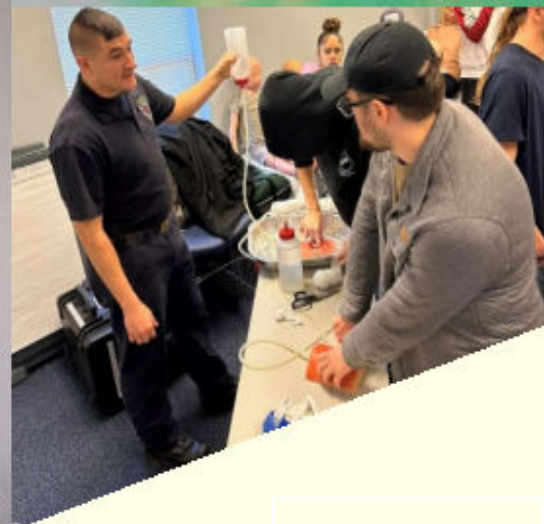


Bedford County Economic Development Authority

A Component Unit of the County of Bedford, Virginia



June 30, 2024
Financial Report

**BEDFORD COUNTY ECONOMIC
DEVELOPMENT AUTHORITY**

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

June 30, 2024



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Bedford County Economic Development Authority

Directory of Principal Officials

Board of Directors

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

Officials

William M. Perrow, Treasurer
Pam Armstrong, 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, 2024, 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, 2024, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *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.

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.

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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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.

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our 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.

Report on Summarized Comparative Information

We have previously audited the Authority's 2023 financial statements, on which, in our report dated November 27, 2023, we expressed an unmodified opinion. The 2023 financial information is provided for comparative purposes only. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2024 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
November 7, 2024



Bedford County Economic Development Authority
Statement of Net Position
June 30, 2024 and 2023

		(For Comparative Purposes Only)
	2024	2023
<u>Assets</u>		
<u>Current Assets</u>		
Cash and cash equivalents (Note 2)	\$ 2,359,190	\$ 2,229,208
Other receivables	1,326	12,500
Notes receivable (Note 3)	14,346	13,593
Inventory (Note 4)	8,413,397	8,413,397
Leases receivable (Note 10)	203,521	195,580
Restricted assets:		
Cash and cash equivalents (Note 2)	48,219	32,301
Total current assets	<u>11,039,999</u>	<u>10,896,579</u>
<u>Noncurrent Assets</u>		
Notes receivable (Note 3)	697,400	710,905
Leases receivable (Note 10)	4,013,346	4,216,866
Capital assets: (Note 5)		
Nondepreciable	612,790	612,790
Depreciable, net	4,335,593	4,692,265
Total noncurrent assets	<u>9,659,129</u>	<u>10,232,826</u>
Total assets	<u>20,699,128</u>	<u>21,129,405</u>
<u>Liabilities</u>		
<u>Current Liabilities</u>		
Accounts payable	5,905	18,222
Unearned revenue	144,846	157,346
Notes payable (Note 6)	122,874	119,013
Total current liabilities	<u>273,625</u>	<u>294,581</u>
<u>Noncurrent Liabilities</u>		
Performance grants payable (Note 10)	520,225	520,225
Notes payable (Note 6)	2,159,139	2,281,172
Total noncurrent liabilities	<u>2,679,364</u>	<u>2,801,397</u>
Total liabilities	<u>2,952,989</u>	<u>3,095,978</u>
<u>Deferred Inflows of Resources</u>		
Lease-related deferred inflows (Note 10)	3,992,569	4,267,889
Total deferred inflow of resources	<u>3,992,569</u>	<u>4,267,889</u>
<u>Net Position</u>		
Net investment in capital assets	3,286,285	3,537,535
Restricted	48,219	32,301
Unrestricted	10,419,066	10,195,702
Total net position	<u>13,753,570</u>	<u>\$ 13,765,538</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
Years Ended June 30, 2024 and 2023

		<i>(For Comparative Purposes Only)</i>
	2024	2023
<u>Operating revenues</u>		
Operating lease revenue	\$ 433,280	\$ 438,373
Grant revenue	63,750	-
Performance incentive refund	45,833	-
Other	27,776	8,352
Total operating revenues	570,639	446,725
<u>Operating expenses</u>		
General and administrative	84,545	57,967
Incentive and performance grants	30,000	-
Leased property operating expense	222,546	134,876
Park maintenance	980	6,170
Depreciation	615,849	607,092
Total operating expenses	953,920	806,105
Operating loss	(383,281)	(359,380)
<u>Nonoperating revenues (expenses)</u>		
Interest income	287,438	262,020
Interest expense	(79,180)	(80,938)
Subsidies from the County of Bedford	163,055	172,714
Nonoperating revenues (expenses)	371,313	353,796
Decrease in net position	(11,968)	(5,584)
Net position, beginning of year - as restated (Note 12)	13,765,538	13,771,122
Net position, end of year	\$ 13,753,570	\$ 13,765,538

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



Bedford County Economic Development Authority
Statement of Cash Flows
Years Ended June 30, 2024 and 2023

	<i>(For Comparative Purposes Only)</i>	
	2024	2023
<u>Operating Activities</u>		
Lease revenue	\$ 364,966	\$ 363,377
Interest revenue	250,001	257,592
Grant awards	63,750	-
Incentive and performance grant refunds	45,833	-
Other cash receipts	27,776	8,352
Payments to suppliers	(350,388)	(190,511)
Net cash provided by operating activities	401,938	438,810
<u>Noncapital Financing Activities</u>		
Principal paid on notes payable	(118,172)	(116,414)
Interest paid on notes payable	(79,180)	(80,938)
Subsidies from the County of Bedford	163,055	172,714
Net cash used in noncapital financing activities	(34,297)	(24,638)
<u>Capital and Related Financing Activities</u>		
Purchase of capital assets	(259,177)	-
Net cash used in capital and related financing activities	(259,177)	-
<u>Investing Activities</u>		
Interest received	37,436	4,428
Net cash provided by investing activities	37,436	4,428
Net increase in cash and cash equivalents	145,900	418,600
Cash and cash equivalents, beginning of year	2,261,509	1,842,909
Cash and cash equivalents, end of year	\$ 2,407,409	\$ 2,261,509
<u>Reconciliation to Statement of Net Position</u>		
Cash and cash equivalents	\$ 2,359,190	\$ 2,229,208
Cash and cash equivalents, restricted	48,219	32,301
	\$ 2,407,409	\$ 2,261,509

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

(Continued)

Bedford County Economic Development Authority
Statement of Cash Flows
Years Ended June 30, 2024 and 2023

	<i>(For Comparative Purposes Only)</i>	
	2024	2023
<u>Reconciliation of Operating Loss to</u>		
<u>Net Cash Provided by Operating Activities</u>		
Operating loss	\$ (383,281)	\$ (359,380)
<u>Adjustments to reconcile cash provided by operating activities</u>		
Depreciation	615,849	607,092
(Increase) decrease in assets		
Receivables	23,926	(165)
Leases	170,261	170,262
Increase (decrease) in liabilities		
Accounts payable and other liabilities	(12,317)	8,501
Deferred revenue	(12,500)	12,500
	<u>\$ 401,938</u>	<u>\$ 438,810</u>
Net cash provided by operating activities	<u>\$ 401,938</u>	<u>\$ 438,810</u>

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

Bedford County Economic Development Authority
Notes to the Financial Statements
June 30, 2024

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.

Bedford County Economic Development Authority
Notes to the Financial Statements
June 30, 2024

Note 1. Summary of Significant Accounting Policies (Continued)

Notes receivable:

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

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 and any related debt associated with those assets. Restricted net position represents constraints on resources that are either externally imposed

Bedford County Economic Development Authority
Notes to the Financial Statements
June 30, 2024

Note 1. Summary of Significant Accounting Policies (Continued)

Net position (Continued):

by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

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

Bedford County Economic Development Authority
Notes to the Financial Statements
June 30, 2024

Note 2. Deposits and Investments (Continued)

Deposits (continued):

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). The Authority held no such investments as of June 30, 2023, and held an investment balance of \$1,683,986 in the Virginia Investment Pool (VIP) as of June 30, 2024.

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, 2023 and June 30, 2024, no allowance was recorded in either year. Management evaluates the performance and payment history of companies annually in determining the required allowance.

	<u>2023</u>	<u>2024</u>
Land held for lease:		
Lake Vista	\$ 42,628	\$ 42,628
Land held for sale:		
Bedford Center for Business	600,495	600,495
Montvale Center for Commerce	950,240	950,240
New London Business and Technology Center	6,820,034	6,820,034
Total land held for sale	<u>8,370,769</u>	<u>8,370,769</u>
Total inventory	<u>\$ 8,413,397</u>	<u>\$ 8,413,397</u>

Bedford County Economic Development Authority
Notes to the Financial Statements
June 30, 2024

Note 4. Inventory

Inventory consists of the following as of June 30, 2023 and June 30, 2024:

	2023	2024
Land held for lease:		
Lake Vista	\$ 42,628	\$ 42,628
Land held for sale:		
Bedford Center for Business	600,495	600,495
Montvale Center for Commerce	950,240	950,240
New London Business and Technology Center	6,820,034	6,820,034
Total land held for sale	8,370,769	8,370,769
Total inventory	<u>\$ 8,413,397</u>	<u>\$ 8,413,397</u>

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2023 was as follows:

	2023			
	Beginning Balance*	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 612,790	\$ -	\$ -	\$ 612,790
Total capital assets, not depreciated	612,790	-	-	612,790
Capital assets, depreciated:				
Buildings and improvements	8,857,518	-	-	8,857,518
Equipment	18,254	-	-	18,254
Total capital assets, depreciated	8,875,772	-	-	8,875,772
Less accumulated depreciation for:				
Buildings and improvements	3,564,489	606,608	-	4,171,097
Equipment	11,926	484	-	12,410
Total accumulated depreciation	3,576,415	607,092	-	4,183,507
Net capital assets, depreciated	5,299,357	(607,092)	-	4,692,265
Total net capital assets	<u>\$ 5,912,148</u>	<u>\$ (607,092)</u>	<u>\$ -</u>	<u>\$ 5,305,055</u>

**Amounts have been restated to correct an error in the annual depreciation calculation, which was caused by a data conversion error when a new financial system was implemented in January 2021.*

Bedford County Economic Development Authority
Notes to the Financial Statements
June 30, 2024

Note 5. Capital Assets (Continued)

Capital asset activity for the year ended June 30, 2024 was as follows:

	2024			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital assets, not depreciated:				
Land	\$ 612,790	\$ -	\$ -	\$ 612,790
Total capital assets, not depreciated	612,790	-	-	612,790
Capital assets, depreciated:				
Buildings and improvements	8,857,518	226,692	-	9,084,210
Equipment	18,254	32,485	-	50,739
Total capital assets, depreciated	8,875,772	259,177	-	9,134,949
Less accumulated depreciation for:				
Buildings and improvements	4,171,097	614,491	-	4,785,588
Equipment	12,410	1,358	-	13,768
Total accumulated depreciation	4,183,507	615,849	-	4,799,356
Net capital assets, depreciated	4,692,265	(356,672)	-	4,335,593
Total net capital assets	<u>\$ 5,305,055</u>	<u>\$ (356,672)</u>	<u>\$ -</u>	<u>\$ 4,948,383</u>

Note 6. Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the years ended June 30, 2023 and June 30, 2024:

	2023				Due within One Year
	Beginning Balance	Additions	Reductions	Ending Balance	
Notes payable	<u>\$ 2,516,599</u>	<u>\$ -</u>	<u>\$ 116,414</u>	<u>\$ 2,400,185</u>	<u>\$ 119,013</u>

	2024				Due within One Year
	Beginning Balance	Additions	Reductions	Ending Balance	
Notes payable	<u>\$ 2,400,185</u>	<u>\$ -</u>	<u>\$ 118,172</u>	<u>\$ 2,282,013</u>	<u>\$ 122,874</u>

(Continued)

Bedford County Economic Development Authority
Notes to the Financial Statements
June 30, 2024

Note 6. Long-Term Liabilities (Continued)

As of June 30, 2024, the annual requirements to amortize long-term debt and related interest are as follows:

Fiscal Year	Notes Payable		
	Principal	Interest	Total
2025	122,874	74,478	197,352
2026	126,646	70,707	197,353
2027	130,539	66,813	197,352
2028	692,611	40,329	732,940
2029	119,886	32,220	152,106
2030-2034	635,694	187,399	823,093
2035-2037	453,763	46,472	500,235
	<u>\$ 2,282,013</u>	<u>\$ 518,418</u>	<u>\$ 2,800,431</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	4.85%	\$ 700,000	\$ 619,915
Bank of the James	2021	2.75%	1,879,941	1,662,098
				<u>\$ 2,282,013</u>

(Continued)

Bedford County Economic Development Authority
Notes to the Financial Statements
June 30, 2024

Note 7. 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 8. 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 9. 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 10. 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 must perform. Outstanding grants payable total \$520,225 as of June 30, 2023 and June 30, 2024.

Bedford County Economic Development Authority
Notes to the Financial Statements
June 30, 2024

Note 10. Performance Grants Payable and Other Commitments (Continued)

Performance agreement: (Continued)

In July 2019, a modified agreement was signed with Liberty University in which 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, 2023 and June 30, 2024, 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, 2023 and June 30, 2024, the Authority's outstanding performance grant payable related to this agreement is \$90,225.

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 \$683,282.

<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.

(Continued)

Bedford County Economic Development Authority
Notes to the Financial Statements
June 30, 2024

Note 10. Performance Grants Payable and Other Commitments (Continued)

Leases: (Continued)

<u>Fiscal Year</u>	<u>Leases Receivable</u>	
	<u>Principal</u>	<u>Interest</u>
2025	203,521	242,060
2026	130,133	234,594
2027	94,302	229,999
2028	91,788	225,463
2029	75,156	220,945
2030-2034	451,745	1,028,758
2035-2039	610,298	870,205
2040-2044	824,501	656,002
2045-2049	1,113,884	366,619
2050-2052	621,539	44,688
	<u>\$ 4,216,867</u>	<u>\$4,119,333</u>

Note 11. 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, 2023 and June 30, 2024, the Authority did not have any outstanding conduit debt arrangements.

Note 12. Prior Period Restatement

For the year ended June 30, 2023, a prior period restatement of beginning net position was required. During 2021, the Authority implemented a new financial system. During the data conversion, there was an error in the annual depreciation calculation which affected fiscal years 2021 and 2022. The Authority has recorded a prior period adjustment to correct the annual depreciation. The following is a summary of the restatement of beginning net position.

Net position, July 1, 2022, as previously reported	\$ 13,453,191
Correction of annual depreciation	<u>317,931</u>
Net position, July 1, 2022, as restated	<u>\$ 13,771,122</u>

No prior period restatement was required for the year ended June 30, 2024.

(Continued)

Bedford County Economic Development Authority
Notes to the Financial Statements
June 30, 2024

Note 13. New Accounting Standards

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.

In December 2023, the GASB issued **Statement No. 102**, *Certain Risk Disclosures*. This statement defines and requires governments to disclose the risks related to concentrations of inflows or outflows of resources. The requirements of this Statement are effective for reporting periods beginning after June 15, 2024.

In April 2024, the GASB issued **Statement No. 103**, *Financial Reporting Model Improvements*. This statement improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability as well as addresses certain application issues. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025.

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 the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the 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, 2024, and the related notes to the financial statements, which comprise the Authority's basic financial statements, and have issued our report thereon dated November 7, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 Authority'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 or significant deficiencies 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 of 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 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 7, 2024

Bedford County Economic Development Authority
Summary of Compliance Matters
June 30, 2024

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