

## REQUIRED COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Board of Directors  
Bedford County Economic Development Authority  
Bedford, Virginia

We have audited the financial statements of the Bedford County Economic Development Authority (the "Authority") for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 6, 2015. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing accounting policies was not changed during the year ended June 30, 2015. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- The estimated useful lives of capital assets are based on management's knowledge and judgment, which is based on history.
- The carrying value of inventories is equal to or less than fair value, which is based on management's knowledge of current selling prices.

We evaluated the key factors and assumptions used to develop these estimates in determining that the estimates are reasonable in relation to the financial statements taken as a whole.

## **Significant Audit Findings (Continued)**

### *Qualitative Aspects of Accounting Practices (Continued)*

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements include those related to:

- The disclosure in Note 7 to the financial statements regarding performance grants.
- The disclosures about significant accounting policies in Note 1 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no such misstatements noted.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 7, 2015. A copy of these representations is attached.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Other Matters**

We were not engaged to report on the directory of principal officials, which accompanies the financial statements, but is not required supplementary information. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

**Restriction on Use**

This information is intended solely for the use of the Board of Directors and management of the Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia  
December 7, 2015





# Bedford County

## ECONOMIC DEVELOPMENT AUTHORITY

December 7, 2015

Brown, Edwards & Company, L.L.P.  
Certified Public Accountants  
2102 Langhorne Road, Ste. 200  
Lynchburg, VA 24501

This representation letter is provided in connection with your audit of the financial statements of the Bedford County Economic Development Authority (the "Authority"), which comprises the financial position of the Authority as of June 30, 2015, and the changes in financial position and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of December 7, 2015, the following representations made to you during your audit.

### Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 6, 2015, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 9) Guarantees, whether written or oral, under which the entity is contingently liable, if any, have been properly recorded or disclosed.
- 10) We have provided the planning communications letter to all members of those charged with governance as requested.

### **Information Provided**

- 11) We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters [and all audit or relevant monitoring reports, if any, received from funding sources].
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - Management,
  - Employees who have significant roles in internal control, or
  - Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others.
- 16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 18) We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

### **Government—specific**

- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 20) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

- 21) The entity has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 22) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and legal and contractual provisions for reporting specific activities in separate funds.
- 23) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 24) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 25) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 26) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 27) The entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 28) The entity has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 29) Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
- 30) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 31) Provisions for uncollectible receivables have been properly identified and recorded.
- 32) Expenses have been appropriately classified and allocated in the statement of revenues, expenses and changes in fund net position.
- 33) Revenues have been appropriately classified in the statement of revenues, expenses, and changes in fund net position.
- 34) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 35) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 36) Capital assets have been evaluated for impairment as a result of significant and unexpected decline in service utility.
- 37) We have not completed the process of evaluating the impact that will result from adopting new Governmental Accounting Standards Board (GASBS) Statements that are not yet effective, as discussed in the notes to financial statements. The entity is therefore unable to disclose the impact that adopting these Statements will have on its financial position and the results of its operations when the Statements are adopted.
- 38) We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

39) Expenditures of federal awards were below the \$500,000 threshold in the audit period, and we are not required to have an audit in accordance with OMB Circular A-133.

Signed:

A handwritten signature in black ink, appearing to read 'Blido', written over a horizontal line.

Ms. Traci Blido  
Bedford County Economic Development Director

Signed:

A handwritten signature in blue ink, appearing to read 'Susan Crawford', written over a horizontal line.

Ms. Susan Crawford, CPA  
Director of Fiscal Management

**BEDFORD COUNTY ECONOMIC  
DEVELOPMENT AUTHORITY**

**FINANCIAL REPORT**  
**(A Component Unit of the County of Bedford, Virginia)**

**June 30, 2015**



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**BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY**

**DIRECTORY OF PRINCIPAL OFFICIALS**

**BOARD OF DIRECTORS**

James A. Lusk, Chairman  
Wyatt H. Walton, III, Vice Chairman  
Dennis V. Novitzke  
Mickey Johnson  
Matthew J. Braud  
Raymond P. Sellers  
Kimberly A. McCabe  
Kristy W. Milton

**OFFICIALS**

Rebecca C. Jones, Treasurer  
Traci Blido, Secretary  
G. Carl Boggess, Attorney

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Board of Directors  
Bedford County Economic Development Authority  
Bedford, Virginia

### Report on Financial Statements

We have audited the accompanying financial statements of the Bedford County Economic Development Authority (the "Authority"), a component unit of the County of Bedford, Virginia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which comprise the Authority's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 net position of the Authority, as of June 30, 2015, and the changes in net 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 a 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*

The directory of principal officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2015 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia  
December 7, 2015

**BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY**

**STATEMENT OF NET POSITION**

**June 30, 2015**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents (Note 2)	\$ 1,560,193
Receivables (Note 9)	431,980
Inventory (Note 3)	<u>8,746,128</u>
Total current assets	<u>10,738,301</u>

**NONCURRENT ASSETS**

Capital assets (Note 4)	
Nondepreciable	491,203
Depreciable, net	<u>2,757,865</u>
Total noncurrent assets	<u>3,249,068</u>
Total assets	<u>13,987,369</u>

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable	21,213
Performance grants payable (Note 7)	<u>450,000</u>
Total current liabilities	<u>471,213</u>
Total liabilities	<u>471,213</u>

**NET POSITION**

Invested in capital assets	3,249,068
Unrestricted	<u>10,267,088</u>
Total net position	<u>\$ 13,516,156</u>



**BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**Year Ended June 30, 2015**

<b>Operating revenues</b>	
Operating lease revenue	\$ 295,094
Other	<u>37,580</u>
Total operating revenues	<u>332,674</u>
<b>Operating expenses</b>	
General and administrative	19,040
Incentive and performance grants	84,157
Leased property operating expense	105,831
Park maintenance	32,814
Construction of electrical substation	2,325,603
Depreciation	<u>262,169</u>
Total operating expenses	<u>2,829,614</u>
Operating loss	<u>(2,496,940)</u>
<b>Nonoperating revenues</b>	
Interest income	3,632
Subsidies from the County of Bedford	<u>2,330,681</u>
Nonoperating revenues	<u>2,334,313</u>
Decrease in net position	(162,627)
Net position, beginning of year	<u>13,678,783</u>
Net position, end of year	<u>\$ 13,516,156</u>

**BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY**

**STATEMENT OF CASH FLOW**  
**Year Ended June 30, 2015**

**OPERATING ACTIVITIES**

Lease revenue	\$ 295,094
Other cash receipts	37,580
Payments to suppliers	(142,791)
Incentive and performance grant payments	(59,157)
Payments for construction of electrical substation	<u>(2,629,895)</u>
Net cash used in operating activities	<u>(2,499,169)</u>

**NONCAPITAL FINANCING ACTIVITIES**

Subsidies from the County of Bedford	<u>2,728,404</u>
Net cash provided by noncapital financing activities	<u>2,728,404</u>

**CAPITAL AND RELATED FINANCING ACTIVITIES**

Purchase of capital assets	<u>(24,445)</u>
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**INVESTING ACTIVITIES**

Interest received	<u>3,632</u>
Net increase in cash and cash equivalents	208,422

**Cash and cash equivalents, beginning of year**

1,351,771

**Cash and cash equivalents, end of year**

\$ 1,560,193

**RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES**

Operating loss	\$ (2,496,940)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	262,169
(Increase) decrease in assets	
Inventory	94,370
Increase (decrease) in liabilities	
Accounts payable and other liabilities	(383,768)
Performance grants payable	25,000
Net cash used in operating activities	<u>\$ (2,499,169)</u>

# BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS Year Ended June 30, 2015

### Note 1. Summary of Significant Accounting Policies

#### Reporting entity:

The Bedford County Economic Development Authority (the "Authority") was created as a governmental subdivision of the Commonwealth of Virginia by ordinance of the Board of Supervisors of Bedford County on October 12, 1970, 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 Board of Supervisors. It is authorized to acquire, own, lease and dispose of properties to the extent that such activities may promote industry and develop trade by encouraging enterprises to locate and remain in Virginia.

In addition, 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 enterprises for whom 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 or sale of the facilities constructed and may be secured by a deed of trust on those facilities.

The Authority is classified as a discretely presented component unit of the County of Bedford because its members are appointed by the Board of Supervisors, and the County provides significant funding to the Authority. Thus, the County is financially accountable for the Authority.

#### Measurement focus and basis of accounting:

The Authority's financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing grant and incentive services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority generally result from operating leases, financing leases, and proceeds of land and buildings held for resale. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources as they are needed.

#### Cash and cash equivalents:

For the purpose of the statement of cash flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2015**

**Note 1. Summary of Significant Accounting Policies (Continued)**

Inventory:

The cost of land (including acquisition costs) is allocated to subdivided areas for the purpose of accumulating costs to match with sales revenues. Where practical, land improvement costs are charged to the appropriate subdivided area on a specific identification basis. Other improvement, carrying, and amenity costs are allocated based on acreage. Building costs are accumulated and matched to sales revenues.

Capital assets:

Capital assets purchased or constructed are stated at historical cost. Donated property is recorded at the fair value prevailing at the date of donation. Depreciation for capital assets has been provided over the following estimated useful lives under the straight-line method:

Buildings and improvements	15-30 years
Equipment	3-15 years

Net position:

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

Asset impairment:

The Authority reviews long-lived assets, including land inventory and capital assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. There was no impairment during the current year.

Estimates:

Management uses estimates and assumptions in preparing its financial statements. Actual results could differ from those estimates.

Performance grants payable:

Performance grants payable are recorded when, in management's opinion, failure by the grantee to meet the performance criteria is unlikely. Refunds of performance grants are reflected as revenues when collection is determined to be likely.

**BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2015**

**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.

Investments:

Statutes authorize the Authority 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 and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). At June 30 there were no investments.

**Note 3. Inventory**

Inventory consists of the following:

Land held for lease:

Lake Vista	\$ 42,628
New London Business and Technology Center	<u>478,265</u>
Total land held for lease	<u>520,893</u>

Land held for sale:

Bedford Center for Business	600,495
Montvale Center for Commerce	1,127,362
New London Business and Technology Center	<u>6,497,378</u>
Total land held for sale	<u>8,225,235</u>

Total inventory	<u><u>\$ 8,746,128</u></u>
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**BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2015**

**Note 4. Capital Assets**

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not depreciated:				
Land	\$ 491,203	\$ -	\$ -	\$ 491,203
Total capital assets, not depreciated	<u>491,203</u>	<u>-</u>	<u>-</u>	<u>491,203</u>
Capital assets, depreciated:				
Buildings and improvements	5,212,030	24,445	-	5,236,475
Equipment	<u>43,239</u>	<u>-</u>	<u>-</u>	<u>43,239</u>
Total capital assets, depreciated	<u>5,255,269</u>	<u>24,445</u>	<u>-</u>	<u>5,279,714</u>
Less accumulated depreciation for:				
Buildings and improvements	2,234,066	258,712	-	2,492,778
Equipment	<u>25,614</u>	<u>3,457</u>	<u>-</u>	<u>29,071</u>
Total accumulated depreciation	<u>2,259,680</u>	<u>262,169</u>	<u>-</u>	<u>2,521,849</u>
Net capital assets, depreciated	<u>2,995,589</u>	<u>(237,724)</u>	<u>-</u>	<u>2,757,865</u>
Total net capital assets	<u>\$ 3,486,792</u>	<u>\$ (237,724)</u>	<u>\$ -</u>	<u>\$ 3,249,068</u>

**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 County'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 County provides office space and management services in the form of employees to the Authority at no charge. The Authority provides parking to the County at no charge.

**Note 7. Performance Grants Payable and Other Commitments**

The Authority has awarded certain performance grants to businesses within the County; normally these grants are disbursed within the first three years of the five year performance period. Outstanding grants payable total \$450,000.

## BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY

### NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2015

#### Note 8. Conduit Debt Obligations

From time to time, the Authority has been associated with the issuance of Lease Revenue Bonds to provide financial assistance for the acquisition and construction of facilities deemed to be in the public interest. The conduit debt obligations are secured by the property financed and are payable solely from payments received on the underlying loan. The Authority is not obligated in any manner for repayment of the obligations. Accordingly, the obligations are not reported as liabilities in the accompanying financial statements. As of June 30, the Authority had the following conduit debt arrangements:

Bedford County Courthouse and Social Services Building Refunding Revenue Bonds, Series 2005 – The \$7,785,000 Series 2005 bonds provided funds to refund a portion of the Series 1999 Courthouse and Social Services Building Lease Revenue Bonds. As of June 30, \$4,525,000 remains outstanding.

Bedford County Jefferson Forest High School, Group Homes and Nursing Home Lease Revenue and Revenue Refunding Bonds, Series 2006 – The \$44,635,000 Series 2006 bonds provided funds to renovate and expand Jefferson Forest High School, build the Bedford County Group Homes, and refund the Bedford County Nursing Home Series 2005 lease. As of June 30, \$7,015,000 remains outstanding.

#### Note 9. Subsequent Event

Subsequent to year end, the Authority forgave Simplimatic Automation of its \$431,980 note receivable. Simplimatic Automation has met and exceeded all of the performance agreement goals of jobs and capital investment.

#### Note 10. New Accounting Standards

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

GASB Statement No. 72, *Fair Value Measurement and Application* addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement will be effective for the year ending June 30, 2016.

**BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2015**

**Note 10. New Accounting Standards (Continued)**

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* identifies – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement will be effective for the year ending June 30, 2016 and should be applied retroactively. Earlier application is permitted.

GASB Statement No. 77, *Tax Abatement Disclosures*, requires governments to disclose information about the nature and magnitude of tax abatements granted to a specific taxpayer, typically for the purpose of economic development. This does not cover programs that reduce the tax liabilities of broad classes of taxpayers, such as senior citizens or veterans, and which are not the product of individual agreements with each taxpayer. The Statement does not consider issues related to recognition. This Statement will be effective for the year ending June 30, 2017.

**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**

To the Honorable Members of the Board of Directors  
Bedford County Economic Development Authority  
Bedford, 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 Bedford County Economic Development Authority (the "Authority"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which comprise the Authority's basic financial statements, and have issued our report thereon dated December 7, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. **Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.**

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. **The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.**

## Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia  
December 7, 2015



**BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY**

**SUMMARY OF COMPLIANCE MATTERS**

**June 30, 2015**

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  
Unclaimed Property

LOCAL COMPLIANCE

Authority By-Laws