

COUNTY OF BEDFORD, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2016**

DEPARTMENT OF FISCAL MANAGEMENT

COUNTY OF BEDFORD, VIRGINIA

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INTRODUCTORY SECTION



COUNTY OF BEDFORD, VIRGINIA

County Administration Building

122 East Main Street, Suite 202

Bedford, Virginia 24523

Tel: (540) 586.7601

G. CARL BOGGESS
COUNTY ADMINISTRATOR

REID A. WODICKA
ASST. COUNTY ADMINISTRATOR

OFFICE OF THE COUNTY ADMINISTRATOR

November 29, 2016

To the Honorable Members of the Board of Supervisors and Citizens of Bedford County, Virginia:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of Bedford County (the "County") for the fiscal year ended June 30, 2016. State law requires local governments to publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with U.S. generally accepted accounting principles (GAAP), and audited in accordance with U.S. generally accepted auditing standards (GAAS) by a firm of licensed certified public accountants. This CAFR has been prepared by the County's Department of Fiscal Management in accordance with the above standards as prescribed by the Governmental Accounting Standards Board (GASB) and the Auditor of Public Accounts of the Commonwealth of Virginia (APA).

The CAFR consists of management's representations concerning the finances of the County and was prepared with an emphasis on full disclosure of the County's financial activities. Consequently, responsibility for both the completeness and reliability of the information contained in this report rests solely with County management, and is based upon a comprehensive framework of internal control. This framework is designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss, theft, or misuse; and (2) the reliability of financial records used in preparing financial statements and maintaining accountability for assets. The concept of "reasonable assurance" recognizes that the cost of internal control should not exceed the benefits derived; evaluation of such costs and benefits requires estimates and judgments by management. As management, we assert that, to the best of our knowledge, this financial report is complete and accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the various funds and component units of the County; and that all disclosures necessary to enable the reader to gain the maximum understanding of the County's financial affairs have been included.

Brown, Edwards & Company, LLP, Certified Public Accountants, provided an independent audit of the County's financial statements. The independent auditors' responsibility is to express an opinion on the County's financial statements based on an audit conducted in accordance with professional auditing standards. An audit involves (1) performing procedures to obtain evidence about the amounts and disclosures in the financial statements; (2) evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management; and (3) evaluating the overall presentation of the financial statements. Brown Edwards concluded, based upon the audit evidence they obtained, that there was a reasonable basis for forming and expressing unmodified opinions

that the County's financial statements as of and for the fiscal year ended June 30, 2016 are fairly presented, in all material respects, in conformity with GAAP. The independent auditor's report, including opinions on the government-wide basic financial statements and fund financial statements, is contained in the Financial Section of this report. Brown Edwards also audited the component unit, Bedford County Schools, and the financial statements of the Bedford Public Library System and the Bedford County Economic Development Authority.

The independent audit of the County's financial statements was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the County's compliance with federal requirements for each major program as well as on internal control over compliance as required by U.S. Office of Management and Budget (OMB) Title 2 U.S., *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Brown Edwards report on the Single Audit for the County is available in the Compliance Section of this financial report.

The CAFR is presented in the following three sections:

- (1) Introductory Section – This section is unaudited and includes this letter of transmittal, the County's Government Finance Officers Association of the United States and Canada (GFOA) Certificate of Achievement for Excellence in Financial Reporting, a list of the County's principal officials, and an organizational chart;
- (2) Financial Section – This section includes the independent auditor's report on the basic financial statements, Management's Discussion and Analysis (MD&A), which is unaudited supplementary information required by GASB, basic financial statements, notes to the basic financial statements, other unaudited required supplementary information, and combining fund financial statements;
- (3) Statistical Section – This section is unaudited and includes selected financial and demographic information, generally presented on a multi-year comparative basis.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report. The information presented in the MD&A provides a narrative introduction, overview, and analysis of the basic financial statements and should be considered in conjunction with additional information provided in this Letter of Transmittal.

PROFILE OF BEDFORD COUNTY, VIRGINIA

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



Bedford County operates under the traditional Board of Supervisors/County Administrator form of government, as defined under Virginia law. The governing body of the County is the Board of Supervisors (the “Board”), which establishes policies for the administration of the County. The Board consists of seven members representing the seven election districts. The Board appoints a County Administrator to serve as the administrative manager of the County. The County Administrator serves at the pleasure of the Board, carries out policies established by the Board, and directs business and administrative procedures within the County government.

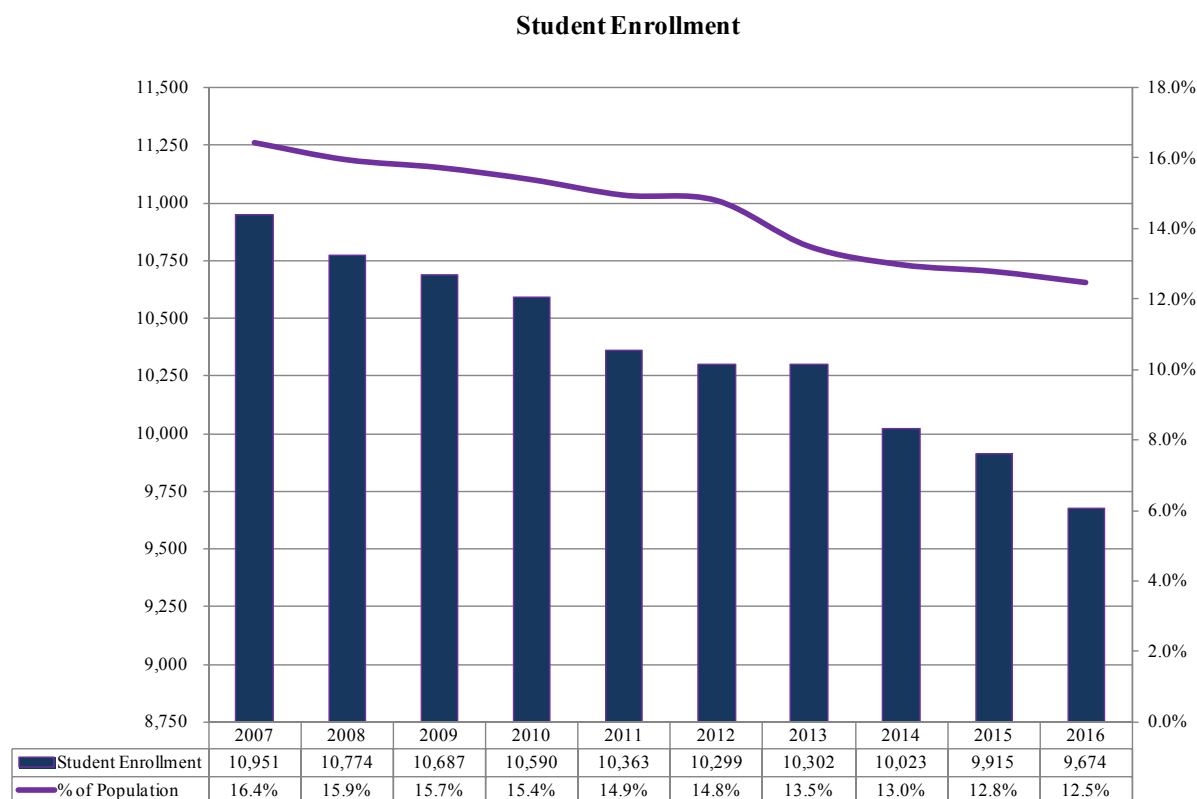
The County provides a full range of services to its residents, including education, public safety, judicial services, solid waste disposal, community and economic development, parks and recreation, public libraries, health and welfare services, and general administration. All resources required to support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

DISCRETELY PRESENTED COMPONENT UNITS

Bedford County is financially accountable for a legally separate school board, which is reported separately within the financial statements as a component unit. Education is the single largest service provided by the County. The Board of Supervisors approves the School Board’s budget, levies the necessary taxes to finance operations, and issues debt to finance capital projects.

The School Board consists of seven elected members, one for each of the seven election districts, responsible for the administration of the schools and its own appropriation within the categories defined by the Code of Virginia. The School Board is also responsible for appointing a Superintendent to carry out the policies of the School Board.

The mission of the Bedford County Public Schools (BCPS) is to prepare students to be productive and responsible citizens in the community and in the world. The school system is comprised of three high schools, three middle schools, thirteen elementary schools, one science and technology center and one alternative school. The combined enrollment of BCPS as of June 2016 totaled 9,674 students. The graph below shows student enrollment for the past ten years.



Source: Bedford County School Board

As of June 2016, the BCPS High School On-Time Graduation Rate is 92.9%, with approximately 81.0% of graduates seeking higher education.

The County promotes economic development through the Economic Development Authority (the “EDA”) and operates a regional library, the Bedford Public Library System (the “Library”). Both the EDA and the Library are legally separate entities for which the County is financially accountable. As a result, these agencies are classified as discretely presented component units of the financial reporting entity. They are reported in a separate column in the financial statements to emphasize that they are separate from the County, and to distinguish their financial position, results of operations, and cash flows from those of the County.

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

The Library was originally created by an agreement between the County of Bedford and the City of Bedford (now the Town of Bedford). It is governed by a board consisting of seven members appointed by the County's Board of Supervisors. The County provides a major portion of the Library's annual revenue and owns all of the buildings where the Library conducts its operations.

BUDGETARY CONTROLS

The annual budget serves as the foundation of the County's financial planning and control. All County departments submit appropriation requests to the Fiscal Management department on or about December 1 each year. The budget committee, which consists of the County Administrator, Human Resources Manager, Director of Fiscal Management, and two additional support staff, uses the departmental requests as the starting point for developing a proposed budget. The Code of Virginia requires the School Superintendent to submit a School Board approved budget to the County Board of Supervisors. In March, the School Board adopts its requested budget and forwards it to the County Administrator.

As required by law, at least 45 days prior to June 30 of each year, County staff submits to the Board of Supervisors a recommended budget for the fiscal year beginning July 1. After extensive budget preparation, citizen engagement, and a Board review process that includes multiple work sessions and a public hearing, the Board of Supervisors adopts the annual budget. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., Sheriff's office) with the appropriations resolution adopted by the Board placing legal restriction of expenditures at the department level. The budget must be adopted no later than the day the fiscal year begins (July 1). When necessary, the Board of Supervisors approves amendments to the adopted budget in accordance with state law.

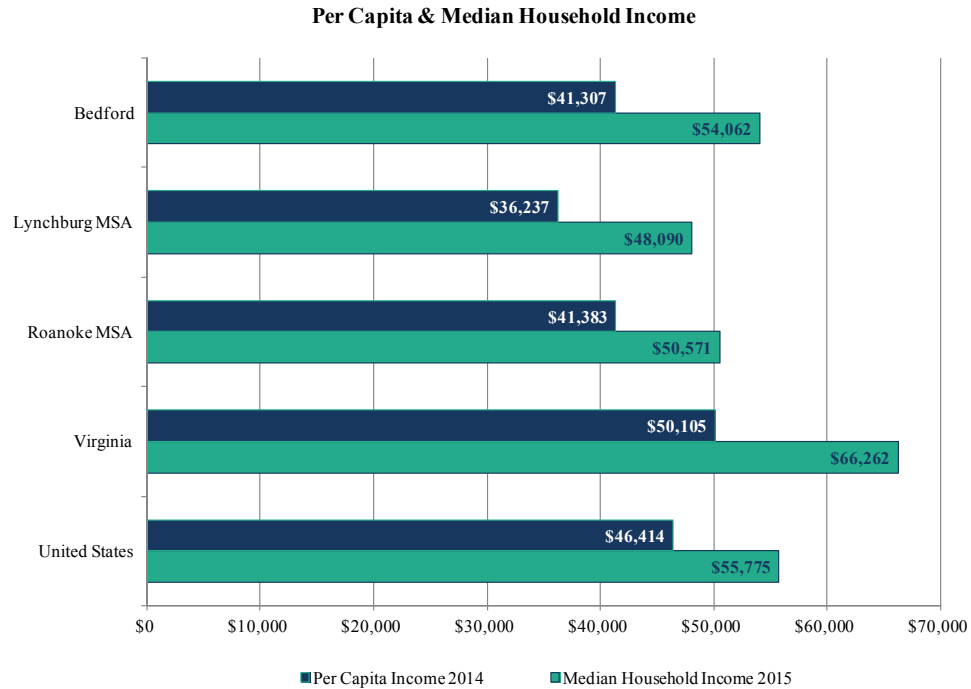
Exhibit 5 in the basic financial statements provides a budget-to-actual comparison for the General Fund. A more detailed, department level comparison is presented in Schedule 1 in the Supporting Schedules subsection of this report.

FACTORS AFFECTING FINANCIAL CONDITION

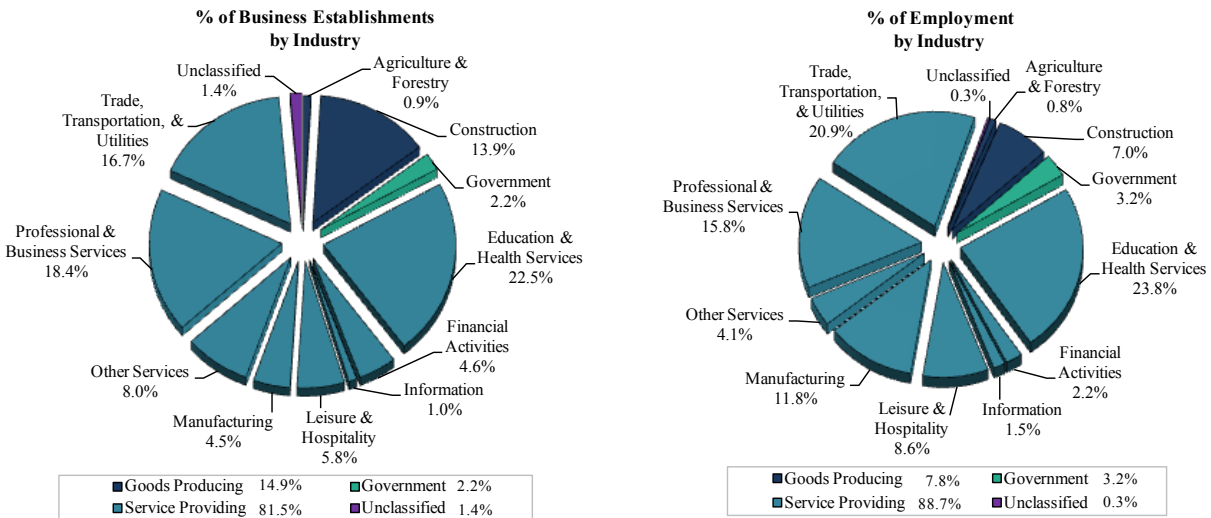
The information presented in the financial statements is best understood when it is considered from the broader perspective of the specific environment within which Bedford County operates.

Local Economy

Bedford County has remained in a favorable financial position due, in large part, to the financial strength and diversification of the County's business community, its low reliance on federal jobs and procurement, and its strategic location between Lynchburg and Roanoke. As illustrated in the graph on the following page, Bedford's median household and per capita income compare favorably to surrounding metropolitan statistical areas (MSAs), although these measures do fall below the Commonwealth and U.S. levels.

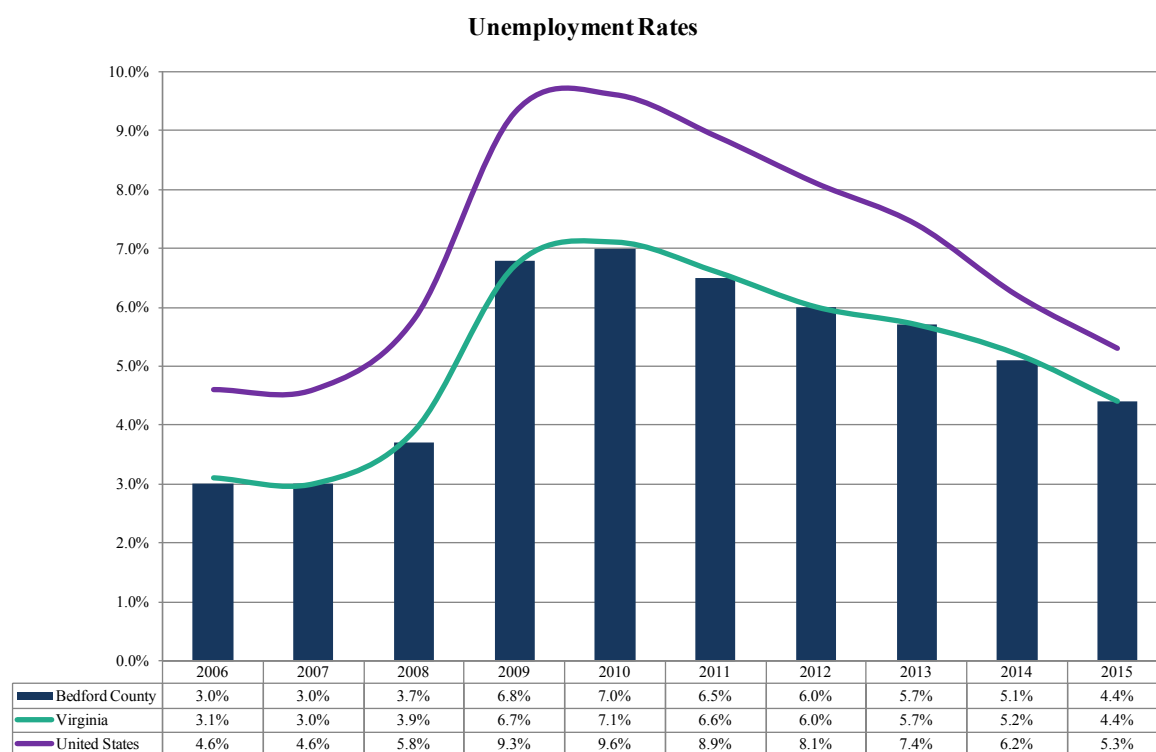


Furthermore, the County continues to attract and maintain diverse sectors of employment. As illustrated in the following two graphs, the County's major employment sectors continue to be: (1) Education and Health Services; (2) Professional and Business Services; and (3) Trade, Transportation, and Utilities. Manufacturing employment has increased nearly five percent since Fiscal Year 2015; it now makes up 11.8 percent of the employment base. The County still focuses on expanding the manufacturing sector as it typically provides higher median salaries than other sectors.



Source: Virginia Employment Commission, Quarterly Census of Employment and Wages (QCEW) for Multiple Industries in Bedford County in the first quarter of 2016

These employment sectors have remained relatively stable in terms of their percentage of total employment, which has contributed to the County's consistently low levels of unemployment, as compared to the Commonwealth and the U.S.



Sources: Virginia Employment Commission Local Area Unemployment Statistics and Bureau of Labor Statistics Labor Force Statistics

Economic Development

The County focuses on attracting new companies as well as working with existing businesses to help them grow. The Office of Economic Development utilizes a marketing plan aimed at attracting and recruiting new businesses and maximizing investment opportunities in County-owned business parks. As a result of increased marketing efforts at both the regional and local levels, prospect activity increased during Fiscal Year 2016. The office hosted several international and national prospect visits, and showed area properties to more than fifteen (15) companies, several of which located to the County.

Business growth of existing industries continues to bring the largest economic impact to the County with more than \$1 million in new tax revenue resulting from a handful of local companies. The Office of Economic Development meets regularly with business leaders to facilitate workforce development services, identify and communicate grant opportunities, and offer incentives to eligible companies. This is accomplished through one-on-one meetings, as well as structured Quarterly Business Roundtable meetings where dozens of companies participate. The roundtable meetings serve as an opportunity for businesses to showcase their recent successes and challenges, and work together to solve issues. Additionally, the Office hosted a Business Appreciation event in May 2016 with the Chamber of Commerce to show appreciation to businesses within the County; over 125 people attended the event.

The Office of Economic Development and the EDA worked with the following companies in the Town of Bedford that expanded their business in Fiscal Year 2016.

- Blue Ridge Optics, an industry leader in laser optics and thin film coatings, expanded its business into the Longwood Industries building, and invested \$1.0 million in real estate and new equipment. The company has plans to hire up to fifteen (15) new employees, and continues to lease one section of their building to Longwood Industries.
- Cintas, a supplier of specialized products and services (e.g. corporate identity uniforms), expanded its existing facility, investing \$6.0 million in facility upgrades and new equipment. The company also added fifteen (15) new employees.
- Fostek, a manufacturer of engineered foams, received assistance from the EDA for an expansion of water connection lines.

Several other businesses either expanded their existing County facilities or relocated from a surrounding area; these include the following:

- Innovairre (formerly Mail America) added on to its existing facility in Forest.
- Innerspec acquired the former Omni Electric facility on Perrowville Road in Forest. The company also moved thirty-three (33) employees over from its former Lynchburg facility.
- GP Big Island added a \$40.0 million new pulp mill, and celebrated 125 years of doing business in Bedford County.
- Clearview Software and NanoTouch Solutions outgrew their Lynchburg offices and relocated to the Center for Advanced Engineering & Research (the “CAER”).

Additionally, the County and EDA worked with the Center for Advanced Engineering and Research (the “CAER”) and the Tobacco Commission to recruit and establish the International Critical Infrastructure Security Institute (ICISI), a non-profit association with a mission to help certify power generation organizations’ performance-based strategies from cyber-based threats.

Other Fiscal Year 2016 Economic Development accomplishments and initiatives include the following:

- **Bedford Main Street’s Downtown Investment Grant** – This grant created a zero-interest loan program for small businesses.
- **Industrial Revitalization Grant** – The grant was received from the Virginia Department of Housing and Community Development. Grant proceeds will be used to redevelop the former Woolen Mill building on Grove Street into a 30-barrel brewery.
- **Bedford One Program** – In addition to the Existing Business program, the County and EDA support the Bedford One Program, which links high school students with local businesses based on the students’ career interests. This is an ongoing successful partnership between the Bedford

County Office of Economic Development, Bedford County Public Schools, Bedford Regional Chamber of Commerce, and area businesses. In the past year, more than 150 students participated on a dozen tours and the program continued to receive statewide accolades.

- **EDA-owned Facilities** – In November 2015, the EDA decided to demolish the former Christmas Station and Archery buildings located at 206 Washington Street, which sat vacant for several years. Both buildings were uninhabitable due to asbestos and unsafe conditions, and had been identified by the Town of Bedford as blighted. The space has been temporarily converted into parking for county employees, but was left unpaved for potential future development.

Tourism

Bedford County enjoys sunsets over Smith Mountain Lake and the Peaks of Otter, treasure hunts for the famed Beale Treasure, and, with more mileage along the Blue Ridge Parkway than any county in Virginia, the peace and quiet of hikes along the Appalachian Trail. Here, you can dive into history at the National D-Day Memorial and Thomas Jefferson's Poplar Forest, taste fine wines on the Bedford Wine Trail, or simply indulge in the County's breathtaking views. All this and more, makes Bedford the perfect setting for every interest and lifestyle.

The mission of the Bedford County Department of Tourism (Bedford Tourism) is to market Bedford County and the Town of Bedford as a tourist destination, and to promote its beauty, local businesses, area attractions, activities and history; thereby generating new and repeat visitations and increasing revenues to stimulate economic development and growth for the community. In direct response to this mission, Bedford Tourism partnered with the new Virginia Mountain Region in January 2016, giving the department a regional gateway to market the many amenities, assets, and attractions within the County (e.g. Smith Mountain Lake, Thomas Jefferson's Poplar Forest, The Bedford Wine Trail, Bedford Artisan Trail, and Bedford Museum and Genealogical Library).

Other fiscal year 2016 accomplishments of Bedford Tourism include the following:

- **Bedford County Fair** – In partnership with the Agricultural Economic Development Advisory Board, Bedford Tourism hosted the Bedford County Fair in August 2015, with over 14,500 people attending the three day event; this was the County's first fair in close to 45 years.
- **Smith Mountain Lake 50th Anniversary** – This year, the County celebrated "50 Years of Making Memories" at Smith Mountain Lake. In honor of this milestone, the County partnered with the 50th Anniversary Steering Committee to provide road signage for a 50-mile bike route on the Bedford County side of the lake. The new bike route is the longest bike trail in the County, and will attract many bike enthusiasts to area.
- **"History Alive: A Tasting Tour of Bedford-Franklin County Heritage"** – Bedford and Franklin Counties debuted a special, inaugural heritage trail tour, which featured a unique and historical side of the region. The self-driving tour showcased four (4) historic properties, with each location providing a sample of historically appropriate foods, refreshments, and entertainment.

These special events, along with the many other festivals and events hosted in Bedford County throughout the year, continue to bring visitors from different walks of life to discover all the County has to offer.

LONG-TERM FINANCIAL PLANNING

The County's General Fund reported an ending fund balance of \$59.9 million, an increase of \$7.5 million from fiscal year 2015. Unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) in the general fund was \$57.8 million or 62.7% of total General Fund expenditures. Total unassigned fund balance was \$25.2 million, which exceeds the minimum fund balance policy of 10.0% (\$9.2 million) of General Fund expenditures.

The County is working to reinstate a five-year Capital Improvement Program (CIP). The CIP is a planning tool intended to provide an overview of potential long-range funding needs for the acquisition, construction or total replacement of physical facilities and other types of infrastructure. The next adopted CIP will cover fiscal years 2018-2022.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its CAFR for the fiscal year ended June 30, 2015. This is the County's nineteenth consecutive year receiving this award.

ACKNOWLEDGMENTS

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

The preparation of this report would not have been possible without the efficient and dedicated services of the Department of Fiscal Management. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. We would also like to acknowledge the cooperation and assistance of the staff of the School Board and the many other County departments and agencies that contributed to the preparation of this report.

Respectfully submitted,



G. Carl Boggess
County Administrator



Susan L. Crawford, CPA
Director of Fiscal Management



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**County of Bedford
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

A handwritten signature in black ink, reading "Jeffrey R. Emen". The signature is fluid and cursive.

Executive Director/CEO

**COUNTY OF BEDFORD, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS**

MEMBERS OF THE BOARD OF SUPERVISORS

Steve Wilkerson, Chairperson
Curry W. Martin, Vice Chairperson

Bill Thomasson
John Sharp
Tommy Scott

Andy Dooley
Kevin S. Willis

MEMBERS OF THE COUNTY SCHOOL BOARD

Gary Hostutler, Chairperson
Julie M. Bennington, Vice Chairperson

Richard P. Downey
Jason W. Johnson
Dr. John H. Hicks, Jr.

Susan F. Kirby
Martin F. Leamy

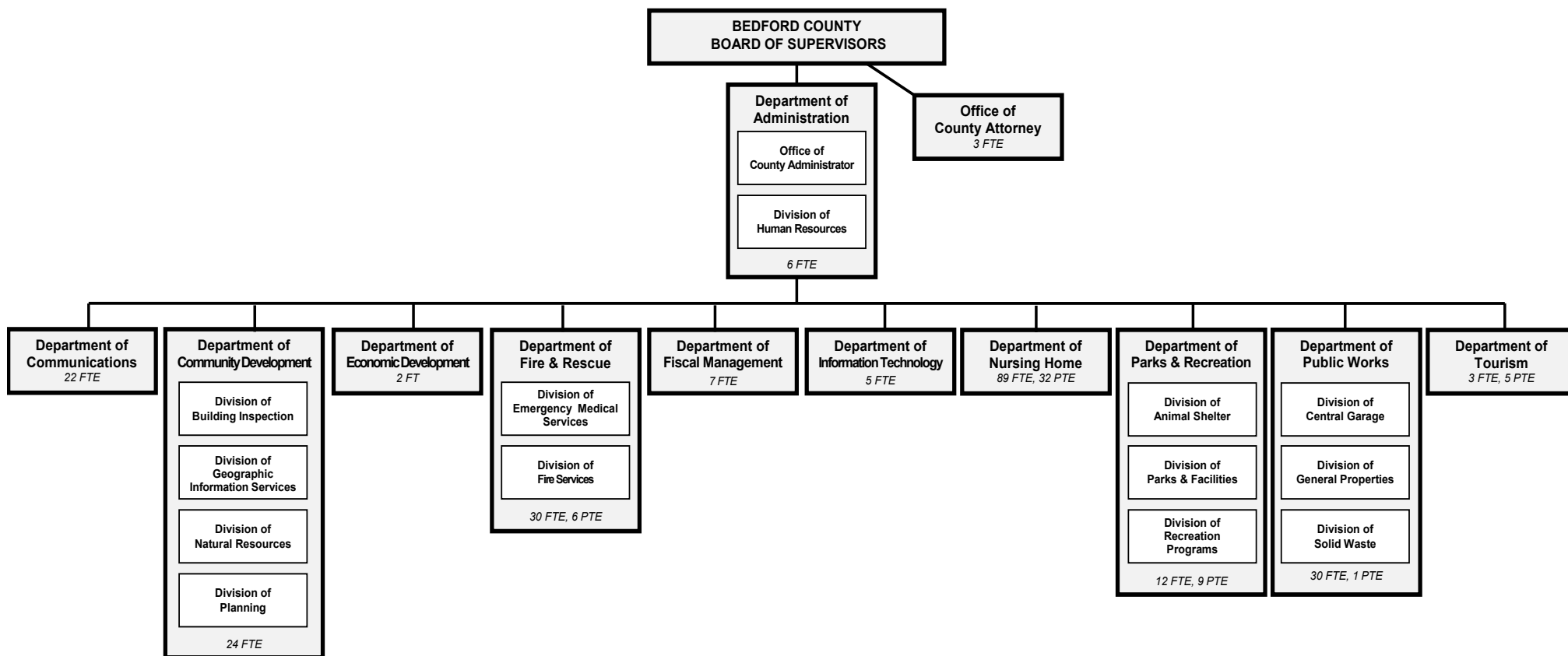
OTHER OFFICIALS

G. Carl Boggess
Patrick J. Skelley, II
Susan L. Crawford, CPA
Dr. Douglas Schuch
Randy Hagler
Andrew L. Crawford
Cathy C. Hogan
Randy W. Krantz
Julie Creasy
Rebecca C. Jones
Michael J. Brown
Barbara J. Gunter

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

COUNTY OF BEDFORD, VIRGINIA ORGANIZATIONAL CHART

GENERAL ORGANIZATION OF DEPARTMENTS/OFFICES & DIVISIONS - BEDFORD COUNTY CENTRAL GOVERNMENT *as of August, 2014*



DEFINITIONS:

Department (or Office) - Formal administrative unit of County central government established or recognized by Board of Supervisors, managed by a Department Head appointed by the County Administrator or Board of Supervisors.

Division (or Office) - Recognized sub-unit within a Department or Office usually created administratively for budgetary, operational and/or supervisory purposes, typically managed on a day-to-day basis by a designated position reporting to the Department Head.

FTE - Full-time employee(s) **PTE** - Part-time employee(s) (excludes seasonal and temporary part-time positions)

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Board of Supervisors
County of 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, each major fund, and the aggregate remaining fund information of the County of Bedford, Virginia (the "County") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County'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* and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2016, 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.

Restatement of Prior Period

As discussed in Note 22 to the financial statements, the June 30, 2015 balances have been restated to adjust beginning balances for changes to the County's presentation of the Fire and Rescue Length of Service Award Program Fund. Our opinion is not modified with respect to the matter.

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 County's basic financial statements. The introductory section, combining statements, discretely presented School Board combining statements, Schedule 1, and the statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 not a required part of the basic financial statements.

Other Matters (Continued)

Other Information (Continued)

The combining statements, discretely presented School Board combining statements, Schedule 1, and the schedule of expenditures of federal awards are the responsibility of management and 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 combining statements, discretely presented School Board combining statements, Schedule 1, 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 29, 2016 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
November 29, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis (MD&A) of the County's financial statements offers readers a narrative overview and analysis of the County's financial activities for the fiscal year ended June 30, 2016. The Bedford County Schools (School Board) component unit is also included in this narrative. We encourage readers to consider this discussion and analysis in conjunction with our letter of transmittal in the Introductory Section of this report, and the County's basic financial statements which follow this discussion and analysis.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Primary Government exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2016 by \$53.6 million (*net position*). Of this amount, \$10.7 million (*unrestricted net position*) may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's total net position increased by \$14.8 million, of which the governmental activities increased by \$13.8 million and business-type activities increased by \$1.0 million.
- As of June 30, 2016, the County's General Fund reported an ending fund balance of \$59.9 million, an increase of \$5.9 million from the prior year. Of the \$59.9 million, 96.4% (\$57.8 million) is available for spending at the County's discretion (sum of *committed, assigned and unassigned fund balances*), while the *nonspendable and restricted fund balances* were 3.6% or \$2.1 million.
- The General Fund's unassigned fund balance increased from 22.3% to 27.3% of total General Fund expenditures, which reflects an increase of \$5.3 million to \$25.2 million at June 30, 2016. This balance continues to meet and exceed the County's unassigned fund balance policy minimum of 10% of total General Fund expenditures.
- The County's total debt decreased by \$6.0 million during fiscal year 2016 due to principal payments on existing debt, and refunding of existing debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

The *statement of net position* presents information on all of the County's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of how the financial position of the County may be changing. Increases in net position may indicate an improved financial position; however, even decreases in net position may reflect a changing manner in which the County may have used previously accumulated funds.

The *statement of activities* presents information showing how the County'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 and sick leave).

Both of the government-wide financial statements distinguish functions of the County 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 of the County include general government, judicial administration, public safety, public works, health and human services, parks and recreation, and community development. The business-type activities of the County include the Nursing Home and Solid Waste.

The government-wide financial statements (Exhibits 1 and 2) include not only the County itself (known as the *primary government*), but also three component units – Bedford County Public Schools, Bedford Public Library System and the Bedford Economic Development Authority. Although these component units represent legally separate entities, their operational or financial relationship with the County makes the County financially accountable for them.

Fund Financial Statements

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

Governmental Funds

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

Because the focus of governmental fund statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities*. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

(Continued)

The County maintains one governmental fund, the general fund. The County 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. The governmental fund financial statement can be found at Exhibits 3 through 5 of this report.

Proprietary Funds

Proprietary funds are classified as enterprise funds. *Enterprise funds* are used to report the same functions that are presented as *business-type activities* in the government-wide financial statements. The County maintains the accounting for two enterprise funds: Nursing Home and Solid Waste.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements can be found at Exhibits 6 through 8 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources received and held in a fiduciary capacity for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. However, the County is responsible for ensuring that the fiduciary fund assets are used for their intended purposes. The County's fiduciary funds consist of Agency Funds. The fiduciary fund financial statement can be found at Exhibit 9 of this report, while individual fund data for the agency funds can be found in the form of combining statements at Exhibits 16 and 17 of this report.

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. The notes can be found on pages 31-79.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the County's pension and other postemployment benefits to its current and future retirees. These schedules of required supplementary information can be found at Exhibits 10 through 15.

Other supplementary information is presented immediately following the required supplementary information. The County adopts an annual appropriated General Fund budget, for which a budgetary comparison has been provided to demonstrate compliance with the budget. This supplementary information can be found at Schedule 1 of this report. The Schedule of Expenditures of Federal Awards and notes thereto at Schedule 2 of this report. The combining financial statements of the School Board component unit are presented at Exhibits 18 through 20 of this report. The combining fund statements referred to earlier in connection with agency funds and individual fund statement and schedules are presented at Exhibits 16 and 17 of this report.

The report also contains a statistical section that supplements the basic financial statement by presenting detailed trend information, to assist the users to assess the economic condition of the County. We encourage our readers to review the statistical section, to better understand the County's operations, services and financial condition.

Finally this report contains a compliance section, including the independent auditors' required reports on compliance and internal control, a summary of compliance matters and a Schedule of Findings and Questioned Costs.

Budget to actual statements are provided for governmental funds with legally adopted budgets.

(Continued)

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

Table 1 summarizes the Statements of Net Position for the primary government as of June 30, 2016 and 2015:

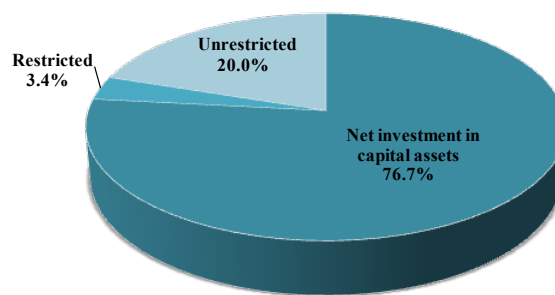
Table 1	Summary Statement of Net Position as of June 30, 2016 (\$ in millions)							
	Primary Government						Component Unit	
	Governmental Activities		Business-Type Activities		Total Primary Government		School Board	
	2016	2015	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 91.1	\$ 82.7	\$ 13.1	\$ 11.3	\$ 104.2	\$ 94.0	\$ 19.8	\$ 18.5
Capital assets (net)	36.6	36.2	10.9	11.7	47.5	47.9	92.0	93.8
Total assets	127.7	118.9	24.0	23.0	151.7	141.9	111.8	112.3
Total deferred outflows	4.1	4.2	0.2	0.2	4.3	4.4	9.4	10.0
Long-term liabilities	61.8	67.7	7.2	7.0	69.0	74.7	84.1	85.7
Other liabilities	9.5	9.6	0.4	0.4	9.9	10.0	13.3	12.5
Total liabilities	71.3	77.3	7.6	7.4	78.9	84.7	97.4	98.2
Total deferred inflows	23.2	23.9	0.3	0.5	23.5	24.4	11.3	13.2
Net position:								
Net investment in capital assets	30.2	28.3	10.9	11.7	41.1	40.0	89.3	91.7
Restricted	1.8	-	-	-	1.8	-	-	-
Unrestricted	5.3	(6.4)	5.4	3.6	10.7	(2.8)	(76.8)	(80.8)
Total net position	\$ 37.3	\$ 21.9	\$ 16.3	\$ 15.3	\$ 53.6	\$ 37.2	\$ 12.5	\$ 10.9

Table 1 may differ from Exhibit 1 due to rounding.

Change in net position is a useful indicator of a County's financial position. The County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$53.6 million at the close of fiscal year 2016, representing an increase of \$16.4 million from the net position at June 30, 2015.

As the following graph shows, by far the largest of the County's total net position (\$41.1 million, 76.7% of total) reflects its investment in capital assets (land, buildings, machinery, and equipment), less accumulated depreciation and any debt used to acquire those assets that remains outstanding at year-end. The County uses these capital assets to provide services to citizens, like fire and emergency medical services, law enforcement, libraries and solid waste disposal. Consequently, these assets are not available for future spending.

**Composition of Net Position
of the Primary Government**



As also shown, an additional portion of the County's total net position (\$1.8 million, 3.4% of total) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$10.7 million, 20.0% of total), may be used to meet the County's ongoing obligations to citizens and creditors.

(Continued)

The School Board's total net position of \$12.5 million, increased \$1.6 million from fiscal year 2015, due mainly to the deferred pension outflows, deferred pension inflows and net pension liability that are required by GASB No. 68 to be presented on the Statement of Net Position.

Statement of Activities

Table 2 summarizes the Statement of Activities of the primary government for the fiscal years ended June 30, 2016 and 2015:

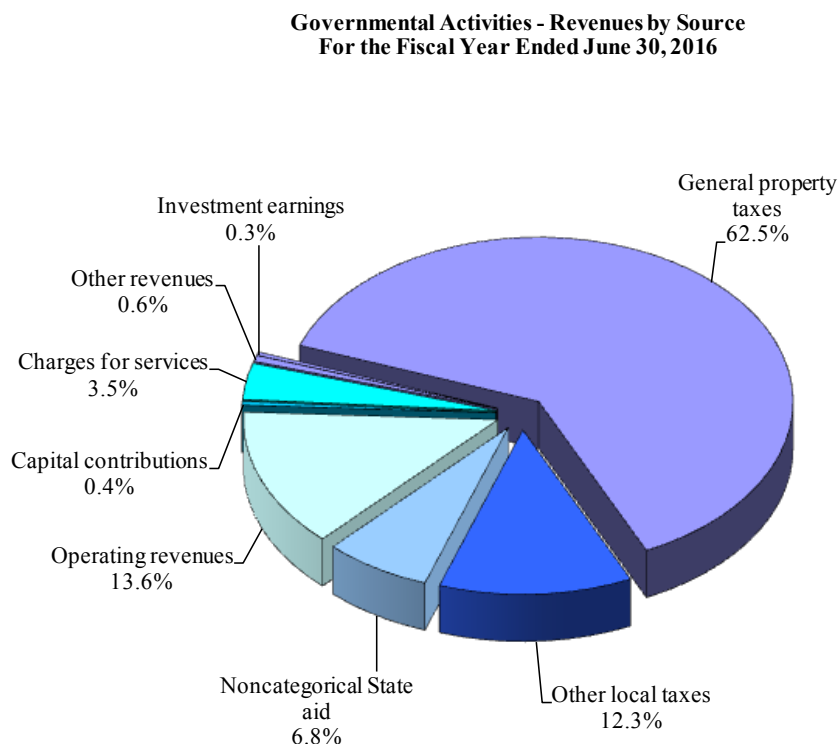
		Change in Net Position					
		Year ended June 30, 2016					
		(\$ in millions)					
		Primary Government					
		Governmental		Business-Type		Total	
		Activities		Activities		Primary	
		2016	2015	2016	2015	2016	2015
Revenues							
Program revenues:							
Charges for services		\$ 3.5	\$ 3.3	\$ 9.3	\$ 9.1	\$ 12.8	\$ 12.4
Operating grants and contributions		13.5	12.7	0.3	0.3	13.8	13.0
Capital grants and contributions		0.3	0.1	-	-	0.3	0.1
General revenues:							
Property taxes		61.7	60.0	-	-	61.7	60.0
Other taxes		12.1	11.7	-	-	12.1	11.7
Payments from Bedford County		-	-	-	-	-	-
Noncategorical state aid		6.7	6.6	-	-	6.7	6.6
Investment earnings		0.3	0.1	0.1	-	0.4	0.1
Other		0.6	0.2	-	-	0.6	0.2
Total revenues		98.7	94.7	9.7	9.4	108.4	104.1
Expenses							
General government		3.7	3.9	-	-	3.7	3.9
Judicial administration		2.4	2.3	-	-	2.4	2.3
Public safety		19.0	18.3	-	-	19.0	18.3
Public works		4.5	4.6	-	-	4.5	4.6
Health and welfare		10.6	9.9	-	-	10.6	9.9
Education		33.7	29.3	-	-	33.7	29.3
Parks, recreation and cultural		3.8	3.1	-	-	3.8	3.1
Community development		5.1	7.3	-	-	5.1	7.3
Group Homes		-	-	-	-	-	-
Nursing Home		-	-	5.3	5.3	5.3	5.3
Solid Waste		-	-	3.4	3.1	3.4	3.1
Interest on long-term debt		2.2	2.5	-	-	2.2	2.5
Total expenses		85.0	81.2	8.7	8.4	93.7	89.6
Increase (decrease) in net position							
before transfers		<u>\$ 13.7</u>	<u>\$ 13.5</u>	<u>\$ 1.0</u>	<u>\$ 1.0</u>	<u>\$ 14.7</u>	<u>\$ 14.5</u>

Table 2 may differ from Exhibit 2 due to rounding.

Governmental Activities

The increase in net position attributable to the County's governmental activities totaled \$13.7 million. Generally, net position changes are the result of the difference between revenues and expenses. Fiscal 2016 revenues of \$98.7 million represent an increase of \$4.0 million or 4.2% in comparison to the prior year, while expenses of \$85.0 million represent an increase of \$3.8 million, or 4.7% compared to the prior year.

The following chart illustrates the County's fiscal 2016 governmental revenues by source as a percentage of total governmental revenues:



Taxes comprise the largest source of County revenues, totaling \$73.8 million for fiscal year 2016, an increase of \$2.1 million, or 6.2%, in comparison to fiscal year 2015. General property taxes account for \$61.7 million or 62.5% of revenues. An increase in general property taxes of \$1.7 million, or 2.8%, is attributable to continued growth in the tax base. In addition, sales tax revenue increased by \$0.3 million; or 5.0% and recordation taxes increased by \$0.1 million, or 13.0%, signifying a recovering economy.

Also in fiscal year 2016, \$17.3 million, or 17.5% of total revenues, consisted of program revenues, including \$3.5 million in charges for services, \$13.5 million of operating grants and contributions, and \$0.3 million of capital grants and contributions. General revenue, including \$6.7 million of noncategorical state aid and \$0.9 million of investment earnings and other income, accounted for the remaining revenues. Also shown in Table 2 and Table 3, the total expenses of all the County's governmental activities for fiscal year 2016 were \$85.0 million, which represents an increase of \$3.8 million or 4.7% higher than fiscal year 2015. The increase is primarily due to increased expenses for education of \$4.4 million; public safety of \$0.7 million; health and welfare of \$0.7 million and parks and recreation by \$0.7 million; offset by expense decreases in community development. These changes are attributed to the following:

- Increases in education funding are due to design, architectural and engineering expenses associated with the new Liberty zone middle school and competition gym. Expenses also increased as the Board directed half of the growth in discretionary revenue to the schools during the budget process, along with higher fiscal year 2016 year end accruals for accounts payable and salaries and fringes.
- Increases in public safety expenses are primarily due to a payout of accumulated compensatory, holiday and vacation balances in excess of the annual carryover maximum and increased costs for adult and juvenile detention.
- Increases in health and welfare expenses are related to Children's Service Act. Expense increased for special education services. Additionally, the number of children in therapeutic foster care increased.
- Increases in parks and recreation expenses are due to the conveyance of the Stroobants New London Recreation Park to the Al Stroobants Foundation. Additionally, previously capitalized construction in progress costs related to the Montvale Park ball fields were expensed due to the wetland concerns expressed by the Army Corp of Engineers.
- Community development expenses decreased as the construction of the New London electrical substation was completed in fiscal year 2015.

As the following chart indicates, education continues to be one of the County's largest programs and highest priorities, with education expenses totaling \$33.7 million in fiscal year 2016. Public Safety and human services are also strategic focus areas and the County's second and third largest expenses, totaling \$19.0 million and \$10.6 million, respectively, in fiscal year 2016.

**Governmental Activities
Functional Expenses
For the Fiscal Year Ended June 30, 2016**

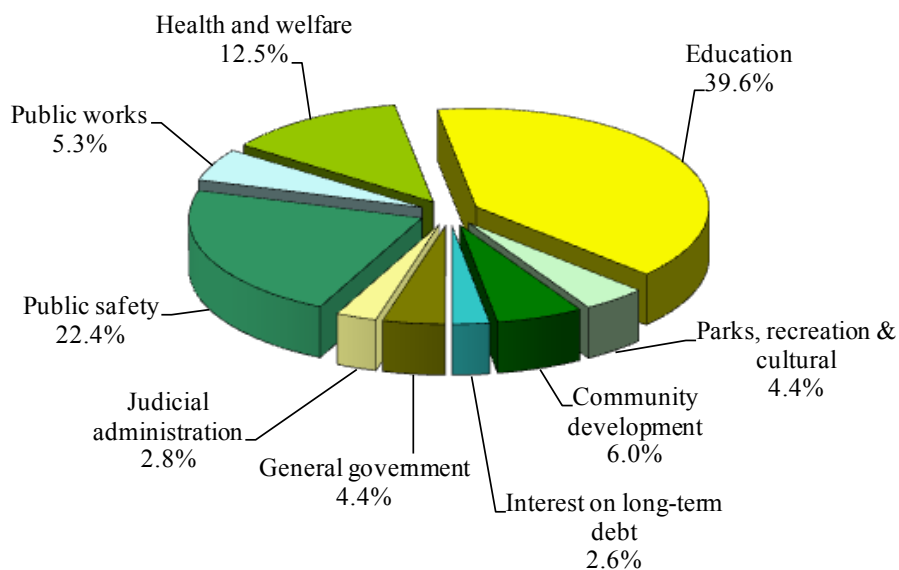


Table 3 presents the total cost of the County's governmental activities by function, as well as the net cost of each function (total cost less fees generated by each function and program-specific intergovernmental aid) for fiscal year ended June 30, 2016 and 2015:

Net Cost of Governmental Activities For the Fiscal Year Ended June 30, 2016 Table 3 (\$ in millions)				
	Total Cost of Services		Net Cost of Services	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
General government	\$ 3.7	\$ 3.9	\$ 2.7	\$ 2.9
Judicial administration	2.4	2.3	1.2	1.1
Public safety	19.0	18.3	11.4	11.2
Public works	4.5	4.6	4.3	4.4
Health and welfare	10.6	9.9	3.7	3.5
Education	33.7	29.3	33.7	29.3
Parks, recreation & cultural	3.8	3.1	3.7	3.1
Community development	5.1	7.3	4.8	7.0
Interest on long-term debt	2.2	2.5	2.2	2.5
Total	<u>\$ 85.0</u>	<u>\$ 81.2</u>	<u>\$ 67.7</u>	<u>\$ 65.0</u>

Table 3 may differ from Exhibit 2 due to rounding.

A portion of the \$85.0 million cost of the County's governmental activities was paid by those who directly benefited from the programs (i.e., charges for services of \$3.5 million), and other governments and organizations that subsidized certain programs (i.e. operating and capital grants and contributions of \$13.8 million). These combined program revenues of \$17.3 million reduced the total fiscal year 2016 cost of services from \$85.0 million to the net cost of services of \$67.7 million. The net cost of services was covered by the County's general revenues, consisting primarily of taxes and state aid.

Business-type activities

Table 2 also summarizes the business-type activities. The County's business-type activities consist of the Nursing Home and Solid Waste. The increase in the net position attributable to the County's business-type activities totaled \$1.0 million for fiscal year 2016.

Nursing Home revenues and expenses remained relatively unchanged between years. Solid Waste operating revenues totaled \$2.8 million in fiscal year 2016, compared to \$2.7 million last year, primarily due to recognizing a full year of a commercial rate increase of \$3.00 per ton. Solid Waste expenses totaled \$3.4 million in fiscal year 2016 compared to \$3.1 million in fiscal year 2015. An increase of \$0.3 million due largely to repairs made to a dam, an increase in the number of gallons of leachate hauled during the year and an increase in landfill closure/postclosure costs.

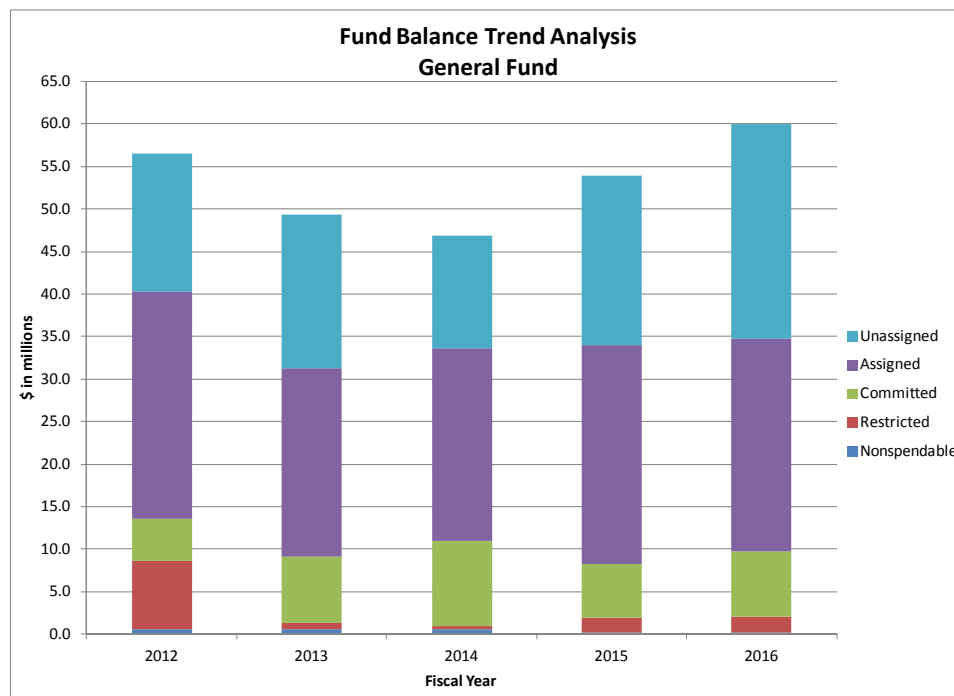
FINANCIAL ANALYSIS OF THE COUNTY'S GENERAL FUND

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

The focus of the County's General Fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In addition, the County's fund balance classifications are useful to identify the extent to which the County's fund balances are constrained and how binding those constraints are.

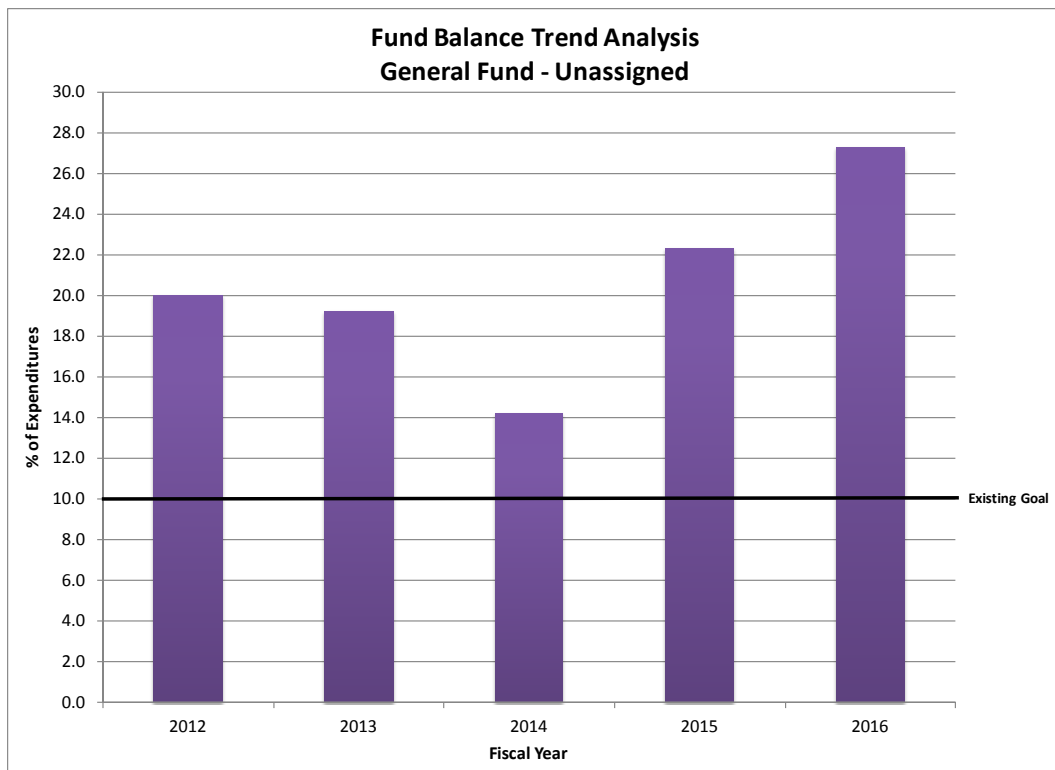
As of the end of fiscal year 2016, the County's General Fund reported combined ending fund balances of \$59.9 million (Exhibit 3), as compared to \$54.0 million at June 30, 2015, an increase of \$5.9 million. Of the \$59.9 million fiscal year 2016 fund balance, \$0.3 million is classified as *nonspendable* because it is invested in inventories and prepaid expenditures and, therefore, is not in spendable form; \$1.9 million is classified as *restricted* to indicate that it can only be spent for specific purposes as stipulated by external resource providers (for example, debt covenants, grant agreements, and volunteer fire and rescue length of service program), \$7.6 million is classified as *committed* to indicate that it has been set aside for specific purposes by resolution of the County's Board of Supervisors, \$24.9 million is assigned to indicate that County administration has identified specific purposes for the use of those funds, and the remaining \$25.2 million is *unassigned*. Unassigned fund balances are technically available for any purpose, but are maintained at targeted levels in accordance with sound financial management practices.

The following graphs illustrate fund balance trends for the County's general fund for fiscal years 2012 through 2016.



The increase in fiscal 2016 was due to higher than budgeted local taxes being received and salaries and benefits savings as a result of turnover and vacancies.

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 27.3% of total fiscal year 2016 general fund expenditures. The Board adopted a resolution setting a minimum unassigned fund balance target for the General Fund of 10.0% of the General Fund expenditures. The total fund balance represents 64.8% of that same amount. This positive liquidity primarily results from the County receiving the first half of the 2016 real estate taxes in June. The semi-annual real estate collection dates allow the County to avoid borrowing funds to support operations during the early part of the following fiscal year.



The County's proprietary funds financial statement provide the same type of information presented in the business-type activities on the government-wide financial statements, as their basis of accounting is the same, but in more detail. Factors relating to the financial position and results of operations of the County's Nursing Home and Solid Waste have been addressed in the discussion of the County's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

Budgetary Comparison General Fund For the Fiscal Year Ended June 30, 2016 (\$ in millions)			
Table 4	Original Budget	Amended Budget	Actual
Revenues & Other Financing Sources:			
General Property Taxes	\$ 59.5	\$ 59.5	\$ 61.7
Other Local Taxes	11.0	11.0	12.0
Intergovernmental	17.6	21.0	20.2
Other Revenue	3.5	3.7	4.0
Other Sources	-	7.2	7.2
Total	91.6	102.4	105.1
Expenditures & Other Financing Uses:			
Expenditures	56.2	64.1	53.4
Other Uses	38.7	46.4	46.0
Total	94.9	110.5	99.4
Changes in Fund Balance	\$ (3.3)	\$ (8.1)	\$ 5.7

The original budget includes rollover capital improvement program appropriations of \$5.8 million. Additionally, the Board did not initially appropriate \$2.1 million of the adopted budget; \$1.5 million of this was reserved for a new school, \$0.5 million was reserved for a new landfill cell and \$0.1 million for undesignated capital projects.

General Fund budget amendments resulted in an increase of \$15.6 million between the originally adopted budget and the final budget, with \$7.2 million of the increase as a result of the refunding bonds issued during the year. An additional increase of \$3.1 million was from the reserves for a new school, and \$1.0 million was the result of reappropriation of fiscal year 2015 encumbered and unencumbered amounts for completion of projects in fiscal year 2016.

The remaining \$4.3 million in budget amendments were funded by various revenue sources other than general fund tax dollars. Significant amendments included:

- \$2.5 million for Internet Crime Against Children grants.
- \$0.8 million for Children's Service Act expenditures.
- \$0.4 million for Fire and Rescue grants.
- \$0.5 million to the School Board, reappropriating fiscal year 2015 unspent funds.
- \$0.1 million from the Contingency Fund for a Sheriff's Office salary supplement upon completing the training academy.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The County's investment in capital assets as of June 30, 2016, totals \$47.5 million, net of accumulated depreciation. Capital assets, net of accumulated depreciation, are illustrated in the following table.

Summary of Capital Assets as of June 30, 2016 (\$ in millions)						
Table 5						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 3.5	\$ 3.7	\$ 1.1	\$ 0.8	\$ 4.6	\$ 4.5
Building and improvements	48.3	42.7	19.1	18.8	67.4	61.5
Machinery and equipment	20.2	17.7	4.6	4.6	24.8	22.3
Construction in progress	0.7	2.4	0.1	0.2	0.8	2.6
Subtotal	72.7	66.5	24.9	24.4	97.6	90.9
Accumulated depreciation	(36.1)	(30.3)	(14.0)	(12.7)	(50.1)	(43.0)
Total	<u>\$36.6</u>	<u>\$ 36.2</u>	<u>\$10.9</u>	<u>\$ 11.7</u>	<u>\$47.5</u>	<u>\$ 47.9</u>

Major capital asset activity during fiscal year 2016 included the following:

- Acquisition of fifteen public safety vehicles costing \$0.4 million funded through general fund revenues.
- Completion of the Courthouse Bell Tower repairs of \$0.4 million funded through general fund revenues.
- Acquisition of Body Camp and Thaxton elementary schools from the School Board for a net value of \$0.2 million.
- Acquisition of thirty-seven new voting machines of \$0.3 million funded through general fund revenues.
- Acquisition of Bellevue Community Center of \$0.2 million through donation from the Bellevue Community Center Inc.
- Transfer of the Stroobants New London Recreation Park to the Al Stroobants Foundation in the amount of \$0.3 million.
- Disposal of other machinery and equipment for a loss of \$0.1 million.

Additional information on the County's capital assets can be found in Note 6 to the financial statements.

Table 6 illustrates the County's outstanding obligations at June 30, 2016. Additional information can be found in Note 7.

<p align="center">Summary of Long Term Debt as of June 30, 2016 (\$ in millions)</p>						
Table 6	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
General obligation and lease revenue bonds	\$ 45.5	\$ 50.1	\$ -	\$ -	\$ 45.5	\$ 50.1
Capital lease obligations	7.1	7.5	-	0.1	7.1	7.6
Total	<u>\$ 52.6</u>	<u>\$ 57.6</u>	<u>\$ -</u>	<u>\$ 0.1</u>	<u>\$ 52.6</u>	<u>\$ 57.7</u>

The Code of Virginia does not impose a legal debt margin limit on counties. However, the County has adopted a policy with three debt ratios as a management tool. A key debt policy is the ratio of debt service costs to general government expenditures, which was 5.99% for the current year comparing favorably to the policy target of 15%. Debt ratios for the last ten years are provided in Table 11 in the Statistical Section of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

During fiscal year 2016, the County experienced positive trends in its economic indicators.

- The County's revenues continue to slowly grow primarily due to higher property tax valuations.
- Other local taxes have averaged a 4.0% growth over each of the last three years.
- Throughout fiscal year 2016, the County's unemployment rate continued to show steady improvement over the prior year. In June 2016, the County's unemployment rate was 4.0%, which was 0.7% improved (lower) than the same month a year ago, and which continues to compare favorably to the State' average unemployment rate of 4.4% and the national average of 5.3%.

Fiscal year 2017 is anticipated to continue those trends, particularly in the areas of real estate and personal property taxes.

The County closely monitors and forecasts its revenues on a continual basis, and incorporates any significant changes in its current and subsequent fiscal year's budget plans in order to mitigate their impact and maintain the County's sound financial position.

County general property tax rates remained unchanged for the calendar year 2016.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's financial condition and operations. Questions concerning this report or requests for additional financial information should be directed to the Director of Fiscal Management, 122 East Main Street, Suite 203, Bedford, Virginia, 24523.

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BASIC FINANCIAL STATEMENTS

COUNTY OF BEDFORD, VIRGINIA

**Statement of Net Position
June 30, 2016**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash, cash equivalents, and investments	\$ 64,502,357	\$ 12,109,647	\$ 76,612,004
Receivables, net	24,690,566	799,824	25,490,390
Internal balances	(132,964)	132,964	-
Due from primary government	-	-	-
Prepays	211,867	53,736	265,603
Inventories	56,778	-	56,778
Restricted assets:			
Cash, cash equivalents, and investments	1,778,497	20,325	1,798,822
Net pension asset	-	-	-
Capital assets:			
Nondepreciable	4,120,987	1,151,324	5,272,311
Depreciable, net	32,483,960	9,751,698	42,235,658
Total assets	127,712,048	24,019,518	151,731,566
Deferred Outflows of Resources			
Deferred charge on refunding	2,816,830	-	2,816,830
Contributions to pension plan in current fiscal year	1,255,341	244,431	1,499,772
Difference between expected and actual experience-pension	-	-	-
Change in proportionate share – teacher cost sharing pool	-	-	-
Total deferred outflows of resources	4,072,171	244,431	4,316,602
Liabilities			
Accounts payable and accrued expenses	1,099,961	157,472	1,257,433
Accrued payroll and related liabilities	324,988	184,838	509,826
Accrued interest payable	860,296	-	860,296
Self insurance	-	-	-
Incentives and performance grants payable	-	-	-
Due to component units	7,219,142	-	7,219,142
Liabilities payable from restricted assets	-	20,325	20,325
Noncurrent liabilities:			
Due within one year	7,496,457	361,134	7,857,591
Due in more than one year	51,150,479	6,307,463	57,457,942
Net pension liability	3,098,432	569,394	3,667,826
Total liabilities	71,249,755	7,600,626	78,850,381
Deferred Inflows of Resources			
Property taxes	21,302,890	-	21,302,890
Pension deferrals	1,928,908	348,169	2,277,077
Total deferred inflows of resources	23,231,798	348,169	23,579,967
Net Position			
Net investment in capital assets	30,177,071	10,903,022	41,080,093
Restricted for:			
Volunteer Length of Service Award Program	1,777,417	-	1,777,417
Debt service	1,080	-	1,080
Donor requests	-	-	-
Unrestricted (deficit)	5,347,098	5,412,132	10,759,230
Total net position	\$ 37,302,666	\$ 16,315,154	\$ 53,617,820

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

Component Units				
School Board	Public Library	Economic Development Authority	Reclassifications (See Note 1)	Total
\$ 7,645,727	\$ 392,030	\$ 1,599,037	\$ -	\$ 86,248,798
4,687,810	24,445	5,725	-	30,208,370
-	-	-	-	-
7,219,142	-	-	-	7,219,142
125,157	44,081	-	-	434,841
86,349	-	8,746,128	-	8,889,255
-	42,862	-	-	1,841,684
42,144	236,434	-	-	278,578
3,603,797	-	491,203	-	9,367,311
88,433,560	639,799	2,375,415	-	133,684,432
111,843,686	1,379,651	13,217,508	-	278,172,411
-	-	-	-	2,816,830
7,067,474	44,689	-	-	8,611,935
57,182	32,154	-	-	89,336
2,278,000	-	-	-	2,278,000
9,402,656	76,843	-	-	13,796,101
1,213,752	24,306	11,792	-	2,507,283
10,893,554	44,266	-	-	11,447,646
39,362	-	-	-	899,658
1,132,354	-	-	-	1,132,354
-	-	61,000	-	61,000
-	-	-	-	7,219,142
-	-	-	-	20,325
1,641,930	59,520	-	-	9,559,041
4,009,756	7,500	-	-	61,475,198
78,504,000	-	-	-	82,171,826
97,434,708	135,592	72,792	-	176,493,473
-	-	-	-	21,302,890
11,264,834	61,464	-	-	13,603,375
11,264,834	61,464	-	-	34,906,265
89,284,475	639,799	2,866,618	(47,318,745)	86,552,240
-	-	-	-	1,777,417
-	-	-	-	1,080
-	41,982	-	-	41,982
(76,737,675)	577,657	10,278,098	47,318,745	(7,803,945)
\$ 12,546,800	\$ 1,259,438	\$ 13,144,716	\$ -	\$ 80,568,774

COUNTY OF BEDFORD, VIRGINIA

**Statement of Activities
For the Year Ended June 30, 2016**

		Program Revenues		
Function	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 3,686,970	\$ 497,020	\$ 523,560	\$ -
Judicial administration	2,419,173	78,456	1,164,391	-
Public safety	18,985,844	2,322,194	4,911,762	316,427
Public works	4,523,662	203,504	17,044	-
Health and welfare	10,643,689	132,634	6,827,567	2,600
Education	33,713,688	-	-	-
Parks, recreational, and cultural	3,753,755	45,530	848	27,000
Community development	5,114,090	241,294	33,950	-
Interest on long-term debt	2,201,911	-	-	-
Total governmental activities	85,042,782	3,520,632	13,479,122	346,027
Business-type activities:				
Nursing home	5,323,100	6,802,536	8,789	-
Solid waste	3,360,369	2,493,612	286,665	-
Total business-type activities	8,683,469	9,296,148	295,454	-
Total primary government	\$ 93,726,251	\$ 12,816,780	\$ 13,774,576	\$ 346,027
Component Units:				
School Board	\$ 99,876,493	\$ 2,656,725	\$ 24,797,005	\$ -
Public Library	1,894,678	62,246	297,999	-
Economic Development Authority	839,065	-	299,064	-
Total component units	\$ 102,610,236	\$ 2,718,971	\$ 25,394,068	\$ -

General Revenues:

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

**Net (Expense) Revenue and
Changes in Net Position**

Primary Government			Component Units			
Governmental Activities	Business-Type Activities	Total	School Board	Public Library	Economic Development Authority	Total
\$ (2,666,390)	\$ -	\$ (2,666,390)	\$ -	\$ -	\$ -	\$ (2,666,390)
(1,176,326)	-	(1,176,326)	-	-	-	(1,176,326)
(11,435,461)	-	(11,435,461)	-	-	-	(11,435,461)
(4,303,114)	-	(4,303,114)	-	-	-	(4,303,114)
(3,680,888)	-	(3,680,888)	-	-	-	(3,680,888)
(33,713,688)	-	(33,713,688)	-	-	-	(33,713,688)
(3,680,377)	-	(3,680,377)	-	-	-	(3,680,377)
(4,838,846)	-	(4,838,846)	-	-	-	(4,838,846)
(2,201,911)	-	(2,201,911)	-	-	-	(2,201,911)
(67,697,001)	-	(67,697,001)	-	-	-	(67,697,001)
-	1,488,225	1,488,225	-	-	-	1,488,225
-	(580,092)	(580,092)	-	-	-	(580,092)
-	908,133	908,133	-	-	-	908,133
(67,697,001)	908,133	(66,788,868)	-	-	-	(66,788,868)
-	-	-	(72,422,763)	-	-	(72,422,763)
-	-	-	-	(1,534,433)	-	(1,534,433)
-	-	-	-	-	(540,001)	(540,001)
-	-	-	(72,422,763)	(1,534,433)	(540,001)	(74,497,197)
61,722,532	-	61,722,532	-	-	-	61,722,532
12,118,186	-	12,118,186	-	-	-	12,118,186
-	-	-	33,711,812	1,530,287	163,055	35,405,154
6,701,673	-	6,701,673	39,980,964	-	-	46,682,637
261,818	58,686	320,504	791	1,712	5,506	328,513
55,460	-	55,460	-	-	-	55,460
573,225	-	573,225	405,311	12,223	-	990,759
-	1,158	1,158	-	-	-	1,158
81,432,894	59,844	81,492,738	74,098,878	1,544,222	168,561	157,304,399
13,735,893	967,977	14,703,870	1,676,115	9,789	(371,440)	16,018,334
23,566,773	15,347,177	38,913,950	10,870,685	1,249,649	13,516,156	64,550,440
\$ 37,302,666	\$ 16,315,154	\$ 53,617,820	\$ 12,546,800	\$ 1,259,438	\$ 13,144,716	\$ 80,568,774

COUNTY OF BEDFORD, VIRGINIA

Balance Sheet
Governmental Fund
June 30, 2016

	<u>General Fund</u>
Assets	
Cash, cash equivalents, and investments	\$ 64,502,357
Receivables, net	24,690,566
Prepays	211,867
Inventories	56,778
Restricted cash, cash equivalents, and investments	1,778,497
Total assets	<u><u>\$ 91,240,065</u></u>
Liabilities	
Liabilities:	
Accounts payable and accrued expenses	\$ 1,099,961
Accrued payroll and related liabilities	324,988
Due to other funds	132,964
Due to component units	6,857,474
Total liabilities	<u><u>8,415,387</u></u>
Deferred Inflows of Resources	
Unavailable/unearned revenue	22,899,556
Total deferred inflows of resources	<u><u>22,899,556</u></u>
Fund Balances	
Nonspendable	268,645
Restricted	1,850,461
Committed	7,624,489
Assigned	24,936,650
Unassigned	25,244,877
Total fund balances	<u><u>59,925,122</u></u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 91,240,065</u></u>

(Continued)

COUNTY OF BEDFORD, VIRGINIA

Balance Sheet
Governmental Fund
June 30, 2016

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total Fund Balance, Governmental Funds		\$ 59,925,122
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 72,681,861	
Accumulated depreciation	<u>(36,076,914)</u>	36,604,947
Receivables on the statement of net position that do not provide current financial resources are not reported in the governmental funds.		1,596,666
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.		1,255,341
Other liabilities that are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.		
Operating settlement-School Board		(361,668)
Long-term liabilities do not require the use of current financial resources and are not reported as expenditures in governmental funds.		
Accrued interest	(860,296)	
General obligation and lease revenue bonds	(45,528,169)	
Premium on debt issued	(3,941,682)	
Deferred amounts on refunding	2,816,830	
Equipment leases	(7,093,600)	
Compensated absences	(1,644,774)	
Other post-employment benefits	(438,711)	
Net pension liability	<u>(3,098,432)</u>	(59,788,834)
Pension related deferrals		<u>(1,928,908)</u>
Net position of Governmental Activities		<u>\$ 37,302,666</u>

COUNTY OF BEDFORD, VIRGINIA

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2016**

	General Fund
Revenues	
General property taxes	\$ 61,700,495
Other local taxes	12,149,638
Permits, privilege fees and regulatory licenses	512,450
Fines and forfeitures	115,017
Revenue from use of money and property	476,458
Charges for services	2,002,289
Other	535,437
Recovered costs	460,022
Intergovernmental	20,456,296
Total revenues	<u>98,408,102</u>
Expenditures	
Current operating	
General government administration	3,563,822
Judicial administration	2,132,148
Public safety	18,828,269
Public works	4,417,932
Health and welfare	10,729,572
Education	32,875,682
Parks, recreation and cultural	2,849,528
Community development	3,098,928
Debt service	
Principal	5,777,279
Interest and other fiscal charges	2,363,660
Capital projects	
Education	1,262,299
Other governmental activities	4,604,686
Total expenditures	<u>92,503,805</u>
Excess of revenues over expenditures	<u>5,904,297</u>
Other Financing Sources (Uses)	
Refunding bonds issued	7,225,000
Payment to refunded bond escrow agent	<u>(7,168,810)</u>
Total other financing sources	<u>56,190</u>
Net change in fund balance	5,960,487
Fund balance, beginning, as restated	<u>53,964,635</u>
Fund balance, ending	<u><u>\$ 59,925,122</u></u>

(Continued)

COUNTY OF BEDFORD, VIRGINIA

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2016**

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

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

Net changes in fund balance – governmental fund		\$ 5,960,487
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay expenditures that were capitalized	\$ 3,097,784	
Donated assets	474,571	
Depreciation	<u>(2,705,871)</u>	866,484
The net effect of various transaction involving capital assets (sales, trade ins) is to decrease net position		(432,757)
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities		31,552
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Debt proceeds	(7,225,000)	
Debt Principal repayment	12,792,279	
Deferred charge on refunding	(4,762)	
Change in accrued interest payable	99,729	
Changes in deferred charges on debt issuance costs and refundings	<u>220,592</u>	5,882,838
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds		
Changes in unavailable tax revenues	24,966	
Other revenues	<u>55,270</u>	80,236
Expenses in the Statement of Activities that do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Changes in operating settlement-School Board	424,293	
Changes in compensated absences	214,182	
Changes in other postemployment benefits	(128,070)	
Pension expense	<u>836,648</u>	1,347,053
Total changes in net position of governmental activities		<u>\$ 13,735,893</u>

COUNTY OF BEDFORD, VIRGINIA

**Statement of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual – Cash Basis –
Governmental Fund
For the Year Ended June 30, 2016**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
General property taxes	\$ 59,505,858	\$ 59,505,858	\$ 61,679,965	\$ 2,174,107
Other local taxes	10,957,044	10,957,044	11,981,150	1,024,106
Permits, privilege fees, and regulatory licenses	541,800	541,800	512,182	(29,618)
Fines and forfeitures	100,000	100,000	101,765	1,765
Revenue from use of money and property	320,221	320,300	423,930	103,630
Charges for services	1,874,204	1,931,705	1,968,241	36,536
Miscellaneous	286,641	358,267	555,931	197,664
Recovered costs	432,000	432,000	458,119	26,119
Intergovernmental	17,606,890	21,040,586	20,183,849	(856,737)
Total revenues	<u>91,624,658</u>	<u>95,187,560</u>	<u>97,865,132</u>	<u>2,677,572</u>
Expenditures				
Current operating				
General government administration	4,193,472	4,277,646	3,577,674	699,972
Judicial administration	2,135,634	2,209,473	2,133,428	76,045
Public safety	17,343,874	20,414,395	19,010,732	1,403,663
Public works	4,612,565	4,627,139	4,410,367	216,772
Health and welfare	10,774,155	11,557,891	10,605,305	952,586
Education	1,900	1,900	1,874	26
Parks, recreation, and cultural	2,923,499	2,931,499	2,836,445	95,054
Community development	3,463,194	3,619,718	3,222,510	397,208
Debt service				
Principal	1,445,588	1,445,588	1,455,584	(9,996)
Interest and other fiscal charges	201,556	257,746	233,501	24,245
Capital projects				
Education	1,036,297	4,096,297	1,130,820	2,965,477
Other governmental activities	8,057,366	8,674,740	4,769,636	3,905,104
Total expenditures	<u>56,189,100</u>	<u>64,114,032</u>	<u>53,387,876</u>	<u>10,726,156</u>
Excess of revenues over expenditures	<u>35,435,558</u>	<u>31,073,528</u>	<u>44,477,256</u>	<u>13,403,728</u>
Other Financing Sources (Uses)				
Transfers to:				
Component units	(38,776,103)	(39,273,134)	(38,814,575)	458,559
Refunding bonds issued	-	7,225,000	7,225,000	-
Payment to refunded bond escrow agent	-	(7,168,810)	(7,168,810)	-
Total other financing sources (uses)	<u>(38,776,103)</u>	<u>(39,216,944)</u>	<u>(38,758,385)</u>	<u>458,559</u>
Net change in fund balance	<u>\$ (3,340,545)</u>	<u>\$ (8,143,416)</u>	<u>\$ 5,718,871</u>	<u>\$ 13,862,287</u>

(Continued)

COUNTY OF BEDFORD, VIRGINIA

**Statement of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual – Cash Basis –
Governmental Fund
For the Year Ended June 30, 2016**

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

Total Revenues Budgetary Basis (Exhibit 5)	\$ 97,865,132
Tax and other accruals, grant deferrals, and other transfers	<u>542,970</u>
Total Revenues GAAP Basis (Exhibit 4)	<u><u>\$ 98,408,102</u></u>

Expenditures

Total Expenditures Budgetary Basis (Exhibit 5)	\$ 53,387,876
Accounts payable and other accruals	301,354
Transfers to component unit are expenditures for financial reporting purposes. Transfer amount is reduced by amount of debt service on debt issued "on behalf" of the School Board component unit.	32,362,721
Debt service on debt issued "on behalf" of the School Board component unit is considered an expenditure of the primary government for financial reporting purposes.	<u>6,451,854</u>
Total Expenditures GAAP Basis (Exhibit 4)	<u><u>\$ 92,503,805</u></u>

Other Financing Sources (Uses)

Total Other Financing Sources and Uses Budgetary Basis (Exhibit 5)	\$ (38,758,385)
Transfers to component units are expenditures for financial reporting purposes	<u>38,814,575</u>
Total Other Financing Sources and Uses GAAP Basis (Exhibit 4)	<u><u>\$ 56,190</u></u>

COUNTY OF BEDFORD, VIRGINIA

**Statement of Net Position
Proprietary Funds
June 30, 2016**

	Business-Type Activities – Enterprise Funds		
	Nursing Home	Solid Waste	Total
ASSETS			
Current assets:			
Cash, cash equivalents, and investments	\$ 5,887,068	\$ 6,222,579	\$ 12,109,647
Receivables, net	628,036	171,788	799,824
Due from other funds	-	132,964	132,964
Prepays	43,390	10,346	53,736
Total current assets	<u>6,558,494</u>	<u>6,537,677</u>	<u>13,096,171</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	20,325	-	20,325
Capital assets, net	4,224,249	6,678,773	10,903,022
Total noncurrent assets	<u>4,244,574</u>	<u>6,678,773</u>	<u>10,923,347</u>
Total assets	<u>10,803,068</u>	<u>13,216,450</u>	<u>24,019,518</u>
DEFERRED OUTFLOW OF RESOURCES			
Contributions to pension plan in current fiscal year	<u>195,841</u>	<u>48,590</u>	<u>244,431</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	92,748	64,724	157,472
Accrued payroll and related liabilities	153,181	31,657	184,838
Assets held in agency capacity	20,325	-	20,325
Compensated absences	184,537	38,314	222,851
Landfill closure/postclosure	-	138,283	138,283
Total current liabilities	<u>450,791</u>	<u>272,978</u>	<u>723,769</u>
Noncurrent liabilities:			
Compensated absences	-	4,110	4,110
Other post-employment benefits	61,831	25,500	87,331
Net pension liability	453,964	115,430	569,394
Landfill closure/postclosure	-	6,216,022	6,216,022
Total noncurrent liabilities	<u>515,795</u>	<u>6,361,062</u>	<u>6,876,857</u>
Total liabilities	<u>966,586</u>	<u>6,634,040</u>	<u>7,600,626</u>
DEFERRED INFLOW OF RESOURCES			
Pension deferrals	<u>278,498</u>	<u>69,671</u>	<u>348,169</u>
NET POSITION			
Net investment in capital assets	4,224,249	6,678,773	10,903,022
Unrestricted	5,529,576	(117,444)	5,412,132
Total net position	<u>\$ 9,753,825</u>	<u>\$ 6,561,329</u>	<u>\$ 16,315,154</u>

COUNTY OF BEDFORD, VIRGINIA

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2016

	Business-Type Activities – Enterprise Funds		
	Nursing	Solid	
	Home	Waste	Total
Operating Revenues			
Charges for services	\$ 6,802,536	\$ 2,493,612	\$ 9,296,148
Other	8,789	286,665	295,454
Total Operating Revenues	<u>6,811,325</u>	<u>2,780,277</u>	<u>9,591,602</u>
Operating Expenses			
Personal services	2,788,715	568,183	3,356,898
Employee benefits	813,658	201,804	1,015,462
Purchased services	235,184	627,828	863,012
Continuous charges	475,354	603,004	1,078,358
Supplies and materials	688,649	190,971	879,620
Equipment, property, and improvements	24,373	9,839	34,212
Landfill closure/postclosure	-	220,323	220,323
Depreciation	296,562	937,993	1,234,555
Total Operating Expenses	<u>5,322,495</u>	<u>3,359,945</u>	<u>8,682,440</u>
Operating income (loss)	<u>1,488,830</u>	<u>(579,668)</u>	<u>909,162</u>
Non-Operating Revenues (Expenses)			
Interest income	7,378	51,308	58,686
Interest expense	-	(424)	(424)
Gain (loss) on disposal of capital assets	<u>(605)</u>	<u>1,158</u>	<u>553</u>
Total Non-Operating Revenues (Expenses)	<u>6,773</u>	<u>52,042</u>	<u>58,815</u>
Income (loss) before transfers	1,495,603	(527,626)	967,977
Change in Net Position	1,495,603	(527,626)	967,977
Net Position, beginning	<u>8,258,222</u>	<u>7,088,955</u>	<u>15,347,177</u>
Net Position, ending	<u>\$ 9,753,825</u>	<u>\$ 6,561,329</u>	<u>\$ 16,315,154</u>

COUNTY OF BEDFORD, VIRGINIA

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

	Nursing Home	Solid Waste	Total
Operating Activities			
Receipts from customers	\$ 6,765,717	\$ 2,488,378	\$ 9,254,095
Other cash receipts	8,899	289,605	298,504
Payments to employees	(2,761,879)	(570,538)	(3,332,417)
Payments for employee benefits	(944,449)	(231,608)	(1,176,057)
Payments to suppliers	(1,410,001)	(1,513,346)	(2,923,347)
Net Cash Provided by Operating Activities	<u>1,658,287</u>	<u>462,491</u>	<u>2,120,778</u>
Capital and Related Financing Activities			
Acquisition and construction of capital assets	(33,497)	(361,244)	(394,741)
Proceeds from sale of capital assets	-	1,157	1,157
Principal paid on debt	-	(52,708)	(52,708)
Interest paid on debt	-	(424)	(424)
Net Cash Used in Capital and Related Financing Activities	<u>(33,497)</u>	<u>(413,219)</u>	<u>(446,716)</u>
Investing Activities			
Interest received	<u>7,378</u>	<u>51,308</u>	<u>58,686</u>
Net Increase in Cash and Cash Equivalents	1,632,168	100,580	1,732,748
Cash and Cash Equivalents Beginning of Year	<u>4,275,225</u>	<u>6,121,999</u>	<u>10,397,224</u>
Cash and Cash Equivalents End of Year	<u><u>\$ 5,907,393</u></u>	<u><u>\$ 6,222,579</u></u>	<u><u>\$ 12,129,972</u></u>
Reconciliation to Exhibit 6			
Cash and Cash Equivalents	\$ 5,887,068	\$ 6,222,579	\$ 12,109,647
Restricted Cash and Cash Equivalents	<u>20,325</u>	<u>-</u>	<u>20,325</u>
	<u><u>\$ 5,907,393</u></u>	<u><u>\$ 6,222,579</u></u>	<u><u>\$ 12,129,972</u></u>

(Continued)

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

COUNTY OF BEDFORD, VIRGINIA

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

	<u>Nursing Home</u>	<u>Solid Waste</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ 1,488,830	\$ (579,668)	\$ 909,162
Adjustments Not Affecting Cash			
Depreciation	296,562	937,993	1,234,555
Landfill closure/postclosure	-	220,324	220,324
(Increase) Decrease in Assets			
Accounts receivable	(63,643)	(8,450)	(72,093)
Due from other funds	-	(1,001)	(1,001)
Prepays	(6,310)	(2,144)	(8,454)
(Increase) Decrease in Deferred Outflows of Resources			
Current year pension plan contributions	(11,525)	(331)	(11,856)
Increase (Decrease) in Liabilities			
Accounts payable and accrued expenses	41,307	(75,101)	(33,794)
Accrued payroll and related liabilities	20,705	3,988	24,693
Assets held in agency capacity	(1,954)	-	(1,954)
Compensated absences	9,324	(6,126)	3,198
Other post-employment benefits	11,000	6,000	17,000
Net pension liability	12,960	3,393	16,353
Increase (Decrease) in Deferred Inflows of Resources			
Pension deferrals	(138,969)	(36,386)	(175,355)
Net Cash Provided by Operating Activities	<u>\$ 1,658,287</u>	<u>\$ 462,491</u>	<u>\$ 2,120,778</u>
SCHEDULE OF NONCASH ACTIVITIES			
Capital asset additions financed by accounts payable	<u>\$ -</u>	<u>\$ 438</u>	<u>\$ 438</u>

COUNTY OF BEDFORD, VIRGINIA

Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2016

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 961,783
Security deposits	900
Receivables, net	9,795
Total assets	<u>\$ 972,478</u>
LIABILITIES	
Accounts payable	\$ 2,938
Accrued payroll and related liabilities	645
Amounts held for clients/others	968,895
Total liabilities	<u>\$ 972,478</u>

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1. Summary of Significant Accounting Policies

The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted primary standard-setting body for establishing governmental accounting and financial reporting principles. The County's significant accounting and reporting policies are described below.

A. Reporting Entity

The County's financial reporting entity is defined by and its financial statements are presented in accordance with GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. These statements define the distinction between the County as a primary government and its related entities.

The financial reporting entity consists of the primary government and its blended and discretely presented component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board.

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

The primary government may also be financially accountable if the component unit is fiscally dependent on the primary government regardless of whether the component unit has a separately elected governing board.

The Bedford County Broadband Authority is a blended component unit of the County and the Bedford County School Board, Bedford Public Library System and Bedford County Economic Development Authority are reported as separate and discretely presented component units in the County's comprehensive annual financial report. The primary government is hereafter referred to as the "County" and the reporting entity, which includes the County and its component units, is hereafter referred to as the "Reporting Entity."

As required by GAAP, the accompanying basic financial statements include all activities of the County. The component unit columns in the basic financial statements include the financial data of the County's three discretely presented component units.

The discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the primary government. All of the component units have a June 30 year end. A description of the blended and discretely presented component units follows:

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Blended Component Unit:

Bedford County Broadband Authority

The Bedford County Broadband Authority (the “Authority”) is organized to bring reliable, affordable broadband internet services to all parts of the County through partnerships with private service providers. The members of the County Board of Supervisors also serve as members of the Board of the Authority.

Discretely Presented Component Units:

Bedford County School Board

The Bedford County School Board (the “School Board”) is responsible for elementary and secondary education in the County. The School Board is comprised of seven elected members. The School Board is fiscally dependent upon the County because the Board of Supervisors approves the School Board’s annual budget, levies the necessary taxes to finance the School Division’s operations and approves the borrowing of the money and the issuance of bonds. The School Board does not issue separate financial statements.

Bedford Public Library System

The Bedford Public Library System (the “Library”) is a regional library system created by an agreement between the County of Bedford and the City of Bedford (now the Town of Bedford). The Library is governed by a board consisting of seven members appointed by the County Board of Supervisors. The Library is fiscally dependent on the County and the County provides the major portion of the Library’s annual revenue. Complete financial statements may be obtained by writing the Library at 321 North Bridge St., Bedford, Virginia 24523.

Bedford County Economic Development Authority

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

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

The County reports the following major governmental fund:

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

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

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

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

Additionally, the County reports the following fund category:

Fiduciary Funds – Accounts for assets held by the government in a trustee capacity or as an agent or custodian for individuals, private organizations, or other governmental units. Agency funds include the Tri-County Lake Administrative Commission, Bedford Community Coalition, Bedford Wine Trail, Special Welfare, Road Escrow, Land Disturbing Bonds, and Asset Seizure Funds.

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

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

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

D. Assets, Liabilities, and Net Position or Fund Equity

1. Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are reported at fair value based on quoted market prices.

2. Receivables and Payables

Accounts and property taxes receivable are shown net of an allowance for uncollectibles. The allowance is calculated using historical collection data, specific account analysis, and management's judgment. The allowance is comprised of the following:

General Fund – Property tax receivables	\$ 2,568,733
General Fund – EMS transport fees	<u>83,916</u>
	<u><u>\$ 2,652,649</u></u>

The County levies real estate taxes on all real estate within its boundaries, except that exempted by statute. Real estate is assessed at 100 percent of fair market value and reassessed every four years as of January 1. On January 1, the real estate taxes become an enforceable lien on the property and payment is due in two equal installments on June 5 and December 5. The real estate taxes reported as current year revenue are the second installment (December 5) of the levy on assessed value at January 1, 2015, and the first installment (June 5) of the levy on assessed value at January 1, 2016. The installment due on June 5, 2016 is shown as an assignment of fund balance as it is used to fund the subsequent year's budget. The installment due on December 5, 2016 is included as deferred inflows since these taxes are restricted for use until fiscal year 2017.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

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

2. Receivables and Payables (Continued)

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

The 1998 Virginia General Assembly enacted legislation providing property tax relief to citizens. The Personal Property Tax Relief Act (PPTRA) was intended to be phased in over five years on the first \$20,000 of value for motor vehicles not used for business purposes. In 2005 the General Assembly capped PPTRA relief at \$950 million statewide beginning with the 2006 tax year. The County receives \$6,086,051 annually. County 2015 tax bills, payable in fiscal year 2016, included a fifty percent reduction on qualifying vehicles. All PPTRA payments received are classified as non-categorical State aid in the general fund.

3. Inventories and Prepaids

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

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

4. Restricted Cash, Cash Equivalents, and Investments

Restricted cash, cash equivalents, and investments include debt lease proceeds of \$1,080, Volunteer Length of Service Award Program funds of \$1,777,417 and Nursing Home resident funds of \$20,325. Restricted cash, cash equivalents, and investments of the component unit – Library consists of donations restricted as to purpose or time by donors.

5. Capital Assets

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The County defines capital assets as items with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

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

5. Capital Assets (Continued)

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

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

Depreciation is charged as an expense in the statement of activities and accumulated depreciation is reported in the statement of net position. The Proprietary Funds also record depreciation expense and accumulated depreciation and capitalize interest, when material in amount. No significant construction projects were in progress during the year, therefore no interest was capitalized.

6. Compensated Absences

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

7. Pensions

For purposes of measuring the net pension asset and liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Retirement Plan and the additions to/deductions from the Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (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.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has four items that qualify for reporting in this category. The first is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item consists of contributions subsequent to the measurement date for pensions; this will be applied to the net pension liability in the next fiscal year. The third is the difference between expected and actual experience for pension; this difference will be recognized in pension expense over a closed five year period. An additional deferred outflow results from participation in the Virginia Retirement System's teacher cost sharing pool, where changes in proportion and differences between employer contributions and the proportionate share of employer contributions are reported as a deferred inflow or outflow, as appropriate.

In addition to liabilities, the statements which present financial position report a separate section for deferred inflows of resources. This separate financial statement element, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time. The County has three types of items. One item occurs only under the modified accrual basis of accounting; this item, unavailable revenue, is reported in the governmental fund balance sheet. The governmental fund reports unavailable revenue from property taxes and other receivables not collected within 60 days of year end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item is unearned revenue, which results from collections of property taxes levied to fund future years. The third is the net difference between projected and actual earnings on pension plan investments. The difference will be recognized in pension expense over a closed five year period.

9. 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. Bonds payable are reported net of the applicable bond premium or discount. Costs associated with the issuance of debt, other than certain bond insurances, are expensed when debt is issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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. Cost associated with the issuance of debt are expensed in the period debt is issued.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

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

9. Net Position/Fund Equity

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

10. School Board Debt/Capital Assets Reporting

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

Because this debt is related to capital assets of the reporting entity as a whole, the debt amount of \$47,318,745 is reclassified as shown on Exhibit 1 to present the total reporting entity column.

11. Estimates

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

12. Revenue Recognition – Nursing Home

The Nursing Home is a qualified provider under the Medicaid program. Prior to July 1, 2014, Medicaid reimbursed all nursing facilities for operating costs utilizing a facility-specific per diem rate that was set prospectively based on prior year costs. Effective for claims with dates of service on or after July 1, 2014, the Virginia Department of Medical Assistance Services began paying nursing facilities using a new price-based payment methodology. This will be implemented over a four year transition period.

Beginning July 1, 2014, after approval from Centers for Medicare and Medicaid Services (CMS), the Nursing Home and four other government owned facilities began receiving payments to supplement the interim payments for Medicaid days. The additional payments totaled \$816,845 for fiscal year 2016.

New in fiscal year 2015 was the Commonwealth Coordinated Care for individuals eligible under both Medicare and Medicaid in Virginia. This initiative is designed to improve transitions between care settings and reduce costs to the Medicare and Medicaid programs. Individuals can select from three approved plans administered by Anthem Healthkeepers, Humana, and Virginia Premier or they may elect to opt out of this program.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

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

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

1. The School Board can neither levy taxes nor incur bonded debt under Virginia law. Therefore, the County issues bonded debt “on behalf” of the School Board. The debt obligation is recorded as a liability of the County’s governmental activities. The proceeds from the debt issued “on behalf” of the School Board are recorded in the County’s General Fund. Funds in an amount equal to expenditures are provided to the School Board to pay for capital expenditures. Unspent funds at year end are reported as deposits and investments of the County’s General Fund.
2. The County’s budgeting process provides funding to the School Board for debt service payments. The School Board is responsible for appropriating debt service payments for debt issued by the County on its behalf. These transactions are reported as transfers on the County’s Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual and as transfers and debt service payments on the School Board’s Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual. GAAP requires that debt issued “on behalf” of the School Board and related debt service payments be reported by the primary government for financial reporting purposes. Therefore, debt service payments for school bonded debt are reported as part of the primary government for financial reporting purposes in the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 3. Significant Transactions of the County and Discretely Presented Component Unit – School Board (Continued)

3. If all economic resources associated with school activities were reported with the School Board, its total expenditures would be as follows:

Expenditures of School Board – Component Unit	\$ 100,535,396
Principal and other debt service expenditures included in primary government	<u>6,451,854</u>
Total expenditures for school activities	<u><u>\$ 106,987,250</u></u>

Note 4. Deposits and Investments

Deposits

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

Investment Policy

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

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

<u>Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Percent of Portfolio</u>
Demand deposits	\$ 76,557,677	NA	97.64%
Virginia LGIP	74,652	AAAm	0.10%
Virginia SNAP	1,080	AAAm	0.00%
Guaranteed Interest Account	<u>1,777,417</u>	NA	<u>2.27%</u>
Total deposits and investments	<u><u>\$ 78,410,826</u></u>		<u><u>100.00%</u></u>

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 4. Deposits and Investments (Continued)

Credit Risk

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

Concentration of Credit Risk

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

Interest Rate Risk

As a means of limiting exposure to fair value losses arising from rising interest rates, the Policy requires that at least 50% of the investment portfolio mature in less than one year. At June 30, 59.0% of the portfolio will mature in less than one year.

The above items are reflected in the statements as follows:

	Primary Government	School Board Component Unit
Deposits and investments:		
Cash on hand	\$ 2,700	\$ -
Deposits	76,630,709	7,645,727
Investments	1,777,417	-
	<u>\$ 78,410,826</u>	<u>\$ 7,645,727</u>
Statement of net position:		
Cash and cash equivalents	\$ 76,612,004	\$ 7,645,727
Restricted, cash equivalents, and investments	1,798,822	-
	<u>\$ 78,410,826</u>	<u>\$ 7,645,727</u>

All investments were in compliance with the Policy.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 5. Receivables

Receivables are as follows:

	Primary Government					Component Unit School Board
	Governmental	Business-Type				
	Activities	Activities				
	General Fund	Nursing Home	Solid Waste	Total		
Receivables						
Taxes	\$ 22,492,013	\$ -	\$ -	\$ -	\$ -	
Accounts	960,750	632,513	171,788	804,301		564,714
Intergovernmental	3,890,452	-	-	-		4,123,096
Gross receivables	27,343,215	632,513	171,788	804,301		4,687,810
Less: allowance for uncollectibles	(2,652,649)	(4,477)	-	(4,477)		-
Net total receivables	\$ 24,690,566	\$ 628,036	\$ 171,788	\$ 799,824	\$	4,687,810

Taxes receivable represent the current and past four years of uncollected levies for personal property taxes and the current and past nineteen years for real property. The allowance for estimated uncollectible taxes receivable is 11.42% of the total taxes receivable and is based on historical collection rates.

The Nursing Home mix of receivables from residents and third-party payers is Medicaid (91.68%) and private pay (8.32%). The allowance for uncollectible accounts is 0.71% and is based on specific account identification.

Unavailable/Unearned Revenue

The General fund reports unavailable and unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The General fund also defers revenue recognition in connection with resources that have been received, but not yet earned. On the government-wide statements, property taxes intended for a future period are considered unearned. The various components of unavailable and unearned revenue are as follows:

	Deferred Inflows	
	Unavailable/ Unearned	Unearned
Property taxes	\$ 22,488,063	\$ 21,302,890
Other receivables not available to liquidate liabilities of current period	411,493	-
Total unavailable/unearned revenue	<u>\$ 22,899,556</u>	<u>\$ 21,302,890</u>

COUNTY OF BEDFORD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 6. Capital Assets

Capital asset activity was as follows:

Primary Government

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 3,705,870	\$ 96,000	\$ 333,300	\$ 3,468,570
Construction in progress	2,355,420	469,902	2,172,905	652,417
Total capital assets, not depreciated	6,061,290	565,902	2,506,205	4,120,987
Capital assets, depreciated:				
Buildings and improvements	42,736,144	5,622,101	7,793	48,350,452
Machinery and equipment	17,702,783	3,756,806	1,249,167	20,210,422
Total capital assets, depreciated	60,438,927	9,378,907	1,256,960	68,560,874
Less accumulated depreciation for:				
Buildings and improvements	19,016,371	5,321,002	7,793	24,329,580
Machinery and equipment	11,312,626	1,554,265	1,119,557	11,747,334
Total accumulated depreciation	30,328,997	6,875,267	1,127,350	36,076,914
Net capital assets, depreciated	30,109,930	2,503,640	129,610	32,483,960
Governmental activities net capital assets	<u>\$ 36,171,220</u>	<u>\$ 3,069,542</u>	<u>\$ 2,635,815</u>	<u>\$ 36,604,947</u>
Business-Type Activities				
Capital assets, not depreciated:				
Land	\$ 850,964	\$ 229,061	\$ -	\$ 1,080,025
Construction in progress	200,741	59,209	188,651	71,299
Total capital assets, not depreciated	1,051,705	288,270	188,651	1,151,324
Capital assets, depreciated:				
Buildings and improvements	18,828,138	274,997	-	19,103,135
Machinery and equipment	4,574,707	59,981	33,692	4,600,996
Total capital assets, depreciated	23,402,845	334,978	33,692	23,704,131
Less accumulated depreciation for:				
Buildings and improvements	9,612,423	941,966	-	10,554,389
Machinery and equipment	3,098,685	332,445	33,086	3,398,044
Total accumulated depreciation	12,711,108	1,274,411	33,086	13,952,433
Net capital assets, depreciated	10,691,737	(939,433)	606	9,751,698
Business-type activities net capital assets	<u>\$ 11,743,442</u>	<u>\$ (651,163)</u>	<u>\$ 189,257</u>	<u>\$ 10,903,022</u>

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 6. Capital Assets (Continued)

Component Unit – School Board	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 2,087,837	\$ -	\$ -	\$ 2,087,837
Construction in progress	-	1,515,960	-	1,515,960
Total capital assets, not depreciated	2,087,837	1,515,960	-	3,603,797
Capital assets, depreciated:				
Buildings and improvements	201,242,273	279,946	4,441,885	197,080,334
Machinery and equipment	22,536,558	2,268,262	793,686	24,011,134
Total capital assets, depreciated	223,778,831	2,548,208	5,235,571	221,091,468
Less accumulated depreciation for:				
Buildings and improvements	118,434,302	4,152,334	4,227,002	118,359,634
Machinery and equipment	13,587,482	1,488,713	777,921	14,298,274
Total accumulated depreciation	132,021,784	5,641,047	5,004,923	132,657,908
Net capital assets, depreciated	91,757,047	(3,092,839)	230,648	88,433,560
School Board net capital assets	\$ 93,844,884	\$ (1,576,879)	\$ 230,648	\$ 92,037,357

Depreciation expense was charged to functions/programs as follows:

Primary Government – Governmental Activities

General government administration	\$ 174,573
Judicial administration	384,880
Public safety	1,400,268
Public works	175,469
Health and welfare	166,450
Parks, recreation, and cultural	346,881
Community development	57,350
Total governmental activities	<u>\$ 2,705,871</u>

Primary Government – Business-Type Activities

Nursing home	\$ 296,562
Solid waste	937,993
Total business-type activities	<u>\$ 1,234,555</u>
Component Unit – School Board	<u>\$ 5,641,047</u>

The total increase in accumulated depreciation reflected above in governmental activities includes accumulated depreciation of items transferred from the School Board component unit of \$4,169,396 for governmental activities and \$39,856 for business-type activities.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 7. Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Primary Government					
Governmental activities:					
General obligation and lease revenue bonds					
County projects	\$ 7,347,000	\$ 1,525,000	\$ 2,905,000	\$ 5,967,000	\$ 1,420,000
School projects	43,372,048	5,700,000	9,510,879	39,561,169	3,870,217
Deferred amounts:					
Bond premium	4,368,694	-	427,012	3,941,682	268,441
Total general obligation and revenue bonds	55,087,742	7,225,000	12,842,891	49,469,851	5,558,658
Capital Leases:					
County projects	606,976	-	30,584	576,392	33,391
School projects	6,863,024	-	345,816	6,517,208	377,548
Compensated absences	1,858,956	1,511,505	1,725,687	1,644,774	1,526,860
Other post-employment benefits	310,641	105,000	(23,070)	438,711	-
Net pension liability	3,012,383	1,607,563	1,521,514	3,098,432	-
 Total long-term liabilities	<u>\$ 67,739,722</u>	<u>\$ 10,449,068</u>	<u>\$ 16,443,422</u>	<u>\$ 61,745,368</u>	<u>\$ 7,496,457</u>
 Business-type activities:					
Capital leases	\$ 52,708	\$ -	\$ 52,708	\$ -	\$ -
Compensated absences	223,763	298,925	295,727	226,961	222,851
Other post-employment benefits	70,331	17,000	-	87,331	-
Net pension liability	553,041	305,510	289,157	569,394	-
Landfill closure/postclosure costs	6,133,982	220,323	-	6,354,305	138,283
 Total long-term liabilities	<u>\$ 7,033,825</u>	<u>\$ 841,758</u>	<u>\$ 637,592</u>	<u>\$ 7,237,991</u>	<u>\$ 361,134</u>
 Component Unit					
School Board					
Capital leases	\$ 2,205,927	\$ 1,287,652	\$ 740,697	\$ 2,752,882	\$ 622,095
Compensated absences	1,707,263	1,027,988	1,008,082	1,727,169	1,019,835
Other post-employment benefits	1,259,902	699,000	787,267	1,171,635	-
Net pension liability	80,535,000	7,145,000	9,176,000	78,504,000	-
 Total long-term liabilities	<u>\$ 85,708,092</u>	<u>\$ 10,159,640</u>	<u>\$ 11,712,046</u>	<u>\$ 84,155,686</u>	<u>\$ 1,641,930</u>

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 7. Long-Term Liabilities (Continued)

Annual debt service requirements to maturity are as follows:

Year Ending June 30	Primary Government				Component Unit	
	Governmental Activities				School Board	
	General Obligation and Lease Revenue Bonds		Capital Leases		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 5,290,217	\$ 1,876,932	\$ 410,939	\$ 185,342	\$ 622,095	\$ 51,428
2018	5,031,020	1,649,258	441,147	174,245	512,390	38,418
2019	4,393,380	1,450,601	464,843	162,342	521,707	29,100
2020	4,247,392	1,258,771	492,226	149,939	531,195	19,613
2021	3,606,160	1,083,068	525,000	136,659	375,164	9,953
2022-2026	10,580,000	3,802,931	2,983,375	460,458	190,331	3,331
2027-2031	12,380,000	1,155,785	1,776,070	71,241	-	-
	<u>\$ 45,528,169</u>	<u>\$ 12,277,346</u>	<u>\$ 7,093,600</u>	<u>\$ 1,340,226</u>	<u>\$ 2,752,882</u>	<u>\$ 151,843</u>

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

On December 18, 2015, the county issued Bedford County EDA Lease Revenue Refunding Bonds to advance refund \$7,015,000 of the Bedford County EDA Lease Revenue Bonds, Series 2006. Net proceeds were deposited in an irrevocable trust with an escrow agent and invested in U.S. Government securities maturing to fund the refunded bond's future debt service. As a result of this transaction, the bonds are considered to be defeased and the assets in the related escrow account for the refunded issue are not reflected in the accompanying financial statements. The refunding resulted in the recognition of an accounting gain of \$4,762; however, the County in effect reduced its aggregate debt service by \$695,691 over the next sixteen years and obtained an economic gain (the difference between the present values of the old and new debt service payments) of \$564,909.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 7. Long-Term Liabilities (Continued)

Details of long-term liabilities are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
PRIMARY GOVERNMENT					
Governmental Activities:					
General Obligation Bonds					
County:					
General obligation refunding bonds	1.85%	2005	2017	\$ 3,750,000	\$ 760,000
VPSA Bonds	3.05-5.05	2013	2021	187,000	187,000
Total governmental activities-County					<u>947,000</u>
Schools:					
VPSA Bonds	4.60-6.10	1996	2016	6,000,000	300,000
VPSA Bonds	4.35-5.35	1997	2017	4,700,000	720,000
VPSA Bonds	3.60-5.10	1998	2018	5,200,000	780,000
VPSA Bonds	5.10-6.10	1999	2019	12,030,340	2,828,618
VPSA Bonds	5.10-6.35	2000	2020	4,200,000	1,510,000
VPSA Bonds	4.98-5.85	2000	2020	6,285,526	1,784,551
VPSA Bonds	4.10-5.10	2008	2029	5,420,000	3,510,000
VPSA Bonds	3.05-5.05	2013	2031	23,788,000	23,788,000
Total general obligation bonds-Schools					<u>35,221,169</u>
Total general obligation bonds					<u>\$ 36,168,169</u>
Lease Revenue Bonds					
County:					
Bedford County EDA-Courthouse and Social Services Refunding	2.05%	2005	2020	\$ 7,875,000	\$ 3,755,000
Bedford County EDA Refunding-Group Home	2.81%	2015	2021	1,525,000	1,265,000
Total lease revenue bonds-County					<u>5,020,000</u>
Schools:					
Bedford County EDA Refunding-Jefferson Forest High School	2.810	2015	2031	5,700,000	4,340,000
Total lease revenue bonds					<u>\$ 9,360,000</u>
Capital Leases					
Capital One-Energy Conservation Measures					
County	2.65%	2012	2029	\$ 650,042	\$ 576,392
Schools	2.65	2012	2029	7,349,958	6,517,208
Total capital leases					<u>\$ 7,093,600</u>
COMPONENT UNIT					
School Board					
Capital leases:					
Daimler Chrysler Truck Financial 9 buses	3.20	2010	2016	\$ 782,073	\$ 118,856
SunTrust 13 buses	1.94	2013	2019	1,095,679	631,825
Wachovia Bank, N.A. 14 buses	1.78	2014	2020	1,271,888	908,209
First Citizens Bank & Trust 14 buses	1.75	2015	2021	1,287,652	1,093,992
Total capital leases-School Board					<u>\$ 2,752,882</u>

(Continued)

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 7. Long-Term Liabilities (Continued)

The Schools lease buses under various capital leases expiring at various dates through 2021.

The assets acquired through capital leases are as follows:

	Component Unit School Board
Machinery and equipment	\$ 6,682,391
Less: accumulated depreciation	<u>1,863,274</u>
Net	<u><u>\$ 4,819,117</u></u>

Note 8. Interfund Receivables and Payables and Transfers

The \$132,964 due from the General Fund to the Solid Waste Fund represents revenues collected in the General Fund to finance solid waste programs in accordance with budgetary authorization.

Note 9. Defined Benefit Pension Plan

Plan Description

All full-time, salaried permanent employees of the County of Bedford, (the “Political Subdivision”) are automatically covered by VRS Retirement Plan upon employment. This plan is an agent multiple-employer plan 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. The *Code of Virginia*, as amended, assigns the authority to establish and amend benefit provisions to the Virginia General Assembly. The System issues a publicly available comprehensive annual financial report for VRS. A copy of that report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf>.

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 is as follows:

Plan 1 – Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 1 – (Continued)

- **Hybrid Opt-In Election** – VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.
- **Retirement Contributions** – Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
- **Creditable Service** – Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
- **Vesting** – Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.
- **Calculating the Benefit** – The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier, and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.
- **Average Final Compensation** – A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
- **Service Retirement Multiplier** – The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 1 – (Continued)

- **Normal Retirement Age** – Age 65 or age 60 for hazardous duty employees.
- **Earliest Unreduced Retirement Eligibility** – Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service, for hazardous duty employees.
- **Earliest Reduced Retirement Eligibility** – Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. 50 with at least five years of creditable service for hazardous duty employees.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.
- **Disability Coverage** for members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

Plan 2 – Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

- **Hybrid Opt-In Election** – Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.
- **Retirement Contributions** – Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016.
- **Creditable Service** – Same as Plan 1.
- **Vesting** – Same as Plan 1.
- **Calculating the Benefit** – See definition under Plan 1.
- **Average Final Compensation** – A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 2 – (Continued)

- **Service Retirement Multiplier** – Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013. Sheriffs, regional jail superintendents, and hazardous duty employees are same as Plan 1.
- **Normal Retirement Age** – Normal Social Security retirement age. Hazardous duty employees are the same as Plan 1.
- **Earliest Unreduced Retirement Eligibility** – Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Hazardous duty employees are the same as Plan 1.
- **Earliest Reduced Retirement Eligibility** – Age 60 with at least five years (60 months) of creditable service. Hazardous duty employees are the same as Plan 1.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 2.00% increase in the CPI-U and half of any additional increase (up to 2.00%), for a maximum COLA of 3.00%.
- **Disability Coverage** – Same as Plan 1 except that the retirement multiplier is 1.65%.

Hybrid Retirement Plan – The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. The defined benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

- **Eligible Members – Employees** are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes political subdivision employees; members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.
- **Non-Eligible Members** – Some employees are not eligible to participate in the Hybrid Retirement Plan. They include political subdivision employees who are covered by enhanced benefits for hazardous duty employees and those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan – (Continued)

- **Retirement Contributions** – A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
- **Creditable Service** –
 - **Defined Benefit Component:** Under the defined benefit component of the plan, creditable service includes active service and is generally subject to the same terms as in Plans 1 and 2.
 - **Defined Contributions Component:** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
- **Vesting** –
 - **Defined Benefit Component:** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.
 - **Defined Contributions Component:** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. After two years, a member is 50% vested and may withdraw 50% of employer contributions. After three years, a member is 75% vested and may withdraw 75% of employer contributions. After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
- **Calculating the Benefit** –
 - **Defined Benefit Component:** See definition under Plan 1.
 - **Defined Contribution Component:** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
- **Average Final Compensation** – Same as Plan 2 for the defined benefit component of the plan.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan – (Continued)

- **Service Retirement Multiplier** – The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. This is not applicable to sheriffs, regional jail superintendents, or hazardous duty employees.
- **Normal Retirement Age** –
 - **Defined Benefit Component:** Same as Plan 2, however, not applicable for hazardous duty employees.
 - **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Earliest Unreduced Retirement Eligibility** –
 - **Defined Benefit Component:** Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. This is not applicable to hazardous duty employees.
- **Earliest Unreduced Retirement Eligibility** –
 - **Defined Benefit Component:** Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. This is not applicable to hazardous duty employees.
 - **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Cost-of-Living Adjustment (COLA) in Retirement**
 - **Defined Benefit Component:** Same as Plan 2.
- **Disability Coverage** – Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
- **Purchase of Prior Service** – As with Plans 1 and 2, members may choose to purchase prior service credits subject to the Plan provisions.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 9. Defined Benefit Pension Plan (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>County</u>
Inactive members or their beneficiaries currently receiving benefits	163
Inactive members:	
Vested	52
Non-vested	257
Active Elsewhere in VRS	<u>117</u>
Total inactive members	426
Active members	<u>436</u>
Total covered employees	<u><u>1,025</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. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The political subdivision's contractually required contribution rate for the year ended June 30, 2016 was 8.90% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

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 \$1,504,142 and \$1,461,696 for the years ended June 30, 2016 and June 30, 2015, respectively.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 9. Defined Benefit Pension Plan (Continued)

Net Pension Liability

The political subdivision's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Actuarial Assumptions

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2014, 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, 2015.

Inflation	2.50%
General Employees – Salary increases, including inflation	3.50 – 5.35%
Public Safety Employees – Salary increases, including inflation	3.50 – 4.75%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

Mortality rates: General employees – 14% of deaths are assumed to be service related. Public Safety Employees – 60% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2000 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, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees – Largest 10 – Non-LEOS and all Others (Non 10 Largest): Update mortality table; decrease in rates of service retirement; decrease in rates of disability retirement; and reduce rates of salary increase by 0.25% per year.

Public Safety Employees – Largest 10 – Non-LEOS and all Others (Non 10 Largest): Update mortality table; adjustment to rates of service retirement for females (Non 10 Largest); decrease in rates of male disability (Largest 10, only); decrease in male and female rates of disability (Non 10 Largest) increase in rates of withdrawal, and reduce rates of salary increase by 0.25% per year.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 9. 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:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50 %	6.46 %	1.26 %
Developed Non U.S. Equity	16.50 %	6.28 %	1.04 %
Emerging Market Equity	6.00 %	10.00 %	0.60 %
Fixed Income	15.00 %	0.09 %	0.01 %
Emerging Debt	3.00 %	3.51 %	0.11 %
Rate Sensitive Credit	4.50 %	3.51 %	0.16 %
Non Rate Sensitive Credit	4.50 %	5.00 %	0.23 %
Convertibles	3.00 %	4.81 %	0.14 %
Public Real Estate	2.25 %	6.12 %	0.14 %
Private Real Estate	12.75 %	7.10 %	0.91 %
Private Equity	12.00 %	10.41 %	1.25 %
Cash	1.00 %	(1.50)%	(0.02)%
Total	100.00 %		5.83 %
	Inflation		2.50 %
	Expected arithmetic nominal return		8.33 %

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed 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.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 9. Defined Benefit Pension Plan (Continued)

Changes in Net Pension Liability

	Bedford County		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2014	\$ 59,292,348	\$ 55,711,319	\$ 3,581,029
Changes for the year:			
Service cost	1,919,057	-	1,919,057
Interest	4,072,090	-	4,072,090
Differences between expected and actual experience	(1,101,052)		-
Contributions – employer	-	1,451,172	(1,451,172)
Contributions – employee	-	812,546	(812,546)
Net investment income	-	2,558,667	(2,558,667)
Benefit payments, including refunds of employee contributions	(2,239,267)	(2,239,267)	-
Administrative expenses	-	(34,521)	34,521
Other changes	-	(546)	546
Net changes	2,650,828	2,548,051	102,777
Balances at June 30, 2015	\$ 61,943,176	\$ 58,259,370	\$ 3,683,806

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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

<u>Net Pension Liability (Asset)</u>	1% Decrease (6.00%)	Current Discount Rate Rate (7.00%)	1% Increase (8.00%)
Bedford County	\$ 12,308,369	\$ 3,683,806	\$ (3,425,657)

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 9. Defined Benefit Pension Plan (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the political subdivision recognized pension expense of \$462,401. At June 30, 2016, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Bedford County	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 818,005
Net difference between projected and actual earnings on pension plan investments	-	1,469,824
Employer contributions subsequent to the measurement date	1,499,772	-
Total	<u>\$ 1,499,772</u>	<u>\$ 2,287,829</u>

The \$1,499,772 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 ended June 30, 2017. 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 Ending June 30	County
2017	\$ (862,371)
2018	(862,371)
2019	(831,236)
2020	268,149
2021	-
Thereafter	-

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 9. Defined Benefit Pension Plan (Continued)

Payables to the Pension Plan

At June 30, 2016, approximately \$210,861 was payable to the Virginia Retirement System for the legally required contributions related to June 2016 payroll.

Note 10. Defined Benefit Pension Plan – School Nonprofessionals

Plan Description

All full-time, salaried permanent non-professional employees (non-teachers) of the Bedford County School Board, (the “School division”) are automatically covered by VRS Retirement Plan upon employment. This plan is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Plan participants are covered under three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. The plan provisions and features of the plans, as well as all actuarial assumptions, are substantially the same as those described in Note 9.

Employees Covered by Benefit Terms

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>School Board Non-Professional</u>
Inactive members or their beneficiaries currently receiving benefits	158
Inactive members:	
Vested	20
Non-vested	66
Active Elsewhere in VRS	20
Total inactive members	<u>106</u>
Active members	<u>308</u>
Total covered employees	<u><u>572</u></u>

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 10. Defined Benefit Pension Plan – School Nonprofessionals (Continued)

Contributions

The school division's contractually required contribution rate for the year ended June 30, 2016 was 7.39% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

Contributions to the pension plan from the school division were \$394,983 and \$403,169 for the years ended June 30, 2016 and June 30, 2015, respectively.

Changes in Net Pension Liability (Asset)

	School Board Non-Professional		
	Increase (Decrease)		
	Total	Plan	Net
	Pension	Fiduciary	Pension
	Liability	Net Position	Liability
	(a)	(b)	(a) – (b)
Balances at June 30, 2014	\$ 19,736,011	\$ 20,224,134	\$ (488,123)
Changes for the year:			
Service cost	601,405	-	601,405
Interest	1,351,849	-	1,351,849
Differences between expected and actual experience	80,427		80,427
Contributions – employer	-	404,699	(404,699)
Contributions – employee	-	272,628	(272,628)
Net investment income	-	923,208	(923,208)
Benefit payments, including refunds of employee contributions	(847,770)	(847,770)	-
Administrative expenses	-	(12,637)	12,637
Other changes	-	(196)	196
Net changes	1,185,911	739,932	445,979
Balances at June 30, 2015	\$ 20,921,922	\$ 20,964,066	\$ (42,144)

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 10. Defined Benefit Pension Plan – School Nonprofessionals (Continued)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability of the school division using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

<u>Net Pension Liability (Asset)</u>	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
School Board Non-Professional	\$ 2,418,308	\$ (42,144)	\$ (2,119,025)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the school division recognized pension expense of \$95,550. At June 30, 2016, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>School Board Non-Professional</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 57,182	\$ -
Net difference between projected and actual earnings on pension plan investments	-	533,834
Employer contributions subsequent to the measurement date	394,983	-
Total	<u>\$ 452,165</u>	<u>\$ 533,834</u>

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 10. Defined Benefit Pension Plan – School Nonprofessionals (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The \$394,983 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	<u>School Board Non-Professional</u>
2017	\$ (187,105)
2018	(187,105)
2019	(199,656)
2020	97,214
2021	-
Thereafter	-

Payables to the Pension Plan

At June 30, 2016, approximately \$56,286 was payable to the Virginia Retirement System for the legally required contributions related to June 2016 payroll.

Note 11. Defined Benefit Pension Plan – Teacher Cost Sharing Plan

General Information about the Teacher Cost Sharing Plan

Plan Description

All full-time, salaried permanent (professional) employees of Virginia school divisions, including Bedford County School Board, (the "School Division"), are automatically covered by the VRS Teacher Retirement Plan upon employment. This plan is a multiple employer cost-sharing plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia.

Prior to the adoption of GASB Statement No. 68 in fiscal year 2015, Virginia local school divisions were required to disclose information about their contributions to the teacher cost-sharing plan, but not report a proportionate share of the plan's net pension liability. Upon adoption of the new pension standards in 2015, the School Division now reports its proportionate share of the plan's net pension liability as well as certain other deferred inflows and/or outflows as disclosed below.

Plan participants are covered under three different benefit structures – Plan 1, Plan 2, and Hybrid. The provisions and features of the plans, as well as all actuarial assumptions, are substantially the same as those described in Note 9.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 11. Defined Benefit Pension Plan – Teacher Cost Sharing Plan (Continued)

General Information about the Teacher Cost Sharing Plan (Continued)

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 provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin requiring that the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Each school division's contractually required contribution rate for the year ended June 30, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013 adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 18.20%, however, it was reduced to 17.64% as a result of the transfer.

The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2016. Contributions to the pension plan from the school division were \$6,672,491 and \$6,677,180 for the years ended June 30, 2016 and June 30, 2015, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the school division reported a liability of \$78,504,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the school division's proportion was 0.62% as compared to 0.67% at June 30, 2014.

For the year ended June 30, 2016, the school division recognized pension expense of \$5,273,180. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 11. Defined Benefit Pension Plan – Teacher Cost Sharing Plan (Continued)

General Information about the Teacher Cost Sharing Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

At June 30, 2016, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	School Board Professional	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,081,000
Net difference between projected and actual earnings on pension plan investments	-	4,807,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	2,278,000	4,843,000
Employer contributions subsequent to the measurement date	6,672,491	-
Total	<u>\$ 8,950,491</u>	<u>\$ 10,731,000</u>

The \$6,672,491 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. 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 Ending June 30	Pension Expense
2017	\$ (2,142,834)
2018	(2,142,834)
2019	(2,142,834)
2020	653,752
2021	(113,667)
Thereafter	-

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 11. Defined Benefit Pension Plan – Teacher Cost Sharing Plan (Continued)

General Information about the Teacher Cost Sharing Plan (Continued)

Sensitivity of the School Division's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the school division's proportionate share of the net pension liability of the school division using the discount rate of 7.00%, as well as what the school division's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

<u>Net Pension Liability</u>	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
School division's proportionate share of the VRS teacher employee retirement plan net pension liability	\$ 114,882,538	\$ 78,504,000	\$ 48,555,991

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2016, approximately \$760,249 was payable to the Virginia Retirement System for the legally required contributions related to June 2016 payroll.

Note 12. Other Post-Employment Benefits (OPEB)

A. Plan Description

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

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

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 12. Other Post-Employment Benefits (OPEB) (Continued)

A. Plan Description (Continued)

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

	<u>County</u>	<u>School Board</u>
Retirees currently receiving benefits	4	75
Active employees	378	1,109
Total	<u>382</u>	<u>1,184</u>

B. Funding Policy

The County and School Board currently fund post-employment health care benefits on a pay-as-you-go basis. During fiscal year 2016, neither the County nor the School Board designated any funding for the OPEB liability.

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

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

	<u>County</u>	<u>School Board</u>
Annual required contribution	\$ 125,000	\$ 712,000
Interest on net OPEB obligation	18,000	46,000
Adjustment to annual required contribution	(21,000)	(59,000)
Annual OPEB cost	122,000	699,000
Contributions made	23,071	(787,267)
Increase (decrease) in net OPEB obligation	145,071	(88,267)
Net OPEB obligation-beginning of year	381,971	1,259,902
Net OPEB obligation-end of year	<u>\$ 527,042</u>	<u>\$ 1,171,635</u>

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 12. Other Post-Employment Benefits (OPEB) (Continued)

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

The County and School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the most recent three fiscal years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
County			
June 30, 2016	\$ 122,000	0.00%	\$ 527,042
June 30, 2015	114,000	0.00%	380,972
June 30, 2014	62,000	153.52%	259,181
School Board			
June 30, 2015	699,000	112.63%	1,171,635
June 30, 2015	667,000	82.86%	1,259,902
June 30, 2014	543,000	82.36%	1,145,609

D. Funded Status and Funding Progress

As of July 1, 2013, the County and School Board's most recent actuarial valuation date, the actuarial accrued liability for benefits was \$968,000 and \$6,985,000, all of which was unfunded. The County's covered payroll (annual payroll of active employees covered by the Plan) was \$17,522,239, and the ratio of the UAAL to the covered payroll was 4.98%. The School Board's covered payroll was \$54,865,456, and the ratio of the UAAL to the covered payroll was 13.04%. Actuarial valuations of an ongoing plan involve estimates and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

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

E. Actuarial Methods and Assumptions

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

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 12. Other Post-Employment Benefits (OPEB) (Continued)

E. Actuarial Methods and Assumptions (Continued)

In the July 1, 2013 actuarial valuation, the projected unit credit actuarial cost method was used to determine liabilities. Under this method, the postretirement health costs are assumed to be earned ratably from the date of hire to the participant's assumed retirement age. The actuarial assumptions included a 4.00% discount rate for the County and a 3.50% discount rate for the School Board; a 2.80% inflation rate for the County and a 2.50% inflation rate for the School Board; a 3.50% payroll increase for both the County and School Board, and an initial annual healthcare cost trend of 6.50% reduced gradually each year to the rate in 2050 of 5.45% for the County and 5.41% for the School Board. The unfunded actuarial accrued liability is being amortized as a percentage of pay over a closed period. The remaining amortization period at June 30, 2014 was 23 years.

Note 13. Length of Service Award Program

A. Plan Description

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

As of June 30, 2016, the most recent actuarial valuation date, the program membership consisted of the following:

Active Participants	170
Terminated Vested Participants	<u>85</u>
Total	<u><u>255</u></u>

B. Funding Policy

The program is available to vested volunteer members with no covered payroll. Benefits amortize on a level dollar basis, and are recognized when due and payable in accordance with the terms of the plan. Benefits accrue at the rate of \$12 per month for each month of active service with a maximum of \$300 per month. Since the County fully funds the benefit, refunds are not paid. The plan does not provide for post-retirement increases. The contribution rate is determined using an entry age Normal-Frozen Initial Liability Cost Method. The actuarial value of the plan assets is equal to the market value of the assets. Present and future assets in the plan are assumed to earn an investment rate of return of 4.75% compounded annually. There is no inflation factor or salary increase factor used since there is no covered payroll.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 13. Length of Service Award Program (Continued)

C. Annual Program Cost

For the current year, the annual cost of \$250,811 equaled the required and actual contributions.

<u>Fiscal Year Ended</u>	<u>Annual Program Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Program Obligation</u>
June 30, 2016	\$ 250,811	100%	\$ -
June 30, 2015	247,096	100%	-
June 30, 2014	236,878	100%	-

The program's funding provides for periodic County contributions at actuarially determined rates that are sufficient to accumulate adequate assets to pay benefits when due. At year end the assets that had been set aside and were available for benefits totaled \$1,777,417. These assets are held in a rabbi-trust in the name of the County. However, due to the nature of this arrangement, they are not considered assets of the plan, as these assets are subject to claims of the County's creditors. The plan additions fund the cost of administering the plan.

D. Funding Status and Funding Progress

As of June 30, 2016, the most recent actuarial date, the actuarial accrued liability for benefits was \$2,994,550, all of which was unfunded.

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

Note 14. Landfill Closure and Postclosure Costs

Permit #30

The County stopped accepting waste at its old landfill site, permit #30, on October 8, 1993. In accordance with federal and state laws, the County placed a final cover on this site and was required to perform certain maintenance and monitoring functions for ten years after closure. The site was certified as closed by the Virginia Department of Environmental Quality (DEQ) on July 2, 1996. The cumulative amount of estimated postclosure care costs to date for this site, less amounts expended for such costs to date, totals \$1,463,943.

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

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 14. Landfill Closure and Postclosure Costs (Continued)

Permit #30 (Continued)

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

Permit #560

The County's active landfill site, permit #560, began accepting waste on October 9, 1993. State and federal laws and regulations require the County to place a final cover on this landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions for thirty (30) years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used, as of each balance sheet date. The \$4,890,362 reported as landfill closure and postclosure care liability as of June 30, 2016 represents the cumulative amount reported to date based on the use of approximately 69% of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$2,222,340 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2016. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The County expects its disposal area to reach capacity in 2022.

The County uses the financial test method for demonstrating assurance for postclosure care.

Note 15. Fund Balances

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the County classifies governmental fund balances as follows:

- **Nonspendable** fund balance includes amounts that cannot be spent because they are either not in spendable form such as inventories and prepaids or they legally or contractually required to be maintained intact.
- **Restricted** fund balance includes amounts that have constraints placed on the use by external sources such as creditors, grantors, contributors, or laws or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.
- **Committed** fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by formal action of the highest level of decision making authority – the Board. Formal Board action includes the annual adoption of the County's Budget and Appropriation Resolutions, budget amendments appropriating funds and resources, and budget amendments to carry forward appropriations that were unexpended at fiscal year end.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 15. Fund Balances (Continued)

- **Assigned** fund balance includes amounts that are constrained by the government'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 or by the Board or an official delegated that authority.
- **Unassigned** fund balance is the positive fund balance within the General Fund which has not been classified as Restricted, Committed, or Assigned and negative fund balances in other governmental funds.

The County considers restricted fund balance to be spent when an expenditure is incurred for purposes for which restricted and unrestricted fund balance are available unless prohibited by legal documents of contracts. When an expenditure is incurred for purposes for which committed, assigned or unassigned amounts are available, the County considers committed fund balance to be spent first, then assigned fund balance, and lastly unassigned fund balance.

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

A schedule of the County fund balances is on the following page.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 15. Fund Balances (Continued)

	<u>General Fund</u>	<u>School Board</u>
Nonspendable:		
Inventories	\$ 56,778	\$ 125,156
Prepays	211,867	86,349
Total nonspendable	<u>268,645</u>	<u>211,505</u>
Restricted for:		
Public safety	1,839,686	-
Debt service	1,080	-
Other purposes	9,695	-
Total restricted	<u>1,850,461</u>	<u>-</u>
Committed to:		
Public works	328,779	-
Health self insurance	-	1,527,924
Education-operating	-	55,715
Education-maintenance projects	-	320,436
Capital projects	7,295,710	-
Total committed	<u>7,624,489</u>	<u>1,904,075</u>
Assigned to:		
Judicial administration	32,291	-
Public safety	1,531,326	-
Public works-landfill cell construction	1,000,000	-
Health and welfare	59,056	-
Education-nutrition	-	1,760,321
Education-textbooks	-	1,516,117
Education-maintenance projects	-	102,815
Education-capital projects	-	69,344
Funding of subsequent year budget	20,814,857	-
Subsequent year appropriation of fund balance	1,499,120	-
Total assigned	<u>24,936,650</u>	<u>3,448,597</u>
Unassigned	<u>25,244,877</u>	<u>(730,759)</u>
Total fund balances	<u><u>\$ 59,925,122</u></u>	<u><u>\$ 4,833,418</u></u>

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 16. Risk Management

The risk management programs of the County and School Board are as follows:

Worker's Compensation

Worker's Compensation Insurance is provided through VaCorp for both the County and the School Division. Benefits are those afforded through the Commonwealth of Virginia as outlined in *Code of Virginia* §65.2-100. Premiums are based on covered payroll, job rates and claims experience. Total premiums paid for the current year were \$386,081 and \$270,754 for the County and School Division, respectively.

General Liability and Other

The County provides general liability and other insurance through VaCorp. General liability and business automobile have a \$2,000,000 limit. Boiler and machinery insurance has a \$50,000,000 limit and all other property insurance is covered as per the statement of values. Furthermore, public officials' liability insurance has a \$1,000,000 limit and line of duty coverage is provided pursuant to *Code of Virginia* §9.1-400. Total premiums for the current fiscal year were \$284,509.

The Bedford County Nursing Home has a separate policy for general liability insurance through GuideOne Mutual Insurance. The policy limit is \$3,000,000. Total premiums for the current fiscal year were \$46,663. Other Nursing Home insurance (i.e. worker's compensation, business auto, etc.) is included in the VaCorp policy and premiums noted in the preceding paragraph.

The School Division provides general liability and other insurance through the VaCorp. General liability and business automobile have a \$5,000,000 limit. Boiler and machinery insurance has a \$50,000,000 limit and property insurance is covered as per the statement of values. Additional insurance policies for Virginia High School League sports and B-Team sports are provided through the Virginia High School League and Mutual of Omaha respectively. Total premiums for the current fiscal year were \$423,029.

Health care

The County carried commercial insurance for employee health insurance plans for the year ended June 30, 2016.

The School Board's professionally administered self-insured health program provides healthcare coverage for employees, retirees and their dependents. Risk management activities are accounted for in the School Operating Fund. Monthly premiums are based upon estimates from the School Board's benefit consultant that should cover administrative expenses, stop loss insurance premiums, and claims. A stop loss insurance contract executed with an insurance carrier covers claims in excess of \$250,000 per covered individual per contract year. For the year ended June 30, total claims expense was \$7,850,236. Administrative fees and stop loss premiums for the year ended June 30 totaled \$1,153,444. Estimated incurred but not reported (IBNR) claims at June 30 based on prior experience totaled \$610,000. Changes in the balance of claims payable liability during the past year is as follows:

	<u>Health Insurance</u>
Unpaid Claims at July 1	\$ 841,388
Incurred claims	
(including IBNR and changes in estimates)	7,850,236
Claim payments	<u>(7,984,056)</u>
Unpaid claims at June 30	<u>\$ 707,568</u>

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 17. Related Organizations, Jointly Governed Organizations, and Joint Ventures

The following organizations are excluded from the accompanying financial statements:

Related Organizations:

Bedford Regional Water Authority (BRWA):

The BRWA (formerly the Bedford County Public Service Authority) was created pursuant to the Water and Sewer Authorities Act Chapter 28, Title 15.1 *Code of Virginia* of 1950, as amended, and in accordance with the Reversion Agreement executed in August 2012 between the Bedford County Board of Supervisors and the Bedford City Council. The BRWA operates on a Board-Administrator form of government. Its Board consists of a chairman and six other board members.

The BRWA serves the water and sewer needs of the Smith Mountain Lake, Forest, New London, and Boonsboro areas of the County as well as the Town of Bedford. The County contributes funding annually to the BRWA to assist in the payment of debt service for water and sewer lines and plant expansion.

Jointly Governed Organizations:

Horizon Behavioral Health (HBH)

The County, in conjunction with the Counties of Amherst, Appomattox, and Campbell, and the City of Lynchburg, participates in HBH, whose board is composed of two members from each of the participating localities. The County contributed \$114,547 for operations to HBH for 2016.

Blue Ridge Regional Jail Authority (BRRJA)

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

Joint Ventures:

Region 2000 Radio Communications Board

The County, along with the County of Amherst and City of Lynchburg, is a participant in the development and operation of a regional radio communication system, the Region 2000 Radio Communications Board (the "Board"). Each participant agreed to contribute its pro rata share for annual capital and operational costs, as well as any annual deficit. The Board issued debt of \$13.1 million in May 2012 for the upgrade and replacement of the existing system. Each participant agreed to contribute its pro rata share towards debt service payments of the Board. The County's share will be 41.90%, and annual contributions for debt service will approximate \$465,000. An asset or obligation is not reflected at June 30 because the system has yet to be implemented.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 17. Related Organizations, Jointly Governed Organizations, and Joint Ventures (Continued)

Joint Ventures: (Continued)

Tri-County Lake Administrative Commission (TLAC)

The County, in conjunction with the Counties of Franklin and Pittsylvania, created TLAC, which is composed of an eight-member board of directors appointed by the participating localities to carry out lake planning duties as may be assigned by the respective Boards of Supervisors. Such duties may include, but are not limited to, navigation marker issues, debris cleanup, and coordination with American Electric Power on lake-related issues. The County is responsible for annual contributions to TLAC, which equaled \$98,829 for 2016. Separate financial statements for TLAC are not available.

Note 18. Commitments and Contingencies

Litigation

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

Special Purpose Grants

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

Note 19. Lease Commitments

The County is leasing from the Town of Bedford its middle school for successive terms of one year for a maximum total period of six years. The remaining annual lease commitments are as follows:

<u>Year Ending June 30,</u>	
2017	\$ 450,000
2018	450,000
2019	<u>750,000</u>
	<u>\$ 1,650,000</u>

Note 20. Subsequent Event

Subsequent to year end, the School Board entered into a master equipment lease-purchase agreement in the amount of \$1,305,270 to fund the purchase of 10 new school buses and four 35 passenger special education school buses. The agreement requires annual payments of principal and interest of approximately \$194,650 through September 2022.

The primary government participated in the Virginia Public School Authority (VPSA) Series 2016B Fall Pool. The VPSA General Obligation School Bonds were sold on October 25, 2016 with interest rates between 2.80 and 5.05 percent. The County's local bond principal is \$36,685,000, the proceeds of which will be used for various capital projects for the schools.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 20. Subsequent Event (Continued)

In June 2016, the EDA entered into a performance and option contract to purchase a historic manufacturing warehouse from Bedford Brewing, LLC, who was desiring to establish operations in environmental remediation and renovations to the warehouse. The EDA also closed on the purchase of the warehouse from Bedford Brewing, LLC. The E will lease the warehouse back to Bedford Brewing, LLC through long-term leasing arrangement. Bedford Brewing, LLC will be responsible for any leasehold improvement necessary to ready the facility for operations.

Note 21. Other Matters

On July 1, 2013, the City of Bedford, Virginia reverted to Town status. The reversion agreement provided for certain capital assets with a value of \$2,132,737 to be transferred to the County from the Town, including the Library and an elementary school. Due to the reversion, the School Board receives an increase in state education funding for 15 years. In consideration for the assets received from the Town, the County agreed to pay the Town \$500,000 annually for a period of 15 years. For any year in which the additional state education funding exceeds \$4 million, the County will pay the Town an additional \$250,000. For any year in which the additional state education funding is less than \$4 million, the payment to the Town will be reduced by a formula described in the reversion agreement. For the year ended June 30, 2016, the County paid the Town \$750,000, which was the Town's share of additional funding for the year.

Note 22. Restatement of Beginning Net Position and Fund Balance

In prior years, the County has reflected the Fire and Rescue Length of Service Award Program (LOSAP) Fund as Fiduciary Fund. In implementing GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, it was determined that the assets of LOSAP are not held in a trust protected from the County's creditors in accordance with the requirements of GASB 68. The LOSAP assets are subject to the requirements of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Accordingly, the County is restating beginning net position and fund balance to reflect the Fire and Rescue LOSAP activity as part of the General Fund.

	Primary Government	
	Governmental	General
	Activities	Fund
	Net Position	Fund Balance
At June 30, 2015, as previously reported	\$ 21,975,095	\$ 52,372,957
Fire and Rescue Length of Service Award Program Fund previously incorrectly reported as a Fiduciary Fund	1,591,678	1,591,678
At June 30, 2015, as restated	<u>\$ 23,566,773</u>	<u>\$ 53,964,635</u>

Note 23. New Accounting Standards

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

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 23. New Accounting Standards (Continued)

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pensions* improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ending June 30, 2017.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 77, *Tax Abatement Disclosures*, requires governments to disclose information about the nature and magnitude of tax abatements granted to a specific taxpayer, typically for the purpose of economic development. This does not cover programs that reduce the tax liabilities of broad classes of taxpayers, such as senior citizens or veterans, and which are not the product of individual agreements with each taxpayer. The Statement does not consider issues related to recognition. This Statement will be effective for the year ending June 30, 2017.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. This Statement will be effective for the year ending June 30, 2017.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 23. New Accounting Standards (Continued)

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. This Statement will be effective for the year ending June 30, 2017.

GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14* clarifies the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This Statement will be effective for the year ending June 30, 2017.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* provides recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73* addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement will be effective for the year ending June 30, 2017, except for certain provisions regarding assumptions for plans with a measurement date that differs from the employer's reporting date – those provisions are effective for the year ending June 30, 2018.

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

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REQUIRED SUPPLEMENTAL INFORMATION

COUNTY OF BEDFORD, VIRGINIA

Required Supplementary Information
Schedules of Changes in Net Pension Liability and Related Ratios – Primary Government
June 30, 2016

	Plan Year	
	2015	2014
Total Pension Liability		
Service cost	\$ 1,919,057	\$ 1,936,109
Interest on total pension liability	4,072,090	3,827,724
Changes in benefit terms	-	-
Difference between expected and actual experience	(1,101,052)	-
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(2,239,267)	(2,306,520)
Net change in total pension liability	2,650,828	3,457,313
Total pension liability – beginning	59,292,348	55,835,035
Total pension liability – ending	61,943,176	59,292,348
Plan Fiduciary Net Position		
Contributions – employer	1,451,172	1,751,158
Contributions – employee	812,546	860,090
Net investment income	2,558,667	7,596,167
Benefit payments, including refunds of employee contributions	(2,239,267)	(2,306,520)
Administrative expenses	(34,521)	(40,277)
Other	(546)	400
Net change in plan fiduciary net position	2,548,051	7,861,018
Plan fiduciary net position – beginning	55,711,319	47,850,301
Plan fiduciary net position – ending	58,259,370	55,711,319
Net pension liability – ending	\$ 3,683,806	\$ 3,581,029
Plan fiduciary net position as a percentage of total pension liability	94%	94%
Covered employee payroll	\$ 17,522,239	\$ 18,233,530
Net pension liability as a percentage of covered employee payroll	21%	20%

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

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

COUNTY OF BEDFORD, VIRGINIA

Required Supplementary Information
Schedules of Changes in Net Pension Liability and Related Ratios – Schools – Nonprofessional Employees
June 30, 2016

	Plan Year	
	2015	2014
Total Pension Liability		
Service cost	\$ 601,405	\$ 582,857
Interest on total pension liability	1,351,849	1,277,059
Changes in benefit terms	-	-
Difference between expected and actual experience	80,427	-
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(847,770)	(735,199)
Net change in total pension liability	1,185,911	1,124,717
Total pension liability – beginning	19,736,011	18,611,294
Total pension liability – ending	20,921,922	19,736,011
Plan Fiduciary Net Position		
Contributions – employer	404,699	475,727
Contributions – employee	272,628	286,798
Net investment income	923,208	2,759,864
Benefit payments, including refunds of employee contributions	(847,770)	(735,199)
Administrative expenses	(12,637)	(14,693)
Other	(196)	146
Net change in plan fiduciary net position	739,932	2,772,643
Plan fiduciary net position – beginning	20,224,134	17,451,491
Plan fiduciary net position – ending	20,964,066	20,224,134
Net pension liability – ending	\$ (42,144)	\$ (488,123)
Plan fiduciary net position as a percentage of total pension liability	100%	102%
Covered employee payroll	\$ 5,777,679	\$ 6,064,075
Net pension liability as a percentage of covered employee payroll	-1%	-8%

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

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

COUNTY OF BEDFORD, VIRGINIA

Required Supplementary Information
Schedules of Pension Contributions
June 30, 2016

Entity Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
Primary Government					
2016	\$ 1,504,339	\$ 1,504,339	\$ -	\$ 18,450,608	8.15 %
2015	1,461,696	1,461,696	-	17,522,239	8.34
Schools – Nonprofessional Employees					
2016	\$ 394,983	\$ 394,983	\$ -	\$ 6,058,761	6.52 %
2015	403,169	403,169	-	5,777,679	6.98

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.

COUNTY OF BEDFORD, VIRGINIA

Required Supplementary Information
Schedules of Employer's Share of Net Pension Liability
VRS Teacher Retirement Plan
June 30, 2016

Year Ended June 30	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.62 %	\$ 78,504,000	\$ 47,022,390	166.95 %	70.68 %
2014	0.67	80,535,000	49,087,777	164.06	70.88

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 measurement period, which is the twelve months prior to the school division's fiscal year.

COUNTY OF BEDFORD, VIRGINIA

Required Supplementary Information
Schedule of Pension Contributions
VRS Teacher Retirement Plan
June 30, 2016

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2016	\$ 6,672,491	\$ 6,672,491	\$ -	\$ 48,619,400	13.72 %
2015	6,677,180	6,677,180	-	47,022,390	14.20

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 school division's fiscal year – i.e. the covered payroll on which required contributions were based for the same year.

COUNTY OF BEDFORD, VIRGINIA

Schedule of Funding Progress
June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Payroll (b-a)/c
County – OPEB						
June 30, 2015	\$ -	\$ 968,000	\$ 968,000	0.00 %	\$ 17,522,239	5.52 %
June 30, 2014	-	872,000	872,000	0.00	18,233,530	4.78
June 30, 2013	-	480,000	480,000	0.00	17,099,585	2.81
Component unit – School Board – OPEB						
June 30, 2015	\$ -	\$ 6,985,000	\$ 6,985,000	0.00 %	\$ 54,865,456	12.73 %
June 30, 2014	-	6,885,000	6,885,000	0.00	55,151,852	12.48
June 30, 2013	-	5,148,000	5,148,000	0.00	54,490,895	9.45
Length of Service Award Program – Fire and Rescue						
June 29, 2016	\$ -	\$ 2,994,550	\$ 2,994,550	0.00 %	NA	NA
June 30, 2015	-	2,885,268	2,885,268	0.00	NA	NA
June 30, 2014	-	2,675,318	2,675,318	0.00	NA	NA

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

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

COUNTY OF BEDFORD, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2016

Note 1. **Changes of Benefit Terms**

There have been no actuarially material changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.

Note 2. **Changes of Assumptions**

The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 –LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Teacher cost-sharing pool

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

OTHER SUPPLEMENTAL INFORMATION

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COUNTY OF BEDFORD, VIRGINIA

Agency Funds –
Combining Statement of Fiduciary Net Position
June 30, 2016

	Tri-County Lake Administrative Commission	Bedford Community Coalition	Bedford Wine Trail	Special Welfare Fund	Road Escrow Accounts	Land Disturbing Bonds	Sheriff Asset Seizures	Total
Assets								
Cash and cash equivalents	\$ 604,753	\$ 1,220	\$ 3,025	\$ 32,726	\$ 60,541	\$ 228,211	\$ 31,307	\$ 961,783
Security deposits	900	-	-	-	-	-	-	900
Accounts receivable	9,527	-	-	268	-	-	-	9,795
Total assets	<u>\$ 615,180</u>	<u>\$ 1,220</u>	<u>\$ 3,025</u>	<u>\$ 32,994</u>	<u>\$ 60,541</u>	<u>\$ 228,211</u>	<u>\$ 31,307</u>	<u>\$ 972,478</u>
Liabilities								
Accounts payable	\$ 2,938	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,938
Accrued liabilities	645	-	-	-	-	-	-	645
Amounts held for others	611,597	1,220	3,025	32,994	60,541	228,211	31,307	968,895
Total liabilities	<u>\$ 615,180</u>	<u>\$ 1,220</u>	<u>\$ 3,025</u>	<u>\$ 32,994</u>	<u>\$ 60,541</u>	<u>\$ 228,211</u>	<u>\$ 31,307</u>	<u>\$ 972,478</u>

COUNTY OF BEDFORD, VIRGINIA

Agency Funds –
Combining Statement of Fiduciary Assets and Liabilities
For the Year Ended June 30, 2016

	Balance Beginning	Additions	Deductions	Balance Ending
Tri-County Lake Administrative Commission				
Assets:				
Cash and cash equivalents	\$ 504,760	\$ 302,386	\$ 202,393	\$ 604,753
Security deposits	900	-	-	900
Accounts receivable	6,357	305,556	302,386	9,527
	<u>\$ 512,017</u>	<u>\$ 607,942</u>	<u>\$ 504,779</u>	<u>\$ 615,180</u>
Liabilities:				
Accounts payable	\$ 2,254	\$ 72,958	\$ 72,274	\$ 2,938
Accrued liabilities	-	130,764	130,119	645
Amounts held for others	509,763	101,834	-	611,597
	<u>\$ 512,017</u>	<u>\$ 305,556</u>	<u>\$ 202,393</u>	<u>\$ 615,180</u>
Bedford Community Coalition				
Assets:				
Cash and cash equivalents	<u>\$ 1,218</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 1,220</u>
Liabilities:				
Amounts held for others	<u>\$ 1,218</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 1,220</u>
Bedford Wine Trail				
Assets:				
Cash and cash equivalents	<u>\$ 3,655</u>	<u>\$ 1,500</u>	<u>\$ 2,130</u>	<u>\$ 3,025</u>
Liabilities:				
Accounts payable	-	2,130	2,130	-
Amounts held for others	3,655	-	630	3,025
	<u>\$ 3,655</u>	<u>\$ 2,130</u>	<u>\$ 2,760</u>	<u>\$ 3,025</u>
Special Welfare Fund				
Assets:				
Cash and cash equivalents	\$ 31,706	\$ 138,320	\$ 137,300	\$ 32,726
Accounts receivable	-	268	-	268
TOTAL	<u>31,706</u>	<u>138,588</u>	<u>137,300</u>	<u>32,994</u>
Liabilities:				
Amounts held for others	<u>\$ 31,706</u>	<u>\$ 138,588</u>	<u>\$ 137,300</u>	<u>\$ 32,994</u>
Road Escrow Accounts				
Assets:				
Cash and cash equivalents	<u>\$ 139,078</u>	<u>\$ 136</u>	<u>\$ 78,673</u>	<u>\$ 60,541</u>
Liabilities:				
Amounts held for others	<u>\$ 139,078</u>	<u>\$ 136</u>	<u>\$ 78,673</u>	<u>\$ 60,541</u>

COUNTY OF BEDFORD, VIRGINIA

**Agency Funds –
Combining Statement of Fiduciary Assets and Liabilities
For the Year Ended June 30, 2016**

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Ending</u>
Land Disturbing Bonds				
Assets:				
Cash and cash equivalents	\$ 282,798	\$ 1,164	\$ 55,751	\$ 228,211
Liabilities:				
Amounts held for others	\$ 282,798	\$ 1,164	\$ 55,751	\$ 228,211
Sheriff Asset Seizures				
Assets:				
Cash and cash equivalents	\$ 64,997	\$ 9,604	\$ 43,294	\$ 31,307
Liabilities:				
Amounts held for others	\$ 64,997	\$ 9,604	\$ 43,294	\$ 31,307
Total Fiduciary Funds				
Assets:				
Cash and cash equivalents	\$ 1,028,212	\$ 453,112	\$ 519,541	\$ 961,783
Security deposits	900	-	-	900
Accounts receivable	6,357	305,824	302,386	9,795
Total assets	<u>\$ 1,035,469</u>	<u>\$ 758,936</u>	<u>\$ 821,927</u>	<u>\$ 972,478</u>
Liabilities:				
Accounts payable	\$ 2,254	\$ 75,088	\$ 74,404	\$ 2,938
Accrued liabilities	-	130,764	130,119	645
Amounts held for others	1,033,215	251,328	315,648	968,895
Total liabilities	<u>\$ 1,035,469</u>	<u>\$ 457,180</u>	<u>\$ 520,171</u>	<u>\$ 972,478</u>

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DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

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

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

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

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

CAPITAL PROJECTS FUNDS – Capital projects funds are used to account for revenues and expenditures related to major construction and renovation. The component unit – School Board has the following capital projects fund.

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

COUNTY OF BEDFORD, VIRGINIA

Discretely Presented Component Unit – Bedford County School Board
Combining Balance Sheet
Year Ended June 30, 2016

	<u>Special Revenue Funds</u>			<u>Capital</u>	<u>Total</u>
	<u>Operating</u>	<u>Nutrition</u>	<u>Textbooks</u>	<u>Projects</u>	<u>Governmental</u>
					<u>Funds</u>
ASSETS					
Cash and cash equivalents	\$ 3,992,338	\$ 2,030,650	\$ 1,553,395	\$ 69,344	\$ 7,645,727
Receivables, net	4,665,921	21,889	-	-	4,687,810
Due from primary government	6,725,996	-	-	131,478	6,857,474
Prepays	99,242	25,915	-	-	125,157
Inventories	-	86,349	-	-	86,349
Total assets	<u>\$ 15,483,497</u>	<u>\$ 2,164,803</u>	<u>\$ 1,553,395</u>	<u>\$ 200,822</u>	<u>\$ 19,402,517</u>
LIABILITIES					
Accounts payable and accrued expenses	\$ 1,037,921	\$ 7,075	\$ 37,278	\$ 131,478	\$ 1,213,752
Accrued payroll and related liabilities	10,608,411	285,143	-	-	10,893,554
Self insurance	1,132,354	-	-	-	1,132,354
Deferred revenue	1,329,439	-	-	-	1,329,439
Total liabilities	<u>14,108,125</u>	<u>292,218</u>	<u>37,278</u>	<u>131,478</u>	<u>14,569,099</u>
FUND BALANCES					
Fund balances:					
Nonspendable	99,241	112,264	-	-	211,505
Restricted	-	-	-	-	-
Committed	1,904,075	-	-	-	1,904,075
Assigned	102,815	1,760,321	1,516,117	69,344	3,448,597
Unassigned	(730,759)	-	-	-	(730,759)
Total fund balances	<u>1,375,372</u>	<u>1,872,585</u>	<u>1,516,117</u>	<u>69,344</u>	<u>4,833,418</u>
Total liabilities and fund balances	<u>\$ 15,483,497</u>	<u>\$ 2,164,803</u>	<u>\$ 1,553,395</u>	<u>\$ 200,822</u>	

COUNTY OF BEDFORD, VIRGINIA

Discretely Presented Component Unit – Bedford County School Board
Combining Balance Sheet
Year Ended June 30, 2016

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total Fund Balance, Governmental Funds	\$	4,833,418
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		
Gross capital assets at historical cost	\$	224,695,265
Accumulated depreciation	<u>(132,657,908)</u>	92,037,357
Other long-term assets not available to pay for current period expenditures and therefore are deferred in the funds		1,691,107
Net pension asset		42,144
Contributions to the pension plan are deferred outflows of resources on the Statement of Net Position		7,067,474
Change in proportionate share – teacher cost sharing pool		2,278,000
Long-term liabilities do not require the use of current financial resources and are not reported as expenditures in governmental funds		
Accrued interest	(39,362)	
Capital leases	(2,752,882)	
Compensated absences	(1,727,169)	
Other post-employment benefits	(1,171,635)	
Net pension liability	<u>(78,504,000)</u>	(84,195,048)
Pension related deferrals		<u>(11,207,652)</u>
Net position of Governmental Activities	<u>\$</u>	<u>12,546,800</u>

COUNTY OF BEDFORD, VIRGINIA

Discretely Presented Component Unit – Bedford County School Board
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2016

	Special Revenue Funds				Total Governmental Funds
	Operating	Nutrition	Textbooks	Capital Projects	
REVENUES					
Revenue from use of money and property	\$ 43,150	\$ 7,754	\$ 1,905	\$ 11	\$ 52,820
Charges for services	823,292	1,791,062	-	-	2,614,354
Other	912,176	-	1,274	-	913,450
Intergovernmental:					
County of Bedford	32,873,808	-	-	1,262,299	34,136,107
Commonwealth of Virginia	54,263,086	83,185	635,033	-	54,981,304
Federal government	5,449,320	2,146,255	-	-	7,595,575
Total revenues	94,364,832	4,028,256	638,212	1,262,310	100,293,610
EXPENDITURES					
Current:					
Instructional	67,738,806	-	440,599	-	68,179,405
Administration, attendance, and health	3,834,511	-	-	-	3,834,511
Pupil transportation services	7,791,389	-	-	-	7,791,389
Operations and maintenance services	9,629,672	-	-	-	9,629,672
Nutrition services	-	3,945,054	-	-	3,945,054
Technology	5,106,018	-	-	-	5,106,018
Debt Service:	-				
Principal	740,697	-	-	-	740,697
Interest and other fiscal charges	46,351	-	-	-	46,351
Capital projects	-	-	-	1,262,299	1,262,299
Total expenditures	94,887,444	3,945,054	440,599	1,262,299	100,535,396
Excess (deficiency) of revenues over expenditures	(522,612)	83,202	197,613	11	(241,786)
OTHER FINANCING SOURCES					
Capital lease proceeds	1,287,652	-	-	-	1,287,652
Transfers in	9,680	-	-	-	9,680
Transfers out	-	(9,680)	-	-	(9,680)
Total other financing sources	1,297,332	(9,680)	-	-	1,287,652
Net change in fund balances	774,720	73,522	197,613	11	1,045,866
Fund balance, beginning	600,652	1,799,063	1,318,504	69,333	
Fund balance, ending	<u>\$ 1,375,372</u>	<u>\$ 1,872,585</u>	<u>\$ 1,516,117</u>	<u>\$ 69,344</u>	

COUNTY OF BEDFORD, VIRGINIA

Discretely Presented Component Unit – Bedford County School Board
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2016

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

Net changes in fund balances - total governmental funds		\$ 1,045,866
Governmental funds report capital outlays as expenditures. However, in the Statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Capital outlay expenditures that were capitalized	\$ 4,025,400	
Depreciation expense for governmental	<u>(5,641,047)</u>	(1,615,647)
The net effect of various transaction involving capital assets (sales, trade ins) is to decrease net position		(230,649)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		(12,875)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
New long-term debt issued	(1,287,652)	
Principal payments on long-term debt	740,697	
Increase in accrued interest payable	<u>(4,002)</u>	(550,957)
Revenue in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds		
Donated assets		38,768
Other revenues		1,221,628
Expenses in the statement of activities that do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences	(19,906)	
Other postemployment benefits	88,267	
Pension expense	<u>1,711,620</u>	<u>1,779,981</u>
Total changes in net position of governmental activities		<u>\$ 1,676,115</u>

COUNTY OF BEDFORD, VIRGINIA

**Discretely Presented Component Unit – Bedford County School Board
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Cash Basis
For the Year Ended June 30, 2016**

	Operating			Variance with
	Budgeted Amounts		Actual	Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from use of money and property	\$ -	\$ -	\$ 43,150	\$ 43,150
Charges for services	715,000	715,000	869,389	154,389
Other	158,000	420,320	528,745	108,425
Intergovernmental:				
County of Bedford	38,776,103	39,273,134	38,814,575	(458,559)
Commonwealth of Virginia	54,667,713	54,723,713	54,319,955	(403,758)
Federal government	5,243,636	5,753,636	5,403,535	(350,101)
Total revenues	99,560,452	100,885,803	99,979,349	(906,454)
EXPENDITURES				
Current:				
Instructional	68,068,995	68,578,995	68,100,433	478,562
Administration, attendance, and health	3,832,978	3,832,978	3,823,804	9,174
Pupil transportation services	7,590,546	7,590,546	7,276,696	313,850
Operations and maintenance services	9,302,355	10,117,706	9,500,899	616,807
Nutrition services	-	-	-	-
Technology	4,736,897	4,736,897	4,665,898	70,999
Debt service	6,473,360	6,473,360	6,451,854	21,506
Total expenditures	100,005,131	101,330,482	99,819,584	1,510,898
Excess (deficiency) of revenues over expenditures	(444,679)	(444,679)	159,765	604,444
Net change in fund balances	\$ (444,679)	\$ (444,679)	\$ 159,765	\$ 604,444

(Continued)

Nutrition				Textbooks			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final			Original	Final		
\$ 7,000	\$ 7,000	\$ 7,754	\$ 754	\$ -	\$ -	\$ 1,906	\$ 1,906
2,218,964	2,218,964	1,791,062	(427,902)	-	-	-	-
-	-	-	-	-	-	1,273	1,273
-	-	-	-	-	-	-	-
62,529	62,529	72,813	10,284	638,833	638,833	635,033	(3,800)
2,197,068	2,197,068	2,146,255	(50,813)	-	-	-	-
4,485,561	4,485,561	4,017,884	(467,677)	638,833	638,833	638,212	(621)
-	-	-	-	1,992,201	1,992,201	438,186	1,554,015
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
4,485,561	4,485,561	3,944,833	540,728	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
4,485,561	4,485,561	3,944,833	540,728	1,992,201	1,992,201	438,186	1,554,015
-	-	73,051	73,051	(1,353,368)	(1,353,368)	200,026	1,553,394
\$ -	\$ -	\$ 73,051	\$ 73,051	\$ (1,353,368)	\$ (1,353,368)	\$ 200,026	\$ 1,553,394

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SUPPORTING SCHEDULES

COUNTY OF BEDFORD, VIRGINIA

**Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual – Cash Basis –
Governmental Fund
For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 41,737,825	\$ 41,737,825	\$ 43,025,806	\$ 1,287,981
Real and personal public service corporation property taxes	1,450,000	1,450,000	1,535,700	85,700
Personal property taxes (local remittance)	12,430,000	12,430,000	12,975,530	545,530
Machinery and tools taxes	3,023,533	3,023,533	3,057,753	34,220
Merchant's capital taxes	-	-	66	66
Mobile home taxes	139,500	139,500	125,323	(14,177)
Penalties and interest	725,000	725,000	959,787	234,787
Total general property taxes	<u>59,505,858</u>	<u>59,505,858</u>	<u>61,679,965</u>	<u>2,174,107</u>
Other local taxes:				
Local sales and use taxes	4,928,644	4,928,644	5,446,911	518,267
Consumer utility taxes	1,178,400	1,178,400	1,237,190	58,790
Utility license tax	90,000	90,000	83,712	(6,288)
Bank stock taxes	240,000	240,000	373,166	133,166
Taxes on recordations and wills	880,000	880,000	965,243	85,243
Transient occupancy tax	390,000	390,000	537,411	147,411
Meals tax	1,350,000	1,350,000	1,473,692	123,692
Communications sales tax	1,900,000	1,900,000	1,863,825	(36,175)
Total other local taxes	<u>10,957,044</u>	<u>10,957,044</u>	<u>11,981,150</u>	<u>1,024,106</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	50,000	50,000	52,947	2,947
Building permits	325,000	325,000	266,330	(58,670)
Other permits and licenses	26,800	26,800	22,455	(4,345)
Planning permits and fees	140,000	140,000	170,450	30,450
Total permits, privilege fees, and regulatory license:	<u>541,800</u>	<u>541,800</u>	<u>512,182</u>	<u>(29,618)</u>
Fines and forfeitures	<u>100,000</u>	<u>100,000</u>	<u>101,765</u>	<u>1,765</u>
Revenue from use of money and property:				
Revenue from use of money	195,060	195,139	261,267	66,128
Revenue from use of property	125,161	125,161	162,663	37,502
Total revenue from use of money and property	<u>320,221</u>	<u>320,300</u>	<u>423,930</u>	<u>103,630</u>

COUNTY OF BEDFORD, VIRGINIA

**Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual – Cash Basis –
Governmental Fund
For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Charges for services:				
Court costs	\$ 142,704	\$ 142,704	\$ 170,629	\$ 27,925
Commonwealth attorney	4,000	4,000	3,400	(600)
Law enforcement and traffic control	87,500	145,001	137,440	(7,561)
County attorney	-	-	2,459	2,459
Welfare and social services	10,000	10,000	7,411	(2,589)
Comprehensive services	65,000	65,000	56,797	(8,203)
Recreation fees	-	-	15,580	15,580
EMS cost recoveries	1,560,000	1,560,000	1,568,397	8,397
Other	5,000	5,000	6,128	1,128
Total charges for services	1,874,204	1,931,705	1,968,241	36,536
Miscellaneous	286,641	358,267	555,931	197,664
Recovered costs:				
City of Bedford – shared services	32,000	32,000	44,540	12,540
Bedford Public Library	35,000	35,000	35,000	-
Tri-County Lake Administrative Commission	10,000	10,000	10,000	-
Central Garage	130,000	130,000	158,292	28,292
Prisoner Extradition	-	-	1,827	1,827
Nursing Home	225,000	225,000	208,460	(16,540)
Total recovered costs	432,000	432,000	458,119	26,119
Total revenue from local sources	74,017,768	74,146,974	77,681,283	3,534,309
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Personal property taxes (state remittance)	6,086,051	6,086,051	6,086,051	-
Rental taxes	10,000	10,000	9,240	(760)
Mobile home titling taxes	70,000	70,000	84,118	14,118
Recordation taxes	260,000	260,000	272,402	12,402
Railroad rolling stock taxes	170,000	170,000	182,126	12,126
Total non-categorical aid	6,596,051	6,596,051	6,633,937	37,886
Categorical aid:				
Shared expenses:				
Commonwealth's Attorney	580,053	580,053	571,595	(8,458)
Sheriff	2,323,604	2,323,604	2,326,870	3,266
Commissioner of the Revenue	245,310	245,310	224,523	(20,787)
Treasurer	223,494	223,494	223,896	402
Registrar and Electoral board	46,916	46,916	46,399	(517)
Clerk of the Circuit Court	453,333	453,333	426,708	(26,625)
Communications	141,113	141,113	140,699	(414)
Total shared expenses	4,013,823	4,013,823	3,960,690	(53,133)

COUNTY OF BEDFORD, VIRGINIA

**Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual – Cash Basis –
Governmental Fund
For the Year Ended June 30, 2016**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Other:				
Social services	\$ 2,373,361	\$ 2,373,361	\$ 1,910,267	\$ (463,094)
Comprehensive services	1,257,107	1,774,607	1,329,099	(445,508)
Forfeited asset seizure proceeds	-	6,526	6,526	-
State internet crimes	-	1,700,573	1,434,765	(265,808)
EMS Four for Life	30,000	30,000	84,667	54,667
Fire funds	80,000	80,000	217,661	137,661
Public safety grants	-	146,806	192,519	45,713
Victim witness coordinator	16,754	19,269	16,764	(2,505)
Domestic violence grants	137,648	204,436	206,253	1,817
VJCCCA	70,751	70,751	70,751	-
Wireless E-911 grant	89,500	89,500	92,324	2,824
PSAP grants	150,000	152,000	1,740	(150,260)
Record preservation grant	-	19,740	19,740	-
VA Commission of Arts	5,000	5,000	-	(5,000)
Juror and witness reimbursement	25,000	25,000	26,584	1,584
Virginia Tobacco Commission grants	-	20,000	20,000	-
Community development grants	-	13,950	32,000	18,050
VDOT Revenue Sharing	-	12,608	12,608	-
Other	32,522	32,522	69,517	36,995
Total other categorical aid	4,267,643	6,776,649	5,743,785	(1,032,864)
Total categorical aid	8,281,466	10,790,472	9,704,475	(1,085,997)
Total revenue from the Commonwealth	14,877,517	17,386,523	16,338,412	(1,048,111)
Revenue from the federal government:				
Payments in lieu of taxes	-	-	60,192	60,192
Categorical aid:				
Social services	2,605,619	2,605,619	3,048,914	443,295
Sheriff – DM V grants	-	41,258	36,700	(4,558)
Justice assistance grants	-	2,132	2,129	(3)
Federal Agency overtime reimbursement	-	15,330	23,511	8,181
Internet crimes grant	-	840,114	449,691	(390,423)
Bulletproof vest grant	-	10,498	8,573	(1,925)
Other law enforcement grants	-	1,129	1,129	-
Victim witness coordinator	50,293	57,837	52,989	(4,848)
Domestic violence grants	6,296	12,981	12,340	(641)
Other	67,165	67,165	149,269	82,104
Total categorical aid	2,729,373	3,654,063	3,785,245	131,182
Total revenue from the federal government	2,729,373	3,654,063	3,845,437	191,374
Total intergovernmental revenues	17,606,890	21,040,586	20,183,849	(856,737)
Total general fund	\$ 91,624,658	\$ 95,187,560	\$ 97,865,132	\$ 2,677,572

COUNTY OF BEDFORD, VIRGINIA

**Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual – Cash Basis –
Governmental Fund
For the Year Ended June 30, 2016**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Expenditures				
General government administration:				
Legislative:				
Board of Supervisors	\$ 145,951	\$ 180,951	\$ 180,841	\$ 110
General and financial administration:				
County administration	441,946	441,946	284,610	157,336
County attorney	269,071	269,071	118,813	150,258
Independent auditor	62,000	62,000	61,233	767
Commissioner of the Revenue	599,992	605,866	585,234	20,632
Assessor	293,867	293,867	3,894	289,973
Treasurer	648,379	648,379	636,071	12,308
Fiscal management	508,054	508,054	485,844	22,210
Information technology	627,936	667,936	647,513	20,423
Human resources	267,071	270,371	270,174	197
Electoral board	157,240	157,240	137,985	19,255
Registrar	171,965	171,965	165,462	6,503
Total general and financial administration	4,047,521	4,096,695	3,396,833	699,862
Total general government administration	4,193,472	4,277,646	3,577,674	699,972
Judicial administration:				
Courts:				
Circuit Court	87,815	87,815	84,823	2,992
District Court	21,775	21,775	10,840	10,935
Magistrates	2,505	2,505	1,867	638
Juvenile and Domestic Relations District Court	15,425	15,425	15,102	323
Clerk of the Circuit Court	923,703	923,703	889,500	34,203
Circuit Court Records Preservation	-	19,740	19,740	-
Victim Witness Coordinator	135,656	145,715	141,510	4,205
Law Library	16,783	16,783	10,809	5,974
Other court services	11,234	11,234	11,234	-
Total courts	1,214,896	1,244,695	1,185,425	59,270
Commonwealth's Attorney	920,738	964,778	948,003	16,775
Total judicial administration	2,135,634	2,209,473	2,133,428	76,045
Public safety:				
Law enforcement and traffic control:				
Sheriff	6,537,137	6,749,636	6,642,701	106,935
Internet Crimes Grant	7,154	2,547,841	1,833,439	714,402
Law enforcement grants	-	66,381	48,017	18,364
Total law enforcement and traffic control	6,544,291	9,363,858	8,524,157	839,701
Fire and rescue services:				
Volunteer fire companies	1,339,450	1,489,799	1,481,665	8,134
Volunteer rescue squads	1,125,786	1,177,721	1,056,401	121,320
Other fire and rescue services	100,500	100,500	68,016	32,484
Total fire and rescue services	2,565,736	2,768,020	2,606,082	161,938

COUNTY OF BEDFORD, VIRGINIA

**Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual – Cash Basis –
Governmental Fund
For the Year Ended June 30, 2016**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Correction and detention:				
Blue Ridge Regional Jail	\$ 1,750,000	\$ 1,852,000	\$ 1,851,709	\$ 291
VJCCCA	207,335	127,335	123,303	4,032
Juvenile secure detention	400,000	378,000	359,894	18,106
Total correction and detention	<u>2,357,335</u>	<u>2,357,335</u>	<u>2,334,906</u>	<u>22,429</u>
Building Inspections	<u>465,293</u>	<u>465,293</u>	<u>384,045</u>	<u>81,248</u>
Other protection:				
Animal shelter	208,805	208,805	158,338	50,467
Animal control	240,590	260,990	260,928	62
Emergency services	2,379,090	2,379,090	2,371,003	8,087
Emergency management grants	-	8,000	8,000	-
Communications center	2,581,983	2,600,253	2,361,083	239,170
Communications grants	-	2,000	1,740	260
Transportation Safety Committee	751	751	450	301
Total other protection	<u>5,411,219</u>	<u>5,459,889</u>	<u>5,161,542</u>	<u>298,347</u>
Total public safety	<u>17,343,874</u>	<u>20,414,395</u>	<u>19,010,732</u>	<u>1,403,663</u>
Public works:				
Sanitation and waste removal:				
Refuse collection	<u>2,874,119</u>	<u>2,874,119</u>	<u>2,821,383</u>	<u>52,736</u>
Total sanitation and waste removal	<u>2,874,119</u>	<u>2,874,119</u>	<u>2,821,383</u>	<u>52,736</u>
Maintenance – buildings and grounds:				
Housekeeping	372,786	372,786	364,145	8,641
General properties	1,055,522	1,070,096	944,652	125,444
Central garage	<u>310,138</u>	<u>310,138</u>	<u>280,187</u>	<u>29,951</u>
Total maintenance – buildings and grounds	<u>1,738,446</u>	<u>1,753,020</u>	<u>1,588,984</u>	<u>164,036</u>
Total public works	<u>4,612,565</u>	<u>4,627,139</u>	<u>4,410,367</u>	<u>216,772</u>
Health and welfare:				
Health:				
Supplement to local health department	<u>488,509</u>	<u>488,509</u>	<u>466,376</u>	<u>22,133</u>
Welfare:				
Social services	7,730,832	7,733,741	7,036,291	697,450
Comprehensive services	2,039,000	2,789,000	2,577,830	211,170
Domestic violence	302,767	333,594	312,261	21,333
Other health and welfare	<u>213,047</u>	<u>213,047</u>	<u>212,547</u>	<u>500</u>
Total welfare	<u>10,285,646</u>	<u>11,069,382</u>	<u>10,138,929</u>	<u>930,453</u>
Total health and welfare	<u>10,774,155</u>	<u>11,557,891</u>	<u>10,605,305</u>	<u>952,586</u>
Education:				
Community college	<u>1,900</u>	<u>1,900</u>	<u>1,874</u>	<u>26</u>

COUNTY OF BEDFORD, VIRGINIA

**Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual – Cash Basis –
Governmental Fund
For the Year Ended June 30, 2016**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Parks, recreation, and cultural:				
Recreation department	\$ 1,261,382	\$ 1,269,382	\$ 1,194,528	\$ 74,854
Cultural enrichment	131,830	131,830	111,630	20,200
Contribution to Regional Library	1,530,287	1,530,287	1,530,287	-
Total parks, recreation, and cultural	2,923,499	2,931,499	2,836,445	95,054
Community development:				
Planning and community development:				
Planning commission	65,570	65,570	52,033	13,537
Community development	747,261	747,261	728,792	18,469
Community development grants	-	3,950	3,950	-
GIS	259,119	258,639	195,756	62,883
Board of appeals	5,288	5,288	1,395	3,893
Economic development	697,897	833,451	681,966	151,485
Joint City/County Economic development	750,000	750,000	750,000	-
Broadband Authority	73,634	73,634	9,044	64,590
Chamber of Commerce	4,750	4,750	4,750	-
Tourism	486,605	494,105	452,886	41,219
Tourism grants	-	10,000	305	9,695
Total planning and community development	3,090,124	3,246,648	2,880,877	365,771
Environmental management:				
Natural Resources	152,815	152,815	145,018	7,797
Soil and Water Conservation District	14,250	14,250	14,250	-
Tri-County Lake Administrative Commission	98,830	98,830	98,829	1
Total environmental management	265,895	265,895	258,097	7,798
Cooperative Extension Program:				
VPI & SU Extension Office	71,450	71,450	70,202	1,248
Cannery	35,725	35,725	13,334	22,391
Total cooperative extension program	107,175	107,175	83,536	23,639
Total community development	3,463,194	3,619,718	3,222,510	397,208
Debt Service:				
Principal retirement	1,445,588	1,445,588	1,455,584	(9,996)
Interest and other fiscal charges	201,556	257,746	233,501	24,245
Total debt service	1,647,144	1,703,334	1,689,085	14,249

COUNTY OF BEDFORD, VIRGINIA

**Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual – Cash Basis –
Governmental Fund
For the Year Ended June 30, 2016**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Capital projects:				
General governmental	1,100,209	1,100,209	382,456	717,753
Judicial administration	90,227	90,227	-	90,227
Public safety	2,353,988	2,777,600	1,233,744	1,543,856
Public works	1,751,053	1,872,780	1,064,127	808,653
Education	1,036,297	4,096,297	1,130,820	2,965,477
Parks, recreation, and cultural	369,758	421,793	69,309	352,484
Community and economic development	2,392,131	2,412,131	2,020,000	392,131
Total capital projects	<u>9,093,663</u>	<u>12,771,037</u>	<u>5,900,456</u>	<u>6,870,581</u>
Total expenditures	<u>56,189,100</u>	<u>64,114,032</u>	<u>53,387,876</u>	<u>10,726,156</u>
Excess of Revenues over Expenditures	<u>35,435,558</u>	<u>31,073,528</u>	<u>44,477,256</u>	<u>13,403,728</u>
Other Financing Sources (Uses):				
Transfers to:				
Component units	\$ (38,776,103)	\$ (39,273,134)	\$ (38,814,575)	\$ 458,559
Refunding bonds issued	-	7,225,000	7,225,000	-
Payment to refunded bond escrow agent	-	(7,168,810)	(7,168,810)	-
Total other financing sources and uses	<u>(38,776,103)</u>	<u>(39,216,944)</u>	<u>(38,758,385)</u>	<u>458,559</u>
Net change in fund balance	<u>\$ (3,340,545)</u>	<u>\$ (8,143,416)</u>	<u>\$ 5,718,871</u>	<u>\$ 13,862,287</u>

COUNTY OF BEDFORD, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

<u>Federal Grantor/Pass-Through Grantor</u> <u>(Commonwealth of Virginia)/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Federal</u> <u>Expenditures</u>
<u>Department of Agriculture:</u>		
<u>Pass-Through Payments:</u>		
<u>Department of Social Services:</u>		
Supplemental Nutrition Assistance Program	10.561	\$ 633,440
<u>Department of the Agriculture and Consumer Services:</u>		
Child Nutrition Cluster – National School Lunch Program (Commodities)	10.555	257,683
Child Nutrition Cluster – Summer Food Service Program for Children	10.559	692
<u>Department of Education:</u>		
Child Nutrition Cluster – National School Breakfast Program	10.553	541,963
Child Nutrition Cluster – National School Lunch Program	10.555	1,604,291
Schools and Roads – Grants to States	10.665	15,701
<u>Department Of Justice:</u>		
<u>Direct Payments:</u>		
Missing Children's Task Force	16.543	523,974
Federal Surplus Property Transfer Program	16.578	1,628
Bulletproof Vest Partnership Program	16.607	7,279
JAG Program Cluster – Edward Byrne Memorial Justice Assistance Grant	16.738	2,129
<u>Pass-Through Payments:</u>		
<u>Department of Criminal Justice Services:</u>		
Crime Victim Assistance	16.575	58,844
Violence Against Women Formula Grants	16.588	12,483
<u>Pass-Through Payments:</u>		
<u>Department of Social Services:</u>		
Crime Victim Assistance	16.575	50,508
<u>Pass-Through Payments:</u>		
<u>Office of the Attorney General</u>		
Treasury Forfeiture Fund Program	21.000	16,268
<u>Department of Transportation:</u>		
<u>Pass-Through Payments:</u>		
<u>Department of Motor Vehicles:</u>		
State and Community Highway Safety (Section 402)	20.600	4,428
Alcohol Open Container Requirements	20.607	28,633
<u>Environmental Protection Agency</u>		
<u>Pass-through Payments:</u>		
<u>Department of Environmental Quality</u>		
Chesapeake Bay Program	66.466	3,950
<u>Department of Education:</u>		
Twenty-First Century Community Learning Centers	84.287	939,099
<u>Department of Education:</u>		
Adult Education Grants to States	84.002	96,073
Title I, Part A Cluster – Title I: Grants to Local Educational Agencies	84.010	1,234,488
Special Education Cluster – Special Education – Grants to States	84.027	2,552,984

COUNTY OF BEDFORD, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor (Commonwealth of Virginia)/Program Title	Federal CFDA Number	Federal Expenditures
<u>Department of Education: (continued)</u>		
Vocational Education – Basic Grants to States	84.048	\$ 120,735
Special Education Cluster – Special Education – Preschool Grants	84.173	50,222
Advanced Placement Program	84.330	7,339
English Language Acquisition Grants	84.365	16,029
No Child Left Behind Act Improving Teacher Quality State Grants	84.367	362,975
<u>Department of Health and Human Services:</u>		
<u>Pass-through Payments:</u>		
<u>Department of Social Services:</u>		
Promoting Safe and Stable Families	93.556	29,138
TANF Block Grant	93.558	465,212
Refugee and Entrant Assistance – State Administered Program	93.566	523
Low Income Home Energy Assistance	93.568	32,971
CCDF Cluster – Payments to States for Child Care Assistance	93.575	(729)
CCDF Cluster – Child Care Development Fund	93.596	56,056
Chafee Education & Training Vouchers Program	93.599	1,165
Child Welfare Services – State Grants	93.645	2,357
Foster Care – Title IV-E	93.658	482,112
Adoption Assistance	93.659	495,505
Social Service Block Grant	93.667	297,722
Family Violence Prevention and Services/Grants for Battered Women's Shelters	93.671	35,849
Independent Living	93.674	7,415
Virginia Children's Medical Insurance Plan	93.767	27,040
Medical Assistance Program (Medicaid; Title XIX)	93.778	805,416
Total Expenditures of Federal Awards		<u>\$ 11,881,591</u>

Note 1. Basis of Accounting

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

Note 2. Nonmonetary Assistance

Nonmonetary assistance is reported in the Schedule of Expenditures of Federal Awards at the fair market value of the food commodities or food stamps disbursed. At June 30, 2016, the County had food commodities totaling \$514 in inventory. The Bedford County School Board had food commodities totaling \$257,683 in inventory at June 30, 2016.

STATISTICAL SECTION

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

Contents

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

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

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

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

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

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

Table 1

COUNTY OF BEDFORD, VIRGINIA

Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Net investment in capital assets	\$ 19,769,906	\$ 21,352,975	\$ 21,945,190	\$ 22,587,976	\$ 23,428,803	\$ 23,524,890	\$ 24,869,124	\$ 26,704,166	\$ 28,334,835	\$ 30,177,071
Restricted	7,516	5,342	57	20	3	648,562	127,265	18,033	1,079	1,778,497
Unrestricted	(30,928,461)	(39,372,692)	(38,605,383)	(29,263,886)	(20,875,025)	(12,143,308)	(15,860,897)	(13,795,499)	(6,360,819)	5,347,098
Total governmental activities net position	\$ (11,151,039)	\$ (18,014,375)	\$ (16,660,136)	\$ (6,675,890)	\$ 2,553,781	\$ 12,030,144	\$ 9,135,492	\$ 12,926,700	\$ 21,975,095	\$ 37,302,666
Business-type activities										
Net investment in capital assets	\$ 11,467,746	\$ 11,329,513	\$ 16,346,809	\$ 16,206,826	\$ 15,617,382	\$ 14,816,621	\$ 13,012,464	\$ 12,464,508	\$ 11,690,734	\$ 10,903,022
Restricted	-	-	48	19	4	3	-	-	-	-
Unrestricted	5,282,464	5,762,678	2,148,113	2,557,009	3,152,150	2,792,561	3,078,850	2,819,835	3,656,443	5,412,132
Total business-type activities net position	\$ 16,750,210	\$ 17,092,191	\$ 18,494,970	\$ 18,763,854	\$ 18,769,536	\$ 17,609,185	\$ 16,091,314	\$ 15,284,343	\$ 15,347,177	\$ 16,315,154
Primary government										
Net investment in capital assets	\$ 31,237,652	\$ 32,682,488	\$ 38,291,999	\$ 38,794,802	\$ 39,046,185	\$ 38,341,511	\$ 37,881,588	\$ 39,168,674	\$ 40,025,569	\$ 41,080,093
Restricted	7,516	5,342	105	39	7	648,565	127,265	18,033	1,079	1,778,497
Unrestricted	(25,645,997)	(33,610,014)	(36,457,270)	(26,706,877)	(17,722,875)	(9,350,747)	(12,782,047)	(10,975,664)	(2,704,376)	10,759,230
Total primary government net position	\$ 5,599,171	\$ (922,184)	\$ 1,834,834	\$ 12,087,964	\$ 21,323,317	\$ 29,639,329	\$ 25,226,806	\$ 28,211,043	\$ 37,322,272	\$ 53,617,820
Component Unit-School Board (1)										
Net investment in capital assets	\$ 86,529,453	\$ 103,265,540	\$ 105,979,076	\$ 103,254,031	\$ 101,059,369	\$ 97,278,860	\$ 96,063,553	\$ 94,486,617	\$ 91,638,957	\$ 89,284,475
Restricted	3,069	2,176	331	20	4	763,216	4	6	6	-
Unrestricted	4,156,055	3,268,571	4,923,623	5,407,005	5,346,181	3,962,736	3,915,714	3,727,386	(80,768,278)	(76,737,675)
Total component unit-School Board net position	\$ 90,688,577	\$ 106,536,287	\$ 110,903,030	\$ 108,661,056	\$ 106,405,554	\$ 102,004,812	\$ 99,979,271	\$ 98,214,009	\$ 10,870,685	\$ 12,546,800

(1) School Board component unit, net position components are included in this table due to Public Schools being a significant portion of the County. In Virginia, the county issues debt to finance the construction of school facilities for the Public Schools because Public Schools do not have borrowing or taxing authority.

(2) GASB Statement No. 68 was adopted in fiscal year 2015.

Table 2

COUNTY OF BEDFORD, VIRGINIA

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Primary Government:										
Expenses										
Governmental activities:										
General government	\$ 3,824,050	\$ 3,380,053	\$ 3,571,372	\$ 3,735,551	\$ 4,084,722	\$ 3,623,380	\$ 3,691,404	\$ 4,032,123	\$ 3,903,841	\$ 3,686,970
Judicial administration	2,056,926	2,284,198	2,537,675	2,365,312	2,323,836	2,236,346	2,328,645	2,434,093	2,339,469	2,419,173
Public safety	12,666,867	13,833,606	14,777,921	14,860,554	14,908,199	16,052,649	17,641,751	19,756,848	18,263,579	18,985,844
Public works	5,370,581	5,502,498	4,712,842	4,665,741	4,085,930	3,966,475	4,688,457	4,963,878	4,569,759	4,523,662
Health and welfare	12,074,123	13,059,878	10,911,164	10,445,685	10,441,003	9,782,800	9,706,770	9,868,303	9,929,076	10,643,689
Education	47,347,095	47,741,253	37,412,680	27,959,531	28,843,332	27,870,369	40,154,179	34,743,918	29,271,434	33,713,688
Parks, recreational, and cultural	2,700,063	3,236,708	3,071,792	3,011,340	2,870,815	2,763,383	2,838,982	3,312,492	3,116,385	3,753,755
Community development	6,773,411	6,204,133	5,393,145	5,032,293	5,255,719	5,220,060	5,703,012	6,341,152	7,308,128	5,114,090
Interest on long-term debt	4,506,633	4,577,074	4,780,219	4,002,134	3,849,961	3,473,234	3,674,625	2,709,301	2,484,060	2,201,911
Total governmental activities expenses	97,319,749	99,819,401	87,168,810	76,078,141	76,663,517	74,988,696	90,427,825	88,162,108	81,185,731	85,042,782
Business-type activities:										
Group homes	-	-	2,025,932	1,929,560	1,993,131	2,023,174	1,452,772	-	-	-
Nursing home	3,604,364	4,342,769	5,059,249	5,082,479	5,538,976	5,383,423	5,226,464	5,491,294	5,279,264	5,323,100
Solid waste	2,486,645	2,806,450	1,663,395	2,325,292	2,279,669	3,208,084	3,700,318	3,456,334	3,127,530	3,360,369
Total business-type activities expenses	6,091,009	7,149,219	8,748,576	9,337,331	9,811,776	10,614,681	10,379,554	8,947,628	8,406,794	8,683,469
Total primary government expenses	\$ 103,410,758	\$ 106,968,620	\$ 95,917,386	\$ 85,415,472	\$ 86,475,293	\$ 85,603,377	\$ 100,807,379	\$ 97,109,736	\$ 89,592,525	\$ 93,726,251
Program Revenues										
Governmental activities:										
Charges for services:										
Public safety	\$ 1,265,036	\$ 2,163,510	\$ 2,443,376	\$ 2,262,367	\$ 2,339,436	\$ 2,287,544	\$ 2,780,427	\$ 2,229,697	\$ 2,237,790	\$ 2,322,194
Health and welfare	2,274,424	2,921,589	1,058,391	1,044,637	814,513	822,149	846,663	324,979	119,175	132,634
Community development	571,151	535,270	438,539	394,042	326,217	262,608	190,748	243,713	247,451	241,294
Other activities	1,063,298	963,336	1,028,522	926,581	908,164	794,555	854,456	605,163	747,100	824,510
Operating grants and contributions	11,728,169	13,585,678	12,833,423	12,213,856	11,616,928	10,956,576	11,475,946	12,958,689	12,680,711	13,479,122
Capital grants and contributions	583,838	1,377,486	333,475	125,180	572,784	53,965	218,081	278,842	104,082	346,027
Total governmental activities program revenues	17,485,916	21,546,869	18,135,726	16,966,663	16,578,042	15,177,397	16,366,321	16,641,083	16,136,309	17,345,781
Business-type activities:										
Charges for services:										
Group Homes	-	-	2,323,904	1,959,366	2,049,762	1,765,617	1,067,380	-	-	-
Nursing Home	2,730,766	4,487,317	5,013,390	5,280,011	5,223,478	5,130,089	5,543,359	5,645,133	6,737,547	6,802,536
Solid Waste	2,603,368	2,145,939	1,959,824	1,940,554	1,966,176	1,995,213	1,973,378	2,084,227	2,330,680	2,493,612
Operating grants and contributions	235,702	360,639	324,405	401,302	540,807	538,281	397,699	397,947	351,149	295,454
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	5,569,836	6,993,895	9,621,523	9,581,233	9,780,223	9,429,200	8,981,816	8,127,307	9,419,376	9,591,602
Total primary government program revenues	23,055,752	28,540,764	27,757,249	26,547,896	26,358,265	24,606,597	25,348,137	24,768,390	25,555,685	26,937,383
Net (expense) revenue (1)										
Governmental activities	(79,833,833)	(78,272,532)	(69,033,084)	(59,111,478)	(60,085,475)	(59,811,299)	(74,061,504)	(71,521,025)	(65,049,422)	(67,697,001)
Business-type activities	(521,173)	(155,324)	872,947	243,902	(31,553)	(1,185,481)	(1,397,738)	(820,321)	1,012,582	908,133
Total primary government net expense	(80,355,006)	(78,427,856)	(68,160,137)	(58,867,576)	(60,117,028)	(60,996,780)	(75,459,242)	(72,341,346)	(64,036,840)	(66,788,868)

(Continued)

Table 2

COUNTY OF BEDFORD, VIRGINIA

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 45,592,782	\$ 50,206,992	\$ 53,448,639	\$ 52,390,092	\$ 52,096,954	\$ 51,879,533	\$ 52,749,509	\$ 56,345,681	\$ 59,963,137	\$ 61,722,532
Other local taxes	11,481,043	12,420,350	9,932,722	10,026,312	10,271,067	10,215,999	10,435,809	10,955,993	11,657,187	12,118,186
Noncategorical state aid	6,972,228	6,745,218	6,537,665	6,271,093	6,337,356	6,598,813	6,611,332	6,685,461	6,595,703	6,701,673
Investment earnings-unrestricted	1,419,147	1,134,312	507,834	174,192	292,420	248,974	246,068	241,059	150,908	261,818
Investment earnings-restricted for capital projects, debt service and length of service award program	1,925,215	738,678	187,973	6,818	3,023	7,070	14,986	1,925	1,233	55,460
Miscellaneous	378,575	162,905	107,511	227,217	314,326	337,273	946,856	229,025	205,121	573,225
Transfers	638,628	741	(335,021)	-	-	-	162,292	35,205	2,867	-
Special Item - contribution of capital assets	-	-	-	-	-	-	-	817,884	-	-
Total governmental activities	68,407,618	71,409,196	70,387,323	69,095,724	69,315,146	69,287,662	71,166,852	75,312,233	78,576,156	81,432,894
Business-type activities:										
Investment earnings-unrestricted and restricted	603,720	498,046	190,527	25,056	23,637	21,315	38,382	42,071	15,811	58,686
Miscellaneous	-	-	4,284	26	13,498	13	3,777	6,484	-	1,158
Transfers	(638,628)	(741)	335,021	-	-	3,802	(162,292)	(35,205)	(2,867)	-
Total business-type activities	(34,908)	497,305	529,832	25,082	37,135	25,130	(120,133)	13,350	12,944	59,844
Total primary government	\$ 68,372,710	\$ 71,906,501	\$ 70,917,155	\$ 69,120,806	\$ 69,352,281	\$ 69,312,792	\$ 71,046,719	\$ 75,325,583	\$ 78,589,100	\$ 81,492,738
Change in Net Position										
Governmental activities	\$ (11,426,215)	\$ (6,863,336)	\$ 1,354,239	\$ 9,984,246	\$ 9,229,671	\$ 9,476,363	\$ (2,894,652)	\$ 3,791,208	\$ 13,526,734	\$ 13,735,893
Business-type activities	(556,081)	341,981	1,402,779	268,984	5,582	(1,160,351)	(1,517,871)	(806,971)	1,025,526	967,977
Total Primary Government	\$ (11,982,296)	\$ (6,521,355)	\$ 2,757,018	\$ 10,253,230	\$ 9,235,253	\$ 8,316,012	\$ (4,412,523)	\$ 2,984,237	\$ 14,552,260	\$ 14,703,870
Component Unit-School Board: (2)										
Expenses										
Education	\$ 95,021,813	\$ 99,029,507	\$ 103,365,329	\$ 98,735,253	\$ 92,148,786	\$ 93,926,813	\$ 102,516,696	\$ 101,586,480	\$ 98,554,187	\$ 99,876,493
Program Revenues										
Charges for services	8,888,476	8,883,190	9,137,849	9,603,258	6,386,146	7,848,217	8,405,921	2,518,530	2,859,682	2,656,725
Operating grants and contributions	19,418,681	21,392,617	20,330,558	23,965,199	20,959,960	20,643,938	19,374,378	22,127,815	22,640,803	24,797,005
Capital grants and contributions	15,128	500,990	10,000	-	-	-	-	-	-	-
Total component unit program revenues	28,322,285	30,776,797	29,478,407	33,568,457	27,346,106	28,492,155	27,780,299	24,646,345	25,500,485	27,453,730
Net (expense)/revenue	(66,699,528)	(68,252,710)	(73,886,922)	(65,166,796)	(64,802,680)	(65,434,658)	(74,736,397)	(76,940,135)	(73,053,702)	(72,422,763)
General Revenues and Other Changes in Net Position										
Contribution from primary government	47,318,197	47,739,518	37,410,945	27,911,539	28,791,675	27,868,624	40,152,454	34,718,131	29,269,553	33,711,812
State aid	36,864,684	36,088,770	40,803,551	34,945,640	33,698,695	32,987,401	32,282,549	38,663,168	40,709,409	39,980,964
Investment earnings-unrestricted	-	5	-	-	2,427	-	-	-	-	791
Investment earnings-restricted for capital projects and debt service	-	6,983	1,466	141	62	37	1,101	968	651	-
Miscellaneous	663,989	265,144	37,703	67,502	54,319	177,854	274,752	471,503	109,450	405,311
Special Item - contribution of capital assets	-	-	-	-	-	-	-	1,321,103	-	-
Total general revenues and other changes in net assets	84,846,870	84,100,420	78,253,665	62,924,822	62,547,178	61,033,916	72,710,856	75,174,873	70,089,063	74,098,878
Total Component Unit-School Board Change in Net Position	\$ 18,147,342	\$ 15,847,710	\$ 4,366,743	\$ (2,241,974)	\$ (2,255,502)	\$ (4,400,742)	\$ (2,025,541)	\$ (1,765,262)	\$ (2,964,639)	\$ 1,676,115

- (1) Net (expense) revenue is the difference between the expenses and program revenues. It indicates the degree to which a function or program is supported with its own fees and program-specific grants versus its reliance upon funding from taxes and other general revenues. A number in parentheses are net expenses indicating that expenses were greater than program revenues and therefore general revenues were needed to finance that function or program. Numbers without parentheses are net revenues, meaning that program revenues were more than sufficient to cover expenses.
- (2) Component unit change in net position is included in this table due to the School Board being a significant portion of the County.

Table 3

COUNTY OF BEDFORD, VIRGINIA

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Funds										
General Fund										
Nonspendable	\$ 527,075	\$ 527,941	\$ 535,613	\$ 572,710	\$ 591,378	\$ 609,118	\$ 617,553	\$ 617,465	\$ 234,600	\$ 268,645
Restricted	21,033,575	9,748,039	2,753,499	248,090	246,949	8,064,388	770,552	305,038	1,657,857	1,850,461
Committed	3,523,951	3,589,869	5,333,247	5,845,833	4,471,108	4,847,144	7,710,886	9,999,808	6,366,387	7,624,489
Assigned	20,369,879	20,450,272	21,095,931	22,045,371	21,344,121	26,773,987	22,154,070	22,687,070	25,789,032	24,936,650
Unassigned	1,945,297	5,029,081	7,078,298	11,780,390	18,035,007	16,186,173	18,055,021	13,274,315	19,916,759	25,244,877
Total governmental funds	\$ 47,399,777	\$ 39,345,202	\$ 36,796,588	\$ 40,492,394	\$ 44,688,563	\$ 56,480,810	\$ 49,308,082	\$ 46,883,696	\$ 53,964,635	\$ 59,925,122

Table 4

COUNTY OF BEDFORD, VIRGINIA

**Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years (1)**

(modified accrual basis of accounting)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
General property taxes	\$ 46,534,525	\$ 50,435,680	\$ 53,224,141	\$ 51,970,906	\$ 51,542,750	\$ 51,962,404	\$ 52,987,699	\$ 56,556,779	\$ 60,043,733	\$ 61,700,495
Other local taxes	11,538,775	12,429,090	9,931,350	10,023,749	10,212,720	10,224,275	10,491,533	10,943,326	11,647,448	12,149,638
Permits, privilege fees, and regulatory licenses	911,748	752,110	502,972	469,212	520,504	403,614	491,867	535,127	540,118	512,450
Fines and forfeitures	156,098	125,643	149,258	206,289	175,543	155,453	159,438	144,501	122,821	115,017
Revenue from use of money and property	3,455,870	1,983,920	783,989	227,479	323,446	286,553	296,329	279,244	275,960	476,458
Charges for services	2,019,517	3,297,142	1,945,017	1,736,611	1,612,856	1,651,322	2,038,596	1,825,779	1,840,840	2,002,289
Other	815,087	975,822	504,790	586,216	836,223	551,202	881,022	615,778	541,357	535,437
Recovered costs	1,756,255	1,893,579	2,091,841	1,858,219	1,785,592	1,709,688	1,759,014	520,202	503,792	460,022
Intergovernmental	19,305,784	20,221,553	20,549,462	18,633,912	18,508,921	17,662,423	18,393,111	19,765,553	19,565,405	20,456,296
Total revenues	86,493,659	92,114,539	89,682,820	85,712,593	85,518,555	84,606,934	87,498,609	91,186,289	95,081,474	98,408,102
Expenditures										
General government administration	3,692,154	3,012,437	3,167,848	3,368,948	3,804,248	3,380,525	3,501,138	3,815,479	3,790,833	3,563,822
Judicial administration	1,633,882	1,889,969	2,116,953	1,968,828	1,945,473	1,854,452	1,945,807	2,075,807	2,025,961	2,132,148
Public safety	11,895,295	13,082,577	14,098,374	14,135,048	13,974,585	15,319,034	16,754,396	18,666,873	17,824,591	18,828,269
Public works	4,691,966	4,317,006	4,199,905	4,124,046	4,128,287	4,103,729	4,061,034	4,118,593	4,142,247	4,417,932
Health and welfare	11,910,543	12,592,205	10,706,610	10,293,539	10,293,677	9,426,911	9,548,473	9,769,392	9,879,615	10,729,572
Education	28,189,811	29,281,512	29,893,180	27,758,039	27,926,157	28,889,100	32,546,495	33,595,489	29,496,706	32,875,682
Parks, recreation, and cultural	2,523,411	2,568,142	2,766,085	2,729,488	2,524,712	2,556,162	2,583,097	2,883,655	2,823,541	2,849,528
Community development	4,631,435	3,151,955	3,269,112	2,942,518	2,911,920	3,017,817	3,101,816	3,189,462	3,099,227	3,098,928
Debt service										
Principal	5,551,341	6,327,234	6,203,703	6,138,043	5,988,946	5,928,101	5,788,415	6,067,408	6,048,314	5,777,279
Interest and other fiscal charges	4,510,107	4,597,358	4,779,182	4,089,104	3,794,573	3,526,435	3,619,767	2,599,921	2,684,171	2,363,660
Capital projects	26,644,484	25,163,154	11,292,405	4,469,186	4,029,808	2,812,421	10,563,835	6,828,596	7,396,780	5,866,985
Total expenditures	105,874,429	105,983,549	92,493,357	82,016,787	81,322,386	80,814,687	94,014,273	93,610,675	89,211,986	92,503,805
Excess of revenues over (under) expenditures	(19,380,770)	(13,869,010)	(2,810,537)	3,695,806	4,196,169	3,792,247	(6,515,664)	(2,424,386)	5,869,488	5,904,297
Other Financing Sources (Uses)										
Transfers in	20,215	-	261,923	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(813,133)	-	-	-
Issuance of debt	-	5,420,000	-	-	-	-	-	-	-	-
Refunding bonds issued	-	-	-	-	-	-	23,788,000	-	-	7,225,000
Premiums on issuance of debt	-	394,435	-	-	-	-	4,395,064	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	(28,026,995)	-	-	(7,168,810)
Capital lease proceeds	-	-	-	-	-	8,000,000	-	-	-	-
Total other financing sources and uses	20,215	5,814,435	261,923	-	-	8,000,000	(657,064)	-	-	56,190
Net change in fund balances	\$ (19,360,555)	\$ (8,054,575)	\$ (2,548,614)	\$ 3,695,806	\$ 4,196,169	\$ 11,792,247	\$ (7,172,728)	\$ (2,424,386)	\$ 5,869,488	\$ 5,960,487

(Continued)

Table 4

COUNTY OF BEDFORD, VIRGINIA

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt Service as a Percentage of Noncapital Expenditures:										
Primary Government:										
Total debt service	\$ 10,061,448	\$ 10,924,592	\$ 10,982,885	\$ 10,227,147	\$ 9,783,519	\$ 9,454,536	\$ 9,408,182	\$ 8,667,329	\$ 8,732,485	\$ 8,140,939
Total expenditures	105,874,429	105,983,549	92,493,357	82,016,787	81,322,386	80,814,687	94,014,273	93,610,675	89,211,986	92,503,805
Capital outlay primary government only	5,619,913	2,310,305	2,061,660	1,543,981	1,806,521	1,113,164	1,221,496	2,178,092	3,669,703	3,097,784
Noncapital expenditures	100,254,516	103,673,244	90,431,697	80,472,806	79,515,865	79,701,523	92,792,777	91,432,583	85,542,283	89,406,021
Debt service as a percentage of noncapital expenditures	10.04%	10.54%	12.14%	12.71%	12.30%	11.86%	10.14%	9.48%	10.21%	9.11%
Component Unit-School Board:										
Total debt service	1,110,537	1,220,437	1,312,395	1,279,589	1,253,283	1,094,691	923,386	882,627	834,643	787,048
School expenditures excluding County contribution	66,200,598	69,451,815	70,190,000	67,843,266	62,835,578	61,441,387	61,962,350	65,148,912	67,289,716	66,399,289
Capital outlay Component Unit - School Board	21,360,629	21,329,683	7,990,979	2,199,985	2,870,303	657,301	3,330,385	3,044,830	3,004,319	4,025,400
Noncapital expenditures	44,839,969	48,122,132	62,199,021	65,643,281	59,965,275	60,784,086	58,631,965	62,104,082	64,285,397	62,373,889
Primary Government and Component Unit-Schools										
Total Debt Service	11,171,985	12,145,029	12,295,280	11,506,736	11,036,802	10,549,227	10,331,568	9,549,956	9,567,128	8,927,987
Total Noncapital Expenditure	\$ 145,094,485	\$ 151,795,376	\$ 152,630,718	\$ 146,116,087	\$ 139,481,140	\$ 140,485,609	\$ 151,424,742	\$ 153,536,665	\$ 149,827,680	\$ 151,779,910
Debt Service as a percentage of noncapital expenditures	7.70%	8.00%	8.06%	7.88%	7.91%	7.51%	6.82%	6.22%	6.39%	5.88%

- (1) In Virginia, the County issues debt to finance the construction of school facilities for the Public Schools because Public Schools do not have borrowing or taxing authority, therefore the debt service payments related to School facilities are presented as debt service of the component unit. Debt service as a percentage of noncapital expenditures for the Primary Government and School Board more appropriately reflects the unique Virginia school debt requirements. Only School Board capital lease debt service is selected in the Component Unit-School Board.

Table 5

COUNTY OF BEDFORD, VIRGINIA

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

Calendar Year	Real Property				Less: Tax Deferred Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Residential Property	Commercial Property	Agricultural Property	Public Service			
2006	\$ 3,943,680,332	\$ 215,050,200	\$ 839,390,200	\$ 161,543,522	\$ 389,244,300	\$ 4,770,419,954	0.65
2007	6,416,922,632	316,676,800	1,789,627,000	240,590,375	1,151,428,300	7,612,388,507	0.50
2008	6,607,003,403	323,909,200	1,797,799,400	226,978,152	1,173,745,100	7,781,945,055	0.50
2009	6,745,894,103	328,639,600	1,800,619,100	247,559,296	1,177,476,400	7,945,235,699	0.50
2010	6,717,623,265	433,072,300	1,792,334,000	255,469,933	1,191,870,500	8,006,628,998	0.50
2011	6,392,278,090	499,300,600	1,780,976,300	259,649,263	1,199,227,400	7,732,976,853	0.50
2012	6,453,481,865	520,095,300	1,780,679,000	259,179,258	1,173,245,800	7,840,189,623	0.50
2013	6,817,604,111	642,022,000	1,780,412,600	266,427,161	1,206,268,100	8,300,197,772	0.50
2014	6,889,739,371	649,039,700	1,785,041,800	278,858,917	1,215,882,300	8,386,797,488	0.52
2015	6,952,590,383	681,652,300	1,788,524,700	294,371,167	1,211,313,400	8,505,825,150	0.52

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

Source: Bedford County Commissioner of the Revenue

Table 6**COUNTY OF BEDFORD, VIRGINIA****Direct Property Tax Rates**
Last Ten Calendar Years
(rate per \$100 of assessed value)

Type of Tax	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Real Estate:										
General Fund	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.52	\$ 0.52	\$ 0.52

Source: Bedford County Commissioner of the Revenue

Table 7

COUNTY OF BEDFORD, VIRGINIA

Principal Real Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	2015 Calendar Year			2006 Calendar Year		
	Assessed Valuation	Rank	% of Total Taxable Assessed Valuation	Assessed Valuation	Rank	% of Total Taxable Assessed Valuation
Appalachian Power Co	\$ 142,857,977	1	1.68%	\$ 78,067,931	1	1.64%
Teva Pharmaceuticals Industries Ltd	46,923,500	2	0.55%	26,906,600	3	0.56%
Norfolk & Western Railway Co	40,664,870	3	0.48%	15,153,863	4	0.32%
Verizon Virginia Inc	31,552,185	4	0.37%	37,005,811	2	0.78%
Southside Electric Corporation	27,500,113	5	0.32%	12,993,534	5	0.27%
GP (Georgia Pacific) Big Island LLC	19,202,600	6	0.23%	11,997,000	6	0.25%
Carriage Square	11,931,000	7	0.14%	-		0.00%
Wal-Mart	10,121,500	8	0.12%	9,857,200	7	0.21%
Boonsboro Country Club	9,644,400	9	0.11%	6,308,000	10	0.13%
Center for Advanced Engineering & Research	6,156,700	10	0.07%	-		0.00%
Sentry Equipment Erectors	-		-	7,116,400	8	0.15%
Coleman Family LLC	-		-	6,973,700	9	0.15%
Total	<u>\$ 346,554,845</u>		<u>4.07%</u>	<u>\$ 212,380,039</u>		<u>4.45%</u>

Source: Bedford County Commissioner of the Revenue

Table 8

COUNTY OF BEDFORD, VIRGINIA

Real Property Tax Levies and Collections
Last Ten Fiscal Years

Tax Year	Tax Levied for the Tax Year	Adjustments	Total Adjusted Levy	Collection within the Tax Year of Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Tax Levy		Amount	Percentage of Tax Levy
2006	\$ 30,956,215	\$ 280,714	\$ 31,236,929	\$ 29,620,209	95.68%	\$ 1,609,707	\$ 31,229,916	99.98%
2007	37,875,560	238,313	38,113,873	36,284,648	95.80%	1,812,131	38,096,779	99.96%
2008	38,711,970	167,438	38,879,408	37,040,942	95.68%	1,815,969	38,856,911	99.94%
2009	39,442,413	84,851	39,527,264	37,530,764	95.15%	1,967,440	39,498,204	99.93%
2010	39,794,973	88,970	39,883,943	37,517,045	94.28%	2,313,802	39,830,847	99.87%
2011	38,373,116	107,463	38,480,579	36,479,693	95.07%	1,927,083	38,406,776	99.81%
2012	38,826,705	66,588	38,893,293	37,047,971	95.42%	1,721,244	38,769,215	99.68%
2013	40,110,895	99,529	40,210,424	38,498,853	95.98%	1,463,667	39,962,520	99.38%
2014	43,252,910	109,354	43,362,264	41,430,823	95.79%	1,524,031	42,954,854	99.06%
2015	43,857,517	134,744	43,992,261	42,162,884	96.14%	1,153,280	43,316,164	98.46%

Table 9

COUNTY OF BEDFORD, VIRGINIA

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

The County has no overlapping debt

Fiscal Year	Governmental Activities					Business-type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	State Literary Fund Loans	Virginia Public School Authority Bonds	Lease Revenue Bonds	Capital Leases	Lease Revenue Bonds	Capital Leases			
2007	\$ 4,460,000	\$ 478,069	\$ 33,462,654	\$ 56,437,830	\$ 250,661	\$ -	\$ 241,800	\$ 95,331,014	3.64%	\$ 1,429
2008	4,040,000	222,629	35,730,154	54,027,709	161,488	-	178,610	94,360,590	3.31%	1,396
2009	3,620,000	-	32,548,964	48,583,557	70,756	2,970,000	112,189	87,905,466	3.17%	1,293
2010	3,200,000	-	29,245,342	46,239,890	-	2,775,000	42,369	81,502,601	2.87%	1,183
2011	2,785,000	-	26,084,759	43,826,527	-	2,575,000	521,497	75,792,783	2.60%	1,092
2012	2,370,000	-	22,893,185	41,505,000	8,000,000	2,365,000	410,371	77,543,556	2.52%	1,114
2013	1,960,000	-	43,704,770	16,640,000	8,000,000	-	295,291	70,600,061	2.20%	925
2014	1,555,000	-	40,732,362	14,125,000	7,825,000	-	176,119	64,413,481	2.04%	834
2015	1,155,000	-	38,024,048	11,540,000	7,470,000	-	52,708	58,241,756	*	751
2016	760,000	-	35,408,169	9,360,000	7,093,600	-	-	52,621,769	*	*

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

* Unavailable

Table 10

COUNTY OF BEDFORD, VIRGINIA

**Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years**

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Real Property (1)	Per Capita (2)
	County General Obligation	School General Obligation	Total Primary Government		
2007	\$ 4,460,000	\$ 33,940,723	\$ 38,400,723	0.50%	\$ 576
2008	4,040,000	35,952,783	39,992,783	0.51%	591
2009	3,620,000	32,548,964	36,168,964	0.46%	532
2010	3,200,000	29,245,342	32,445,342	0.41%	471
2011	2,785,000	26,084,759	28,869,759	0.37%	416
2012	2,370,000	22,893,185	25,263,185	0.32%	363
2013	1,960,000	43,704,770	45,664,770	0.55%	598
2014	1,742,000	40,545,362	42,287,362	0.50%	548
2015	1,342,000	37,837,048	39,179,048	0.46%	505
2016	947,000	35,221,169	36,168,169	0.42%	*

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

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

* Unavailable

COUNTY OF BEDFORD, VIRGINIA

County Debt Policy (1)
Last Ten Fiscal Years

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net debt applicable to parameter	\$ 95,089,214	\$ 94,181,980	\$ 84,823,277	\$ 78,685,232	\$ 72,696,286	\$ 74,768,185	\$ 70,304,770	\$ 64,237,362	\$ 58,189,048	\$ 58,189,048
Net debt as a percentage of assessed value (not to exceed 3.5%)	1.25%	1.21%	1.07%	0.98%	0.94%	0.95%	0.85%	0.77%	0.68%	0.67%
Net debt per capita (not to exceed \$1,750)	\$ 1,425	\$ 1,393	\$ 1,247	\$ 1,142	\$ 1,048	\$ 1,074	\$ 921	\$ 832	\$ 754	*
Debt service as a percentage of General Governmental Expenditures (not to exceed 15%)	9.00%	9.42%	8.57%	8.04%	8.04%	7.60%	7.27%	6.41%	6.55%	5.99%

(1) The *Code of Virginia* has no legal debt margin limit set on the Counties. However, Bedford County has established a policy with the following three parameters:

- Net Debt as a percentage of Assessed Value will not exceed 3.5%. (Net Debt is General Obligation debt and Capital Lease Obligation exclusive of debt or leases payable from Proprietary Funds)
- Net Debt per Capita will not exceed \$1,750 per capita.
- General Obligation Debt Service and Capital Lease payments as a percentage of General Governmental Expenditures will not exceed 15%.

* Unavailable

Table 12

COUNTY OF BEDFORD, VIRGINIA

Demographic and Economic Statistics
Last Ten Calendar Years

Year	Population (1)	Personal Income (2) (5) <i>(thousands of dollars)</i>	Per Capita Personal Income (2) (6)	School Enrollment (3)	Unemployment Rate (4)
2007	66,715	\$ 2,618,524	\$ 35,934	10,951	3.0%
2008	67,616	2,846,751	39,114	10,774	3.7%
2009	68,003	2,772,227	37,715	10,646	6.8%
2010	68,880	2,836,787	37,827	10,590	7.0%
2011	69,379	2,911,097	38,595	10,363	6.5%
2012	69,637	3,075,785	40,710	10,299	6.0%
2013	76,309	3,206,247	42,314	10,302	5.7%
2014	77,213	3,163,386	41,307	10,023	5.1%
2015	77,525	*	*	9,915	4.4%
2016	*	*	*	9,674	4.0%

Sources: (1) Weldon Cooper Center for Public Service, University of Virginia, intercensal estimates for FY 2007 through FY 2010 and estimates for FY 2011 through FY 2015.

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

(3) March 31 ADM

(4) Virginia Employment Commission calendar year data for 2007-2015. Data for 2016 is average for January 1, 2016 through June 30, 2016. Data for 2007-2015 was updated to reflect final calendar year figures rather than average of first six months.

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

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

* Unavailable

Table 13

COUNTY OF BEDFORD, VIRGINIA

Principal Employers
Current Year and Nine Years Ago

Taxpayer	2016		2007	
	Employees	Rank	Employees	Rank
Bedford County School Board	1,000+	1	1,000+	1
County of Bedford	500-999	2	500-999	2
Centra Health	250-499	3	-	-
** Teva Pharmaceuticals Industries Ltd	250-499	4	250-499	3
Mail America Communications	250-499	5	250-499	6
Walmart	250-499	6	250-499	5
GP (Georgia Pacific) Big Island LLC	250-499	7	250-499	4
* Workforce Solutions	250-499	8	-	-
Sam Moore Furniture LLC	100-249	9	-	-
Food Lion	100-249	10	100-249	9
* Alpha Omega Resources	-	-	250-499	7
Inservice America	-	-	250-499	8
Sentry Equipment Erectors	-	-	100-249	10

Source: Virginia Labor Market Information (LMI)

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

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

Table 14

COUNTY OF BEDFORD, VIRGINIA

County Government Employees by Function
Last Ten Fiscal Years

Function/Program	Full-Time Equivalent Employees as of June 30									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government administration	44.3	44.8	47.0	45.9	46.2	46.8	45.0	46.8	46.3	48.0
Judicial administration	27.8	29.3	28.3	28.3	28.3	28.0	28.8	29.0	29.0	30.0
Public safety	120.3	131.8	138.0	146.0	141.8	151.6	154.3	159.3	154.5	149.0
Public works	51.3	52.3	52.3	53.0	50.9	51.8	49.0	49.0	48.0	49.0
Health & welfare	82.8	85.3	84.3	82.2	82.6	81.8	83.8	87.0	83.0	81.5
Parks, recreation, and cultural	14.3	12.8	14.0	13.0	12.8	13.0	12.5	11.5	12.3	12.8
Community development	27.8	29.5	30.0	26.8	25.3	25.5	25.5	25.0	25.0	24.0
Other funds										
Group homes	26.0	31.5	34.3	32.0	33.8	35.3	23.0	-	-	-
Nursing home	63.8	83.8	93.8	94.5	99.8	98.8	96.8	96.8	97.0	94.5
Solid waste	15.0	15.5	16.0	16.3	15.6	17.3	18.0	16.8	16.6	15.8
Other funds	104.8	130.8	144.1	142.8	149.2	151.4	137.8	113.6	113.6	110.3
Total primary government	473.4	516.6	538.0	538.0	537.1	549.9	536.7	521.2	511.6	504.6
Education	1,836.0	1,819.0	1,750.0	1,744.0	1,683.0	1,619.0	1,615.0	1,648.0	1,672.0	1,697.0
Total	2,309.4	2,335.6	2,288.0	2,282.0	2,220.1	2,168.9	2,151.7	2,169.2	2,183.6	2,201.6

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

* Unavailable

Table 15

COUNTY OF BEDFORD, VIRGINIA

Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public safety										
Sheriff										
Number of calls	30,130	32,442	33,477	32,951	36,934	36,297	35,686	38,370	42,501	43,097
Criminal warrants served	3,612	3,964	3,174	3,156	3,359	1,584	1,197	1,694	1,544	1,485
Other warrants/protective orders served	798	982	1,566	1,561	1,464	1,201	1,052	1,155	1,099	1,290
Civil papers handled	23,912	23,353	24,271	23,181	21,209	20,743	20,090	19,749	18,076	17,281
Building inspections										
Number of permits	2,144	1,935	1,471	1,439	1,402	1,260	1,417	1,509	1,471	1,537
Value of permits	\$241,579,114	\$170,770,127	\$ 90,784,891	\$ 91,434,427	\$ 94,222,524	\$ 72,847,955	\$ 90,876,889	\$103,159,994	\$143,043,939	\$113,302,338
Fire and rescue										
Number of Volunteers	737	698	661	619	600	606	600	571	558	655
Number of EMS calls	12,530	14,238	13,864	15,399	15,727	15,054	15,951	15,380	17,029	18,603
Number of fire calls	3,781	3,847	4,042	3,463	3,522	3,380	3,051	2,995	3,482	3,843
Public Works										
Refuse collection										
Incoming waste tonnage										
Industrial	32	29	31	46	25	26	25	30	2,946	3,246
Commercial	15,956	15,530	12,904	12,147	13,772	14,164	14,315	17,218	19,095	20,379
County collection system	27,933	25,929	24,117	24,550	24,176	23,908	23,698	23,403	23,590	25,030
Commercial hauled residential	1,309	1,437	1,507	1,536	1,560	1,561	1,538	1,555	1,849	1,932
Residential hauled	2,038	2,027	1,824	1,768	1,890	1,977	2,095	2,018	2,135	2,479
Total	47,268	44,952	40,383	40,047	41,423	41,636	41,671	44,224	49,615	53,066
Recyclable tonnage collected	1,598	1,701	1,731	1,905	1,949	2,019	1,977	1,974	1,962	1,981
Parks, recreation, and cultural										
(1) Parks and recreation										
Number of child participants	5,924	5,328	5,506	5,674	5,264	5,776	5,822	5,667	5,585	6,331
Number of adult participants	1,012	740	985	837	859	913	945	575	563	776
Number of senior participants	3,912	4,351	4,025	3,993	3,585	4,150	3,987	2,684	3,987	3,069
Scheduled events	12	10	12	11	8	8	8	8	8	9
Number of event participants	1,933	1,705	1,986	1,623	1,180	1,031	1,001	765	1,001	1,091
Trips/tours	45	40	46	66	29	26	24	22	24	30
Number of trip participants	1,249	1,188	1,177	1,419	554	364	355	396	355	507

Source: Various County Departments

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

Table 16

COUNTY OF BEDFORD, VIRGINIA

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year										
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public safety											
Sheriff											
Stations	6	9	7	9	5	5	5	5	4	4	4
Patrol units	88	91	94	99	99	102	109	107	113	111	112
Fire & rescue											
Rescue squads	11	11	11	11	11	11	11	11	11	11	11
Satellite rescue squads	5	5	5	5	5	5	5	5	5	5	5
Fire companies	10	10	10	10	10	10	10	10	11	11	11
Marine based fire company	1	1	1	1	1	1	1	1	1	1	1
Satellite fire companies	9	9	9	9	9	9	9	9	9	8	8
Public works											
Refuse collection											
County convenience centers											
Unstaffed	1	1	1	1	1	1	1	1	1	1	1
Partially staffed	6	5	5	5	4	4	4	4	4	4	4
Fully staffed	8	9	9	9	10	10	10	10	10	10	10
Total county convenience centers	15	15	15	15	15	15	15	15	15	15	15
Leased convenience centers											
Unstaffed	2	2	1	0	0	0	0	0	0	0	0
Partially staffed	9	9	9	10	10	10	10	10	10	10	10
Total leased convenience centers	11	11	10	10	10	10	10	10	10	10	10
Recycling centers	12	12	12	12	13	13	13	13	13	13	13
Parks, recreation, and cultural											
Parks & recreation											
Acreage	625	625	625	625	625	625	625	625	625	625	492
County parks	4	4	4	4	4	4	4	4	4	4	3
Leased parks	8	8	8	8	8	8	8	8	8	8	8
Skate Park	0	0	0	0	0	1	1	1	1	1	1
Walking/biking trails - miles developed	5	7	16	18	18	18	21	23	23	26.5	26.5
County baseball/softball diamonds	1	3	3	4	4	4	4	4	4	4	4
Leased baseball/softball diamonds	38	38	38	39	39	39	39	39	44	44	44
Football fields	4	4	4	4	4	4	4	4	4	4	4
County soccer fields	3	3	3	3	3	3	3	3	3	3	3
Leased soccer fields	37	37	37	37	37	37	37	37	37	37	38
Community centers	1	1	1	1	1	1	2	2	2	2	2
County Gymnasium	0	0	0	0	0	0	0	0	1	1	1

Sources: Various county departments

Table 17

COUNTY OF BEDFORD, VIRGINIA

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

Grade	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
K	807	739	782	767	714	776	733	689	686	661
1	753	786	763	792	750	728	769	728	688	662
2	750	746	772	755	771	744	718	759	710	686
3	832	778	775	791	747	784	750	704	742	694
4	841	839	784	766	786	739	784	739	713	739
5	859	855	848	793	759	797	756	798	745	707
6	848	851	832	855	772	763	796	734	806	737
7	856	843	851	870	868	781	782	793	744	807
8	888	865	860	867	865	881	804	782	801	742
9	905	911	859	865	887	874	934	833	822	833
10	937	855	868	821	831	834	837	877	805	800
11	843	889	817	825	783	814	809	787	865	750
12	832	817	876	823	830	784	830	800	788	856
Total	<u>10,951</u>	<u>10,774</u>	<u>10,687</u>	<u>10,590</u>	<u>10,363</u>	<u>10,299</u>	<u>10,302</u>	<u>10,023</u>	<u>9,915</u>	<u>9,674</u>
Elementary school membership	6,546	6,437	6,407	6,389	6,167	6,112	6,088	5,944	5,834	5,693
Secondary school membership	<u>4,405</u>	<u>4,337</u>	<u>4,280</u>	<u>4,201</u>	<u>4,196</u>	<u>4,187</u>	<u>4,214</u>	<u>4,079</u>	<u>4,081</u>	<u>3,981</u>
Total	<u>10,951</u>	<u>10,774</u>	<u>10,687</u>	<u>10,590</u>	<u>10,363</u>	<u>10,299</u>	<u>10,302</u>	<u>10,023</u>	<u>9,915</u>	<u>9,674</u>

Source: Bedford County School Board

Table 18

COUNTY OF BEDFORD, VIRGINIA

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Supervisory										
Instructional administrators	10	10	10	9	9	8	6	8	9	11
Noninstructional administrators	14	14	14	14	13	14	14	16	14	14
Consultants/supervisors of instruction	25	22	24	23	18	26	31	29	30	31
Principals	22	22	22	22	22	22	22	22	22	21
Assistant principals	17	18	16	15	14	14	15	15	14	14
Total supervisory	88	86	86	83	76	84	88	90	89	91
Instruction										
Elementary classroom teachers	419	410	381	386	355	343	350	451	448	434
Secondary classroom teachers	396	400	396	406	396	398	398	315	319	323
ESE teachers	3	3	3	3	3	3	-	3	3	4
Other teachers (adult)	5	5	5	5	5	5	-	-	-	-
Other professionals (instructional)	125	130	125	135	143	122	119	115	119	120
Aides	183	175	163	161	156	154	157	160	168	186
Total instruction	1,131	1,123	1,073	1,096	1,058	1,025	1,024	1,044	1,057	1,067
Student Services										
Guidance counselors	34	34	36	36	34	32	33	33	35	34
Visiting teachers/social workers	4	4	4	3	3	3	3	3	2	1
Psychologists	7	7	7	7	7	7	7	8	9	7
Librarians	39	37	36	30	28	26	26	23	20	20
Other professionals (noninstructional)	25	27	28	28	30	29	29	29	28	30
Technicians	12	12	11	10	11	12	13	14	15	12
Total student services	121	121	122	114	113	109	111	110	109	104
Support and Administration										
Clerical/secretarial	77	74	68	70	67	67	66	68	71	70
Service workers	385	381	369	346	336	301	290	296	308	323
Skilled crafts	23	23	23	24	22	22	24	26	24	24
Unskilled laborers	11	11	9	11	11	11	12	14	15	18
Total support and administration	496	489	469	451	436	401	392	404	418	435
Total employees	1,835	1,819	1,750	1,744	1,683	1,619	1,615	1,648	1,673	1,697
Teachers and administrators	912	904	871	883	835	833	836	859	859	852
Other employees	925	915	879	861	848	786	779	789	814	845
Total employees	1,837	1,819	1,750	1,744	1,683	1,619	1,615	1,648	1,673	1,697

Source: Bedford County School Board

Table 19

COUNTY OF BEDFORD, VIRGINIA

Bedford County School Board
 Operating Statistics
 Last Ten Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Debt Service Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil-Teacher Ratio	Percentage of Students Receiving Free or Reduced-Price Meals
2007	10,951	\$ 93,183,363	\$ 8,509	6.19%	\$ 8,315,551	\$ 759	19.73%	815	13.44	28%
2008	10,774	94,564,754	8,777	3.15%	9,229,609	857	12.82%	810	13.30	29%
2009	10,687	97,030,914	9,079	3.44%	9,306,432	871	1.65%	777	13.75	30%
2010	10,590	93,233,802	8,804	-3.03%	9,062,726	856	-1.73%	812	13.04	33%
2011	10,363	89,458,628	8,633	-1.95%	8,713,795	841	-1.74%	759	13.65	35%
2012	10,299	89,234,061	8,664	0.37%	8,416,409	817	-2.81%	749	13.75	35%
2013	10,302	92,976,273	9,025	4.16%	8,240,434	800	-2.12%	748	13.77	35%
2014	10,023	95,992,543	9,577	6.12%	7,509,732	749	-6.33%	766	13.08	35%
2015	9,915	95,893,402	9,672	0.98%	7,540,965	761	1.51%	767	12.93	37%
2016	9,674	98,432,050	10,175	5.20%	7,238,902	748	-1.61%	757	12.78	37%

Source: Bedford County School Board

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 the Board of Supervisors
County of Bedford, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Bedford, Virginia (the "County"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 29, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County'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 County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. **The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.**

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
November 29, 2016

**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 the Board of Supervisors
County of Bedford, Virginia

Report on Compliance for Each Major Federal Program

We have audited the County of Bedford, Virginia's (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the County's major federal programs for the year ended June 30, 2016. The County'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 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 County'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 County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County 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, 2016.

Report on Internal Control Over Compliance

Management of the County 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 County's internal control over compliance with the types of requirements that could have a direct and material effect on each 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 County'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 the 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, S.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
November 29, 2016

COUNTY OF BEDFORD, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2016

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 County's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

Uniform Disposition of Unclaimed Property Act

Comprehensive Services Act

Sheriff Internal Controls

State Agency Requirements

Education

Social Services

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

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

COUNTY OF BEDFORD, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016**

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 *Government Auditing Standards*.
3. **There were no instances of noncompliance** material to the financial statements disclosed during the audit.
4. **No significant deficiencies** relating to the audit of the major federal award programs were reported in the Independent Auditor's Report on Compliance 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 programs tested as major programs were:

<u>Name of Program:</u>	<u>CFDA #</u>
Special Education Cluster – Special Education – Grants to States	84.027
Special Education Cluster – Special Education – Preschool Grants	84.173

8. The **threshold for** distinguishing Type A and B programs was **\$750,000**.
9. The County of Bedford was determined to be a **low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

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

None.

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

None.