

**BEDFORD COUNTY ECONOMIC
DEVELOPMENT AUTHORITY**

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

June 30, 2019

CONTENTS

	Page
DIRECTORY OF PRINCIPAL OFFICIALS	i
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statement of Net Position	3
Statement of Revenues, Expenses, and Changes in Fund Net Position	4
Statement of Cash Flows	5
Notes to Financial Statements.....	6
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 <i>GOVERNMENT AUDITING STANDARDS</i>	14
SUMMARY OF COMPLIANCE MATTERS.....	16

BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY

DIRECTORY OF PRINCIPAL OFFICIALS

BOARD OF DIRECTORS

Mickey Johnson, Chairman
Jim Messier, Vice Chairman
Dennis V. Novitzke
Wyatt H. Walton, III
Matthew J. Braud
Kristy Milton
Kelly Harmony

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, 2019, 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.

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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, 2019, 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 February 13, 2020 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
February 13, 2020

BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY

STATEMENT OF NET POSITION
June 30, 2019

ASSETS

CURRENT ASSETS

Cash and cash equivalents (Note 2)	\$ 1,633,516
Receivables (Note 3)	551,199
Due from County of Bedford	350,000
Inventory (Note 4)	8,660,282
Restricted assets:	
Cash and cash equivalents (Note 2)	<u>14,397</u>
Total current assets	<u>11,209,394</u>

NONCURRENT ASSETS

Receivables (Note 3)	670,892
Capital assets (Note 5)	
Nondepreciable	733,659
Depreciable, net	<u>1,199,107</u>
Total noncurrent assets	<u>2,603,658</u>
Total assets	<u>13,813,052</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable	188,988
Performance grants payable (Note 10)	470,000
Unearned revenue	128,232
Notes payable (Note 6)	<u>11,199</u>
Total current liabilities	<u>798,419</u>

NONCURRENT LIABILITIES

Notes payable (Note 6)	<u>669,285</u>
Total noncurrent liabilities	<u>669,285</u>
Total liabilities	<u>1,467,704</u>

NET POSITION

Invested in capital assets	1,932,766
Restricted	14,397
Unrestricted	<u>10,398,185</u>
Total net position	<u>\$ 12,345,348</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, 2019

OPERATING REVENUES

Gain on sale of land	\$ 19,469
Grants	350,000
Operating lease revenue	322,137
Incentive and performance grants recovery	110,000
Other	4,226
Total operating revenues	<u>805,832</u>

OPERATING EXPENSES

General and administrative	24,482
Incentive and performance grants	91,848
Leased property operating expense	65,444
Park maintenance	35,184
Depreciation	212,445
Total operating expenses	<u>429,403</u>
Operating gain	<u>376,429</u>

NONOPERATING REVENUES

Interest income	5,554
Interest expense	(33,053)
Subsidies from the County of Bedford	163,055
Nonoperating revenues	<u>135,556</u>
Change in net position	511,985

NET POSITION

Beginning of year	<u>11,833,363</u>
End of year	<u>\$ 12,345,348</u>

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, 2019

OPERATING ACTIVITIES	
Lease revenue	\$ 332,902
Proceeds from sale of land	200,000
Other cash receipts	4,226
Payments to suppliers	(133,794)
Incentive and performance grant payments	(154,848)
Payments for acquisition and construction of inventory	<u>(24,982)</u>
Net cash provided by operating activities	<u>223,504</u>
NONCAPITAL FINANCING ACTIVITIES	
Principal paid on note	(10,765)
Interest paid on note	(33,053)
Subsidies from the County of Bedford	<u>163,055</u>
Net cash provided by noncapital financing activities	<u>119,237</u>
CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	<u>(90,604)</u>
Net cash used in capital and related financing activities	<u>(90,604)</u>
INVESTING ACTIVITIES	
Interest received	<u>5,554</u>
Net increase in cash and cash equivalents	257,691
CASH AND CASH EQUIVALENTS	
Beginning of year	<u>1,390,222</u>
End of year	<u>\$ 1,647,913</u>
RECONCILIATION TO STATEMENT OF NET POSITION	
Cash and cash equivalents	\$ 1,633,516
Cash and cash equivalents, restricted	<u>14,397</u>
	<u>\$ 1,647,913</u>
RECONCILIATION OF OPERATING GAIN TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating gain	\$ 376,429
Adjustments to reconcile operating gain to net cash provided by operating activities:	
Depreciation	212,445
Cost of land sold	180,531
(Increase) decrease in assets:	
Receivables	420,765
Due from Bedford County	(350,000)
Inventory	(24,982)
Increase (decrease) in liabilities:	
Accounts payable and other liabilities	(8,684)
Performance grants payable	<u>(583,000)</u>
Net cash provided by operating activities	<u>\$ 223,504</u>
SCHEDULE OF NONCASH ACTIVITY	
Capital asset additions financed by accounts payable	<u>\$ 179,649</u>

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

BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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 considered to be cash on hand, demand deposits, and short-term investments with original maturities 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 a sales-type lease.

(Continued)

BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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 represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Asset impairment

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

Estimates

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

Performance grants payable

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

(Continued)

BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 2. Deposits and Investments

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

Statutes authorize the Authority to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). At June 30 there were no investments.

Note 3. 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, 2019, no allowance was recorded. Management evaluates the performance and payment history of companies annually in determining the required allowance.

	<u>Ending Balance</u>	<u>Due within one year</u>
Notes receivable		
Liberty University, Inc. (see Note 10)	\$ 540,000	\$ 540,000
Sales-type lease receivable		
Bedford Brewing, LLC	<u>682,091</u>	<u>11,199</u>
Total receivables	<u>\$ 1,222,091</u>	<u>\$ 551,199</u>

(Continued)

BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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		950,241
New London Business and Technology Center		<u>7,066,918</u>
Total land held for sale		<u>8,617,654</u>
Total inventory	\$	<u><u>8,660,282</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>13,422</u>	<u>265,828</u>	<u>-</u>	<u>279,250</u>
Total capital assets, not depreciated	<u>467,831</u>	<u>265,828</u>	<u>-</u>	<u>733,659</u>
Capital assets, depreciated				
Buildings and improvements	4,163,000	4,425	-	4,167,425
Equipment	<u>30,670</u>	<u>-</u>	<u>-</u>	<u>30,670</u>
Total capital assets, depreciated	<u>4,193,670</u>	<u>4,425</u>	<u>-</u>	<u>4,198,095</u>
Less accumulated depreciation:				
Buildings and improvements	2,755,873	212,445	-	2,968,318
Equipment	<u>30,670</u>	<u>-</u>	<u>-</u>	<u>30,670</u>
Total accumulated depreciation	<u>2,786,543</u>	<u>212,445</u>	<u>-</u>	<u>2,998,988</u>
Net capital assets depreciated	<u>1,407,127</u>	<u>(208,020)</u>	<u>-</u>	<u>1,199,107</u>
Total net capital assets	<u>\$ 1,874,958</u>	<u>\$ 57,808</u>	<u>\$ -</u>	<u>\$ 1,932,766</u>

(Continued)

BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 6. Long-Term Liabilities

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes payable	\$ 691,249	\$ -	\$ 10,765	\$ 680,484	\$ 11,199

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>
2020	\$ 11,199	\$ 32,620	\$ 43,819
2021	11,841	31,978	43,819
2022	12,424	31,395	43,819
2023	13,035	30,783	43,818
2024	13,035	30,225	43,260
2025-2028	618,950	90,945	709,895
	<u>\$ 680,484</u>	<u>\$ 247,946</u>	<u>\$ 928,430</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	\$ 680,484

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.

(Continued)

BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 7. Sales-Type Leasing Arrangements (Continued)

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 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 agreements

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 \$470,000.

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, subsequent to June 30, 2019, paid the outstanding \$540,000 balance to the Authority. Also, under the modified agreement, the Authority will 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 effective date of the agreement. As the terms were agreed to prior to end of fiscal year 2019, the Authority's outstanding receivable was reduced to \$540,000 and the related performance grant payable reduced to \$430,000 as of June 30, 2019. This resulted in an incentive and performance grant recovery of \$110,000 during fiscal year 2019.

(Continued)

BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

Performance agreements (Continued)

In May 2017, the Authority entered into a performance agreement with Nanotouch Materials, LLC (the "Company"), whereby the Company acquired Lot 3A, approximately 4.24 acres, of the New London Business and Technology Center for a purchase price of \$1. In addition, the Company agreed to construct and occupy a new technology facility consisting of approximately 5,000 square feet of floor space with an estimated construction value of \$500,000 to be located on the property, with construction to commence by March 31, 2018, weather permitting. The Authority holds a purchase money deed of trust note in the amount of \$300,000 representing the revised purchase price if the Company defaults under the terms of the performance agreement or accompanying agreement of sale. The purchase money note will be held by the Authority for a period of five years and will be without interest. If the Company completes the construction and occupies the facility within two calendar years from closing, the deed of trust shall be released. If the Company abandons this project without completing the construction of the new facility, the sum owed shall be accelerated and shall be due and payable in full. Under the agreement, the Authority paid \$100,000 to the Company in May of 2017 as an incentive. Because the Authority has no expectation that the Company will not meet the terms of the agreement, the Authority recognized the incentive expense in fiscal year 2017, including an accompanying performance grant payable of \$300,000. The terms of the agreement were met in full during the current fiscal year and the Authority granted a credit of the remaining \$300,000 that eliminated the outstanding receivable and payable. There are no further obligations for the Authority under this agreement.

Other performance grants payable include \$15,000 to Bison and \$25,000 to the Liberty University Center for Engineering Research & Education (CERE).

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.

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, the Authority had the following conduit debt arrangement:

Bedford County Courthouse and Social Services Building Refunding Revenue Bonds, Series 2005 – The \$7,785,000 Series 2005 bonds provided funds to refund a portion of the Series 1999 Courthouse and Social Services Building Lease Revenue Bonds. As of June 30, \$1,480,000 remains outstanding.

(Continued)

BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 12. New Accounting Standards

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

The GASB issued **Statement No. 84**, *Fiduciary Activities* in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2018.

The GASB issued **Statement No. 87**, *Leases* in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after December 15, 2019.

The GASB issued **Statement No. 90**, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61* in August 2018. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for periods beginning after December 15, 2018. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

The GASB issued **Statement No. 91**, *Conduit Debt Obligations* in May 2019. 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, 2020.

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, 2019, and the related notes to the financial statements, which comprise the Authority's basic financial statements, and have issued our report thereon dated February 13, 2020.

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.**

Your Success is Our Focus

Compliance and Other Matters

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

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
February 13, 2020

BEDFORD COUNTY ECONOMIC DEVELOPMENT AUTHORITY

SUMMARY OF COMPLIANCE MATTERS

June 30, 2019

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

