

**BEDFORD COUNTY ECONOMIC  
DEVELOPMENT AUTHORITY**

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

**June 30, 2022**

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**BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY**

**DIRECTORY OF PRINCIPAL OFFICIALS**

**BOARD OF DIRECTORS**

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

**OFFICIALS**

Kim J. Snow, Treasurer  
Pam Bailey, 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 the Audit of the Financial Statements

#### *Opinion*

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, 2022, and the related notes to the financial statements, which comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Authority, as of June 30, 2022, 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.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Change in Accounting Principal*

As described in Note 13 to the financial statements, in 2022, the Authority adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

#### *Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## **Report on the Audit of the Financial Statements (Continued)**

### *Responsibilities of Management for the Financial Statements (Continued)*

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## Report on the Audit of the Financial Statements (Continued)

### *Other Information*

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2023 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, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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  
May 22, 2023

**BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY**

**STATEMENT OF NET POSITION**

**June 30, 2022**

**ASSETS**

**CURRENT ASSETS**

|                                    |                   |
|------------------------------------|-------------------|
| Cash and cash equivalents (Note 2) | \$ 1,826,527      |
| Notes receivables (Note 3)         | 13,035            |
| Inventory (Note 4)                 | 8,413,397         |
| Lease receivable (Note 11)         | 181,988           |
| Restricted assets:                 |                   |
| Cash and cash equivalents (Note 2) | 16,382            |
| Total current assets               | <u>10,451,329</u> |

**NONCURRENT ASSETS**

|                            |                   |
|----------------------------|-------------------|
| Receivables (Note 3)       | 723,798           |
| Lease receivable (Note 11) | 4,418,447         |
| Capital assets: (Note 5)   |                   |
| Nondepreciable             | 612,790           |
| Depreciable, net           | 4,981,426         |
| Total noncurrent assets    | <u>10,736,461</u> |
| Total assets               | <u>21,187,790</u> |

**LIABILITIES**

**CURRENT LIABILITIES**

|                           |                |
|---------------------------|----------------|
| Accounts payable          | 9,721          |
| Unearned revenue          | 144,846        |
| Notes payable (Note 7)    | 115,687        |
| Total current liabilities | <u>270,254</u> |

**NONCURRENT LIABILITIES**

|                                      |                  |
|--------------------------------------|------------------|
| Performance grants payable (Note 11) | 520,225          |
| Notes payable (Note 7)               | 2,400,912        |
| Total noncurrent liabilities         | <u>2,921,137</u> |
| Total liabilities                    | <u>3,191,391</u> |

**DEFERRED INFLOW OF RESOURCES**

|  |                  |
|--|------------------|
| Lease-related deferred inflows (Note 11) | 4,543,208        |
| Total deferred inflow of resources       | <u>4,543,208</u> |

**NET POSITION**

|   |                      |
|---|----------------------|
| Invested in capital assets, net of related debt | 3,722,618            |
| Restricted                                      | 16,382               |
| Unrestricted                                    | 9,714,191            |
| Total net position                              | <u>\$ 13,453,191</u> |

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

**BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**Year Ended June 30, 2022**

|   |                             |
|---|-----------------------------|
| <b>Operating revenues</b>               |                             |
| Operating lease revenue                 | \$ 406,412                  |
| Other                                   | 207,728                     |
|   | <hr/>                       |
| Total operating revenues                | 614,140                     |
|   | <hr/>                       |
| <b>Operating expenses</b>               |                             |
| General and administrative              | 226,390                     |
| Incentive and performance grants        | 25,000                      |
| Leased property operating expense       | 71,377                      |
| Park maintenance                        | 5,236                       |
| Depreciation                            | 465,566                     |
|   | <hr/>                       |
| Total operating expenses                | 793,569                     |
|   | <hr/>                       |
| Operating loss                          | (179,429)                   |
|   | <hr/>                       |
| <b>Nonoperating revenues (expenses)</b> |                             |
| Interest income                         | 186,350                     |
| Interest expense                        | (73,249)                    |
| Subsidies from the County of Bedford    | 163,055                     |
|   | <hr/>                       |
| Nonoperating revenues (expenses)        | 276,156                     |
|   | <hr/>                       |
| Increase in net position                | 96,727                      |
|   | <hr/>                       |
| <b>Net position, beginning of year</b>  | 13,356,464                  |
|   | <hr/>                       |
| <b>Net position, end of year</b>        | <u><u>\$ 13,453,191</u></u> |



**BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY**

**STATEMENT OF CASH FLOWS**  
**Year Ended June 30, 2022**

**OPERATING ACTIVITIES**

|                                       |                  |
|---------------------------------------|------------------|
| Lease revenue                         | \$ 546,429       |
| Other cash receipts                   | 168,018          |
| Payments to suppliers                 | <u>(802,521)</u> |
| Net cash used in operating activities | <u>(88,074)</u>  |

**NONCAPITAL FINANCING ACTIVITIES**

|  |                  |
|--|------------------|
| Proceeds from notes payable                          | 1,328,009        |
| Principal paid on notes payable                      | (20,774)         |
| Interest paid on notes payable                       | (73,249)         |
| Subsidies from the County of Bedford                 | <u>163,055</u>   |
| Net cash provided by noncapital financing activities | <u>1,397,041</u> |

**CAPITAL AND RELATED FINANCING ACTIVITIES**

|   |                  |
|---|------------------|
| Acquisition and construction of capital assets                | <u>(939,493)</u> |
| Net cash provided by capital and related financing activities | <u>(939,493)</u> |

**INVESTING ACTIVITIES**

|   |              |
|---|--------------|
| Interest received                         | <u>4,088</u> |
| Net increase in cash and cash equivalents | 373,562      |

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

1,469,347

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

\$ 1,842,909

**RECONCILIATION TO STATEMENT OF NET POSITION**

|                                       |                            |
|---------------------------------------|----------------------------|
| Cash and cash equivalents             | \$ 1,826,527               |
| Cash and cash equivalents, restricted | <u>16,382</u>              |
|                                       | <u><u>\$ 1,842,909</u></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, 2022**

| <b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b> |                           |
|--|---------------------------|
| Operating loss   | \$ (179,429)              |
| Adjustments to reconcile operating gain to net cash used in operating activities |                           |
| Depreciation   | 465,566                   |
| (Increase) decrease in assets  |                           |
| Receivables  | 111,656                   |
| Leases   | 125,035                   |
| Increase (decrease) in liabilities   |                           |
| Accounts payable and other liabilities   | (444,517)                 |
| Burnbridge Road escrow   | (39,710)                  |
| Performance grants payable   | (129,225)                 |
| Deferred revenue   | 2,550                     |
|  | <hr/>                     |
| Net cash used in operating activities  | <u><u>\$ (88,074)</u></u> |

**BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022**

**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 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, 2022**

**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 lease prepayments that have been received but not earned at year end.

Deferred inflow of resources:

In addition to liabilities, the statements that present financial position reports a separate section for deferred inflow of resources. This item represents an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has the following item that qualifies for reporting in this category:

- Lease-related amounts are recognized at the inception of leases in which the Authority is the lessor. The deferred inflow of resources is recorded in an amount equal to the corresponding leases receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

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.

(Continued)

**BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022**

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

Leases:

Key estimates and judgements include how the Authority determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Authority uses an estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable periods of the lease. Lease receipts are included in the measurement of the lease receivable and is composed of fixed payments.

The Authority monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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.

**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.

(Continued)

**BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2022**

**Note 2. Deposits and Investments (Continued)**

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, 2022 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, 2022, no allowance was recorded. Management evaluates the performance and payment history of companies annually in determining the required allowance.

|                             | <u>Ending<br/>Receivable</u> | <u>Due Within<br/>One Year</u> |
|-----------------------------|------------------------------|--------------------------------|
| Notes Receivable            |                              |                                |
| Damage Prevention Solutions | \$ 90,225                    | \$ -                           |
| Sales-Type Lease Receivable |                              |                                |
| Bedford Brewing LLC         | <u>646,608</u>               | <u>13,035</u>                  |
| Total receivables           | <u>\$ 736,833</u>            | <u>\$ 13,035</u>               |

(Continued)

**BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2022**

**Note 4. Inventory**

Inventory consists of the following:

|   |                 |                            |
|---|-----------------|----------------------------|
| Land held for lease:                      |                 |                            |
| Lake Vista                                |                 | \$ 42,628                  |
| Land held for sale:                       |                 |                            |
| Bedford Center for Business               |                 | 600,495                    |
| Montvale Center for Commerce              |                 | 950,240                    |
| New London Business and Technology Center |                 | <u>6,820,034</u>           |
| Total land held for sale                  |                 | <u>8,370,769</u>           |
|   | Total inventory | <u><u>\$ 8,413,397</u></u> |

**Note 5. Capital Assets**

Capital asset activity for the year was as follows:

|                                       | <u>Beginning<br/>Balance</u> | <u>Increases</u>           | <u>Decreases</u>           | <u>Ending<br/>Balance</u>  |
|---------------------------------------|------------------------------|----------------------------|----------------------------|----------------------------|
| Capital assets, not depreciated:      |                              |                            |                            |                            |
| Land                                  | \$ 454,409                   | \$ 158,381                 | \$ -                       | \$ 612,790                 |
| Construction in progress              | <u>1,028,345</u>             | <u>-</u>                   | <u>1,028,345</u>           | <u>-</u>                   |
| Total capital assets, not depreciated | <u>1,482,754</u>             | <u>158,381</u>             | <u>1,028,345</u>           | <u>612,790</u>             |
| Capital assets, depreciated:          |                              |                            |                            |                            |
| Buildings and improvements            | 4,417,723                    | 4,439,795                  | -                          | 8,857,518                  |
| Equipment                             | <u>18,254</u>                | <u>-</u>                   | <u>-</u>                   | <u>18,254</u>              |
| Total capital assets, depreciated     | <u>4,435,977</u>             | <u>4,439,795</u>           | <u>-</u>                   | <u>8,875,772</u>           |
| Less accumulated depreciation for:    |                              |                            |                            |                            |
| Buildings and improvements            | 3,417,337                    | 465,083                    | -                          | 3,882,420                  |
| Equipment                             | <u>11,443</u>                | <u>483</u>                 | <u>-</u>                   | <u>11,926</u>              |
| Total accumulated depreciation        | <u>3,428,780</u>             | <u>465,566</u>             | <u>-</u>                   | <u>3,894,346</u>           |
| Net capital assets, depreciated       | <u>1,007,197</u>             | <u>3,974,229</u>           | <u>-</u>                   | <u>4,981,426</u>           |
| Total net capital assets              | <u><u>\$2,489,952</u></u>    | <u><u>\$ 4,132,610</u></u> | <u><u>\$ 1,028,345</u></u> | <u><u>\$ 5,594,216</u></u> |

(Continued)

**BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2022**

**Note 6. Line of Credit**

The Authority entered into a \$2,000,000 line of credit in fiscal year 2021 with a local financial institution to cover construction costs to improve existing industrial property for future tenants. The line matured on April 27, 2022, and converted to a note payable. The line had an interest rate of 2.75% at maturity. The balance converted was \$1,879,941. There was no balance on a line of credit at June 30, 2022.

**Note 7. Long-Term Liabilities**

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

|               | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending<br/>Balance</u> | <u>Due within<br/>One Year</u> |
|---------------|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| Notes payable | \$ 657,432                   | \$ 1,879,941     | \$ 20,774         | \$ 2,516,599              | \$ 115,687                     |

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>        |
| 2023               | \$ 115,687           | \$ 81,665         | \$ 197,352          |
| 2024               | 119,013              | 78,339            | 197,352             |
| 2025               | 122,874              | 74,478            | 197,352             |
| 2026               | 126,646              | 70,707            | 197,353             |
| 2027-2037          | 2,032,379            | 373,233           | 2,405,612           |
|                    | <u>\$ 2,516,599</u>  | <u>\$ 678,422</u> | <u>\$ 3,195,021</u> |

Details of long-term indebtedness are as follows:

| <u>Purpose</u>                    | <u>Date<br/>Issued</u> | <u>Interest<br/>Rates</u> | <u>Amount<br/>Issued</u> | <u>Amount<br/>Outstanding</u> |
|-----------------------------------|------------------------|---------------------------|--------------------------|-------------------------------|
| <b>Fund Development Projects:</b> |                        |                           |                          |                               |
| Virginia Community Capital Bank   | 2016                   | 4.75%                     | \$ 700,000               | \$ 645,001                    |
| Bank of the James                 | 2021                   | 2.75%                     | 1,879,941                | 1,871,598                     |



**BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022**

**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 a 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 \$520,225 as of June 30, 2022.

(Continued)

**BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**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, 2022, the Authority’s outstanding performance grant payable related to this agreement is \$430,000.

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. As of June 30, 2022, the Authority’s outstanding performance grant payable related to this agreement is \$90,225.

(Continued)

**BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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

Leases:

The Authority, as a lessor, leases buildings to commercial and other governmental entities under leases with varied terms, typically one to five years, with opportunities for annual extensions. The buildings are leased to Belvac Production Machinery, Inc., East Coast Fabricators, Inc., and SWD Grocery, Inc. The total amount of inflows of resources, including lease revenue, interest revenue, and other lease-related inflows, recognized during the fiscal year was \$1,495,754. This total includes variable and other payments not previously included in the measurement of the lease receivable.

| <u>Lease</u>                       | <u>Contract Date</u> | <u>Maturity Date</u> |
|------------------------------------|----------------------|----------------------|
| Belvac Production Machinery, Inc.* | 10/1/2021            | 9/30/2026            |
| East Coast Fabricators, Inc.*      | 11/1/2020            | 10/31/2025           |
| SWD Grocery, Inc.*                 | 4/1/2020             | 3/31/2028            |

\*Contract includes option years that are reflected in maturity date.

**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, 2022 the Authority did not have any outstanding conduit debt arrangements.

**Note 13. Adoption of New Standard**

Effective July 1, 2021, the Authority adopted Government Accounting Standards Board (GASB) Statement No. 87, *Leases*. The following discussion provides the Board's accounting policy regarding lease agreements.

During the year of implementation of GASB 87, leases have been recognized and measured using the facts and circumstances that existed at the beginning of the year of implementation (i.e., as of July 1, 2021). The Authority's leases in place at the implementation date had no prepayments (payments made at or before the commencement of the lease) and contained no incentives, as such, the lease receivable has been recognized and measured at the same amount as the related deferred inflow of resources as of the implementation date (July 1, 2021). Therefore, no restatement of prior year net position was necessary.

(Continued)

**BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**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 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.

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 April 2022, the GASB issued **Statement No. 99, Omnibus 2022**. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

In June 2022, the GASB issued **Statement No. 100, Accounting Changes and Error Corrections**. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

**BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**Note 14. New Accounting Standards (Continued)**

In June 2022, the GASB issued **Statement No. 101**, *Compensated Absences*. This statement updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

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, 2022, and the related notes to the financial statements, which comprise the Authority’s basic financial statements, and have issued our report thereon dated May 22, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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.**

## Report on Compliance and Other Matters

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

### 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  
May 22, 2023

**BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY**

**SUMMARY OF COMPLIANCE MATTERS  
June 30, 2022**

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