



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, 2016. 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 June 7, 2016. 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, 2016. 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 November 29, 2016, a copy of which 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
November 29, 2016

**BEDFORD COUNTY ECONOMIC
DEVELOPMENT AUTHORITY**

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

June 30, 2016

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BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY

DIRECTORY OF PRINCIPAL OFFICIALS

BOARD OF DIRECTORS

Wyatt H. Walton, III, Chairman
Mickey Johnson, Vice Chairman
Dennis V. Novitzke
Matthew J. Braud
James A. Lusk
Kelly Harmony
Kristy W. Milton

OFFICIALS

Rebecca C. Jones, Treasurer
Traci Blido, Secretary
Patrick J. Skelley, II, 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, 2016, 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, 2016, 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 November 29, 2016 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
November 29, 2016

BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY

STATEMENT OF NET POSITION

June 30, 2016

ASSETS

CURRENT ASSETS

Cash and cash equivalents (Note 2)	\$ 1,599,037
Receivables	5,725
Inventory (Note 3)	<u>8,746,128</u>
Total current assets	<u>10,350,890</u>

NONCURRENT ASSETS

Capital assets (Note 4)	
Nondepreciable	491,203
Depreciable, net	<u>2,375,415</u>
Total noncurrent assets	<u>2,866,618</u>
Total assets	<u>13,217,508</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable	11,792
Performance grants payable (Note 7)	<u>61,000</u>
Total current liabilities	<u>72,792</u>
Total liabilities	<u>72,792</u>

NET POSITION

Invested in capital assets	2,866,618
Unrestricted	<u>10,278,098</u>
Total net position	<u>\$ 13,144,716</u>

BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
Year Ended June 30, 2016

Operating revenues	
Operating lease revenue	\$ 291,297
Other	<u>7,767</u>
Total operating revenues	<u>299,064</u>
 Operating expenses	
General and administrative	26,590
Incentive and performance grants	130,980
Leased property operating expense	257,071
Park maintenance	31,115
Depreciation	<u>262,655</u>
Total operating expenses	<u>708,411</u>
Operating loss	<u>(409,347)</u>
 Nonoperating revenues	
Interest income	5,506
Loss on disposal of assets	(130,654)
Subsidies from the County of Bedford	<u>163,055</u>
Nonoperating revenues	<u>37,907</u>
Decrease in net position	(371,440)
 Net position, beginning of year	 <u>13,516,156</u>
Net position, end of year	<u>\$ 13,144,716</u>

BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY

STATEMENT OF CASH FLOWS
Year Ended June 30, 2016

OPERATING ACTIVITIES

Lease revenue	\$ 288,607
Other cash receipts	4,734
Payments to suppliers	(326,698)
Incentive and performance grant payments	(88,000)
Net cash used in operating activities	<u>(121,357)</u>

NONCAPITAL FINANCING ACTIVITIES

Subsidies from the County of Bedford	<u>163,055</u>
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CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of capital assets	<u>(8,360)</u>
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INVESTING ACTIVITIES

Interest received	<u>5,506</u>
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Net increase in cash and cash equivalents 38,844

Cash and cash equivalents, beginning of year 1,560,193

Cash and cash equivalents, end of year \$ 1,599,037

RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES

Operating loss	\$ (409,347)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	262,655
(Increase) decrease in assets	
Receivables	426,255
Increase (decrease) in liabilities	
Accounts payable and other liabilities	(11,920)
Performance grants payable	(389,000)
Net cash used in operating activities	<u><u>\$ (121,357)</u></u>

Schedule of Noncash Activity

Capital asset additions financed by accounts payable	<u><u>\$ 2,500</u></u>
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BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2016

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 consist of a single enterprise fund and are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

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

Cash and cash equivalents:

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, 2016**

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, 2016

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, 2016**

Note 4. Capital Assets

Capital asset activity for the year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
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	5,236,475	10,860	296,849	4,950,486
Equipment	43,239	-	-	43,239
Total capital assets, depreciated	<u>5,279,714</u>	<u>10,860</u>	<u>296,849</u>	<u>4,993,725</u>
Less accumulated depreciation for:				
Buildings and improvements	2,492,778	259,198	166,194	2,585,782
Equipment	29,071	3,457	-	32,528
Total accumulated depreciation	<u>2,521,849</u>	<u>262,655</u>	<u>166,194</u>	<u>2,618,310</u>
Net capital assets, depreciated	<u>2,757,865</u>	<u>(251,795)</u>	<u>130,655</u>	<u>2,375,415</u>
Total net capital assets	<u><u>\$3,249,068</u></u>	<u><u>\$ (251,795)</u></u>	<u><u>\$ 130,655</u></u>	<u><u>\$ 2,866,618</u></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 \$61,000.

BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2016**

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, \$3,755,000 remains outstanding.

Note 9. Subsequent Event

In June 2016, the Authority entered into a performance and option contract to purchase a historic manufacturing warehouse from Bedford Brewing, LLC, who was desiring to establish operations in Bedford. In October 2016, the Authority closed on a \$700,000 loan to assist the business with environmental remediation and renovations to the warehouse. The Authority also closed on the purchase of the warehouse from Bedford Brewing, LLC. The Authority will lease the warehouse back to Bedford Brewing, LLC through a long-term leasing arrangement. Bedford Brewing, LLC will be responsible for any leasehold improvements necessary to ready the facility for operations.

Note 10. New Accounting Standards

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

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.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. This Statement will be effective for the year ending June 30, 2017.

BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2016**

Note 10. New Accounting Standards (Continued)

GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14* clarifies the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This Statement will be effective for the year ending June 30, 2017.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* provides recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement will be effective for the year ending June 30, 2018.

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, 2016, and the related notes to the financial statements, which comprise the Authority's basic financial statements, and have issued our report thereon dated November 29, 2016.

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
November 29, 2016

BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY

SUMMARY OF COMPLIANCE MATTERS

June 30, 2016

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