

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

**FINANCIAL REPORT**

**June 30, 2022**



**FARMVILLE INDUSTRIAL DEVELOPMENT AUTHORITY**

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# **INTRODUCTORY SECTION**

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**FARMVILLE INDUSTRIAL DEVELOPMENT AUTHORITY**

**DIRECTORY OF PRINCIPAL OFFICIALS**

**June 30, 2022**

**BOARD OF DIRECTORS**

Perry Carrington, Chairman  
Cindy Cave, Vice Chairman

Mark Kernohan  
Zachary Preston  
Teresa Stewart  
Leigh Lunsford  
Vacant Position

**OFFICIALS**

Julie A. Moore ..... Finance Director  
C. Scott Davis ..... 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 Audit of the Financial Statements

#### *Opinions*

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, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of June 30, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Farmville Industrial Development Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management 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, and for 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.

## **Report on the Audit of the Financial Statements (Continued)**

### *Responsibilities of Management for the Financial Statements (Continued)*

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Farmville Industrial Development Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Farmville Industrial Development Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Farmville Industrial Development Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## Report on the Audit of the Financial Statements (Continued)

### *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 affected by this missing information.

### *Other Information*

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and schedule of bonds outstanding but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2022 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, and 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 the effectiveness of the Authority's 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 3, 2022

# **BASIC FINANCIAL STATEMENTS**

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## FARMVILLE INDUSTRIAL DEVELOPMENT AUTHORITY

## STATEMENT OF NET POSITION

June 30, 2022

**ASSETS**

## CURRENT ASSETS

Cash and cash equivalents (Note 2)	\$ 69,119
Accrued interest receivable	994
Accounts receivable	24,117
Note receivable – current portion (Note 3)	<u>29,978</u>
Total current assets	<u>124,208</u>

## NONCURRENT ASSETS

Note receivables (Note 3)	<u>125,304</u>
Total noncurrent assets	<u>125,304</u>
Total assets	<u>249,512</u>

**LIABILITIES**

## CURRENT LIABILITIES

Performance incentive payable	24,117
Accrued interest payable	2,556
Due to primary government (Note 4)	<u>44,718</u>
Total current liabilities	<u>71,391</u>

## NONCURRENT LIABILITIES

Due to primary government (Note 4)	<u>582,783</u>
Total noncurrent liabilities	<u>582,783</u>
Total liabilities	<u>654,174</u>

**NET POSITION**

Unrestricted	<u>(404,662)</u>
Total net position	<u><u>\$ (404,662)</u></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, 2022

OPERATING REVENUES	
Hotel Weyanoke, LLC performance agreement	\$ 88,147
<hr/>	
OPERATING EXPENSES	
Performance incentive payments	88,147
<hr/>	
Operating income	-
<hr/>	
NONOPERATING REVENUES (EXPENSES)	
Interest income	4,274
Interest expense	(10,678)
<hr/>	
Nonoperating expenses	(6,404)
<hr/>	
Decrease in net position	(6,404)
<hr/>	
NET POSITION	
Beginning of year	(398,258)
<hr/>	
End of year	\$ (404,662)
<hr/> <hr/>	

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

## FARMVILLE INDUSTRIAL DEVELOPMENT AUTHORITY

STATEMENT OF CASH FLOWS  
Year Ended June 30, 2022**OPERATING ACTIVITIES**

Incentive and performance grant receipts	\$ 87,436
Incentive and performance grant payments	<u>(87,436)</u>

Net cash provided by operating activities	<u>-</u>
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**NONCAPITAL FINANCING ACTIVITIES**

Interest paid to Town	(11,131)
Payments made to Town	<u>(42,806)</u>

Net cash used in noncapital financing activities	<u>(53,937)</u>
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**INVESTING ACTIVITIES**

Payments on notes receivable	28,853
Interest received	<u>4,460</u>

Net cash provided by investing activities	<u>33,313</u>
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Net decrease in cash and cash equivalents	(20,624)
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**CASH AND CASH EQUIVALENTS**

Beginning of year	<u>89,743</u>
End of year	<u><u>\$ 69,119</u></u>

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

# FARMVILLE INDUSTRIAL DEVELOPMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

### 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)

**FARMVILLE INDUSTRIAL DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022**

**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 \$404,662. 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, 2022, the balance of the note amounted to \$155,282.

Based on the Authority's analysis of the loan at June 30, 2022, 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, 2022**

**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>
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
	\$ 155,282	\$ 10,105	\$ 165,387

**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, 2022, operations did not produce an operating gain, and therefore did not reimburse a portion of the deficit. 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:

	<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)	\$ 422,591	\$ -	\$ -	\$ 422,591	\$ -
Due to Town (bond payments)	247,716	-	42,806	204,910	44,718
	\$ 670,307	\$ -	\$ 42,806	\$ 627,501	\$ 44,718

(Continued)

**FARMVILLE INDUSTRIAL DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022**

**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>
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	10,297	2,525	12,822
2028-2032	37,658	7,162	44,820
2033	8,679	222	8,901
	\$ 204,910	\$ 34,958	\$ 239,868

**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. 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, 2022, there were three Revenue and Refunding Bonds outstanding, with a principal amount payable of \$313,045,000.

(Continued)

## FARMVILLE INDUSTRIAL DEVELOPMENT AUTHORITY

### NOTES TO FINANCIAL STATEMENTS

June 30, 2022

#### Note 8. 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 2022, the Hotel was considered in compliance with performance requirements to date.

#### Note 9. 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 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 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 April 2022, the GASB issued **Statement No. 99, Omnibus 2022**. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

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FARMVILLE INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

**Note 9. New Accounting Standards (Continued)**

In June 2022, the GASB issued **Statement No. 100**, *Accounting Changes and Error Corrections*. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

In June 2022, the GASB issued **Statement No. 101**, *Compensated Absences*. This statement updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

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

# **SUPPLEMENTARY SCHEDULE**

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**FARMVILLE INDUSTRIAL DEVELOPMENT AUTHORITY**  
**SCHEDULE OF BONDS OUTSTANDING – CONDUIT DEBT**  
**June 30, 2022**

<b>Type of Issue</b>	<b>Date Issued</b>	<b>Amount of Bonds Issued</b>	<b>Bonds Outstanding June 30, 2022</b>	<b>Project Financed</b>
Revenue Bond	December 1, 2018	\$ 128,425,000	\$ 128,425,000	Longwood University Student Housing Projects
Revenue Bond	June 1, 2020	134,720,000	134,720,000	Longwood University Student Housing Projects
Revenue Bond	March 1, 2021	49,900,000	49,900,000	Convocation Center Project

# **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, 2022, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated November 3, 2022.

**Report on 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 have not been identified. **We identified a deficiency in internal control described in the accompanying schedule of findings and questioned costs, as item 2022-001, to be a material weakness.**

## Report on 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 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  
November 3, 2022

**FARMVILLE INDUSTRIAL DEVELOPMENT AUTHORITY**

**SUMMARY OF COMPLIANCE MATTERS**

**June 30, 2022**

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, 2022**

**A. FINDING – FINANCIAL STATEMENT AUDIT**

**2022-001: 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.

*Recommendations:*

We suggest the Town implement the following control consideration:

- Information Technology is not evaluated for risk.
- There is no formal security policy.
- The Finance Director 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, 2022**

**A. FINDING – FINANCIAL STATEMENT AUDIT (Continued)**

**2022-001: 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 its IT policies, standards, and procedures – including information security policy.
- The Town should identify and document compensating controls for the Finance Director’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, 2022**

**2021-001: 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 document its IT policies, standards, and procedures – including information security policy.
- The Town should identify and document compensating controls for the Finance Director’s administrative access and ability to provision financial system accounts.
- Provisioning and de-provisioning account access processes should be included in IT procedures documentation.

*Current Status:*

See current year finding at 2022-001 for planned corrected action.

**2021-002: 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 Finance Director 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 comment has been reduced from a significant deficiency in fiscal year 2022.