

COUNTY OF BEDFORD, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2011**

DEPARTMENT OF FISCAL MANAGEMENT

COUNTY OF BEDFORD

TABLE OF CONTENTS

INTRODUCTORY SECTION

	Page
Letter of Transmittal	i
Certificate of Achievement for Excellence in Financial Reporting	viii
Directory of Principal Officials	ix
Organizational Chart	x

FINANCIAL SECTION

Independent Auditor's Report	1
---	----------

Management's Discussion and Analysis	3
---	----------

Basic Financial Statements

Government-Wide Financial Statements

Exhibit 1 Statement of Net Assets	16
Exhibit 2 Statement of Activities	17

Fund Financial Statements

Exhibit 3 Balance Sheet – Governmental Fund	18
Exhibit 4 Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund	19
Exhibit 5 Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Cash Basis – Governmental Fund	21
Exhibit 6 Statement of Net Assets – Proprietary Funds	23
Exhibit 7 Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	24
Exhibit 8 Statement of Cash Flows – Proprietary Funds	25
Exhibit 9 Statement of Fiduciary Net Assets – Fiduciary Funds	26
Exhibit 10 Statement of Changes in Fiduciary Net Assets – Pension Trust Fund	27

Notes to Financial Statements	28
-------------------------------------	----

Required Supplemental Information

Exhibit 11 Schedules of Funding Progress VRS, LOSAP, and OPEB	60
---	----

Other Supplemental Information

Combining Statements

Exhibit 12 Agency Funds – Combining Statement of Fiduciary Net Assets	62
Exhibit 13 Agency Funds – Combining Statement of Changes in Fiduciary Assets and Liabilities	63

Discretely Presented Component Unit – Bedford County School Board

Exhibit 14 Combining Balance Sheet	66
Exhibit 15 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	67
Exhibit 16 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Cash Basis	68

COUNTY OF BEDFORD

TABLE OF CONTENTS

	Page
Supporting Schedules	
Schedule 1	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Cash Basis – Governmental Fund.....
Schedule 2	Schedule of Expenditures of Federal Awards

STATISTICAL SECTION

Table 1	Net Assets by Component	81
Table 2	Changes in Net Assets	82
Table 3	Fund Balances, Governmental Funds.....	84
Table 4	Changes in Fund Balances, Governmental Funds	85
Table 5	Assessed Value and Estimated Actual Value of Taxable Property	87
Table 6	Direct Property Tax Rates	88
Table 7	Principal Real Property Tax Payers.....	89
Table 8	Real Property Tax Levies and Collections	90
Table 9	Ratios of Outstanding Debt by Type.....	91
Table 10	Ratios of General Bonded Debt Outstanding.....	92
Table 11	County Debt Policy.....	93
Table 12	Demographic and Economic Statistics.....	94
Table 13	Principal Employers.....	95
Table 14	County Government Employees by Function.....	96
Table 15	Operating Indicators by Function/Program.....	97
Table 16	Capital Asset Statistics by Function/Program.....	98
Table 17	Bedford County School Board School Membership	99
Table 18	Bedford County School Board Full-Time Equivalent School Board Employees by Type ..	100
Table 19	Bedford County School Board Operating Statistics	101

COMPLIANCE SECTION

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>	103
Independent Auditor’s Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	105
Summary of Compliance Matters.....	107
Schedule of Findings and Questioned Costs	108

INTRODUCTORY SECTION



Bedford County

OFFICE OF FISCAL MANAGEMENT

November 30, 2011

To Members of the Board of Supervisors and the Citizens of Bedford County:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of Bedford County (the County) for the fiscal year ended June 30, 2011. The *Code of Virginia* requires that local governments publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States (GAAP) and audited in accordance with the auditing standards generally accepted in the United States by a firm of licensed certified public accountants. This report has been prepared by the Department of Fiscal Management in accordance with the standards of financial reporting as prescribed by the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB) where applicable, and the Virginia Auditor of Public Accounts (APA).

This report consists of management's representations concerning the finances of the County. Consequently, management assumes full responsibility for the completeness and fairness of presentation of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed to ensure compliance with applicable laws, regulations and policies, safeguard assets, and compile sufficient reliable information for the preparation of financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and accurate in all material respects, and presents fairly the financial position and the results of operation of the various funds and component units of the County.

This report is intended to provide informative and relevant financial information for the citizens of the County, the Board of Supervisors (the Board), investors, creditors and other concerned readers. All are encouraged to contact the Department of Fiscal Management with any comments or questions concerning this report.

The County's financial statements have been audited by Brown, Edwards & Company, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2011, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County's financial statements for the fiscal year ended June 30, 2011, are fairly presented, in all material respects, in conformity with GAAP. The auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of the federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the County's compliance with the financial and administrative requirements applicable to each of the County's major federal programs. These reports are available in the Compliance Section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A is included in the Financial Section of the report immediately following the report of the independent auditors.

PROFILE OF THE COUNTY

The County was formed in 1754 and named for the Fourth Duke of Bedford, a British government official. Located in the west central part of the state, it is the fifth largest county in Virginia in land area with 764 square miles. The independent City of Bedford serves as the County seat. The area abounds with natural beauty and outdoor recreational opportunities offering residents an attractive and pleasant environment in which to live, work and play. Strategically located between the metropolitan areas of Lynchburg and Roanoke, the County is one of the fastest growing areas in the state. A mix of industry, commerce and agriculture ensures a strong, diversified economy and positive business climate.

The County operates under the traditional Board of Supervisors/County Administrator form of government. Policies governing the administration of the County are set by a seven-member Board of Supervisors elected from the seven election districts. The Board of Supervisors appoints a County Administrator to serve as the administrative manager of the County. The County Administrator serves at the pleasure of the Board of Supervisors, carries out policies established by the Board of Supervisors and directs business and administrative procedures within the County government. The County has taxing powers subject to statewide restrictions and limits.

The County provides a full range of services to its residents, including education, public safety, judicial services, solid waste disposal, community and economic development, parks and recreational activities, public libraries, health and welfare services, and general administration. All resources required to support these services are reflected in this report.

The County provides judicial and law enforcement services for its citizens as well as the City of Bedford. The total cost of these services is presented in this report. The City reimburses the County for these

services based on the total population of both localities as reported in the 2000 census. The City of Bedford has 9.45% of the total population and is charged for these services accordingly.

In addition, the County provides health and welfare services to the City through the Departments of Health and Social Services. The City reimburses the County for these services based on the actual caseload for each fiscal year.

Bedford County is financially accountable for a legally separate school board, which is reported separately within the financial statements as a component unit. The School Board administers the County's schools and its own appropriation within the categories defined by the Code of Virginia, but is fiscally dependent upon the County because the Board of Supervisors approves the budget, levies the necessary taxes to finance operations and issues debt to finance capital projects. The elected School Board is composed of seven members from each of the election districts and a member representing the City, who is appointed by Bedford City Council. The School Board appoints a Superintendent to administer the policies of the School Board.

Education is the single largest service provided by the County. The mission of Bedford County Public Schools is to ensure that all children of school age in Bedford County receive the highest quality education appropriate to their individual needs and abilities. The school system is comprised of three high schools, three middle schools, fifteen elementary schools, one science and technology center and one alternative school.

Pursuant to an agreement dated June 28, 1988, the County provides public school services and educational programs for the students of the City of Bedford. The City reimburses the County for its share of the net expenses based on its percentage of students as determined by the March 30 Average Daily Membership (ADM) of each fiscal year. The total cost of these services is presented in this report.

The County operates a joint library system with the City of Bedford administered by the Bedford Public Library Board (the Library Board) and promotes economic development through the Economic Development Authority (the EDA). These agencies have been classified as discretely presented component units in the financial reporting entity because they are legally separate entities for which the County is financially accountable. They are reported in a discrete column in the combined financial statements to emphasize that they are legally separate from the County and to distinguish their financial position, results of operation and cash flows from those of the County.

The Library Board, appointed equally by the County and City of Bedford, administers the library system, which is an independent regional library. The County provides a major portion of the Library's annual revenue and the County owns a majority of the buildings where the Library conducts its operations.

The EDA has the power to issue tax-exempt industrial development revenue bonds to qualifying enterprises wishing to utilize that form of financing with those bonds representing limited obligations of the EDA to be repaid solely from the revenue and receipts derived from the projects funded with these proceeds. The debt outstanding does not constitute a debt or pledge of the faith and credit of the County or the EDA.

The annual budget serves as the foundation of the County's financial planning and control. All departments of the County generally submit requests for appropriation to the County Administrator on or about December 1 of each year. The County Administrator uses these requests as the starting point for developing a proposed budget. The Code of Virginia requires the School Superintendent to submit a School Board approved budget to the County Board of Supervisors. In March the School Board adopts its requested budget and forwards it to the County Administrator. The County Administrator then presents the proposed budget to the Board prior to March 30 each year. The Board is required to hold a public hearing on the proposed budget and to adopt a final budget no later than June 30, the close of the County's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., Sheriff's office) with the appropriations resolution adopted by the Board of Supervisors placing legal restriction on expenditures at the department level. A budget-to-actual comparison is provided in this report for the General Fund at Exhibit 5 in the basic financial statements. A more detailed General Fund budget-to-actual comparison by department is presented at Schedule 1 in the Supporting Schedules subsection of this report.

ECONOMIC OVERVIEW

While it is easy to succeed in good times, it is how a locality performs during tough economic times, such as those continuing to be experienced; that define excellence in local government. Because Bedford County residents live and work in a low-tax, high quality community, we believe the local economy is well positioned to continue to weather these tough economic conditions better than most localities. The Board of Supervisors has fostered this environment through financial prudence when allocating public resources, while also reducing tax rates when economically feasible. With emphasis on superior customer service, sound financial management, and sustainable economic development, we believe Bedford County has been and will continue to be a community of choice.

Between 2000 and 2010 the population of Bedford County grew from 60,371 to 68,676, a total increase of 8,305 or 13.8%. This population growth exceeded the statewide average of 13.0%. Another interesting aspect of data pertains to the components of growth. Where statewide, total population growth was evenly split between natural increase and net migration, the County's growth was disproportionately driven by net migration (11.9%), as opposed to natural increase (1.8%). In other words, relative to the state as a whole, Bedford County benefited from a comparative advantage in attracting new residents.

The Forbes' *Best Places for Business and Careers* index, published annually, is commonly used to compare the economic attractiveness of U.S. metropolitan areas. The index compares metropolitan areas on the basis of factors judged to enhance economic success. Specifically, the *Best Places for Business and Careers* index ranks metropolitan areas according to: 1) cost of doing business, 2) projected job growth, and 3) educational attainment. The Lynchburg metropolitan area (Lynchburg MSA), in the 2010 index, was ranked 28th out of the 200 large U.S. MSAs evaluated, the highest ranking of any Virginia MSA.

Historically, Bedford has attracted a highly skilled labor force to quality jobs being created in the region, which positions the County to prosper during healthy economic times and to weather economic downturns favorably compared to other localities within the area. The County's annual unemployment rate for 2010 was 6.8%, an increase from the previous year's annual rate by 0.1%. The County fared better than the 2010 unemployment rates of the Lynchburg MSA of 7.8% and the Commonwealth of Virginia rate of 6.9%. The County's unemployment rate for September 2011 was 5.8% compared to the Lynchburg MSA's rate of 6.9% and the Commonwealth's rate of 6.4%.

The County recognizes the importance of expanding its business tax base to ease the burden on residential property owners and is committed to promoting economic development. Other factors impacting the local economy are as follows:

- The Center for Advanced Engineering and Research (CAER) celebrated its grand opening in the New London Business and Technology Center in August of 2011. The CAER creates working relationships between high-tech industries, major R&D centers and university researchers, and delivers professional development opportunities for scientists and engineers. This \$8 million facility is the anchor tenant for the 28 acre complex. Impressively, all available space within the CAER has been committed.
- Continuing commercial activity in the Forest area - The continued activity reflected in the construction of a new Credit Union, plans for additional eateries and various other expansions indicate that public support for such ventures exists.
- Growth in Downtown Moneta/Mayberry - During the past year, plans to construct and operate a Sears Home store were announced. This growth continues to anchor the Smith Mountain Lake area.

Long-term financial planning

The County's population is projected to continue an upward trend. Along with this growth, the County anticipates an increased demand for government services, in particular, in the area of public safety. The County's five-year Capital Improvement Program (CIP) indicates that a major emphasis will continue to be placed on expansion of water and sewer facilities, emergency service apparatus, parks and recreation facilities and maintenance of buildings.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

Despite the continuing economic lull, the Board has continued to support initiatives to meet community needs. During the year, several notable accomplishments were achieved. These included, but were not limited to:

- In 2008 the City of Bedford notified the County of its intent to revert from a city to a town, as allowed under State Law. Since that time, a committee of the Board of Supervisors and City Council has worked diligently to identify and resolve any potential issues related to the transition. In September 2011, City Council and the Board of Supervisors adopted a voluntary agreement which the state will use as a guideline in the City's effort to revert to town status. The negotiated agreement is intended to best plan for the future of the Town and County.
- Construction of a 16,000 square foot skate park at Falling Creek Park - This project was funded entirely with private donations and constructed on County owned land. Since opening, the skate park has enhanced the recreational offerings available to County residents.
- Opening of a new landfill cell - Construction was completed and operation of the County's newest cell at the landfill has commenced. The landfill will continue to seek permits for expansion to meet the on-going demand of the community.

- Review of the County Zoning ordinance - In 2011, the Board continued its review of zoning regulations. After lengthy deliberation by the Planning Commission and Board of Supervisors, the Board has advanced recommendations for amendment of the Zoning Ordinance. This is the first comprehensive review of the ordinance since zoning was first adopted ten years ago.
- Addition of Emergency Medical Services (EMS) personnel – During 2011, the Board approved the addition of 12 EMS staff to supplement the volunteer agencies. The volunteer agencies have continued to speak out for increased 24 hour 7 day a week advanced life support ambulances due to the increase in call volume and associated decrease in available volunteer EMT's in Bedford County. The upgrade in staffing will accomplish the 24 hour coverage.

AWARDS AND ACKNOWLEDGEMENTS

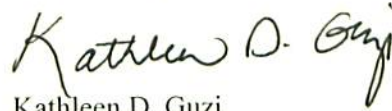
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Bedford, Virginia for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2010. The County has received this prestigious award each fiscal year since 1997. In order to be awarded a Certificate of Achievement, the County must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The County utilizes its website www.bedfordcountyva.gov for a variety of purposes, which include presentation of the CAFR and budget document. The budget document serves as the best source of information for the County's current financial plan, new initiatives and capital improvements program. In addition, the website provides many other topics of interest to County residents and services providers, and provides an excellent forum to recognize outstanding employees and their accomplishments.

This report was prepared by the professional staff of the Department of Fiscal Management. Their hard work, dedication and continuing efforts to improve the quality of this report benefit all who read and use it. We also acknowledge the cooperation and assistance of the staff of the School Board and the many other County departments and agencies that contributed to the preparation of this report.

In closing, we would like to thank the members of the Board of Supervisors for your continued interest and support in planning and conducting the financial matters of the County in a responsible manner.

Respectfully submitted,



Kathleen D. Guzi
County Administrator



Susan L. Crawford, CPA
Director of Fiscal Management

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Bedford
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President



Executive Director

**COUNTY OF BEDFORD
DIRECTORY OF PRINCIPAL OFFICIALS**

MEMBERS OF THE BOARD OF SUPERVISORS

Annie Pollard, Chairman
Gary M. Lowry, Vice Chairman

Dale C. Wheeler
Charles D. Neudorfer
Roger W. Cheek

John Sharp
H. Steve Arrington

MEMBERS OF THE COUNTY SCHOOL BOARD

Debra S. Hoback, Chairperson
Julie M. Bennington, Vice Chairperson

David W. Vaden
Brad Whorley
Gary Hostutler

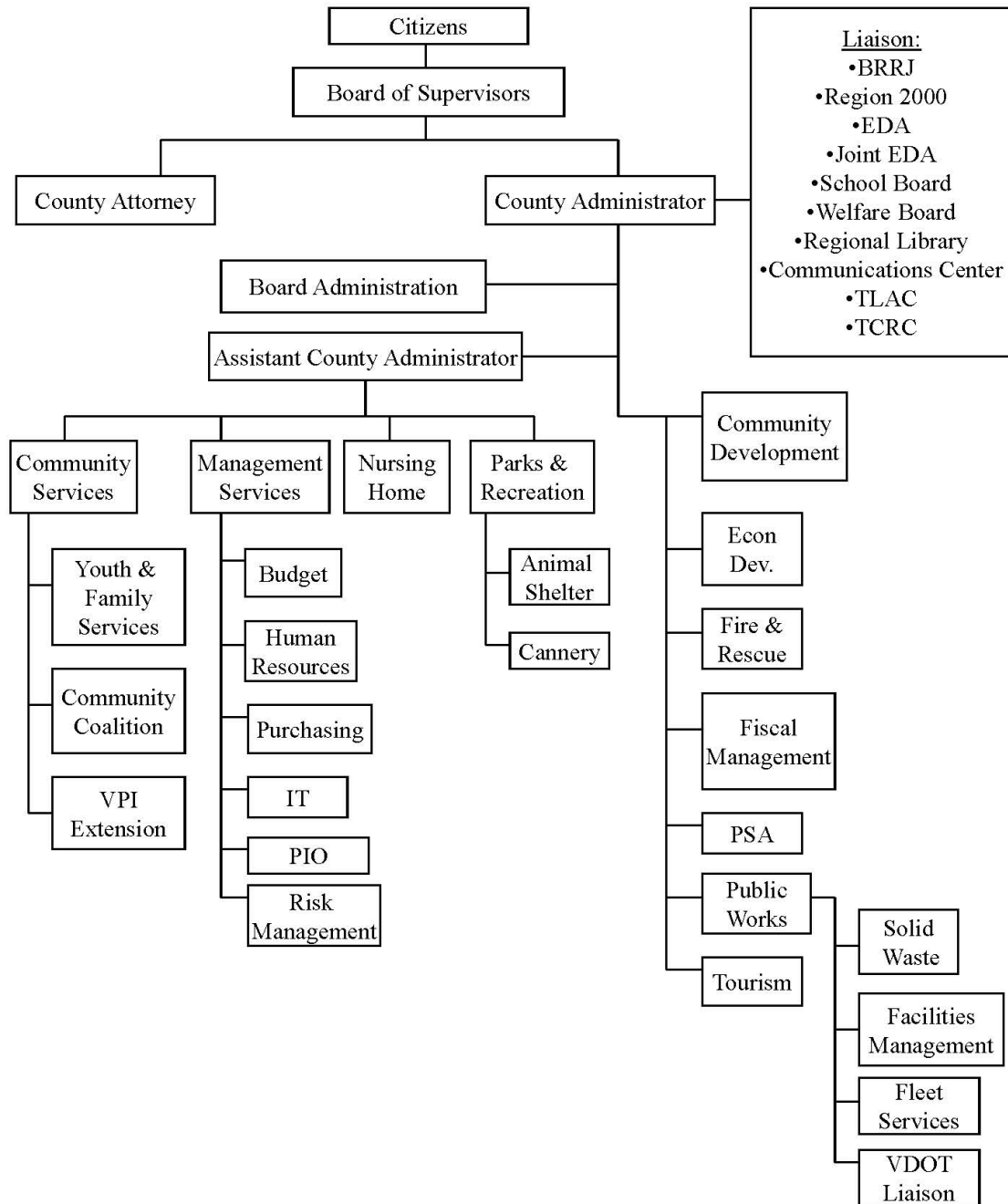
Joy W. Wright
Shirley B. McCabe
Mickey VanDerwerker

OTHER OFFICIALS

Kathleen D. Guzi
Frank J. Rogers
G. Carl Boggess
Susan L. Crawford, CPA
Dr. Douglas Schuch
Randy Hagler
Andrew L. Crawford
Cathy C. Hogan
Randy W. Krantz
Faye W. Eubank
Rebecca C. Jones
Michael J. Brown
Barbara J. Gunter

County Administrator
Assistant County Administrator
County Attorney
Director of Fiscal Management
Superintendent of Schools
Schools Director of Finance
Director of Social Services
Clerk of the Circuit Court
Commonwealth's Attorney
Commissioner of the Revenue
Treasurer
Sheriff
Registrar

COUNTY OF BEDFORD ORGANIZATIONAL CHART



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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Board of Supervisors
County of Bedford, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Bedford, Virginia as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. 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 Counties, Cities, and Towns* 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Bedford, Virginia, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2011 on our consideration of the County'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress, as listed in the table of contents, be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements as a whole. The introductory section, combining statements, discretely presented School Board combining statements, Schedule 1, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the County's financial statements. The combining statements, discretely presented School Board combining statements, Schedule 1, and the schedule of expenditures of federal awards are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory and statistical sections have 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 them.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 29, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the County, we offer users of the County's financial statements this narrative overview and analysis of the financial activities for the fiscal year ending June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the transmittal letter, financial statements, and the accompanying notes.

FINANCIAL HIGHLIGHTS

- Net assets of the total reporting entity increased by \$7.7 million, 5.8%, and is the best reflection of the change in financial position of the County as a whole, as this presentation includes the activities of the County's component units. This increase demonstrates the continuing collaborative sound fiscal policies of the County and its component units.
- The assets of the total reporting entity, which includes the School Board component unit, exceeded its liabilities by \$139.7 million at June 30, 2011. Of this amount, \$58.7 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Primary government's total revenues of \$95.6 million decreased 0.1%, or \$0.1 million and total expenses of \$86.4 million increased 1.17%, or \$1.0 million, from fiscal year 2010. General revenues and transfers of \$69.2 million were \$9.2 million more than the expenses net of program revenues of \$60.0 million.
- During the recent economic downturn, the Board has heightened their conservative approach to fiscal matters. The Board's policy direction has been to limit spending, including capital improvement projects, to only the most critical. As a result, at the close of fiscal year 2011, the County's general fund reported ending fund balances of \$44.7 million, an increase of \$4.2 million from the prior year. Of the \$44.7 million total, 40.4% (\$18.0 million) is available for spending at the County's discretion (unassigned fund balance).
- The General Fund's unassigned fund balance of \$18.0 million increased \$6.2 million or 53.1%

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements (Exhibits 1 and 2) are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The Statement of Net Assets (Exhibit 1) presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in the net assets may serve as a useful indicator of how the financial position of the County may be changing. Increases in net assets may indicate an improved financial position; however, even decreases in net assets may reflect a changing manner in which the County may have used previously accumulated funds.

The Statement of Activities (Exhibit 2) presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both of the government-wide financial statements distinguish functions of the County which are principally supported by taxes, intergovernmental revenues, and other non-exchange transactions (governmental activities) from other activities which are intended to recover all or a significant portion of their costs primarily through user fees charged to external parties (business-type activities). The governmental activities of the County include general government; judicial administration; public safety; public works; health and welfare; education; parks, recreation and cultural; community development, and interest on long term debt. The business-type activities consist of the Group Homes, Nursing Home, and Solid Waste.

The government-wide financial statements (Exhibits 1 and 2) include not only the County itself (known as the primary government), but also a legally separate school board, public library system, and economic development authority for which the County is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The County has one governmental fund, the General Fund. The County adopts an annual appropriated General Fund budget on the cash basis, for which a budgetary comparison statement has been provided to demonstrate compliance with this budget. The governmental fund financial statements can be found at Exhibits 3 through 5 and Schedule 1 of this report.

The County's proprietary funds consist of three enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. The County's enterprise funds include the Group Homes, Nursing Home and Solid Waste funds. The proprietary fund financial statements can be found at Exhibits 6 through 8 of this report.

Fiduciary funds are used to account for resources received and held in a fiduciary capacity for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the funds are not available to support the County's own programs. However, the County is responsible for ensuring that fiduciary fund assets are used for intended purposes. The County's fiduciary funds consist of a pension trust fund and agency funds. These funds are used to account for monies received, held, and disbursed on behalf of certain retirees, developers, and other agencies. The fiduciary fund financial statements can be found at Exhibits 9 and 10 of this report, while individual fund data for the agency funds can be found in the form of combining statements at Exhibits 12 and 13 of this report.

Notes to the financial statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligations to provide pension and other postemployment benefits to its current and future retirees. This required supplementary information can be found at Exhibit 11 of this report.

The report also contains fund financial statements for the School Board component unit. These statements may be found at Exhibits 14 through 16 of this report.

Additionally this report includes a statistical section that supplements the basic financial statements by presenting detailed trend information, to assist the users to assess the economic condition of the County. Readers are encouraged to review the statistical section to better understand the County's operations, services, and financial condition.

Finally, a compliance section is presented, including the County's Schedule of Expenditures of Federal Awards (Schedule 2) and related notes, and the independent auditor's required reports on compliance and internal control.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Table 1 summarizes the Statement of Net Assets (Exhibit 1) for the primary government and component units as of June 30, 2011 and 2010.

Table 1
Summary of Statement of Net Assets
as of June 30, 2011
(\$ in millions)

	Primary Government							
	Governmental Activities		Business-Type Activities		Total Primary Government		Total Reporting Entity	
	2011	2010	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 72.7	\$ 69.9	\$ 9.2	\$ 8.7	\$ 81.9	\$ 78.6	\$ 110.4	\$ 108.0
Capital assets (net)	33.7	34.3	18.7	19.0	52.4	53.3	159.0	162.0
Total assets	106.4	104.2	27.9	27.7	134.3	131.9	269.4	270.0
Long-term liabilities	74.8	80.8	8.7	8.5	83.5	89.3	89.7	95.9
Other liabilities	29.1	30.1	0.4	0.4	29.5	30.5	40.0	42.0
Total liabilities	103.9	110.9	9.1	8.9	113.0	119.8	129.7	137.9
Net assets:								
Invested in capital assets, net of related debt	23.4	22.6	15.6	16.2	39.0	38.8	80.9	78.0
Restricted	-	-	-	-	-	-	0.1	0.2
Unrestricted	(20.9)	(29.3)	3.2	2.6	(17.7)	(26.7)	58.7	53.9
Total net assets	\$ 2.5	\$ (6.7)	\$ 18.8	\$ 18.8	\$ 21.3	\$ 12.1	\$ 139.7	\$ 132.1

Table 1 may differ from Exhibit 1 due to rounding.

The Commonwealth of Virginia requires that counties, as well as their financially dependent component units, be financed under a single taxing structure. This results in counties issuing debt to finance capital assets, such as public schools, for their component units. GASB Statement No. 14, *The Financial Reporting Entity*, requires that the primary government and its component units, which make up the total reporting entity, be accounted for separately on the face of the basic financial statements.

The total reporting entity, which includes the School Board, Public Library, and Economic Development Authority component units, has positive net assets of \$139.7 million at June 30, 2011. Net assets increased by \$7.6 million, or 5.75%.

In the case of the primary government, total assets exceeded total liabilities by \$21.3 million at June 30, 2011. The largest portion of net assets, \$39.0 million, represents the County's investment in capital assets (e.g., land, buildings, and equipment) less the depreciation and outstanding debt associated with asset acquisitions. The deficit unrestricted net assets of the primary government totaled \$17.7 million. This deficit is primarily the result of the County having borrowed \$61.6 million (\$60.9 million of outstanding bonds and \$0.7 million in premiums and deferred charges) for assets reported by the School Board component unit, which when combined for the total reporting entity, results in \$58.7 million of positive unrestricted net assets.

Statement of Activities:

Table 2 summarizes the Statement of Activities (Exhibit 2) for the primary government and its component units.

		Change in Net Assets as of June 30, 2011 (\$ in millions)							
		Primary Government							
		Governmental Activities		Business-Type Activities		Total Primary Government		Total Reporting Entity	
		<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues									
Program revenues:									
Charges for services		\$ 4.4	\$ 4.7	\$ 9.2	\$ 9.2	\$ 13.6	\$ 13.9	\$ 20.1	\$ 23.7
Operating grants and contributions		11.6	12.2	0.6	0.4	12.2	12.6	33.5	36.8
Capital grants and contributions		0.6	0.1	-	-	0.6	0.1	0.6	0.1
General revenues:									
Property taxes		52.0	52.4	-	-	52.0	52.4	52.0	52.4
Other taxes		10.3	10.0	-	-	10.3	10.0	10.3	10.0
Payments from Bedford County		-	-	-	-	-	-	30.5	29.4
Noncategorical state aid		6.3	6.3	-	-	6.3	6.3	40.2	41.4
Investment earnings		0.3	0.2	-	-	0.3	0.2	0.3	0.2
Other		0.3	0.2	-	-	0.3	0.2	0.7	0.4
Total revenues		<u>85.8</u>	<u>86.1</u>	<u>9.8</u>	<u>9.6</u>	<u>95.6</u>	<u>95.7</u>	<u>188.2</u>	<u>194.4</u>
Expenses									
General government		4.1	3.7	-	-	4.1	3.7	4.1	3.7
Judicial administration		2.3	2.4	-	-	2.3	2.4	2.3	2.4
Public safety		14.9	14.9	-	-	14.9	14.9	14.9	14.9
Public works		4.1	4.7	-	-	4.1	4.7	4.1	4.7
Health and welfare		10.4	10.4	-	-	10.4	10.4	10.4	10.4
Education		28.8	28.0	-	-	28.8	28.0	121.0	126.7
Parks, recreation and cultural		2.9	3.0	-	-	2.9	3.0	4.7	4.8
Community development		5.3	5.0	-	-	5.3	5.0	5.4	5.2
Group Homes		-	-	2.0	1.9	2.0	1.9	2.0	1.9
Nursing Home		-	-	5.5	5.1	5.5	5.1	5.5	5.1
Solid Waste		-	-	2.3	2.3	2.3	2.3	2.3	2.3
Interest on long-term debt		3.8	4.0	-	-	3.8	4.0	3.8	4.0
Total expenses		<u>76.6</u>	<u>76.1</u>	<u>9.8</u>	<u>9.3</u>	<u>86.4</u>	<u>85.4</u>	<u>180.5</u>	<u>186.1</u>
Increase (decrease) in net assets before transfers		9.2	10.0	-	0.3	9.2	10.3	7.7	8.3
Change in net assets		<u>\$ 9.2</u>	<u>\$ 10.0</u>	<u>\$ -</u>	<u>\$ 0.3</u>	<u>\$ 9.2</u>	<u>\$ 10.3</u>	<u>\$ 7.7</u>	<u>\$ 8.3</u>

Table 2 may differ from Exhibit 2 due to rounding.

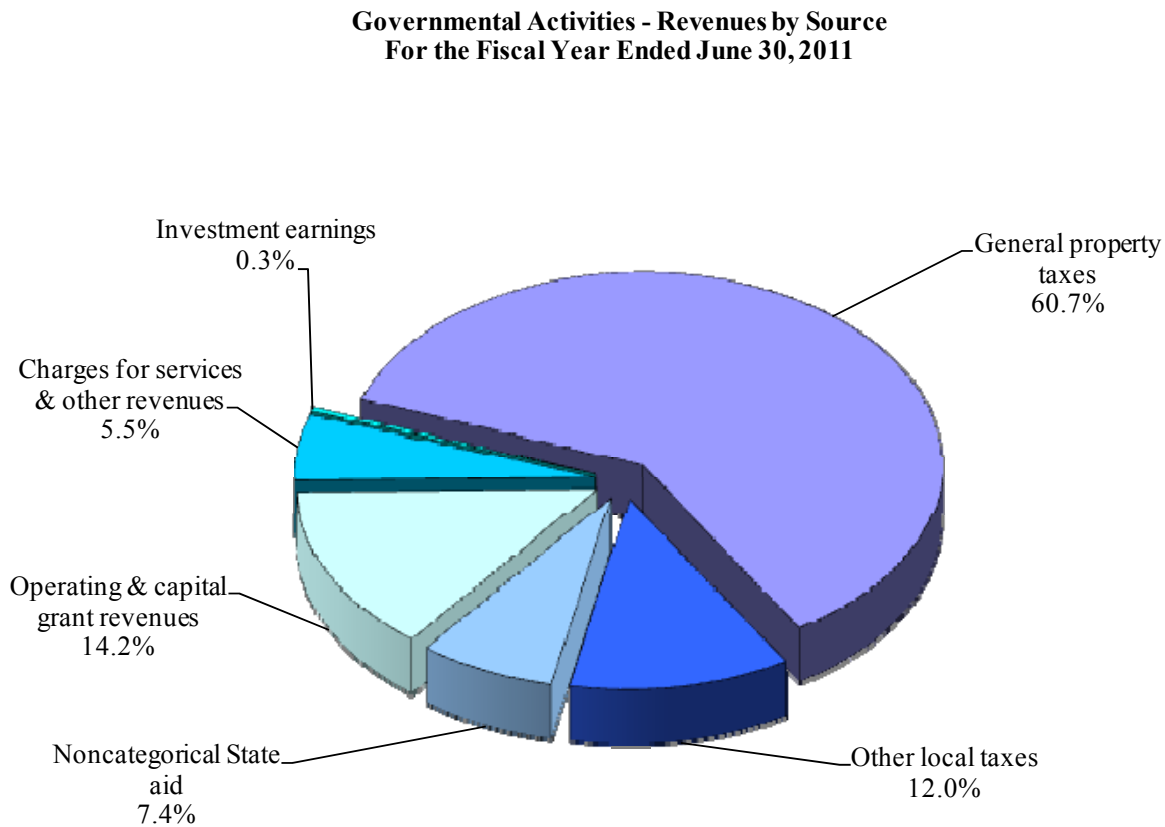
Governmental activities:

As reflected in Table 2, the increase in net assets attributable to the County's governmental activities totaled \$9.2 million for fiscal year 2011. Generally, net asset changes are the result of the difference between revenues and expenses. Fiscal year 2011 revenues of \$85.8 million represent a decrease of \$0.3 million or less than one per cent in comparison to the prior year, while expenses of \$76.6 million represent an increase of \$0.5 million or also less than one percent compared to the prior year.

One contributor to the both the revenue decline and expenditure increase is the countywide quadrennial reassessment. Reductions in real property tax resulted from the 3.6% overall decline in assessed value and the policy decision of the Board to maintain the current \$0.50 tax rate instead of equalizing the tax rate. The majority of the expense for the reassessment was incurred during fiscal year 2011.

In fiscal year 2011, \$16.6 million, or 19.3%, of the total revenues was generated from program revenues. General revenues such as property and other local taxes, Commonwealth of Virginia aid, miscellaneous revenue and investment earning accounted for the remaining revenues.

The following chart provides a breakdown of revenue collections by source. Taxes comprise the largest source of these revenues, totaling \$62.3 million, or 72.6% of all governmental activities revenues. Of this amount, general property taxes account for \$52.0 million, or 60.7% of total revenues.



As shown in Table 2 and Table 3, the total expenses governmental activities for fiscal year 2011 were \$76.6 million, which represents an increase of \$0.5 million, or 0.7% higher than fiscal year 2010. The increase in General government was due to the reassessment expense and the increase in Community development was a result of funding for the site development of Lot 1 in the New London Business and Technology Center. A portion of the increases are offset from vacancy savings.

As the following chart indicates, education continues to be the County's largest program and highest priority, with education expenses totaling \$28.8 million in fiscal year 2011. Public safety is also a high County priority and the County's second largest expense, totaling \$14.9 million in fiscal year 2011.

**Governmental Activities
Functional Expenses
For the Fiscal Year Ended June 30, 2011**

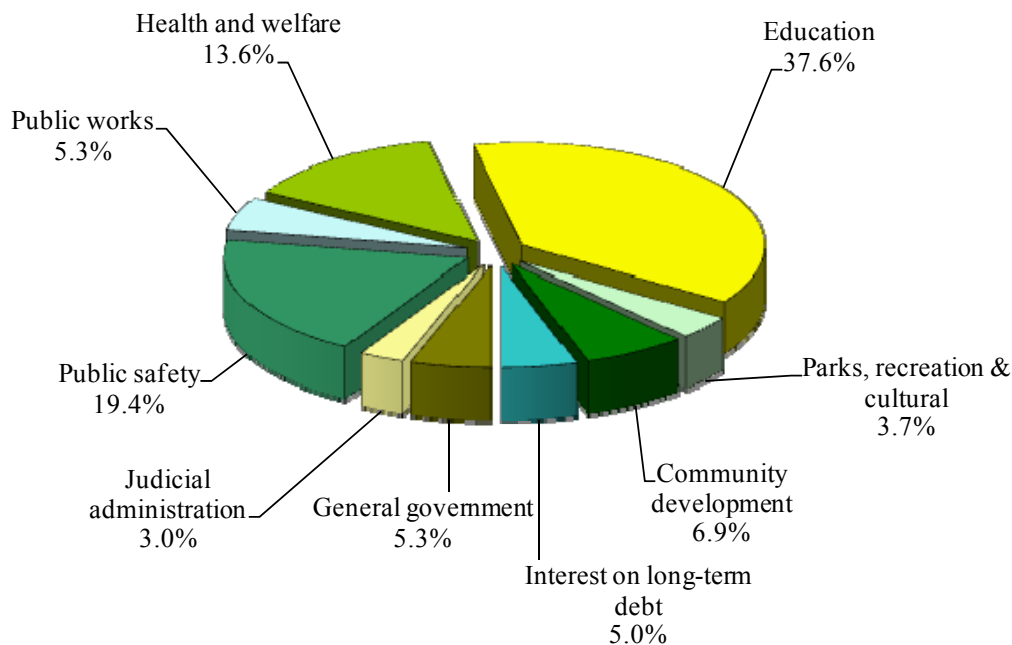


Table 3 presents the total cost of the County's governmental activities by function, as well as the net cost of each function (total costs less fees generated by the activities and program-specific intergovernmental aid):

Table 3	Net Cost of Governmental Activities For the Fiscal Year Ended June 30, 2011 (\$ in millions)			
	Total Cost of Services		Net Cost of Services	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
General government	\$ 4.1	\$ 3.7	\$ 3.3	\$ 2.9
Judicial administration	2.3	2.4	1.1	1.1
Public safety	14.9	14.9	8.9	8.8
Public works	4.1	4.7	3.8	3.9
Health and welfare	10.4	10.4	3.2	3.0
Education	28.8	28.0	28.8	28.0
Parks, recreation & cultural	2.9	3.0	2.5	2.9
Community development	5.3	5.0	4.7	4.6
Interest on long-term debt	3.8	4.0	3.8	3.9
Total	<u>\$ 76.6</u>	<u>\$ 76.1</u>	<u>\$ 60.1</u>	<u>\$ 59.1</u>

Table 3 may differ from Exhibit 2 due to rounding.

A portion of the \$76.6 million cost of the County's governmental activities was paid by those who directly benefited from the programs (i.e., charges for services of \$4.4 million) and other governments and organizations that subsidized certain programs (i.e., operating and capital grants and contributions of \$12.2 million). These combined program revenues of \$16.5 million reduced the total fiscal year 2011 cost of services from \$76.6 million to the net cost of services of \$60.1 million. The net cost of services was covered by the County's general revenues, consisting primarily of taxes and state aid.

Business-type activities:

Table 2 also summarizes the business-type activities. The County's business-type activities consist of Group Homes, Nursing Home, and Solid Waste activities. Group Homes and Nursing Homes expenses increased \$0.1 million and \$0.4 million, respectively. The increase in Group Home expenses was a result of sewer pump replacement and site improvements. Nursing Home salaries and fringes and contracted skilled services increased as a result of additional certified nursing assistant positions, hiring higher skill level nurses, and use of contracted nurses during staff shortages. This increase was offset by \$0.2 million increase in operating grants and contributions resulting in no increase or decrease to business-type activities net assets.

FINANCIAL ANALYSIS OF THE COUNTY'S GENERAL FUND

The focus of the County's General Fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. During 2011, the County implemented GASB 54-*Fund Balance Reporting and Governmental Fund Type Definitions*. The new standard replaces the previous reserved, unreserved, and designated fund balance categories with five classifications: nonspendable, restricted, committed, assigned, and unassigned.

Fund balances are the differences between assets and liabilities in a governmental fund. Nonspendable fund balance includes amounts that are not in spendable form, or amounts that are required to be maintained intact. Restricted fund balance include amounts that can be spent only for the specific purposes stipulated by external providers, such as grantor's or bondholders, as well as amounts that are restricted through enabling legislation. Committed fund balance includes amounts that can be used only for the specific purposes that are determined by a formal action of the government's highest level of decision making authority. Assigned fund balance applies to amounts that are intended for specific purposes as expressed by the governing body or authorized official and applies to remaining resources in any governmental fund other than the general fund. Unassigned fund balances include all amounts not contained in other classifications for the general fund, and deficit fund balance in any other governmental fund.

As of the end of the current fiscal year, the County's total General Fund reported an ending fund balance of \$44.7 million, an increase of \$4.2 million in comparison with the prior year. Of that amount, \$0.6 million was nonspendable, \$0.3 million was restricted, \$4.5 million was committed, \$21.3 million was assigned, and \$18.0 million was unassigned. This increase is primarily due to higher than anticipated collections for delinquent real property, machinery and tools, sales and meal taxes of \$1.5 million. In addition, \$0.8 million in vacancy savings were realized along with local expenditures savings of \$0.8 million in Comprehensive Youth Services, \$0.9 million in Contingency funds and \$0.2 million in Refuse Collection.

As of June 30, 2011, the County's General Fund reported an ending fund balance of \$44.7 million (Exhibit 3). Of the \$44.7 million, 98.1% (\$43.9 million) constitutes unrestricted (committed, assigned and unassigned), which is available for spending at the County's discretion. The unrestricted fund balance includes \$25.8 million committed or assigned to meet needs in the general fund as further described in Note 13. Fund balance of \$0.3 million is reserved primarily for unexpended grant cash on hand.

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 23.3% of total fiscal year 2011 general fund expenditures. The Board of Supervisors adopted a resolution setting a minimum unassigned fund balance target for the General Fund of 10% of the General Fund expenditures. The total fund balance represents 57.8% of that same amount. This positive liquidity is a result of the County receiving the first half of the 2011 real estate taxes in June. The semi-annual real estate collection dates prevent the County from having to borrow funds to pay its bills during the early part of the following fiscal year.

In response to recent uncertainty related to the economy and state revenues, the Board has elected to withhold capital funds. This strategy has limited capital improvement plan funding to required moral debt obligation payments and only the most essential projects (public safety, IT infrastructure, etc.) As a result of the policy election to not fully fund a capital improvement plan, additional funds are available in the unassigned balance. Moving forward, the Board may choose to apply some of these available funds to previously unfunded capital improvement plan needs.

Table 4 provides a comparison of the original budget, amended budget, and actual revenues and expenditures in the General Fund (Exhibit 5).

Table 4	Budgetary Comparison		
	General Fund		
	For the Fiscal Year Ended June 30, 2011		
	(\$ in millions)		
	Original Budget	Amended Budget	Actual
Revenues & Other Financing Sources:			
Taxes	\$ 60.7	\$ 60.7	\$ 62.0
Intergovernmental	17.9	19.8	18.5
Other Revenue	4.9	5.3	5.3
Other Sources	-	-	0.1
Total	\$ 83.5	\$ 85.8	\$ 85.9
Expenditures & Other Financing Uses:			
Expenditures	\$ 51.9	\$ 55.8	\$ 46.4
Other Uses	36.3	36.9	36.5
Total	\$ 88.2	\$ 92.7	\$ 82.9
Changes in Fund Balance	\$ (4.7)	\$ (6.9)	\$ 3.0

The original budget includes rollover capital improvement program appropriations of \$5.5 million. The funding for these appropriations are already on hand and consist of funds previously appropriated for capital improvements.

General Fund budget amendments resulted in an increase of \$4.5 million between the originally adopted fiscal year 2011 budget and the final budget, with \$3.2 million of the increase resulting from reappropriation of fiscal year 2010 year end encumbered and unencumbered fund balance amounts for completion of ongoing projects in fiscal year 2011. Significant reappropriations included:

- \$710,000 for Emergency apparatus
- \$431,938 for the Contingency Fund
- \$792,315 for Personal Property Tax Relief
- \$642,287 for the School Operating and Maintenance Project Funds

The remaining \$1.3 million in budget amendments were funded by various revenue sources other than general fund tax dollars. Significant amendments included:

- \$285,828 for completion of the Falling Creek Skate Park
- \$714,601 increase in Sheriff grants, including \$545,293 for Internet Crimes against Children grant
- \$340,244 in Revenue Road Sharing reimbursement

CAPITAL ASSETS

Table 5 provides information on changes in the capital assets during fiscal year 2011. Additional information on capital assets can be found in Note 6.

Table 5	Summary of Capital Assets			
	as of June 30, 2011			
	(\$ in millions)			
	Total Primary Government		Total Reporting Entity	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 4.2	\$ 4.0	\$ 6.1	\$ 5.9
Building and improvements	59.1	53.7	249.6	244.0
Machinery and equipment	18.5	17.5	40.8	38.9
Construction in progress	0.7	5.4	2.9	5.7
Subtotal	82.5	80.6	299.4	294.5
Accumulated depreciation	(30.1)	(27.3)	(140.3)	(132.5)
Total	<u>\$ 52.4</u>	<u>\$ 53.3</u>	<u>\$ 159.1</u>	<u>\$ 162.0</u>

The Reporting Entity's investment in capital assets as of June 30, 2011, totals \$159.1 million, net of accumulated depreciation. This represents a decrease of \$2.9 million, or 1.8% over fiscal year 2010. The decrease is primarily due to depreciation expense being more than the value of assets added during the current year.

Major capital asset activity during fiscal year 2011 included the following:

- Completion of the new cell at the Solid Waste facility totaling \$4.6 million funded by Solid Waste capital reserves.
- Completion of the Falling Creek Skate Park totaling \$0.6 million, funded entirely through donations.
- Acquisition of thirteen public safety sheriff vehicles costing \$0.3 million funded through grants and general fund revenues.
- Acquisition of emergency apparatus totaling \$0.4 million funded through general fund revenues.
- Costs of the County's emergency communication and dispatch system upgrades totaling \$0.2 million, funded through general fund revenues.
- Acquisition of a Landfill compactor for \$0.5 million financed through a capital lease.

LONG TERM DEBT

Table 6 illustrates the County's outstanding debt, exclusive of compensated absences, other postemployment benefits and landfill closure and postclosure, at June 30, 2011. Additional information on the County's long-term debt can be found in Note 7.

Table 6	Summary of Long Term Debt		
	as of June 30, 2011		
	(\$ in millions)		
	Governmental Activities <u>2011</u>	Business-Type Activities <u>2011</u>	Total Primary Government <u>2011</u>
County projects	\$ 11.5	\$ -	\$ 11.5
School projects	61.6	-	61.6
Capital lease obligations	-	0.5	0.5
Group Homes	-	2.6	2.6
Total	<u>\$ 73.1</u>	<u>\$ 3.1</u>	<u>\$ 76.2</u>

At the end of fiscal year 2011, the County had total bonded debt outstanding of \$76.2 million. The County's total debt decreased during fiscal year 2011 by \$5.6 million (6.9%). The decrease was due to no additional debt being issued for governmental activities and a \$0.5 million capital lease initiated for a new Landfill compactor. School debt represents the largest category of debt totaling 84.3% of the County's total long term governmental debt.

The Code of Virginia does not impose a legal debt margin limit on counties. However, the County has adopted a policy with three debt ratios as a management tool. A key debt policy is the ratio of debt service costs to general government expenditures, which was 7.88% for the current year comparing favorably to the policy target of 15%. Debt ratios for the last ten years are provided in Table 11, Statistical Section of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The unemployment rate for the County in September 2011 was 5.8%, which was 0.6% improved (lower) than that the same month a year ago. With the exception of a spike in the first quarter of calendar year 2011, unemployment decreased throughout the nation as a whole over the past year, although it remains above historical levels of recent years. Importantly, the County's rate continues to compare favorably to the State's average unemployment rate of 6.4% and the national average rate of 8.8% as of August 2011.
- Sales tax increased 10.8% in fiscal year 2011. This is partially due to the cyclical nature of a few businesses. Exclusive of such businesses, sales tax increased 8.18% during fiscal year 2011, and 6.35% thus far for fiscal year 2012.
- The enrollment in public schools decreased in fiscal year 2011 by 2.1% from 10,590 to 10,363. School enrollment for the last ten years is provided in Table 17, Statistical Section of this report.
- Real property taxes were budgeted to decrease by \$1.4 million or 3.7% in fiscal year 2012, due to the moderate decrease in assessments effective January 1, 2011 and the policy decision of the Board to leave the tax rate for real property at \$0.50.
- The Board eliminated the Merchant's Capital tax effective fiscal year 2012, which resulted in an additional decrease of \$0.2 million in 2012 budgeted revenues.
- In fiscal year 2012, the County's budgeted transfer to the School Board component unit remained the same at \$36.3 million which includes the County's contribution to the School Board's operating fund of \$35.5 million. Of the \$35.5 million, \$7.3 million is for debt service. Support to the Schools represents 43.2% of the General Fund appropriations.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to the Director of Fiscal Management, 122 East Main Street, Suite 203, Bedford, Virginia, 24523.

BASIC FINANCIAL STATEMENTS

COUNTY OF BEDFORD, VIRGINIA

**Statement of Net Assets
June 30, 2011**

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
ASSETS			
Cash and cash equivalents	\$ 50,128,754	\$ 8,403,704	\$ 58,532,458
Receivables, net	22,480,350	564,876	23,045,226
Internal balances	(90,328)	90,328	-
Due from primary government	-	-	-
Prepays	163,271	53,407	216,678
Inventories	47,759	-	47,759
Restricted assets:			
Cash, cash equivalents, and investments	10,902	35,839	46,741
Capital assets:			
Nondepreciable	4,085,404	855,984	4,941,388
Depreciable, net	29,622,919	17,865,844	47,488,763
Total assets	<u>106,449,031</u>	<u>27,869,982</u>	<u>134,319,013</u>
LIABILITIES			
Accounts payable and accrued expenses	1,316,183	262,195	1,578,378
Accrued payroll and related liabilities	88,811	103,439	192,250
Accrued interest payable	1,019,281	19,640	1,038,921
Due to component units	8,213,878	-	8,213,878
Unearned revenue	18,435,423	-	18,435,423
Liabilities payable from restricted assets	10,899	35,835	46,734
Noncurrent liabilities:			
Due within one year	7,109,223	719,276	7,828,499
Due in more than one year	67,701,552	7,960,061	75,661,613
Total liabilities	<u>103,895,250</u>	<u>9,100,446</u>	<u>112,995,696</u>
NET ASSETS			
Invested in capital assets, net of related debt	23,428,803	15,617,382	39,046,185
Restricted for:			
Capital projects	-	-	-
Debt service	3	4	7
Donor requests	-	-	-
Unrestricted (deficit)	(20,875,025)	3,152,150	(17,722,875)
Total net assets	<u>\$ 2,553,781</u>	<u>\$ 18,769,536</u>	<u>\$ 21,323,317</u>

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

Component Units				
School Board	Public Library	Economic Development Authority	Reclassifications (See Note 1)	Total
\$ 5,822,284	\$ 229,364	\$ 1,124,947	\$ -	\$ 65,709,053
3,814,945	16,039	-	-	26,876,210
-	-	-	-	-
8,213,878	-	-	-	8,213,878
626,461	47,018	-	-	890,157
113,168	-	8,240,086	-	8,401,013
4	34,852	130,074	-	211,671
2,871,532	-	1,252,205	-	9,065,125
101,469,499	632,028	510,565	-	150,100,855
122,931,771	959,301	11,257,877	-	269,467,962
1,116,045	18,165	34,058	-	2,746,646
9,114,920	51,099	-	-	9,358,269
96,618	-	-	-	1,135,539
-	-	-	-	8,213,878
-	-	-	-	18,435,423
-	-	-	-	46,734
1,845,206	54,124	-	-	9,727,829
4,353,428	-	-	-	80,015,041
16,526,217	123,388	34,058	-	129,679,359
101,059,369	632,028	1,762,770	(61,570,106)	80,930,246
-	-	130,074	-	130,074
4	-	-	-	11
-	33,772	-	-	33,772
5,346,181	170,113	9,330,975	61,570,106	58,694,500
\$ 106,405,554	\$ 835,913	\$ 11,223,819	\$ -	\$ 139,788,603

COUNTY OF BEDFORD, VIRGINIA

Statement of Activities For the Year Ended June 30, 2011

Function	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 4,084,722	\$ 418,914	\$ 361,856	\$ -
Judicial administration	2,323,836	133,418	1,096,004	-
Public safety	14,908,199	2,339,436	3,672,099	9,007
Public works	4,085,930	291,043	3,518	-
Health and welfare	10,441,003	814,513	6,449,442	13,690
Education	28,843,332	-	-	-
Parks, recreational, and cultural	2,870,815	35,507	10,474	286,625
Community development	5,255,719	326,217	23,520	263,462
Interest on long-term debt	3,849,961	29,282	15	-
Total governmental activities	76,663,517	4,388,330	11,616,928	572,784
Business-type activities:				
Group homes	1,993,131	2,049,762	45,843	-
Nursing home	5,538,976	5,223,478	8,927	-
Solid waste	2,279,669	1,966,176	486,037	-
Total business-type activities	9,811,776	9,239,416	540,807	-
Total primary government	\$ 86,475,293	\$ 13,627,746	\$ 12,157,735	\$ 572,784
Component Units:				
School Board	\$ 92,148,786	\$ 6,386,146	\$ 20,959,960	\$ -
Public Library	1,799,694	55,873	228,644	-
Economic Development Authority	131,583	-	108,016	-
Total component units	\$ 94,080,063	\$ 6,442,019	\$ 21,296,620	\$ -

General Revenues:

Property taxes
 Other local taxes
 Payments from Bedford County
 Noncategorical state aid
 Investment earnings, unrestricted
 Investment earnings, restricted for capital projects and debt service
 Miscellaneous
 Total general revenues
 Change in net assets
 Net assets-beginning
 Net assets-ending

Net (Expense) Revenue and Changes in Net Assets						
Primary Government			Component Units			
Governmental Activities	Business-Type Activities	Total	School Board	Public Library	Economic Development Authority	Total
\$ (3,303,952)	\$ -	\$ (3,303,952)	\$ -	\$ -	\$ -	\$ (3,303,952)
(1,094,414)	-	(1,094,414)	-	-	-	(1,094,414)
(8,887,657)	-	(8,887,657)	-	-	-	(8,887,657)
(3,791,369)	-	(3,791,369)	-	-	-	(3,791,369)
(3,163,358)	-	(3,163,358)	-	-	-	(3,163,358)
(28,843,332)	-	(28,843,332)	-	-	-	(28,843,332)
(2,538,209)	-	(2,538,209)	-	-	-	(2,538,209)
(4,642,520)	-	(4,642,520)	-	-	-	(4,642,520)
(3,820,664)	-	(3,820,664)	-	-	-	(3,820,664)
(60,085,475)	-	(60,085,475)	-	-	-	(60,085,475)
-	102,474	102,474	-	-	-	102,474
-	(306,571)	(306,571)	-	-	-	(306,571)
-	172,544	172,544	-	-	-	172,544
-	(31,553)	(31,553)	-	-	-	(31,553)
(60,085,475)	(31,553)	(60,117,028)	-	-	-	(60,117,028)
-	-	-	(64,802,680)	-	-	(64,802,680)
-	-	-	-	(1,515,177)	-	(1,515,177)
-	-	-	-	-	(23,567)	(23,567)
-	-	-	(64,802,680)	(1,515,177)	(23,567)	(66,341,424)
52,096,954	-	52,096,954	-	-	-	52,096,954
10,271,067	-	10,271,067	-	-	-	10,271,067
-	-	-	28,791,675	1,268,675	429,365	30,489,715
6,337,356	-	6,337,356	33,698,695	208,388	-	40,244,439
292,420	23,637	316,057	2,427	2,036	6,598	327,118
3,023	-	3,023	62	-	-	3,085
314,326	13,498	327,824	54,319	7,664	313,015	702,822
69,315,146	37,135	69,352,281	62,547,178	1,486,763	748,978	134,135,200
9,229,671	5,582	9,235,253	(2,255,502)	(28,414)	725,411	7,676,748
(6,675,890)	18,763,954	12,088,064	108,661,056	864,327	10,498,408	132,111,855
\$ 2,553,781	\$ 18,769,536	\$ 21,323,317	\$ 106,405,554	\$ 835,913	\$ 11,223,819	\$ 139,788,603

COUNTY OF BEDFORD, VIRGINIA

**Balance Sheet –
Governmental Fund
June 30, 2011**

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 50,128,754
Receivables, net	22,480,350
Due from other funds	51,332
Prepays	163,271
Inventories	47,759
Restricted cash, cash equivalents, and investments	10,902
Total assets	<u><u>\$ 72,882,368</u></u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable and accrued expenses	\$ 1,290,041
Accrued payroll and related liabilities	99,710
Due to other funds	141,660
Due to component units	6,083,496
Deferred revenue	20,578,898
Total liabilities	<u><u>28,193,805</u></u>
Fund balance:	
Nonspendable	591,378
Restricted	246,949
Committed	4,471,108
Assigned	21,344,121
Unassigned	18,035,007
Total fund balance	<u><u>44,688,563</u></u>
Total liabilities and fund balance	<u><u>\$ 72,882,368</u></u>
Adjustments for the Statement of Net Assets	
Total fund balance	\$ 44,688,563
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	33,708,323
Receivables on the statement of net assets that do not provide current financial resources are not reported in the governmental funds.	2,143,475
Interest on long-term debt is not accrued in the governmental funds, but rather recognized as an expenditure when due.	(1,019,281)
Other liabilities that are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds:	
Shared services settlement-City of Bedford	(26,142)
Operating settlement-School Board	(2,130,382)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds:	
General obligation bonds	(28,869,759)
Lease revenue bonds	(43,826,527)
Premium on debt issued	(1,199,636)
Debt issuance costs and deferred amounts on refunding	835,218
Compensated absences	(1,629,557)
Other post-employment benefits	(120,514)
Net assets of Governmental Activities	<u><u>\$ 2,553,781</u></u>

COUNTY OF BEDFORD, VIRGINIA

**Statement of Revenues, Expenditures, and Changes in Fund Balance –
Governmental Fund
For the Year Ended June 30, 2011**

	<u>General Fund</u>
Revenues	
General property taxes	\$ 51,542,750
Other local taxes	10,212,720
Permits, privilege fees and regulatory licenses	520,504
Fines and forfeitures	175,543
Revenue from use of money and property	323,446
Charges for services	1,612,856
Other	836,223
Recovered costs	1,785,592
Intergovernmental	18,508,921
Total revenues	<u>85,518,555</u>
Expenditures	
Current operating	
General government administration	3,804,248
Judicial administration	1,945,473
Public safety	13,974,585
Public works	4,128,287
Health and welfare	10,293,677
Education	27,926,157
Parks, recreation and cultural	2,524,712
Community development	2,911,920
Debt service	
Principal	5,988,946
Interest and other fiscal charges	3,794,573
Capital projects	
Other governmental activities	4,029,808
Total expenditures	<u>81,322,386</u>
Excess of revenues over expenditures	<u>4,196,169</u>
 Net change in fund balance	 4,196,169
Fund balance, beginning	<u>40,492,394</u>
Fund balance, ending	<u><u>\$ 44,688,563</u></u>

(Continued)

COUNTY OF BEDFORD, VIRGINIA

**Statement of Revenues, Expenditures, and Changes in Fund Balance –
Governmental Fund
For the Year Ended June 30, 2011**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Net Activities:

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance – total governmental funds		\$ 4,196,169
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense, which is not a use of current financial resources.		
Expenditures for capital assets	\$ 1,806,521	
Depreciation expense	<u>(2,420,952)</u>	(614,431)
The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and insurance proceeds) is to decrease net assets.		(16,824)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		644,075
Debt issuance proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
Debt principal repayment	5,988,946	
Changes in deferred charges on debt issuance costs and refundings	<u>(5,074)</u>	5,983,872
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Changes in compensated absences	18,566	
Changes in other post-employment benefits	(37,801)	
Changes in accrued interest payable	(50,314)	
Changes in operating settlement-School Board	(917,175)	
Changes in shared services settlement-City of Bedford	<u>23,534</u>	(963,190)
Change in net assets of governmental activities		<u><u>\$ 9,229,671</u></u>

COUNTY OF BEDFORD, VIRGINIA

**Statement of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual (Cash Basis)
Governmental Fund
For the Year Ended June 30, 2011**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
General property taxes	\$ 50,997,698	\$ 50,997,698	\$ 51,616,534	\$ 618,836
Other local taxes	9,752,701	9,752,701	10,385,774	633,073
Permits, privilege fees, and regulatory licenses	464,100	464,100	520,530	56,430
Fines and forfeitures	150,000	167,969	175,771	7,802
Revenue from use of money and property	234,041	236,556	323,231	86,675
Charges for services	1,829,404	1,829,404	1,606,448	(222,956)
Miscellaneous	185,537	529,453	831,102	301,649
Recovered costs	1,964,423	1,964,696	1,899,503	(65,193)
Intergovernmental	17,896,774	19,833,461	18,557,288	(1,276,173)
Total revenues	<u>83,474,678</u>	<u>85,776,038</u>	<u>85,916,181</u>	<u>140,143</u>
Expenditures				
Current operating				
General government administration	4,445,354	4,514,247	4,036,819	477,428
Judicial administration	1,873,076	2,018,369	1,943,228	75,141
Public safety	13,159,964	15,020,554	13,961,863	1,058,691
Public works	4,605,774	4,628,774	4,112,599	516,175
Health and welfare	12,617,876	12,664,053	10,296,820	2,367,233
Education	49,824	49,824	49,824	-
Parks, recreation, and cultural	2,605,077	2,662,153	2,492,114	170,039
Community development	3,261,675	3,442,641	2,898,062	544,579
Debt service				
Principal	1,788,585	1,788,585	1,788,363	222
Interest and other fiscal charges	535,594	535,594	534,810	784
Capital projects				
Education	1,425,805	1,425,805	-	1,425,805
Other governmental activities	5,484,981	7,004,542	4,350,460	2,654,082
Total expenditures	<u>51,853,585</u>	<u>55,755,141</u>	<u>46,464,962</u>	<u>9,290,179</u>
Excess of revenues over expenditures	<u>31,621,093</u>	<u>30,020,897</u>	<u>39,451,219</u>	<u>9,430,322</u>
Other Financing Sources (Uses)				
Transfers from:				
Proprietary fund types	-	-	75,000	75,000
Transfers to:				
Component units	(36,285,144)	(36,927,431)	(36,477,366)	450,065
Total other financing sources and uses	<u>(36,285,144)</u>	<u>(36,927,431)</u>	<u>(36,402,366)</u>	<u>525,065</u>
Net change in fund balance	<u>\$ (4,664,051)</u>	<u>\$ (6,906,534)</u>	<u>\$ 3,048,853</u>	<u>\$ 9,955,387</u>

(Continued)

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

COUNTY OF BEDFORD, VIRGINIA

**Statement of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual (Cash Basis)
Governmental Fund
For the Year Ended June 30, 2011**

Explanation of differences between actual amounts on the budgetary basis and GAAP basis**Revenues**

Total revenues on the Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual	\$ 85,916,181
Tax and other accruals, grant deferrals, and other transfers	<u>(397,626)</u>
Total revenues on the Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Fund	<u>\$ 85,518,555</u>

Expenditures

Total expenditures on the Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual	\$ 46,464,962
Accounts payable and other accruals	(1,619,942)
Transfers to component unit are expenditures for financial reporting purposes. Transfer amount is reduced by amount of debt service on debt issued “on behalf” of the School Board component unit	29,016,854
Debt service on debt issued “on behalf” of the School Board component unit is considered an expenditure of the primary government for financial reporting purposes	<u>7,460,512</u>
Total expenditures on the Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Fund	<u>\$ 81,322,386</u>

Other Financing Sources (Uses)

Total other financing sources and uses on the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Cash Basis) Governmental fund	\$ (36,402,366)
Payment of other accruals	(75,000)
Transfers to component units are expenditures for financial reporting purposes	<u>36,477,366</u>
Total other financing sources and uses on the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund	<u>\$ -</u>

COUNTY OF BEDFORD, VIRGINIA

Statement of Net Assets
Proprietary Funds
June 30, 2011

	Business-Type Activities – Enterprise Funds			
	Group Homes	Nursing Home	Solid Waste	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 36,313	\$ 1,967,111	\$ 6,400,280	\$ 8,403,704
Receivables, net	129,779	298,834	136,263	564,876
Due from other funds	23,851	-	117,809	141,660
Prepays	12,406	33,088	7,913	53,407
Total current assets	202,349	2,299,033	6,662,265	9,163,647
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	4	35,663	172	35,839
Capital assets, net	3,415,177	5,377,684	9,928,967	18,721,828
Total noncurrent assets	3,415,181	5,413,347	9,929,139	18,757,667
Total assets	3,617,530	7,712,380	16,591,404	27,921,314
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	47,208	124,998	89,989	262,195
Accrued payroll and related liabilities	28,984	64,557	9,898	103,439
Accrued interest payable	19,640	-	-	19,640
Due to other funds	51,332	-	-	51,332
Assets held in agency capacity	-	35,663	172	35,835
Compensated absences	33,993	157,198	47,072	238,263
Capital lease obligations	-	-	111,127	111,127
Lease revenue bonds	210,795	-	-	210,795
Landfill closure/post closure	-	-	159,091	159,091
Total current liabilities	391,952	382,416	417,349	1,191,717
Noncurrent liabilities:				
Compensated absences	34,154	-	-	34,154
Other post-employment benefits	3,000	23,333	5,500	31,833
Capital lease obligations	-	-	410,370	410,370
Lease revenue bonds	2,372,154	-	-	2,372,154
Landfill closure/postclosure	-	-	5,111,550	5,111,550
Total noncurrent liabilities	2,409,308	23,333	5,527,420	7,960,061
Total liabilities	2,801,260	405,749	5,944,769	9,151,778
NET ASSETS				
Invested in capital assets, net of related debt	832,228	5,377,684	9,407,470	15,617,382
Restricted	4	-	-	4
Unrestricted	(15,962)	1,928,947	1,239,165	3,152,150
Total net assets	\$ 816,270	\$ 7,306,631	\$ 10,646,635	\$ 18,769,536

COUNTY OF BEDFORD, VIRGINIA

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2011

	Business-Type Activities – Enterprise Funds			
	Group Homes	Nursing Home	Solid Waste	Total
Operating Revenues				
Charges for services	\$ 2,049,762	\$ 5,223,478	\$ 1,966,176	\$ 9,239,416
Other	45,843	8,927	486,037	540,807
Total Operating Revenues	<u>2,095,605</u>	<u>5,232,405</u>	<u>2,452,213</u>	<u>9,780,223</u>
Operating Expenses				
Personal services	1,100,155	2,732,879	525,455	4,358,489
Employee benefits	283,724	909,108	190,992	1,383,824
Purchased services	34,364	427,355	412,430	874,149
Continuous charges	185,700	486,736	367,711	1,040,147
Supplies and materials	114,354	611,986	215,285	941,625
Equipment, property, and improvements	7,442	60,049	178,831	246,322
Landfill closure/postclosure	-	-	(142,691)	(142,691)
Depreciation	143,682	310,863	519,600	974,145
Total Operating Expenses	<u>1,869,421</u>	<u>5,538,976</u>	<u>2,267,613</u>	<u>9,676,010</u>
Operating Income (Loss)	<u>226,184</u>	<u>(306,571)</u>	<u>184,600</u>	<u>104,213</u>
Non-Operating Revenues (Expenses)				
Interest income	378	6,840	16,419	23,637
Interest expense	(123,710)	-	(12,056)	(135,766)
Gain (loss) on disposal of capital assets	-	(11,523)	25,021	13,498
Total Non-Operating Revenues (Expenses)	<u>(123,332)</u>	<u>(4,683)</u>	<u>29,384</u>	<u>(98,631)</u>
Change in Net Assets	102,852	(311,254)	213,984	5,582
Net Assets, beginning	713,418	7,617,885	10,432,651	18,763,954
Net Assets, ending	<u>\$ 816,270</u>	<u>\$ 7,306,631</u>	<u>\$ 10,646,635</u>	<u>\$ 18,769,536</u>

COUNTY OF BEDFORD, VIRGINIA

**Statement of Cash Flows –
Proprietary Funds
For the Year Ended June 30, 2011**

	Business-Type Activities – Enterprise Funds			
	Group Homes	Nursing Home	Solid Waste	Total
Cash Flows from Operating Activities				
Receipts from customers	\$ 2,078,349	\$ 5,376,430	\$ 1,965,093	\$ 9,419,872
Other cash receipts	45,843	9,714	446,864	502,421
Payments to employees	(1,101,699)	(2,811,099)	(546,299)	(4,459,097)
Payments for employee benefits	(287,796)	(902,738)	(191,942)	(1,382,476)
Payments to suppliers	(308,652)	(1,522,138)	(1,157,094)	(2,987,884)
Net Cash Provided by Operating Activities	<u>426,045</u>	<u>150,169</u>	<u>516,622</u>	<u>1,092,836</u>
Cash Flows from Capital and Related Financing Activities				
Interfund repayment	(75,000)	-	-	(75,000)
Acquisition and construction of capital assets	-	(16,414)	(74,446)	(90,860)
Proceeds from sale of capital assets	-	952	25,021	25,973
Principal paid on debt	(200,000)	-	(105,422)	(305,422)
Interest paid on debt	(125,837)	-	(12,056)	(137,893)
Net Cash Used in Capital and Related Financing Activities	<u>(400,837)</u>	<u>(15,462)</u>	<u>(166,903)</u>	<u>(583,202)</u>
Cash Flows from Investing Activities				
Interest received	378	6,840	16,419	23,637
Net Increase in Cash and Cash Equivalents	25,586	141,547	366,138	533,271
Cash and Cash Equivalents Beginning of Year	<u>10,731</u>	<u>1,861,227</u>	<u>6,034,314</u>	<u>7,906,272</u>
Cash and Cash Equivalents End of Year	<u>\$ 36,317</u>	<u>\$ 2,002,774</u>	<u>\$ 6,400,452</u>	<u>\$ 8,439,543</u>
Reconciliation to Exhibit 6				
Cash and Cash Equivalents	\$ 36,313	\$ 1,967,111	\$ 6,400,280	\$ 8,403,704
Restricted Cash and Cash Equivalents	4	35,663	172	35,839
	<u>\$ 36,317</u>	<u>\$ 2,002,774</u>	<u>\$ 6,400,452</u>	<u>\$ 8,439,543</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating Income (Loss)	\$ 226,184	\$ (306,571)	\$ 184,600	\$ 104,213
Adjustments Not Affecting Cash				
Depreciation	143,682	310,863	519,600	974,145
Landfill closure/postclosure	-	-	(142,691)	(142,691)
(Increase) Decrease in Assets				
Accounts receivable	31,413	156,008	(44,467)	142,954
Due from other funds	(3,186)	-	4,419	1,233
Prepays	(4,954)	266	(1,355)	(6,043)
Increase (Decrease) in Liabilities				
Accounts payable and accrued expenses	33,559	61,772	16,863	112,194
Accrued payroll and related liabilities	29	(95,236)	(20,455)	(115,662)
Compensated absences	(1,682)	11,033	(1,984)	7,367
Other post-employment benefits	1,000	12,836	2,000	15,836
Assets held in agency capacity	-	(802)	92	(710)
Net Cash Provided by Operating Activities	<u>\$ 426,045</u>	<u>\$ 150,169</u>	<u>\$ 516,622</u>	<u>\$ 1,092,836</u>
SCHEDULE OF NONCASH ACTIVITIES				
Amortization of debt related items	\$ 795	\$ -	\$ -	\$ 795

COUNTY OF BEDFORD, VIRGINIA

Statement of Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2011

	Pension Trust	
	Fire and Rescue Pension Trust Length of Service Award Program Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ -	\$ 837,895
Cash in custody of others	993,461	-
Security deposits	-	900
Receivables, net	-	7,486
Total assets	<u>\$ 993,461</u>	<u>\$ 846,281</u>
LIABILITIES		
Accounts payable	\$ -	\$ 19,534
Amounts held for clients/others	-	826,747
Total liabilities	<u>-</u>	<u>846,281</u>
NET ASSETS		
Held in trust for pension benefits	<u>993,461</u>	<u>-</u>
Total liabilities and net assets	<u>\$ 993,461</u>	<u>\$ 846,281</u>

COUNTY OF BEDFORD, VIRGINIA

**Statement of Changes in Fiduciary Net Assets –
Pension Trust Fund
For the Year Ended June 30, 2011**

	Fire and Rescue Pension Trust Length of Service Award Program Fund
Additions	
Employer contributions	\$ 254,327
Investment income	41,390
Other income	460
Total additions	<u>296,177</u>
Deductions	
Administrative fees	3,536
Annuities	149,245
Total deductions	<u>152,781</u>
Change in net assets	143,396
Net assets, beginning	<u>850,065</u>
Net assets, ending	<u><u>\$ 993,461</u></u>

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COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies

The financial statements of the County of Bedford (the “County”) have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant accounting policies.

A. Reporting Entity

The County is organized under the traditional form of government. The governing body of the County is the Board of Supervisors (the “Board”), which establishes policies for the administration of the County. The Board appoints a County Administrator to serve as the administrative manager of the County. The accompanying financial statements present the government and its component units.

Blended Component Unit. A blended component unit is an entity, that while legally separate, is in substance part of the County’s operations, and so the financial information from this unit is combined with the financial statements of the County. The County can impose its will over this entity and is financially accountable for it.

Bedford County Broadband Authority

The Bedford County Broadband Authority (the “Authority”) is organized to bring reliable, affordable broadband internet services to all parts of the County through partnerships with private service providers. The members of the County Board of Supervisors also serve as members of the Board for the Authority. The financial activity of the Authority is reported in the governmental activities of the County’s financial statements.

Discretely Presented Component Units. Discretely presented component units are entities that are legally separate from the government, but for which the government is financially accountable, or whose relationship with the government is such that exclusion would cause the government’s financial statements to be misleading or incomplete. They are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the County.

Bedford County School Board

The Bedford County School Board (the “School Board”) is responsible for elementary and secondary education in the County. The School Board is comprised of eight members; seven representing the County and one representing the City of Bedford (the “City”). The County members are elected to a four-year term; the Bedford City Council appoints the City representative. The School Board does not have separate taxing authority and is therefore fiscally dependent upon the County. The County provides significant funding for school operating and capital needs, approves the School Board’s budget, levies taxes as necessary, and approves all debt issuances. The School Board does not issue separate financial statements.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Bedford Public Library System

The Bedford Public Library System (the "Library") was established to serve the library needs of the citizens of the County and the City. The Library is an independent regional library system created by an agreement between the County and the City. The Library is governed by a board consisting of six members appointed equally by the County and City. The Library is fiscally dependent on the County and City. The County provides the major portion of the Library's annual revenue based on patronage. Complete financial statements may be obtained by writing the Bedford Public Library System, 321 North Bridge St., Bedford, Virginia 24523.

Bedford County Economic Development Authority

The Bedford County Economic Development Authority (the "EDA") was created to promote industry and develop trade by encouraging enterprises to locate and remain in Virginia. The EDA is governed by seven directors appointed by the Board of Supervisors and the County is financially accountable for the EDA. It is authorized to acquire, own, lease, and dispose of properties to the extent that such activities foster and stimulate economic development. Complete financial statements may be obtained by writing the Bedford County Economic Development Authority, 122 East Main St., Suite 202, Bedford, Virginia 24523.

B. Government-Wide and Fund Financial Statements

Government-wide financial statements consist of a Statement of Net Assets and a Statement of Activities that report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary* government is reported separately from certain legally separate *component* units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual enterprise funds are reported as separate columns in the fund financial statements.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds are custodial in nature and do not involve the measurement of results of operations. In agency fund financial statements, assets equal liabilities, and are reported using the accrual basis of accounting.

Governmental fund financial statements use the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they become both measurable and available. Accordingly, real and personal property taxes are recorded as deferred revenue and receivables when billed, net of allowances of uncollectible amounts. Real and personal property taxes recorded at June 30, and received within the first 60 days after year-end are included in tax revenues. Sales and utility taxes, which are collected by the State or utility companies and subsequently remitted to the County, are recognized as revenues and amounts receivable when the underlying exchange transaction occurs, which is generally one or two months preceding receipt by the County. Licenses, permits, fines, and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of Federal, State, and other grants for the purpose of specific funding are recognized when earned or at the time of the specific reimbursable expenditure.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this rule include: (1) accumulated unpaid vacation leave, sick leave, and other employee amounts, which are recorded as compensated absences, and are recognized when paid, and (2) principal and interest payments on general long-term debt, both of which are recognized when paid.

The County reports the following major governmental fund:

General Fund – the government’s primary operating fund. It accounts for all financial resources of the general government.

Proprietary Funds are used to account for the reporting entity’s ongoing organizations and activities similar to those often found in the private sector. The County reports the following major proprietary funds:

Group Homes Fund – accounts for the activities of the County’s group home operations.

Nursing Home Fund – accounts for the activities of the County’s nursing home operations.

Solid Waste Fund – accounts for the activities of the County’s solid waste operations.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Additionally, the County reports the following fund category:

Fiduciary Funds – Fiduciary funds account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, or other governmental units. The Pension Trust Fund accounts for assets held in trust by the County for volunteers and beneficiaries of its Fire and Rescue Length of Service Award Program Fund. Agency funds include the Tri-County Relicensing Committee, Tri-County Lake Administrative Committee, Bedford Community Coalition, Bedford Wine Trail, Special Welfare, Road Escrow, Land Disturbing Bonds, and Asset Seizure Funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of the following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's proprietary funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include charges to customers or applicants for goods, services, or privileges provided, operating grants and contributions, and capital grants and contributions. General revenues include all taxes, grants and contributions not restricted to specific programs, and other revenues not meeting the definition of program revenues.

Operating revenues and expenses in the proprietary funds result from providing goods and services in connection with their principal ongoing operations. The principal operating revenues of the County's proprietary funds are charges for services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, contractual services, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The solid waste tipping fee includes a capital recovery charge and an operating charge. The capital recovery charge is used to finance current and future capital improvements, whereas the operating charge recovers the cost of solid waste operations.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are reported at fair value based on quoted market prices. Restricted cash, cash equivalents, and investments include certain deposits, unspent bond proceeds for capital projects and accumulated interest thereon, as well as amounts set aside for bond debt service or to comply with other debt covenants.

2. Receivables and Payables

Accounts and property taxes receivable are shown net of an allowance for uncollectibles. The allowance is calculated using historical collection data, specific account analysis, and management's judgment. The allowance amounted to approximately \$2,237,102 at year-end and is comprised of the following:

General Fund – Property tax receivables	\$ 2,070,888
General Fund – EMS transport fees	144,638
Proprietary Funds	21,576

The County levies real estate taxes on all real estate within its boundaries, except that exempted by statute. The real estate in the County is assessed at 100 percent of fair market value and reassessed every four years as of January 1. On January 1, the real estate taxes become an enforceable lien on the property. For real estate assessed on January 1, payment is due in two equal installments on June 5 and December 5. The real estate taxes reported as revenue are the second installment (December 5) of the levy on assessed value at January 1, 2010, and the first installment (June 5) of the levy on assessed value at January 1, 2011. The installment due on June 5, 2011 is shown as an assignment of fund balance as it is used to fund the subsequent year's budget. The installment due on December 5, 2011 is included as unearned revenue since these taxes are restricted for use until fiscal year 2012.

The County levies personal property taxes on motor vehicles, boats, mobile homes, aircraft, and other tangible business property. Personal property taxes in the County are based on the estimated market value as of January 1, with payment due the following December 5. The tax on a vehicle may be prorated for the length of time the vehicle is kept in the County.

The 1998 Virginia General Assembly enacted legislation providing property tax relief to citizens. The Personal Property Tax Relief Act (PPTRA) was intended to be phased in over five years on the first \$20,000 of value for motor vehicles not used for business purposes. In 2005 the General Assembly capped PPTRA relief at \$950 million statewide beginning with the 2006 tax year. The County receives \$6,086,051 annually. County 2010 tax bills, payable in fiscal year 2011, included a sixty-eight percent reduction on qualifying vehicles. All PPTRA payments received from the Commonwealth of Virginia are classified as noncategorical State aid in the general fund.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

3. Inventories and Prepaids

Inventory is valued using the first-in/first-out (FIFO) method except for commodities received from the Federal Government, which are valued at market. Inventories of governmental funds and component units consist of expendable supplies held for consumption or items purchased for resale. Reported inventories for governmental funds and component units are reflected as non-spendable fund balance as inventories do not constitute available expendable resources.

Certain payments to vendors reflect costs applicable to future periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaids are also reflected as non-spendable fund balance.

4. Restricted Assets

Governmental activities include unreimbursed employee medical and dependent care deductions of \$10,898 and \$4 debt service reserves classified as restricted cash, cash equivalents, and investments on the balance sheet.

5. Capital Assets

Capital assets which include property, plant, and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

The County defines capital assets as items with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	10 – 50
Improvements	10 – 40
Machinery and equipment	3 – 25

Depreciation is charged as an expense in the Statement of Activities and accumulated depreciation is reported in the Statement of Net Assets. The Proprietary Funds also record depreciation and accumulated depreciation in their fund based statements and capitalize interest, when material in amount. No debt was issued for the construction of capital assets during the current year, therefore no interest was capitalized during the year.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

6. Compensated Absences

County, School Board, and Library policies permit employees to accumulate earned but unused vacation, compensatory time, and sick pay benefits (compensated absences), subject to certain limitations. All such pay is accrued when incurred in the government-wide and proprietary fund financial statements. The current portion of the liability is estimated based on historical leave usage. A liability for these amounts is reported in governmental funds only to the extent the liability has matured, for example, as a result of employee resignations or retirements.

7. Deferred Revenues

Deferred revenue consists primarily of property taxes and other receivables not collected within 60 days of year end and property taxes levied to fund future years.

8. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as bond issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds.

The classifications are as follows:

- **Nonspendable** – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

9. Fund Balances (Continued)

- **Restricted** - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation such as local ordinances. Enabling legislation authorizes the County to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the County can be compelled by an external party such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.
- **Committed** - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Board, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- **Assigned** - Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Board or an official delegated that authority.
- **Unassigned** - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Restricted Amounts

The County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

9. Fund Balances (Continued)

Fund Balance Policy

The General Fund reserve target is 10% of the Fund's current year budgeted appropriations. For the purpose of determining if the target has been met, the unassigned fund balance of the general fund is compared with the annual appropriations budget.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. There were no significant County encumbrances as of year end. Significant School encumbrances as of year end total \$694,995 in the textbook fund.

10. Net Assets/Fund Equity

Net assets are comprised of three categories: invested in capital assets, net of related debt; restricted; and unrestricted. The first category reflects the portion of net assets associated with non-liquid, capital assets, less the outstanding debt (net) related to these capital assets. The related debt (net) is the debt less the unspent bond proceeds and any associated unamortized costs. Restricted net assets are assets whose use is subject to constraints that are either externally imposed by creditors or imposed by law. Net assets which are neither restricted nor related to capital assets are reported as unrestricted net assets.

11. School Board Debt/Capital Assets Reporting

The County issues debt to finance the construction of school facilities because the School Board does not have borrowing or taxing authority. The County reports this debt, whereas the School Board reports the related capital assets. As a result, in the Statement of Net Assets (Exhibit 1), the debt reduces *unrestricted net assets* for the primary government, while the capital assets are reported in *net assets invested in capital assets, net of related debt* for the School Board.

Because this debt is related to capital assets of the reporting entity as a whole, the debt amount of \$61,570,106 is reclassified as shown on Exhibit 1 to present the total reporting entity column.

12. Estimates

Management uses estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and reported revenues, expenditures, and expenses. Actual results could differ from those estimates.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

13. Revenue Recognition – Nursing Home

The Nursing Home is a qualified provider under the Medicaid program. Reimbursements for routine care to program patients are received monthly from the Virginia Medical Assistance Program and are calculated on a prospective per-diem basis. Cost settlement reports are filed annually, at which time the prospective reimbursement rates are adjusted. The cost settlement results from the pro-rata apportionment of allowable patient care costs to the total program patient costs.

Patient service revenue is recorded at the Nursing Home's established rates on a per-diem basis for both private pay and Medicaid patients. For patients eligible for Medicaid, a contractual adjustment is made to arrive at net patient service revenue. Payments received under reimbursement agreements with third-party payors are subject to audit or review and retroactive adjustment. Provisions for estimated third-party settlements from Medicaid are provided in the period the related services are rendered. Differences between the amounts provided for and subsequent settlements are reported in operations in the year of settlement.

Note 2. Stewardship, Compliance, and Accountability

A. Budgetary Information

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- ◆ Prior to March 30, the County Administrator submits to the Board a proposed operating and capital budget for the County and School Board for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the related financing.
- ◆ Public hearings are conducted to obtain citizen comments.
- ◆ Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
- ◆ The Appropriations Resolution places legal restrictions on expenditures at the department level for the General Fund and at the category level for the School Funds. The County Administrator is authorized to transfer budgeted amounts within departments. Only the Board can revise the appropriation for each department or school category.
- ◆ Formal budgetary integration is employed as a management control device during the year.
- ◆ All budgets are adopted on a cash basis.
- ◆ Appropriations lapse on June 30 for all County units except for capital projects which carry unexpended balances into the following year on a continuing appropriation basis.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

Note 3. Significant Transactions of the County and Discretely Presented Component Unit-School Board

Certain transactions between the County and component unit School Board are explained here to provide a more informed understanding of the operational relationship of the two entities and how such transactions are presented in the financial statements.

1. The School Board can neither levy taxes nor incur debt under Virginia law. Therefore, the County issues debt “on behalf” of the School Board. The debt obligation is recorded as a liability of the County’s governmental activities. The proceeds from the debt issued “on behalf” of the School Board are recorded in the County’s General Fund. Money in an amount equal to expenditures is provided to the School Board to pay for capital expenditures. Any unspent money at year-end is reported as deposits and investments of the County’s General Fund.
2. The primary government’s budgeting process provides funding to the School Board component unit for debt service payments. The School Board is responsible for appropriating debt service payments for debt issued by the primary government on its behalf. These transactions are reported as transfers on the primary government’s Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual and as transfers and debt service payments on the School Board’s Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual. GAAP requires that debt issued “on behalf” of the School Board and related debt service payments be reported by the primary government for financial reporting purposes. Therefore, debt service payments for school bonded debt is reported as part of the primary government for financial reporting purposes in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.
3. If all economic resources associated with school activities were reported with the School Board, its total expenditures would be \$98,172,423. That amount is obtained as follows:

Expenditures of School Board – Component Unit	\$ 90,711,911
Principal and other debt service expenditures included in primary government	<u>7,460,512</u>
Total expenditures for school activities	<u><u>\$ 98,172,423</u></u>

Note 4. 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.

Investment Policy

In accordance with the *Code of Virginia* and other applicable law, including regulations, the County’s investment policy (Policy) permits investments in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or its political subdivisions, repurchase agreements, certificates of deposit, bankers’ acceptances, commercial paper, corporate notes and bonds, the Virginia State Non-Arbitrage Program, and the State Treasurer’s Local Government Investment Pool (LGIP).

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

Note 4. Deposits and Investments (Continued)

At year end, the County had the following deposits and investments:

Type	Fair Value	Credit Rating	Percent of Portfolio
Demand deposits	\$ 34,230,523	NA	56.66%
Virginia LGIP	26,180,031	AAAm	43.34%
Total deposits and investments	<u>\$ 60,410,555</u>		<u>100.00%</u>

Credit Risk

As required by state statute or by the County, the Policy requires that obligations of the Commonwealth of Virginia and its political subdivisions have a debt rating of at least AA by Standard & Poor's (S&P) or equivalent by Moody's Investors Service (Moody's). Repurchase agreements are collateralized by Treasury or Agency obligations of which the market value is at least 102% of the purchase price of the agreement. Commercial paper must be issued by an entity incorporated in the U.S. and rated at least A-1 by S&P and P-1 by Moody's. Corporate notes and bonds have a rating of at least AA by S&P and Aa by Moody's. Money market mutual funds trade on a constant net asset value and which invest solely in securities otherwise eligible for investment under these guidelines.

Concentration of Credit Risk

The Policy also establishes limitations on portfolio composition, both by investment type and by issuer, in order to control concentration of credit risk. The Policy provides that a maximum of 35% of the portfolio may be invested in commercial paper, with a limit of 5% of the portfolio invested in any one issuer.

All investments were in compliance with the Policy.

Interest Rate Risk

As a means of limiting exposure to fair value losses arising from rising interest rates, the Policy requires that at least 50% of the investment portfolio mature in less than one year. At year end, more than 92% of the portfolio will mature in less than one year.

The above items are reflected in the statements as follows:

	Primary Government	School Board Component Uni
Deposits and investments:		
Cash on hand	\$ 3,125	\$ -
Deposits	60,407,430	5,822,288
	<u>\$ 60,410,555</u>	<u>\$ 5,822,288</u>
Statement of net assets:		
Cash and cash equivalents	\$ 58,532,458	\$ 5,822,284
Restricted cash and investments	46,741	4
Fiduciary fund cash and cash equivalents	1,831,356	-
	<u>\$ 60,410,555</u>	<u>\$ 5,822,288</u>

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

Note 5. Receivables

Receivables at year end, are as follows:

	Governmental Activities	Business-Type Activities				Component Unit
	General Fund	Group Home	Nursing Home	Solid Waste	Total	School Board
Receivables						
Taxes	\$ 20,570,810	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts	970,495	129,779	320,280	136,393	586,452	151,424
Accounts receivable - long-term	380,348	-	-	-	-	-
Intergovernmental	2,774,223	-	-	-	-	3,633,215
Gross receivables	24,695,876	129,779	320,280	136,393	586,452	3,784,639
Less: allowance for uncollectibles	(2,215,526)	-	(21,446)	(130)	(21,576)	-
Net total receivables	<u>\$ 22,480,350</u>	<u>\$ 129,779</u>	<u>\$ 298,834</u>	<u>\$ 136,263</u>	<u>\$ 564,876</u>	<u>\$ 3,784,639</u>

Taxes receivable represent the current and past four years of uncollected tax levies for personal property taxes and the current and past nineteen years for uncollected tax levies on real property. The allowance for estimated uncollectible taxes receivable is 10.07% of the total taxes receivable and is based on historical collection rates.

The Nursing Home mix of receivables from residents and third-party payers is Medicaid 92% and private pay 8%. The allowance for uncollectible accounts is 6.70% of the total receivable and is based on specific account identification.

Deferred/Unearned Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. The various components of deferred and unearned revenue are as follows:

	Deferred Revenue	Unearned Revenue
Property taxes	\$20,197,414	\$ 18,435,423
Other receivables not available to liquidate liabilities of current period	381,484	-
Total deferred/unearned revenue for governmental funds	<u>\$20,578,898</u>	<u>\$ 18,435,423</u>

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

Note 6. Capital Assets

Capital asset activity was as follows:

Primary Government

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 3,207,203	\$ 219,767	\$ -	\$ 3,426,970
Construction in progress	825,288	118,772	285,626	658,434
Total capital assets, not depreciated	4,032,491	338,539	285,626	4,085,404
Capital assets, depreciated:				
Buildings and improvements	36,197,092	729,030	-	36,926,122
Machinery and equipment	13,819,998	1,080,908	530,393	14,370,513
Total capital assets, depreciated	50,017,090	1,809,938	530,393	51,296,635
Less accumulated depreciation for:				
Buildings and improvements	12,106,057	1,156,492	-	13,262,549
Machinery and equipment	7,603,946	1,294,857	487,636	8,411,167
Total accumulated depreciation	19,710,003	2,451,349	487,636	21,673,716
Net capital assets, depreciated	30,307,087	(641,411)	42,757	29,622,919
Governmental activities net capital assets	<u>\$ 34,339,578</u>	<u>\$ (302,872)</u>	<u>\$ 328,383</u>	<u>\$ 33,708,323</u>
Business-Type Activities				
Capital assets, not depreciated:				
Land	\$ 850,964	\$ -	\$ -	\$ 850,964
Construction in progress	4,619,260	-	4,614,240	5,020
Total capital assets, not depreciated	5,470,224	-	4,614,240	855,984
Capital assets, depreciated:				
Buildings and improvements	17,516,146	4,657,539	1,746	22,171,939
Machinery and equipment	3,652,373	685,690	196,207	4,141,856
Total capital assets, depreciated	21,168,519	5,343,229	197,953	26,313,795
Less accumulated depreciation for:				
Buildings and improvements	5,400,596	727,711	1,558	6,126,749
Machinery and equipment	2,205,109	300,012	183,919	2,321,202
Total accumulated depreciation	7,605,705	1,027,723	185,477	8,447,951
Net capital assets, depreciated	13,562,814	4,315,506	12,476	17,865,844
Business-type activities net capital assets	<u>\$ 19,033,038</u>	<u>\$ 4,315,506</u>	<u>\$ 4,626,716</u>	<u>\$ 18,721,828</u>

(Continued)

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

Note 6. Capital Assets (Continued)

Component Unit-School Board	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 1,584,510	\$ -	\$ -	\$ 1,584,510
Construction in progress	-	1,287,022	-	1,287,022
Total capital assets, not depreciated	1,584,510	1,287,022	-	2,871,532
Capital assets, depreciated:				
Buildings and improvements	189,413,707	390,970	137,798	189,666,879
Machinery and equipment	20,008,646	1,192,311	403,878	20,797,079
Total capital assets, depreciated	209,422,353	1,583,281	541,676	210,463,958
Less accumulated depreciation for:				
Buildings and improvements	93,079,046	4,125,016	78,637	97,125,425
Machinery and equipment	11,050,067	1,190,474	371,507	11,869,034
Total accumulated depreciation	104,129,113	5,315,490	450,144	108,994,459
Net capital assets, depreciated	105,293,240	(3,732,209)	91,532	101,469,499
School Board net capital assets	\$ 106,877,750	\$ (2,445,187)	\$ 91,532	\$ 104,341,031

Depreciation expense was charged to functions/programs as follows:

Primary Government – Governmental activities

General government administration	\$ 183,633
Judicial administration	375,283
Public safety	1,297,673
Public works	80,295
Health and welfare	156,941
Parks, recreation, and cultural	258,520
Community development	68,607
Total governmental activities	<u>\$ 2,420,952</u>

Primary Government – Business-Type Activities

Group homes	\$ 143,682
Nursing home	310,863
Solid waste	519,600
Total business-type activities	<u>\$ 974,145</u>

Component Unit – School Board

\$ 5,315,490

The total increase in accumulated depreciation reflected above includes accumulated depreciation of items transferred from other funds of \$30,397 for governmental activities and \$53,578 for business-type activities.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

Note 7. Long-Term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Primary Government					
Governmental activities:					
General obligation and lease revenue bonds					
County projects	\$ 13,619,890	\$ -	\$ 1,788,363	\$ 11,831,527	\$ 1,651,527
School projects	65,065,342	-	4,200,583	60,864,759	4,276,574
Deferred amounts:					
Add bond premium	1,265,481	-	65,845	1,199,636	65,845
Deduct underwriter's discount	(579,197)	-	(34,474)	(544,723)	(34,474)
Deduct loss on refundings	(326,940)	-	(36,445)	(290,495)	(36,445)
Total general obligation and revenue bonds	<u>79,044,576</u>	<u>-</u>	<u>5,983,872</u>	<u>73,060,704</u>	<u>5,923,027</u>
Compensated absences	1,648,123	1,181,144	1,199,710	1,629,557	1,186,196
Other post-employment benefits	<u>82,713</u>	<u>45,000</u>	<u>7,199</u>	<u>120,514</u>	<u>-</u>
Total long-term liabilities	<u>\$ 80,775,412</u>	<u>\$ 1,226,144</u>	<u>\$ 7,190,781</u>	<u>\$ 74,810,775</u>	<u>\$ 7,109,223</u>
 Business-type activities:					
Lease revenue bonds	\$ 2,775,000	\$ -	\$ 200,000	\$ 2,575,000	\$ 210,000
Deferred amounts:					
Add bond premium	42,398	-	3,854	38,544	3,854
Deduct underwriter's discount	<u>(33,654)</u>	<u>-</u>	<u>(3,059)</u>	<u>(30,595)</u>	<u>(3,059)</u>
Total lease revenue bonds	<u>2,783,744</u>	<u>-</u>	<u>200,795</u>	<u>2,582,949</u>	<u>210,795</u>
Capital leases	42,369	584,550	105,422	521,497	111,127
Compensated absences	265,049	324,744	317,376	272,417	238,263
Other post-employment benefits	15,997	15,836	-	31,833	-
Landfill closure/post-closure costs	<u>5,413,332</u>	<u>128,894</u>	<u>271,585</u>	<u>5,270,641</u>	<u>159,091</u>
Total long-term liabilities	<u>\$ 8,520,491</u>	<u>\$ 1,054,024</u>	<u>\$ 895,178</u>	<u>\$ 8,679,337</u>	<u>\$ 719,276</u>
 Component Unit					
School Board					
Capital leases	\$ 3,623,719	\$ 782,073	\$ 1,124,130	\$ 3,281,662	\$ 979,257
Compensated absences	1,607,009	858,584	874,748	1,590,845	865,949
Other post-employment benefits	<u>1,250,144</u>	<u>493,000</u>	<u>417,017</u>	<u>1,326,127</u>	<u>-</u>
Total long-term liabilities	<u>\$ 6,480,872</u>	<u>\$ 2,133,657</u>	<u>\$ 2,415,895</u>	<u>\$ 6,198,634</u>	<u>\$ 1,845,206</u>

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

Note 7. Long-Term Liabilities (Continued)

Annual debt service requirements to maturity are as follows:

Year Ending June 30	Primary Government						Component Unit	
	Governmental Activities		Business-Type Activities				School Board	
	General Obligation and Revenue Lease Bonds		Lease Revenue Bonds		Capital Leases		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 5,928,101	\$ 3,495,279	\$ 210,000	\$ 117,838	\$ 111,127	\$ 16,481	\$ 979,257	\$ 115,434
2013	5,788,415	3,209,921	220,000	109,438	115,079	12,529	842,986	80,399
2014	5,662,408	2,921,053	230,000	98,438	119,172	8,436	666,097	50,589
2015	5,453,314	2,654,264	240,000	88,950	123,411	4,197	450,167	27,079
2016	5,080,879	2,382,282	250,000	76,950	52,708	462	224,299	11,692
2017-2021	21,193,169	8,546,041	1,425,000	213,925	-	-	118,856	3,860
2022-2026	10,800,000	4,835,138	-	-	-	-	-	-
2027-2031	12,790,000	1,991,640	-	-	-	-	-	-
	<u>\$ 72,696,286</u>	<u>\$ 30,035,618</u>	<u>\$ 2,575,000</u>	<u>\$ 705,539</u>	<u>\$ 521,497</u>	<u>\$ 42,105</u>	<u>\$ 3,281,662</u>	<u>\$ 289,053</u>

The County's outstanding debt consists of General Obligation Bonds (including Virginia Public School Authority Bonds), Lease Revenue Bonds, and capitalized leases. The debt was issued to provide funds for the acquisition, construction, and improvement of major capital facilities for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the County. Lease revenue bonds and capitalized leases are backed by the general credit and faith of the County. Governmental activities compensated absences are generally liquidated by the general fund.

Details of long-term liabilities are as follows:

Purpose	Interest Rates	Date Issued	Final Maturity Date	Amount Issued	Amount Outstanding
PRIMARY GOVERNMENT					
Governmental Activities:					
General Obligation Bonds					
County:					
General obligation refunding bonds	3.83	2005	2017	3,750,000	\$ 2,785,000
Schools:					
VPSA Bonds	5.10-8.10	1992	2012	8,000,000	545,000
VPSA Bonds	6.10-6.30	1994	2013	6,000,000	925,000
VPSA Bonds	6.10-6.60	1994	2014	3,000,000	600,000
VPSA Bonds	5.10-6.10	1995	2015	4,000,000	1,000,000
VPSA Bonds	4.60-6.10	1996	2016	6,000,000	1,800,000
VPSA Bonds	4.35-5.35	1997	2017	4,700,000	2,225,000
VPSA Bonds	3.60-5.10	1998	2018	5,200,000	2,080,000
VPSA Bonds	5.10-6.10	1999	2019	12,030,340	5,969,104
VPSA Bonds	5.10-6.35	2000	2020	4,200,000	2,655,000
VPSA Bonds	4.98-5.85	2000	2020	6,285,526	3,415,655
VPSA Bonds	4.10-5.10	2008	2029	5,420,000	4,870,000
Total general obligation bonds-Schools					<u>26,084,759</u>
Total general obligation bonds					<u>\$ 28,869,759</u>

(Continued)

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS June 30, 2011

Note 7. Long-Term Liabilities (Continued)

<u>Purpose</u>	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
PRIMARY GOVERNMENT					
Governmental Activities:					
Lease Revenue Bonds					
County:					
Town of Amherst IDA-Regional Radio Infrastructure Refunding	3.30	2004	2011	1,938,650	\$ 156,527
Bedford County EDA-Courthouse & Social Services Building Refunding	4.110	2005	2020	7,875,000	7,675,000
Bedford County EDA-Nursing Home Refunding	4.00-5.00	2006	2015	2,490,000	1,215,000
Total lease revenue bonds-County					<u>9,046,527</u>
Schools:					
Bedford County EDA-Jefferson Forest High School	4.00-5.25	2006	2031	38,710,000	34,780,000
Total lease revenue bonds					<u>\$ 43,826,527</u>
Business-Type Activities:					
Lease Revenue Bonds					
Bedford County EDA-Group Homes	4.00-5.00	2006	2021	3,435,000	\$ 2,575,000
Capital Leases					
Caterpillar-Solid Waste equipment	3.5	2010	2015	584,550	521,497
Total Business-type activities					<u>\$ 3,096,497</u>
COMPONENT UNIT					
School Board					
SunTrust 18 buses	3.40	2005	2011	1,087,120	\$ 165,672
First Citizens Bank 20 buses	3.89	2006	2012	1,294,142	391,715
First Citizens Bank 20 buses	3.74	2007	2013	1,505,308	667,759
First Citizens Bank 18 buses and a wrecker	3.35	2008	2014	1,533,155	889,314
First Citizens Bank 9 buses	3.35	2009	2015	711,945	507,844
Daimler Chrysler Truck Financial 9 buses	3.2	2010	2016	782,073	659,358
Total capital leases-School Board					<u>\$ 3,281,662</u>

The County leases equipment to aid in the operation of its solid waste fund under a capital lease expiring in 2015. The Schools lease buses under various capital leases expiring at various dates through 2016.

The assets acquired through capital leases are as follows:

	<u>Primary Government Business-Type Activities</u>	<u>Component Unit School Board</u>
Machinery and equipment	\$ 584,550	\$ 6,913,743
Less: accumulated depreciation	<u>34,099</u>	<u>1,640,189</u>
Net	<u>\$ 550,451</u>	<u>\$ 5,273,554</u>

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

Note 8. Interfund Receivables, Payables, and Transfers

Interfund balances at June 30 were as follows:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
General Fund	Group Homes Fund	\$ 51,332
Group Homes Fund	General Fund	23,851
Solid Waste Fund	General Fund	117,809

Interfund receivables and payables represent balances due for advances for capital projects and revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

Note 9. Defined Benefit Pension Plan

A. Plan Description

The County and the School Board contribute to the Virginia Retirement System (VRS), a mixed agent and cost-sharing multiple-employer defined benefit pension plan. The VRS requires periodic employer contributions at actuarially determined rates, which will remain relatively level over time as a percentage of payroll and will accumulate sufficient assets to meet the cost of all basic benefits when due. The required employer contributions for County employees and School Board non-professional employees are established annually by the VRS, by separate actuarial valuations specific to each group. The VRS establishes a separate annual contribution requirement for the School Board's professional employees, who participate in the VRS statewide teacher cost-sharing pool.

All full-time, salaried permanent employees of participating employers are automatically covered by VRS upon employment. Benefits vest after 5 years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave; and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 50 with at least 10 years of service credit or age 55 with at least five years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs, and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

Note 9. Defined Benefit Pension Plan (Continued)

A. Plan Description (Continued)

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP), or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP, or Advance Pension Option, or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2011 was 7.99% of annual covered payroll. The School Board's contribution rates for the fiscal year ended 2011 were 6.22% for nonprofessional employees and 3.93% for professional employees.

For the three years ended June 30, 2011, 2010, and 2009, total employer and employee contributions made to the VRS state-wide teacher pool for professional employees by the School Board were \$4,009,688, \$5,565,198, and \$6,751,483, respectively and represented 8.93%, 11.62%, and 13.81% of annual covered payroll, respectively, and 100% of the required contributions for 2011, 2010, and 2009.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

Note 9. Defined Benefit Pension Plan (Continued)

C. Annual Pension Cost

For fiscal year 2011, the County's annual pension cost of \$2,128,046 was equal to the County's required and actual contribution, and the School Board's non-professional groups annual pension cost of \$613,081 was also equal to the required and actual contribution.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
County			
June 30, 2011	\$ 2,128,046	100%	\$ -
June 30, 2010	2,083,262	100%	-
June 30, 2009	2,067,791	100%	-
School Board Non-Professional			
June 30, 2011	\$ 613,081	100%	\$ -
June 30, 2010	685,884	100%	-
June 30, 2009	687,440	100%	-

The fiscal year 2011 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County and School Board assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's and School Board's unfunded actuarial accrued liabilities are being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

D. Funded Status and Funding Progress

As of June 30 2010, the most recent actuarial valuation date for the County, the plan was 80.83% funded. The actuarial accrued liability for benefits was \$50,194,250, and the actuarial value of assets was \$40,570,853, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,623,397. The covered payroll (annual payroll of active employees covered by the plan) was \$16,498,435, and the ratio of the UAAL to the covered payroll was 58.33%.

As of June 30 2010, the most recent actuarial valuation date for the School's nonprofessional employees, the plan was 87.75% funded. The actuarial accrued liability for benefits was \$17,380,872, and the actuarial value of assets was \$15,251,442, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,129,430. The covered payroll (annual payroll of active employees covered by the plan) was \$5,664,375, and the ratio of the UAAL to the covered payroll was 37.59%.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

Note 9. Defined Benefit Pension Plan (Continued)

D. Funded Status and Funding Progress (Continued)

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

Note 10. Other Post-Employment Benefits (OPEB)

A. Plan Description

The County and School Board provide post-employment medical coverage for retired employees through a single-employer defined benefit plan. The County and School Board may change, add, or delete coverage as they deem appropriate and with the approval of the Board of Supervisors or School Board respectively. The plan does not grant retirees vested health benefits.

A retiree, eligible for postretirement medical coverage, is defined as a full-time employee who retires directly from the County or School Board and is eligible to receive an early or regular retirement benefit from the VRS. Employees applying for early or regular retirement are eligible to continue participation in the Retiree Health Plans sponsored by the County and School Board until the month the retiree turns 65. Retirees are responsible for the full cost of the plan.

The number of participants as of the most recent actuarial valuation date was as follows:

	<u>County</u>	<u>School Board</u>
Retirees currently receiving benefits	9	72
Active employees	374	1,289
Total	<u>383</u>	<u>1,361</u>

B. Funding Policy

The County and School Board currently fund post-employment health care benefits on a pay-as-you-go basis. During fiscal year 2011, neither the County nor the School Board designated any funding for the OPEB liability.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

Note 10. Other Post-Employment Benefits (OPEB) (Continued)

C. Annual Other Post-Employment Benefit Cost and Net OPEB Obligation

The following table shows the details of the County and School Board's annual OPEB cost for the year and the changes in the County and School Board's net OPEB obligation for the fiscal year ended June 30, 2011.

	<u>County</u>	<u>School Board</u>
Annual required contribution	\$ 55,000	\$ 493,000
Interest on net OPEB obligation	2,000	39,000
Adjustment to annual required contribution	<u>(2,000)</u>	<u>(39,000)</u>
Annual OPEB cost	55,000	493,000
Contributions made	<u>(1,363)</u>	<u>(417,017)</u>
Increase in net OPEB obligation	53,637	75,983
Net OPEB obligation-beginning of year	<u>98,710</u>	<u>1,250,144</u>
Net OPEB obligation-end of year	<u><u>\$ 152,347</u></u>	<u><u>\$ 1,326,127</u></u>

The County and School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2011 are as follows.

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
County			
June 30, 2011	\$ 55,000	2.5%	\$ 152,347
June 30, 2010	78,000	39.2%	98,710
June 30, 2009	72,000	28.7%	51,322
School Board			
June 30, 2011	\$ 493,000	84.6%	\$ 1,326,127
June 30, 2010	1,055,000	40.4%	1,250,144
June 30, 2009	994,000	37.5%	621,382

D. Funded Status and Funding Progress

As of July 1, 2010, the County and School Board's most recent actuarial valuation date, the actuarial accrued liability for benefits was \$470,000 and \$4,898,000, all of which was unfunded. The County's covered payroll (annual payroll of active employees covered by the Plan) was \$16,498,435, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 2.85%. The School Board's covered payroll was \$50,360,550, and the ratio of the UAAL to the covered payroll was 9.73%. Actuarial valuations of an ongoing plan involve estimates of the value reported amount and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

Note 10. Other Post-Employment Benefits (OPEB) (Continued)

D. Funded Status and Funding Progress (Continued)

The schedules of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2010 actuarial valuation, the projected unit credit actuarial cost method was used to determine liabilities. Under this method, the postretirement health costs are assumed to be earned ratably from the date of hire to the participant's full eligibility age. The actuarial assumptions included a 4% investment rate of return per annum. The unfunded actuarial accrued liability is being amortized as a level dollar amount over an open basis. The remaining amortization period at June 30, 2011 was 27 years.

Note 11. Length of Service Award Program

A. Plan Description

On July 1, 2006, the County adopted the Fire and Rescue Length of Service Awards Program for the Bedford County Fire and Rescue Association members to recognize the service provided by the volunteers. The plan is a single employer, defined benefit pension plan which is open to any volunteer over the age of sixteen. Participants vest after five years of service and earn a fixed dollar benefit based on years of service. No separate financial report is issued for the plan.

As of the most recent actuarial valuation date, the program membership consisted of the following:

Eligible Members	275
Retirees and beneficiaries	<u>22</u>
Total	<u><u>297</u></u>

B. Funding Policy

The plan is available to vested volunteer members with no covered payroll. Benefits amortize on a level dollar basis, and are recognized when due and payable in accordance with the terms of the plan. Benefits accrue at the rate of \$12 per month for each month of active service with a maximum of \$300 per month. Since the County fully funds the plan, refunds are not paid. The plan does not provide for post-retirement increases. The contribution rate is determined using an entry age Normal-Frozen Initial Liability Cost Method. The actuarial value of the plan assets is equal to the market value of the assets. Present and future assets in the plan are assumed to earn an investment rate of return of 4.5% compounded annually. There is no inflation factor or salary increase factor used since there is no covered payroll.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

Note 11. Length of Service Award Program (Continued)

C. Annual Program Cost

For the current year, the annual cost of \$254,327 equaled the required and actual contributions.

<u>Fiscal Year Ending</u>	<u>Annual Program Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Program Obligation</u>
June 30, 2011	\$ 254,327	100%	\$ -
June 30, 2010	260,026	100%	-
June 30, 2009	289,742	100%	-

The program's funding provides for periodic County contributions at actuarially determined rates that are sufficient to accumulate adequate assets to pay benefits when due. At year end the plan had net assets available for benefits totaling \$993,461. Unfunded past service costs total \$730,743 and will be fully amortized in 5 years. The plan additions fund the cost of administering the plan.

D. Funding Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the plan was funded 32.03%. The actuarial accrued liability for benefits was \$2,654,284 resulting in an UAAL of \$1,804,219.

The schedule of funding progress, presented as required supplementary information following the Notes to the Financial Statements, presents multi-year information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial liabilities for benefits.

Note 12. Landfill Closure and Post-Closure Costs

Permit #30

The County stopped accepting waste at its old landfill site, permit #30, on October 8, 1993. In accordance with federal and state laws, the County placed a final cover on this site and was required to perform certain maintenance and monitoring functions for ten years after closure. The site was certified as closed by the Virginia Department of Environmental Quality (DEQ) on July 2, 1996. The cumulative amount of estimated post-closure care costs to date for this site, less amounts expended for such costs to date, totals \$1,531,385.

The presence of certain contaminants in the groundwater extends the monitoring period in excess of the initial requirement. The estimated liability is based on the DEQ continuing to accept the current remedy enacted as discussed below and documented in the Corrective Action Permit dated November 21, 2006. If groundwater conditions change significantly prompting DEQ to require a change to the current remedy the actual costs will likely increase. Also, actual costs may be higher due to inflation, changes in technology, changes in regulations, or other unforeseen circumstances. This amount is included in the long-term liabilities in the primary government.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

Note 12. Landfill Closure and Post-Closure Costs (Continued)

Permit #30 (Continued)

The County's current plan of remediation consists of existing engineering and institutional controls (closure, capping, and site access restriction) coupled with groundwater remediation by monitored natural attenuation. This remedy consists of conducting groundwater and surface water monitoring at wells and springs on the site. It is the opinion of the County and its external engineer, based upon data observed to date, that during the next ten (10) years, the groundwater contaminants will decrease to an acceptable level and the County will be released from requirements of corrective action, and will petition DEQ to suspend all post-closure care activities including groundwater and gas monitoring.

Permit #560

The County's current landfill site, permit #560, began accepting waste on October 9, 1993. State and federal laws and regulations require the County to place a final cover on this landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions for thirty (30) years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used, as of each balance sheet date. The \$3,739,256 reported as landfill closure and post-closure care liability as of June 30, 2011 represents the cumulative amount reported to date based on the use of approximately 62% of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and post-closure care of \$2,285,771 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2011. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. During fiscal year 2011, the County completed construction of a new cell and received a certificate to operate from DEQ. The County expects the disposal area in this cell to reach capacity in 2020.

The County uses the financial test method for demonstrating assurance for post-closure care.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

Note 13. Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the general fund are presented below:

	<u>General Fund</u>	<u>School Board</u>
Nonspendable:		
Inventories	\$ 47,759	\$ 113,168
Prepays	163,271	626,461
Long-term portion of loans/note receivable	380,348	-
Total nonspendable	<u>591,378</u>	<u>739,629</u>
Restricted for:		
Judicial administration	3,099	-
Public safety	232,948	-
Debt service reserves	4	4
Other purposes	10,898	-
Total restricted	<u>246,949</u>	<u>4</u>
Committed to:		
Education-Nutrition	-	16,552
Education-Textbooks	-	694,995
Education-Maintenance projects	-	341,048
Capital projects	4,471,108	-
Total committed	<u>4,471,108</u>	<u>1,052,595</u>
Assigned to:		
Judicial administration	21,596	-
Public safety	1,838,678	-
Health and welfare	99,287	-
Education	450,065	
Education-Nutrition	-	1,286,113
Education-Textbooks	-	1,343,276
Education-Maintenance projects	-	1,301,228
Education-Capital projects	-	296,434
Funding of subsequent year budget	17,637,676	-
Subsequent year appropriation of fund balance	1,056,299	-
Other purposes	240,520	-
Total assigned	<u>21,344,121</u>	<u>4,227,051</u>
Unassigned	<u>18,035,007</u>	<u>(626,615)</u>
Total fund balance	<u><u>\$ 44,688,563</u></u>	<u><u>\$ 5,392,664</u></u>

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

Note 14. Risk Management

Primary Government

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; the health of and injuries to employees, and natural disasters. These risks are covered by a combination of commercial insurance policies purchased from independent third parties and participation in public entity risk pools. There have not been any significant reductions in insurance coverage as compared to the previous year. Settled claims for these risks have not exceeded commercial coverage and there has not been any significant reductions in insurance coverage for the past three years.

The County participates in VaCorp, which is a public entity risk pool that provides commercial general liability, property, automobile, workers' compensation, and other types of insurance coverage to Virginia localities. If there is a loss deficit and depletion of all assets and available insurance of the pool, the pool may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

Component Unit-School Board

The School Board carries commercial insurance for all risks of loss. Settled claims have not exceeded commercial insurance coverage for the past three years and there have not been any significant reductions in insurance coverage for the past three years over the previous year.

Note 15. Shared Services

The County provides courthouse facilities, as well as the services of the Sheriff, Commonwealth Attorney, and Clerk of the Circuit Court to the City of Bedford. The City reimburses the County for these services based on the total population of both localities as reported in the most recent census. For the current fiscal year, the City's population was 9.45% of the total population. In addition, the County provides health and welfare services to the City through the Departments of Health and Social Services, respectively. The City reimburses the County for these services based on the actual caseload for each fiscal year. Pursuant to an agreement dated June 28, 1988, the County provides public school services and educational programs for the students of the City. The City reimburses the County for its share of the net expenses based on its percentage of students as determined by the March 30 Average Daily Membership (ADM) of each fiscal year. The total costs of these services are presented in this report.

Note 16. Related Organizations, Jointly Governed Organizations, and Joint Ventures

Related Organizations:

The following organizations are excluded from the accompanying financial statements:

The Bedford County Public Service Authority (PSA):

The PSA was chartered in 1970 under the Water and Sewer Authorities Act of 1950 of the Commonwealth of Virginia. The PSA serves water and sewer needs of the Smith Mountain Lake, Forest, and Boonsboro areas of the County. The PSA operates on a Board-Administrator form of government. The Board consists of a chairman and six other board members. The County contributes funding annually to the PSA to assist in the payment of debt service for water and sewer lines and plant expansion.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

Note 16. Related Organizations, Jointly Governed Organizations, and Joint Ventures (Continued)

Jointly Governed Organizations:

Central Virginia Community Services Board (CVCSB)

The County, in conjunction with the Counties of Amherst, Appomattox, and Campbell and the Cities of Bedford and Lynchburg participates in the CVCSB, whose Board is composed of two members from each of the participating localities. The County contributed \$99,167 for operations to the CVCSB for 2011.

Blue Ridge Regional Jail Authority (BRRJA)

The County, in conjunction with the Counties of Amherst, Appomattox, Campbell, and Halifax, and the Cities of Bedford and Lynchburg participate in the BRRJA. Each member jurisdiction pays a per diem charge for each day that one of its prisoners is at any regional jail facility. In accordance with the service agreement, the Authority has divided the per diem charge into an operating component and a debt service component. The per diem charge is based upon an assumed number of prisoner days, and is subject to adjustment at the end of each fiscal year.

Joint Ventures:

Bedford Joint Economic Development Authority (BJEDA)

The County, in conjunction with the City of Bedford, created BJEDA, which is composed of a seven-member board of directors appointed by the participating localities. The City contributes a percentage of enterprise fund revenues to the BJEDA each year to fund expenses. The City and County have agreed to share equally any additional amounts necessary to cover the BJEDA costs. Complete financial statements of the BJEDA can be obtained from the Director of Finance and Administration, Bedford City, Virginia.

Central Virginia Radio Communication Board (CVRCB)

The County participates in an intergovernmental agreement with the Counties of Amherst and the Cities of Bedford and Lynchburg for the operation of a regional radio communication system. The CVRCB is responsible for overseeing the management, operation, and administration of the system. The project is financed by lease revenue bonds of the Industrial Development Authority of Amherst County and the leasing of the project to the participating jurisdictions. Each participating jurisdiction maintains a leasehold interest in the project and shares costs of operation and maintenance equal to the jurisdiction's payment percentage as defined in the agreement. The County's participating interest is 38.2%. Separate financial statements for CVRCB are not available.

Tri-County Lake Administrative Commission (TLAC)

The County, in conjunction with the Counties of Franklin and Pittsylvania, created TLAC, which is composed of an eight-member board of directors appointed by the participating localities to carry out lake planning duties as may be assigned by the respective Boards of Supervisors. Such duties may include, but are not limited to, navigation marker issues, debris cleanup, and coordination with American Electric Power on lake-related issues. The County is responsible for annual contributions of 45% to TLAC, which equaled \$113,244 for 2011. Separate financial statements for TLAC are not available.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

Note 17. Interjurisdictional Agreement

The County and the City entered into a voluntary agreement dated February 9, 1998 titled "Joint Economic Development and Growth Sharing Agreement." The agreement provides for the development of a jointly owned 110-acre industrial park within the City; designation of four economic development areas located in the County adjacent to the City for which water and sewer will be made available to enhance commercial and industrial development; and development of a long-range plan to address water and sewer needs in the central part of the County.

The County and City agreed in perpetuity to share equally all local taxes on real estate, personal property, machinery and tools, merchant's capital, sales and use taxes, and all business, professional and occupational taxation, and any other taxes generated in respect to properties and activities with the Economic Development areas.

Note 18. Commitments and Contingencies

Litigation

The County is a potential defendant in litigation involving claims for damages of various types. County officials estimate that any ultimate liability not covered by insurance will have an immaterial effect on the County's financial position.

Subsequent to year end, the Bedford County School Board was named one of the defendants in a \$20 million lawsuit stemming from an incident involving a student and School Board employees. School Board management intends to vigorously contest this matter. At this time, the outcome of the matter is unclear.

Special Purpose Grants

Special purpose grants are subject to audit to determine compliance with their requirements. County officials believe that if any refunds are required, they will be immaterial.

Note 19. Subsequent Events

In 2008, the City of Bedford notified the County of its intent to revert from a city to a town, as allowed under state law. Since that time, a committee of the Board of Supervisors and City Council has worked diligently to identify and resolve any potential issues related to the transition. In September 2011, City Council and the Board of Supervisors adopted a voluntary agreement which the state will use as a guideline in the City's effort to revert to town status. The negotiated agreement is intended to be the best plan for the future of the Town and County. For more information on this plan and the reversion process, please visit www.bedfordcountyva.gov/reversion.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

Note 20. Pending GASB Statements

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

GASB Statement No. 61 *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34* modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit, or burden relationship also would need to be present to be included as a component unit. The statement also amends the criteria for reporting of blended component units. For component units that are blended based on the “substantively the same governing body” criterion, it additionally requires that a financial benefit or financial burden relationship exist or management of the primary government have operational responsibility for the activities of the component unit. The statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. This statement will be effective for the year ending June 30, 2013.

GASB Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* was issued to incorporate into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in FASB pronouncements issued on or before November 30, 1989 which do not conflict with or contradict GASB pronouncements. This statement will be effective for the year ending June 30, 2013.

GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position* is intended to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. This statement will be effective for the year ending June 30, 2013.

Management has not yet evaluated the effects, if any, of adopting these standards.

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REQUIRED SUPPLEMENTAL INFORMATION

COUNTY OF BEDFORD, VIRGINIA

**Schedule of Funding Progress
VRS, LOSAP, and OPEB
June 30, 2011**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Payroll (b-a)/c
Virginia Retirement System						
County						
June 30, 2010	\$ 40,570,853	\$ 50,194,250	\$ 9,623,397	80.83 %	\$ 16,498,435	58.33 %
June 30, 2009	\$ 39,511,751	\$ 44,533,165	\$ 5,021,414	88.72 %	\$ 16,779,532	29.93 %
June 30, 2008	\$ 37,989,959	\$ 41,244,153	\$ 3,254,194	92.11 %	\$ 15,807,572	20.59 %
Component unit – School Board – Non-Professional Employees						
June 30, 2010	\$ 15,251,442	\$ 17,380,872	\$ 2,129,430	87.75 %	\$ 5,664,375	37.59 %
June 30, 2009	\$ 14,825,815	\$ 15,729,856	\$ 904,041	94.25 %	\$ 5,830,975	15.50 %
June 30, 2008	\$ 14,136,636	\$ 14,832,994	\$ 696,358	95.31 %	\$ 5,484,655	12.70 %
Fire and Rescue Length of Service Awards Program						
June 30, 2010	\$ 850,065	\$ 2,654,284	\$ 1,804,219	32.03 %	NA	NA
June 30, 2009	\$ 630,680	\$ 2,413,241	\$ 1,782,561	26.13 %	NA	NA
June 30, 2008	\$ 351,296	\$ 2,493,675	\$ 2,142,379	14.09 %	NA	NA
Other Post-Employment Benefit Plans						
County						
June 30, 2010	\$ -	\$ 470,000	\$ 470,000	0.00 %	\$ 16,498,435	2.85 %
June 30, 2009	\$ -	\$ 644,000	\$ 644,000	0.00 %	\$ 16,779,532	3.84 %
June 30, 2008	\$ -	\$ 630,000	\$ 630,000	0.00 %	\$ 15,807,572	3.99 %
Component unit – School Board						
June 30, 2010	\$ -	\$ 4,898,000	\$ 4,898,000	0.00 %	\$ 50,360,550	9.73 %
June 30, 2009	\$ -	\$ 9,731,000	\$ 9,731,000	0.00 %	\$ 53,615,277	18.15 %
June 30, 2008	\$ -	\$ 9,373,000	\$ 9,373,000	0.00 %	\$ 53,833,393	17.41 %

Analysis of the dollar amounts of the actuarial value of assets, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability (see funded ratio) provides an indication of the program's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the plan is becoming financially stronger or weaker.

Historical trend information about the program is presented above as required supplementary information. This information is intended to help users assess the program's funding status on an on-going basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employee retirement systems.

OTHER SUPPLEMENTAL INFORMATION

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COUNTY OF BEDFORD, VIRGINIA

Agency Funds –
Combining Statement of Fiduciary Net Assets
Year Ended June 30, 2011

	Tri-County Relicensing Committee	Tri-County Lake Administrative Commission	Bedford Community Coalition	Bedford Wine Trail	Special Welfare Fund	Road Escrow Accounts	Land Disturbing Bonds	Sheriff Asset Seizures	Total
Assets									
Cash and cash equivalents	\$ -	\$ 472,249	\$ 2,936	\$ 4,030	\$ 28,980	\$ 80,632	\$ 221,607	\$ 27,461	\$ 837,894
Security deposits	-	900	-	-	-	-	-	-	900
Accounts receivable	7,486	-	-	-	-	-	-	-	7,486
Total assets	<u>\$ 7,486</u>	<u>\$ 473,149</u>	<u>\$ 2,936</u>	<u>\$ 4,030</u>	<u>\$ 28,980</u>	<u>\$ 80,632</u>	<u>\$ 221,607</u>	<u>\$ 27,461</u>	<u>\$ 846,281</u>
Liabilities									
Accounts payable	\$ 7,486	\$ 12,048	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,534
Amounts held for others	-	461,100	2,936	4,030	28,980	80,632	221,607	27,461	826,747
Total liabilities	<u>\$ 7,486</u>	<u>\$ 473,149</u>	<u>\$ 2,936</u>	<u>\$ 4,030</u>	<u>\$ 28,980</u>	<u>\$ 80,632</u>	<u>\$ 221,607</u>	<u>\$ 27,461</u>	<u>\$ 846,281</u>

COUNTY OF BEDFORD, VIRGINIA

Agency Funds –
Combining Statement of Fiduciary Net Assets and Liabilities
Year Ended June 30, 2011

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End</u>
Tri-County Relicensing Committee				
Assets:				
Accounts receivable	\$ 363	\$ 17,667	\$ 10,544	\$ 7,486
Liabilities:				
Accounts payable	\$ 363	\$ 17,667	\$ 10,544	\$ 7,486
Tri-County Lake Administrative Commission				
Assets:				
Cash and cash equivalents	\$ 477,501	\$ 275,855	\$ 281,107	\$ 472,249
Security deposits	900	-	-	900
	<u>\$ 478,401</u>	<u>\$ 275,855</u>	<u>\$ 281,107</u>	<u>\$ 473,149</u>
Liabilities:				
Accounts payable	\$ 12,567	\$ 162,366	\$ 162,885	\$ 12,048
Accrued liabilities	-	118,223	118,223	-
Amounts held for others	465,834	-	4,734	461,100
	<u>\$ 478,401</u>	<u>\$ 280,589</u>	<u>\$ 285,841</u>	<u>\$ 473,149</u>
Bedford Community Coalition				
Assets:				
Cash and cash equivalents	\$ 3,075	\$ 11	\$ 150	\$ 2,936
Liabilities:				
Amounts held for others	\$ 3,075	\$ 11	\$ 150	\$ 2,936
Bedford Wine Trail				
Assets:				
Cash and cash equivalents	\$ -	\$ 5,688	\$ 1,658	\$ 4,030
Liabilities:				
Amounts held for others	\$ -	\$ 5,688	\$ 1,658	\$ 4,030
Special Welfare Fund				
Assets:				
Cash and cash equivalents	\$ 26,897	\$ 227,943	\$ 225,860	\$ 28,980
Liabilities:				
Amounts held for others	\$ 26,897	\$ 227,943	\$ 225,860	\$ 28,980
Road Escrow Accounts				
Assets:				
Cash and cash equivalents	\$ 142,551	\$ 409	\$ 62,328	\$ 80,632
Liabilities:				
Accounts payable	\$ 412	\$ -	\$ 412	\$ -
Amounts held for others	142,139	-	61,507	80,632
	<u>\$ 142,551</u>	<u>\$ -</u>	<u>\$ 61,919</u>	<u>\$ 80,632</u>

(Continued)

COUNTY OF BEDFORD, VIRGINIA

Agency Funds –
Combining Statement of Fiduciary Net Assets and Liabilities
Year Ended June 30, 2011

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>End</u>
Land Disturbing Bonds				
Assets:				
Cash and cash equivalents	<u>\$ 202,048</u>	<u>\$ 25,451</u>	<u>\$ 5,892</u>	<u>\$ 221,607</u>
Liabilities:				
Amounts held for others	<u>\$ 202,048</u>	<u>\$ 25,451</u>	<u>\$ 5,892</u>	<u>\$ 221,607</u>
Sheriff Asset Seizures				
Assets:				
Cash and cash equivalents	<u>\$ 30,750</u>	<u>\$ 5,178</u>	<u>\$ 8,467</u>	<u>\$ 27,461</u>
Liabilities:				
Amounts held for others	<u>\$ 30,750</u>	<u>\$ 5,178</u>	<u>\$ 8,467</u>	<u>\$ 27,461</u>
Total Fiduciary Funds				
Assets:				
Cash and cash equivalents	\$ 882,822	\$ 540,535	\$ 585,462	\$ 837,895
Security deposits	900	-	-	900
Accounts receivable	363	17,667	10,544	7,486
Total assets	<u>\$ 884,085</u>	<u>\$ 558,203</u>	<u>\$ 596,006</u>	<u>\$ 846,281</u>
Liabilities:				
Accounts payable	\$ 13,342	\$ 180,033	\$ 173,841	\$ 19,534
Accrued liabilities	-	118,223	118,223	-
Amounts held for others	870,743	264,271	308,267	826,747
Total liabilities	<u>\$ 884,085</u>	<u>\$ 562,527</u>	<u>\$ 600,331</u>	<u>\$ 846,281</u>

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DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

SPECIAL REVENUE FUNDS – Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes. The component unit – School Board has the following special revenue funds.

School Operating Fund – Accounts for the primary operating activities of the public school system.

School Nutrition Fund – Accounts for revenues and expenditures associated with the food services within the school system.

School Textbook Fund – Accounts for the state and local funds provided for the purchase of textbooks.

School Capital Projects Fund – Accounts for revenues and expenditures related to major construction and renovation projects of the school system.

COUNTY OF BEDFORD, VIRGINIA

**Discretely Presented Component Unit – Bedford County School Board
Combining Balance Sheet
Year Ended June 30, 2011**

	<u>Special Revenue Funds</u>			<u>Capital</u>	<u>Totals</u>
	<u>Operating</u>	<u>Nutrition</u>	<u>Textbooks</u>	<u>Projects</u>	<u>Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 1,934,298	\$ 1,550,447	\$ 2,041,105	\$ 296,434	\$ 5,822,284
Receivables, net	3,719,535	64,469	635	-	3,784,639
Due from primary government	6,083,496	-	-	-	6,083,496
Prepays	597,721	28,740	-	-	626,461
Inventories	-	113,168	-	-	113,168
Restricted cash and investments	4	-	-	-	4
Total assets	<u>\$ 12,335,054</u>	<u>\$ 1,756,824</u>	<u>\$ 2,041,740</u>	<u>\$ 296,434</u>	<u>\$ 16,430,052</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 1,088,225	\$ 24,351	\$ 3,469	\$ -	\$ 1,116,045
Accrued payroll and related liabilities	8,827,020	287,900	-	-	9,114,920
Deferred revenue	806,423	-	-	-	806,423
Total liabilities	<u>10,721,668</u>	<u>312,251</u>	<u>3,469</u>	<u>-</u>	<u>11,037,388</u>
FUND BALANCES					
Fund balances:					
Nonspendable	597,721	141,908	-	-	739,629
Restricted	4	-	-	-	4
Committed	341,048	16,552	694,995	-	1,052,595
Assigned	1,301,228	1,286,113	1,343,276	296,434	4,227,051
Unassigned	(626,615)	-	-	-	(626,615)
Total fund balances	<u>1,613,386</u>	<u>1,444,573</u>	<u>2,038,271</u>	<u>296,434</u>	<u>5,392,664</u>
Total liabilities and fund balances	<u>\$ 12,335,054</u>	<u>\$ 1,756,824</u>	<u>\$ 2,041,740</u>	<u>\$ 296,434</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	104,341,031
Long term liabilities, such as compensated absences (\$1,590,845), other post-employment benefits (\$1,326,127), capital leases (\$3,281,662), and accrued interest (\$96,618) do not require the use of current financial resources and are not reported as expenditures in governmental funds.	(6,295,252)
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	<u>2,967,111</u>
Net assets of governmental activities	<u>\$ 106,405,554</u>

COUNTY OF BEDFORD, VIRGINIA

Discretely Presented Component Unit – Bedford County School Board
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2011

	Special Revenue Funds				Totals Governmental Funds
	Operating	Nutrition	Textbooks	Capital Projects	
REVENUES					
Revenue from use of money and property	\$ 5,003	\$ 9,703	\$ 6,882	\$ 48	\$ 21,636
Charges for services	450,523	2,382,003	-	-	2,832,526
Recovered costs	5,214,314	-	19,502	-	5,233,816
Other	296,265	-	1,301	-	297,566
Intergovernmental:					
County of Bedford	27,876,333	-	-	-	27,876,333
Commonwealth of Virginia	41,868,867	58,113	295,186	-	42,222,166
Federal government	9,309,773	2,085,934	-	-	11,395,707
Total revenues	85,021,078	4,535,753	322,871	48	89,879,750
EXPENDITURES					
Current:					
Instructional	61,256,827	-	243,638	-	61,500,465
Administration, attendance, and health	3,200,508	-	-	-	3,200,508
Pupil transportation services	7,109,345	-	-	-	7,109,345
Operations and maintenance services	10,083,931	-	-	-	10,083,931
Nutrition services	-	4,193,732	-	-	4,193,732
Technology	3,370,647	-	-	-	3,370,647
Debt Service:					
Principal	1,124,130	-	-	-	1,124,130
Interest and other fiscal charges	129,153	-	-	-	129,153
Capital projects	-	-	-	-	-
Total expenditures	86,274,541	4,193,732	243,638	-	90,711,911
Excess (deficiency) of revenues over expenditures	(1,253,463)	342,021	79,233	48	(832,161)
OTHER FINANCING SOURCES					
Capital lease proceeds	782,073	-	-	-	782,073
Total other financing sources	782,073	-	-	-	782,073
Net change in fund balances	(471,390)	342,021	79,233	48	(50,088)
Fund balance, beginning	2,084,776	1,102,552	1,959,038	296,386	
Fund balance, ending	\$ 1,613,386	\$ 1,444,573	\$ 2,038,271	\$ 296,434	

Adjustments for the Statement of Activities:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which depreciation exceeded capital outlays in the current period. (2,445,187)

The net effect of various transactions involving capital assets (sales, trade-ins) is to decrease net assets. (66,058)

Debt issuance proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which repayments exceeded proceeds. 342,057

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 13,534

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (49,760)

Change in net assets of governmental activities \$ (2,255,502)

COUNTY OF BEDFORD, VIRGINIA

Discretely Presented Component Unit – Bedford County School Board
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Cash Basis)
Year Ended June 30, 2011

	Operating			Variance with Final Budget Positive Negative
	Budgeted Amounts			
	Original	Final	Actual	
REVENUES				
Revenue from use of money and property	\$ -	\$ -	\$ 5,003	\$ 5,003
Charges for services	451,500	451,500	452,091	591
Recovered costs	5,084,178	5,084,178	5,313,352	229,174
Other	169,000	193,845	284,158	90,313
Intergovernmental:				
County of Bedford	36,285,144	36,927,431	36,477,366	(450,065)
Commonwealth of Virginia	43,357,249	43,357,249	41,859,472	(1,497,777)
Federal government	8,891,168	8,891,168	9,352,635	461,467
Total revenues	94,238,239	94,905,371	93,744,077	(1,161,294)
EXPENDITURES				
Current:				
Instructional	62,919,415	62,919,415	62,354,345	565,070
Administration, attendance, and health	3,073,069	3,273,069	3,228,017	45,052
Pupil transportation services	7,383,138	7,507,983	7,506,883	1,100
Operations and maintenance services	11,973,795	12,316,082	9,885,210	2,430,872
Nutrition services	-	-	-	-
Debt service	7,470,012	7,470,012	7,460,512	9,500
Technology	3,503,567	3,503,567	3,503,567	-
Total expenditures	96,322,996	96,990,128	93,938,534	3,051,594
Excess (deficiency) of revenues over expenditures	(2,084,757)	(2,084,757)	(194,457)	1,890,300
Net change in fund balances	\$ (2,084,757)	\$ (2,084,757)	\$ (194,457)	\$ 1,890,300

COUNTY OF BEDFORD, VIRGINIA

Discretely Presented Component Unit – Bedford County School Board
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Cash Basis)
Year Ended June 30, 2011

Nutrition				Textbooks			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final			Original	Final		
\$ 5,500	\$ 5,500	\$ 9,703	\$ 4,203	\$ -	\$ -	\$ 6,882	\$ 6,882
2,542,484	2,542,484	2,381,903	(160,581)	-	-	760	760
-	-	-	-	24,643	24,643	77,283	52,640
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
57,000	57,000	58,114	1,114	302,906	302,906	295,186	(7,720)
1,721,000	1,721,000	2,092,220	371,220	-	-	-	-
4,325,984	4,325,984	4,541,940	215,956	327,549	327,549	380,111	52,562
-	-	-	-	327,549	327,549	244,413	83,136
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
4,325,984	4,325,984	4,192,990	132,994	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
4,325,984	4,325,984	4,192,990	132,994	327,549	327,549	244,413	83,136
-	-	348,950	348,950	-	-	135,698	135,698
\$ -	\$ -	\$ 348,950	\$ 348,950	\$ -	\$ -	\$ 135,698	\$ 135,698

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SUPPORTING SCHEDULES

COUNTY OF BEDFORD, VIRGINIA

**Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual – Cash Basis
Governmental Fund
For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 37,409,926	\$ 37,409,926	\$ 37,933,943	\$ 524,017
Real and personal public service corporation property taxes	1,238,000	1,238,000	1,282,127	44,127
Personal property taxes (local remittance)	9,304,272	9,304,272	8,771,904	(532,368)
Machinery and tools taxes	2,115,000	2,115,000	2,547,554	432,554
Merchant's capital taxes	219,500	219,500	246,728	27,228
Mobile home taxes	151,000	151,000	145,588	(5,412)
Penalties and interest	560,000	560,000	688,690	128,690
Total general property taxes	50,997,698	50,997,698	51,616,534	618,836
Other local taxes:				
Local sales and use taxes	3,800,000	3,800,000	4,243,246	443,246
Consumer utility taxes	1,131,200	1,131,200	1,190,289	59,089
Business licenses taxes	501	501	501	-
Utility license tax	70,000	70,000	101,175	31,175
Motor vehicle licenses	-	-	322	322
Bank stock taxes	200,000	200,000	247,664	47,664
Taxes on recordations and wills	941,000	941,000	781,075	(159,925)
Transient occupancy tax	300,000	300,000	316,228	16,228
Meals tax	1,310,000	1,310,000	1,475,537	165,537
Communications sales tax	2,000,000	2,000,000	2,029,737	29,737
Total other local taxes	9,752,701	9,752,701	10,385,774	633,073
Permits, privilege fees, and regulatory licenses:				
Animal licenses	57,000	57,000	60,839	3,839
Building permits	250,000	250,000	290,050	40,050
Other permits and licenses	32,100	32,100	31,136	(964)
Planning permits and fees	125,000	125,000	138,505	13,505
Total permits, privilege fees, and regulatory licenses	464,100	464,100	520,530	56,430
Fines and forfeitures	150,000	167,969	175,771	7,802
Revenue from use of money and property:				
Revenue from use of money	200,300	202,815	290,862	88,047
Revenue from use of property	33,741	33,741	32,369	(1,372)
Total revenue from use of money and property	234,041	236,556	323,231	86,675

(Continued)

COUNTY OF BEDFORD, VIRGINIA

**Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual – Cash Basis
Governmental Fund
For the Year Ended June 30, 2011**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Charges for services:				
Court costs	\$ 190,804	\$ 190,804	\$ 191,040	\$ 236
Commonwealth attorney	1,500	1,500	2,954	1,454
Law enforcement and traffic control	60,000	60,000	53,889	(6,111)
County attorney	15,000	15,000	17,544	2,544
Welfare and social services	20,000	20,000	27,699	7,699
Comprehensive services	129,500	129,500	62,779	(66,721)
Youth and family services	5,000	5,000	16,836	11,836
Recreation fees	2,300	2,300	1,194	(1,106)
EMS cost recoveries	1,400,000	1,400,000	1,227,576	(172,424)
Other	5,300	5,300	4,937	(363)
Total charges for services	1,829,404	1,829,404	1,606,448	(222,956)
Miscellaneous	185,537	529,453	831,102	301,649
Recovered costs:				
City of Bedford – shared services	1,688,423	1,688,696	1,513,724	(174,972)
Bedford Public Library	35,000	35,000	35,000	-
Tri-County Lake Administrative Commission	6,000	6,000	6,000	-
Central Garage	90,000	90,000	122,352	32,352
Prisoner Extradition	-	-	980	980
Nursing Home	145,000	145,000	221,447	76,447
Total recovered costs	1,964,423	1,964,696	1,899,503	(65,193)
Total revenue from local sources	65,577,904	65,942,577	67,358,893	1,416,316
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Personal property taxes (state remittance)	6,086,051	6,086,051	6,086,051	-
Rental taxes	25,000	25,000	23,219	(1,781)
Mobile home titling taxes	125,000	125,000	69,765	(55,235)
Recordation taxes	275,000	275,000	279,540	4,540
Railroad rolling stock taxes	130,000	130,000	159,456	29,456
Reduction in state aid to localities	(300,000)	(300,000)	(297,532)	2,468
Total non-categorical aid	6,341,051	6,341,051	6,320,499	(20,552)
Categorical aid:				
Shared expenses:				
Commonwealth's Attorney	489,639	489,639	511,806	22,167
Sheriff	2,208,298	2,208,298	2,272,784	64,486
Commissioner of the Revenue	172,744	172,744	175,517	2,773
Treasurer	136,836	136,836	140,455	3,619
Registrar and Electoral board	56,380	56,380	46,963	(9,417)
Clerk of the Circuit Court	375,507	437,654	450,297	12,643
Communications	134,573	134,573	135,177	604
Total shared expenses	3,573,977	3,636,124	3,732,999	96,875

(Continued)

COUNTY OF BEDFORD, VIRGINIA

**Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual – Cash Basis
Governmental Fund
For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Other:				
Social services	\$ 2,262,623	\$ 2,262,623	\$ 2,140,232	\$ (122,391)
Comprehensive services	2,292,697	2,292,697	1,538,037	(754,660)
Forfeited asset seizure proceeds	-	8,824	4,624	(4,200)
State internet crimes	-	257,404	154,056	(103,348)
EMS Four for Life	30,000	30,000	76,962	46,962
Fire funds	80,000	154,434	154,434	-
Public Safety grants	-	82,003	2,699	(79,304)
Victim witness coordinator	15,957	15,957	15,957	-
Domestic violence grants	135,340	178,708	176,753	(1,955)
VJCCCA	67,475	67,475	70,310	2,835
Wireless E-911 grant	82,800	82,800	95,521	12,721
PSAP grants	-	-	213,462	213,462
VA Commission of Arts	5,000	5,000	-	(5,000)
Juror and witness reimbursement	20,000	27,308	25,851	(1,457)
Virginia Tobacco Commission grants	-	40,000	10,000	(30,000)
VDOT Revenue Sharing	-	340,244	388,121	47,877
Other	-	-	1,970	1,970
Total other categorical aid	<u>4,991,892</u>	<u>5,845,477</u>	<u>5,068,989</u>	<u>(776,488)</u>
Total categorical aid	<u>8,565,869</u>	<u>9,481,601</u>	<u>8,801,988</u>	<u>(679,613)</u>
Total revenue from the Commonwealth	<u>14,906,920</u>	<u>15,822,652</u>	<u>15,122,487</u>	<u>(700,165)</u>
Revenue from the federal government:				
Payments in lieu of taxes	<u>29,000</u>	<u>29,000</u>	<u>43,154</u>	<u>14,154</u>
American Recovery and Reinvestment Act (ARRA):				
Social Services	129,907	129,907	87,406	(42,501)
Social services	2,753,727	2,753,727	2,699,409	(54,318)
Sheriff – DMV grants	-	26,393	26,820	427
Justice assistance grants	-	2,144	2,161	17
DEA overtime reimbursement	-	-	2,053	2,053
Internet crimes grant	-	892,887	457,330	(435,557)
Bulletproof vest grant	-	5,335	4,326	(1,009)
Other law enforcement grants	-	58,009	10,120	(47,889)
Forfeited asset seizure proceeds	-	13,849	13,849	-
Victim Witness coordinator	46,976	46,976	47,870	894
Domestic violence grants	30,244	52,582	40,303	(12,279)
Total categorical aid	<u>2,960,854</u>	<u>3,981,809</u>	<u>3,391,647</u>	<u>(590,162)</u>
Total revenue from the federal government	<u>2,989,854</u>	<u>4,010,809</u>	<u>3,434,801</u>	<u>(576,008)</u>
Total intergovernmental revenues	<u>17,896,774</u>	<u>19,833,461</u>	<u>18,557,288</u>	<u>(1,276,173)</u>
Total general fund	<u>\$ 83,474,678</u>	<u>\$ 85,776,038</u>	<u>\$ 85,916,181</u>	<u>\$ 140,143</u>

(Continued)

COUNTY OF BEDFORD, VIRGINIA

**Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual – Cash Basis
Governmental Fund
For the Year Ended June 30, 2011**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Expenditures				
General government administration:				
Legislative:				
Board of Supervisors	\$ 131,105	\$ 182,198	\$ 180,549	\$ 1,649
General and financial administration:				
County Administration	397,230	397,230	393,374	3,856
County Attorney	296,963	296,963	243,284	53,679
Independent auditor	58,000	58,000	51,826	6,174
Commissioner of the Revenue	511,673	511,673	471,089	40,584
Assessor	1,047,408	1,047,408	808,040	239,368
Treasurer	569,418	573,918	502,333	71,585
Fiscal management	477,958	477,958	468,752	9,206
Information technology	429,220	429,220	425,941	3,279
Management services	287,472	297,472	293,759	3,713
Electoral board	72,217	72,217	56,405	15,812
Registrar	166,690	169,990	141,467	28,523
Total general and financial administration	4,314,249	4,332,049	3,856,270	475,779
Total general government administration	4,445,354	4,514,247	4,036,819	477,428
Judicial administration:				
Courts:				
Circuit Court	80,346	99,819	98,514	1,305
District Court	13,150	13,150	12,186	964
Magistrates	2,325	2,325	1,951	374
Juvenile and Domestic Relations District Court	17,250	17,250	16,257	993
Clerk of the Circuit Court	779,351	841,498	809,664	31,834
Circuit Court Records Preservation	-	20,468	17,369	3,099
Victim Witness Coordinator	109,971	109,971	107,697	2,274
Law Library	10,800	10,800	8,884	1,916
Other court services	11,234	11,234	11,234	-
Total courts	1,024,427	1,126,515	1,083,756	42,759
Commonwealth's Attorney	848,649	891,854	859,472	32,382
Total judicial administration	1,873,076	2,018,369	1,943,228	75,141
Public safety:				
Law enforcement and traffic control:				
Sheriff	4,991,854	5,221,020	5,200,155	20,865
Internet Crimes Grant	-	1,244,479	741,410	503,069
Law enforcement grants	-	179,456	162,805	16,651
Total law enforcement and traffic control	4,991,854	6,644,955	6,104,370	540,585
Fire and rescue services:				
Volunteer fire companies	957,055	1,031,489	1,004,816	26,673
Volunteer rescue squads	1,220,870	1,261,105	1,094,359	166,746
Other fire and rescue services	247,022	307,444	208,680	98,764
Total fire and rescue services	2,424,947	2,600,038	2,307,855	292,183

(Continued)

COUNTY OF BEDFORD, VIRGINIA

**Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual – Cash Basis
Governmental Fund
For the Year Ended June 30, 2011**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Correction and detention:				
Blue Ridge Regional Jail	\$ 1,068,515	\$ 1,068,515	\$ 1,068,515	\$ -
VJCCCA	81,665	153,665	151,340	2,325
Juvenile detention prevention	51,547	55,945	35,181	20,764
Juvenile secure detention	450,000	378,000	362,204	15,796
Total correction and detention	1,651,727	1,656,125	1,617,240	38,885
Building Inspections	531,183	531,183	526,011	5,172
Other protection:				
Animal shelter	181,587	181,587	137,704	43,883
Animal control	222,019	222,019	216,537	5,482
Medical examiner	1,000	1,000	800	200
Emergency services	1,385,888	1,385,888	1,357,822	28,066
Communications center	1,768,334	1,796,334	1,692,948	103,386
Transportation Safety Committee	1,425	1,425	576	849
Total other protection	3,560,253	3,588,253	3,406,387	181,866
Total public safety	13,159,964	15,020,554	13,961,863	1,058,691
Public works:				
Sanitation and waste removal:				
Refuse collection	2,761,661	2,784,661	2,593,502	191,159
Total sanitation and waste removal	2,761,661	2,784,661	2,593,502	191,159
Maintenance – buildings and grounds:				
Housekeeping	472,527	472,527	436,229	36,298
General properties	907,371	907,371	835,377	71,994
Central garage	464,215	464,215	247,491	216,724
Total maintenance v buildings and grounds	1,844,113	1,844,113	1,519,097	325,016
Total public works	4,605,774	4,628,774	4,112,599	516,175
Health and welfare:				
Health:				
Supplement to local health department	523,699	523,699	485,225	38,474
Welfare:				
Social services	7,007,147	7,022,147	6,784,385	237,762
Youth and family services	287,100	294,925	270,587	24,338
Comprehensive services	4,257,813	4,257,813	2,222,095	2,035,718
Domestic violence	361,870	382,552	351,613	30,939
Other health and welfare	180,247	182,917	182,915	2
Total welfare	12,094,177	12,140,354	9,811,595	2,328,759
Total health and welfare	12,617,876	12,664,053	10,296,820	2,367,233
Education:				
Community college	49,824	49,824	49,824	-

(Continued)

COUNTY OF BEDFORD, VIRGINIA

**Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual – Cash Basis
Governmental Fund
For the Year Ended June 30, 2011**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Parks, recreation, and cultural:				
Recreation department	\$ 1,215,277	\$ 1,269,853	\$ 1,109,314	\$ 160,539
Cultural enrichment	121,125	123,625	114,125	9,500
Contribution to Regional Library	1,268,675	1,268,675	1,268,675	-
Total parks, recreation, and cultural	2,605,077	2,662,153	2,492,114	170,039
Community development:				
Planning and community development:				
Planning commission	76,478	95,478	51,182	44,296
Community development	934,832	1,018,904	778,550	240,354
GIS	236,602	239,602	225,083	14,519
Board of appeals	5,237	5,937	2,379	3,558
Economic development	334,785	326,785	235,932	90,853
Joint City/County Economic development	800,000	800,000	793,663	6,337
Economic development grants	-	59,194	21,359	37,835
Local and state Chamber of Commerce	4,750	4,750	4,750	-
Tourism	485,686	508,686	423,557	85,129
Total planning and community development	2,878,370	3,059,336	2,536,455	522,881
Environmental management:				
Erosion and sediment control	139,275	139,275	135,067	4,208
Storm Water Management	15,000	15,000	-	15,000
Soil and Water Conservation District	14,250	14,250	14,250	-
Tri-County Lake Administrative Commission	113,244	113,244	113,244	-
Total environmental management	281,769	281,769	262,561	19,208
Cooperative Extension Program:				
VPI & SU Extension Office	67,000	67,000	64,796	2,204
Cannery	34,536	34,536	34,250	286
Total cooperative extension program	101,536	101,536	99,046	2,490
Total community development	3,261,675	3,442,641	2,898,062	544,579
Debt Service:				
Principal retirement	1,788,585	1,788,585	1,788,363	222
Interest and other fiscal charges	535,594	535,594	534,810	784
Total debt service	2,324,179	2,324,179	2,323,173	1,006
Capital projects:				
General governmental	311,467	347,467	138,983	208,484
Judicial administration	83,137	83,137	1,765	81,372
Public safety	420,366	1,173,770	669,619	504,151
Public works	1,055,624	1,376,695	174,653	1,202,042
Education	1,425,805	1,425,805	-	1,425,805
Parks, recreation, and cultural	987,930	1,361,016	966,300	394,716
Community and economic development	2,626,457	2,662,457	2,399,140	263,317
Total capital projects	6,910,786	8,430,347	4,350,460	4,079,887
Total expenditures	51,853,585	55,755,141	46,464,962	9,290,179
Excess of Revenues over Expenditures	31,621,093	30,020,897	39,451,219	9,430,322

(Continued)

COUNTY OF BEDFORD, VIRGINIA

Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual – Cash Basis
Governmental Fund
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Other Financing Sources (Uses):				
Transfers from:				
Propriety fund types	\$ -	\$ -	\$ 75,000	\$ 75,000
Transfers to:				
Component units	<u>(36,285,144)</u>	<u>(36,927,431)</u>	<u>(36,477,366)</u>	<u>450,065</u>
Total other financing sources and uses	<u>(36,285,144)</u>	<u>(36,927,431)</u>	<u>(36,402,366)</u>	<u>525,065</u>
Net change in fund balance	<u>\$ (4,664,051)</u>	<u>\$ (6,906,534)</u>	<u>\$ 3,048,853</u>	<u>\$ 9,955,387</u>

COUNTY OF BEDFORD, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

<u>Federal Grantor/Pass-Through Grantor (Commonwealth of Virginia)/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>Department of Agriculture:</u>		
<u>Pass-Through Payments:</u>		
<u>Department of Social Services:</u>		
Supplemental Nutrition Assistance Program	10.561	\$ 561,201
Supplemental Nutrition Assistance Program, Recovery Act	10.561	16,846
<u>Department of the Agriculture and Consumer Services:</u>		
National School Lunch Program (Commodities)	10.555	291,685
Summer Food Service Program for Children	10.559	1,238
<u>Department of Education:</u>		
National School Breakfast Program	10.553	530,494
National School Lunch Program	10.555	1,546,467
Summer Fruit and Vegetable Program	10.582	8,973
Schools and Roads – Grants to States	10.665	16,146
<u>Department Of Justice:</u>		
<u>Direct Payments:</u>		
Developing, Testing, and Demonstrating Promising New Programs	16.541	18,087
Missing Children's Task Force	16.543	277,209
Federal Surplus Property Transfer Program	16.578	16,000
Bulletproof Vest Partnership Program	16.607	3,201
Public Safety Partnership and Community Policing Grants	16.710	15,369
Internet Crimes Against Children Task Force Program, Recovery Act	16.800	131,863
<u>Pass-Through Payments:</u>		
<u>Department of Criminal Justice Services:</u>		
Crime Victim Assistance	16.575	47,870
Violence Against Women Formula Grants	16.588	41,796
Edward Byrne Memorial Justice Assistance Grant Program, Recovery Act	16.803	220,964
<u>Pass-Through Payments:</u>		
<u>Department of Social Services:</u>		
Crime Victim Assistance	16.575	42,578
<u>Department of Transportation:</u>		
<u>Pass-Through Payments:</u>		
<u>Department of Motor Vehicles:</u>		
State and Community Highway Safety (Section 402)	20.600	19,336
Alcohol Open Container Requirements	20.607	3,796
<u>Department of Education:</u>		
Twenty-First Century Community Learning Centers	84.287	865,727
<u>Pass-through Payments:</u>		
<u>Department of Education:</u>		
Title I: Grants to Local Educational Agencies	84.010	1,543,904
Special Education – Grants to States	84.027	1,632,922
Vocational Education – Basic Grants to States	84.048	201,720
Special Education – Preschool Grants	84.173	57,113
Drug Free Schools and Communities – State Grants	84.186	10,867
Funds for the Improvement of Education	84.215	221,370

COUNTY OF BEDFORD, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

<u>Federal Grantor/Pass-Through Grantor (Commonwealth of Virginia)/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>Pass-through Payments:</u>		
<u>Department of Education:</u>		
Literacy Challenge Grant	84.318	\$ 11,439
Reading First State Grants	84.357	81,660
English Language Acquisition Grants	84.365	25,645
No Child Left Behind Act	84.367	460,500
School Improvement Grants	84.377	17,711
Title I Grants to Local Educational Agencies, Recovery Act	84.389	406,390
Special Education Grants to States, Recovery Act	84.391	979,865
Special Education – Preschool Grants, Recovery Act	84.392	31,778
State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act	84.394	2,581,696
<u>Department of Health and Human Services:</u>		
<u>Pass-through Payments:</u>		
<u>Department of Social Services:</u>		
Promoting Safe and Stable Families	93.556	32,351
TANF Block Grant	93.558	443,757
Refugee and Entrant Assistance – State Administered Program	93.566	1,252
Low Income Home Energy Assistance	93.568	21,653
Payments to States for Child Care Assistance	93.575	243,041
Child Care Development Fund	93.596	144,414
Chafee Education & Training Vouchers Program	93.599	11,783
Child Welfare Services – State Grants	93.645	1,685
Foster Care – Title IV-E	93.658	460,166
Foster Care – Title IV-E, Recovery Act	93.658	18,149
Adoption Assistance	93.659	259,538
Adoption Assistance, Recovery Act	93.659	15,934
Social Service Block Grant	93.667	256,757
Family Violence Prevention and Services/Grants for Battered Women’s Shelters	93.671	36,864
Independent Living	93.674	10,278
Child Care and Development Block Grant, Recovery Act	93.713	24,452
Virginia Children’s Medical Insurance Plan	93.767	17,438
Medical Assistance Program (Medical; Title XIX)	93.778	337,017
<u>Department of Homeland Security:</u>		
<u>Pass-through Payments:</u>		
<u>Department of Emergency Management Services:</u>		
State Homeland Security Program	97.073	36,648
Buffer Zone Protection Program	97.078	81,256
Total Expenditures of Federal Awards		<u>\$ 15,395,859</u>

Note 1. Basis of Accounting

This schedule was prepared on the budgetary (cash) basis.

Note 2. Nonmonetary Assistance

Nonmonetary assistance is reported in the Schedule of Expenditures of Federal Awards at the fair market value of the food commodities or food stamps disbursed. At year end, the County had food commodities totaling \$1,238 of inventory and the Schools had \$291,685 of food commodity inventory.

STATISTICAL SECTION

This part of the comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the County's overall financial health.

Contents

Financial Trends – These tables contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.

Revenue Capacity – These tables contain information to help the reader assess the factors affecting the County's ability to generate its property taxes.

Debt Capacity – These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.

Demographic and Economic Information – These tables offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.

Operating Information – These tables contain information about the County's operations and resources to help the reader understand how the County's financial information relates to the services the County provides and the activities it performs.

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year. The County implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

Table 1

COUNTY OF BEDFORD, VIRGINIA

Net Assets by Component
Last Nine Fiscal Years (1)
(accrual basis of accounting)

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
			Restated		Restated				
Governmental activities									
Invested in capital assets, net of related debt	\$ 10,026,309	\$ 12,147,741	\$ 15,401,751	\$ 16,915,012	\$ 19,769,906	\$ 21,352,975	\$ 21,945,190	\$ 22,587,976	\$ 23,428,803
Restricted	1,346,720	658,644	18,817	989,905	7,516	5,342	57	20	3
Unrestricted	(18,986,985)	(14,857,305)	(18,605,404)	(17,629,741)	(30,928,461)	(39,372,692)	(38,605,383)	(29,263,886)	(20,875,025)
Total governmental activities net assets	\$ (7,613,956)	\$ (2,050,920)	\$ (3,184,836)	\$ 275,176	\$ (11,151,039)	\$ (18,014,375)	\$ (16,660,136)	\$ (6,675,890)	\$ 2,553,781
Business-type activities									
Invested in capital assets, net of related debt	\$ 5,358,005	\$ 5,416,677	\$ 6,175,620	\$ 12,580,147	\$ 11,467,746	\$ 11,329,513	\$ 16,346,809	\$ 16,206,826	\$ 15,617,382
Restricted	-	-	-	-	-	-	48	19	4
Unrestricted	3,905,116	4,650,107	10,489,870	4,726,144	5,282,464	5,762,678	2,148,113	2,557,009	3,152,150
Total business-type activities net assets	\$ 9,263,121	\$ 10,066,784	\$ 16,665,490	\$ 17,306,291	\$ 16,750,210	\$ 17,092,191	\$ 18,494,970	\$ 18,763,854	\$ 18,769,536
Primary government									
Invested in capital assets, net of related debt	\$ 15,384,314	\$ 17,564,418	\$ 21,577,371	\$ 29,495,159	\$ 31,237,652	\$ 32,682,488	\$ 38,291,999	\$ 38,794,802	\$ 39,046,185
Restricted	1,346,720	658,644	18,817	989,905	7,516	5,342	105	39	7
Unrestricted	(15,081,869)	(10,207,198)	(8,115,534)	(12,903,597)	(25,645,997)	(33,610,014)	(36,457,270)	(26,706,877)	(17,722,875)
Total primary government net assets	\$ 1,649,165	\$ 8,015,864	\$ 13,480,654	\$ 17,581,467	\$ 5,599,171	\$ (922,184)	\$ 1,834,834	\$ 12,087,964	\$ 21,323,317
Component Unit-School Board (2)									
Invested in capital assets, net of related debt	\$ 73,758,059	\$ 71,513,428	\$ 69,738,099	\$ 69,230,835	\$ 86,529,453	\$ 103,265,540	\$ 105,979,076	\$ 103,254,031	\$ 101,059,369
Restricted	-	-	58,221	-	3,069	2,176	331	20	4
Unrestricted	2,785,569	3,878,993	3,456,795	3,310,400	4,156,055	3,268,571	4,923,623	5,407,005	5,346,181
Total component unit-School Board net assets	\$ 76,543,628	\$ 75,392,421	\$ 73,253,115	\$ 72,541,235	\$ 90,688,577	\$ 106,536,287	\$ 110,903,030	\$ 108,661,056	\$ 106,405,554

- (1) This table reports financial information based on the accrual basis of accounting. The County implemented GASB 34, the new reporting standard, in fiscal year 2003. Therefore, ten years of data is not available but will be accumulated over time.
- (2) School Board component unit, net asset components are included in this table due to Public Schools being a significant portion of the County. In Virginia, the county issues debt to finance the construction of school facilities for the Public Schools because Public Schools do not have borrowing or taxing authority.

Table 2

COUNTY OF BEDFORD, VIRGINIA

Changes in Net Assets
Last Eight Fiscal Years (1)
(accrual basis of accounting)

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
			Restated		Restated				
Primary Government:									
Expenses									
Governmental activities:									
General government	\$ 3,022,618	\$ 2,517,950	\$ 2,788,055	\$ 2,924,255	\$ 3,824,050	\$ 3,380,053	\$ 3,571,372	\$ 3,735,551	\$ 4,084,722
Judicial administration	1,531,028	1,660,103	1,811,883	1,947,871	2,056,926	2,284,198	2,537,675	2,365,312	2,323,836
Public safety	9,321,790	10,270,852	10,927,145	11,626,173	12,666,867	13,833,606	14,777,921	14,860,554	14,908,199
Public works	4,190,406	4,547,937	4,453,992	5,453,172	5,370,581	5,502,498	4,712,842	4,665,741	4,085,930
Health and welfare	13,874,130	12,148,631	13,458,791	11,638,152	12,074,123	13,059,878	10,911,164	10,445,685	10,441,003
Education	25,418,438	23,608,373	24,721,347	29,242,511	47,347,095	47,741,253	37,412,680	27,959,531	28,843,332
Parks, recreational, and cultural	2,296,281	2,234,339	2,503,139	2,571,247	2,700,063	3,236,708	3,071,792	3,011,340	2,870,815
Community development	3,894,988	5,012,657	5,737,018	6,720,905	6,773,411	6,204,133	5,393,145	5,032,293	5,255,719
Interest on long-term debt	4,101,454	3,600,201	3,354,821	3,039,416	4,506,633	4,577,074	4,780,219	4,002,134	3,849,961
Total governmental activities expenses	67,651,133	65,601,043	69,756,191	75,163,702	97,319,749	99,819,401	87,168,810	76,078,141	76,663,517
Business-type activities:									
Group homes	-	-	-	-	-	-	2,025,932	1,929,560	1,993,131
Nursing home	2,060,954	2,111,571	2,264,728	2,427,190	3,604,364	4,342,769	5,059,249	5,082,479	5,538,976
Solid waste	1,786,290	2,498,231	1,982,096	2,278,683	2,486,645	2,806,450	1,663,395	2,325,292	2,279,669
Total business-type activities expenses	3,847,244	4,609,802	4,246,824	4,705,873	6,091,009	7,149,219	8,748,576	9,337,331	9,811,776
Total primary government expenses	\$ 71,498,377	\$ 70,210,845	\$ 74,003,015	\$ 79,869,575	\$ 103,410,758	\$ 106,968,620	\$ 95,917,386	\$ 85,415,472	\$ 86,475,293
Program Revenues									
Governmental activities:									
Charges for services:									
Public safety	\$ 986,451	\$ 1,100,746	\$ 1,177,471	\$ 1,288,243	\$ 1,265,036	\$ 2,163,510	\$ 2,443,376	\$ 2,262,367	\$ 2,339,436
Health and welfare	1,314,957	1,445,538	1,956,513	2,237,056	2,274,424	2,921,589	1,058,391	1,044,637	814,513
Community development	557,820	391,369	491,279	647,038	571,151	535,270	438,539	394,042	326,217
Other activities	752,665	964,212	833,180	973,939	1,063,298	963,336	1,028,522	926,581	908,164
Operating grants and contributions	14,918,781	13,150,699	13,458,742	11,669,652	11,728,169	13,585,678	12,833,423	12,213,856	11,616,928
Capital grants and contributions	222,284	212,952	92,999	362,228	583,838	1,377,486	333,475	125,180	572,784
Total governmental activities program revenues	18,752,958	17,265,516	18,010,184	17,178,156	17,485,916	21,546,869	18,135,726	16,966,663	16,578,042
Business-type activities:									
Charges for services:									
Group Homes	-	-	-	-	-	-	2,323,904	1,959,366	2,049,762
Nursing Home	1,912,683	2,026,175	2,194,365	2,496,310	2,730,766	4,487,317	5,013,390	5,280,011	5,223,478
Solid Waste	2,687,091	2,792,072	2,634,072	2,673,304	2,603,368	2,145,939	1,959,824	1,940,554	1,966,176
Operating grants and contributions	60,292	66,801	69,937	104,642	235,702	360,639	324,405	401,302	540,807
Capital grants and contributions	-	-	-	3,086	-	-	-	-	-
Total business-type activities program revenues	4,660,066	4,885,048	4,898,374	5,277,342	5,569,836	6,993,895	9,621,523	9,581,233	9,780,223
Total primary government program revenues	\$ 23,413,024	\$ 22,150,564	\$ 22,908,558	\$ 22,455,498	\$ 23,055,752	\$ 28,540,764	\$ 27,757,249	\$ 26,547,896	\$ 26,358,265
Net (expense) revenue (2)									
Governmental activities	\$ (48,898,175)	\$ (48,335,527)	\$ (51,746,007)	\$ (57,985,546)	\$ (79,833,833)	\$ (78,272,532)	\$ (69,033,084)	\$ (59,111,478)	\$ (60,085,475)
Business-type activities	812,822	275,246	651,550	571,469	(521,173)	(155,324)	872,947	243,902	(31,553)
Total primary government net expense	\$ (48,085,353)	\$ (48,060,281)	\$ (51,094,457)	\$ (57,414,077)	\$ (80,355,006)	\$ (78,427,856)	\$ (68,160,137)	\$ (58,867,576)	\$ (60,117,028)

Table 2

COUNTY OF BEDFORD, VIRGINIA

Changes in Net Assets
Last Eight Fiscal Years (1)
(accrual basis of accounting)

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
			Restated		Restated				
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Taxes									
Property taxes	\$ 37,216,376	\$ 38,661,676	\$ 39,697,006	\$ 41,735,306	\$ 45,592,782	\$ 50,206,992	\$ 53,448,639	\$ 52,390,092	\$ 52,096,954
Other local taxes	7,711,274	8,602,719	9,539,914	11,243,214	11,481,043	12,420,350	9,932,722	10,026,312	10,271,067
Noncategorical state aid	6,279,240	6,522,300	6,327,009	6,577,321	6,972,228	6,745,218	6,537,665	6,271,093	6,337,356
Investment earnings-unrestricted	437,321	317,882	643,319	1,159,965	1,419,147	1,134,312	507,834	174,192	292,420
Investment earnings-restricted for capital projects and debt service	-	-	-	-	1,925,215	738,678	187,973	6,818	3,023
Miscellaneous	66,077	124,368	128,540	229,752	378,575	162,905	107,511	227,217	314,326
Transfers	(4,181,800)	(427,382)	(5,723,697)	500,000	638,628	741	(335,021)	-	-
Special Item - contribution of capital assets	948,500	97,000	-	-	-	-	-	-	-
Total governmental activities	48,476,988	53,898,563	50,612,091	61,445,558	68,407,618	71,409,196	70,387,323	69,095,724	69,315,146
Business-type activities:									
Investment earnings-unrestricted	115,009	100,664	218,146	569,332	603,720	498,046	190,527	25,056	23,637
Miscellaneous	-	371	5,313	-	-	-	4,284	26	13,498
Transfers	2,201,150	427,382	5,723,697	(500,000)	(638,628)	(741)	335,021	-	-
Total business-type activities	2,316,159	528,417	5,947,156	69,332	(34,908)	497,305	529,832	25,082	37,135
Total primary government	\$ 50,793,147	\$ 54,426,980	\$ 56,559,247	\$ 61,514,890	\$ 68,372,710	\$ 71,906,501	\$ 70,917,155	\$ 69,120,806	\$ 69,352,281
Change in Net Assets									
Governmental activities	\$ (421,187)	\$ 5,563,036	\$ (1,133,916)	\$ 3,460,012	\$ (11,426,215)	\$ (6,863,336)	\$ 1,354,239	\$ 9,984,246	\$ 9,229,671
Business-type activities	3,128,981	803,663	6,598,706	640,801	(556,081)	341,981	1,402,779	268,984	5,582
Total Primary Government	\$ 2,707,794	\$ 6,366,699	\$ 5,464,790	\$ 4,100,813	\$ (11,982,296)	\$ (6,521,355)	\$ 2,757,018	\$ 10,253,230	\$ 9,235,253
Component Unit-School Board: (3)									
Expenses									
Education	\$ 72,565,410	\$ 74,832,422	\$ 83,292,902	\$ 88,838,635	\$ 95,021,813	\$ 99,029,507	\$ 103,365,329	\$ 98,735,253	\$ 92,148,786
Program Revenues									
Charges for services	7,198,063	7,832,329	8,152,270	8,414,045	8,888,476	8,883,190	9,137,849	9,603,258	6,386,146
Operating grants and contributions	13,655,802	15,382,207	16,425,570	17,788,003	19,418,681	21,392,617	20,330,558	23,965,199	20,959,960
Capital grants and contributions	1,215,509	350,037	200,829	71,016	15,128	500,990	10,000	-	-
Total component unit program revenues	22,069,374	23,564,573	24,778,669	26,273,064	28,322,285	30,776,797	29,478,407	33,568,457	27,346,106
Net (expense)/revenue	(50,496,036)	(51,267,849)	(58,514,233)	(62,565,571)	(66,699,528)	(68,252,710)	(73,886,922)	(65,166,796)	(64,802,680)
General Revenues and Other Changes in Net Assets									
Contribution from primary government	25,417,140	23,497,966	24,644,950	29,213,615	47,318,197	47,739,518	37,410,945	27,911,539	28,791,675
State aid	25,310,397	26,531,348	31,598,089	32,487,146	36,864,684	36,088,770	40,803,551	34,945,640	33,698,695
Investment earnings-unrestricted	-	-	-	-	-	5	-	-	2,427
Investment earnings-restricted for capital projects and debt service	-	-	-	-	-	6,983	1,466	141	62
Miscellaneous	29,924	87,328	131,888	152,930	663,989	265,144	37,703	67,502	54,319
Total general revenues and other changes in net assets	50,757,461	50,116,642	56,374,927	61,853,691	84,846,870	84,100,420	78,253,665	62,924,822	62,547,178
Total Component Unit-School Board Change in Net Assets	\$ 261,425	\$ (1,151,207)	\$ (2,139,306)	\$ (711,880)	\$ 18,147,342	\$ 15,847,710	\$ 4,366,743	\$ (2,241,974)	\$ (2,255,502)

(1) This Table reports financial information based on the accrual basis of accounting. The County implemented GASB 34, the new reporting standard, in fiscal year 2003. Therefore, ten years of data is not available but will be accumulated over time.

Table 3

COUNTY OF BEDFORD, VIRGINIA

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Funds										
General Fund										
Nonspendable	\$ 477,104	\$ 486,689	\$ 498,652	\$ 498,749	\$ 513,288	\$ 527,075	\$ 527,941	\$ 535,613	\$ 572,710	\$ 591,378
Restricted	2,052,888	1,585,710	1,138,982	671,586	41,569,441	21,033,575	9,748,039	2,753,499	248,090	246,949
Committed	7,440,087	6,272,394	4,869,787	5,970,480	5,962,792	3,523,951	3,589,869	5,333,247	5,845,833	4,471,108
Assigned	22,728,364	22,710,307	23,144,397	18,451,456	18,266,861	20,369,879	20,450,272	21,095,931	22,045,371	21,344,121
Unassigned	403,662	-	-	-	447,950	1,945,297	5,029,081	7,078,298	11,780,390	18,035,007
Total governmental funds	\$ 33,102,105	\$ 31,055,100	\$ 29,651,818	\$ 25,592,271	\$ 66,760,332	\$ 47,399,777	\$ 39,345,202	\$ 36,796,588	\$ 40,492,394	\$ 44,688,563

Table 4

COUNTY OF BEDFORD, VIRGINIA

Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years (1,2)
(modified accrual basis of accounting)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
General property taxes	\$ 35,906,411	\$ 37,201,360	\$ 38,739,358	\$ 39,752,665	\$ 41,752,060	\$ 46,534,525	\$ 50,435,680	\$ 53,224,141	\$ 51,970,906	\$ 51,542,750
Other local taxes	6,838,922	7,694,229	8,636,512	9,538,475	11,233,025	11,538,775	12,429,090	9,931,350	10,023,749	10,212,720
Permits, privilege fees, and regulatory licenses	629,078	668,158	787,066	846,390	966,639	911,748	752,110	502,972	469,212	520,504
Fines and forfeitures	166,046	166,864	209,378	195,903	165,256	156,098	125,643	149,258	206,289	175,543
Revenue from use of money and property	1,144,610	531,860	379,459	749,511	1,252,371	3,455,870	1,983,920	783,989	227,479	323,446
Charges for services	1,024,083	1,239,361	1,363,064	1,466,650	1,708,253	2,019,517	3,297,142	1,945,017	1,736,611	1,612,856
Other	245,732	339,792	369,553	265,707	439,845	815,087	975,822	504,790	586,216	836,223
Recovered costs	1,542,111	1,394,682	1,152,417	1,627,975	1,886,865	1,756,255	1,893,579	2,091,841	1,858,219	1,785,592
Intergovernmental	24,030,217	17,542,148	18,389,038	18,303,707	18,226,520	19,305,784	20,221,553	20,549,462	18,633,912	18,508,921
Total revenues	71,527,210	66,778,454	70,025,845	72,746,983	77,630,834	86,493,659	92,114,539	89,682,820	85,712,593	85,518,555
Expenditures										
General government administration	2,444,703	2,874,368	2,365,699	3,094,329	2,723,253	3,692,154	3,012,437	3,167,848	3,368,948	3,804,248
Judicial administration	875,963	1,059,563	1,274,706	1,377,361	1,520,552	1,633,882	1,889,969	2,116,953	1,968,828	1,945,473
Public safety	8,445,126	8,709,006	9,636,510	10,492,596	11,013,979	11,895,295	13,082,577	14,098,374	14,135,048	13,974,585
Public works	3,851,859	4,081,527	4,266,765	4,376,124	4,704,841	4,691,966	4,317,006	4,199,905	4,124,046	4,128,287
Health and welfare	9,659,015	10,164,780	10,608,966	11,428,047	11,769,995	11,910,543	12,592,205	10,706,610	10,293,539	10,293,677
Education	21,950,319	25,124,729	24,691,693	23,590,933	27,523,126	28,189,811	29,281,512	29,893,180	27,758,039	27,926,157
Parks, recreation, and cultural	1,809,095	2,027,349	2,026,183	2,218,636	2,265,495	2,523,411	2,568,142	2,766,085	2,729,488	2,524,712
Community development	1,785,339	1,951,811	2,122,603	2,459,735	2,666,576	4,631,435	3,151,955	3,269,112	2,942,518	2,911,920
Debt service										
Principal	6,050,761	5,197,226	5,180,907	5,136,513	5,408,595	5,551,341	6,327,234	6,203,703	6,138,043	5,988,946
Interest and other fiscal charges	4,512,804	4,051,230	3,825,880	3,427,841	3,753,315	4,510,107	4,597,358	4,779,182	4,089,104	3,794,573
Capital projects	8,944,429	2,831,260	5,001,833	6,254,783	6,985,756	26,644,484	25,163,154	11,292,405	4,469,186	4,029,808
Total expenditures	70,329,413	68,072,849	71,001,745	73,856,898	80,335,483	105,874,429	105,983,549	92,493,357	82,016,787	81,322,386
Excess of revenues over (under) expenditures	1,197,797	(1,294,395)	(975,900)	(1,109,915)	(2,704,649)	(19,380,770)	(13,869,010)	(2,810,537)	3,695,806	4,196,169
Other Financing Sources (Uses)										
Transfers in	711,000	-	-	1,000,000	500,000	20,215	-	261,923	-	-
Transfers out	(1,720,962)	(1,149,999)	(427,382)	(6,723,697)	-	-	-	-	-	-
Issuance of debt	-	-	-	2,700,000	42,145,000	-	5,420,000	-	-	-
Refunding bonds issued	-	-	-	1,938,650	14,115,000	-	-	-	-	-
Premiums on issuance of debt	-	-	-	-	1,133,073	-	394,435	-	-	-
Payment to refunded bond escrow agent	-	-	-	(2,303,766)	(14,023,715)	-	-	-	-	-
Capital lease proceeds	905,500	-	-	439,181	3,352	-	-	-	-	-
Total other financing sources and uses	(104,462)	(1,149,999)	(427,382)	(2,949,632)	43,872,710	20,215	5,814,435	261,923	-	-
Net change in fund balances	\$ 1,093,335	\$ (2,444,394)	\$ (1,403,282)	\$ (4,059,547)	\$ 41,168,061	\$ (19,360,555)	\$ (8,054,575)	\$ (2,548,614)	\$ 3,695,806	\$ 4,196,169

Table 4

COUNTY OF BEDFORD, VIRGINIA

Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt Service as a Percentage of Noncapital Expenditures:										
Primary Government:										
Total debt service	*	\$ 9,248,456	\$ 9,006,787	\$ 8,564,354	\$ 9,161,910	\$ 10,061,448	\$ 10,924,592	\$ 10,982,885	\$ 10,227,147	\$ 9,783,519
Total expenditures	*	68,072,849	71,001,745	73,856,898	80,335,483	105,874,429	105,983,549	92,493,357	82,016,787	81,322,386
Capital outlay primary government only	*	1,237,173	2,368,844	3,912,007	1,783,156	5,619,913	2,310,305	2,061,660	1,543,981	1,806,521
Noncapital expenditures	*	66,835,676	68,632,901	69,944,891	78,552,327	100,254,516	103,673,244	90,431,697	80,472,806	79,515,865
Debt service as a percentage of noncapital expenditures	*	13.84%	13.12%	12.24%	11.66%	10.04%	10.54%	12.14%	12.71%	12.30%
Component Unit-School Board:										
Total debt service	*	1,201,238	896,977	976,162	1,023,670	1,110,537	1,220,437	1,312,395	1,279,589	1,253,283
School expenditures excluding County contribution	*	48,275,116	48,876,241	58,624,404	60,656,202	66,200,598	69,451,815	70,190,000	67,843,266	62,835,578
Capital outlay Component Unit - School Board	*	3,653,789	1,889,349	2,231,564	3,369,261	21,360,629	21,329,683	7,990,979	2,199,985	-
Noncapital expenditures	*	44,621,327	46,986,892	56,392,840	57,286,941	44,839,969	48,122,132	62,199,021	65,643,281	62,835,578
Primary Government and Component Unit-Schools										
Total Debt Service	*	10,449,694	9,903,764	9,540,516	10,185,580	11,171,985	12,145,029	12,295,280	11,506,736	11,036,802
Total Noncapital Expenditure	*	\$ 111,457,003	\$ 115,619,793	\$ 126,337,731	\$ 135,839,268	\$ 145,094,485	\$ 151,795,376	\$ 152,630,718	\$ 146,116,087	\$ 142,351,443
Debt Service as a percentage of noncapital expenditures	*	9.38%	8.57%	7.55%	7.50%	7.70%	8.00%	8.06%	7.88%	7.75%

- (1) Prior to implementation of GASB 34, the County's contribution to Public Schools was reported as a transfer out. Implementation of GASB 34 required that the contribution to Public Schools be reported as an Education Expenditure. For comparability, FY 1997 through FY 2002 have been restated to reflect contributions to Public Schools as Education Expenditures.
- (2) In Virginia, the County issues debt to finance the construction of school facilities for the Public Schools because Public Schools do not have borrowing or taxing authority, therefore the debt service payments related to School facilities are presented as debt service of the component unit. Debt service as a percentage of noncapital expenditures for the Primary Government and School Board more appropriately reflects the unique Virginia school debt requirements. Prior to FY 2002, all school debt service expenditures were reported in the Component Unit-School Board. Beginning FY 2002, only school capital lease debt service is reflected in the Component Unit-School Board.
- * The County implemented GASB 34, the new reporting standard, in FY 2003. Therefore, ten years of data is not available but will be accumulated over time. Noncapital expenditures are total expenditures less capital outlay (to the extent capitalized for the government-wide statement of net assets) and expenditures for capitalized assets included within the functional expenditure categories. Debt service as a percentage of noncapital expenditures is calculated only from FY 2003 forward.

Table 5

COUNTY OF BEDFORD, VIRGINIA

Assessed Value and Estimated Actual Value of Taxable Property (1)
Last Ten Calendar Years

Calendar Year	Real Property				Less: Tax Deferred Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Residential Property	Commercial Property	Agricultural Property	Public Service			
2001	2,856,476,534	127,760,200	660,046,100	208,120,736	266,111,500	3,586,292,070	0.70
2002	2,968,911,259	138,832,600	659,154,300	198,343,782	267,917,700	3,697,324,241	0.73
2003	3,452,878,879	179,546,500	827,089,700	220,822,402	392,410,800	4,287,926,681	0.66
2004	3,560,745,194	206,542,600	827,586,511	210,873,333	395,596,411	4,410,151,227	0.65
2005	3,728,060,857	208,868,800	833,212,811	189,128,993	389,201,911	4,570,069,550	0.65
2006	3,943,680,332	215,050,200	839,390,200	161,543,522	389,244,300	4,770,419,954	0.65
2007	6,416,922,632	316,676,800	1,789,627,000	240,590,375	1,151,428,300	7,612,388,507	0.50
2008	6,607,003,403	323,909,200	1,797,799,400	226,978,152	1,173,745,100	7,781,945,055	0.50
2009	6,745,894,103	328,639,600	1,800,619,100	247,559,296	1,177,476,400	7,945,235,699	0.50
2010	6,717,623,265	433,072,300	1,792,334,000	255,469,933	1,191,870,500	8,006,628,998	0.50

- (1) Property in Bedford County is reassessed once every four years at actual market value.
Property is assessed at 100 percent of estimated actual value. Tax rates are per \$100 of assessed value.

Source: Bedford County Commissioner of the Revenue

COUNTY OF BEDFORD, VIRGINIA

Table 6

Direct Property Tax Rates
Last Ten Calendar Years
(rate per \$100 of assessed value)

Type of Tax	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Real Estate:										
General Fund	\$ 0.73	\$ 0.66	\$ 0.65	\$ 0.65	\$ 0.65	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50

Source: Bedford County Commissioner of the Revenue

Table 7

COUNTY OF BEDFORD, VIRGINIA

Principal Real Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	2010 Calendar Year			2001 Calendar Year		
	Assessed Valuation	Rank	% of Total Taxable Assessed Valuation	Assessed Valuation	Rank	% of Total Taxable Assessed Valuation
Appalachian Power	\$ 123,812,476	1	1.55%	\$ 97,477,344	1	2.72%
Verizon Virginia Inc	51,727,504	2	0.65%	42,188,917	2	1.18%
Teva Pharmaceuticals Industries Ltd	38,917,900	3	0.49%	7,462,300	6	0.21%
Norfolk & Western Railway Co	29,754,201	4	0.37%	18,686,853	3	0.52%
Southside Electric Corporation	21,905,128	5	0.27%	14,080,853	4	0.39%
M & J Developers	18,271,330	6	0.23%	-		-
GP (Georgia Pacific) Big Island LLC	12,819,800	7	0.16%	10,776,800	5	0.30%
Redus Sunset Cay Partners LLC	12,441,600	8	0.16%	-		-
Wal-Mart	9,957,200	9	0.12%	-		-
Crystal Shores Marina Resort	8,895,600	10	0.11%	-		-
Coleman Co LLC	-		-	6,539,800	7	0.18%
Counts, Ted F.	-		-	4,951,698	8	0.14%
Forest Square Corp	-		-	4,602,500	9	0.13%
Boonsboro Country Club	-		-	4,584,500	10	0.13%
Total	<u>\$ 328,502,739</u>		<u>4.10%</u>	<u>\$ 211,351,565</u>		<u>5.89%</u>

Table 8

COUNTY OF BEDFORD, VIRGINIA

Real Property Tax Levies and Collections
Last Ten Fiscal Years

Tax Year	Tax Levied for the Tax Year	Adjustments	Total Adjusted Levy	Collection within the Tax Year of Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Tax Levy		Amount	Percentage of Tax Levy
2001	24,938,744	245,183	25,183,927	23,603,484	94.65%	1,574,956	25,178,440	99.98%
2002	26,926,399	247,857	27,174,256	25,639,096	95.22%	1,528,907	27,168,003	99.98%
2003	28,222,324	289,352	28,511,676	26,822,895	95.04%	1,681,325	28,504,220	99.97%
2004	28,657,083	367,816	29,024,899	27,320,457	95.34%	1,688,740	29,009,197	99.95%
2005	29,651,153	356,135	30,007,288	28,215,897	95.16%	1,766,063	29,981,960	99.92%
2006	30,956,215	281,195	31,237,410	29,620,209	95.68%	1,571,498	31,191,707	99.85%
2007	37,875,560	238,867	38,114,427	36,284,648	95.80%	1,704,681	37,989,329	99.67%
2008	38,711,970	167,839	38,879,809	37,040,942	95.68%	1,621,174	38,662,116	99.44%
2009	39,442,413	85,162	39,527,575	37,530,764	95.15%	1,545,030	39,075,794	98.86%
2010	39,794,973	89,973	39,884,946	37,517,045	94.28%	1,456,074	38,973,119	97.71%

Table 9

COUNTY OF BEDFORD, VIRGINIA

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

The County has no overlapping debt

Fiscal Year	Governmental Activities					Business-type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	State Literary Fund Loans	Virginia Public School Authority Bonds	Lease Revenue Bonds	Capital Leases	Lease Revenue Bonds	Capital Leases			
2002	6,310,000	1,793,769	50,446,631	17,468,659	-	-	411,483	76,430,542	3.79%	1,246
2003	5,915,000	1,499,829	47,039,415	16,367,589	-	-	289,710	71,111,543	3.46%	1,145
2004	5,520,000	1,244,389	43,629,587	15,246,950	-	-	72,928	65,713,854	2.99%	1,038
2005	5,125,000	988,949	40,241,929	16,541,893	418,025	-	46,017	63,361,813	2.75%	983
2006	4,880,000	733,509	36,849,963	57,839,114	337,967	-	322,107	100,962,660	4.17%	1,515
2007	4,460,000	478,069	33,462,654	56,437,830	250,661	-	241,800	95,331,014	3.64%	1,429
2008	4,040,000	222,629	35,730,154	54,027,709	161,488	-	178,610	94,360,590	3.31%	1,396
2009	3,620,000	-	32,548,964	48,583,557	70,756	2,970,000	112,189	87,905,466	3.17%	1,293
2010	3,200,000	-	29,245,342	46,239,890	-	2,775,000	42,369	81,502,601	*	*
2011	2,785,000	-	26,084,759	43,826,527	-	2,575,000	521,497	75,792,783	*	*

(1) Bureau of Economic Analysis, includes Bedford City and County

* Unavailable

Table 10

COUNTY OF BEDFORD, VIRGINIA

Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Real Property (2)	Per Capita (3)
	County General Obligation	School General Obligation	Total Primary Government		
2002	6,310,000	52,240,400	58,550,400	1.58%	955
2003	5,915,000	48,539,244	54,454,244	1.27%	877
2004	5,520,000	44,873,976	50,393,976	1.14%	796
2005	5,125,000	41,230,878	46,355,878	1.01%	719
2006	4,880,000	37,583,472	42,463,472	0.89%	637
2007	4,460,000	33,940,723	38,400,723	0.50%	576
2008	4,040,000	35,952,783	39,992,783	0.51%	591
2009	3,620,000	32,548,964	36,168,964	0.46%	532
2010	3,200,000	29,245,342	32,445,342	0.41%	471
2011	2,785,000	26,084,759	28,869,759	0.37%	*

(1) Virginia school systems are prohibited from issuing debt; however, prior to FYE June 30, 2002 they were allowed to report the “on-behalf” debt issued by the Primary Government in their financial statements. For comparative purposes in this table, the County has elected to reflect the School Board debt for fiscal years 2000-2001 consistent with current reporting requirements.

(2) Source - Taxable Value of Assessed Real Property obtained from the Commissioner of Revenue.

(3) Source - Schedule of Demographic and Economic Statistics Table 12 for personal income and population data.

* Unavailable

COUNTY OF BEDFORD, VIRGINIA

County Debt Policy (1)
Last Ten Fiscal Years

	Fiscal Year										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Net debt applicable to parameter	\$ 81,124,374	\$ 76,019,059	\$ 70,821,833	\$ 65,640,926	\$ 63,315,796	\$ 100,640,553	\$ 95,089,214	\$ 94,181,980	\$ 84,823,277	\$ 78,685,232	\$ 72,696,286
Net debt as a percentage of assessed value (not to exceed 3.5%)	2.26%	2.06%	1.65%	1.49%	1.39%	2.11%	1.25%	1.21%	1.07%	0.98%	0.94%
Net debt per capita (not to exceed \$1,750)	\$ 1,330	\$ 1,239	\$ 1,141	\$ 1,037	\$ 982	\$ 1,510	\$ 1,425	\$ 1,393	\$ 1,247	\$ 1,142	*
Debt service as a percentage of General Governmental Expenditures (not to exceed 15%)	10.18%	9.90%	9.39%	8.61%	7.57%	7.61%	7.69%	8.14%	8.12%	7.92%	7.88%

- (1) The Code of Virginia has no legal debt margin limit set on the Counties. However, Bedford County has established a policy with the following three parameters:
- Net Debt as a percentage of Assessed Value will not exceed 3.5%. (Net Debt is General Obligation debt and Capital Lease Obligation exclusive of debt or leases payable from Proprietary Funds)
 - Net Debt per Capita will not exceed \$1,750 per capita.
 - General Obligation Debt Service and Capital Lease payments as a percentage of General Governmental Expenditures will not exceed 15%.

* Unavailable

Table 12

COUNTY OF BEDFORD, VIRGINIA

Demographic and Economic Statistics
Last Ten Calendar Years

Year	Population (1)	Personal Income (2) (5) (thousands of dollars)	Per Capita Personal Income (2) (6)	School Enrollment (3)	Unemployment Rate (4)
2002	61,341	2,018,540	29,622	10,729	4.6%
2003	62,096	2,054,229	29,761	10,646	4.1%
2004	63,326	2,196,637	31,317	10,772	3.7%
2005	64,489	2,304,368	32,333	10,801	3.4%
2006	66,645	2,421,037	33,674	10,851	2.9%
2007	66,715	2,618,524	35,934	10,951	2.9%
2008	67,616	2,846,751	39,114	10,774	3.6%
2009	68,003	2,772,227	37,715	10,646	6.7%
2010	68,880	*	*	10,590	6.8%
2011	*	*	*	10,363	6.2%

Sources: (1) Weldon Cooper Center for Public Service, University of Virginia, intercensal estimates for FY 2002 through FY 2009 and estimates for FY 2010.

(2) Bureau of Economic Analysis, includes Bedford City and County

(3) March 31 ADM

(4) Virginia Employment Commission calendar year data for 2002-2010. Data for 2011 is average for January 1, 2011 through June 30, 2011.

(5) Personal income is the income received by all persons from all sources.

(6) Per capita personal income is calculated as the personal income of residents of a given area divided by the resident population of the area.

* Unavailable

Table 13

COUNTY OF BEDFORD, VIRGINIA

Principal Employers
Current Year and Nine Years Ago

Taxpayer	2011		2002	
	Employees	Rank	Employees	Rank
Bedford County School Board	1,000+	1	1,000+	1
County of Bedford	500-999	2	250-499	2
** Teva Pharmaceuticals Industries Ltd	500-999	3	100-249	6
* Staffmark Investment LLC	500-999	4	-	
* Elwood Staffing Services Inc	250-499	5	-	
Mail America Communications	250-499	6	100-249	8
*** GP (Georgia Pacific) Big Island LLC	250-499	7	250-499	3
Walmart	250-499	8	-	
Inservice America	100-249	9	250-499	4
Food Lion	100-249	10	250-499	5
* Alpha Omega Resources	-		250-499	7
Sentry Equipment Erectors	-		100-249	9
Emeritus Corporation	-		100-249	10

Source: Virginia Employment Commission

* Staffing agencies that provided temporary workers for Bedford County and surrounding locality businesses.

** Nine years ago the taxpayer was known as Barr Laboratories.

*** Nine years ago the taxpayer was known as Nekoosa Packaging Corporation.

COUNTY OF BEDFORD, VIRGINIA

Table 14

**County Government Employees by Function
Last Ten Fiscal Years**

<u>Function/Program</u>	Full-Time Equivalent Employees as of June 30									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government administration	43.0	43.0	43.5	43.5	43.5	44.3	44.8	47.0	45.9	46.2
Judicial administration	25.0	24.5	24.3	26.8	27.5	27.8	29.3	28.3	28.3	28.3
Public safety	102.5	109.8	106.0	107.5	114.0	120.3	131.8	138.0	146.0	141.8
Public works	32.0	35.0	38.0	41.8	47.8	51.3	52.3	52.3	53.0	50.9
Health & welfare	63.0	65.5	70.5	73.8	80.8	82.8	85.3	84.3	82.2	82.6
Parks, recreation, and cultural	17.5	14.0	13.0	13.8	13.8	14.3	12.8	14.0	13.0	12.8
Community development	16.0	18.5	21.0	25.3	27.5	27.8	29.5	30.0	26.8	25.3
Other funds										
Group homes	16.0	17.0	19.3	20.8	22.5	26.0	31.5	34.3	32.0	33.8
Nursing home	54.0	52.0	50.3	52.5	51.0	63.8	83.8	93.8	94.5	99.8
Solid waste	13.5	13.5	14.3	14.3	15.0	15.0	15.5	16.0	16.3	15.6
Other funds	83.5	82.5	83.8	87.5	88.5	104.8	130.8	144.1	142.8	149.1
Total primary government	382.5	392.8	400.0	419.8	443.3	473.0	516.6	537.9	538.0	536.8
Education	*	*	1,646.0	1,751.0	1,832.0	1,836.0	1,819.0	1,750.0	1,744.0	1,683.0
Total	*	*	2,046.0	2,170.8	2,275.3	2,309.0	2,335.6	2,287.9	2,282.0	2,219.8

Source: Bedford County Department of Fiscal Management and Bedford County School Board

* Unavailable

Table 15

COUNTY OF BEDFORD, VIRGINIA

Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public safety										
Sheriff										
Number of calls	24,105	26,247	27,087	28,804	30,329	30,130	32,442	33,477	32,951	36,934
Criminal warrants served	2,480	2,375	2,487	2,619	2,678	3,612	3,964	3,174	3,156	3,359
Other warrants/protective orders served	3,141	3,094	3,177	3,245	3,230	798	982	1,566	1,561	1,464
Civil papers handled	24,015	20,790	16,172	18,393	21,459	23,912	23,353	24,271	23,181	21,209
Building inspections										
Number of permits	2,172	2,174	2,160	2,092	2,045	2,144	1,935	1,471	1,439	1,402
Value of permits	\$ 140,913,458	\$ 138,728,966	\$ 162,652,211	\$ 181,582,198	\$ 243,905,223	\$ 241,579,114	\$ 170,770,127	\$ 90,784,891	\$ 91,434,427	\$ 94,222,524
Fire & rescue										
Number of Volunteers	*	*	825	770	752	737	698	661	619	600
Number of EMS calls	7,703	8,704	9,312	9,486	10,758	12,530	14,238	13,864	15,399	15,727
Number of fire calls	3,173	2,857	2,956	3,082	3,424	3,781	3,847	4,042	3,463	3,522
Public Works										
Refuse collection										
Incoming waste tonnage										
Industrial	98	86	94	434	76	32	29	31	46	25
Commercial	11,629	11,887	13,202	13,735	15,990	15,956	15,530	12,904	12,147	13,772
County collection system	27,657	27,380	27,324	27,679	26,790	27,933	25,929	24,117	24,550	24,176
Commercial hauled residential	2,939	2,944	2,640	2,176	1,662	1,309	1,437	1,507	1,536	1,560
Residential hauled	1,433	1,489	1,926	1,924	2,006	2,038	2,027	1,824	1,768	1,890
Total	43,756	43,786	45,186	45,948	46,524	47,268	44,952	40,383	40,047	41,423
Recyclable tonnage collected	570	709	805	914	1,308	1,598	1,701	1,731	1,905	1,949
Parks, recreation, and cultural										
(1) Parks & recreation										
Number of child participants	*	*	5,379	5,584	5,015	5,924	5,328	5,506	5,674	5,264
Number of adult participants	*	*	486	114	508	1,012	740	985	837	859
Number of senior participants	*	*	1,968	2,614	2,606	3,912	4,351	4,025	3,993	3,585
Scheduled events	*	*	14	8	9	12	10	12	11	8
Number of event participants	*	*	1,335	1,410	1,237	1,933	1,705	1,986	1,623	1,180
Trips/tours	*	*	42	33	53	45	40	46	66	29
Number of trip participants	*	*	1,299	1,084	2,326	1,249	1,188	1,177	1,419	554

Source: Various County Departments

* Unavailable

(1) Participant data for Parks & Recreation is for the calendar year for 2004 through 2009.

Table 16

COUNTY OF BEDFORD, VIRGINIA

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public safety										
Sheriff										
Stations	2	2	6	6	6	9	7	9	5	5
Patrol units	82	82	82	88	88	91	94	99	99	102
Fire & rescue										
Rescue squads	11	11	11	11	11	11	11	11	11	11
Satellite rescue squads	4	4	3	4	5	5	5	5	5	5
Fire companies	10	10	10	10	10	10	10	10	10	10
Marine based fire company	1	1	1	1	1	1	1	1	1	1
Satellite fire companies	6	6	6	8	9	9	9	9	9	9
Public works										
Refuse collection										
County convenience centers										
Unstaffed	1	1	1	1	1	1	1	1	1	1
Partially staffed	10	10	8	6	6	5	5	5	4	4
Fully staffed	1	1	5	7	8	9	9	9	10	10
Total county convenience centers	12	12	14	14	15	15	15	15	15	15
Leased convenience centers										
Unstaffed	3	4	2	2	2	2	1	0	0	0
Partially staffed	11	11	10	10	9	9	9	10	10	10
Total leased convenience centers	14	15	12	12	11	11	10	10	10	10
Recycling centers	9	9	9	10	12	12	12	12	13	13
Parks, recreation, and cultural										
Parks & recreation										
Acreage	367	506	625	625	625	625	625	625	625	625
County parks	2	3	4	4	4	4	4	4	4	4
Leased parks	8	8	8	8	8	8	8	8	8	8
Skate Park	0	0	0		0	0	0	0	0	1
Walking/biking trails - miles developed	*	*	5	5	5	7	16	18	18	18
County baseball/softball diamonds	*	1	1	1	1	3	3	4	4	4
Leased baseball/softball diamonds	38	38	38	38	38	38	38	39	39	39
Football fields	3	3	3	3	4	4	4	4	4	4
County soccer fields	3	3	3	3	3	3	3	3	3	3
Leased soccer fields	37	37	37	37	37	37	37	37	37	37
Community centers	*	1	1	1	1	1	1	1	1	1

Sources: Various county departments

*Unavailable

Table 17

COUNTY OF BEDFORD, VIRGINIA

Bedford County School Board
March 31st Average Daily Membership
Last Ten Fiscal Years

Grade	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-2010	2010-2011
K	797	814	741	760	760	807	739	782	767	714
1	783	803	817	778	761	753	786	763	792	750
2	768	766	812	823	808	750	746	772	755	771
3	775	774	783	842	833	832	778	775	791	747
4	806	790	791	788	828	841	839	784	766	786
5	890	814	799	808	830	859	855	848	793	759
6	850	906	803	834	850	848	851	832	855	772
7	864	883	933	843	880	856	843	851	870	868
8	859	893	899	951	870	888	865	860	867	865
9	877	889	930	914	920	905	911	859	865	887
10	851	813	897	884	874	937	855	868	821	831
11	763	791	784	849	833	843	889	817	825	783
12	679	710	783	727	804	832	817	876	823	830
Total	<u>10,562</u>	<u>10,646</u>	<u>10,772</u>	<u>10,801</u>	<u>10,851</u>	<u>10,951</u>	<u>10,774</u>	<u>10,687</u>	<u>10,590</u>	<u>10,363</u>
Elementary school membership	5,081	5,010	4,974	5,050	5,041	5,082	4,988	4,946	4,908	4,527
Secondary school membership	<u>5,481</u>	<u>5,636</u>	<u>5,798</u>	<u>5,751</u>	<u>5,810</u>	<u>5,869</u>	<u>5,786</u>	<u>5,741</u>	<u>5,682</u>	<u>5,836</u>
Total	<u>10,562</u>	<u>10,646</u>	<u>10,772</u>	<u>10,801</u>	<u>10,851</u>	<u>10,951</u>	<u>10,774</u>	<u>10,687</u>	<u>10,590</u>	<u>10,363</u>

Source: Bedford County School Board

Table 18

COUNTY OF BEDFORD, VIRGINIA

Bedford County School Board
Full-Time Equivalent School Board Employees by Type
Last Ten Fiscal Years

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Supervisory										
Instructional administrators	*	*	10	9	10	10	10	10	9	9
Noninstructional administrators	*	*	15	16	14	14	14	14	14	13
Consultants/supervisors of instruction	*	*	21	17	18	25	22	24	23	18
Principals	*	*	22	22	22	22	22	22	22	22
Assistant principals	*	*	17	18	18	17	18	16	15	14
Total supervisory	*	*	85	82	82	88	86	86	83	76
Instruction										
Elementary classroom teachers	*	*	372	403	420	419	410	381	386	355
Secondary classroom teachers	*	*	374	418	407	396	400	396	406	396
ESE teachers	*	*	3	3	3	3	3	3	3	3
Other teachers (adult)	*	*	4	4	5	5	5	5	5	5
Other professionals (instructional)	*	*	79	79	122	125	130	125	135	143
Aides	*	*	148	165	181	183	175	163	161	156
Total instruction	*	*	979	1,072	1,137	1,132	1,123	1,073	1,096	1,058
Student Services										
Guidance counselors	*	*	29	33	35	34	34	36	36	34
Visiting teachers/social workers	*	*	3	3	3	4	4	4	3	3
Psychologists	*	*	7	7	7	7	7	7	7	7
Librarians	*	*	30	30	36	39	37	36	30	28
Other professionals (noninstructional)	*	*	26	27	27	25	27	28	28	30
Technicians	*	*	8	12	12	12	12	11	10	11
Total student services	*	*	103	112	120	121	121	122	114	113
Support and Administration										
Clerical/secretarial	*	*	68	75	77	77	74	68	70	67
Service workers	*	*	380	383	382	385	381	369	346	336
Skilled crafts	*	*	21	18	23	23	23	23	24	22
Unskilled laborers	*	*	10	10	12	11	11	9	11	11
Total support and administration	*	*	479	486	494	496	489	469	451	436
Total employees	*	*	1,646	1,751	1,832	1,836	1,819	1,750	1,744	1,683
Teachers and administrators	*	*	837	910	916	912	904	871	883	835
Other employees	*	*	809	842	916	925	915	879	861	848
Total employees	*	*	1,646	1,751	1,832	1,836	1,819	1,750	1,744	1,683

Source: Bedford County School Board

* Unavailable

Table 19

COUNTY OF BEDFORD, VIRGINIA

Bedford County School Board
Operating Statistics
Last Ten Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Debt Service Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil-Teacher Ratio	Percentage of Students Receiving Free or Reduced-Price Meals
2002	10,562	66,289,063	6,276	7.63%	7,786,905	737	8.78%	*	*	*
2003	10,646	69,949,891	6,571	4.69%	7,761,719	729	-1.11%	*	*	29%
2004	10,772	72,293,689	6,711	2.14%	7,177,988	666	-8.60%	746	14.44	31%
2005	10,801	81,062,404	7,505	11.83%	7,033,239	651	-2.28%	821	13.16	29%
2006	10,851	86,954,245	8,013	6.77%	6,881,657	634	-2.61%	827	13.12	27%
2007	10,951	93,183,363	8,509	6.19%	8,315,551	759	19.73%	815	13.44	28%
2008	10,774	94,564,754	8,777	3.15%	9,229,609	857	12.82%	810	13.30	29%
2009	10,687	97,030,914	9,079	3.44%	9,306,432	871	1.65%	777	13.75	30%
2010	10,590	93,233,802	8,804	-3.03%	9,062,726	856	-1.73%	812	13.04	33%
2011	10,363	89,458,628	8,633	-1.95%	8,713,795	841	-1.74%	759	13.65	35%

Source: Bedford County School Board

COMPLIANCE SECTION

**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 Supervisors
County of Bedford, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Bedford, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 29, 2011. 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 Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures 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 County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. **We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County'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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 11-1.**

We noted a certain matter that we reported to the County's management in a separate letter dated November 29, 2011.

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and accordingly we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, state, and federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 29, 2011

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

To the Honorable Members of the Board of Supervisors
County of Bedford, Virginia

Compliance

We have audited the compliance of the County of Bedford, Virginia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County of Bedford Virginia complied, in all material respects, with the 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, 2011.

Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Internal Control over Compliance (Continued)

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.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. **We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.**

This report is intended for the information of management, the Board of Supervisors, others within the entity, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 29, 2011

COUNTY OF BEDFORD, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2011

As more fully described in the 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 County's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

Uniform Disposition of Unclaimed Property Act

Comprehensive Services Act

Sheriff Internal Controls

State Agency Requirements

Education

Social Services

FEDERAL COMPLIANCE MATTERS

U.S. Office of Management and Budget (OMB A-133) Compliance Supplement:

Provisions and conditions of agreements related to federal programs selected for testing.

COUNTY OF BEDFORD, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011**

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unqualified opinion** on the financial statements.
2. **No significant deficiencies** relating to the audit of the financial statements were reported in the 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. **There were no instances of noncompliance** material to the financial statements disclosed during the audit.
4. **No significant deficiencies** relating to the audit of the major federal award programs were reported in the Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs expresses an **unqualified opinion**.
6. The audit disclosed **no audit findings** relating to major programs.
7. The programs tested as major programs include:

<u>Name of Program:</u>	<u>CFDA #</u>
State Administrative Matching Grants for the Supplemental Nutritional Assistance Program	10.561
Title I: Grants to Local Educational Agencies	84.010
Title I: Grants to Local Educational Agencies, Recovery Act	84.389
Special Education – Grants to States	84.027
Special Education – Preschool Grants	84.173
Special Education – Grants to States, Recovery Act	84.391
Special Education – Preschool Grants, Recovery Act	84.392
No Child Left Behind Act – Improving Teacher Quality, State Grants	84.367
State Fiscal Stabilization Fund – Government Services, Recovery Act	84.394
Temporary Assistance for Needy Families	93.558

8. The **threshold for** distinguishing Type A and B programs was **\$461,876**.
9. The County of Bedford was determined to be a **low-risk auditee**.

COUNTY OF BEDFORD, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011**

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

11-1: Timely Disclosure Statement Submission

Condition:

In our review of official disclosure statements, we noted 3 out of 53 statements filed by county officials were not filed by the January 15th required submission deadline as set forth by the *Code of Virginia*.

Recommendation:

Procedures should be implemented to ensure that all required officials submit disclosure statements timely.

Management's Response: The auditee concurs with this recommendation.