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LIBERTY.
HAPPINESS.



TOWN OF BEDFORD, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2021
DEPARTMENT OF FINANCE AND ADMINISTRATION

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INTRODUCTORY SECTION

November 2, 2021

**The Honorable Mayor, Members of Town Council
And the Citizens of Bedford, Virginia:**

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of the Town of Bedford for the fiscal year ended June 30, 2021. This report is submitted in accordance with Section 15.1-167 of the Code of Virginia and with Section 30 of the Charter of the Town of Bedford, both of which require an annual independent audit and report of financial activity of the Town. The independent certified public accounting firm of Brown, Edwards & Company, L.L.P., has audited the financial statements and supplemental schedules contained herein. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Town. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the Town. All disclosures necessary to enable the reader to gain an understanding of the Town's financial activities have been included.

The Reporting Entity and Services Provided

For financial reporting purposes, in accordance with the Governmental Accounting Standards Board (GASB) criteria, the Town of Bedford includes funds, agencies, boards, commissions and authorities that were controlled by or were financially dependent upon the Town within the reporting period. Control by or financial dependence was determined on the basis of obligation of the Town to finance deficits, guarantee debt, select the governing authority, approve the budget, have authority to make a public levy, and to have ownership of assets. The Town of Bedford provides an extensive range of services for its citizens including general administration, public safety, public works, planning, zoning, economic and community development, code enforcement, and cemetery management. The Town also provides and maintains electrical utilities, and handles solid waste disposal for the benefit of its citizens.

Organization of Government

The Town of Liberty was established in October 1782. In September 1968, the Town of Liberty adopted a city charter and became the City of Bedford. In April 2013, the City of Bedford reverted to the Town of Bedford and adopted its present Town Charter. The Town is organized under a Council-Manager form of government with a seven member Town Council as the governing body. The Town Council is popularly elected and the Mayor is selected by Town Council from its membership. Council is responsible for adopting an annual budget, passing ordinances, establishing policies, appointing committees, and appointing the Town Manager, Town Attorney and Town Clerk. The Town Manager is responsible for

The Honorable Mayor, Members of Town Council
And the Citizens of Bedford, Virginia
November 2, 2021

carrying out the policies and ordinances of the Town Council, for the day-to-day operations of the Town, and for appointing Town department heads.

Economic Condition and Outlook

The Town of Bedford is located in the west-central portion of Virginia, midway between the cities of Lynchburg to the east and Roanoke to the west. The Town is within the physical boundaries of Bedford County and serves as the County seat for administrative and judicial affairs. This strategic location between two urban centers and surrounded by Bedford County allows the Town to serve as a regional employment and commercial center, while preserving its small town atmosphere and enjoying the markets and services of larger cities.

Bedford enjoys a diversified economy primarily comprised of manufacturing, services, and retail trade. Bedford's industrial base includes major employers involved in furniture manufacturing, lithographed labels, plastics, weaving, polyurethane products, steel abrasives, closed-cell rubber products and steel cutting dies. Since the independent City of Bedford was changed to town status and was added to Bedford County, town demographics and economic statistics are now reported in conjunction with Bedford County. Town Council's commitment to economic development and diversification positioned the Town well for expansion when the overall economic climate improves. Bedford also enjoys a healthy mix in real estate values with approximately 62 percent coming from residential property, while approximately 38 percent is commercial and industrial.

The Town of Bedford has enjoyed a relatively stable economic status as a result of several factors. The Town was one of the first in the Commonwealth to be selected as a Virginia Main Street City in 1985, and its commitment to downtown revitalization has resulted in millions of dollars being invested in ongoing renovation and rehabilitation projects in the Historic Centertown area. Bedford's downtown continues to experience a higher than normal vacancy rate due to several issues such as the shifting economy, however, there has been renewed interest in that area by several new start-up businesses. A significant downtown improvement program is currently underway and business owners continue to reinvest in their facilities. In addition, there has been a revitalization effort in the Town's vacant industrial properties introducing new residential and commercial opportunities.

The 100-acre business park located in the Town that was developed through collaboration between the Town and Bedford County -- The Bedford Center for Business -- continues to be a successful economic development attraction and provides opportunities to compete for industrial relocations and expansions. This premier GigaPark resides in a Virginia Enterprise Zone designated location and houses a 50,000 square foot building currently occupied by two tenants under long-term leases -- East Coast Fabricators/Rhino Coat, a manufacturer specializing in metal fabrication and finishing, and the Bedford Campus of Central Virginia Community College. In addition, A Schulman, Inc., a developer, manufacturer and distributor of thermoplastic materials, operates in a 37,000 sq. ft. facility in the Bedford Center for Business. The Mid-Atlantic Broadband Cooperative, in conjunction with the Virginia Tobacco Commission and U.S. Department of Commerce's Economic Development Administration, provides reasonably low-cost access to high-speed broadband from facilities in the park.

The Town of Bedford continues to maintain a Virginia Enterprise Zone designation, which provides State and local incentives for investment in Centertown, the older manufacturing buildings as well as the Bedford Center for Business. The State recently approved a significant expansion of the area for the Zone to include additional commercial and industrial areas. State Enterprise Zone grants provide money as a

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reward for physical improvements to property; and in the case of manufacturing, grants for job creation above four (4) employees. Local incentives are designed to reward both new and existing industries.

Tourism continues to grow in the Town and surrounding area. The shared tourism effort with Bedford County stands as a testimonial to the benefits of localities working together. The Welcome Center, at the intersection of Route 122 and US Highway 460, is a credit to the Bedford community, a beacon for travelers, and cost Bedford residents a fraction of its price tag thanks to Town/County joint participation and significant federal transportation funding.

Major Initiatives and Accomplishments

As of June 30, 2021, the Town had several major initiatives accomplished which will serve as the building blocks for continued growth and prosperity within the community. These initiatives include:

- In an effort to be fiscally prudent Town Council authorized staff to make use of \$1,110,102 in allotted CARES Act funding to mitigate the effects of the COVID-19 pandemic via the following methods: purchase of personal protective equipment; disinfection of public areas and facilities; improvement of telework and meeting capabilities; distance learning initiatives; small business and non-profit assistance programs; citizen assistance programs; and other related expenditures including but not limited to hazard pay for Town employees, purchase of equipment, and upgrades to infrastructure related to maintain continuity of government services.
- The Town was able to avoid the need for borrowing funds to close the Orange Street Landfill in FY 2021 and was able to expense the \$2,241,024 in landfill closure costs out of restricted funds that had been set aside for the anticipated closure over the last several budget cycles.
- After going through a rebranding process the previous fiscal year and after navigating delays as a result of the pandemic the Town was finally able to unveil and put into service new planned Gateway signs on the East-bound and West-bound sides Highway 460 marking the entrance to Town limits.
- Town Council embarked on the initiative to save customers money on their electric usage rates. Not only did they authorize use of COVID-19 Municipal Utility Relief Program to provide assistance to those customers whose income was adversely affected due to the pandemic but they also adjusted the demand usage base rates for Small General Service (SGS) customers to reduce minimum charges impacting this category of customers. In addition, they continued to revisit and amend the Power Cost Adjustment (PCA) in an effort to reflect anticipated energy savings and to pass those savings along to customers in a timely manner.
- Under the 2013 Reversion Agreement between Bedford County and the Town, the County agreed to accept and dispose of all solid waste from the Town's residential customers without any charge as long as the County residents were not charged a fee for such services, however, the Town was required to pay the County tipping fees and disposal fees for such non-residential refuse. The County advised the Town that it could not continue to accept the Town's commercial or non-residential trash under the terms acceptable to the Town. As a result, the Town entered into a Memorandum of Understanding (MOU) with a local refuse vendor that allowed the vendor to use the Town's transfer station in exchange for the vendor transporting the Town's commercial waste without cost to a municipal disposal site in Pittsylvania County. The only expense to the Town

would be reimbursement of the vendor for disposal fees charged to them by the municipal disposal site. This resulted in cost savings for a municipal service that continues to see significant increases in expenses associated with providing this service to citizens.

- The Town of Bedford Police Department was awarded certification through the Commission on Accreditation for Law Enforcement Agencies (CALEA). This is a prestigious accreditation that demonstrates a voluntary commitment to law enforcement excellence by living up to a body of standards deemed essential to the protection of the life, health, safety, and rights of the citizens it serves, and having exemplified the best professional practices in the conduct of its responsibilities.
- The Town was awarded a \$3,000 pre-planning grant and a \$40,000 planning grant from the Department of Housing & Community Development (DHCD) to be used towards application for Community Development Block Grant Funding. As a result of those grants, the Town was awarded \$921,983 in Block Grant funding from DHCD to rehabilitate or rebuild 11 houses benefiting 26 persons over a period of two years. The funding will be used to benefit low and moderate income persons, provide for eligible activities with plans to minimize displacement, and provide displacement assistance. This is expected to be the first phase of a multi-phase housing improvement project over the next 10 years. Any demolished structures will be replaced with new houses.
- The Town issued an RFP for a facility needs assessment, a conceptual design, a cost estimate, and construction administrative services for a new law enforcement building and parking garage. The project, if approved, will be multi-phased and anticipated to be completed within the next 24 months.
- The Town was notified that the Bedford Community Health Foundation was awarded funding to institute a local transit system to be utilized by its citizens. The transit system will be known as the Otter Bus and the only cost and contribution responsibility of the Town will be that of signage for the bus stops.
- Town Council approved a rezoning of a vacant industrial building to be converted into a mixed use historical development of multi-family lofts inclusive of some additional commercial uses. This project is anticipated to be completed by Labor Day of 2022.
- The Town received the first half of approximately \$6,844,498 in American Rescue Plan Act (ARPA) funding. The Town will be partnering with Bedford Regional Water Authority (BRWA) to use that funding for the upgrade of water and sewer infrastructure within Town limits.
- Town personnel continued with several projects related to construction of new sidewalks and the repair and maintenance of existing facilities according to a project schedule adopted by Town Council.
- The Town continued to promote its Business Retention and Expansion Program to provide outreach and assistance to existing businesses. Annual meetings with businesses and more informal check-in meetings were held with the goal of providing continued open communication to anticipate needs for growth and/or change that may affect the employment base. Pairing new business recruitment with efforts to match potential building owners with properties that need to be redeveloped is a key action to rejuvenate the economic environment. Another vital element to

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And the Citizens of Bedford, Virginia
November 2, 2021

development is reuse of brownfield sites where the Town must be able to assist owners with redevelopment since undeveloped raw land is limited within Town limits. The Town, in cooperation with service provider Shentel, continued to provide a free, public “wireless hotspot” in Centertown Plaza similar to facilities at the Bedford Welcome Center. Helping businesses find affordable, properly-sized internet for operations will be an on-going effort. The Town also remains an active regional partner in many programs such as participation in regional marketing and economic development initiatives, as well as provision of police and emergency services. In addition, the Town continues to participate in cooperative services such as the Central Virginia Planning District Commission, the Blue Ridge Power Agency, and the Municipal Electric Power Association of Virginia.

Financial Information

During the reporting period, the Town of Bedford managed its financial affairs using Generally Accepted Accounting Principles (GAAP) and maintained its accounting records on a modified accrual basis. The Town’s enterprise funds are reported on the full accrual basis, under which revenues are recorded when earned and expenses are recorded when incurred. Additional information can be found in Note 1 of this report.

During the reporting period, Town management was responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Town are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits require estimates and judgments by management. In addition, the Town maintained budgetary controls during the reporting period. The controls in place ensure compliance with legal provisions embodied in the annual appropriated budget approved by Town Council. Additional information can be found in Note 1 of this report.

As demonstrated by the financial statements and supplemental schedules included in the financial section of this report, the Town has continued to meet its responsibility for sound financial management.

GAAP require 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 Town’s MD&A can be found immediately following the report of the independent auditors.

Cash Management

During the year, cash was invested in certain U.S. Government Agency Securities, prime quality issues of commercial paper, as well as the State Treasurer’s Local Government Investment Pool (LGIP). On June 13, 2017, Town Council re-adopted the Investment Policy that governs the specific criteria for all investments handled by the Town during the FY 2021 budget process.

There were no other policies that significantly impacted the current year financial statements for the Town.

The Honorable Mayor, Members of Town Council
And the Citizens of Bedford, Virginia
November 2, 2021

Other Information

Independent Audit. Virginia Law and the Charter of the Town of Bedford require that the financial statements of the Town be audited by a Certified Public Accountant. Brown, Edwards, & Company, L.L.P., has performed an annual audit of the Comprehensive Annual Financial Report. The auditor's report is included in the Financial Section of this report. The auditor's report as required by Government Auditing Standards is found in the Compliance Section of this report.

Certificate of Achievement. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Bedford for its comprehensive annual financial report for the fiscal year ended June 30, 2017. This was the eighteenth consecutive year that the government has achieved this prestigious award. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents conform to program standards. Such reports 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.

Acknowledgements. The preparation of this report is a very intensive project, and could not have been accomplished without the assistance and dedication of the Finance Department staff and other personnel from various departments, who assisted in the preparation. The Mayor and Town Council continue to be very supportive of our efforts to produce the best financial reports possible for our citizens. We appreciate your support in granting us the time and funding to generate this document, and allowing us to submit it to the GFOA for consideration. Lastly, we would like to express our appreciation to our independent auditing firm, Brown, Edwards & Company, L.L.P., for their cooperation and assistance in these efforts.

Respectfully Submitted,



Bart F. Warner
Town Manager



Sonia Jammes
Assistant Town Manager/Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Bedford
Virginia**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrell

Executive Director/CEO

TOWN OF BEDFORD, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2021

MEMBERS OF TOWN COUNCIL



Tim Black, Mayor
Term Expires: December 31, 2024
Phone: (540) 587-6001
Email: tblack@bedfordva.gov



Steve Rush, Vice Mayor
Term Expires: December 31, 2022
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C.G. Stanley, Councilman
Term Expires: December 31, 2024
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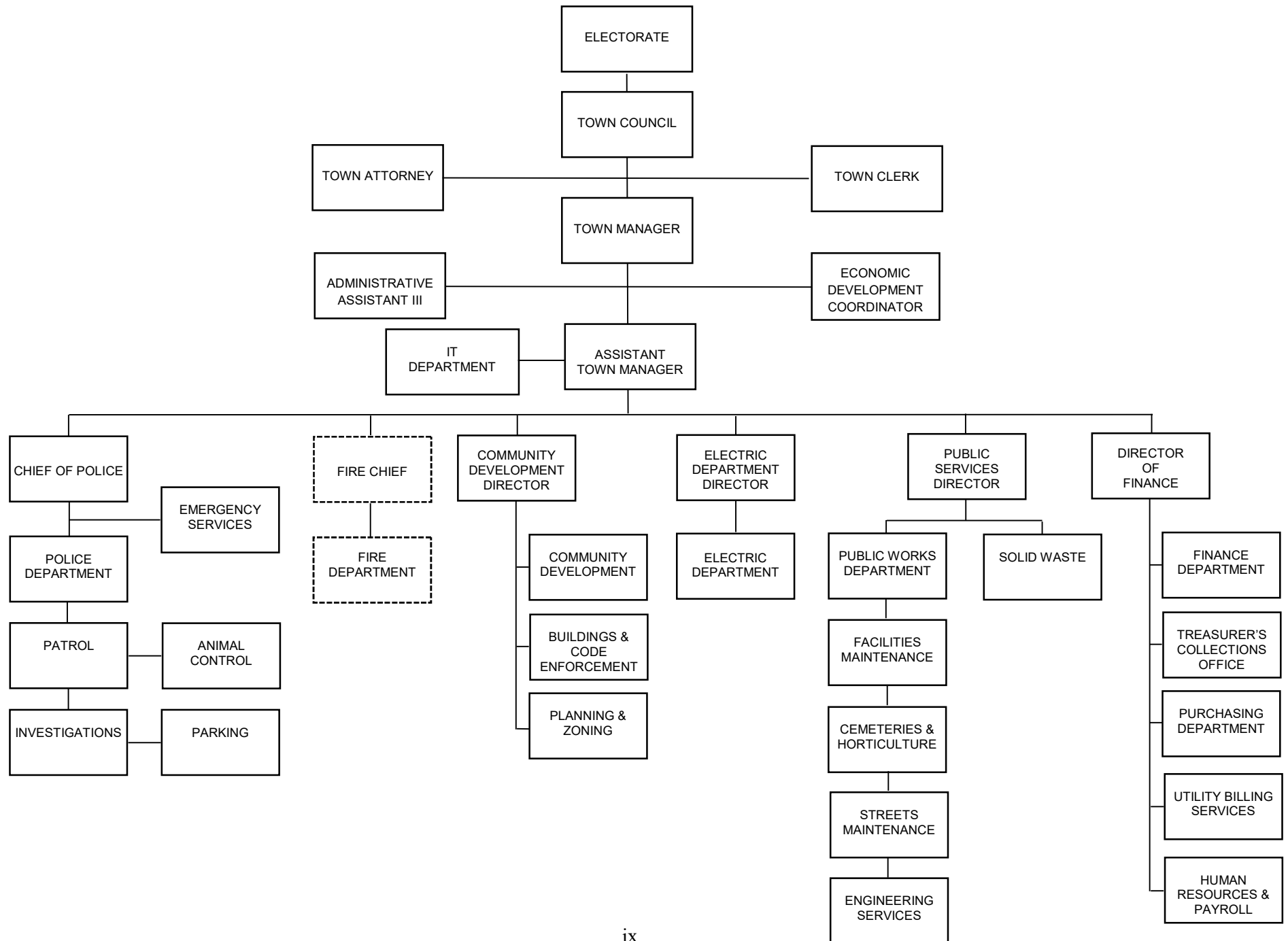
Bruce Hartwick, Councilman
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OTHER OFFICIALS

Barrett “Bart” Warner
Sonia Jammes
Susan Roberts
Debra Anderson
William Berry, IV
Todd Foreman
D.W. Lawhorne
John Wagner
Brad Creasy
Mary Zirkle
Gary McIver

Town Manager
Assistant Town Manager/Director of Finance
Assistant Director of Finance
Town Clerk
Town Attorney
Chief of Police
Director of Public Works
General Manager - Electric Department
Fire Chief
Planning & Economic Development Coordinator
Building Official

TOWN OF BEDFORD ORGANIZATIONAL CHART



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of Town Council
Town of Bedford, Virginia
Bedford, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the Town of Bedford, Virginia (the "Town") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Report on the Financial Statements (Continued)

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, and each major fund of the Town of Bedford, Virginia, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, discretely presented component units combining financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

The discretely presented component units combining financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the discretely presented component units combining financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2021 on our consideration of the Town'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 2, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Bedford, Virginia (the "Town"), we offer readers this narrative overview and analysis of the financial activities of the Town for the fiscal years ended June 30, 2021 and 2020. Please consider the information presented here in conjunction with information that we have furnished in our letter of transmittal found on pages i through vi.

Financial Highlights

- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of current fiscal year by \$35,959,758 (net position). Of this amount, \$9,095,818 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$330,525 which is primarily attributable to the operations of the general fund.
- At the end of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$7,809,636, an increase of \$422,538 in comparison with the prior year. Approximately 61% of this total amount, \$4,739,543 is available for spending at the Town's discretion (unassigned fund balance).
- The Town's total debt decreased by \$4,052,064 or 20.4% during the current fiscal year.

Overview of the Financial Statements

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

Government-wide Financial Statements – The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Town's assets, deferred outflows, liabilities, and deferred inflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position 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 this 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 Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, judicial administration, public safety, public works, and cultural and community development. The business-type activities are the solid waste and electric funds.

The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

(Continued)

Overview of the Financial Statements (Continued)

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 Town, 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 Town can be divided into two categories: governmental funds and proprietary funds.

Governmental Fund – The focus of the Town’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town’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.

The Town maintains one individual governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

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 includes amounts that can be spent only for the specific purposes stipulated by external providers, such as grantors 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 funds other than the general fund.
- Unassigned fund balance includes all amounts not contained in other classifications for the general fund, and deficit fund balances in any other governmental funds.

At June 30, 2021, the Town’s governmental fund reported an ending fund balance of \$7,809,636, an increase of \$422,538 in comparison with the prior year. Of that amount, \$933,487 was nonspendable, \$1,791,203 was restricted, \$345,403 was assigned, and \$4,739,543 was unassigned.

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 49.9% of total general fund expenditures, while total fund balance represents 82.3% of that same amount.

Proprietary Funds – Proprietary funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its solid waste and electric operations.

Notes to the Financial Statements – The notes provide additional information that is essential to 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 Town’s funding progress for its defined benefit pension plan and other post-employment benefits.

(Continued)

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows exceeded liabilities and deferred inflows by \$35,959,758 at the close of the most recent fiscal year.

A portion of the Town's net position (66.9%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted balance (7.8%) represents 2010 GO Bond funds, cemetery perpetual care funds, and other grant funds. The remaining balance of *unrestricted net assets* (25.3%) may be used to meet the government's ongoing obligations to citizens and creditors.

| | The Town's Net Position | | | | | |
|----------------------------------|-------------------------|---------------|--------------------------|---------------|---------------|---------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Current and other assets | \$ 14,910,985 | \$ 11,582,638 | \$ 17,786,297 | \$ 20,263,157 | \$32,697,282 | \$31,845,795 |
| Capital assets | 12,675,442 | 12,944,812 | 19,203,857 | 19,463,230 | 31,879,299 | 32,408,042 |
| Total assets | 27,586,427 | 24,527,450 | 36,990,154 | 39,726,387 | 64,576,581 | 64,253,837 |
| Deferred outflow of resources | 1,184,096 | 1,003,665 | 1,202,311 | 1,112,190 | 2,386,407 | 2,115,855 |
| Long-term liabilities | 6,798,045 | 7,782,237 | 8,989,262 | 12,057,134 | 15,787,307 | 19,839,371 |
| Net pension liability | 5,700,030 | 4,815,516 | 4,000,308 | 3,261,131 | 9,700,338 | 8,076,647 |
| Other liabilities | 3,732,998 | 430,611 | 1,695,770 | 2,092,386 | 5,428,768 | 2,522,997 |
| Total liabilities | 16,231,073 | 13,028,364 | 14,685,340 | 17,410,651 | 30,916,413 | 30,439,015 |
| Deferred inflows of resources | 54,384 | 182,025 | 32,433 | 119,419 | 86,817 | 301,444 |
| Net position | | | | | | |
| Net investment in capital assets | 11,580,421 | 11,661,631 | 12,486,131 | 11,424,561 | 24,066,552 | 23,086,192 |
| Restricted | 1,797,203 | 4,208,812 | 1,006,185 | 969,710 | 2,797,388 | 5,178,522 |
| Unrestricted | (886,558) | (3,549,717) | 9,982,376 | 10,914,236 | 9,095,818 | 7,364,519 |
| Total net position | \$ 12,485,066 | \$ 12,320,726 | \$ 23,474,692 | \$ 23,308,507 | \$ 35,959,758 | \$ 35,629,233 |

As noted, net position and assets by category may serve over time as a useful indicator of government's financial position. In the case of the Town, as of June 30, 2021, assets exceeded liabilities by \$35,959,758 in Governmental Activities and Business-type Activities.

The Town's Total Government net position increased by \$330,525 (0.9%) during the current fiscal year. The main contributing factor of this was a Governmental Activities' net position increase of 1.3% and an increase of net position in Business-type Activities of 0.7% over prior year position. The Town continues its current initiative towards lean decision making for all of the Town's funds – including General Fund, Electric Fund, and Solid Waste Fund – in an effort to be good stewards of public resources and to put the Town in the best financial position possible.

Governmental Activities – Governmental activities increased the Town's net position by \$164,340 of the total growth. The Town decreased expenses in primary government funds in FY 2021 by 8.8% from that of the previous fiscal year. This fund experienced an increase in General Revenues and Special Items of 23.2% primarily attributable to a slight increase in meals tax and other local tax collections in addition to an increase in intergovernmental unrestricted revenue. Overall total liabilities increased by 24.6% including an increase in unearned revenue as a result of the first installment of the American Rescue Plan Act (\$3,422,260) and an increase in Net Pension liability. In addition, the Town's Governmental Activities' assets increased by 12.5%. There was an enterprise fund transfer of \$500,000 executed in this fiscal year.

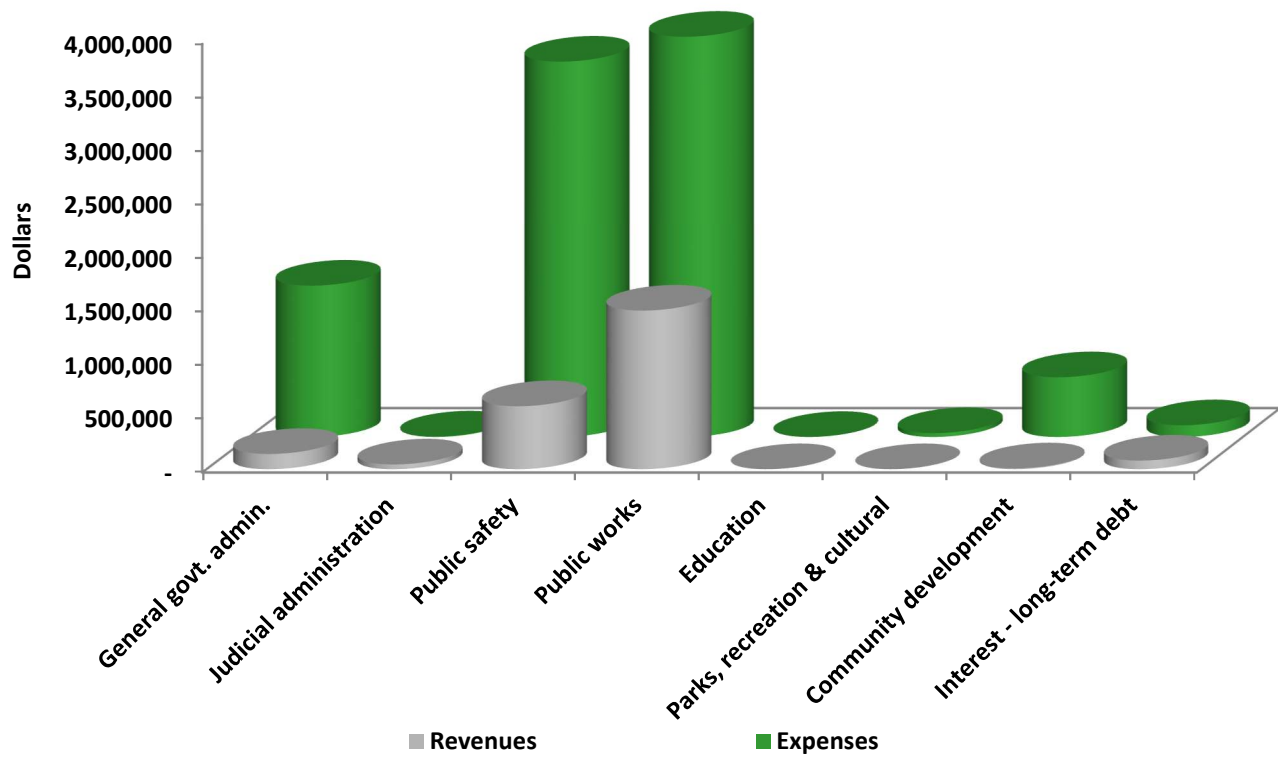
(Continued)

Business-type Activities – Business-type activities increased the Town’s net position by \$166,185 of the total growth. The increase was less than the prior year gain of \$1,626,409, which was mainly due to expenses related to the closing of the Town’s open landfill. In addition, there was a 7.2% decrease in charges for service associated with Electric as a result of more expensive power contracts rolling off of the power portfolio and commensurate decreases made to the power cost adjustment (PCA).

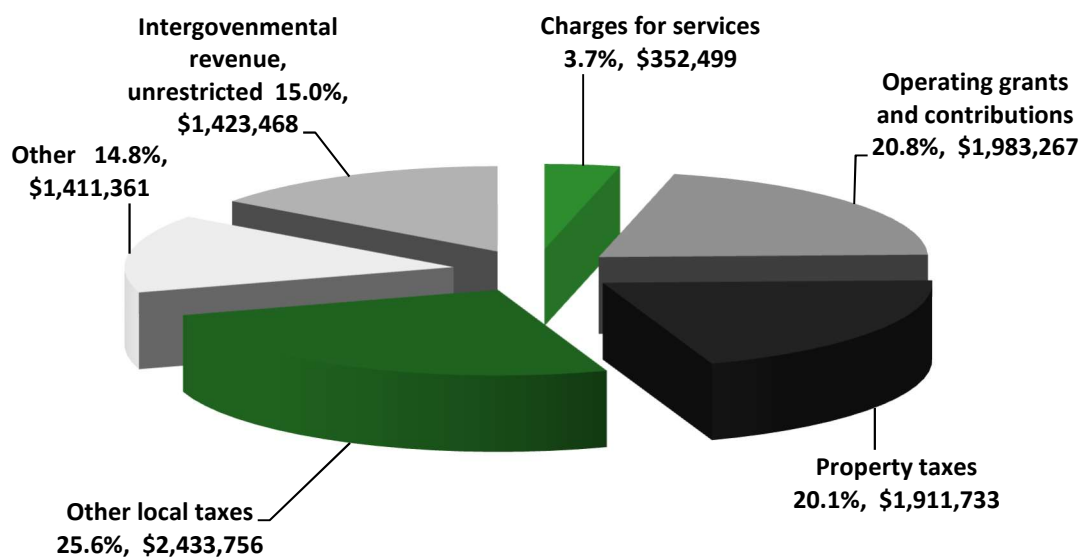
| The Town’s Changes in Net Position | | | | | | |
|---|--------------------------------|---------------|---------------------------------|---------------|---------------|---------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 352,499 | \$ 430,904 | \$ 21,253,118 | \$ 22,905,485 | \$ 21,605,617 | \$ 23,336,389 |
| Operating grants and contributions | 1,983,267 | 1,872,265 | - | - | 1,983,267 | 1,872,265 |
| General revenues | | | | | | |
| Property taxes | 1,911,733 | 1,618,997 | - | - | 1,911,733 | 1,618,997 |
| Other taxes | 2,433,756 | 2,369,897 | - | - | 2,433,756 | 2,369,897 |
| Intergovernmental revenue unrestricted | 1,423,468 | 312,340 | - | - | 1,423,468 | 312,340 |
| Investment earnings | 49,295 | 217,963 | 298,897 | 403,551 | 348,192 | 621,514 |
| Other | 112,066 | 158,705 | - | - | 112,066 | 158,705 |
| County reversion payments | 750,000 | 750,000 | - | - | 750,000 | 750,000 |
| Total revenues | 9,016,084 | 7,731,071 | 21,552,015 | 23,309,036 | 30,568,099 | 31,040,107 |
| Expenses | | | | | | |
| General government | 1,408,806 | 901,513 | - | - | 1,408,806 | 901,513 |
| Judicial administration | 4,107 | 4,352 | - | - | 4,107 | 4,352 |
| Public safety | 3,503,755 | 3,177,814 | - | - | 3,503,755 | 3,177,814 |
| Public works | 3,735,198 | 4,371,249 | - | - | 3,735,198 | 4,371,249 |
| Parks, recreation, and cultural | 35,559 | 160,104 | - | - | 35,559 | 160,104 |
| Community development | 555,722 | 1,514,555 | - | - | 555,722 | 1,514,555 |
| Interest on long-term debt | 108,597 | 127,554 | - | - | 108,597 | 127,554 |
| Solid waste | - | - | 1,464,156 | 1,071,466 | 1,464,156 | 1,071,466 |
| Electric | - | - | 19,421,674 | 20,211,161 | 19,421,674 | 20,211,161 |
| Total expenses | 9,351,744 | 10,257,141 | 20,885,830 | 21,282,627 | 30,237,574 | 31,539,768 |
| Excess before transfers | (335,660) | (2,526,070) | 666,185 | 2,026,409 | 330,525 | (499,661) |
| Transfers | 500,000 | 400,000 | (500,000) | (400,000) | - | - |
| Change in net position | 164,340 | (2,126,070) | 166,185 | 1,626,409 | 330,525 | (499,661) |
| Net position – July 1 | 12,320,726 | 14,446,796 | 23,308,507 | 21,682,098 | 35,629,233 | 36,128,894 |
| Net position – June 30 | \$ 12,485,066 | \$ 12,320,726 | \$ 23,474,692 | \$ 23,308,507 | \$ 35,959,758 | \$ 35,629,233 |

(Continued)

Expenses and Program Revenues – Governmental Activities

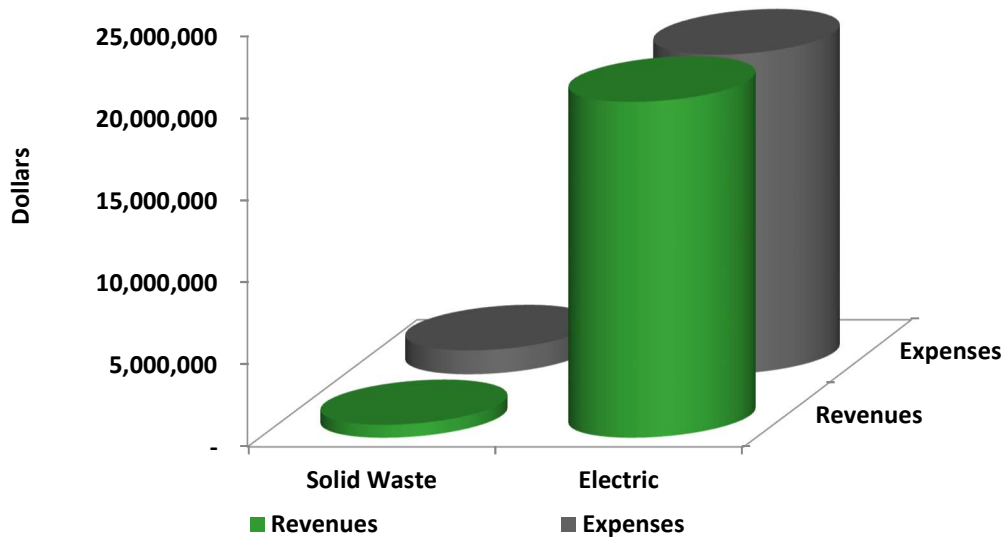


Revenues by Source – Governmental Activities



(Continued)

Expenses and Program Revenues – Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund – The focus of the Town's *governmental fund* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$7,809,636, an increase of \$422,538 in comparison with the prior year. Approximately 60.7% of this total amount – that is, \$4,739,543 constitutes *unassigned fund balance*, which is available for spending at the Town's discretion. Approximately 4.4%, \$345,403 constitutes *assigned fund balance*, which the government intends to use for specific purposes. Approximately 22.9%, \$1,791,203 constitutes *restricted fund balance* which has been constrained with provisions.

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 49.9% of total general fund expenditures, while total fund balance represents 82.3% of that same amount.

Proprietary Funds – The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the solid waste fund had a deficit of \$(4,350,214); and the unrestricted net position for the electric fund amounted to \$14,332,590. The total fiscal year increase in net position for enterprise funds was \$166,185, a positive increase of \$1,460,224 or 89.8% over prior year. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

(Continued)

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget amounted to \$1,557,326. Highlights include the following:

- \$73,020 was re-appropriated for Community and Economic Development projects.
- \$1,239,454 was re-appropriated for paving and various highway maintenance projects.
- \$244,852 was re-appropriated for Public Safety initiatives.

Differences between the final amended budget and actual results amounted to \$871,283. Highlights are as follows:

- \$1,118,425 less expended in budgeted and re-appropriated Public Works funds due to timing associated with incomplete maintenance and infrastructure projects.
- \$36,746 more was expended than budgeted and re-appropriated in Community Development funds due to expenditures associated with the facilitation of grant related projects.
- \$82,418 more was expended than budgeted and re-appropriated in Public Safety due to operational costs for Police service.
- \$100,117 more was expended than budgeted and re-appropriated in General Government Administration due to expenditures associated COVID-19 and IT infrastructure improvements.
- \$28,289 more was expended than budgeted in Parks, Recreation & Cultural due to upgrades to local parks.

Capital Asset and Debt Administration

Capital Assets – The Town’s investment in capital assets for its governmental and business-type activities as of June 30, 2021, amounts to \$31,879,299 (net of accumulated depreciation). This includes land, buildings and system improvements, and machinery, equipment, and infrastructure. The total decrease in the investment in capital assets for the current fiscal year was 1.6% (a 2.1% decrease for governmental activities and a 1.3% decrease for business-type activities). The Town’s investment in capital assets is summarized as follows:

| | The Town’s Capital Assets | | | | | |
|---------------------------------------|---------------------------|---------------|--------------------------|---------------|---------------|---------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Land | \$ 2,032,745 | \$ 2,002,875 | \$ 761,899 | \$ 710,517 | \$ 2,794,644 | \$ 2,713,392 |
| Buildings and improvements | 5,432,553 | 5,160,162 | 14,800,237 | 14,800,237 | 20,232,790 | 19,960,399 |
| Distribution and transmission systems | - | - | 17,615,331 | 17,527,234 | 17,615,331 | 17,527,234 |
| Landfill development costs | - | - | 3,315,945 | 3,315,945 | 3,315,945 | 3,315,945 |
| Machinery and equipment | 10,046,908 | 9,058,317 | 8,542,448 | 8,241,062 | 18,589,356 | 17,299,379 |
| Infrastructure | 15,650,085 | 15,027,978 | - | - | 15,650,085 | 15,027,978 |
| Construction in progress | 21,095 | 1,062,833 | 2,296,817 | 1,798,686 | 2,317,912 | 2,861,519 |
| Less accumulated depreciation | (20,507,944) | (19,367,353) | (28,128,820) | (26,930,451) | (48,636,764) | (46,297,804) |
| Total | \$ 12,675,442 | \$ 12,944,812 | \$ 19,203,857 | \$ 19,463,230 | \$ 31,879,299 | \$ 32,408,042 |

Additional information on the Town’s capital assets can be found in Note 7 of this report.

(Continued)

Long-term Debt and Liabilities – At June 30, 2021 the Town had total debt and liabilities outstanding of \$15,787,307. Of this amount, \$8,789,771 comprises debt backed by the full faith and credit of the government.

| The Town's Outstanding Debt and Liabilities General Obligation Bonds, Capital Leases, and Liabilities | | | | | | |
|--|--|---------------------|---|----------------------|----------------------|----------------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| General obligation bonds | \$ 3,404,163 | \$ 4,041,046 | \$ 5,385,608 | \$ 6,544,708 | \$ 8,789,771 | \$ 10,585,754 |
| Capital Lease | 613,617 | 711,881 | 115,417 | 133,925 | 729,034 | 845,806 |
| Revenue bonds | - | - | 930,000 | 1,075,000 | 930,000 | 1,075,000 |
| Payable to AMP: | | | | | | |
| Contract | - | - | 656,697 | 716,697 | 656,697 | 716,697 |
| Compensated absences | 280,265 | 229,310 | 188,539 | 160,472 | 468,804 | 389,782 |
| Landfill liability: | | | | | | |
| Closed landfill | 2,500,000 | 2,800,000 | - | - | 2,500,000 | 2,800,000 |
| Region 2000 | - | - | 43,667 | 48,616 | 43,667 | 48,616 |
| Transfer station | - | - | 25,431 | 25,130 | 25,431 | 25,130 |
| Active landfill | - | - | 1,643,903 | 3,352,586 | 1,643,903 | 3,352,586 |
| Total | <u>\$ 6,798,045</u> | <u>\$ 7,782,237</u> | <u>\$ 8,989,262</u> | <u>\$ 12,057,134</u> | <u>\$ 15,787,307</u> | <u>\$ 19,839,371</u> |

The Town's total debt decreased by \$4,052,064 or 20.4% during the fiscal year due to a reduction in landfill liability as a result of closing the Town's current active landfill. In addition, the Town paid \$2,117,755 towards regular debt service payments.

The Town maintains an AAA rating (insured) from Standard & Poor's and an A3 rating from Moody's for its outstanding general obligation debt.

Additional information on the Town's long-term debt can be found in Note 8 of this report.

Economic Factors and Next Year's Budgets and Rates

- The Town has successfully reduced expenditures in key line items. Within the Electric Fund that effort has resulted in a steady reduction to the Price Cost Adjustment paid by customers. The Town also executed an innovative agreement with a private company for hauling of residential solid waste that resulted in a significant cost savings.
- Redevelopment of formerly vacant properties continues apace. Construction is underway by the developer on the former Bedford Middle School site, which is being converted into a multi-use facility featuring market rate apartments and a boutique hotel as per the performance agreement executed for the redevelopment of the property. The anticipated completion date for this project is spring 2023. Another former industrial site on Railroad Avenue is also being redeveloped for use as market rate apartments.
- The Town was awarded a Community Development Block Grant of over \$900,000 and staff will continue to facilitate the steps to meet the award criteria for drawdown in the next year.

(Continued)

- The Town continues to undertake several capital improvements related to improving the reliability and efficiency of its electric utility operations. This included further work on completing a 69KV transmission loop within Town, replacement of components at the Snowden hydroelectric generation facility, and implementation of an ongoing replacement program for aging underground transmission and distribution lines. Capital improvements have been overlooked in an effort to shore up core services for a number of years and infrastructure is at an age where it must be addressed in the short-term. Capital outlay expense has been redirected to provide more efficient services, as well as maintain and enhance hydro generation operations, system extensions, and circuit reliability maintenance as part of the electric utility operation. An apparent increase in energy and energy transmission costs is expected to continue to be passed through the energy market to distributors. This makes it imperative that the Town continue to evaluate all options in energy production in order to stabilize costs for our customers.
- As with other American Municipal Power members, the Town will continue its participation in projects designed to provide diversity in our wholesale power portfolio. At present, approximately 8% of the Town's electricity is from renewable sources such as, a hydro-electric generation facility and a solar power generation facility, with the goal of increasing that to 15%. The Town has also addressed other revenue sources such as pole attachment agreements and right-of-way fees to ensure that competitiveness and maximization of revenues in these areas. The Town will also continue to focus on providing exemplary customer service and reliability for our customers by upgrading and building new distribution line circuits.
- The Town continues to analyze its financial situation and implement the necessary measures to maintain and expand adequate levels of fund balance to mitigate risks, provide a back-up plan for revenue shortfalls, and ensure that appropriate amounts are available for emergencies. However, maintaining financial stability with ever-challenging State mandates and reduced State funding of required services is perhaps the greatest short-term threat to the financial stability of the Town. A primary area feeling the effects of these challenges is Public Safety which continues to be challenged by unfunded mandates enacted into Virginia state code. One example is the regulation that requires all law enforcement agencies to provide transportation for mental health cases where an emergency custody order (§37.2-808 Code of Virginia) or temporary detention order (§37.2-809 Code of Virginia) is issued. The handling of these calls is placing extra demand on law enforcement officers in terms of providing dedicated transportation and patrol officer time from normal shift duties.
- Economic Development continues to be a top priority for Town Council as evidenced by the continued designation of one-half cent of meals tax revenue generated being earmarked for economic development initiatives only. Town Council continues to collaborate with the Bedford County Economic Development Authority and the Town of Bedford Economic Development Authority (EDA) to attract new economic development opportunities through various block grants and performance-based incentive programs administered through the Economic Development Director. In addition, Council continues to have a major focus on community planning and the level of service required for accommodating growth and providing resources for a sustainable future.
- The Town continues to march toward the future incorporation of areas adjacent to Town Corporate limits in the next phase of the Voluntary Settlement Agreement. The Town will expand by approximately four square miles and will need to provide citizens in those areas the enhanced level of services that are currently provided to existing Town residents. This will have significant budget and economic impacts on the Town's funding streams.

All of these factors will continue to be an economic consideration in the Town's future budgeting processes.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, Town of Bedford, 215 East Main Street, Bedford, Virginia 24523.

BASIC FINANCIAL STATEMENTS

TOWN OF BEDFORD, VIRGINIA

STATEMENT OF NET POSITION

June 30, 2021

| | Primary Government | | | |
|--|----------------------------|-----------------------------|---------------|--------------------|
| | Governmental Activities | Business-Type Activities | Total | Component Units |
| ASSETS | | | | |
| Cash and cash equivalents (Note 2) | \$ 2,868,256 | \$ 14,300,677 | \$ 17,168,933 | \$ 72,713 |
| Investments (Note 2) | 590,062 | - | 590,062 | - |
| Receivables, net (Note 3) | 850,279 | 1,936,139 | 2,786,418 | - |
| Internal balances (Note 4) | 2,275,355 | (2,275,355) | - | - |
| Due from component unit | 190,768 | - | 190,768 | - |
| Due from other governmental units (Note 5) | 111,707 | - | 111,707 | - |
| Inventories | - | 848,491 | 848,491 | - |
| Cash and cash equivalents, restricted (Note 2) | 5,253,204 | 1,006,185 | 6,259,389 | - |
| BRWA debt service receivable (Note 6) | 2,771,354 | - | 2,771,354 | - |
| Net investment in direct financing lease (Note 18) | - | 1,970,160 | 1,970,160 | - |
| Capital assets: (Note 7) | | | | |
| Nondepreciable | 2,053,840 | 3,058,716 | 5,112,556 | - |
| Depreciable, net | 10,621,602 | 16,145,141 | 26,766,743 | - |
| Total assets | 27,586,427 | 36,990,154 | 64,576,581 | 72,713 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred outflows related to pensions (Notes 11 and 14) | 1,123,318 | 790,670 | 1,913,988 | - |
| Deferred outflows related to other postemployment benefits (Notes 12, 13, and 14) | 60,778 | 41,645 | 102,423 | - |
| Deferred charge on refunding | - | 369,996 | 369,996 | - |
| Total deferred outflows of resources | 1,184,096 | 1,202,311 | 2,386,407 | - |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | 65,862 | 1,106,368 | 1,172,230 | 22,402 |
| Bank overdraft | - | - | - | 277,332 |
| Accrued payroll and related liabilities | 198,237 | 128,360 | 326,597 | - |
| Accrued interest payable | 46,468 | 63,341 | 109,809 | - |
| Unearned revenue | 3,422,431 | - | 3,422,431 | - |
| Customer security deposits | - | 397,701 | 397,701 | - |
| Due to primary government | - | - | - | 190,768 |
| Noncurrent liabilities: | | | | |
| Due within one year (Note 8) | 1,276,589 | 1,611,627 | 2,888,216 | - |
| Due in more than one year (Note 8) | 5,521,456 | 7,377,635 | 12,899,091 | - |
| Net pension liability (Notes 11 and 14) | 5,392,232 | 3,795,939 | 9,188,171 | - |
| Net other postemployment benefit liability (Notes 12, 13, and 14) | 307,798 | 204,369 | 512,167 | - |
| Total liabilities | 16,231,073 | 14,685,340 | 30,916,413 | 490,502 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred inflows related to other postemployment benefits (Notes 12, 13, and 14) | 54,384 | 32,433 | 86,817 | - |
| NET POSITION | | | | |
| Net investment in capital assets | 11,580,421 | 12,486,131 | 24,066,552 | - |
| Restricted for: | | | | |
| Purpose – cemetery | 82,040 | - | 82,040 | - |
| Other grants | 35,345 | - | 35,345 | - |
| Debt collateral | 1,602,560 | 90,248 | 1,692,808 | - |
| Unspent shared revenue sharing | 71,258 | - | 71,258 | - |
| Landfill | - | 518,236 | 518,236 | - |
| Utility deposits | - | 397,701 | 397,701 | - |
| Unrestricted | (886,558) | 9,982,376 | 9,095,818 | (417,789) |
| Total net position | \$ 12,485,066 | \$ 23,474,692 | \$ 35,959,758 | \$ (417,789) |

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

TOWN OF BEDFORD, VIRGINIA

STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | | |
|--|------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------|-----------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | Component Units |
| | | | | | Governmental Activities | Business-Type Activities | Total | |
| Primary Government | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General government administration | \$ 1,408,806 | \$ 141,589 | \$ - | \$ - | \$ (1,267,217) | | \$ (1,267,217) | \$ - |
| Judicial administration | 4,107 | 43,981 | - | - | 39,874 | | 39,874 | - |
| Public safety | 3,503,755 | 166,929 | 419,114 | - | (2,917,712) | | (2,917,712) | - |
| Public works | 3,735,198 | - | 1,476,729 | - | (2,258,469) | | (2,258,469) | - |
| Parks, recreation, and cultural | 35,559 | - | - | - | (35,559) | | (35,559) | - |
| Community development | 555,722 | - | 7,354 | - | (548,368) | | (548,368) | - |
| Interest on long-term debt | 108,597 | - | 80,070 | - | (28,527) | | (28,527) | - |
| Total governmental activities | 9,351,744 | 352,499 | 1,983,267 | - | (7,015,978) | | (7,015,978) | - |
| Business-type activities: | | | | | | | | |
| Solid waste | 1,464,156 | 797,019 | - | - | | \$ (667,137) | (667,137) | - |
| Electric | 19,421,674 | 20,456,099 | - | - | | 1,034,425 | 1,034,425 | - |
| Total business-type activities | 20,885,830 | 21,253,118 | - | - | | 367,288 | 367,288 | - |
| Total primary government | \$ 30,237,574 | \$ 21,605,617 | \$ 1,983,267 | \$ - | (7,015,978) | 367,288 | (6,648,690) | - |
| Component Units | \$ 285,523 | \$ - | \$ - | \$ - | - | - | - | (285,523) |
| General revenues: | | | | | | | | |
| Property taxes | | | | | 1,911,733 | - | 1,911,733 | - |
| Sales tax | | | | | 301,703 | - | 301,703 | - |
| Communication tax | | | | | 95,033 | - | 95,033 | - |
| Meals tax | | | | | 1,485,144 | - | 1,485,144 | - |
| Other local taxes | | | | | 551,876 | - | 551,876 | - |
| Intergovernmental revenue, unrestricted | | | | | 1,423,468 | - | 1,423,468 | - |
| Unrestricted investment earnings | | | | | 49,295 | 298,897 | 348,192 | 6,260 |
| Other | | | | | 112,066 | - | 112,066 | - |
| County reversion payments (Note 22) | | | | | 750,000 | - | 750,000 | - |
| Town contribution | | | | | - | - | - | 126,892 |
| Transfers (Note 4) | | | | | 500,000 | (500,000) | - | - |
| Total general revenues and special items | | | | | 7,180,318 | (201,103) | 6,979,215 | 133,152 |
| Change in net position | | | | | 164,340 | 166,185 | 330,525 | (152,371) |
| NET POSITION (DEFICIT) AT JULY 1 | | | | | 12,320,726 | 23,308,507 | 35,629,233 | (265,418) |
| NET POSITION (DEFICIT) AT JUNE 30 | | | | | \$ 12,485,066 | \$ 23,474,692 | \$ 35,959,758 | \$ (417,789) |

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

TOWN OF BEDFORD, VIRGINIA

**BALANCE SHEET –
GOVERNMENTAL FUND
June 30, 2021**

| | <u>General</u> |
|---|-----------------------------|
| ASSETS | |
| Cash and cash equivalents (Note 2) | \$ 2,868,256 |
| Investments (Note 2) | 590,062 |
| Receivables, net (Note 3) | 850,279 |
| Due from other funds (Note 4) | 2,275,355 |
| Due from component unit | 190,768 |
| Due from other governmental units (Note 5) | 111,707 |
| Cash and cash equivalents, restricted (Note 2) | 5,253,204 |
| BRWA debt service receivable (Note 6) | <u>2,771,354</u> |
| Total assets | <u><u>\$ 14,910,985</u></u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE | |
| LIABILITIES | |
| Accounts payable and accrued liabilities | \$ 65,862 |
| Accrued payroll and related liabilities | 198,237 |
| Unearned revenue (Note 3) | <u>3,422,431</u> |
| Total liabilities | <u>3,686,530</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Unavailable revenue (Note 3 and 6) | <u>3,414,819</u> |
| FUND BALANCE (Note 10) | |
| Nonspendable | 933,487 |
| Restricted | 1,791,203 |
| Assigned | 345,403 |
| Unassigned | <u>4,739,543</u> |
| Total fund balance | <u>7,809,636</u> |
| Total liabilities, deferred inflows of resources, and fund balance | <u><u>\$ 14,910,985</u></u> |

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

TOWN OF BEDFORD, VIRGINIA

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2021**

| | | |
|--|--------------------|-----------------------------|
| Total Fund Balance – Governmental Fund | | \$ 7,809,636 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds. | | |
| Nondepreciable capital assets | \$ 2,053,840 | |
| Depreciable capital assets, net | <u>10,621,602</u> | |
| | | 12,675,442 |
| Certain receivables are not available to pay for current-period expenditures and therefore are deferred in the funds. | | |
| | | 3,414,819 |
| Financial statement elements related to other postemployment benefits and pensions are applicable to future periods and, therefore, are not reported in the funds. | | |
| Deferred outflows related to: | | |
| Pensions | 1,123,318 | |
| Other postemployment benefits | <u>60,778</u> | |
| | | 1,184,096 |
| Deferred inflows related to: | | |
| Other postemployment benefits | <u>(54,384)</u> | |
| | | (54,384) |
| Net pension liability | | (5,392,232) |
| Net other postemployment benefits liability | | (307,798) |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. | | |
| General obligation bonds | (3,404,163) | |
| Capital lease | (613,617) | |
| Accrued interest payable | (46,468) | |
| Compensated absences | (280,265) | |
| Landfill postclosure liability | <u>(2,500,000)</u> | |
| | | <u>(6,844,513)</u> |
| Total Net Position – Governmental Activities | | <u><u>\$ 12,485,066</u></u> |

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

TOWN OF BEDFORD, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – GOVERNMENTAL FUND
Year Ended June 30, 2021**

| | <u>General</u> |
|--|----------------------------|
| REVENUES | |
| General property taxes | \$ 1,836,509 |
| Other local taxes | 2,433,756 |
| Permits, privilege fees, and regulatory licenses | 30,703 |
| Fines and forfeitures | 43,981 |
| Investment earnings | 49,295 |
| Charges for services | 141,589 |
| County reversion payments (Note 22) | 750,000 |
| Other | 112,066 |
| Intergovernmental | 3,326,665 |
| BRWA debt service payments (Note 6) | 555,097 |
| Recovered costs | 136,226 |
| | <u>9,415,887</u> |
| Total revenues | <u>9,415,887</u> |
| EXPENDITURES | |
| Current | |
| General government administration | 1,166,910 |
| Judicial administration | 3,850 |
| Public safety | 3,190,633 |
| Public works | 3,875,141 |
| Parks, recreation, and cultural | 61,339 |
| Community development | 348,507 |
| Debt service | |
| Principal retirement | 735,147 |
| Interest and fiscal charges | 111,822 |
| | <u>9,493,349</u> |
| Total expenditures | <u>9,493,349</u> |
| Deficiency of revenues over expenditures | <u>(77,462)</u> |
| OTHER FINANCING SOURCES | |
| Transfers in | <u>500,000</u> |
| Net change in fund balance | 422,538 |
| FUND BALANCE AT JULY 1 | <u>7,387,098</u> |
| FUND BALANCE AT JUNE 30 | <u><u>\$ 7,809,636</u></u> |

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

TOWN OF BEDFORD, VIRGINIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2021**

| | |
|---|--------------------------|
| Net Change in Fund Balance – Governmental Fund | \$ 422,538 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | |
| Governmental funds report capital outlays as expenditures; however, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. | |
| Capital outlays | \$ 871,221 |
| Depreciation expense | <u>(1,140,591)</u> |
| | (269,370) |
| Governmental funds report debt service amounts received from BRWA as revenue, while this represents repayment of principal of the long-term receivable in governmental activities. | |
| | (475,027) |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. | |
| | 75,224 |
| The issuance of long-term debt (e.g., bonds, leases) provides current financial resources while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction has an effect on net position. | |
| Principal repayments and other long-term liability reductions: | |
| General obligation bonds | 636,883 |
| Capital lease | 98,264 |
| Landfill postclosure (net change) | <u>300,000</u> |
| | 1,035,147 |
| Governmental funds report employer pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. | |
| Pension contributions | 482,554 |
| Cost of benefits earned net of employee contributions | <u>(1,059,170)</u> |
| | (576,616) |
| Governmental funds report employer other postemployment benefit contributions as expenditures. However, in the Statement of Activities the cost of these benefits earned, net of employee contributions, is reported as other postemployment benefit expense. | |
| Employer other postemployment benefit contributions | 13,404 |
| Other postemployment benefit expense | <u>(13,230)</u> |
| | 174 |
| Governmental funds report the effect of discounts and premiums when debt is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the Statement of Activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of those differences is as follows: | |
| Interest expense | <u>3,225</u> |
| | 3,225 |
| 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. | |
| | <u>(50,955)</u> |
| Change in Net Position – Governmental Activities | <u>\$ 164,340</u> |

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

TOWN OF BEDFORD, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2021**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|------------------|--------------|----------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| General property taxes | \$ 1,755,246 | \$ 1,755,246 | \$ 1,836,509 | \$ 81,263 |
| Other local taxes | 2,391,281 | 2,391,281 | 2,433,756 | 42,475 |
| Permits, privilege fees, and regulatory licenses | 23,800 | 23,800 | 30,703 | 6,903 |
| Fines and forfeitures | 45,507 | 45,507 | 43,981 | (1,526) |
| Investment earnings | 146,000 | 146,000 | 49,295 | (96,705) |
| Charges for services | 103,741 | 103,741 | 141,589 | 37,848 |
| Other | 910,242 | 1,019,551 | 862,066 | (157,485) |
| Intergovernmental | 2,054,633 | 3,031,980 | 3,326,665 | 294,685 |
| BRWA debt service payments | 555,097 | 555,097 | 555,097 | - |
| Recovered costs | 200,950 | 200,950 | 136,226 | (64,724) |
| Total revenues | 8,186,497 | 9,273,153 | 9,415,887 | 142,734 |
| EXPENDITURES | | | | |
| Current | | | | |
| General government administration | 1,023,163 | 1,066,793 | 1,166,910 | (100,117) |
| Judicial administration | 4,200 | 4,200 | 3,850 | 350 |
| Public safety | 2,863,363 | 3,108,215 | 3,190,633 | (82,418) |
| Public works | 3,754,112 | 4,993,566 | 3,875,141 | 1,118,425 |
| Parks, recreation, and cultural | 33,050 | 33,050 | 61,339 | (28,289) |
| Community development | 282,371 | 311,761 | 348,507 | (36,746) |
| Debt service | | | | |
| Principal retirement | 735,147 | 735,147 | 735,147 | - |
| Interest and fiscal charges | 111,900 | 111,900 | 111,822 | 78 |
| Total expenditures | 8,807,306 | 10,364,632 | 9,493,349 | 871,283 |
| Deficiency of revenue over expenditures | (620,809) | (1,091,479) | (77,462) | 1,014,017 |
| OTHER FINANCING SOURCES | | | | |
| Issuance of capital lease | 109,309 | - | - | - |
| Proceeds from sale of capital assets | 11,500 | 11,500 | - | (11,500) |
| Transfers in | 500,000 | 818,711 | 500,000 | (318,711) |
| Total other financing sources | 620,809 | 830,211 | 500,000 | (330,211) |
| Net change in fund balance | \$ - | \$ (261,268) | \$ 422,538 | \$ 683,806 |

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

TOWN OF BEDFORD, VIRGINIA

STATEMENT OF NET POSITION –
PROPRIETARY FUNDS

June 30, 2021

| | Business-Type Activities – Enterprise Funds | | |
|---|---|---------------|---------------|
| | Solid Waste | Electric | Total |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents (Note 2) | \$ - | \$ 14,300,677 | \$ 14,300,677 |
| Receivables, net (Note 3) | 94,847 | 1,841,292 | 1,936,139 |
| Inventories | - | 848,491 | 848,491 |
| Total current assets | 94,847 | 16,990,460 | 17,085,307 |
| NONCURRENT ASSETS | | | |
| Cash and cash equivalents, restricted (Note 2) | 518,236 | 487,949 | 1,006,185 |
| Net investment in direct financing lease (Note 18) | - | 1,970,160 | 1,970,160 |
| Capital assets: (Note 7) | | | |
| Nondepreciable | 558,213 | 2,500,503 | 3,058,716 |
| Depreciable, net | 662,019 | 15,483,122 | 16,145,141 |
| Total noncurrent assets | 1,738,468 | 20,441,734 | 22,180,202 |
| Total assets | 1,833,315 | 37,432,194 | 39,265,509 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows related to pensions (Notes 11 and 14) | 98,570 | 692,100 | 790,670 |
| Deferred outflows related to other postemployment benefits (Notes 12, 13, and 14) | 5,332 | 36,313 | 41,645 |
| Deferred charges on refunding | - | 369,996 | 369,996 |
| Total deferred outflows of resources | 103,902 | 1,098,409 | 1,202,311 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable and accrued liabilities | 9,954 | 1,096,414 | 1,106,368 |
| Accrued payroll and related liabilities | 17,036 | 111,324 | 128,360 |
| Accrued interest payable | 5,277 | 58,064 | 63,341 |
| Due to other funds (Note 4) | 2,275,355 | - | 2,275,355 |
| Customer security deposits | - | 397,701 | 397,701 |
| Noncurrent liabilities due within one year (Note 8) | 108,862 | 1,502,765 | 1,611,627 |
| Total current liabilities | 2,416,484 | 3,166,268 | 5,582,752 |
| NONCURRENT LIABILITIES | | | |
| Due in more than one year (Note 8) | 2,091,932 | 5,285,703 | 7,377,635 |
| Net pension liability (Notes 11 and 14) | 473,229 | 3,322,710 | 3,795,939 |
| Net other postemployment benefit liability (Notes 12, 13, and 14) | 26,751 | 177,618 | 204,369 |
| Total noncurrent liabilities | 2,591,912 | 8,786,031 | 11,377,943 |
| Total liabilities | 5,008,396 | 11,952,299 | 16,960,695 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows related to other postemployment benefits (Notes 12, 13, and 14) | 4,586 | 27,847 | 32,433 |
| NET POSITION (DEFICIT) | | | |
| Net investment in capital assets | 756,213 | 11,729,918 | 12,486,131 |
| Restricted for: | | | |
| Debt collateral | - | 90,248 | 90,248 |
| Landfill | 518,236 | - | 518,236 |
| Utility deposits | - | 397,701 | 397,701 |
| Unrestricted | (4,350,214) | 14,332,590 | 9,982,376 |
| Total net position (deficit) | \$ (3,075,765) | \$ 26,550,457 | \$ 23,474,692 |

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

TOWN OF BEDFORD, VIRGINIA

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION –
PROPRIETARY FUNDS
Year Ended June 30, 2021**

| | Business-Type Activities – Enterprise Funds | | |
|---------------------------------------|--|-----------------|---------------|
| | Solid Waste | Electric | Total |
| OPERATING REVENUES | | | |
| Charges for services | \$ 797,019 | \$ 20,456,099 | \$ 21,253,118 |
| OPERATING EXPENSES | | | |
| Refuse collection | 169,845 | - | 169,845 |
| Refuse disposal | 347,183 | - | 347,183 |
| Transmission and distribution | - | 1,545,645 | 1,545,645 |
| Power generation | - | 330,941 | 330,941 |
| Purchased power | - | 13,708,945 | 13,708,945 |
| Meter reading | - | 61,372 | 61,372 |
| Landfill closure and postclosure care | 542,750 | - | 542,750 |
| Administration | 191,493 | 2,250,415 | 2,441,908 |
| Maintenance and repair | - | 259,221 | 259,221 |
| Depreciation | 202,042 | 996,327 | 1,198,369 |
| Total operating expenses | 1,453,313 | 19,152,866 | 20,606,179 |
| Operating income (loss) | (656,294) | 1,303,233 | 646,939 |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest income | 7,701 | 291,196 | 298,897 |
| Interest expense | (10,843) | (268,808) | (279,651) |
| Net nonoperating revenues (expenses) | (3,142) | 22,388 | 19,246 |
| Income (loss) before transfers | (659,436) | 1,325,621 | 666,185 |
| TRANSFERS OUT (Note 4) | - | (500,000) | (500,000) |
| Change in net position | (659,436) | 825,621 | 166,185 |
| NET POSITION (DEFICIT) AT JULY 1 | (2,416,329) | 25,724,836 | 23,308,507 |
| NET POSITION (DEFICIT) AT JUNE 30 | \$ (3,075,765) | \$ 26,550,457 | \$ 23,474,692 |

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

TOWN OF BEDFORD, VIRGINIA

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
Year Ended June 30, 2021

| | Business-Type Activities – Enterprise Funds | | |
|--|--|-----------------|---------------|
| | Solid Waste | Electric | Total |
| OPERATING ACTIVITIES | | | |
| Receipts from customers | \$ 814,091 | \$ 21,203,377 | \$ 22,017,468 |
| Payments to suppliers | (2,607,052) | (2,083,750) | (4,690,802) |
| Payments to employees | (317,170) | (15,991,079) | (16,308,249) |
| Net cash provided by (used in) operating activities | (2,110,131) | 3,128,548 | 1,018,417 |
| NONCAPITAL FINANCING ACTIVITIES | | | |
| Interfund borrowing | 2,270,109 | - | 2,270,109 |
| Transfer to other funds | - | (500,000) | (500,000) |
| Net cash provided by (used in) noncapital financing activities | 2,270,109 | (500,000) | 1,770,109 |
| CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Purchases of capital assets | (201,649) | (737,347) | (938,996) |
| Principal paid on capital debt | (83,608) | (1,299,000) | (1,382,608) |
| Interest paid on capital debt | (11,265) | (218,842) | (230,107) |
| Net cash used in capital and related financing activities | (296,522) | (2,255,189) | (2,551,711) |
| INVESTING ACTIVITIES | | | |
| Interest received | 7,701 | 291,196 | 298,897 |
| Net cash provided by investing activities | 7,701 | 291,196 | 298,897 |
| Net increase (decrease) in cash and cash equivalents | (128,843) | 664,555 | 535,712 |
| CASH AND CASH EQUIVALENTS | | | |
| Beginning at July 1 | 647,079 | 14,124,071 | 14,771,150 |
| Ending at June 30 | \$ 518,236 | \$ 14,788,626 | \$ 15,306,862 |
| RECONCILIATION TO EXHIBIT 8 | | | |
| Cash and cash equivalents | \$ - | \$ 14,300,677 | \$ 14,300,677 |
| Cash and cash equivalents, restricted | 518,236 | 487,949 | 1,006,185 |
| | \$ 518,236 | \$ 14,788,626 | \$ 15,306,862 |

(Continued)

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

TOWN OF BEDFORD, VIRGINIA

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
Year Ended June 30, 2021

| | Business-Type Activities – Enterprise Funds | | |
|---|--|---------------------|---------------------|
| | Solid Waste | Electric | Total |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | | | |
| Operating income (loss) | \$ (656,294) | \$ 1,303,233 | \$ 646,939 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | |
| Depreciation | 202,042 | 996,327 | 1,198,369 |
| Landfill closure and postclosure care | (1,708,382) | - | (1,708,382) |
| Pension expense net of employer contributions | 42,894 | 458,088 | 500,982 |
| Other postemployment benefit expense net of employer contributions | (1,732) | 1,155 | (577) |
| Change in assets and liabilities: | | | |
| (Increase) decrease in: | | | |
| Receivables, net | 17,072 | 375,227 | 392,299 |
| Net investment in direct financing lease | - | 341,024 | 341,024 |
| Inventories | - | 9,140 | 9,140 |
| (Decrease) increase in: | | | |
| Accounts payable and accrued liabilities | (10,138) | (421,970) | (432,108) |
| Accrued payroll and related liabilities | 1,039 | 10,598 | 11,637 |
| Customer security deposits | - | 31,027 | 31,027 |
| Compensated absences | 3,368 | 24,699 | 28,067 |
| Net cash provided by (used in) operating activities | <u>\$ (2,110,131)</u> | <u>\$ 3,128,548</u> | <u>\$ 1,018,417</u> |

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

TOWN OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies

A. The Financial Reporting Entity

The Town of Bedford, Virginia (the “Town”) was originally incorporated as a city in 1968. Effective July 1, 2013, the City reverted to town status, as more fully described in Note 22. The Town operates a Council-Manager form of government and provides municipal services to its residents. The financial statements of the reporting entity include only those of the Town (the primary government).

Discretely presented component units

Town of Bedford Redevelopment and Housing Authority

Under the *Code of Virginia*, the Commonwealth of Virginia created in each town and county, a redevelopment and housing authority which is a separate political subdivision of the Commonwealth. In 1970, Town Council activated the Town of Bedford Redevelopment and Housing Authority (the “Authority”). The Authority owns and operates federal and state-assisted housing projects for low-income families and administers urban development projects. Commissioners of the Authority are appointed by Town Council; the Town is not financially accountable for the Authority, however, the Town does provide financial support.

Economic Development Authority of the Town of Bedford

In 1970, Town Council created the Economic Development Authority of the Town of Bedford (the “EDA”). The EDA was established to promote industry and develop trade within the Town. The EDA is governed by a board of seven directors appointed by Town Council; the Town is not financially accountable for the EDA, however, the Town does provide financial support.

The following entity is are excluded from the accompanying financial statements:

Jointly governed organizations

Region 2000 Services Authority

During 2008, the Town, in conjunction with the Counties of Campbell, Nelson, and Appomattox, and the City of Lynchburg, created the Region 2000 Services Authority (the “Region 2000”). In 2013, the Town requested their agreement with the Region 2000 be terminated as the Town now has full access to Bedford County’s landfill. The Region 2000 agreed to release the Town. The Town will continue to be responsible for the closure and post-closure cost previously incurred at the Region 2000, which is recorded in the long-term liabilities of the solid waste fund.

(Continued)

TOWN OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

A. The Financial Reporting Entity (Continued)

Related organizations

Other Boards and Commissions

Town Council appoints certain members of various boards and commissions' governing bodies as provided under state and local laws and ordinances. However, the boards and commissions are advisory in nature and the Town is not financially accountable for these organizations.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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 and proprietary funds. Major individual enterprise funds are reported as separate columns in the fund financial statements.

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 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.

(Continued)

TOWN OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Intergovernmental revenues, consisting principally of categorical aid from federal and state agencies, are recognized when earned or at the time of the specific expenditure. Sales, communication sales and use, and public utility taxes, which are collected by the Commonwealth of Virginia and public utilities, respectively, and subsequently remitted to the Town, are recognized as revenues and receivables when measurable and available.

The Town reports the following major governmental fund:

The *general fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Town reports the following major proprietary funds:

The *solid waste fund* accounts for solid waste operations.

The *electric fund* accounts for electric distribution operations.

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.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the solid waste and electric enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(Continued)

TOWN OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgets and Budgetary Accounting

Following are the procedures used to establish the budgetary data reflected in the financial statements:

- 1) Prior to May 1, the Town Manager submits to Town Council a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted to obtain citizen comments.
- 3) Prior to June 30, the budget is legally enacted through passage of an appropriations resolution. The appropriations ordinance places legal restrictions on expenditures at the fund level.
- 4) The Town Manager is authorized to transfer budget amounts between departments within any fund; however, any revisions that alter the total budget amounts and/or appropriations of any fund must be approved by Town Council. Town Council approved additional appropriations of approximately \$1,600,000 during the current fiscal year primarily for unanticipated expenditures in general governmental administration, public works, public safety, and potential grant expenditures in community development.
- 5) Formal budgetary integration is employed as a management control device for all funds.
- 6) The budget for the general fund is adopted on the modified accrual basis of accounting.

Appropriations lapse on June 30 for all Town funds except for carry-forward requests approved by Council.

E. Cash and Cash Equivalents

The Town considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

F. Investments and Fair Value Measurement

Investments are stated at fair value.

The Town categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America (GAAP). The hierarchy is based on the valuation inputs used to measure the fair value of the asset and are described as follows.

- Level 1 inputs are quoted prices in active markets for identical assets;
- Level 2 inputs are significant other observable inputs;
- Level 3 inputs are significant unobservable inputs.

(Continued)

TOWN OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

G. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and specific account analysis.

H. Inventories

Inventories are stated at the lower of cost or market. Inventories consist of electric department parts and materials held for consumption, which are expensed when used.

I. Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. *Capital assets* are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Prior to June 30, 2015, donated capital assets were recorded at estimated fair market value at the date of donation. Subsequent to June 30, 2015, donated capital assets have been reported at acquisition value. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

| | |
|---------------------------------------|-------------|
| Buildings and improvements | 30-40 years |
| Machinery and equipment | 5-10 years |
| Distribution and transmission systems | 40-50 years |
| Infrastructure | 40-50 years |

Certain capital assets used specifically in landfill operations are depreciated based on the percentage of capacity used.

Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc.

(Continued)

TOWN OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statements that present net position reports a separate section for deferred outflows of resources. These items represent a consumption of net position that applies to future periods and so will *not* be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statements that present financial position reports a separate section for deferred inflows of resources. These items represent an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town has the following items that qualifies for reporting as deferred inflows or outflows:

- Deferred loss on refunding. A deferred loss on refunding is a deferred outflow which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Contributions subsequent to the measurement date for pensions and other postemployment benefits (OPEB) are always a deferred outflow; this will be applied to the net pension or OPEB liability in the next fiscal year.
- Differences between expected and actual experience for economic/demographic factors in the measurement of the total pension or OPEB liability. This difference will be recognized in pension or OPEB expense over the closed five-year period and may be reported as a deferred inflow or outflow as appropriate.
- Changes in actuarial assumptions that will be recognized in the pension and OPEB expenses over the closed five-year period.
- Changes in proportionate share between measurement dates on OPEB liability. This difference will be recognized in OPEB expense over the remaining service life of the employees subject to the plan.
- The governmental fund reports unavailable revenue from property taxes and other receivables, such as Bedford Regional Water Authority (BRWA) receivable, not collected within 45 days of year end and property taxes levied to fund future years.
- Difference between projected and actual earnings on pension and OPEB plan investments. This difference will be recognized in pension or OPEB expense over the closed five-year period and may be reported as a deferred outflow or inflow as appropriate.

(Continued)

TOWN OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

K. Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring all financial statement elements related to Virginia Retirement System (VRS) administered pension and OPEB plans, information about the fiduciary net position of the Town's Plans and the additions to/deductions from the Town's Plan's net fiduciary position have been determined on the same basis as they were reported by the VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

L. Compensated Absences

Town employees accumulate vacation time depending upon their length of service. Outstanding vacation time up to 30 days is payable upon termination of employment. All vacation pay is accrued when incurred in the government-wide and proprietary fund statements. A liability for these amounts is reported in the governmental fund only when the amounts are due and payable. Management believes the long-term portion of compensated absences is immaterial.

M. 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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Issuance costs are recognized during the period. Bonds payable are reported net of the applicable bond premium or discount.

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.

N. Net Position/Fund Balance

Net position in government-wide and proprietary financial statements is classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through state statute. Net investment in capital assets represents capital assets net of debt related to it.

(Continued)

TOWN OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

N. Net Position/Fund Balance (Continued)

Fund balance is divided into five classifications based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

- **Nonspendable** – Amounts that cannot be spent because they are not in spendable form, or are 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.
- **Restricted** – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed** – Amounts constrained to specific purposes by the Town using its highest level of decision making authority; to be reported as committed, amounts cannot be used for any other purposes unless the same level of action is taken to remove or change the constraint.
- **Assigned** – Amounts that are constrained by the Town’s intent to be used for specific purposes but are neither restricted nor committed. Fund balance may be assigned either through the encumbrance process as a result of normal purchasing activity (which includes the issuance of a purchase order), or by the Town Manager or his designee.
- **Unassigned** – Amounts that are available for any purpose; positive amounts are reported only in the general fund.

O. Restricted Amounts

The Town 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.

P. Minimum Fund Balance Policy

The governmental fund does not have specified fund balance targets. Recommended levels of committed and/or assigned fund balance will be determined on a case by case basis, based on the needs of the fund and as recommended by officials and approved by Council.

Q. 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. Significant encumbrances as of June 30 totaled \$345,403 in the general fund.

(Continued)

TOWN OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

R. Estimates

Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions 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.

Note 2. Deposits and Investments

Deposits

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

Investments

Investment policy

Statutes authorize the Town to invest in obligations of the United States or agencies thereof; obligations of the Commonwealth of Virginia or political subdivisions thereof; obligations of the International Bank for Reconstruction and Development (World Bank); the Asian Development Bank; the African Development Bank; “prime quality” commercial paper and certain corporate notes; banker’s acceptances; repurchase agreements; the Virginia State Non-Arbitrage Program (SNAP); and the State Treasurer’s Local Government Investment Pool (LGIP).

Pursuant to Sec. 2.1-234.7 of the *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP (a 2a-7 like pool) reports to the Treasury Board at their regularly scheduled monthly meetings and the fair value of the position in LGIP is the same as the value of the pool shares (i.e., the LGIP maintains a stable net asset value of \$1 per share). The investment policy specifies that no investment may have a maturity greater than three months from the date of purchase.

(Continued)

TOWN OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 2. Deposits and Investments (Continued)

Investments (Continued)

Credit risk

As required by state statute or by the Town, the policy requires that commercial paper have a short-term debt rating of no less than “A-1” (or its equivalent) from at least two of the following; Moody’s Investors Service, Standard & Poor’s, or Fitch Investor’s Service, provided that the issuing corporation has a net worth of \$50,000,000 and its long-term debt is rated A or better by Moody’s and Standard & Poor’s. Banker’s acceptances and certificates of deposit maturing in less than one year must have a short-term debt rating of at least “A-1” by Standard & Poor’s and “P-1” by Moody’s Investor Service. Open-ended investment funds must be registered under the Securities Act of the Commonwealth or the Federal Investment Company Act of 1940, provided that they invest only in securities approved for investment herein. Commonwealth of Virginia and Virginia Local Government Obligations secured by debt service reserve funds not subject to annual appropriation must be rated AA or higher by Moody’s or Standard & Poor’s. Repurchase agreements require that the counterparty be rated “A” or better by Moody’s and Standard & Poor’s.

Concentration of credit risk

Although the intent of the Policy is for the Town to diversify its investment portfolio to avoid incurring unreasonable risks regarding (i) security type, (ii) individual financial institution or issuing entity, or (iii) maturity, the policy places no limit on the amount the Town may invest in any one issuer.

Interest rate risk

The Policy limits certain investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Agency securities purchased must mature within five years of the date of purchase. Prime commercial paper must mature within 270 days of the date of purchase, and banker’s acceptances must mature within 180 days of the date of purchase.

As of June 30, the fair value, credit rating, percentage of portfolio, and weighted average maturity of investments are as follows:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Standard & Poor’s Credit Rating</u> | <u>Percentage of Portfolio</u> | <u>Weighted Average Maturity*</u> |
|-----------------------------|-------------------|--|--------------------------------|-----------------------------------|
| Government and Agency Bonds | \$ 590,062 | AAA | 100.00% | 22.82 |

* Weighted average maturity in years

(Continued)

TOWN OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 2. Deposits and Investments (Continued)

Investments (Continued)

Custodial credit risk

The Policy requires that all investment securities purchased by the Town be held in safekeeping by a third-party and evidenced by safekeeping receipts. As required by the *Code of Virginia*, all security holdings with maturities over 30 days may not be held in safekeeping with the “counterparty” to the investment transaction. As of June 30, 2021 investments are held in a bank’s trust department in the Town’s name.

Deposits and investments consist of the following:

| | |
|--------------------------------|---------------|
| Deposits | \$ 23,501,035 |
| Investments | 590,062 |
| | <hr/> |
| Total deposits and investments | \$ 24,091,097 |
| | <hr/> <hr/> |

Reconciliation of deposits and investments to Exhibit 1:

| | |
|--|---------------|
| Cash and cash equivalents – primary government | \$ 17,168,933 |
| Cash and cash equivalents – component units | 72,713 |
| Investments – primary government | 590,062 |
| Cash and cash equivalents, restricted – primary government | 6,259,389 |
| | <hr/> |

| | |
|--------------------------------|---------------|
| Total deposits and investments | \$ 24,091,097 |
| | <hr/> <hr/> |

Restricted cash and cash equivalents

Restricted cash and cash equivalents consists of the following:

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|--|---|--|---------------------|
| Unspent shared revenue sharing | \$ 71,258 | \$ - | \$ 71,258 |
| Maintained as a condition of certain bond instruments | 1,602,560 | 90,248 | 1,692,808 |
| Utility deposits | - | 397,701 | 397,701 |
| Landfill closure | - | 518,236 | 518,236 |
| Grant restrictions | 3,579,386 | - | 3,579,385 |
| | <hr/> | <hr/> | <hr/> |
| | \$ 5,253,204 | \$ 1,006,185 | \$ 6,259,389 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

(Continued)

TOWN OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 2. Deposits and Investments (Continued)

Investments (Continued)

The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. The Town has the following recurring fair value measurements as of June 30, 2021:

| | <u>Level 1</u> |
|-----------------------------|-----------------------|
| Debt securities | |
| Government and Agency Bonds | \$ 590,062 |
| Total | <u>\$ 590,062</u> |

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Note 3. Receivables

Receivables for the individual major funds are as follows:

| | <u>General</u> | <u>Solid Waste</u> | <u>Electric</u> | <u>Total</u> |
|----------------------------------|-----------------------|---------------------------|------------------------|---------------------|
| Receivables | | | | |
| Taxes | \$ 874,609 | \$ - | \$ - | \$ 874,609 |
| Accounts | 147,845 | 110,772 | 1,999,476 | 2,258,093 |
| Gross receivables | 1,022,454 | 110,772 | 1,999,476 | 3,132,702 |
| Less allowance for uncollectible | (172,175) | (15,925) | (158,184) | (346,284) |
| Net receivables | <u>\$ 850,279</u> | <u>\$ 94,847</u> | <u>\$ 1,841,292</u> | <u>\$ 2,786,418</u> |

Governmental funds report *unavailable revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At June 30, *unavailable revenue* related to taxes receivable was \$643,465 and the BRWA debt service receivable was \$2,771,354. Also at June 30, unearned revenue related to federal ARPA funding was \$3,422,431.

Note 4. Interfund Receivables, Payables, and Transfers

Amounts due from/to other funds are as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|-------------------------------|----------------------------|----------------------|
| General | Solid Waste | \$ 2,275,355 |
| | | <u>\$ 2,275,355</u> |

(Continued)

TOWN OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 4. Interfund Receivables, Payables, and Transfers (Continued)

The primary purpose of the interfund balances is to fund negative pooled cash amounts in the solid waste fund.

Interfund transfers totaling \$500,000 from the electric fund to the general fund were to finance general fund programs in accordance with budgetary authorizations.

Note 5. Due From Other Governmental Units

Amounts due from other governmental units is as follows:

| | Governmental Activities |
|--------------------------|------------------------------------|
| Commonwealth of Virginia | |
| Communications tax | \$ 16,945 |
| FEMA Grant | 40,000 |
| Rental tax | 1,044 |
| Other | 53,718 |
| | <hr/> |
| | \$ 111,707 |
| | <hr/> |

Note 6. Bedford Regional Water Authority Debt Service Receivable

On July 1, 2013, the water and sewer fund was closed. Certain assets were transferred to the newly created Bedford Regional Water Authority (BRWA). In consideration, BRWA agreed to pay debt service on certain General Obligation Bonds of the Town. The receivable has been deferred in the governmental funds as the amounts are not considered available, however, is recognized in the fund statements as recovered costs when normal payments are received. The receivable is due as follows:

| Year Ending | Principal | Interest |
|------------------------|------------------|-----------------|
| 2022 | \$ 482,343 | \$ 72,881 |
| 2023 | 490,011 | 65,475 |
| 2024 | 582,000 | 53,071 |
| 2025 | 600,000 | 35,902 |
| 2026 | 617,000 | 18,202 |
| | <hr/> | <hr/> |
| | \$ 2,771,354 | \$ 245,531 |
| | <hr/> | <hr/> |

(Continued)

TOWN OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 7. Capital Assets

Capital asset activity for the year was as follows:

| Governmental Activities | Beginning Balance | Increases | Decreases | Ending Balance |
|---|------------------------------|-------------------|-----------------------|---------------------------|
| Capital assets, not depreciated | | | | |
| Land | \$ 2,002,875 | \$ 29,870 | \$ - | \$ 2,032,745 |
| Construction in progress | 1,062,833 | 3,912 | (1,045,650) | 21,095 |
| Total capital assets, not depreciated | 3,065,708 | 33,782 | (1,045,650) | 2,053,840 |
| Capital assets, depreciated | | | | |
| Buildings and improvements | 5,160,162 | 272,391 | - | 5,432,553 |
| Machinery and equipment | 9,058,317 | 988,591 | - | 10,046,908 |
| Infrastructure | 15,027,978 | 622,107 | - | 15,650,085 |
| Total capital assets, depreciated | 29,246,457 | 1,883,089 | - | 31,129,546 |
| Less accumulated depreciation | | | | |
| Buildings and improvements | (2,793,825) | (62,328) | - | (2,856,153) |
| Machinery and equipment | (6,637,997) | (568,831) | - | (7,206,828) |
| Infrastructure | (9,935,531) | (509,432) | - | (10,444,963) |
| Total accumulated depreciation | (19,367,353) | (1,140,591) | - | (20,507,944) |
| Total capital assets, depreciated, net | 9,879,104 | 742,498 | - | 10,621,602 |
| Governmental activities capital assets, net | <u>\$ 12,944,812</u> | <u>\$ 776,280</u> | <u>\$ (1,045,650)</u> | <u>\$ 12,675,442</u> |
| Business-Type Activities | | | | |
| Capital assets, not depreciated | | | | |
| Land | \$ 710,517 | \$ 51,382 | \$ - | \$ 761,899 |
| Construction in progress | 1,798,686 | 694,280 | (196,149) | 2,296,817 |
| Total capital assets, not depreciated | 2,509,203 | 745,662 | (196,149) | 3,058,716 |
| Capital assets, depreciated | | | | |
| Buildings and improvements | 14,800,237 | - | - | 14,800,237 |
| Machinery and equipment | 8,241,062 | 301,386 | - | 8,542,448 |
| Landfill development costs | 3,315,945 | - | - | 3,315,945 |
| Distribution and transmission systems | 17,527,234 | 88,097 | - | 17,615,331 |
| Total capital assets, depreciated | 43,884,478 | 389,483 | - | 44,273,961 |

(Continued)

TOWN OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 7. Capital Assets (Continued)

| Business-Type Activities (Continued) | Beginning Balance | Increases | Decreases | Ending Balance |
|---|------------------------------|--------------------|-------------------|---------------------------|
| Less accumulated depreciation | | | | |
| Buildings and improvements | \$ (8,699,435) | \$ (342,539) | \$ - | \$ (9,041,974) |
| Machinery and equipment | (6,921,534) | (380,665) | - | (7,302,199) |
| Landfill development costs | (3,309,085) | (6,860) | - | (3,315,945) |
| Distribution and transmission systems | (8,000,397) | (468,305) | - | (8,468,702) |
| Total accumulated depreciation | (26,930,451) | (1,198,369) | - | (28,128,820) |
| Total capital assets, depreciated, net | 16,954,027 | (808,884) | - | 16,145,141 |
| Business-type activities capital assets, net | <u>\$ 19,463,230</u> | <u>\$ (63,222)</u> | <u>\$ 196,149</u> | <u>\$ 19,203,857</u> |

Depreciation expense was charged to functions/programs as follows:

| | |
|-----------------------------------|---------------------|
| Governmental activities | |
| General government administration | \$ 197,551 |
| Public safety | 460,571 |
| Public works | 307,047 |
| Community development | 175,422 |
| | <u>\$ 1,140,591</u> |
| Business-type activities | |
| Solid waste | \$ 202,042 |
| Electric | 996,327 |
| | <u>\$ 1,198,369</u> |

(Continued)

TOWN OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 8. Long-Term Liabilities

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

| Governmental Activities | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|--|--------------------------|-------------------|-----------------------|-----------------------|----------------------------|
| General obligation bonds | \$ 4,041,046 | \$ - | \$ (636,883) | \$ 3,404,163 | \$ 649,123 |
| Capital lease | 711,881 | - | (98,264) | 613,617 | 97,201 |
| Compensated absences | 229,310 | 280,265 | (229,310) | 280,265 | 280,265 |
| Landfill liability: | | | | | |
| Closed landfill | 2,800,000 | - | (300,000) | 2,500,000 | 250,000 |
| Governmental activities long-term liabilities | <u>\$ 7,782,237</u> | <u>\$ 280,265</u> | <u>\$ (1,264,457)</u> | <u>\$ 6,798,045</u> | <u>\$ 1,276,589</u> |
| Business-Type Activities | | | | | |
| General obligation bonds | \$ 6,544,708 | \$ - | \$ (1,159,100) | \$ 5,385,608 | \$ 1,184,780 |
| Revenue bonds | 1,075,000 | - | (145,000) | 930,000 | 160,000 |
| Capital lease | 133,925 | - | (18,508) | 115,417 | 18,308 |
| Payable to AMP: | | | | | |
| Contract (Note 15) | 716,697 | - | (60,000) | 656,697 | 60,000 |
| Compensated absences | 160,472 | 188,539 | (160,472) | 188,539 | 188,539 |
| Landfill liability: | | | | | |
| Region 2000 | 48,616 | - | (4,949) | 43,667 | - |
| Transfer station | 25,130 | 301 | - | 25,431 | - |
| Active landfill | 3,352,586 | 532,341 | (2,241,024) | 1,643,903 | - |
| Business-type activities long-term liabilities | <u>\$ 12,057,134</u> | <u>\$ 721,181</u> | <u>\$ (3,789,053)</u> | <u>\$ 8,989,262</u> | <u>\$ 1,611,627</u> |

Governmental activities long-term liabilities are liquidated by the general fund.

Compensated absences are expected to be liquidated in the upcoming year.

The annual requirements to amortize long-term debt and related interest are as follows:

| Year Ending June 30, | Governmental Activities | | | | Business-Type Activities | | | | | | |
|----------------------|-------------------------|-------------------|-------------------|------------------|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-----------------|
| | General Obligation | | | | General Obligation | | | | AMP Obligations | | |
| | Bonds | | Capital Lease | | Bonds | | Revenue Bonds | | Contract | Capital Lease | |
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Principal | Interest |
| 2022 | \$ 649,123 | \$ 96,803 | \$ 97,201 | \$ 12,109 | \$ 1,184,780 | \$ 118,039 | \$ 160,000 | \$ 69,509 | \$ 60,000 | \$ 18,308 | \$ 2,281 |
| 2023 | 661,811 | 83,167 | 99,121 | 10,188 | 1,210,460 | 92,490 | 170,000 | 56,818 | 60,000 | 18,669 | 1,919 |
| 2024 | 678,280 | 64,349 | 101,080 | 8,229 | 974,720 | 66,386 | 185,000 | 43,346 | 60,000 | 19,038 | 1,550 |
| 2025 | 698,020 | 43,493 | 103,077 | 6,231 | 996,980 | 44,747 | 200,000 | 28,507 | 60,000 | 19,414 | 1,174 |
| 2026 | 716,929 | 22,042 | 105,114 | 4,195 | 1,018,668 | 22,614 | 215,000 | 12,691 | 60,000 | 19,798 | 790 |
| 2027-2031 | - | - | 108,024 | 2,118 | - | - | - | - | 300,000 | 20,190 | 399 |
| 2032-2034 | - | - | - | - | - | - | - | - | 56,697 | - | - |
| | <u>\$ 3,404,163</u> | <u>\$ 309,854</u> | <u>\$ 613,617</u> | <u>\$ 43,070</u> | <u>\$ 5,385,608</u> | <u>\$ 344,276</u> | <u>\$ 930,000</u> | <u>\$ 210,871</u> | <u>\$ 656,697</u> | <u>\$ 115,417</u> | <u>\$ 8,113</u> |

(Continued)

TOWN OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 8. Long-Term Liabilities (Continued)

Details of long-term indebtedness are as follows:

| | Interest Rates | Date Issued | Final Maturity Date | Amount of Original Issue | Governmental Activities | Business-Type Activities |
|---|---------------------------|------------------------|------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|
| <u>General Obligation Bonds</u> | | | | | | |
| Virginia Revolving Loan Fund: | | | | | | |
| Water and sewer | 0.0% | 04/2002 | 2022 | \$ 2,866,300 | \$ 214,972 | \$ - |
| Water and sewer | 0.0 | 09/2001 | 2022 | 1,800,000 | 90,000 | - |
| Public improvement | 2.8-3.6 | 04/2008 | 2023 | 5,472,438 | 170,202 | - |
| Public improvement | 2.9 | 03/2011 | 2026 | 5,485,000 | 2,447,585 | - |
| Public improvement | 1.9-2.2 | 12/2017 | 2026 | 5,485,000 | 481,404 | 5,385,608 |
| | | | | | <u>\$ 3,404,163</u> | <u>\$ 5,385,608</u> |
| <u>Revenue Bonds</u> | | | | | | |
| Virginia Resources Authority: | | | | | | |
| Taxable lease | 7.8% | 06/1996 | 2026 | \$ 2,630,000 | <u>\$ -</u> | <u>\$ 930,000</u> |
| <u>Obligations Payable – AMP</u> | | | | | | |
| Generating station contract | 0.8% | N/A | 2029 | \$ 1,081,697 | <u>\$ -</u> | <u>\$ 656,697</u> |
| <u>Capital Lease</u> | | | | | | |
| Capital lease | 1.976% | 12/2019 | 2026 | \$ 844,974 | <u>\$ 613,617</u> | <u>\$ 115,417</u> |

Capital Lease – Equipment

During fiscal year 2020, the Town entered into a capital lease totaling \$845,806 for machinery and equipment.

The assets acquired through a capital lease is as follows:

| | |
|--------------------------------|-------------------|
| Machinery and equipment | \$ 844,974 |
| Less: accumulated depreciation | <u>(64,477)</u> |
| | <u>\$ 780,497</u> |

(Continued)

TOWN OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 8. Long-Term Liabilities (Continued)

Obligations Payable – AMP

Generating Station Contract

During 2008, the Town entered into a “take or pay” power sales contract with American Municipal Power (AMP) whereby it agreed to participate in the guaranteed purchase of electric generation capacity from a coal-fired generating facility. The participants authorized AMP to acquire ownership interest in the project, and the Town agreed to purchase 1.25% of the power generated under that ownership interest. The project was cancelled, which resulted in stranded costs that are owed by each participant. The Town elected to participate in a new project, the AMP Fremont Energy Center (AFEC) natural gas combined cycle project, which reduced the estimated stranded costs to \$1,081,697, due to certain development costs being transferred to the AFEC project. The ultimate outcome that will be paid by the Town is unclear; ongoing litigation related to the failure of the project could reduce the Town’s liability, if successful. However, the Town’s share of the litigation costs will be added to this liability as they are incurred. Also, AMP’s management believes that approximately \$425,000 of the stranded costs (related to undeveloped land and permitting costs) are likely to have future benefit to the participants, and if so, would reduce the amount owed by the Town. In June 2014, the Town elected to begin repaying the estimated total stranded costs over a 15-year period. The obligation bears interest based upon AMP’s own borrowing costs, which is 0.80%.

Note 9. Landfill Closure and Postclosure Care Costs

Closed landfill

The Town closed its former landfill site in 1994. In accordance with federal and state laws, the Town placed a final cover on this site and was required to perform certain maintenance and monitoring functions for a minimum of ten years after closure. The cumulative amount of estimated closure and postclosure care costs for this site, less costs paid to date, totals \$2,500,000. The presence of certain contaminants has been detected in the groundwater on adjacent property. The estimated liability is based on the Virginia Department of Environmental Quality (DEQ) accepting the active remedy proposed by the Town. If the DEQ does not accept the active remedy, the actual costs may increase. Also, actual costs may be higher due to inflation, changes in technology, changes in regulations, or other unforeseen circumstances.

Active landfill

This landfill site began accepting waste in 1994. State and federal laws require the Town to place a final cover on this site when it stops accepting waste and to perform maintenance and monitoring functions for thirty years after closure. During 2021, the remaining capacity in the open landfill was considered 100% full and the landfill closed. The cumulative amount of remaining estimated closure and postclosure care costs for this site, less costs paid to date, totals \$1,643,903. Actual costs may be higher due to inflation, changes in technology, changes in regulations, or other unforeseen circumstances.

The Town uses the financial assurance test method of demonstrating its ability to fund closure and postclosure care cost.

(Continued)

TOWN OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 10. Net Position/Fund Equity

General fund balance is classified below based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of the resources:

| | |
|---|---------------------|
| Nonspendable for: | |
| Corpus of permanent fund | \$ 933,487 |
| Restricted for: | |
| General governmental administration (grant funding) | 35,345 |
| Community development (cemetery) | 82,040 |
| 2010 GO Bond | 71,258 |
| Debt service reserves | 1,602,560 |
| | <u>1,791,203</u> |
| Assigned to: | |
| Public safety (encumbrances) | 2,493 |
| Public works (encumbrances) | 336,334 |
| General government (encumbrances) | 6,576 |
| | <u>345,403</u> |
| Unassigned | <u>4,739,542</u> |
| Total fund balance | <u>\$ 7,809,635</u> |

Deficit net position

At June 30, the solid waste fund had a deficit net position of \$3,075,765, which is anticipated to be recovered through future revenues, as well as possible transfers from the general and/or electric funds.

Note 11. Defined Benefit Pension Plan

Plan description

All full-time, salaried permanent employees of the Town of Bedford, (the “Political Subdivision”) are automatically covered by the VRS Retirement Plan upon employment. This multi-employer agent plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are available at

- <https://www.varetire.org/members/benefits/defined-benefit/plan1.asp>,
- <https://www.varetire.org/members/benefits/defined-benefit/plan2.asp>,
- <https://www.varetirement.org/hybrid.html>.

(Continued)

TOWN OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 11. Defined Benefit Pension Plan (Continued)

Employees covered by benefit terms

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

| | <u>Number</u> |
|--|-------------------|
| Inactive members or their beneficiaries currently receiving benefits | <u>126</u> |
| Inactive members: | |
| Vested inactive members | 15 |
| Non-vested inactive members | 33 |
| Inactive members active elsewhere in VRS | <u>61</u> |
| Total inactive members | <u>109</u> |
| Active members | <u>91</u> |
| Total covered employees | <u><u>326</u></u> |

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The political subdivision's contractually required contribution rate for the year ended June 30, 2021 was 17.50% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$822,321 and \$754,248 for the years ended June 30, 2021 and June 30, 2020, respectively.

Net pension liability

The net pension liability is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019 rolled forward to the measurement date of June 30, 2020.

(Continued)

TOWN OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 11. Defined Benefit Pension Plan (Continued)

Actuarial assumptions

The total pension liability for General Employees and Public Safety Employees with hazardous duty benefits, in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

| | |
|--|---|
| Inflation | 2.50% |
| General Employees – Salary increases, including inflation | 3.50 – 5.35% |
| Public Safety Employees with hazardous duty benefits – Salary increases, including inflation | 3.50 – 4.75% |
| Investment rate of return | 6.75%, net of pension plan investment expense, including inflation* |

- * Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service related. Public Safety Employees – 45% to 70% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2014 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Update mortality table; lowered retirement rates at older ages, changed final retirement from 70 to 75; adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; lowered disability rates, no change to salary scale, increased rate of line of duty disability from 14% to 20% (Largest 10) or 15% (All Others), and decreased discount rate from 7.00% to 6.75%.

Public Safety Employees – Largest 10 – Hazardous Duty and All Others (Non 10 Largest): Update mortality table; lowered retirement rate at older ages; adjusted rates of withdrawal and disability to better fit experience; changes to line of duty rates, no changes to salary scale, and decreased discount rate from 7.00% to 6.75%.

(Continued)

TOWN OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 11. Defined Benefit Pension Plan (Continued)

Long-term expected rate of return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class (Strategy)</u> | <u>Target Allocation</u> | <u>Arithmetic Long-Term Expected Rate of Return</u> | <u>Weighted Average Long-Term Expected Rate of Return</u> |
|--------------------------------------|-------------------------------------|---|---|
| Public Equity | 34.00 % | 4.65 % | 1.58 % |
| Fixed Income | 15.00 | 0.46 | 0.07 |
| Credit Strategies | 14.00 | 5.38 | 0.75 |
| Real Assets | 14.00 | 5.01 | 0.70 |
| Private Equity | 14.00 | 8.34 | 1.17 |
| MAPS – Multi-Asset Public Strategies | 6.00 | 3.04 | 0.18 |
| PIP – Private Investment Partnership | 3.00 | 6.49 | 0.19 |
| Total | 100.00 % | | 4.64 % |
| | Inflation | | 2.50 % |
| | *Expected arithmetic nominal return | | 7.14 % |

- * The above allocation provides for a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the fiscal year 2020 actuarial valuations, provide a median return of 6.81%.

(Continued)

TOWN OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 11. Defined Benefit Pension Plan (Continued)

Discount rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in the fiscal year 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever is greater. From July 1, 2020 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in net pension liability

| | Increase (Decrease) | | |
|--|--|--|--|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) – (b) |
| Balances at June 30, 2019 | \$ 30,253,069 | \$ 22,669,346 | \$ 7,583,723 |
| Changes for the year: | | | |
| Service cost | 497,869 | - | 497,869 |
| Interest | 1,982,345 | - | 1,982,345 |
| Differences between expected and actual experience | 494,475 | - | 494,475 |
| Contributions – employer | - | 754,248 | (754,248) |
| Contributions – employee | - | 201,269 | (201,269) |
| Net investment income | - | 429,522 | (429,522) |
| Benefit payments, including refunds of employee contributions | (1,769,994) | (1,769,994) | - |
| Administrative expenses | - | (15,037) | 15,037 |
| Other changes | - | 239 | (239) |
| Net changes | 1,204,695 | (399,753) | 1,604,448 |
| Balances at June 30, 2020 | \$ 31,457,764 | \$ 22,269,593 | \$ 9,188,171 |

(Continued)

TOWN OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 11. Defined Benefit Pension Plan (Continued)

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the political subdivision using the discount rate of 6.75%, as well as what the political subdivision's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

| | 1.00% Decrease (5.75%) | Current Discount Rate (6.75%) | 1.00% Increase (7.75%) |
|---|---------------------------------------|--|---------------------------------------|
| Political subdivision's net pension liability | <u>\$ 12,713,772</u> | <u>\$ 9,188,171</u> | <u>\$ 6,221,901</u> |

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the year ended June 30, 2021, the political subdivision recognized pension expense of \$1,900,654. At June 30, 2021, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 344,899 | \$ - |
| Change in assumptions | 80,841 | - |
| Net difference between projected and actual earnings on pension plan investments | 665,927 | - |
| Employer contributions subsequent to the measurement date | <u>822,321</u> | <u>-</u> |
| | <u>\$ 1,913,988</u> | <u>\$ -</u> |

(Continued)

TOWN OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 11. Defined Benefit Pension Plan (Continued)

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions (Continued)

The \$822,321 reported as deferred outflows of resources related to pensions resulting from the Political Subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30, | Increase to Pension Expense |
|--------------------------------|--|
| 2022 | \$ 390,533 |
| 2023 | 256,147 |
| 2024 | 230,457 |
| 2025 | 214,530 |
| 2026 | - |
| Thereafter | - |

Pension plan data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 12. Other Postemployment Benefits Liability – Local Plan

Plan description

The Town provides postemployment medical coverage for retired employees through a single-employer defined benefit plan. The plan is established under the authority of Town Council, which may also amend the plan as deemed appropriate. Participants must meet eligibility requirements based on service earned with the Town to be eligible to receive benefits upon retirement. Only participants who retire directly from active service are eligible for the OPEB.

- General government with membership dates before July 1, 2010 (Plan 1) – Participants must have attained age 50 with a minimum of 30 years of service.
- General government with membership dates on or after July 1, 2010 (Plan 2) – receive reduced benefits after attaining 90 points (age plus service) with VRS.
- Law enforcement officers – Participants must have attained age 50 with a minimum of 25 years of service.

(Continued)

TOWN OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 12. Other Postemployment Benefits – Local Plan (Continued)

Benefits provided

Benefits include medical, dental, and vision insurance. Participating retirees pay monthly premiums to continue with the Town's insurance plans. Benefits end at the earlier of the retiree's death or attainment of age 65.

Employees covered by benefit terms

As of the June 30, 2020 actuarial valuation, the following employees were covered by the benefit terms of the plan:

| | |
|---------------------|----|
| Active plan members | 89 |
|---------------------|----|

Total OPEB liability

The Town's total OPEB liability of \$169,388 was measured as of June 30, 2021 and was determined based on an actuarial valuation performed as of June 30, 2020.

Actuarial assumptions and other inputs

The total OPEB liability was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|--|-------------------------------|
| Inflation | 2.50% |
| Salary increases, including inflation | 4.00% |
| Healthcare cost trend rates | 6.50% Initial, 4.50% Ultimate |
| Retirees' share of benefit-related costs | Same as Health Care Trend |

Mortality rates: RP-2014 Combined Annuitant Mortality Table for males and females.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2019 through June 30, 2020.

Changes in assumptions and other inputs reflect a change in the discount rate.

(Continued)

TOWN OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 12. Other Postemployment Benefits – Local Plan (Continued)

Changes in the total OPEB liability

| | |
|-----------------------------------|------------|
| Balance at June 30, 2020 | \$ 147,924 |
| Changes for the year: | |
| Service cost | 14,658 |
| Interest | 3,886 |
| Assumption or other input changes | 6,619 |
| Benefit payments | (3,699) |
| Net changes | 21,464 |
| Balance at June 30, 2021 | \$ 169,388 |

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.18%) or one percentage point higher (3.18%) than the current discount rate:

| | 1.00% Decrease (1.18%) | Current Discount Rate (2.18%) | 1.00% Increase (3.18%) |
|----------------------|---------------------------------------|--|---------------------------------------|
| Total OPEB liability | \$ 184,089 | \$ 169,388 | \$ 155,901 |

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current healthcare cost trend rates:

| | 1.00% Decrease (5.50%) | Current Healthcare Cost Trend Rates (6.50%) | 1.00% Increase (7.50%) |
|----------------------|---------------------------------------|--|---------------------------------------|
| Total OPEB liability | \$ 149,790 | \$ 169,388 | \$ 192,680 |

(Continued)

TOWN OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 12. Other Postemployment Benefits – Local Plan (Continued)

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended June 30, 2021, the Town recognized OPEB expense of \$10,934. At June 30, 2021, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ - | \$ 29,190 |
| Change in assumptions | 19,974 | 39,098 |
| | <u>\$ 19,974</u> | <u>\$ 68,288</u> |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ended June 30, | Reduction to OPEB Expense |
|--------------------------------|--|
| 2022 | \$ (7,608) |
| 2023 | (7,608) |
| 2024 | (7,608) |
| 2025 | (7,608) |
| 2026 | (7,608) |
| Thereafter | (10,274) |

Note 13. Other Postemployment Benefits Liability – Virginia Retirement System Plans

In addition to their participation in the pension plans offered through the Virginia Retirement System (VRS), the Town also participates in various cost-sharing and agent multi-employer other postemployment benefit plans, described as follows.

Plan Descriptions

Group Life Insurance Program

All full-time employees of political subdivisions are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment.

(Continued)

TOWN OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 13. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Plan Descriptions (Continued)

Group Life Insurance Program (Continued)

In addition to the Basic Group Life Insurance Benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB.

Specific information for the GLI is available at <https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp>

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2019. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

| | |
|----------------------------|---|
| Governed by: | <i>Code of Virginia 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.</i> |
| Total rate: | 1.34% of covered employee compensation. Rate allocated 60/40; 0.80% employee and 0.54% employer. Employers may elect to pay all or part of the employee contribution. |
| June 30, 2021 Contribution | \$23,010 |
| June 30, 2020 Contribution | \$22,154 |

OPEB Liability, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

The net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the net OPEB liability, was based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers.

(Continued)

TOWN OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 13. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

OPEB Liability, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB (Continued)

Group Life Insurance Program

| | |
|--|------------|
| June 30, 2021 proportionate share of liability | \$ 342,779 |
| June 30, 2020 proportion | 0.02054% |
| June 30, 2019 proportion | 0.02119% |
| June 30, 2021 expense | \$ 14,278 |

Since there was a change in proportionate share between measurement dates, a portion of the OPEB expense above was related to deferred amount from changes in proportion.

At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 21,986 | \$ 3,079 |
| Change in assumptions | 17,143 | 7,157 |
| Net difference between projected and actual earnings on OPEB plan investments | 10,297 | - |
| Changes in proportion | 10,013 | 8,293 |
| Employer contributions subsequent to the measurement date | 23,010 | - |
| | <u>\$ 82,449</u> | <u>\$ 18,529</u> |

(Continued)

TOWN OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 13. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

OPEB Liability, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB (Continued)

The deferred outflows of resources related to OPEB resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future periods as follows:

Group Life Insurance Program

| Year Ended June 30, | Increase (Reduction) to OPEB Expense |
|--------------------------------|---|
| 2022 | \$ 6,370 |
| 2023 | 9,278 |
| 2024 | 11,932 |
| 2025 | 11,702 |
| 2026 | 1,797 |
| Thereafter | (169) |

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2019, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020:

| | |
|--|---------------|
| Inflation | 2.50% |
| Salary increases, including inflation: | |
| • Locality – general employees | 3.50 – 5.35% |
| • Locality – hazardous duty employees | 3.50 – 4.75% |
| Healthcare cost trend rates: | |
| • Under age 65 | 7.00 – 4.75% |
| • Ages 65 and older | 5.375 – 4.75% |
| Investment rate of return, net of expenses, including inflation* | GLI: 6.75%; |

- * Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment rate for GASB purposes of slightly more than the assumed percent above. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be the percent noted above to simplify preparation of OPEB liabilities.

(Continued)

TOWN OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 13. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Actuarial Assumptions and Other Inputs (Continued)

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 11.

Net OPEB Liability

The net OPEB liability represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2020, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

| | <u>Group Life Insurance Program</u> |
|---|--|
| Total OPEB liability | \$ 3,523,937 |
| Plan fiduciary net position | 1,855,102 |
| Employers' net OPEB liability | 1,668,835 |
| Plan fiduciary net position as a percentage of total OPEB liability | 52.64% |

The total liability is calculated by the VRS actuary and each plan's fiduciary net position is reported in the VRS financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the VRS notes to the financial statements and required supplementary information.

(Continued)

TOWN OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 13. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Long-Term Expected Rate of Return

Group Life Insurance

The long-term expected rate of return on VRS investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class (Strategy)</u> | <u>Target Allocation</u> | <u>Arithmetic Long-Term Expected Rate of Return</u> | <u>Weighted Average Long-Term Expected Rate of Return</u> |
|--------------------------------------|--------------------------|---|---|
| Public Equity | 34.00 % | 4.65 % | 1.58 % |
| Fixed Income | 15.00 | 0.46 | 0.07 |
| Credit Strategies | 14.00 | 5.38 | 0.75 |
| Real Assets | 14.00 | 5.01 | 0.70 |
| Private Equity | 14.00 | 8.34 | 1.17 |
| MAPS – Multi-Asset Public Strategies | 6.00 | 3.04 | 0.18 |
| PIP – Private Investment Partnership | 3.00 | 6.49 | 0.19 |
| Total | 100.00 % | | <u>4.64 %</u> |
| Inflation | | | <u>2.50 %</u> |
| *Expected arithmetic nominal return | | | <u>7.14 %</u> |

- * The above allocation provides for a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the fiscal year 2020 actuarial valuations provide a median return of 6.81%.

(Continued)

TOWN OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 13. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Discount Rate

The discount rate used to measure the GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2020, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2020 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current discount rate:

| | 1.00% Decrease (5.75%) | Current Discount Rate (6.75%) | 1.00% Increase (7.75%) |
|------------------------|---------------------------------------|--|---------------------------------------|
| GLI Net OPEB liability | \$ 450,609 | \$ 342,779 | \$ 255,211 |

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

(Continued)

TOWN OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 14. Summary of Pension and Other Postemployment Benefit Elements

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total Primary Government</u> |
|---|---|--|--|
| Deferred outflows of resources – pensions | | | |
| Change of assumptions | | | |
| VRS | \$ 47,439 | \$ 33,402 | \$ 80,841 |
| Net difference between projected and actual investment earnings on pension plan investments | | | |
| VRS | 390,932 | 274,995 | 665,927 |
| Difference between expected and actual experience | | | |
| VRS | 202,393 | 142,506 | 344,899 |
| Employer contributions subsequent to the measurement date | | | |
| VRS | <u>482,554</u> | <u>339,767</u> | <u>822,321</u> |
| Total deferred outflows of resources – pensions | <u><u>\$ 1,123,318</u></u> | <u><u>\$ 790,670</u></u> | <u><u>\$ 1,913,988</u></u> |
| Deferred outflows of resources – OPEB | | | |
| Change in assumptions | | | |
| Local plan | \$ 11,635 | \$ 8,339 | \$ 19,974 |
| VRS GLI | 9,986 | 7,157 | 17,143 |
| Net difference between projected and actual investment earnings on pension plan investments | | | |
| VRS | 5,998 | 4,299 | 10,297 |
| Difference between expected and actual experience | | | |
| VRS GLI | 13,922 | 8,064 | 21,986 |
| Changes in proportion | | | |
| VRS GLI | 5,833 | 4,180 | 10,013 |
| Employer contributions subsequent to the measurement date | | | |
| VRS GLI | <u>13,404</u> | <u>9,606</u> | <u>23,010</u> |
| Total deferred outflows of resources – OPEB | <u><u>\$ 60,778</u></u> | <u><u>\$ 41,645</u></u> | <u><u>\$ 102,423</u></u> |

(Continued)

TOWN OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 14. Summary of Pension and Other Postemployment Benefit Elements (Continued)

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total Primary Government</u> |
|--|---|--|--|
| Net pension liability | | | |
| VRS | \$ 5,392,232 | \$ 3,795,939 | \$ 9,188,171 |
| Net OPEB liability | | | |
| Local plan | \$ 108,125 | \$ 61,263 | \$ 169,388 |
| VRS GLI | 199,673 | 143,106 | 342,779 |
| Total net OPEB liability | \$ 307,798 | \$ 204,369 | \$ 512,167 |
| Deferred inflows of resources – OPEB | | | |
| Difference between expected and actual experience | | | |
| Local plan | \$ 17,004 | \$ 12,186 | \$ 29,190 |
| VRS GLI | 1,794 | 1,285 | 3,079 |
| Changes in proportion | | | |
| VRS GLI | 4,831 | 3,462 | 8,293 |
| Changes in assumptions | | | |
| Local plan | 26,586 | 12,512 | 39,098 |
| VRS GLI | 4,169 | 2,988 | 7,157 |
| Total deferred inflow of resources – OPEB | \$ 54,384 | \$ 32,433 | \$ 86,817 |
| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total Primary Government</u> |
| Pension expense | | | |
| VRS | \$ 1,115,341 | \$ 785,313 | \$ 1,900,654 |
| OPEB expense | | | |
| Local plan | \$ 6,979 | \$ 3,955 | \$ 10,934 |
| VRS GLI | 8,317 | 5,961 | 14,278 |
| Total OPEB expense | \$ 15,296 | \$ 9,916 | \$ 25,212 |

(Continued)

TOWN OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 15. Service Contracts

Power purchase contracts

Holcomb Rock and Coleman Falls

As of September 1, 2019, the Town entered into a purchase power agreement (PPA) to purchase all of the energy generated from two hydroelectric facilities. The agreement provides for extensions with written notice at least six (6) months prior to the scheduled termination of the PPA of either Party's intent to not extend or to renew the PPA. The parameters of the purchase of power remained the same from the prior agreement with the exception of the rate. The terms of the old agreement required the Town to pay a fixed rate of \$0.05 per kilowatt-hour (kWh) for energy produced by the facilities. The new negotiated rate aligns the cost of the energy to the current kWh market rate at time of purchase with a maximum purchase price of \$0.031/kWh. The aggregate amount of this contracted energy to be delivered to the Town under average hydrologic conditions is expected to be approximately 15,000 kilowatt-hours per year.

AMP – Master Service Agreement

In 2018, the Town entered a power sales contract with AMP with an automatic annual renewal clause. The agreement requires the Town to purchase a minimum amount of power which varies based on expected usage. The Town is charged for this power at various adjustable rates based on current market conditions.

AMP – Prairie State Energy Project

During 2008, the Town entered a power sales contract with AMP whereby it and others agreed to participate in the guaranteed purchase of electric generation from a coal-fired generating facility. The participants authorized AMP to acquire ownership interest in the project, and the Town agreed to purchase 1.89% of the power generated under that ownership interest. The contract is on a "take-or-pay" basis which means the Town is required to pay its guaranteed portion whether or not it is used and payment is not conditioned on the performance by AMP under the contract. The obligations are required to be paid whether or not the project is completed, operable, or operating and as long as bonds issued by AMP remain outstanding. The ultimate amounts payable under the contract are currently undeterminable. The contract extends through 2057. Payments under the agreement began in 2012. The contract contains a step-up provision which provides that in the event of the default of a participant, non-defaulting participants may be required to purchase an increased share of power. See Note 8 for repayment terms remaining on the AMP contract related to this project.

TOWN OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 15. Service Contracts (Continued)

Power purchase contracts (Continued)

AMP – Fremont Energy Center

During 2011, the Town entered a power sales contract with AMP whereby it and others agreed to participate in the guaranteed purchase of a natural gas-fired combined cycle power generating plant. The participants authorized AMP to acquire ownership interest in the project, and the Town agreed to purchase 1.25% of the power generated under that ownership interest. The contract is on a “take-or-pay” basis which means the Town is required to pay its guaranteed portion whether or not it is used and payment is not conditioned on the performance by AMP under the contract. The obligations are required to be paid whether or not the project is completed, operable, or operating and as long as bonds issued by AMP remain outstanding. The amount payable under the contract is currently undeterminable. The contract extends through 2047. Payments under the agreement began in 2012. The contract contains a step-up provision which provides that in the event of the default of a participant, non-defaulting participants may be required to purchase an increased share of power.

Bedford Solar LLC

In 2017, the Town agreed to purchase the output of a Solar generating facility to be constructed at 1477 Draper Road. The term of the Purchase Power Agreement (PPA) is 20 years. The capacity of the plant is 3 MW AC. The amount of energy purchased under the agreement varies in accordance with the plant’s production. The state of the art facility consists of a single axes tracking system with 10,188 solar panels, and it began generating electricity in January 2018. The PPA has a fixed rate of \$.0619 per kWh delivered to the Town’s electric system.

Note 16. Property Taxes

During 2014, the Town adopted Bedford County’s tax billing schedule. Property taxes are levied on a calendar year basis. The County provides the Town with the assessed value as of January 1 for real and personal property. Real estate taxes are payable June 5 and December 5. The real estate tax rate was \$0.32 per \$100 of assessed value for both 2021 and 2020.

Personal property taxes are payable on December 5. The personal property tax rate was \$1.06 per \$100 for both 2021 and 2020. A penalty of 10% for late payment and interest at the rate of 10% per annum, is charged on unpaid balances. The Town bills and collects its own property taxes.

Note 17. Risk Management

The Risk Management programs of the Town are as follows:

Workers’ compensation

The Town is a member of the Virginia Municipal League Insurance Programs for workers’ compensation insurance. Benefits are provided by the Commonwealth of Virginia. Premiums are based on covered payroll, job rates, and claims experience. Total premiums for fiscal year 2021 were \$89,010.

(Continued)

TOWN OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 17. Risk Management (Continued)

General liability and other

The Town purchases insurance coverage for exposure related to property, general, boiler and machinery, flood, accident and automobile liability from Virginia Municipal League Insurance Programs. The Town's property and contents are insured up to a limit of approximately \$63,000,000. The Town maintains an additional \$5,000,000 umbrella policy over all forms of liability insurance. The Town's Public Officials and Law Enforcement Liability coverages, with a \$1,000,000 limit for each, are provided through a policy with the Commonwealth of Virginia. Total premiums for fiscal year 2021 were \$182,682.

Healthcare

The Town provides healthcare coverage for employees through a policy with Anthem. The Town contributes towards the premium for each employee that elects to be covered. Dependents are also covered provided they pay the additional premium to the Town. Total premiums paid by the Town for fiscal year 2021 were \$794,730.

Other

There were no significant reductions in insurance coverages from the prior year and no settlements that exceeded the amount of insurance coverage during the last three fiscal years.

Note 18. Direct Financing Lease

The electric fund is the lessor of certain equipment relating to an electric substation for a thirty-year term through 2029. The lessee provides all maintenance and repairs. The lease is a direct financing lease since the lessee will purchase the equipment at the end of the lease term.

Following are the components of the net investment in the direct financing lease:

| | |
|--|---------------------|
| Total minimum lease payments | \$ 2,419,593 |
| Guaranteed residual value | 669,515 |
| Unearned income | <u>(1,118,948)</u> |
| Net investment in direct financing lease | <u>\$ 1,970,160</u> |

Monthly payments are \$29,152 through May 2026, at which time the guaranteed residual value is due.

Note 19. Commitments and Contingencies

Grants

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. Management believes disallowances, if any, would not be material to the financial position of the Town.

(Continued)

TOWN OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 20. Major Customer/Taxpayer

During fiscal year 2021, approximately 7.5% of the Town's business-type revenues were generated by two industrial customers.

Note 21. New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective. The effective dates below are updated based on **Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*** due to the COVID-19 pandemic.

In June 2017, The GASB issued **Statement No. 87, *Leases***. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021.

In May 2019, the GASB issued **Statement No. 91, *Conduit Debt Obligations***. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

In January 2020, the GASB issued **Statement No. 92, *Omnibus***. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued **Statement No. 93, *Replacement of Interbank Offered Rates***. This Statement addresses accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued **Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements***. This Statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In May 2020, the GASB issued **Statement No. 96, *Subscription-Based Information Technology Arrangements***. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

(Continued)

TOWN OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 21. New Accounting Standards (Continued)

In June 2020, the GASB issued **Statement No. 97**, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. This Statement provides a more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

Note 22. Reversion to Town Status

On July 1, 2013, the City of Bedford reverted to town status. Certain governmental activities capital assets in the amount of \$2,132,737 were transferred to Bedford County, including the library and elementary school. Due to the reversion, the County receives an increase in state education funding for 15 years (“Incentive Payments”). In consideration for assets transferred, the County agreed to pay the Town \$500,000 annually for a period of 15 years. In any year in which the Incentive Payment is greater than \$4,000,000, the County shall pay the Town an additional \$250,000. If the Incentive Payment is less than \$4,000,000, the payment to the Town will be reduced by a formula described in the reversion agreement. For the year ended June 30, 2021, the Town received \$750,000 from the County related to Incentive Payments.

Note 23. COVID-19 Impact

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The Town’s operations are heavily dependent on the ability to raise taxes, assess fees, and access the capital markets. Additionally, access to grants and contracts from federal and state governments may decrease or may not be available depending on appropriations. The outbreak will have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. During fiscal year 2021, the Town received \$1,110,102 from the CARES Act and \$3,422,431 from the ARPA relief funds. The CARES Act funds were passed-through from the County of Bedford, Virginia.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude the pandemic will have on the Town’s financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Town is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2022.

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REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF BEDFORD, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS June 30, 2021

| | Plan Year | | |
|--|---------------------|---------------------|---------------------|
| | 2020 | 2019 | 2018 |
| Total Pension Liability | | | |
| Service cost | \$ 497,869 | \$ 476,886 | \$ 394,465 |
| Interest on total pension liability | 1,982,345 | 1,908,225 | 1,884,105 |
| Changes of assumptions | - | 783,811 | - |
| Difference between expected and actual experience | 494,475 | 728,973 | (183,495) |
| Benefit payments, including refunds of employee contributions | (1,769,994) | (1,810,366) | (1,690,641) |
| Net change in total pension liability | 1,204,695 | 2,087,529 | 404,434 |
| Total pension liability – beginning | <u>30,253,069</u> | <u>28,165,540</u> | <u>27,761,106</u> |
| Total pension liability – ending | <u>31,457,764</u> | <u>30,253,069</u> | <u>28,165,540</u> |
| Plan Fiduciary Net Position | | | |
| Contributions – employer | 754,248 | 745,362 | 799,165 |
| Contributions – employee | 201,269 | 198,677 | 187,194 |
| Net investment income | 429,522 | 1,437,471 | 1,560,262 |
| Benefit payments, including refunds of employee contributions | (1,769,994) | (1,810,366) | (1,690,641) |
| Administrative expenses | (15,037) | (14,917) | (13,787) |
| Other | 239 | (906) | (1,373) |
| Net change in plan fiduciary net position | (399,753) | 555,321 | 840,820 |
| Plan fiduciary net position – beginning | <u>22,669,346</u> | <u>22,114,025</u> | <u>21,273,205</u> |
| Plan fiduciary net position – ending | <u>22,269,593</u> | <u>22,669,346</u> | <u>22,114,025</u> |
| Net pension liability – ending | <u>\$ 9,188,171</u> | <u>\$ 7,583,723</u> | <u>\$ 6,051,515</u> |
| Plan fiduciary net position as a percentage of total pension liability | <u>70.79%</u> | <u>74.93%</u> | <u>78.51%</u> |
| Covered payroll | <u>\$ 4,169,832</u> | <u>\$ 4,187,074</u> | <u>\$ 4,306,424</u> |
| Net pension liability as a percentage of covered payroll | <u>220.35%</u> | <u>181.12%</u> | <u>140.52%</u> |

The plan years above are reported in the Town's financial statements in the fiscal year following the plan year – i.e., plan year 2014 information was presented in the Town's fiscal year 2015 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2015 (plan year 2014) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

The Notes to Required Supplementary Information are an integral part of this statement.

EXHIBIT 11

| Plan Year | | | |
|--------------|--------------|--------------|--------------|
| 2017 | 2016 | 2015 | 2014 |
| \$ 448,329 | \$ 372,848 | \$ 447,703 | \$ 535,089 |
| 1,833,006 | 1,767,235 | 1,770,097 | 1,709,653 |
| 77,847 | - | - | - |
| (10,116) | 297,975 | (768,809) | - |
| (1,547,508) | (1,449,454) | (1,530,307) | (1,232,204) |
| 801,558 | 988,604 | (81,316) | 1,012,538 |
| 26,959,548 | 25,970,944 | 26,052,260 | 25,039,722 |
| 27,761,106 | 26,959,548 | 25,970,944 | 26,052,260 |
| 759,855 | 600,332 | 561,937 | 470,434 |
| 178,391 | 177,475 | 167,446 | 177,122 |
| 2,353,494 | 331,602 | 891,005 | 2,750,390 |
| (1,547,508) | (1,449,454) | (1,530,307) | (1,232,204) |
| (13,924) | (12,640) | (12,793) | (15,177) |
| (2,079) | (144) | (186) | 145 |
| 1,728,229 | (352,829) | 77,102 | 2,150,710 |
| 19,544,976 | 19,897,805 | 19,820,703 | 17,669,993 |
| 21,273,205 | 19,544,976 | 19,897,805 | 19,820,703 |
| \$ 6,487,901 | \$ 7,414,572 | \$ 6,073,139 | \$ 6,231,557 |
| 76.63% | 72.50% | 76.62% | 76.08% |
| \$ 4,095,552 | \$ 3,958,630 | \$ 3,124,628 | \$ 3,899,256 |
| 158.41% | 187.30% | 194.36% | 159.81% |

TOWN OF BEDFORD, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2021

| Town Fiscal Year Ended June 30, | Actuarially Determined Contribution | Contributions in Relation to Actuarially Determined Contribution | Contribution Deficiency (Excess) | Employer's Covered Payroll | Contribution as a Percentage of Covered Payroll |
|--|--|---|---|---|--|
| 2021 | \$ 822,321 | \$ 822,321 | \$ - | \$ 4,310,461 | 19.08 % |
| 2020 | 754,248 | 754,248 | - | 4,169,832 | 18.09 |
| 2019 | 745,362 | 745,362 | - | 4,187,074 | 17.80 |
| 2018 | 799,165 | 799,165 | - | 4,306,424 | 18.56 |
| 2017 | 759,855 | 759,855 | - | 4,095,552 | 18.55 |
| 2016 | 600,332 | 600,332 | - | 3,958,630 | 15.17 |
| 2015 | 693,716 | 693,716 | - | 3,124,628 | 22.20 |

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

The covered payroll amounts above are for the Town's fiscal year – i.e., the covered payroll on which required contributions were based for the same year.

TOWN OF BEDFORD, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS – LOCAL PLAN
June 30, 2021

| | Primary Government | | | |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
| | Plan Year | | | |
| | 2020 | 2019 | 2018 | 2017 |
| Total OPEB Liability | | | | |
| Service cost | \$ 14,658 | \$ 14,483 | \$ 19,500 | \$ 17,924 |
| Interest on total OPEB liability | 3,886 | 5,814 | 5,781 | 5,273 |
| Difference between expected and actual experience | - | (38,266) | - | - |
| Changes in assumptions | 6,619 | (41,752) | 6,730 | 12,061 |
| Benefit payments | (3,699) | - | (9,369) | (6,772) |
| Other changes | - | (754) | (164) | (7,878) |
| Net change in total OPEB liability | 21,464 | (60,475) | 22,478 | 20,608 |
| Total OPEB liability – beginning | <u>147,924</u> | <u>208,399</u> | <u>185,921</u> | <u>165,313</u> |
| Total OPEB liability – ending | <u><u>\$ 169,388</u></u> | <u><u>\$ 147,924</u></u> | <u><u>\$ 208,399</u></u> | <u><u>\$ 185,921</u></u> |
| Plan fiduciary net position as a percentage of total OPEB liability | <u>0%</u> | <u>0%</u> | <u>0%</u> | <u>0%</u> |
| Covered payroll | <u><u>\$ 4,396,993</u></u> | <u><u>\$ 4,396,993</u></u> | <u><u>\$ 3,253,522</u></u> | <u><u>\$ 3,253,522</u></u> |
| Net OPEB liability as a percentage of covered payroll | <u>3.85%</u> | <u>3.36%</u> | <u>6.41%</u> | <u>5.71%</u> |

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year – i.e., plan year 2017 information was presented in the entity's fiscal year 2018 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2018 (plan year 2017) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

TOWN OF BEDFORD, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY – VRS
June 30, 2021

| Town Fiscal Year Ended June 30, | Employer's Proportion of the Net OPEB Liability (Asset) | Employer's Proportionate Share of the Net OPEB Liability (Asset) | Employer's Covered Payroll | Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability |
|--|--|---|---|--|--|
| Virginia Retirement System – Group Life Insurance – General Employees | | | | | |
| 2021 | 0.0205 % | \$ 342,779 | \$ 4,169,832 | 8.22 % | 52.64 % |
| 2020 | 0.0212 | 345,000 | 4,187,074 | 8.24 | 52.00 |
| 2019 | 0.0204 | 310,000 | 4,306,424 | 7.20 | 51.22 |
| 2018 | 0.0202 | 304,000 | 4,095,552 | 7.42 | 48.86 |

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, only three years of data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the measurement period, which is the twelve months prior to the entity's fiscal year.

TOWN OF BEDFORD, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS – VRS
June 30, 2021

| Town Fiscal Year Ended June 30, | Contractually Required Contribution | Contributions in Relation to Contractually Required Contribution | Contribution Deficiency (Excess) | Employer's Covered Payroll | Contributions as a Percentage of Covered Payroll |
|--|--|---|---|---|---|
| Virginia Retirement System – Group Life Insurance – General Employees | | | | | |
| 2021 | \$ 23,010 | \$ 23,010 | \$ - | \$ 4,310,461 | 0.53 % |
| 2020 | 22,154 | 22,154 | - | 4,169,832 | 0.53 |
| 2019 | 21,772 | 21,772 | - | 4,187,074 | 0.52 |
| 2018 | 20,211 | 20,211 | - | 4,306,424 | 0.47 |

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the entity's fiscal year – i.e., the covered payroll on which required contributions were based for the same year.

TOWN OF BEDFORD, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2021

Note 1. Changes of Benefit Terms

Pension

There have been no actuarially material changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation.

Other Postemployment Benefits (OPEB)

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Note 2. Changes of Assumptions

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 – Non-Hazardous Duty:

- Update mortality table to RP-2014 projected to 2020
- Lowered rates at older ages and extended final retirement age from 70 to 75
- Update withdrawal rates to better fit experience at each age and service through 9 years of service
- Lowered rates of disability retirement
- No changes to salary rates
- Increased Line of Duty disability rates from 14% to 20%
- Decrease discount rate from 7.00% to 6.75%
- Applicable to: Pension and GLI OPEB

Largest 10 – Hazardous Duty/Public Safety Employees:

- Update mortality table to RP-2014 projected to 2020
- Lowered rates of retirement at older ages
- Update withdrawal rates to better fit experience
- Increased disability rates
- No changes to salary rates
- Increased Line of Duty disability rates from 60% to 70%
- Decreased discount rate from 7.00% to 6.75%
- Applicable to: Pension and GLI OPEB

(Continued)

TOWN OF BEDFORD, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2021

Note 2. Changes of Assumptions (Continued)

All Others (Non 10 Largest) – Non-Hazardous Duty:

- Update mortality table to RP-2014 projected to 2020
- Lowered rates of retirement at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience at each age and service through 9 years of service
- Lowered disability rates
- No changes to salary rates
- Increased Line of Duty disability rate from 14% to 15%
- Decreased discount rate from 7.00% to 6.75%
- Applicable to: Pension and GLI OPEB

All Others (Non 10 Largest) – Hazardous Duty/Public Safety Employees:

- Update mortality table to RP-2014 projected to 2020
- Increased retirement rate at age 50 and lowered rates at older ages
- Update withdrawal rates to better fit experience at each age and service through 9 years of service
- Update disability rates to better fit experience
- No changes to salary rates
- Lowered Line of Duty disability rate from 60% to 45%
- Decreased discount rate from 7.00% to 6.75%
- Applicable to: Pension and GLI OPEB

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OTHER SUPPLEMENTARY INFORMATION

TOWN OF BEDFORD, VIRGINIA

COMBINING STATEMENT OF NET POSITION – PROPRIETARY FUNDS
DISCRETELY PRESENTED COMPONENT UNITS
June 30, 2021

| | Redevelopment and Housing Authority | Economic Development Authority | Total |
|--|--|---|--------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | \$ 72,713 | \$ - | \$ 72,713 |
| Total assets | 72,713 | - | 72,713 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Bank overdraft | - | 277,332 | 277,332 |
| Accounts payable and accrued liabilities | 12,200 | 10,202 | 22,402 |
| Total current liabilities | 12,200 | 287,534 | 299,734 |
| NONCURRENT LIABILITIES | | | |
| Due to Town | 190,768 | - | 190,768 |
| Total noncurrent liabilities | 190,768 | - | 190,768 |
| Total liabilities | 202,968 | 287,534 | 490,502 |
| NET POSITION (DEFICIT) | | | |
| Unrestricted | (130,255) | (287,534) | (417,789) |
| Total net position (deficit) | \$ (130,255) | \$ (287,534) | \$ (417,789) |

TOWN OF BEDFORD, VIRGINIA

**COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS
DISCRETELY PRESENTED COMPONENT UNITS
Year Ended June 30, 2021**

| | Redevelopment and Housing Authority | Economic Development Authority | Total |
|------------------------------------|--|---|----------------------------|
| OPERATING EXPENSES | | | |
| Community development | \$ - | \$ 227,390 | \$ 227,390 |
| Incentive grants | 35,660 | - | 35,660 |
| Professional services | - | 22,473 | 22,473 |
| | <u>35,660</u> | <u>249,863</u> | <u>285,523</u> |
| Total operating expenses | <u>35,660</u> | <u>249,863</u> | <u>285,523</u> |
| Operating loss | <u>(35,660)</u> | <u>(249,863)</u> | <u>(285,523)</u> |
| NONOPERATING REVENUES | | | |
| Contributions from Town of Bedford | - | 126,892 | 126,892 |
| Interest income | 174 | 6,086 | 6,260 |
| | <u>174</u> | <u>132,978</u> | <u>133,152</u> |
| Total nonoperating revenues | <u>174</u> | <u>132,978</u> | <u>133,152</u> |
| Change in net position | (35,486) | (116,885) | (152,371) |
| NET POSITION (DEFICIT) AT JULY 1 | <u>(94,769)</u> | <u>(170,649)</u> | <u>(265,418)</u> |
| NET POSITION (DEFICIT) AT JUNE 30 | <u><u>\$ (130,255)</u></u> | <u><u>\$ (287,534)</u></u> | <u><u>\$ (417,789)</u></u> |

TOWN OF BEDFORD, VIRGINIA

COMBINING STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
DISCRETELY PRESENTED COMPONENT UNITS
Year Ended June 30, 2021

| | Redevelopment and Housing Authority | Economic Development Authority | Total |
|--|--|---|---------------------|
| OPERATING ACTIVITIES | | | |
| Community development payments | \$ (23,460) | \$ - | \$ (23,460) |
| Incentive payments | - | (281,996) | (281,996) |
| Payments to suppliers | - | (25,705) | (25,705) |
| | <u>(23,460)</u> | <u>(307,701)</u> | <u>(331,161)</u> |
| Net cash used in operating activities | | | |
| NONCAPITAL FINANCING ACTIVITIES | | | |
| Bank overdraft | - | 174,723 | 174,723 |
| Contributions from Town of Bedford | - | 126,892 | 126,892 |
| | <u>-</u> | <u>301,615</u> | <u>301,615</u> |
| Net cash provided by noncapital financing activities | | | |
| INVESTING ACTIVITIES | | | |
| Interest income | 174 | 6,086 | 6,260 |
| | <u>174</u> | <u>6,086</u> | <u>6,260</u> |
| Net cash provided by investing activities | | | |
| Net decrease in cash and cash equivalents | (23,286) | - | (23,286) |
| CASH AND CASH EQUIVALENTS | | | |
| Beginning at July 1 | 95,999 | - | 95,999 |
| Ending at June 30 | <u>\$ 72,713</u> | <u>\$ -</u> | <u>\$ 72,713</u> |
| RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES | | | |
| Operating loss | \$ (35,660) | \$ (249,863) | \$ (285,523) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | | |
| Change in assets and liabilities: | | | |
| (Decrease) increase in: | | | |
| Accounts payable and accrued liabilities | 12,200 | (57,838) | (45,638) |
| | <u>\$ (23,460)</u> | <u>\$ (307,701)</u> | <u>\$ (331,161)</u> |
| Net cash used in operating activities | | | |

STATISTICAL SECTION

This part of the Town of Bedford's 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 Town's overall financial health.

| <u>Contents</u> | <u>Table</u> |
|--|---------------------|
| Financial Trends These tables contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time. | 1-4 |
| Revenue Capacity These tables contain information to help the reader assess the factors affecting the Town's ability to generate its property and sales taxes. | 5-7 |
| Debt Capacity These tables present information to help the reader assess the affordability of the Town's current levels of outstanding debt and its ability to issue additional debt in the future. | 8-10 |
| Demographic and Economic Information These tables offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place and to help make comparisons over time and with other governments. | 11-12 |
| Operating Information These schedules contain information about the Town's operations and resources to help the reader understand how its financial information relates to the services it provides and the activities it performs. | 13-15 |

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

TABLE 1

**TOWN OF BEDFORD, VIRGINIA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

| | Fiscal Year | | | | | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | \$ 11,580,421 | \$ 11,661,631 | \$ 13,176,562 | \$ 13,341,012 | \$ 14,271,330 | \$ 14,454,095 | \$ 13,173,900 | \$ 11,818,082 | \$ 12,802,057 | \$ 13,580,468 |
| Restricted | 1,791,203 | 4,208,812 | 3,361,644 | 4,416,957 | 4,743,685 | 583,892 | 764,318 | 1,257,885 | 893,641 | 905,566 |
| Unrestricted | (886,558) | (3,549,717) | (2,091,410) | (3,170,583) | (4,831,457) | (1,929,342) | (1,794,430) | 1,349,711 | 574,787 | 967,285 |
| Total governmental activities net position | <u>\$ 12,485,066</u> | <u>\$ 12,320,726</u> | <u>\$ 14,446,796</u> | <u>\$ 14,587,386</u> | <u>\$ 14,183,558</u> | <u>\$ 13,108,645</u> | <u>\$ 12,143,788</u> | <u>\$ 14,425,678</u> | <u>\$ 14,270,485</u> | <u>\$ 15,453,319</u> |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets | \$ 12,486,131 | \$ 11,424,561 | \$ 9,648,633 | \$ 7,815,407 | \$ 7,958,527 | \$ 4,981,528 | \$ 4,390,762 | \$ 3,769,941 | \$ 17,821,614 | \$ 19,684,925 |
| Restricted | 1,006,185 | 969,710 | 954,760 | 940,094 | - | - | - | - | 806,525 | 422,208 |
| Unrestricted | 9,982,376 | 10,914,236 | 11,078,705 | 9,797,196 | 9,178,887 | 7,937,326 | 5,437,754 | 7,126,700 | 8,589,819 | 5,537,133 |
| Total business-type activities net position | <u>\$ 23,474,692</u> | <u>\$ 23,308,507</u> | <u>\$ 21,682,098</u> | <u>\$ 18,552,697</u> | <u>\$ 17,137,414</u> | <u>\$ 12,918,854</u> | <u>\$ 9,828,516</u> | <u>\$ 10,896,641</u> | <u>\$ 27,217,958</u> | <u>\$ 25,644,266</u> |
| Primary government | | | | | | | | | | |
| Net investment in capital assets | \$ 24,066,552 | \$ 23,086,192 | \$ 22,825,195 | \$ 21,156,419 | \$ 22,229,857 | \$ 19,435,623 | \$ 17,564,662 | \$ 15,588,023 | \$ 30,623,671 | \$ 33,265,393 |
| Restricted | 2,797,388 | 5,178,522 | 4,316,404 | 5,357,051 | 4,743,685 | 583,892 | 764,318 | 1,257,885 | 1,700,166 | 1,327,774 |
| Unrestricted | 9,095,818 | 7,364,519 | 8,987,295 | 6,626,613 | 4,347,430 | 6,007,984 | 3,643,324 | 8,476,411 | 9,164,606 | 6,504,418 |
| Total primary government net position | <u>\$ 35,959,758</u> | <u>\$ 35,629,233</u> | <u>\$ 36,128,894</u> | <u>\$ 33,140,083</u> | <u>\$ 31,320,972</u> | <u>\$ 26,027,499</u> | <u>\$ 21,972,304</u> | <u>\$ 25,322,319</u> | <u>\$ 41,488,443</u> | <u>\$ 41,097,585</u> |

Note: Overall change in fiscal year 2014 compared to fiscal year 2013 is due to reversion to Town status on July 1, 2013.

Note: GASB Statements No. 68 and 75 were adopted in fiscal year 2015 and 2018, respectively. Prior years were not restated for the impact of these statements.

TABLE 2

**TOWN OF BEDFORD, VIRGINIA
CHANGES IN NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

| | Fiscal Year | | | | | | | | | |
|--|--------------|------------|--------------|------------|--------------|------------|------------|--------------|--------------|--------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government administration | \$ 1,408,806 | \$ 901,513 | \$ 1,135,012 | \$ 945,588 | \$ 1,282,152 | \$ 979,299 | \$ 985,262 | \$ 1,087,365 | \$ 1,486,378 | \$ 1,372,155 |
| Judicial administration | 4,107 | 4,352 | 4,131 | 3,841 | 3,999 | 3,956 | 4,143 | 4,200 | 66,994 | 64,599 |
| Public safety | 3,503,755 | 3,177,814 | 3,365,556 | 3,162,010 | 2,785,159 | 2,538,917 | 2,480,298 | 2,690,606 | 3,328,885 | 3,268,702 |
| Public works | 3,735,198 | 4,371,249 | 3,452,637 | 3,494,753 | 2,558,911 | 2,989,966 | 2,320,701 | 2,734,693 | 3,510,226 | 2,783,359 |
| Health and welfare | - | - | - | - | - | - | - | - | 611,757 | 661,680 |
| Education | - | - | 149,905 | 32,528 | 42,468 | 19,535 | 1,480 | 2,048 | 7,027,650 | 6,329,561 |
| Parks, recreation, and cultural | 35,559 | 160,104 | 31,229 | 32,597 | 27,089 | 25,695 | 38,914 | 86,971 | 375,631 | 414,045 |
| Community development | 555,722 | 1,514,555 | 608,541 | 395,555 | 260,404 | 98,840 | 271,475 | 604,569 | 258,210 | 320,829 |
| Interest on long-term debt | 108,597 | 127,554 | 120,190 | 127,830 | 147,930 | 182,910 | 208,103 | 295,433 | 100,817 | 97,101 |
| Total governmental activities | 9,351,744 | 10,257,141 | 8,867,201 | 8,194,702 | 7,108,112 | 6,839,118 | 6,310,376 | 7,505,885 | 16,766,548 | 15,312,031 |
| Business-type activities: | | | | | | | | | | |
| Water and sewer | - | - | - | - | - | - | - | - | 3,514,595 | 3,288,441 |
| Solid waste | 1,464,156 | 1,071,466 | 1,024,063 | 1,299,612 | 972,846 | 773,583 | 812,685 | 1,041,820 | 864,030 | 1,011,584 |
| Electric | 19,421,674 | 20,211,161 | 20,306,892 | 22,472,385 | 20,246,017 | 20,288,724 | 20,878,587 | 21,764,439 | 19,710,177 | 19,557,948 |
| Total business-type activities expense | 20,885,830 | 21,282,627 | 21,330,955 | 23,771,997 | 21,218,863 | 21,062,307 | 21,691,272 | 22,806,259 | 24,088,802 | 23,857,973 |
| Total primary government expenses | 30,237,574 | 31,539,768 | 30,198,156 | 31,966,699 | 28,326,975 | 27,901,425 | 28,001,648 | 30,312,144 | 40,855,350 | 39,170,004 |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | 141,589 | 110,484 | 131,331 | 131,657 | 115,804 | 115,851 | 170,154 | 238,114 | 240,274 | 191,469 |
| Judicial administration | 43,981 | 41,574 | 55,232 | 35,316 | 45,837 | 31,077 | - | - | - | - |
| Public safety | 166,929 | 278,846 | 339,169 | 224,053 | 145,857 | 135,200 | 94,300 | 86,785 | 99,357 | 170,578 |
| Public works | - | - | - | - | - | - | 23,691 | - | - | - |
| Parks, recreation, and cultural | - | - | - | - | - | - | - | 5,410 | 16,357 | 19,142 |
| Operating grants and contributions | - | 1,872,265 | 1,842,653 | 1,818,526 | 2,162,848 | 2,008,857 | 1,930,366 | 1,713,909 | 5,840,890 | 5,675,008 |
| Capital grants and contributions | - | - | - | - | - | 234,800 | - | 5,753 | 32,474 | 38,022 |
| Total governmental activities program revenues | 352,499 | 2,303,169 | 2,368,385 | 2,209,552 | 2,470,346 | 2,525,785 | 2,218,511 | 2,049,971 | 6,229,352 | 6,094,219 |

(Continued)

TABLE 2

**TOWN OF BEDFORD, VIRGINIA
CHANGES IN NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

| | Fiscal Year | | | | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Water and sewer | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 3,304,287 | \$ 3,140,016 |
| Solid waste | 797,019 | 832,705 | 879,479 | 813,553 | 791,828 | 745,762 | 740,127 | 903,966 | 913,436 | 999,851 |
| Electric | 20,456,099 | 22,072,780 | 23,623,925 | 24,673,848 | 24,285,460 | 23,056,147 | 22,108,184 | 22,162,487 | 21,534,257 | 20,431,813 |
| Operating grants and contributions | - | - | - | - | - | 72,006 | 99,440 | - | 410,416 | 383,853 |
| Capital grants and contributions | - | - | - | - | - | - | - | - | 61,303 | 2,699,315 |
| Total business-type activities program revenues | 21,253,118 | 22,905,485 | 24,503,404 | 25,487,401 | 25,077,288 | 23,873,915 | 22,947,751 | 23,066,453 | 26,223,699 | 27,654,848 |
| Total primary government program revenues | 21,605,617 | 25,208,654 | 26,871,789 | 27,696,953 | 27,547,634 | 26,399,700 | 25,166,262 | 25,116,424 | 32,453,051 | 33,749,067 |
| Net (expense) revenue | | | | | | | | | | |
| Governmental activities | (7,015,978) | (7,953,972) | (6,498,816) | (5,985,150) | (4,637,766) | (4,313,333) | (4,091,865) | (5,455,914) | (10,537,196) | (9,217,812) |
| Business-type activities | 367,288 | 1,622,858 | 3,172,449 | 1,715,404 | 3,858,425 | 2,811,608 | 1,256,479 | 260,194 | 2,134,897 | 3,796,875 |
| Total primary government net expense | (6,648,690) | (6,331,114) | (3,326,367) | (4,269,746) | (779,341) | (1,501,725) | (2,835,386) | (5,195,720) | (8,402,299) | (5,420,937) |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| Property taxes | 1,911,733 | 1,618,997 | 1,764,813 | 1,748,579 | 1,690,389 | 1,701,705 | 1,641,132 | 3,246,201 | 5,001,731 | 4,941,170 |
| Sales taxes | 301,703 | 216,415 | 220,203 | 219,355 | 233,412 | 184,345 | 181,294 | 181,660 | 842,139 | 830,064 |
| Meals tax | 1,485,144 | 1,384,880 | 1,428,102 | 1,395,644 | 1,345,430 | 1,176,022 | 1,143,412 | 1,080,127 | 680,651 | 671,404 |
| Communication tax | 95,033 | 116,669 | 119,639 | 128,802 | 132,652 | 136,256 | - | - | - | - |
| Other local taxes | 551,876 | 651,933 | 638,951 | 636,534 | 620,138 | 596,475 | 730,442 | 698,508 | 1,064,445 | 1,039,171 |
| Intergovernmental revenue, unrestricted | 1,423,468 | 312,340 | 318,065 | 319,104 | 332,998 | 394,822 | 394,764 | 467,240 | 741,161 | 771,718 |
| Unrestricted investment earnings | 49,295 | 217,963 | 229,714 | 141,944 | 57,179 | 68,596 | 27,419 | - | 10,887 | 56,106 |
| Restricted investment earnings | - | - | - | - | - | - | - | - | 1,225 | - |
| Gain on disposition of assets | - | - | 4,814 | 11,587 | 38,067 | 28,405 | 11,952 | 10,850 | 88,641 | 4,102 |
| County reversion payments | 750,000 | 750,000 | 750,000 | 750,000 | 750,000 | 750,000 | 750,000 | 821,050 | - | - |
| Other | 112,066 | 158,705 | 154,721 | 850,057 | 512,414 | 241,564 | 245,244 | 191,492 | 25,932 | 77,768 |
| Transfers | 500,000 | 400,000 | 500,000 | 500,000 | - | - | - | 722,153 | 900,000 | 872,424 |
| Special Items: | | | | | | | | | | |
| Annexation of state roads | - | - | 229,204 | - | - | - | 1,036,341 | - | - | - |
| Transfer of assets to other governments | - | - | - | - | - | - | - | (2,138,673) | - | - |
| Total governmental activities | 7,180,318 | 5,827,902 | 6,358,226 | 6,701,606 | 5,712,679 | 5,278,190 | 6,162,000 | 5,280,608 | 9,356,812 | 9,263,927 |

(Continued)

TABLE 2

**TOWN OF BEDFORD, VIRGINIA
CHANGES IN NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

| | Fiscal Year | | | | | | | | | |
|---|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|------------------------|-------------------|---------------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
| Business-type activities: | | | | | | | | | | |
| Investment earnings | \$ 298,897 | \$ 403,551 | \$ 456,952 | \$ 407,564 | \$ 357,135 | \$ 256,805 | \$ 219,365 | \$ 323,709 | \$ 338,795 | \$ 342,248 |
| Other | - | - | - | - | - | 21,925 | 3,300 | - | - | - |
| Transfers | (500,000) | (400,000) | (500,000) | (500,000) | - | - | - | (722,153) | (900,000) | (872,424) |
| Special Items: | | | | | | | | | | |
| Transfer of assets to other governments | - | - | - | - | - | - | - | (15,923,758) | - | - |
| Total business-type activities | (201,103) | 3,551 | (43,048) | (92,436) | 357,135 | 278,730 | 222,665 | (16,322,202) | (561,205) | (530,176) |
| Total primary government | 6,979,215 | 5,831,453 | 6,315,178 | 6,609,170 | 6,069,814 | 5,556,920 | 6,384,665 | (11,041,594) | 8,795,607 | 8,733,751 |
| Changes in Net Position | | | | | | | | | | |
| Governmental activities | 164,340 | (2,126,070) | (140,590) | 716,456 | 1,074,913 | 964,857 | 2,070,135 | (175,306) | (1,180,384) | 46,115 |
| Business-type activities | 166,185 | 1,626,409 | 3,129,401 | 1,622,968 | 4,215,560 | 3,090,338 | 1,479,144 | (16,062,008) | 1,573,692 | 3,266,699 |
| Total primary government | <u>\$ 330,525</u> | <u>\$ (499,661)</u> | <u>\$ 2,988,811</u> | <u>\$ 2,339,424</u> | <u>\$ 5,290,473</u> | <u>\$ 4,055,195</u> | <u>\$ 3,549,279</u> | <u>\$ (16,237,314)</u> | <u>\$ 393,308</u> | <u>\$ 3,312,814</u> |

Note: Overall change in fiscal year 2014 compared to fiscal year 2013 is due to reversion to Town status on July 1, 2013.

TABLE 3

**TOWN OF BEDFORD, VIRGINIA
FUND BALANCES – GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

| | Post-GASB 54 | | | | | | | | | |
|------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
| General Fund | | | | | | | | | | |
| Nonspendable | \$ 933,487 | \$ 916,292 | \$ 898,214 | \$ 988,954 | \$ 971,460 | \$ - | \$ 930,648 | \$ 887,603 | \$ 880,907 | \$ 881,387 |
| Restricted | 1,791,203 | 4,208,812 | 3,361,644 | 4,416,957 | 4,292,609 | 4,054,534 | 1,680,974 | 2,173,623 | 893,642 | 905,566 |
| Assigned | 345,403 | 147,513 | 184,398 | 367,768 | 569,468 | 271,663 | 14,235 | 192,464 | 27,245 | 565,787 |
| Unassigned | 4,739,543 | 2,114,481 | 2,601,165 | 1,625,837 | 578,288 | 1,516,604 | 3,748,577 | 2,880,569 | 2,573,798 | 2,368,680 |
| Total general fund | \$ 7,809,636 | \$ 7,387,098 | \$ 7,045,421 | \$ 7,399,516 | \$ 6,411,825 | \$ 5,842,801 | \$ 6,374,434 | \$ 6,134,259 | \$ 4,375,592 | \$ 4,721,420 |

Note: GASB 54 was adopted in fiscal year 2011.

Note: Overall change in fiscal year 2014 compared to fiscal year 2013 is due to reversion to Town status on July 1, 2013.

TABLE 4

TOWN OF BEDFORD, VIRGINIA
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

| | Fiscal Year | | | | | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
| Revenues | | | | | | | | | | |
| Taxes | \$ 4,270,265 | \$ 4,187,866 | \$ 4,154,031 | \$ 4,068,474 | \$ 4,019,919 | \$ 3,777,727 | \$ 3,686,479 | \$ 4,696,712 | \$ 7,592,582 | \$ 7,555,727 |
| Permits, privilege fees, and licenses | 30,703 | 29,793 | 31,062 | 8,160 | 8,357 | 7,677 | 6,880 | 7,005 | 12,321 | 26,166 |
| Fines and forfeitures | 43,981 | 41,574 | 55,232 | 35,316 | 45,837 | 35,152 | 64,535 | 79,780 | 87,035 | 94,468 |
| Revenue from use of money and property | 49,295 | 217,963 | 229,714 | 141,944 | 57,179 | 113,523 | 27,420 | - | 10,887 | 56,106 |
| Charges for services | 141,589 | 110,484 | 131,331 | 131,657 | 115,804 | 104,099 | 98,739 | 108,920 | 122,028 | 125,951 |
| County revision payments | 750,000 | 750,000 | 750,000 | 750,000 | 750,000 | 750,000 | 750,000 | 821,050 | - | - |
| BRWA debt service payments | 555,097 | 554,884 | 746,231 | 748,592 | 750,951 | 753,311 | 755,671 | 758,051 | - | - |
| Other | 248,292 | 407,757 | 462,828 | 1,072,978 | 649,914 | 376,764 | 363,235 | 134,604 | 88,640 | 77,768 |
| Intergovernmental | 3,326,665 | 2,100,332 | 2,065,501 | 2,031,681 | 2,379,375 | 2,231,962 | 2,188,217 | 2,932,695 | 6,749,129 | 6,619,353 |
| Total revenues | 9,415,887 | 8,400,653 | 8,625,930 | 8,988,802 | 8,777,336 | 8,150,215 | 7,941,176 | 9,538,817 | 14,662,622 | 14,555,539 |
| Expenditures | | | | | | | | | | |
| General government | 1,166,910 | 1,061,690 | 1,060,469 | 1,010,568 | 1,213,200 | 866,920 | 855,383 | 1,057,256 | 1,456,493 | 1,289,938 |
| Judicial administration | 3,850 | 4,200 | 4,200 | 3,850 | 4,200 | 4,200 | 4,200 | 4,200 | 66,994 | 64,599 |
| Public safety | 3,190,633 | 3,407,794 | 3,071,027 | 2,815,660 | 2,624,603 | 2,396,478 | 2,465,921 | 3,081,246 | 3,187,608 | 3,130,237 |
| Public works | 3,875,141 | 3,556,444 | 3,767,930 | 3,450,379 | 2,935,528 | 3,288,539 | 2,862,241 | 3,300,643 | 2,856,280 | 2,567,995 |
| Parks, recreation, and cultural | 61,339 | 154,511 | 31,752 | 32,601 | 44,599 | 27,279 | 39,452 | 90,672 | 318,399 | 348,542 |
| Health and welfare | - | - | - | - | - | - | - | - | 611,757 | 661,680 |
| Education | - | - | 152,415 | 32,670 | 28,448 | 20,740 | 1,500 | 14,046 | 6,617,245 | 5,888,862 |
| Community development | 348,507 | 353,708 | 468,083 | 227,753 | 278,424 | 612,355 | 131,622 | 484,855 | 178,769 | 203,823 |
| Debt service: | | | | | | | | | | |
| Bond issuance costs | - | - | - | 7,028 | - | - | - | - | - | - |
| Principal | 735,147 | 628,213 | 802,707 | 1,543,067 | 956,183 | 1,313,711 | 1,129,041 | 1,273,225 | 539,491 | 469,185 |
| Interest | 111,822 | 120,173 | 126,256 | 133,262 | 161,194 | 199,940 | 223,593 | 248,384 | 100,121 | 89,453 |
| Total expenditures | 9,493,349 | 9,286,733 | 9,484,839 | 9,256,838 | 8,246,379 | 8,730,162 | 7,712,953 | 9,554,527 | 15,933,157 | 14,714,314 |
| Excess (deficiency) of revenues under expenditures | (77,462) | (886,080) | (858,909) | (268,036) | 530,957 | (579,947) | 228,223 | (15,710) | (1,270,535) | (158,775) |
| Other Financing Sources | | | | | | | | | | |
| Proceeds from borrowing | - | 711,881 | - | 744,140 | - | - | - | - | - | - |
| Proceeds from sale of assets | - | 115,876 | 4,814 | 11,587 | 38,067 | 48,314 | 11,952 | 10,850 | 24,707 | 4,102 |
| Transfers in | 500,000 | 400,000 | 500,000 | 500,000 | - | - | - | 1,992,266 | 900,000 | 872,424 |
| Total other financing sources | 500,000 | 1,227,757 | 504,814 | 1,255,727 | 38,067 | 48,314 | 11,952 | 2,003,116 | 924,707 | 876,526 |
| Net change in fund balances | \$ 422,538 | \$ 341,677 | \$ (354,095) | \$ 987,691 | \$ 569,024 | \$ (531,633) | \$ 240,175 | \$ 1,987,406 | \$ (345,828) | \$ 717,751 |
| Debt service as a percentage of noncapital expenditures | 9.82% | 9.54% | 9.79% | 19.77% | 14.96% | 19.76% | 20.06% | 19.02% | 4.06% | 3.86% |

Note: Overall change in fiscal year 2014 compared to fiscal year 2013 is due to reversion to Town status on July 1, 2013.

TABLE 5

**TOWN OF BEDFORD, VIRGINIA
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**

| Fiscal Year | Real Estate | Personal Property | Machinery and Tools | Public Service Corporation | Mobile Homes | Total Assessed Value | Total Direct Tax Rate⁽¹⁾ | Overlapping Government County⁽²⁾ | Total Direct and Overlapping |
|--------------------|--------------------|--------------------------|----------------------------|-----------------------------------|---------------------|-----------------------------|--|--|-------------------------------------|
| 2021 | \$ 537,863,500 | \$ 10,581,956 | \$ - | \$ 8,903,170 | \$ 1,130,600 | \$ 558,479,226 | 0.34 | 0.52 | 0.86 |
| 2020 | 533,018,800 | 10,244,349 | - | 9,164,810 | 1,137,200 | 553,565,159 | 0.34 | 0.52 | 0.86 |
| 2019 | 526,216,200 | 9,380,249 | - | 8,959,192 | 966,688 | 545,522,329 | 0.34 | 0.52 | 0.86 |
| 2018 | 495,443,800 | 8,753,136 | - | 8,649,100 | 996,088 | 513,842,124 | 0.34 | 0.52 | 0.86 |
| 2017 | 492,589,599 | 8,645,280 | - | 8,731,400 | 1,098,888 | 511,065,167 | 0.34 | 0.52 | 0.86 |
| 2016 | 490,197,300 | 8,262,777 | - | 8,646,890 | 1,125,788 | 508,232,755 | 0.34 | 0.52 | 0.86 |
| 2015 | 485,471,900 | 8,646,890 | - | 8,028,090 | 1,338,172 | 503,485,052 | 0.34 | 0.52 | 0.86 |
| 2014 | 474,911,700 | 49,928,570 | 32,422,960 | 8,406,570 | 365,500 | 566,035,300 | 0.53 | 0.52 | 1.05 |
| 2013 | 427,414,000 | 32,422,960 | 8,286,200 | 9,270,300 | 353,000 | 477,746,460 | 1.04 | NA | 1.04 |
| 2012 | 426,408,500 | 46,608,260 | 34,809,690 | 8,896,880 | 407,900 | 517,131,230 | 1.03 | NA | 1.03 |

Notes: Property is assessed at full market value. Properties are reassessed once every four years.

⁽¹⁾ Per \$1,000 of assessed value.

⁽²⁾ On July 1, 2014 the reversion to Town status occurred, creating an overlapping of taxes with the County.

Note: Overall change in fiscal year 2014 compared to fiscal year 2013 is due to reversion to Town status on July 1, 2013. As a result of the reversion from City to Town status, Machinery and Tools were assessed in fiscal year 2015 but were not billed.

TABLE 6

**TOWN OF BEDFORD, VIRGINIA
PRINCIPAL ELECTRICAL CUSTOMERS
CURRENT YEAR AND TEN YEARS AGO**

| Customer | Fiscal Year 2021 | | | Fiscal Year 2012 | | |
|---|---------------------|------|--|---------------------|------|--|
| | Revenue | Rank | Percentage of Total Town Electrical Revenue | Revenue | Rank | Percentage of Total Town Electrical Revenue |
| Bedford Weaving | \$ 877,251 | 1 | 5.05 % | \$ 837,095 | 2 | 4.83 % |
| Smyth Companies | 442,063 | 2 | 2.54 | 412,122 | 5 | 2.38 |
| The Matrix Group | 403,819 | 3 | 2.32 | 340,770 | 6 | 1.97 |
| Centra Bedford Memorial Hospital | 396,862 | 4 | 2.28 | 260,744 | 8 | 1.50 |
| Bedford Storage Investment LLC | 368,050 | 5 | 2.12 | 197,578 | 10 | 1.14 |
| Wal-Mart | 294,366 | 6 | 1.69 | 298,604 | 7 | 1.72 |
| Bedford Regional Water Authority | 279,246 | 7 | 1.61 | - | - | - |
| Town of Bedford (Formerly City of Bedford) | 233,350 | 8 | 1.34 | 421,640 | 4 | 2.43 |
| Liberty High School | 230,337 | 9 | 1.32 | 250,434 | 9 | 1.45 |
| Turman Forest Products Inc | 156,350 | 10 | 0.90 | - | - | - |
| Trident (Formerly Golden West) | - | - | - | 664,748 | 3 | 3.84 |
| Wheelabrator Abrasives | - | - | - | 1,913,379 | 1 | 11.04 |
| | <u>\$ 3,681,694</u> | | <u>21.17 %</u> | <u>\$ 5,597,114</u> | | <u>32.30 %</u> |

Source: Town's Public Utility Billing System (PUBS).

TABLE 7

**TOWN OF BEDFORD, VIRGINIA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

| Fiscal Year Ended June 30, | Taxes Levied for the Fiscal Year | Collected within the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | |
|---|---|---|-------------------------------|--|----------------------------------|-------------------------------|
| | | Amount | Percentage of Levy | | Amount | Percentage of Levy |
| 2021 | \$ 1,810,683 | \$ 1,086,466 | 60.00 % | \$ 58,950 | \$ 1,145,416 | 63.26 % |
| 2020 | 1,792,970 | 1,054,780 | 58.83 | 47,229 | 1,102,009 | 61.46 |
| 2019 | 1,752,634 | 1,028,309 | 58.67 | 15,611 | 1,043,920 | 59.56 |
| 2018 | 1,631,221 | 934,373 | 57.28 | - | 934,373 | 57.28 |
| 2017 | 1,670,455 | 1,279,351 | 76.59 | - | 1,279,351 | 76.59 |
| 2016 | 1,657,705 | 1,243,844 | 75.03 | 396,953 | 1,640,797 | 98.98 |
| 2015 | 1,625,391 | 1,201,076 | 73.89 | 419,604 | 1,620,680 | 99.71 |
| 2014 | 3,599,653 | 2,964,106 | 82.34 | 628,041 | 3,592,147 | 99.79 |
| 2013 | 5,261,090 | 5,149,132 | 97.87 | 107,555 | 5,256,687 | 99.92 |
| 2012 | 5,181,486 | 5,059,795 | 97.65 | 78,143 | 5,137,938 | 99.16 |

Source: Tax Records of the Town.

Note: Overall change in fiscal year 2014 compared to fiscal year 2013 is due to reversion to Town status on July 1, 2013.

TABLE 8

**TOWN OF BEDFORD, VIRGINIA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

| | Fiscal Year | | | | | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
| Debt limit | \$ 55,847,923 | \$ 55,356,516 | \$ 54,552,233 | \$ 51,384,212 | \$ 50,409,290 | \$ 49,884,419 | \$ 49,349,999 | \$ 48,331,827 | \$ 43,668,430 | \$ 43,530,538 |
| Total net debt applicable to limit | 8,789,771 | 10,585,754 | 12,347,807 | 14,243,827 | 8,309,469 | 9,536,517 | 11,111,943 | 12,550,533 | 14,123,033 | 16,111,135 |
| Legal debt margin | <u>\$ 47,058,152</u> | <u>\$ 44,770,762</u> | <u>\$ 42,204,426</u> | <u>\$ 37,140,385</u> | <u>\$ 42,099,821</u> | <u>\$ 40,347,902</u> | <u>\$ 38,238,056</u> | <u>\$ 35,781,294</u> | <u>\$ 29,545,397</u> | <u>\$ 27,419,403</u> |
| Total net debt applicable to the limit as a percentage of debt limit | <u>15.74%</u> | <u>19.12%</u> | <u>22.63%</u> | <u>27.72%</u> | <u>16.48%</u> | <u>19.12%</u> | <u>22.52%</u> | <u>25.97%</u> | <u>32.34%</u> | <u>37.01%</u> |

Legal Debt Margin Calculation for Fiscal Year 2021

| | |
|------------------------------------|-----------------------|
| Assessed value | <u>\$ 558,479,226</u> |
| Debt limit (10% of assessed value) | \$ 55,847,923 |
| Less debt applicable to limit: | |
| General obligation bonds | <u>(8,789,771)</u> |
| Legal debt margin | <u>\$ 47,058,152</u> |

Note: Overall change in fiscal year 2014 compared to fiscal year 2013 is due to reversion to Town status on July 1, 2013.

TABLE 9

**TOWN OF BEDFORD, VIRGINIA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

| Fiscal Year | General Bonded Debt | | | Percentage of Actual Value of Taxable Property | Per Capital | Other Governmental Activities Debt | |
|-------------|--------------------------|--|---------------------------|--|-------------|------------------------------------|------------|
| | General Obligation Bonds | Business Type General Obligation Bonds | Total General Bonded Debt | | | Capital Leases | Other Debt |
| 2021 | \$ 3,404,163 | \$ 5,385,608 | \$ 8,789,771 | 1.59 % | * | \$ 613,617 | \$ - |
| 2020 | 4,041,046 | 6,544,708 | 10,585,754 | 1.94 | * | 711,881 | - |
| 2019 | 4,669,259 | 7,678,548 | 12,347,807 | 2.26 | * | - | - |
| 2018 | 5,471,966 | 8,771,861 | 14,243,827 | 2.77 | * | - | - |
| 2017 | 6,270,893 | 2,038,576 | 8,309,469 | 1.63 | * | - | - |
| 2016 | 7,234,391 | 2,309,441 | 9,543,832 | 1.88 | * | - | - |
| 2015 | 8,165,787 | 2,571,156 | 10,736,943 | 2.13 | \$ 1,661 | - | 375,000 |
| 2014 | 9,219,828 | 2,880,705 | 12,100,533 | 2.14 | 1,850 | - | 450,000 |
| 2013 | 1,570,080 | 11,125,529 | 12,695,609 | 2.66 | 2,134 | - | 525,000 |
| 2012 | 2,034,572 | 13,476,563 | 15,511,135 | 3.00 | 2,353 | - | 600,000 |

| Fiscal Year | Business-Type Activities | | Total Primary Government | Per Capital ⁽¹⁾ | Percentage of Personal Income ⁽¹⁾ |
|-------------|--------------------------|------------|--------------------------|----------------------------|--|
| | Revenue Bonds | Other Debt | | | |
| 2021 | \$ 930,000 | \$ 772,114 | \$ 11,105,502 | * | * |
| 2020 | 1,075,000 | 850,622 | 13,223,257 | * | * |
| 2019 | 1,210,000 | 776,697 | 14,334,504 | * | * |
| 2018 | 1,335,000 | 836,697 | 16,415,524 | * | * |
| 2017 | 1,450,000 | 8,585,639 | 18,345,108 | * | * |
| 2016 | 1,560,000 | 9,518,440 | 20,622,272 | * | * |
| 2015 | 10,387,719 | 1,677,094 | 23,176,756 | \$ 3,584 | * |
| 2014 | 11,163,283 | 1,076,697 | 24,790,513 | 3,791 | * |
| 2013 | 11,910,422 | 1,126,157 | 26,257,188 | 4,414 | 12.31 % |
| 2012 | 12,634,273 | 2,179,318 | 30,924,726 | 4,691 | 12.05 |

* Unavailable

⁽¹⁾ See Table 11 for population and per capita personal income information. For fiscal year 2012 – fiscal year 2009 amount for per capita personal income of \$38,937 was utilized to calculate the Percentage of Personal Income.

Note: Overall change in fiscal year 2014 compared to fiscal year 2013 is due to reversion to Town status on July 1, 2013.

TABLE 10

**TOWN OF BEDFORD, VIRGINIA
PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS**

| Fiscal Year | Gross Revenue | Less: Operating Expenses | Net Available Revenue | Debt Service | | Coverage |
|----------------|------------------|--------------------------------|-----------------------------|--------------|-----------|----------|
| | | | | Principal | Interest | |
| 2021 | \$ 20,456,099 | \$ 19,152,866 | \$ 1,303,233 | \$ 145,000 | \$ 81,224 | 5.76 |
| 2020 | 22,072,780 | 19,899,413 | 2,173,367 | 135,000 | 91,963 | 9.58 |
| 2019 | 23,623,925 | 19,970,869 | 3,653,056 | 125,000 | 101,921 | 16.10 |
| 2018 | 24,673,848 | 22,090,859 | 2,582,989 | 115,000 | 105,676 | 11.70 |
| 2017 | 24,285,460 | 19,844,214 | 4,441,246 | 110,000 | 119,688 | 19.34 |
| 2016 | 23,056,147 | 19,548,380 | 3,507,767 | 814,133 | 481,401 | 2.71 |
| 2015 | 22,108,184 | 20,204,054 | 1,904,130 | 775,564 | 519,193 | 1.47 |
| 2014 | 22,162,487 | 21,026,163 | 1,136,324 | 747,139 | 549,753 | 0.88 |
| 2013 | 21,534,257 | 18,973,898 | 2,560,359 | 723,851 | 578,499 | 1.97 |
| 2012 | 20,431,813 | 18,789,808 | 1,642,005 | 797,009 | 606,101 | 1.17 |

Notes: Details regarding the Town's outstanding debt can be found in the Notes to Financial Statements.

Operating expenses do not include interest expense.

Overall change in fiscal year 2014 compared to fiscal year 2013 is due to reversion to Town status on July 1, 2013.

TABLE 11

**TOWN OF BEDFORD, VIRGINIA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

| Fiscal Year Ended ⁽¹⁾ | Population ⁽²⁾ | Total Personal Income ⁽³⁾ | Per Capita Personal Income ⁽⁴⁾ | Public School Enrollment ⁽⁵⁾ | Unemployment Rate ⁽⁶⁾ |
|---|----------------------------------|---|--|--|---|
| 2021 | (7) | (7) | (7) | (7) | (7) |
| 2020 | (7) | (7) | (7) | (7) | (7) |
| 2019 | (7) | (7) | (7) | (7) | (7) |
| 2018 | (7) | (7) | (7) | (7) | (7) |
| 2017 | (7) | (7) | (7) | (7) | 4.20 % |
| 2016 | (7) | (7) | (7) | (7) | 5.30 |
| 2015 | (7) | (7) | (7) | (7) | 5.90 |
| 2014 | (7) | (7) | (7) | (7) | 7.80 |
| 2013 | 5,948 | \$ 2,832,788 | \$ 35,863 | 825 | 7.90 |
| 2012 | 6,593 | 2,797,077 | 32,167 | 809 | 8.30 |

⁽¹⁾ Population and school enrollment figures are based on fiscal years ending June 30. Per Capita Income and unemployment figures are as of December 31.

⁽²⁾ Source: Weldon Cooper Center for Public Service, Demographics Research Group as of July 1, 2014.

⁽³⁾ Source: Bureau of Economic Analysis, U.S. Department of Commerce – Bedford City & County combined (in thousands).

⁽⁴⁾ Median Household Income, 2008-2012, U.S. Census Bureau.

⁽⁵⁾ Source: Weldon Cooper Center for Public Service, Demographics Research Group, July 2016.

⁽⁶⁾ Source: VEC, Local Area Unemployment Statistics, VirginiaLMI.com.

⁽⁷⁾ Independent City of Bedford, Virginia (51515) changed to Town status and was added to Bedford County (51019) effective July 1, 2013. Town of Bedford demographics and economic statistics are now reported via Bedford County, Virginia.

TABLE 12

**TOWN OF BEDFORD, VIRGINIA
PRINCIPAL EMPLOYERS
CURRENT YEAR AND TEN YEARS AGO**

| Employer | Fiscal Year 2021 | | | Fiscal Year 2012* | | |
|--|------------------|------|---|-------------------|------|---|
| | Employees | Rank | Percentage of Total Town Employment | Employees | Rank | Percentage of Total Town Employment |
| Centra Bedford Memorial Hospital & Centra Medical Group | 398 | 1 | 6.26 % | 348 | 1 | 4.93 % |
| Bedford Public Schools | 373 | 2 | 5.87 | 323 | 2 | 4.58 |
| Wal-Mart | 315 | 3 | 4.96 | - | - | - |
| Sam Moore Furniture LLC | 220 | 4 | 3.46 | 221 | 3 | 3.13 |
| Bedford Weaving Mills | 125 | 5 | 1.97 | 120 | 5 | 1.70 |
| Cintas | 122 | 6 | 1.92 | 133 | 4 | 1.89 |
| Smyth Companies Bedford | 115 | 7 | 1.81 | 112 | 6 | 1.59 |
| Lowes | 100 | 8 | 1.57 | - | - | - |
| English Meadows aka Elks National Home | 80 | 9 | 1.26 | 67 | 9 | 0.95 |
| Food Lion | 78 | 10 | 1.23 | - | - | - |
| Trident Seafood Inc (Brooks Foods/Golden West) | - | - | - | 72 | 8 | 1.02 |
| Longwood Industries | - | - | - | 80 | 7 | 1.13 |
| Wheelabrator Abrasives, Inc. | - | - | - | 48 | 10 | 0.68 |
| | <u>1,926</u> | | <u>30.31 %</u> | <u>1,524</u> | | <u>21.60 %</u> |

Source: HR Departments of Employers.

TABLE 13

TOWN OF BEDFORD, VIRGINIA
FULL-TIME EQUIVALENT TOWN GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

| <u>Function/Program</u> | <u>Fiscal Year</u> | | | | | | | | | |
|-------------------------|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
| General government | | | | | | | | | | |
| Executive | 3 | 3 | 3 | 3 | 3 | 2 | 2 | 2 | 2 | 2 |
| Treasurer | 3 | 4 | 4 | 5 | 5 | 5 | 5 | 5 | 2 | 2 |
| Finance | 4 | 4 | 4 | 4 | 5 | 5 | 5 | 5 | 5 | 5 |
| Information Technology | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 |
| Planning | 3 | 4 | 4 | 3 | 2 | 3 | 3 | 2 | 2 | 3 |
| Schools | - | - | - | - | - | - | - | - | 9 | 9 |
| Police | | | | | | | | | | |
| Officers | 22 | 22 | 24 | 27 | 20 | 23 | 24 | 24 | 23 | 24 |
| Civilians | 3 | 3 | 2 | 2 | 2 | 3 | 3 | 3 | 3 | 3 |
| Fire | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Public works | 20 | 22 | 22 | 21 | 20 | 18 | 17 | 18 | 20 | 19 |
| Engineering | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 |
| Cemetery | 1 | 1 | 1 | 1 | 1 | 1 | 1 | - | - | - |
| Parks and recreation | - | - | - | - | - | - | - | - | 1 | 2 |
| Solid waste | 3 | 3 | 3 | 1 | 2 | 3 | 3 | 3 | 2 | 2 |
| Water | - | - | - | - | - | - | - | - | 6 | 6 |
| Wastewater | - | - | - | - | - | - | - | - | 10 | 10 |
| Electric | 21 | 22 | 22 | 21 | 22 | 19 | 18 | 17 | *17 | *14 |
| Total | <u>86</u> | <u>91</u> | <u>92</u> | <u>91</u> | <u>85</u> | <u>85</u> | <u>85</u> | <u>84</u> | <u>107</u> | <u>106</u> |

*Department Head is included in the Electric number instead of Public Works.

Source: Town of Bedford's Finance Department.

Note: Overall change in fiscal year 2014 compared to fiscal year 2013 is due to reversion to Town status on July 1, 2013.

TABLE 14

**TOWN OF BEDFORD, VIRGINIA
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

| | Fiscal Year | | | | | | | | | |
|---|-------------|---------|---------|---------|---------|---------|---------|-------|-------|-------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
| Function/Program | | | | | | | | | | |
| General government: | | | | | | | | | | |
| Fleet: | | | | | | | | | | |
| Pieces of equipment maintained | 143 | 149 | 149 | 148 | 140 | 131 | 127 | 124 | 132 | 132 |
| Public safety: | | | | | | | | | | |
| Police: | | | | | | | | | | |
| Physical arrests | 588 | 605 | 748 | 924 | 829 | 801 | 777 | 964 | 964 | 1,137 |
| Parking violations | 921 | 456 | 715 | 503 | 225 | 298 | 1,040 | 1,321 | 1,093 | 1,128 |
| Traffic violations | 1,078 | 1,069 | 1,208 | 1,476 | 1,338 | 992 | 1,045 | 985 | 1,762 | 2,135 |
| Fire: | | | | | | | | | | |
| Emergency responses – per calendar year | 955 | 1,021 | 1,043 | 1,077 | 1,098 | 1,041 | 808 | 721 | 741 | 824 |
| Public works: | | | | | | | | | | |
| Refuse collection: | | | | | | | | | | |
| Refuse collected (tons per day) | 12 (1) | 12 (1) | 12 (1) | 25 (1) | 25 (1) | 25 (1) | 25 (1) | 40 | 40 | 40 |
| Recyclables collected (tons per day) | - (2) | 0.4 (2) | 0.4 (2) | 0.4 (2) | 0.4 (2) | 0.4 (2) | 0.4 (2) | 1 | 1 | 1 |
| Other public works: | | | | | | | | | | |
| Street resurfacing (miles) | 2.48 | 2.35 | 1.56 | 1.71 | 1.13 | 2.74 | 2 | 6 | 6 | 6 |
| Parks, recreation, and cultural: | | | | | | | | | | |
| Parks and recreation: | | | | | | | | | | |
| Tournaments hosted | - | - | - | - | - | - | - | - | - | 2 |
| Electric: | | | | | | | | | | |
| Number of customer accounts | 6,760 | 6,713 | 6,695 | 6,658 | 6,623 | 6,643 | 6,614 | 6,574 | 6,531 | 6,519 |
| Miles of distribution lines | 359 | 355 | 355 | 354 | 353 | 353 | 353 | 353 | 353 | 353 |
| Miles of transmission lines | 30 | 30 | 29 | 29 | 29 | 29 | 29 | 29 | 29 | 29 |
| Water: | | | | | | | | | | |
| Number of customer accounts | - | - | - | - | - | - | - | - | 3,328 | 3,306 |
| Miles of distribution lines | - | - | - | - | - | - | - | - | 65 | 65 |
| Volume pumped (million gallons per day average) | - | - | - | - | - | - | - | - | 1 | 1 |
| Sewer: | | | | | | | | | | |
| Number of customer accounts | - | - | - | - | - | - | - | - | 2,698 | 2,679 |
| Waste/Water treated (million gallons per day) | - | - | - | - | - | - | - | - | 1 | 1 |

Source:

(1) Decrease due to Town removing the dumpsters for public use and decrease in commercial customer waste.

(2) Town discontinued curbside recycling.

NA – Information not available at this time

In 2014, the City reverted to a Town and the water and sewer operations were transferred to the Bedford Regional Water Authority.

TABLE 15

TOWN OF BEDFORD, VIRGINIA
CAPITAL ASSET AND INFRASTRUCTURE STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

| <u>Function/Program</u> | Fiscal Year | | | | | | | | | |
|----------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
| Public safety: | | | | | | | | | | |
| Law enforcement vehicles | 24 | 20 | 20 | 21 | 20 | 20 | 20 | 20 | 18 | 18 |
| Fire stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Public works: | | | | | | | | | | |
| Primary streets (lane miles) | 21.59 | 21.59 | 21.59 | 21.59 | 21.59 | 24.11 | 24.61 | 24 | 24.11 | 24.11 |
| Secondary streets (lane miles) | 77.05 | 77.05 | 77.05 | 76.65 | 76.65 | 71.51 | 73.63 | 72 | 71.51 | 71.51 |
| Streetlights | 985 | 985 | 984 | 982 | 982 | 982 | 979 | 974 | 974 | 974 |
| Parks, recreation, and cultural: | | | | | | | | | | |
| Community centers | - | - | - | - | - | - | - | - | 1 | 1 |
| Parks/athletic fields | - | - | - | - | - | - | - | - | 12 | 12 |
| Electric: | | | | | | | | | | |
| Substations | 11 | 11 | 11 | 11 | 10 | 10 | 10 | 10 | 10 | 10 |
| Transformers | 3,636 | 3,614 | 3,614 | 3,601 | 3,582 | 3,582 | 3,582 | 3,475 | 3,340 | 3,340 |
| Water and sewage: | | | | | | | | | | |
| Water treatment plants | - | - | - | - | - | - | - | - | 1 | 1 |
| Water mains (miles) | - | - | - | - | - | - | - | - | 65 | 65 |
| Storm sewers (miles) | - | - | - | - | - | - | - | - | 5 | 5 |
| Sanitary sewers (miles) | - | - | - | - | - | - | - | - | 47 | 47 |

Source: Information was obtained from prior year audit reports.

Note: Overall change in fiscal year 2014 compared to fiscal year 2013 is due to reversion to Town status on July 1, 2013.

In 2014, the City reverted to a Town and water and sewer operations were transferred to the Bedford Regional Water Authority.

COMPLIANCE SECTION

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Members of Town Council
Town of Bedford, Virginia
Bedford, Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the Town of Bedford, Virginia (the "Town"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 2, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. **Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.**

Compliance and Other Matters

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

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 2, 2021



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

To the Honorable Members of Town Council
Town of Bedford, Virginia
Bedford, Virginia

Report on Compliance for Each Major Federal Program

We have audited the Town of Bedford, Virginia's (the "Town") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Town's major federal program for the year ended June 30, 2021. The Town's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Town's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Town'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 on compliance for the major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Bedford, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. **We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.**

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 2, 2021

TOWN OF BEDFORD, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2021

As more fully described in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the Town'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
- Highway Maintenance
- Fire Program Aid

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

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

LOCAL COMPLIANCE MATTERS

- Town Charter
- Town Code

TOWN OF BEDFORD, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **No significant deficiencies** relating to the audit of the financial statements were reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards*.
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies** relating to the audit of the major federal award programs were reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed **no audit findings relating to major programs**.
7. The major program of the Town is:

| Name of Program | Assistance Listing Number |
|-------------------------|---------------------------------|
| Coronavirus Relief Fund | 21.019 |

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

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS – COMMONWEALTH OF VIRGINIA

None.

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

None

TOWN OF BEDFORD, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2021

| Federal Granting Agency/ Recipient State Agency/ Grant Program | Assistance Listing Number | Federal Expenditures |
|--|---------------------------------|-------------------------|
| Department of the Treasury: Pass Through Payments: Virginia Department of Accounts COVID-19 – Coronavirus Relief Fund | 21.019 | \$ 1,110,102 |
| Department of Justice: Pass Through Payments: Virginia Department of Criminal Justice Services Bulletproof Vest Program – Byrne Grant | 16.607 | 3,811 |
| Department of Transportation: Pass Through Payments: Virginia Department of Motor Vehicles Highway Safety Cluster – Alcohol Enforcement Highway Safety Cluster – Speed Enforcement | 20.601 20.600 | 6,132 4,450 |
| | | \$ 1,124,495 |

Notes:

Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Indirect Cost Rate

The Town has not elected to utilize the 10 percent de minimis indirect cost rate.

Outstanding Loan Balances

At June 30, 2021, the Town had no outstanding loan balances requiring continuing disclosure.