

**ECONOMIC DEVELOPMENT AUTHORITY  
OF THE TOWN OF ROCKY MOUNT, VIRGINIA**

(A COMPONENT UNIT OF TOWN OF ROCKY MOUNT, VIRGINIA)

**FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2020**

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**ECONOMIC DEVELOPMENT AUTHORITY OF THE TOWN OF ROCKY MOUNT  
(A COMPONENT UNIT OF TOWN OF ROCKY MOUNT, VIRGINIA)**

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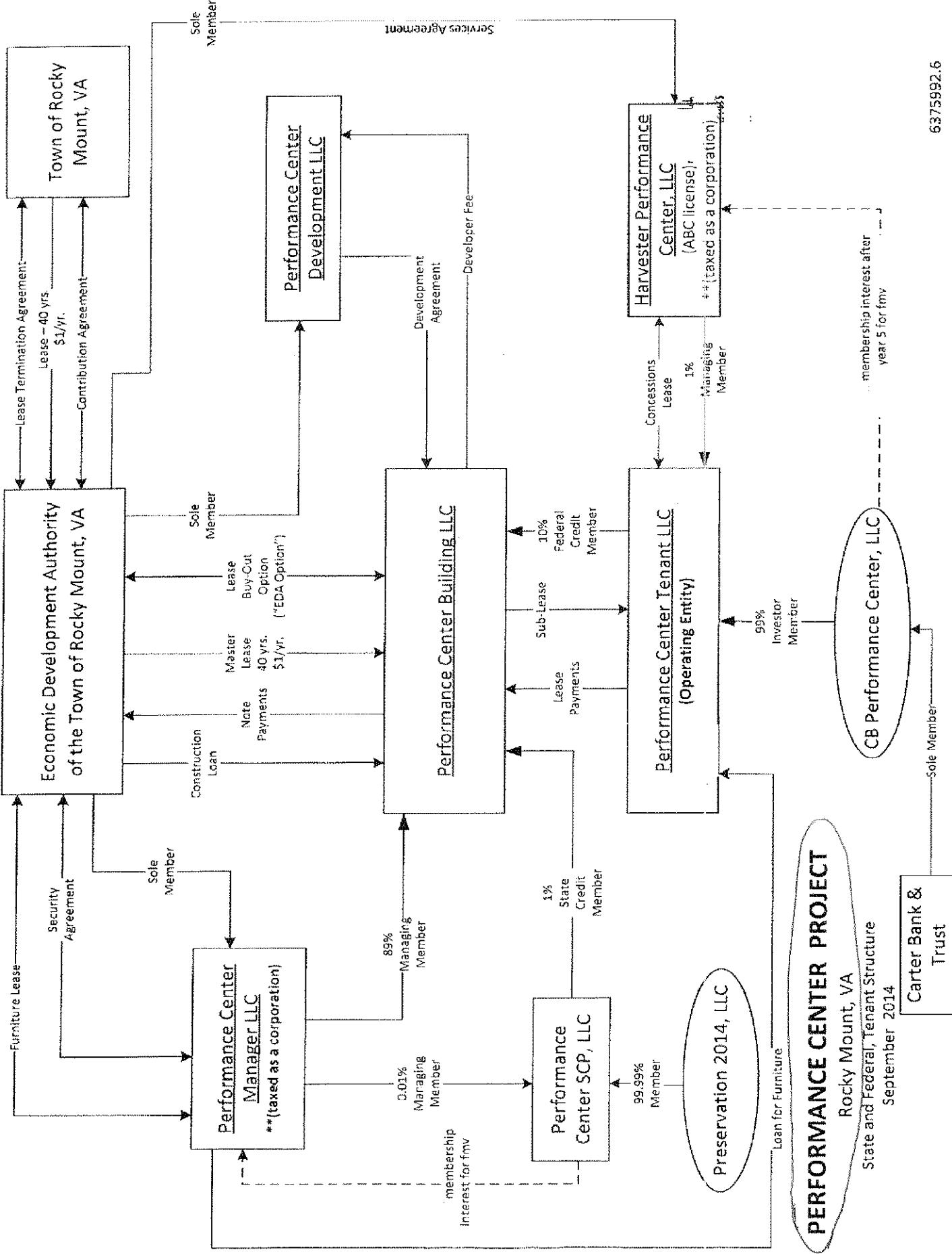
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PERFORMANCE CENTER PROJECT

Rocky Mount, VA

State and Federal Tenant Structure  
September 2014

Carter Bank &  
Trust

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## FINANCIAL SECTION

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**Independent Auditors' Report**

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**To the Honorable Members of  
Economic Development Authority of  
the Town of Rocky Mount, Virginia**

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Economic Development Authority of the Town of Rocky Mount, Virginia (the Authority), a component unit of the Town of Rocky Mount, 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.

***Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Economic Development Authority of the Town of Rocky Mount, Virginia, 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 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 Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2021, on our consideration of the Economic Development Authority of the Town of Rocky Mount, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Economic Development Authority of the Town of Rocky Mount, Virginia'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 Economic Development Authority of the Town of Rocky Mount, Virginia's internal control over financial reporting and compliance.

*Robinson, Jarman, Cox, Associates*

Blacksburg, Virginia  
September 17, 2021

## Basic Financial Statements

**ECONOMIC DEVELOPMENT AUTHORITY OF THE TOWN OF ROCKY MOUNT, VIRGINIA**  
**(A COMPONENT UNIT OF TOWN OF ROCKY MOUNT, VIRGINIA)**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

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**ASSETS**

Current Assets:

Cash and cash equivalents	\$ 687,774
Capital Assets:	
Land	\$ 68,244
Buildings and improvements (net of accumulated depreciation)	2,843,167
Machinery and equipment (net of accumulated depreciation)	<u>8,055</u>
Total Capital Assets	<u>\$ 2,919,466</u>
<b>TOTAL ASSETS</b>	<b>\$ 3,607,240</b>

**LIABILITIES**

Current Liabilities:

Accounts payable	\$ 12,453
Due to Town of Rocky Mount	<u>4,168,541</u>
<b>TOTAL LIABILITIES</b>	<b>\$ 4,180,994</b>

**NET POSITION**

Investment in capital assets	\$ 2,919,466
Unrestricted (deficit)	<u>(3,493,220)</u>
<b>TOTAL NET POSITION (DEFICIT)</b>	<b>\$ (573,754)</b>

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

**ECONOMIC DEVELOPMENT AUTHORITY OF THE TOWN OF ROCKY MOUNT, VIRGINIA**  
**(A COMPONENT UNIT OF TOWN OF ROCKY MOUNT, VIRGINIA)**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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**OPERATING REVENUES:**

Ticket sales	\$ 1,641,344
Concessions sales	195,621
Donations	275
Service fees	163,480
Merchandise sales	22,909
Miscellaneous	<u>64,106</u>

**TOTAL OPERATING REVENUES** \$ 2,087,735

**OPERATING EXPENSES:**

Depreciation	\$ 90,545
Concessions	68,141
Merchandise	7,141
Artist payments	1,526,558
Professional fees	433,640
Advertising	171,235
Utilities	63,859
Office expenses	37,758
Fees	109,797
Other expenses	<u>240,231</u>

**TOTAL OPERATING EXPENSES** \$ 2,748,905

**OPERATING INCOME (LOSS)** \$ (661,170)

**NONOPERATING REVENUES (EXPENSES):**

Contributions from Town of Rocky Mount	<u>\$ 437,314</u>
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**CHANGE IN NET POSITION** \$ (223,856)

**NET POSITION AT BEGINNING OF YEAR (DEFICIT)** (349,898)

**NET POSITION AT END OF YEAR (DEFICIT)** \$ (573,754)

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

**ECONOMIC DEVELOPMENT AUTHORITY OF THE TOWN OF ROCKY MOUNT, VIRGINIA**  
**(A COMPONENT UNIT OF TOWN OF ROCKY MOUNT, VIRGINIA)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from concert sales	\$ 2,023,354
Cash received from donations	275
Cash receipts from other operations	64,106
Cash payments for operating expenditures	<u>(2,647,957)</u>

NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES

\$ (560,222)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Contributions from Town of Rocky Mount for HPC	<u>\$ 522,326</u>
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**CHANGE IN CASH AND CASH EQUIVALENTS**

\$ (37,896)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR

725,670

CASH AND CASH EQUIVALENTS AT END OF YEAR

\$ 687,774

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH**

**PROVIDED BY (USED FOR) OPERATING ACTIVITIES**

Operating Income (Loss)	\$ (661,170)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	90,545
Changes in operating assets and liabilities:	
Accounts payable	<u>10,403</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ (560,222)</u>

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

**ECONOMIC DEVELOPMENT AUTHORITY OF TOWN OF ROCKY MOUNT  
(A COMPONENT UNIT OF TOWN OF ROCKY MOUNT, VIRGINIA)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Authority conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

**A. Financial Reporting Entity:**

The Economic Development Authority (the Authority) of the Town of Rocky Mount, Virginia was created as a political subdivision of the Commonwealth of Virginia by the Town of Rocky Mount, Virginia in 2012 pursuant to the provisions of the Industrial Development and Revenue Bond Act [Chapter 22, Section 15.1-1373, et. seq. of the Code of Virginia (1950), as amended]. The Authority is governed by the Town of Rocky Mount, Virginia. 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.

**Discretely Presented Component Units:**

The first project for the Authority was facilitating the construction of the Harvester Performance Center (HPC). The HPC is a mid-sized music venue for purposes of industrial and economic development in the Rocky Mount community. Because the Town owns the building housing the Harvester, the Town has its own operating budget for the HPC consisting of utilities, building and grounds maintenance, and other building related expenses. The HPC has a separate operating budget to cover performance expenses. The Town cannot override the HPC's performance budget or setting of rates. The HPC is fiscally dependent on the Town as the Town is responsible for funding any operating/performing deficits. As the HPC is not self-sustaining, this dependency creates a financial burden for the Town.

The majority of activity of the Authority to date is that of the HPC which has a calendar year end. Information herein is presented as of December 31, 2019 for the HPC.

The Town pools cash and allocates a portion of same to the EDA. Information related to pooled cash balances is reported as of June 30, 2020, the EDA's fiscal year end.

The Authority has been included in the financial statements of the Town as a component unit due to its financial relationship with the Town.

**ECONOMIC DEVELOPMENT AUTHORITY OF TOWN OF ROCKY MOUNT  
(A COMPONENT UNIT OF TOWN OF ROCKY MOUNT, VIRGINIA)  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basic Financial Statements:**

Proprietary Funds - Account for operations that are financed in a manner similar to private business enterprises. The proprietary fund measurement focus is based upon determination of net income and financial position. The proprietary fund of the Authority is an Enterprise Fund which includes all of the Authority's operations.

Enterprise Fund - The Enterprise Fund accounts for the financing of services to the general public where all or most of the operating expenses involved are recovered in the form of charges to users of such services.

**C. Basis of Accounting:**

The Enterprise Fund uses the accrual basis of accounting. Under this method revenues are recognized in the accounting period in which they are earned, while expenses are recognized in the accounting period in which the related liability is incurred.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are interest, rent, and grants. Operating expenses include the cost of administration and related expenses. All revenues and expenses not meeting these definitions are reported as nonoperating.

**D. Cash and Cash Equivalents:**

Cash and cash equivalents include cash on hand, amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, the government's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

**E. Prepaid Items:**

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**ECONOMIC DEVELOPMENT AUTHORITY OF TOWN OF ROCKY MOUNT  
(A COMPONENT UNIT OF TOWN OF ROCKY MOUNT, VIRGINIA)  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Capital Assets:**

Capital assets, which include property, plant and equipment, are reported in the financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not to be capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was no interest capitalized during the current or previous fiscal year.

Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
Machinery and equipment	5

**G. Use of Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**ECONOMIC DEVELOPMENT AUTHORITY OF TOWN OF ROCKY MOUNT  
(A COMPONENT UNIT OF TOWN OF ROCKY MOUNT, VIRGINIA)  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. Net Position:**

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

**I. Related Parties:**

The Harvester Performance Center (HPC) was completed and began operations in April 2014. There are six limited liability companies (LLCs) associated with the HPC in which the EDA has an interest. The LLCs were set up with the assistance of Gentry Locke Rakes and Moore, LLP, Attorneys. Funding for the construction of the HPC was obtained in part through approximately \$1,000,000 in investments related to federal and state historic tax credits. The Town used a \$500,000 grant from the State Tobacco Commission for equipment related to the HPC.

The various LLC's are: Performance Center Building LLC, Performance Center Manager LLC, Performance Center Development LLC, Performance Center SCP LLC, Performance Center Tenant LLC, and Harvester Performance Center LLC.

**ECONOMIC DEVELOPMENT AUTHORITY OF TOWN OF ROCKY MOUNT  
(A COMPONENT UNIT OF TOWN OF ROCKY MOUNT, VIRGINIA)  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. Related Parties: (Continued)**

The Town leased the building prior to rehabilitation to the EDA under a 40 year lease at a rate of \$1 per year for 40 years. The EDA prepaid the entire lease during fiscal year 2015. The EDA leased the building to Performance Center Building LLC at a rate of \$1 per year for 40 years along with the commitment by Performance Center Building LLC that Performance Center Building LLC would rehabilitate the building. The Town contributed funds to finance the renovation costs to the EDA, who then loaned the funds to Performance Center Building LLC. The EDA, through its affiliate, Performance Center Development LLC oversaw the development of the HPC.

The EDA is the holder of the construction loan to Performance Center Building LLC. The EDA holds the master lease for 40 years, leasing the property to Performance Center Building LLC. The EDA is the sole member of Performance Center Manager LLC and Performance Center Development LLC. As Performance Center Building LLC repays its obligation to the EDA and as the EDA receives compensation for its development services provided to HPC through the EDA's affiliate (Performance Center Development LLC), the EDA will contribute such funds to the Town under the contribution agreement in place between the Town and the EDA.

Performance Center Manager LLC leased certain furniture and equipment to Performance Center Tenant LLC. Performance Center Manager LLC is the 89% managing member of the Performance Center Building LLC and a .01% managing member of Performance Center SCP LLC.

Performance Center SCP LLC is a 1% State historic tax credit member and is governed by Preservation 2014 LLC, the 99.99% member of Performance Center SCP LLC.

CB Performance Center LLC is the 99% investor member of Performance Center Tenant LLC. CB Performance Center LLC's sole member is Carter Bank & Trust who is an investor member.

Performance Center Development LLC provided ongoing development services to the HPC project prior to and during the development of the HPC rehabilitation. The sole member of Performance Center Development LLC is the EDA.

**ECONOMIC DEVELOPMENT AUTHORITY OF TOWN OF ROCKY MOUNT  
(A COMPONENT UNIT OF TOWN OF ROCKY MOUNT, VIRGINIA)  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. Related Parties: (Continued)**

Performance Center Building LLC is the borrower of funds from the EDA for the construction and rehabilitation of the HPC and pays a lease payment of \$1 per year for 40 years to the EDA for its lease of the facility. The members of Performance Center Building LLC are: Performance Center Manager LLC, the 89% managing member; Performance Center SCP LLC, the 1% state credit investor member; and Performance Center Tenant LLC, the 10% federal credit investor member. Performance Center Tenant LLC leases the property from Performance Center Building LLC.

Performance Center Tenant LLC is the operating entity of HPC. Performance Center Tenant LLC has leased certain equipment and furniture from Performance Center Manager LLC. The members of Performance Center Tenant are: CB Performance Center LLC, the 99% investor member; and Harvester Performance Center LLC the 1% managing member. Performance Center Tenant LLC receives 45% of concession receipts and all ticket sales related to the operation of the HPC. Performance Center Tenant pays rent to Performance Center Building LLC.

Harvester Performance Center LLC operates the concession stands and holds the ABC license for the facility. Revenues consist of merchandise, food, and alcohol sales. Forty-five percent of the gross receipts go to Performance Center Tenant LLC (the operating entity). Harvester Performance Center LLC has a concession lease, leasing space from Performance Center Tenant LLC. The sole member of Harvester Performance Center LLC is the EDA.

There are four checking accounts related to operation of the HPC. Harvester Performance Center Tenant LLC Accounts: the Deposit Income account collects the ticket sales and pays the state sales tax and the local meals tax and all ticketing expenses and distributes funds to the other accounts as appropriate; expenses of the Artist Deposit account are for down payment funds needed at the time a contract is signed by a performer; the Artist Settlement account has expenses related to the performance (these include funds to the performers, stage and box office help, band hospitality and catering); and the Harvester Performance Center LLC concessions account is for the purchase of beer and wine and other items for the concession stand and processes sales of such concessions.

**ECONOMIC DEVELOPMENT AUTHORITY OF TOWN OF ROCKY MOUNT  
(A COMPONENT UNIT OF TOWN OF ROCKY MOUNT, VIRGINIA)  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. Related Parties: (Continued)**

With operations beginning in April 2014, the Town has contributed funds to the EDA to support Performance Center Manager LLC's (whose sole member is the EDA) obligation to fund operating deficit loans to pay for expenses related to the HPC. These include advertising, security, cleaning, other contractual services, supplies and payroll expenses. Appropriate "due from" notes related to the HPC are shown in the Town's general ledger. The expectation is that the HPC will pay for all expenses through ticket and concession sales.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

**Deposits**

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper that has received at least two of the following ratings: P-1 by Moody's Investors Service, Inc.; A-1 by Standard and Poor's; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

Amounts held by the other entities do not qualify under the aforementioned Code section and therefore are insured up to the FDIC limit. At December 31, 2019, the fiscal year end for the separate entities, \$125,693 was not covered by FDIC limits.

**ECONOMIC DEVELOPMENT AUTHORITY OF TOWN OF ROCKY MOUNT  
(A COMPONENT UNIT OF TOWN OF ROCKY MOUNT, VIRGINIA)  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020**

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**NOTE 3 - CAPITAL ASSETS**

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 68,244	\$ -	\$ -	\$ 68,244
Capital assets, being depreciated:				
Buildings and improvements	\$ 3,371,738	\$ -	\$ -	\$ 3,371,738
Machinery and equipment	20,138	- -	- -	20,138
Total capital assets being depreciated	<u>\$ 3,391,876</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,391,876</u>
Accumulated depreciation:				
Buildings and improvements	\$ (442,054)	\$ (86,517)	\$ -	\$ (528,571)
Machinery and equipment	(8,055)	(4,028)	- -	(12,083)
Total accumulated depreciation	<u>\$ (450,109)</u>	<u>\$ (90,545)</u>	<u>\$ -</u>	<u>\$ (540,654)</u>
Total capital assets being depreciated, net	<u>\$ 2,941,767</u>	<u>\$ (90,545)</u>	<u>\$ -</u>	<u>\$ 2,851,222</u>
Net capital assets	<u>\$ 3,010,011</u>	<u>\$ (90,545)</u>	<u>\$ -</u>	<u>\$ 2,919,466</u>

**NOTE 4 - DUE TO TOWN OF ROCKY MOUNT**

Amounts reported as due to the Town of Rocky Mount represent contributed capital and ongoing expenditures paid by the Town on the HPC's behalf, and amounts related to the federal and tax credits that were received at the outset of the HPC's operations. There are no set repayments terms for the amounts. \$4,168,541 was due to the Town of Rocky Mount at year end.

**NOTE 5 - SUBSEQUENT EVENTS**

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 full impact of the COVID-19 outbreak continues to evolve as of the release date of this report. As such, the full magnitude that the pandemic will have on the Authority's financial condition, liquidity, and future results of operations is uncertain. Management is monitoring the global situation and impact that it may have on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and 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.

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**COMPLIANCE SECTION**

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**Independent Auditors' 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***

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**To the Honorable Members of  
Economic Development Authority of  
the Town of Rocky Mount, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 business-type activities of the Economic Development Authority of the Town of Rocky Mount, Virginia (the Authority), a component unit of the Town of Rocky Mount, 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 and have issued our report thereon dated September 17, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses 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 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*.

## **Authority's Response to Finding**

Economic Development Authority of the Town of Rocky Mount, Virginia's response to the finding identified in our audit is described in the accompanying schedule of findings 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 it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Robinson, Jarman, Cox, Associates*

Blacksburg, Virginia  
September 17, 2021

**ECONOMIC DEVELOPMENT AUTHORITY OF THE TOWN OF ROCKY MOUNT, VIRGINIA**  
(A Component Unit of the Town of Rocky Mount, Virginia)  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2020**

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**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

**Section II - Financial Statement Findings**

**2020-001**

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Criteria:	An auditee should have sufficient controls in place to produce financial statements in accordance with applicable standards.
Condition:	The financial statements as presented for audit, did not contain all necessary adjustments to comply with generally accepted accounting principles (GAAP). As such, the auditor proposed adjustments that were material to the financial statements.
Effect of Condition:	There is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal controls over financial reporting.
Cause of Condition:	The Authority does not have proper controls in place to detect and correct adjustments in closing their year end financial statements.
Recommendation:	The Authority should review the auditors' proposed audit adjustments for the fiscal year and develop a plan to ensure the trial balances and related schedules are accurately presented for audit.
Management's Response:	The Authority will review the auditors' proposed audit adjustments for the fiscal year and will develop a plan of action to ensure that all adjusting entries are made prior to final audit fieldwork next year.

**Section III - Status of Prior Audit Findings and Responses**

Finding 2019-001 is repeated in the current year as 2020-001.