

**BEDFORD COUNTY ECONOMIC
DEVELOPMENT AUTHORITY**

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

June 30, 2021

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BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY

DIRECTORY OF PRINCIPAL OFFICIALS

BOARD OF DIRECTORS

Jim T. Messier, Chairman
Rhonnie Smith, Vice Chairman
Victoria Gardner
Wyatt H. Walton, III
Matthew J. Braud
Kristy Milton
James T. Robertson, Jr.

OFFICIALS

Kim J. Snow, 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, 2021, 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, 2021, 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 September 9, 2022 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
September 9, 2022

BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY

STATEMENT OF NET POSITION

June 30, 2021

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents (Note 2)	\$ 1,424,199
Receivables (Note 3)	111,648
Inventory (Note 4)	11,043,735
Restricted assets:	
Cash and cash equivalents (Note 2)	45,148
Total current assets	<u>12,624,730</u>
NONCURRENT ASSETS	
Receivables (Note 3)	736,841
Capital assets: (Note 5)	
Nondepreciable	1,482,754
Depreciable, net	1,007,197
Total noncurrent assets	<u>3,226,792</u>
Total assets	<u>15,851,522</u>
 LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	454,238
Performance grants payable (Note 11)	649,450
Burnbridge Road escrow	39,710
Unearned revenue	142,296
Line of credit payable (Note 6)	551,932
Notes payable (Note 7)	12,424
Total current liabilities	<u>1,850,050</u>
NONCURRENT LIABILITIES	
Notes payable (Note 7)	645,008
Total noncurrent liabilities	<u>645,008</u>
Total liabilities	<u>2,495,058</u>
 NET POSITION	
Invested in capital assets, net of related debt	1,938,019
Restricted	45,148
Unrestricted	11,373,297
Total net position	<u>\$ 13,356,464</u>

BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
Year Ended June 30, 2021

Operating revenues	
Gain on sale of land	\$ 100,946
Operating lease revenue	334,066
Other	86,244
	<hr/>
Total operating revenues	521,256
	<hr/>
Operating expenses	
General and administrative	121,156
Incentive and performance grants	189,450
Leased property operating expense	91,813
Park maintenance	549,541
Depreciation	240,199
	<hr/>
Total operating expenses	1,192,159
	<hr/>
Operating loss	(670,903)
	<hr/>
Nonoperating revenues (expenses)	
Interest income	6,654
Interest expense	(32,818)
Subsidies from the County of Bedford	275,831
	<hr/>
Nonoperating revenues (expenses)	249,667
	<hr/>
Decrease in net position	(421,236)
	<hr/>
Net position, beginning of year	13,777,700
	<hr/>
Net position, end of year	\$ 13,356,464
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BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY

STATEMENT OF CASH FLOWS
Year Ended June 30, 2021

OPERATING ACTIVITIES

Lease revenue	\$ 345,913
Other cash receipts	37,954
Payments to suppliers	(1,024,114)
Payments for acquisition and construction of inventory	(26,188)
Net cash used in operating activities	<u>(666,435)</u>

NONCAPITAL FINANCING ACTIVITIES

Principal paid on note	(11,847)
Interest paid on note	(32,818)
Subsidies from the County of Bedford	165,455
Net cash provided by noncapital financing activities	<u>120,790</u>

CAPITAL AND RELATED FINANCING ACTIVITIES

Borrowings on line of credit	551,932
Purchase of capital assets	(638,302)
Subsidies from the County of Bedford	572,135
Net cash provided by capital and related financing activities	<u>485,765</u>

INVESTING ACTIVITIES

Interest received	<u>6,654</u>
Net decrease in cash and cash equivalents	(53,226)

Cash and cash equivalents, beginning of year

1,522,573

Cash and cash equivalents, end of year

\$ 1,469,347

RECONCILIATION TO STATEMENT OF NET POSITION

Cash and cash equivalents	\$ 1,424,199
Cash and cash equivalents, restricted	45,148
	<u>\$ 1,469,347</u>

(Continued)

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

BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY

STATEMENT OF CASH FLOWS
Year Ended June 30, 2021

RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES

Operating loss	\$	(670,903)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation		240,199
Cost of Land Sold		88,504
Meade Road project		215,670
(Increase) decrease in assets		
Receivables		(177,603)
Inventory		(26,188)
Increase (decrease) in liabilities		
Accounts payable and other liabilities		(477,274)
Burnbridge Road escrow		(48,290)
Performance grants payable		189,450
Net cash used in operating activities	\$	<u>(666,435)</u>
Schedule of Noncash Activity		
Capital asset additions financed by accounts payable	\$	<u>442,136</u>

BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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:

The Authority’s cash and cash equivalents are defined as cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Notes receivable

Notes receivable consist of amounts owed to the Authority from sales of property and sales-type leases.

(Continued)

BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
June 30, 2021**

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 acquisition value 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

Unearned revenues:

Unearned revenues consist of operating lease prepayments that have been received but not earned at year end.

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 represents 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.

(Continued)

BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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). As of June 30, 2021 there were no investments.

Note 3. Notes Receivable

Notes receivable consist of various Authority loans to companies. Balances are due over time and are not expected to be collected in full within one year.

Based on the Authority's analysis of loans at June 30, 2021, no allowance was recorded. Management evaluates the performance and payment history of companies annually in determining the required allowance.

	<u>Ending Receivable</u>	<u>Due Within One Year</u>
Notes Receivable		
Damage Prevention Solutions	\$ 189,450	\$ 99,225
Sales-Type Lease Receivable		
Bedford Brewing LLC	659,039	12,423
Total receivables	<u>\$ 848,489</u>	<u>\$ 111,648</u>

BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
June 30, 2021**

Note 4. Inventory

Inventory consists of the following:

Land held for lease:		
Lake Vista		<u>\$ 42,628</u>
Land held for sale:		
Bedford Center for Business		600,495
Montvale Center for Commerce		950,240
New London Business and Technology Center		<u>9,450,372</u>
Total land held for sale		<u>11,001,107</u>
Total inventory		<u><u>\$ 11,043,735</u></u>

Note 5. 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	\$ 454,409	\$ -	\$ -	\$ 454,409
Construction in progress	<u>2,661,441</u>	<u>1,028,345</u>	<u>2,661,441</u>	<u>1,028,345</u>
Total capital assets, not depreciated	<u>3,115,850</u>	<u>1,028,345</u>	<u>2,661,441</u>	<u>1,482,754</u>
Capital assets, depreciated:				
Buildings and improvements	4,372,883	44,840	-	4,417,723
Equipment	<u>30,670</u>	<u>7,254</u>	<u>19,670</u>	<u>18,254</u>
Total capital assets, depreciated	<u>4,403,553</u>	<u>52,094</u>	<u>19,670</u>	<u>4,435,977</u>
Less accumulated depreciation for:				
Buildings and improvements	3,177,581	239,756	-	3,417,337
Equipment	<u>30,670</u>	<u>443</u>	<u>19,670</u>	<u>11,443</u>
Total accumulated depreciation	<u>3,208,251</u>	<u>240,199</u>	<u>19,670</u>	<u>3,428,780</u>
Net capital assets, depreciated	<u>1,195,302</u>	<u>(188,105)</u>	<u>-</u>	<u>1,007,197</u>
Total net capital assets	<u><u>\$4,311,152</u></u>	<u><u>\$ 840,240</u></u>	<u><u>\$ 2,661,441</u></u>	<u><u>\$ 2,489,951</u></u>

(Continued)

BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
June 30, 2021**

Note 6. Line of Credit

The Authority entered into a \$2,000,000 line of credit with a local financial institution to cover construction costs to improve existing industrial property for future tenants. The line matures on April 27, 2022. The line had an interest rate of 2.75% at June 30, 2021. The outstanding balance at June 30, 2021 was \$551,932.

Note 7. Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Notes payable	\$ 669,279	\$ -	\$ 11,847	\$ 657,432	\$ 12,424

The annual requirements to amortize long-term debt and related interest are as follows:

<u>Fiscal Year</u>	<u>Notes Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 12,424	\$ 31,395	\$ 43,819
2023	13,035	30,783	43,818
2024	13,593	30,225	43,818
2025	14,346	29,472	43,818
2026-2028	604,034	61,474	665,508
	<u>\$ 657,432</u>	<u>\$ 183,349</u>	<u>\$ 840,781</u>

Details of long-term indebtedness are as follows:

<u>Purpose</u>	<u>Date Issued</u>	<u>Interest Rates</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Fund Development Projects:				
Virginia Community Capital Bank	2016	4.75%	\$ 700,000	\$ 657,432

BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 8. Sales-Type Leasing Arrangements

The Authority entered into a lease agreement with Bedford Brewing, LLC, which has common ownership with Waukeshaw Development, Inc., in June 2016. In October 2016 the lease was amended, and executed simultaneously with the amendment, was a tenant's work letter agreement. The lease agreement provides for periodic rental payments in amounts which are equal to the principal and interest payments due for the Virginia Community Capital Bank Note Payable. Terms of the lease stipulate that Bedford Brewing, LLC will make monthly lease payments in the amount of \$3,652 beginning November 1, 2017. The tenant's work letter agreement addressed the construction of leasehold improvements, specifically a brewery and restaurant on the leased premises.

In October 2016, the Authority also entered into an option to purchase contract with Way Out West, LLC, which also has common ownership with Bedford Brewing, LLC and Waukeshaw Development, Inc. The option is exercisable after 10 years from November 1, 2017 and may be extended for two one-year periods. The purchase price for the property shall be the unpaid balance, if any, on the Virginia Community Capital Bank Note Payable.

Note 9. 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 10. 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 11. Performance Grants Payable and Other Commitments

Performance agreement:

The Authority has awarded performance grants to companies within the County to foster economic development. Disbursements under these grants vary based on the performance requirements and period in which the company has to perform. Outstanding grants payable total \$649,450 as of June 30, 2021.

(Continued)

BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
June 30, 2021**

Note 11. Performance Grants Payable and Other Commitments (Continued)

Performance agreement: (Continued)

In May 2017, the Authority entered into a performance agreement with Liberty University (the “University”), whereby the University acquired Lot 1, approximately 28 acres, of the New London Business and Technology Center for a purchase price of \$800,000. The Authority held a promissory note in the amount of \$800,000 as payment of the full amount of the purchase price. The University agreed to construct the remainder of the circular drive and parking spaces per the Development Master Plan by April 30, 2018 and was granted a credit of \$150,000 toward the outstanding note as of June 30, 2019. Under the original agreement the University would construct a new facility and certain other improvements and relocate its Engineering School to the new facility. The Authority would grant credits based on relocation timeline and revenue generated and paid to County of Bedford, Virginia during a five-year period. In July 2019, a modified agreement was signed as Liberty University would not be relocating the Engineering School to Lot 1; however, the agreement granted Liberty University a \$110,000 credit for completion of nine research labs reducing the outstanding payable to \$540,000. Liberty University paid the outstanding \$540,000 balance to the Authority in July 2019. Also, under the modified agreement, the Authority agreed to pay Liberty University \$4.33 per square foot of finished floor space of new and completed buildings built on Lot 1 up to a maximum of 99,231 square feet (i.e., \$430,000). This applies to construction commenced on or after the effective date of the agreement and completed on or before the date that is five years immediately subsequent to the effective date of the agreement. As of June 30, 2020, the Authority’s outstanding performance grant payable relate to this agreement is \$430,000.

The Authority also has a performance grant payable of \$30,000 to Custom Truck as of June 30, 2021.

In July 2020, the Authority entered into a performance agreement with Damage Prevention Solutions (“DPS”) whereby DPS acquired Lot 3B, approximately 4 acres, of the New London Business and Technology Center for the purchase price of \$189,450. The Authority holds a promissory note in the amount of \$189,450 as payment of the full amount of the purchase price. The Authority has agreed to grant credits to DPS towards the principal sum of \$189,450 based upon DPS’ level of investment and job creation. If DPS invests a minimum of \$650,000 in an approximately 10,000 square foot manufacturing facility in Bedford County within one calendar year from closing, a credit of \$99,225 will be given by the Authority towards the agreed upon sum. If DPS has successfully achieved a minimum of 15 full-time employees based in Bedford County, at the end of the five-year term of the above referenced facility, with average annual salaries of \$35,000 or higher, a final credit of \$99,225 will be given and the promissory note will be satisfied. If DPS abandons the project without completing the construction of new technology facilities, the payment of the remaining balance of the promissory note is required.

Leases:

The Authority leases buildings to commercial and other governmental entities under leases with varied terms, typically one to five years, with opportunities for annual extensions.

BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 12. 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, 2021 the Authority did not have any outstanding conduit debt arrangements.

Note 13. COVID-19 Impact

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude the pandemic will have on the Authority’s financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Authority is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

Note 14. New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective. The effective dates below are updated based on Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* due to the COVID-19 pandemic.

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

(Continued)

BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 14. New Accounting Standards (Continued)

In January 2020, the GASB issued Statement No. 92, *Omnibus*. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. This Statement addresses accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. This Statement provides a more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

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

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, 2021, and the related notes to the financial statements, which comprise the Authority’s basic financial statements, and have issued our report thereon dated September 9, 2022.

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 the Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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*.**

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
September 9, 2022

BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY

**SUMMARY OF COMPLIANCE MATTERS
June 30, 2021**

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