



Bedford Regional Water Authority

Compliance Audit Pursuant to
2 CFR Part 200
(Single Audit Report)

June 30, 2025

Bedford Regional Water Authority

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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 Regional Water 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 *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 Regional Water Authority (the "Authority"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 5, 2025.

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 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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. **Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001 that we consider to be a significant deficiency.**



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 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*.**

Authority's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.



CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia

December 5, 2025 (except for federal compliance information date February 20, 2026)



Independent Auditor's Report on Compliance for Each Major Federal Program, Report on Internal Control over Compliance, and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

To the Honorable Members of the Board of Directors
Bedford Regional Water Authority
Bedford, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Compliance for Each Major Federal Program

We have audited the Bedford Regional Water Authority's (the "Authority") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2025. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance 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 audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal documentation of the Authority's compliance with the compliance requirements referred to above.



Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material noncompliance, 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 Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.



Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. **Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.**

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Bedford Regional Water Authority as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated December 5, 2025, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
February 20, 2026

Bedford Regional Water Authority
Schedule of Findings and Questioned Costs
Year Ended June 30, 2025

A – Summary of Auditor’s Results

1. The auditor’s report expresses an unmodified opinion on the financial statements.
2. One significant deficiency and no material weaknesses related to the audit of the financial statements was reported 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*.
3. No instances of noncompliance material to the financial statements were disclosed.
4. No significant deficiencies and no material weaknesses relating to the audit of the major federal award programs were reported in the *Independent Auditor’s Report on Compliance for Each Major Program* and on *Internal Control Over Compliance Required* by the Uniform Guidance.
5. The auditor’s report on compliance for the major federal award programs expresses an unmodified opinion.
6. The audit disclosed no findings relating to the major program.
7. The program tested as major was:

<u>Name of Program</u>	<u>Assistance Listing Number</u>
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027

8. The threshold for distinguishing Type A and B programs was **\$750,000**.
9. The Authority was **not** determined to be a **low-risk auditee**.

B – Findings – Financial Statement Audit

2025-001: Recognition of Revenues (Significant Deficiency)

Condition The Authority frequently utilizes external funding to support construction projects, with funding received either as reimbursements for costs incurred or as upfront advances prior to project completion. During our audit, we noted that revenue is often recognized when cash is received rather than when the underlying eligible costs are incurred or project milestones are met. This practice has resulted in instances where revenues, accounts receivable, and deferred revenue balances are misstated.

Criteria Revenues, receivables, and deferred revenues should be recognized in the correct accounting periods.

Cause The Authority lacks control to ensure they are properly recognizing revenues for related projects and grant awards.

Effect The Authority risks misstatements of revenues, receivables, and deferred revenues.

Recommendation Steps should be taken to evaluate when revenues are earned with respect to grant agreements the Authority has entered into.

View of Responsible Officials and Planned Corrective Action Management recognizes the importance of recognizing revenues in the proper accounting periods and will develop a procedure to correct this in the current fiscal year.

Bedford Regional Water Authority
Schedule of Findings and Questioned Costs
Year Ended June 30, 2025

C – Findings and Questioned Costs – Major Federal Award Program Audit

No findings in current year.

D – Findings – Commonwealth of Virginia

No findings in current year.

Bedford Regional Water Authority
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2025

A – Finding – Financial Statement Audit

2024-001: Segregation of Duties (Material Weakness)

Condition A fundamental concept of internal controls is the separation of duties. No one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. A proper segregation of duties has not been established in functions related to cash receipts, accounts receivable, cash disbursements, and accounts payable.

Current Status Condition still present with regards to accounts payable. We have also noted a lack of segregation of duties around journal entries. However, this finding has been reduced to a control deficiency and is no longer included on the Schedule of Findings and Questioned Costs.

2024-002: Timeliness of Reconciliation Review (Material Weakness)

Condition During our review of bank reconciliations, we noted that review of the bank reconciliations is not being performed in a timely manner. The January 2024 bank reconciliation was prepared in March 2024, and was reviewed April, 2024. All subsequent bank reconciliations were also delayed in completion.

Current Status Condition still present. However, this finding has been reduced to a control deficiency and is no longer included on the Schedule of Findings and Questioned Costs.

B – Findings and Questioned Costs – Major Federal Award Program Audit

2024-003: Procurement Policies and Procedures – COVID-19 – Coronavirus State and Local Fiscal Recovery Fund – AL# 21.027

Condition The Authority adheres to and follows Virginia Public Procurement Act “VPPA” for procurement; however, under the requirements of Uniform Guidance, the Authority does not have complete, written procurement policies that are in compliance with the additional standards required by the Uniform Guidance (2 CFR Part 200).

Current Status Condition still present. However, the Authority adopted a policy on September 16, 2025, in compliance with Uniform Guidance (2 CFR Part 200). No longer considered necessary to include in the Schedule of Findings and Questioned Costs for current year.

2024-004: Procurement Policies and Procedures – COVID-19 – Coronavirus State and Local Fiscal Recovery Fund – AL# 21.027

Condition The Authority adheres to and follows Virginia Public Procurement Act “VPPA” for procurement; however, under the requirements of Uniform Guidance, the Authority is required to include provisions from Appendix II of the Uniform Guidance in procurement contracts. The Authority does not include language in all contracts containing the provisions required by the Uniform Guidance.

Bedford Regional Water Authority
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2025

Criteria Under the requirements in the Uniform Guidance, all required applicable provisions contained in Appendix II to the Uniform Guidance are to be included in procurement contracts.

Current Status Condition still present. However, the Authority adopted a policy on September 16, 2025, in compliance with Uniform Guidance (2 CFR Part 200). No longer considered necessary to include in the Schedule of Findings and Questioned Costs for current year.

Bedford Regional Water Authority

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2025

Federal Granting Agency/ Recipient State Agency/ Grant Program	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of the Treasury:			
Pass Through Payments:			
Town of Bedford		546001138	
Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	\$ 3,046,989
Total Department of Treasury			3,046,989
Total Expenditures of Federal Awards			\$ 3,046,989

Notes:

Basis of Presentation

The accompanying Schedule of Federal Expenditures includes the activity of all federally assisted programs of the Bedford Regional Water Authority and is presented on the modified accrual basis of accounting.

The information presented in this Schedule is presented in accordance with the Requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the Authority's ACFR.

De Minimis Indirect Cost Rate

The entity did not elect to use the 10% de minimis indirect cost

Outstanding Loan Balances

At June 30, 2025, the Authority had no outstanding loan