the Hotel was considered in compliance with performance requirements to date.

## **SUPPLEMENTARY SCHEDULE**

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**FARMVILLE INDUSTRIAL DEVELOPMENT AUTHORITY**

**SCHEDULE OF BONDS OUTSTANDING – CONDUIT DEBT**

**June 30, 2019**

<b>Type of Issue</b>	<b>Date Issued</b>	<b>Amount of Bonds Issued</b>	<b>Bonds Outstanding June 30, 2019</b>	<b>Project Financed</b>
Revenue Bond	Dec 1, 2018	\$ 128,425,000	\$ 128,425,000	Longwood University Student Housing Projects

# **COMPLIANCE SECTION**

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

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, 2019, and the related notes to the financial statements, which comprise the Authority's basic financial statements, and have issued our report thereon dated November 26, 2019.

**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) to determine the 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. **However, as described in the accompanying schedule of finding and response as Item 2019-001, we identified a certain deficiency in internal control 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 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*.**

## 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  
November 26, 2019

**FARMVILLE INDUSTRIAL DEVELOPMENT AUTHORITY**

**SUMMARY OF COMPLIANCE MATTERS**

**June 30, 2019**

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, 2019**

**A. FINDING – FINANCIAL STATEMENT AUDIT**

**2019-001: 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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