

**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, 2023

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

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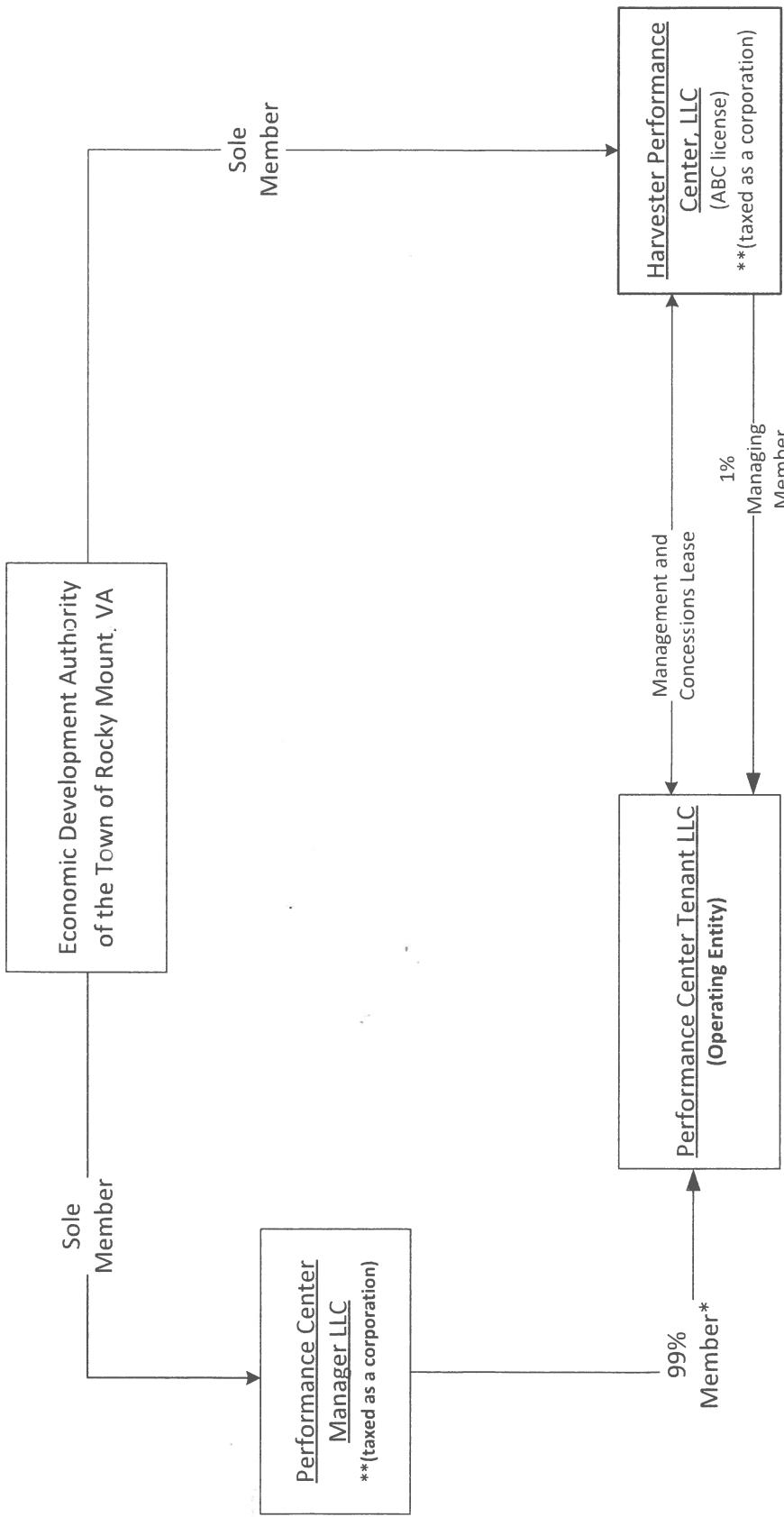
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INTRODUCTORY SECTION



HARVESTER PERFORMANCE CENTER OWNERSHIP
 Rocky Mount, VA
 August 17, 2021

FINANCIAL SECTION

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

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, 2023, 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 financial position of the business-type activities of the Economic Development Authority of the Town of Rocky Mount, Virginia, as of June 30, 2023 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Economic Development Authority of the Town of Rocky Mount, Virginia, 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

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 Economic Development Authority of the Town of Rocky Mount, Virginia'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.

Auditors' 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 auditors' report that includes our opinion. 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, *Government Auditing Standards*, and the *Specifications for Audits of Authorities, Boards, and Commissions* 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, *Government Auditing Standards*, and the *Specifications for Audits of Authorities, Boards, and Commissions*, 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 Economic Development Authority of the Town of Rocky Mount, Virginia'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 the Economic Development Authority of the Town of Rocky Mount, Virginia'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.

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 Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements does 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 21, 2023, 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

November 21, 2023

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, 2023

ASSETS

Current Assets:

Cash and cash equivalents	\$ 1,209,309
Prepaid expense	50,000
Total Current Assets	<u>\$ 1,259,309</u>

Noncurrent Assets:

Capital Assets:

Capital assets, not being depreciated	\$ 68,244
Capital assets, net of accumulated depreciation	2,680,239
Total Capital Assets	<u>\$ 2,748,483</u>
TOTAL ASSETS	<u>\$ 4,007,792</u>

LIABILITIES

Current Liabilities:

Unearned revenue - concert sales	\$ 101,638
Due to Town of Rocky Mount	4,168,541
TOTAL LIABILITIES	<u>\$ 4,270,179</u>

NET POSITION

Investment in capital assets	\$ 2,748,483
Unrestricted (deficit)	(3,010,870)
TOTAL NET POSITION (DEFICIT)	<u>\$ (262,387)</u>

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, 2023

OPERATING REVENUES:

Ticket sales	\$ 706,944
Concessions sales	77,702
Miscellaneous	7,806
TOTAL OPERATING REVENUES	\$ 792,452

OPERATING EXPENSES:

Depreciation	\$ 82,176
Concessions	28,174
Artist payments	565,768
Professional fees	302,945
Advertising	138,664
Utilities	34,087
Office expenses	31,566
Rent expense	9,870
Fees	83,168
Other expenses	136,909
TOTAL OPERATING EXPENSES	\$ 1,413,327
OPERATING INCOME (LOSS)	\$ (620,875)

NONOPERATING REVENUES (EXPENSES):

Contributions from Town of Rocky Mount	\$ 457,717
Grant revenue	306,587
TOTAL NONOPERATING REVENUES (EXPENSES)	\$ 764,304

CHANGE IN NET POSITION	\$ 143,429
NET POSITION AT BEGINNING OF YEAR (DEFICIT)	(405,816)
NET POSITION AT END OF YEAR (DEFICIT)	\$ (262,387)

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, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from concert sales	\$ 782,114
Cash receipts from other operations	7,806
Cash payments for operating expenditures	(1,381,151)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ (591,231)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of capital assets	\$ (92,890)
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CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Contributions from Town of Rocky Mount for HPC	\$ 457,717
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CHANGE IN CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	\$ 1,435,713
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,209,309</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH

PROVIDED BY (USED FOR) OPERATING ACTIVITIES

Operating Income (Loss)	\$ (620,875)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	82,176
Changes in operating assets and liabilities:	
Prepaid expenses	(50,000)
Accounts receivable	2,157
Unearned revenue - concert sales	(4,689)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ (591,231)</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, 2023**

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.

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/performance 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, 2022 for the HPC.

The Town pools and allocates a portion of cash to the EDA. Information related to pooled cash balances is reported as of June 30, 2023, 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.

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.

ECONOMIC DEVELOPMENT AUTHORITY OF TOWN OF ROCKY MOUNT
(A COMPONENT UNIT OF TOWN OF ROCKY MOUNT, VIRGINIA)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, and 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 Authority considers 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 the financial statements. The cost of prepaid items is recorded as expenses when consumed rather than when purchased.

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.

**ECONOMIC DEVELOPMENT AUTHORITY OF TOWN OF ROCKY MOUNT
(A COMPONENT UNIT OF TOWN OF ROCKY MOUNT, VIRGINIA)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Capital Assets: (Continued)

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

Assets	Years
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.

H. Net Position:

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. Initially, there were 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.

**ECONOMIC DEVELOPMENT AUTHORITY OF TOWN OF ROCKY MOUNT
(A COMPONENT UNIT OF TOWN OF ROCKY MOUNT, VIRGINIA)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Related Parties: (Continued)

The various LLC's were originally: 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. Performance Center SCP LLC and Performance Center Development LLC have since been dissolved.

Prior to rehabilitation, the Town leased the building 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.

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.

**ECONOMIC DEVELOPMENT AUTHORITY OF TOWN OF ROCKY MOUNT
(A COMPONENT UNIT OF TOWN OF ROCKY MOUNT, VIRGINIA)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Related Parties: (Continued)

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.

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 & 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, 2022, the fiscal year end for the separate entities, deposits of \$784,819 exceeded 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, 2023**

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	92,890	-		113,028
Total capital assets being depreciated	\$ 3,391,876	\$ 92,890	\$ -	\$	3,484,766
Accumulated depreciation:					
Buildings and improvements	\$ (702,213)	\$ (80,675)	\$ -	\$	(782,888)
Machinery and equipment	(20,138)	(1,501)	-		(21,639)
Total accumulated depreciation	\$ (722,351)	\$ (82,176)	\$ -	\$	(804,527)
Total capital assets being depreciated, net	\$ 2,669,525	\$ 10,714	\$ -	\$	2,680,239
Net capital assets	\$ 2,737,769	\$ 10,714	\$ -	\$	2,748,483

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 state historic 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 EVENT

On July 7, 2023, the EDA issued a general obligation bond in the amount of \$5,150,000 for the purchase of land for a future development site to promote industry within the community. The bond has an interest rate of 5.93% with interest only payments semi-annually starting February 1, 2024 and a balloon payment due at maturity on August 1, 2028. The related land was purchased for \$5,000,000 and closed on August 1, 2023.

COMPLIANCE SECTION



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

**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***

**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, 2023, 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 21, 2023.

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 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 were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2023-001 that we consider 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*.

Authority's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Economic Development Authority of the Town of Rocky Mount, Virginia's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Authority's response was not subjected to the other 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 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, Farmer, Cox, Associates

Blacksburg, Virginia
November 21, 2023

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, 2023

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

2023-001

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.
Cause:	The trial balances for the various Harvester Performance Center (HPC) entities are provided by the tax preparer on the tax basis of accounting. There are several adjustments made to the books that create differences from the ledger as provided by the third-party bookkeeper for the Performance Center Tenant, LLC entity. Detailed ledgers are not provided for the other three HPC entities. Inter-company transfers and balances are material but are required to be removed to report on a consolidated basis.
Effect:	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.
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.

ECONOMIC DEVELOPMENT AUTHORITY OF THE TOWN OF ROCKY MOUNT, VIRGINIA
(A Component Unit of the Town of Rocky Mount, Virginia)
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2023

2022-001

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.

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.

Current Status: Finding 2022-001 was repeated in the current year as 2023-001.