

COUNTY OF BEDFORD, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2013**

DEPARTMENT OF FISCAL MANAGEMENT

COUNTY OF BEDFORD

TABLE OF CONTENTS

INTRODUCTORY SECTION

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

FINANCIAL SECTION

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

Management's Discussion and Analysis.....	4
--	----------

Basic Financial Statements

Government-Wide Financial Statements

Exhibit 1 Statement of Net Position	21
Exhibit 2 Statement of Activities	22

Fund Financial Statements

Exhibit 3 Balance Sheet – Governmental Fund.....	23
Exhibit 4 Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund	24
Exhibit 5 Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Cash Basis – Governmental Fund	26
Exhibit 6 Statement of Net Position – Proprietary Funds.....	28
Exhibit 7 Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	29
Exhibit 8 Statement of Cash Flows – Proprietary Funds.....	30
Exhibit 9 Statement of Fiduciary Net Position – Fiduciary Funds.....	32
Exhibit 10 Statement of Changes in Fiduciary Net Position– Pension Trust Fund	33

Notes to Financial Statements	34
-------------------------------------	----

Required Supplemental Information

Exhibit 11 Schedules of Funding Progress VRS, LOSAP, and OPEB	67
---	----

Other Supplemental Information

Combining Statements

Exhibit 12 Agency Funds – Combining Statement of Fiduciary Net Position	69
Exhibit 13 Agency Funds – Combining Statement of Changes in Fiduciary Net Position and Liabilities	70

Discretely Presented Component Unit – Bedford County School Board

Exhibit 14 Combining Balance Sheet	73
Exhibit 15 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	74
Exhibit 16 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Cash Basis	75

COUNTY OF BEDFORD

TABLE OF CONTENTS

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

STATISTICAL SECTION

Table 1	Net Position by Component.....	88
Table 2	Changes in Net Position.....	89
Table 3	Fund Balances, Governmental Funds.....	91
Table 4	Changes in Fund Balances, Governmental Funds	92
Table 5	Assessed Value and Estimated Actual Value of Taxable Property	94
Table 6	Direct Property Tax Rates	95
Table 7	Principal Real Property Tax Payers.....	96
Table 8	Real Property Tax Levies and Collections	97
Table 9	Ratios of Outstanding Debt by Type.....	98
Table 10	Ratios of General Bonded Debt Outstanding.....	99
Table 11	County Debt Policy.....	100
Table 12	Demographic and Economic Statistics.....	101
Table 13	Principal Employers.....	102
Table 14	County Government Employees by Function.....	103
Table 15	Operating Indicators by Function/Program.....	104
Table 16	Capital Asset Statistics by Function/Program.....	105
Table 17	Bedford County School Board School Membership	106
Table 18	Bedford County School Board Full-Time Equivalent Employees by Type	107
Table 19	Bedford County School Board Operating Statistics	108

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 <i>Government Auditing Standards</i>	110
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	112
Summary of Compliance Matters.....	114
Schedule of Findings and Questioned Costs	115

INTRODUCTORY SECTION



Bedford County

OFFICE OF THE COUNTY ADMINISTRATOR

November 21, 2013

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of Bedford County (the County) for the fiscal year ended June 30, 2013. The *Code of Virginia* requires that local governments publish, within six months of the close of each fiscal year, a complete set of audited financial statements presented in conformity with accounting principles generally accepted in the United States (GAAP) as established by the Governmental Accounting Standards Board (GASB).

This report consists of management's representations concerning the finances of the County. Consequently, responsibility for both the accuracy of the data, and the completeness and reliability of the information presented in this report rests with management. With reasonable assurance, based upon a comprehensive framework of internal controls, the enclosed data is accurate in all material respects and is reported in a manner designed to present the financial position, results of operation and cash flows, as applicable, of the various funds and component units of the County. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

The County's CAFR has been audited by Brown, Edwards & Company, LLP, Certified Public Accountants. The independent auditor's report, including opinions on the basic financial statement of the government-wide and fund financial statements, is contained in the Financial Section of this report. Brown, Edwards also audited the component units Bedford County Schools and the financial statements of the Bedford Public Library System and the Bedford County Economic Development Authority.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE COUNTY

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

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

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

The County provided judicial and law enforcement services for its citizens as well as the City of Bedford. The total cost of these services is presented in this report. The City reimbursed the County 8.31% of the cost of these services based on the total population of both localities as reported in the 2010 census. In addition, the County provided health and welfare services to the City through the Departments of Health and Social Services. The City reimbursed the County for these services based on the actual caseload for the fiscal year.

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

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

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

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

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

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

The City reverted to Town status as of July 1, 2013. The above noted service agreements dissolved on June 30, 2013.

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

ECONOMIC OVERVIEW

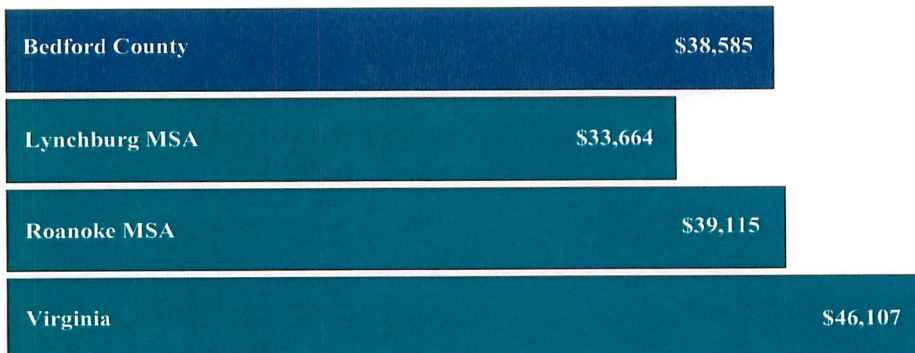
The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the County operates.

Based on its strategic location between the Lynchburg and Roanoke and its suburban/rural character, the County is an attractive location for businesses relocating or expanding and for developers interested in the area's residential and commercial markets.

During fiscal 2013, the County continued to feel the effects of the sluggish national economy, which it first felt in fiscal 2009. However, based on the County's experience during the last four fiscal years, recent economic indicators and favorable demographics, the County expects to continue to experience a buffered impact, due to the financial strength and diversification of the its economic base, it's low reliance on federal jobs or procurement, and its proximity to the Lynchburg and Roanoke Metropolitan Statistical Area's (MSA's).

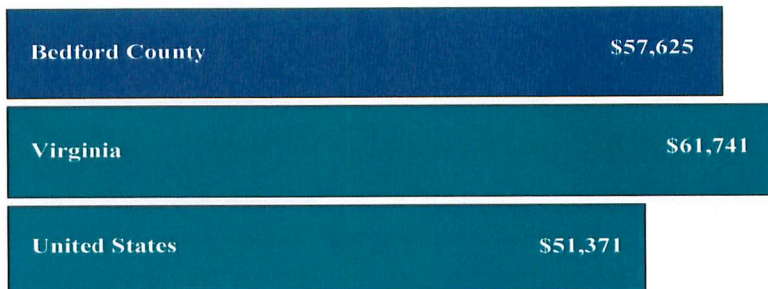
For example, as the following chart illustrates, based on the most recent estimates available, Bedford enjoys a median household and per capita income that compare favorably to the Commonwealth, U. S. and surrounding MSA's. The U.S. Census Bureau's estimate of Bedford's mean (average) household income of \$57,625 is just 6.7 % lower than the Commonwealth's, \$61,741; and 12.2% higher than the United States' of \$51,371. Comparatively, Bedford's per capita income of \$38,585 is 14.6% above the Lynchburg MSA and just 1.4% below the Roanoke MSA.

PER CAPITA INCOME 2011



Source: Bureau of Economic Analysis, CAI-3 Personal Income Summary

MEDIAN HOUSEHOLD INCOME 2012



Source: U.S. Census Bureau, 2012 American Community Survey 1-Year Estimates

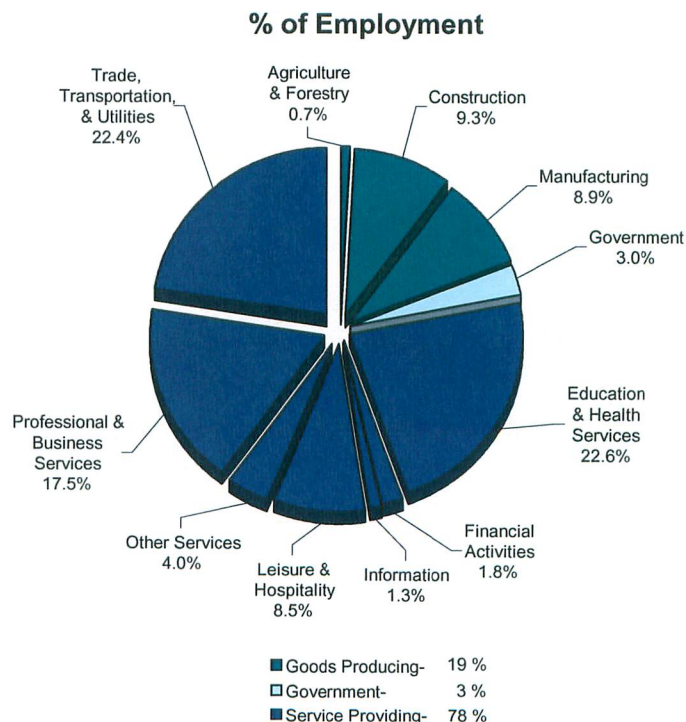
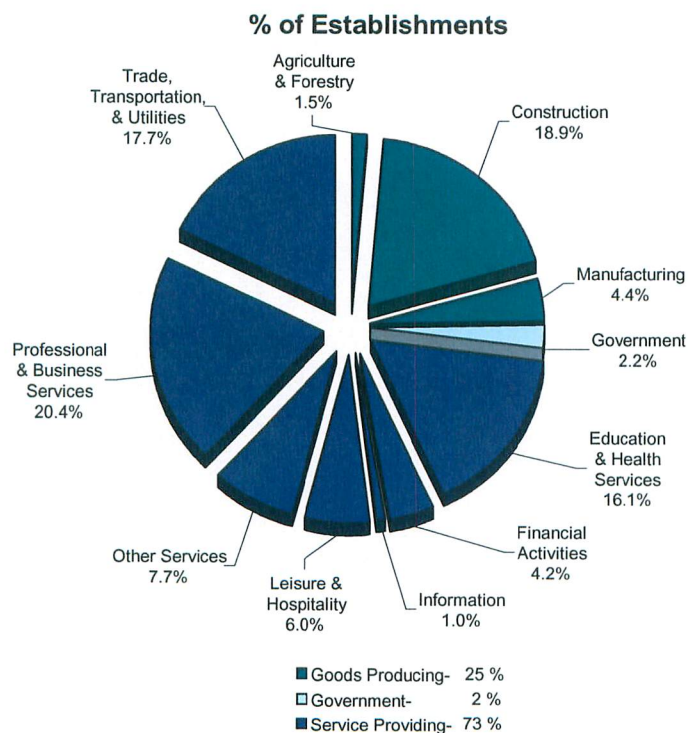
The County also continues to attract and maintain diverse sectors of employment. Historically, the County's major employment sectors have been in services, construction and retail trade. The County has benefited from the general stability each of these sectors has maintained in terms of each sector's percentage of total employment. As illustrated in the chart immediately below, this has contributed to consistently low levels of unemployment in the County over a long period, in comparison to the State and the nation, while the subsequent charts illustrates Bedford's percentage of business establishments by industry sector for the first quarter of the calendar year 2013.

Unemployment Rates

	Bedford County	Virginia	United States
2008	3.6%	4.0%	5.8%
2009	6.7%	6.9%	9.3%
2010	7.0%	7.1%	9.6%
2011	6.4%	6.4%	8.9%
2012	5.8%	5.9%	8.1%

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

Percentage of Business Establishments by Industry Section – Annual Avg. 2012



As shown in the following chart, another factor illustrating the resiliency of the County's economic base is the level of retail sales maintained in the County over a five year period, with three of the five years reflecting annual growth. Between 2003 and 2012, overall taxable sales increased 64.6% with the recession's impact factored in.

	Bedford County Taxable Sales		% Increase (Decrease)
2008	\$	374,349,844	23.6%
2009		335,456,497	-10.4%
2010		395,251,328	17.8%
2011		339,632,471	-14.1%
2012		350,910,154	3.3%

Although the impact of the recession is clearly seen in the above numbers for calendar years 2009 and 2011, the County's 2012 sales tax revenues increased 3.3%.

The County focuses on attracting new companies as well as working with existing businesses to help them grow. A marketing plan aimed at attracting and recruiting new businesses and maximizing investment opportunities in County owned business parks was developed during the year. As a result of increased marketing efforts, prospect activity increased greatly during fiscal 2013. More than 50 prospective inquiries were handled through the office of Economic Development, an increase of more than 40 percent over the previous year.

To foster increased business growth with existing industries, the County continued to place a strong focus on its Existing Business program this year, meeting with business leaders regularly to facilitate workforce development services, identify and communicate grant opportunities for business investment and job creation, and offer incentives when companies were eligible.

In March 2013, Babcock & Wilcox announced that it would invest \$16 million and expand its nuclear energy business in the County, adding 30 full-time jobs and 100 seasonal workers over the next three years. Other expansions were in the City of Bedford that became county businesses on July 1, 2013 due to reversion. Those include rubber manufacturer Valley Processing of California, which purchased the former Rubatex facility in Bedford to expand its east coast market base, and Central Virginia Manufacturing, a new manufacturer producing steel-cased goods for a Canadian company.

In addition to the Existing Business program, the County also supports the Bedford One Program that links high school students with local businesses based on their career interests. It is a partnership between the Bedford County Office of Economic Development, Bedford County Public Schools and area businesses. In the past year, more than 200 students participated on a dozen tours. Success is measured through surveys that are distributed to the students and businesses immediately following a tour. Survey results show 90% of the students feel the tours are informative and reinforce their ideas about their career choices. Also, 92% of the students surveyed said they are more likely to work or return to work in Bedford County as a result of what they learned on their tour. Since this program was implemented in 2009, high school internships have increased to nearly 250 a year and apprenticeships and actual full-time jobs have even been offered in some cases. The Virginia Economic Developers Association (VEDA) presented Bedford County with a 2013 Community Economic Development Award at its Spring Conference on March 29, 2013 for its work with the One Program.

Long-term financial planning

The County's General Fund reported an ending fund balance of \$49.3 million, a decrease of \$7.2 million from fiscal 2012. Unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) in the general fund was \$48.0 million or 57.4% of total General Fund expenditures. Of the \$48.0 million, \$7.7 million is committed for capital projects, including vehicles; \$22.2 million is assigned with the majority of the assignment providing funding of the fiscal 2014 budget, and \$18.1 million is unassigned and available for use at the Board's discretion. The unassigned fund balance is above the policy amount of 10.0% (\$8.3 million) of General Fund expenditures. Long range financial planning is in place, especially for capital projects, to ensure that resources, including borrowed funds, if necessary, are available to meet committed projects prior to their approval, and that adequate funding is planned for repayment of debt that has been or will be incurred. The Board will be reviewing its financial policies during the year to determine if updates are necessary.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

Effective July 1, 2013 the long-planned reversion of the City of Bedford to Town status was effective. Pursuant to the agreement the Bedford Regional Water Authority was operationalized to meet the water and wastewater needs of both jurisdictions. Analysis is currently underway to determine the best method of meeting the Voluntary Settlement Agreement's condition that an interconnection between the two systems be in place by December 2016. In addition to the utility infrastructure considerations, the community has begun discussions as to how best meet the requirement (contained in the Voluntary Settlement Agreement) to construct a new middle school facility.

The long anticipated amendments to the County's Zoning Ordinance have also been adopted. These amendments are intended to streamline the document, make it more "user friendly" and easier to understand, as well as to promote individual property rights in a balanced and effective way. Over the coming months, the Board of Supervisors and Planning Commission will be working to update the County's Comprehensive Plan. To facilitate this process, a Citizen's Advisory Committee has been appointed. This group has begun meeting and deliberating over any necessary changes and/or improvements to the County's long-term planning document.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its CAFR for the fiscal year ended June 30, 2012. This is the County's sixteenth consecutive year in receiving this award.

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

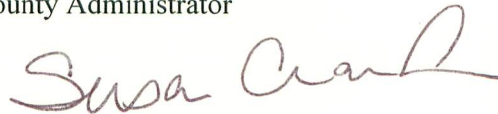
This report was prepared by the professional staff of the Department of Fiscal Management. Their hard work, dedication and continuing efforts to improve the quality of this report benefit all who use it. We also acknowledge the cooperation and assistance of the staff of the School Board and the many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

The County has established and continues to maintain a strong and stable financial position through progressive management of financial operations and through sound accounting and financial reporting practices. Appreciation is expressed to the members of the Bedford County Board of Supervisors.

Respectfully submitted,



Mark K. Reeter
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, 2012

Executive Director/CEO

**COUNTY OF BEDFORD
DIRECTORY OF PRINCIPAL OFFICIALS**

MEMBERS OF THE BOARD OF SUPERVISORS

H. Steve Arrington, Chairman
John Sharp, Vice Chairman

Bill Thomasson
Curry W. Martin
Roger W. Cheek

Annie S. Pollard
Tammy Parker

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.

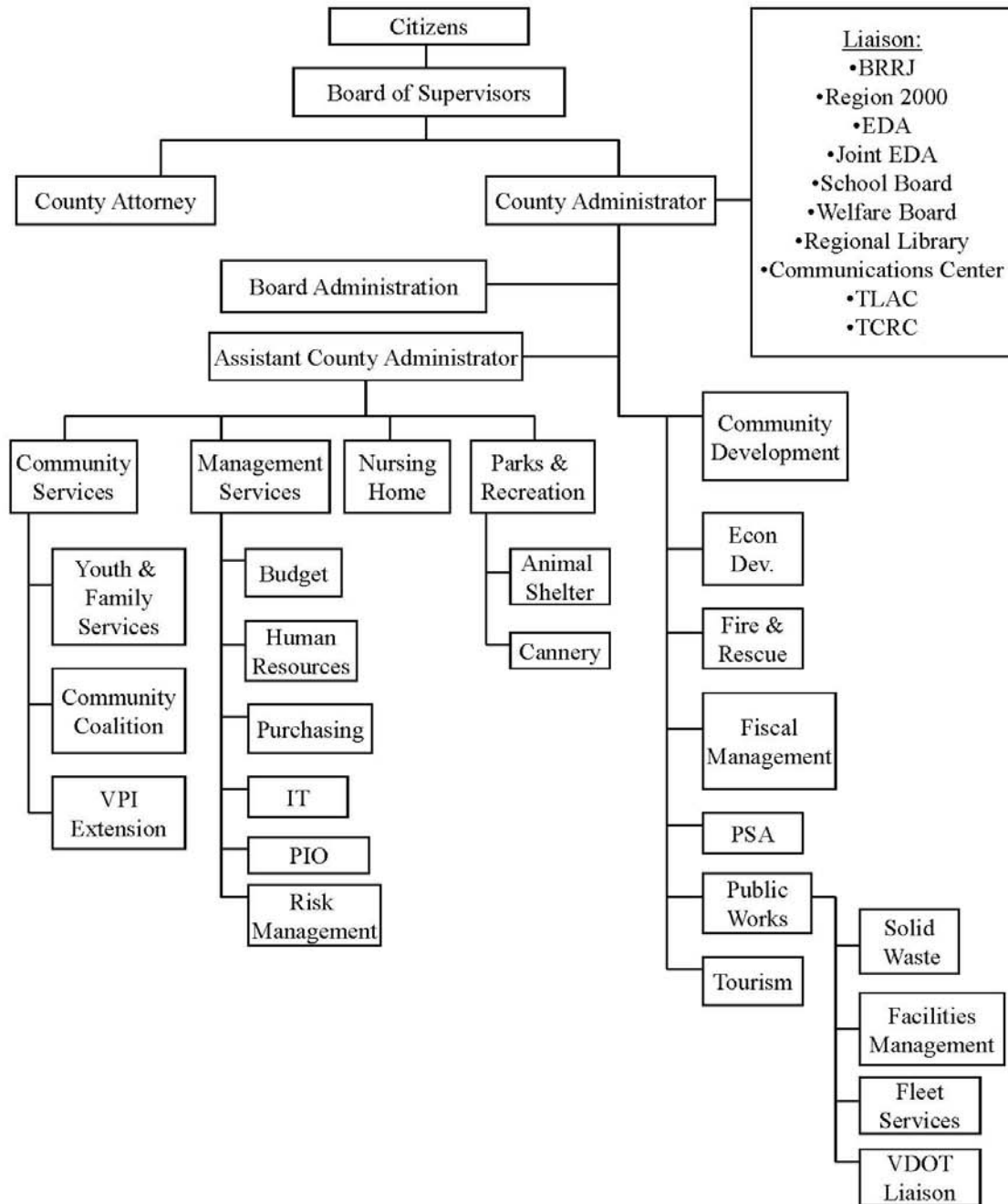
Kelly Harmony
Kevin Willis
Mickey VanDerwerker

OTHER OFFICIALS

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

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

COUNTY OF BEDFORD ORGANIZATIONAL CHART



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, 2013, 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; 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of funding progress for defined benefit plans 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining statements, discretely presented School Board combining statements, Schedule 1, and the schedule of expenditures of federal awards are the responsibility of management and 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.

Other Matters (Continued)*Other Information (Continued)*

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 21, 2013 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.

A handwritten signature in black ink that reads "Brown, Edwards & Company, L.L.P." in a cursive script.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 21, 2013

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, 2013. 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 County implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in fiscal 2013. As a result, the County reports deferred inflows of resources for deferred charges on debt refunding and deferred outflows of resources for property taxes. Deferred inflows and deferred outflows are not assets or liabilities, but rather are an acquisition or consumption of net assets that is applicable to a future reporting period.
- The assets and deferred outflows of resources of the reporting entity, which includes the School Board component unit, exceeded its total liabilities and deferred inflows by \$137.3 million at June 30, 2013, a decrease of \$6.4 million or 4.5%.
- At the close of fiscal year 2013, the County's General Fund reported ending fund balances of \$49.3 million, a decrease of \$7.2 million from the prior year. Of the \$49.3 million total, 97.2% (\$47.9 million) is available for spending at the County's discretion (sum of *committed, assigned and unassigned fund balances*), while the *unspendable and restricted fund balances* were 2.8% or \$1.4 million.
- The General Fund's unassigned fund balance of \$18.1 million was 21.6% of the fiscal year 2013 general fund expenditures. The Board of Supervisors has adopted a policy requiring a minimum of 10%; however, the balance has been approximately 22.0% for the past several years.
- The County's outstanding debt decreased by \$5.1 million or 6.0% during fiscal 2013. This amount represents the net difference between issuances, payments and refunding of outstanding debt. The County issued \$23.9 million in Virginia Public School Authority (VPSA) refunding debt in the current year.
- The Group Homes ceased program operations during fiscal 2013 due to its inability to generate sufficient revenues to meet program expenses. All assets and liabilities of the Group Homes were transferred to the General Fund – governmental activities.

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 help determine whether the County's financial position is improving or deteriorating.

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 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 Group Homes, Nursing Home and Solid Waste.

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

The government-wide financials can be found on pages 21-22 of this report.

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.

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*.

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 basic governmental fund financial statements can be found on pages 23-27 of the 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 three enterprise funds: Group Homes, Nursing Home and Solid Waste.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 28-31 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held 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. The accounting used for fiduciary funds is much like that used for proprietary funds.

The County maintains two types of fiduciary funds. The *Pension trust fund* is used to report resources held in trust for volunteer fire and rescue members covered by the Length of Service Award Program Fund (LOSAP). The *Agency fund* reports resources held by the County in a custodial capacity for individuals, private organizations and other governments.

The fiduciary fund financial statements can be found on pages 32-33 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 34-65.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the County's progress in funding its obligation to provide pension and OPEB benefits to its employees which can be found on page 67.

Combining fund statements include Agency Funds and can be found on pages 69-71.

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

The School Board's financial statements are included in this Comprehensive Annual Financial Report, with the County and can be found on pages 73-86.

The Bedford Public Library System and Bedford Economic Development Authority issue separate reports.

Supplementary Information for the County and Schools includes a Statistical Section and a Schedule of Expenditures of Federal Awards.

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

Table 1 summarizes the Statements of Net Position for the primary government as of June 30, 2013 and 2012.

Table 1	Summary of Statement of Net Position as of June 30, 2013 (\$ in millions)							
	Primary Government							
	Governmental Activities		Business-Type Activities		Total Primary Government		Total Reporting Entity	
	2013	2012	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 78.7	\$ 84.4	\$ 9.8	\$ 8.9	\$ 88.5	\$ 93.3	\$ 118.0	\$ 121.4
Capital assets (net)	34.8	32.5	13.3	17.6	48.1	50.1	147.9	152.0
Total assets	113.5	116.9	23.1	26.5	136.6	143.4	265.9	273.4
Deferred Outflows								
Deferred charge on refundings ²	3.4	-	-	-	3.4	-	3.4	-
Long-term liabilities	77.3	77.0	6.5	8.6	83.8	85.6	88.0	90.6
Other liabilities	11.8	27.9	0.5	0.3	12.3	28.2	25.3	39.1
Total liabilities	89.1	104.9	7.0	8.9	96.1	113.8	113.3	129.7
Deferred Inflows								
Property taxes*	18.7	-	-	-	18.7	-	18.7	-
Net position:								
Net investment in capital assets	24.9	23.5	13.0	14.8	37.9	38.3	75.8	80.6
Restricted	0.1	0.6	-	-	0.1	0.6	0.1	1.5
Unrestricted	(15.9)	(12.1)	3.1	2.8	(12.8)	(9.3)	61.4	61.6
Total net position	\$ 9.1	\$ 12.0	\$ 16.1	\$ 17.6	\$ 25.2	\$ 29.6	\$ 137.3	\$ 143.7

Table 1 may differ from Exhibit 1 due to rounding.

*Note: The County implemented GASB 63 and 65 in FY2013. Prior year information is not available.

The largest portion of the Primary government's net position, \$37.9 million, reflects its investment in capital assets (e.g., land, buildings, and equipment), less any related outstanding debt used to acquire those assets. The County uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The deficit unrestricted net position of the primary government totaled \$12.8 million. This deficit is primarily the result of the County having borrowed \$53.2 million (\$51.5 million of outstanding bonds and \$1.7 million in premiums and deferred charges) for assets reported by the School Board component unit, which when combined for the total reporting entity, results in \$61.4 million of positive unrestricted net position.

The total reporting entity, which includes the School Board, Public Library, and Economic Development Authority component units, has a positive net position of \$137.3 million at June 30, 2013. Net position decreased by \$6.4 million, or 4.5%. This decrease is largely (\$6.1 million) due to the proceeds of the prior year \$8.0 debt issuance for County and School Board energy conservation measures being spent on retrofitting County and School buildings with energy efficient lighting and water flow fixtures, which are not capitalizable.

For the business-type activities net position decreased by \$1.5 million, which is primarily the result of the Group Homes being closed during fiscal year 2013 and the General Fund absorbing the related assets and liabilities.

Statement of Activities

The County's total revenues and expenses for governmental activities, business-type activities and the total reporting entity are reflected in the following table.

Table 2

Change in Net Position
as of June 30, 2013
(\$ in millions)

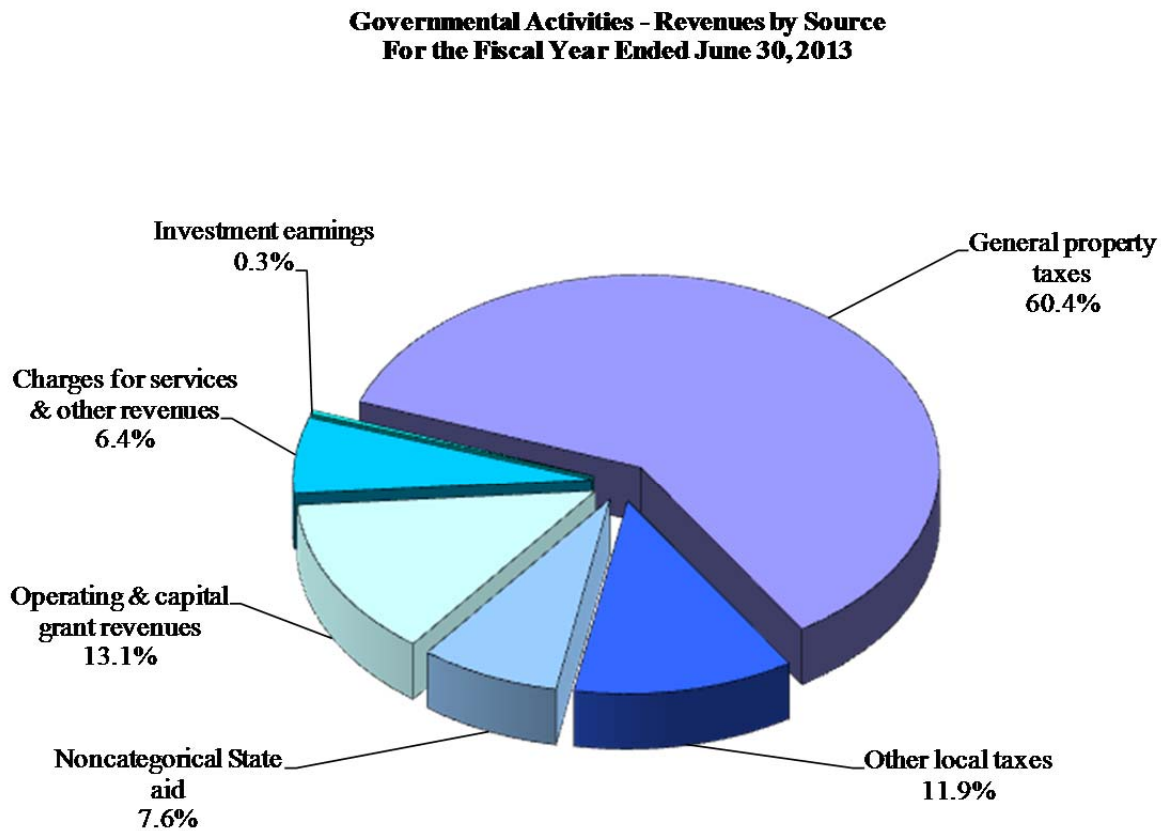
	Primary Government							
					Total		Total	
	Governmental		Business-Type		Primary		Reporting	
	Activities		Activities		Government		Entity	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues								
Program revenues:								
Charges for services	\$ 4.7	\$ 4.2	\$ 8.6	\$ 8.9	\$ 13.3	\$ 13.1	\$ 21.8	\$ 21.0
Operating grants and contributions	11.5	11.0	0.4	0.5	11.9	11.5	31.5	32.3
Capital grants and contributions	0.2	-	-	-	0.2	-	0.2	-
General revenues:								
Property taxes	52.7	51.9	-	-	52.7	51.9	52.7	51.9
Other taxes	10.4	10.2	-	-	10.4	10.2	10.4	10.2
Payments from Bedford County	-	-	-	-	-	-	41.7	29.3
Noncategorical state aid	6.6	6.6	-	-	6.6	6.6	39.1	39.8
Investment earnings	0.3	0.3	-	-	0.3	0.3	0.3	0.3
Other	0.9	0.3	-	-	0.9	0.3	1.2	0.6
Total revenues	<u>87.3</u>	<u>84.5</u>	<u>9.0</u>	<u>9.4</u>	<u>96.3</u>	<u>93.9</u>	<u>198.9</u>	<u>185.4</u>
Expenses								
General government	3.7	3.6	-	-	3.7	3.6	3.7	3.6
Judicial administration	2.3	2.2	-	-	2.3	2.2	2.3	2.2
Public safety	17.6	16.0	-	-	17.6	16.0	17.6	16.0
Public works	4.7	4.0	-	-	4.7	4.0	4.7	4.0
Health and welfare	9.7	9.8	-	-	9.7	9.8	9.7	9.8
Education	40.2	27.9	-	-	40.2	27.9	142.8	121.8
Parks, recreation and cultural	2.8	2.8	-	-	2.8	2.8	4.6	4.5
Community development	5.7	5.2	-	-	5.7	5.2	5.9	5.4
Group Homes	-	-	1.4	2.0	1.4	2.0	1.4	2.0
Nursing Home	-	-	5.2	5.4	5.2	5.4	5.2	5.4
Solid Waste	-	-	3.7	3.2	3.7	3.2	3.7	3.2
Interest on long-term debt	3.7	3.5	-	-	3.7	3.5	3.7	3.5
Total expenses	<u>90.4</u>	<u>75.0</u>	<u>10.3</u>	<u>10.6</u>	<u>100.7</u>	<u>85.6</u>	<u>205.3</u>	<u>181.4</u>
Increase (decrease) in net position before transfers	(3.1)	9.5	(1.3)	(1.2)	(4.4)	8.3	(6.4)	4.0
Transfers	0.2	-	(0.2)	-	-	-	-	-
Change in net position	<u>\$ (2.9)</u>	<u>\$ 9.5</u>	<u>\$ (1.5)</u>	<u>\$ (1.2)</u>	<u>\$ (4.4)</u>	<u>\$ 8.3</u>	<u>\$ (6.4)</u>	<u>\$ 4.0</u>

Table 2 may differ from Exhibit 2 due to rounding.

Governmental Activities

The decrease in net position attributable to the County's governmental activities totaled \$2.9 million. Generally, net position changes are the result of the difference between revenues and expenses. Fiscal 2013 revenues of \$87.3 million represent an increase of \$2.8 million or 3.3% in comparison to the prior year, while expenses of \$90.4 million represent an increase of \$15.4 million, or 20.5% compared to the prior year.

The following chart illustrates the County's fiscal 2013 governmental revenues by source as a percentage of total governmental revenues:



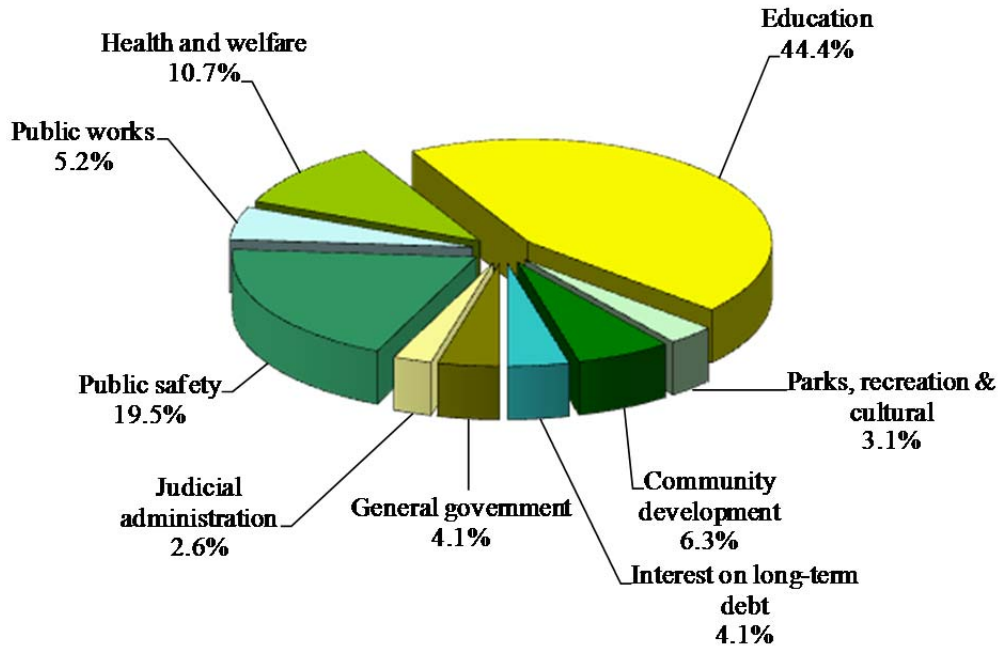
Taxes are the largest source of County revenues totaling \$63.1 million for 2013, an increase of \$1.0 million, or 1.6%, in comparison to fiscal 2012, primarily due to personal property taxes which grew by \$0.8 million, or 7.9%. In addition there was an increase in recordation taxes of \$0.2 million. General property taxes totaled \$52.7 million for fiscal 2013, and represent 83.5% of total taxes and 60.4% of all revenues.

Also in fiscal 2013, \$16.4 million, or 18.8% of total revenues, consisted of program revenues, including \$4.7 million in charges for services, \$11.5 million of operating grants and contributions, and \$0.2 million of capital grants and contributions. General revenues, including \$6.6 million of noncategorical state aid, investment earnings and unrestricted other accounted for the remaining revenues.

As shown in Table 2 (previous page) and Table 3 (following page), the total expenses of all the County's governmental activities for fiscal 2013 were \$90.4 million, which represents an increase of \$15.4 million, or 20.5% higher than fiscal 2012, primarily attributable to increased education expense of \$12.3 million, and an increase of \$1.6 million in public safety. The \$12.3 million increase in education funding is due to the County budgeting \$2.8 million additional to offset the loss of stimulus funding; and \$6.8 million in funding from debt proceeds for energy conservation measures. The remaining \$2.7 million increase in education is a result of higher fiscal 2013 year-end accruals due to the absence of any remaining federal and state stimulus. Public safety expenses increased \$0.7 million in the Sheriff's office due to fewer vacancies, increased fuel costs, and increased telecommunications costs related to new technology for mobile data units; \$0.1 million in Internet Crimes grants; \$0.2 million for Juvenile and Adult Secure Detention due to increased population; \$0.2 million in Emergency Services due to fewer vacancies and alignment of the overtime pay policy to federal regulations; and \$0.4 million for the County's share of debt service related to the Region 2000 Radio Communications Board.

As the following chart indicates, education continues to be the County's largest program and highest priority, with education expenses totaling \$40.2 million in fiscal 2013. Public safety is also a high County priority and the County's second largest expense, totaling \$17.6 million in fiscal 2013.

**Governmental Activities
Functional Expenses
For the Fiscal Year Ended June 30, 2013**



The following table indicates the total cost of services and net cost of services for governmental activities.

**Net Cost of Governmental Activities
Table 3
For the Fiscal Year Ended June 30, 2013
(\$ in millions)**

	Total Cost of Services			Net Cost of Services		
	2013	2012	Percentage Change 2013-2012	2013	2012	Percentage Change 2013-2012
General government	\$ 3.7	\$ 3.6	2.8%	\$ 2.9	\$ 2.9	0.0%
Judicial administration	2.3	2.2	4.5	1.1	1.0	10.0
Public safety	17.6	16.0	0.1	10.6	9.8	8.2
Public works	4.7	4.0	0.2	4.4	3.7	18.9
Health and welfare	9.7	9.8	0.0	3.4	3.5	-2.9
Education	40.2	27.9	0.4	40.2	27.9	44.1
Parks, recreation & cultural	2.8	2.8	0.0	2.8	2.7	3.7
Community development	5.7	5.2	0.1	5.0	4.9	2.0
Interest on long-term debt	3.7	3.5	0.1	3.7	3.4	8.8
Total	<u>\$ 90.4</u>	<u>\$ 75.0</u>	<u>20.5 %</u>	<u>\$ 74.1</u>	<u>\$ 59.8</u>	<u>23.9 %</u>

Table 3 may differ from Exhibit 2 due to rounding.

A portion of the \$90.4 million cost of the County's governmental activities was paid by those who directly benefited from the programs (i.e., charges for services of \$4.7 million), and other governments and organizations that subsidized certain programs (i.e., operating and capital grants and contributions of \$11.7 million). These combined program revenues of \$16.4 million reduced the total fiscal 2013 cost of services from \$90.4 million to the net cost of services of \$74.1 million. The net cost of services was covered by the proceeds from the energy conservation measure issuance in fiscal 2012 and the County's general revenues, consisting primarily of taxes and state aid.

Business-type activities

For the County's business-type activities, the results for the current fiscal year were a decrease in overall net position. The total net position of \$16.1 million decreased 8.5% or \$1.5 million from fiscal 2012.

The Group Homes closed during fiscal 2013, ceasing residential program operations in January 2013 and school operations in June 2013. This closure was necessitated due to the program's inability to generate sufficient revenues to meet program expenditures. Recent changes in State regulations surrounding residential treatment of youth significantly reduced the number of referred placements. This policy shift, when coupled with demographic shifts in children in care, significantly impaired the program's viability. As a result, the Board and the Bedford County Welfare Board concurred that the operation should close; and all assets and liabilities were transferred to the County's governmental activities. This transfer accounted for a \$0.9 million decrease in net position.

The Nursing Home net position increased by \$0.3 million due to increase in patient days and private pay days, a rate increase effective in August 2012 and a decrease in contracted labor costs.

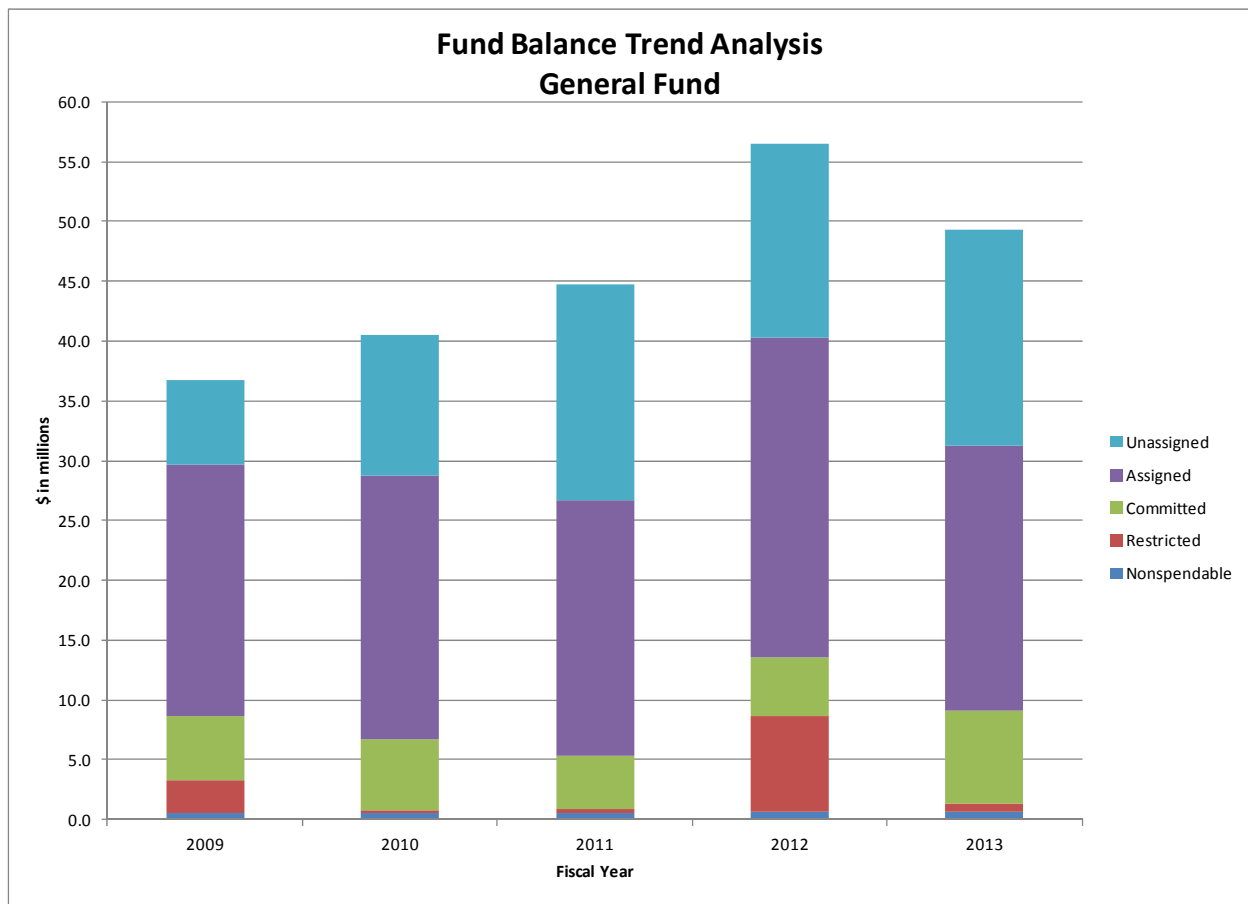
The Solid Waste net position decreased \$1.3 million due to lower sales prices for recyclables, drainage and storm repairs brought about by rains received in the spring, and more costly repairs to aging heavy equipment.

FINANCIAL ANALYSIS OF THE COUNTY'S GENERAL FUND

The focus of the County's General Fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not been limited to use for a particular purpose by either an external party, the County itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the County's Board.

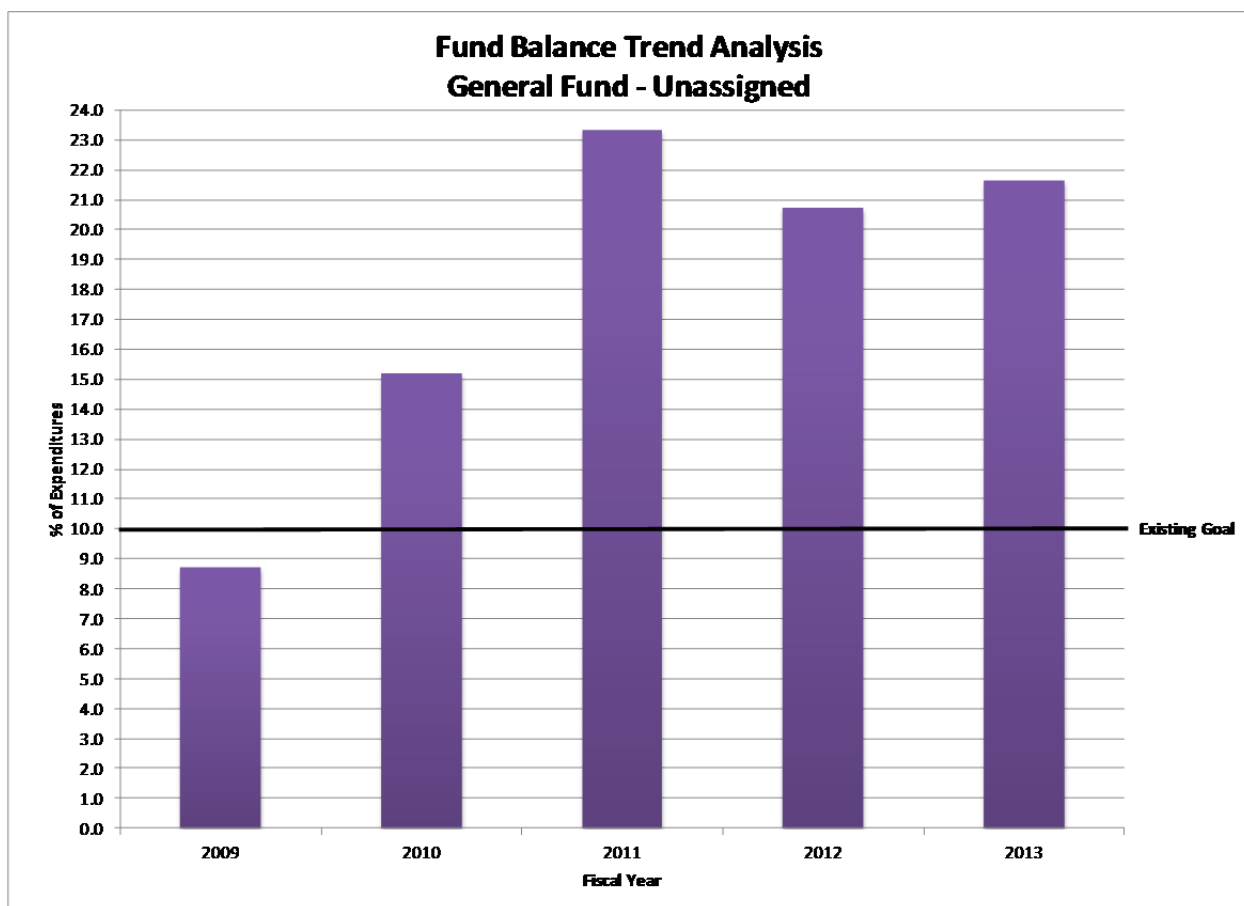
At June 30, the County's general fund reported combined fund balances of \$49.3 million, a decrease of \$7.2 million in comparison with the prior year. Approximately 36.6% of this amount (\$18.1 million) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable*, *restricted*, *committed*, or *assigned* to indicate that it is 1) not in spendable form (\$0.6 million), 2) restricted for particular purposes (\$0.8 million), 3) committed for particular purposes (\$7.7 million), or 4) assigned for particular purposes (\$22.1 million).

The following graphs illustrate fund balance trends for the County's general fund for fiscal years 2009 through 2013.



The decrease in fund balance in 2013 was primarily due to the expenditure in 2013 of resources obtained through the issuance of long-term debt in 2012 for energy conservation measures.

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 21.6% of total fiscal year 2013 general fund expenditures. The Board adopted a resolution setting a minimum unassigned fund balance target for the General Fund of 10% of the General Fund expenditures. The total fund balance represents 59.1% of that same amount. This positive liquidity primarily results from the County receiving the first half of the 2013 real estate taxes in June. The semi-annual real estate collection dates allows the County to avoid having to borrow to fund operations during the early part of the following fiscal year.



In response to recent uncertainty related to the economy and state revenues, the Board has elected to withhold capital funds. This strategy has limited capital improvement plan funding to required moral debt obligation payments and only the most essential projects (public safety, IT infrastructure, etc.) As a result, additional funds are available in the unassigned balance. Subsequent to year end the Board approved the use of \$2.9 million of unassigned fund balance for the purchase of a domestic violence shelter, construction of an electrical substation and additional funding for the Regional Radio upgrade.

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

Table 4	Budgetary Comparison		
	General Fund		
	For the Fiscal Year Ended June 30, 2013		
	(\$ in millions)		
	Original Budget	Amended Budget	Actual
Revenues & Other Financing Sources:			
General Property Taxes	\$ 52.1	\$ 52.1	\$ 53.2
Intergovernmental	17.1	19.7	18.1
Other Revenue	14.6	14.8	16.2
Other Sources	-	28.2	28.2
Total	83.8	114.8	115.7
Expenditures & Other Financing Uses:			
Expenditures	60.0	66.3	53.1
Other Uses	39.0	67.7	68.4
Total	99.0	134.0	121.5
Changes in Fund Balance	\$ (15.2)	\$ (19.2)	\$ (5.8)

The original budget includes rollover capital improvement program appropriations of \$12.8 million (\$8.0 million of energy conservation measures long-term debt issued in fiscal 2012). In addition, the Board adopted a budget with a planned use of \$5.0 million of unassigned fund balance. Of this amount \$2.5 million is reflected in the original budget. The remaining \$2.5 million is reflected in the amended budget as it was not appropriated until late in the fiscal year.

General Fund budget amendments resulted in an increase of \$35.0 million between the originally adopted budget and the final budget, with \$2.5 million of the increase resulting from the planned use of fund balance. An additional increase of \$1.8 million was a result of reappropriation of fiscal year 2012 encumbered and unencumbered amounts for completion of projects in fiscal year 2013. Significant reappropriations included \$0.7 million for the Contingency Fund and \$0.7 million for the School Health Insurance Fund. Refunding of a portion of the 2006 EDA revenue lease bonds with VPSA bonds resulted in a \$28.2 increase.

The remaining \$2.5 million in budget amendments were funded by various revenue sources other than general fund tax dollars. Significant amendments included:

- \$1.7 million for Internet Crime Against Children grants
- \$0.3 million for Tobacco Regional Opportunity grants
- \$0.2 million for other Sheriff law enforcement grants
- \$0.2 million from EMS cost recoveries and state grants for purchase of an ambulance
- \$0.1 from EMS cost recoveries for EMS career funding

Other uses exceeded appropriation by \$0.7 million due to the Board approved closure of the Group Homes. The General Fund covered the cash deficit in the Group Homes.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Table 5 provides information on changes in the capital assets during fiscal year 2013. Additional information on capital assets can be found in Note 6.

	Summary of Capital Assets					
	as of June 30, 2013					
	(\$ in millions)					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 3.8	\$ 3.4	\$ 0.8	\$ 0.8	\$ 4.6	\$ 4.2
Building and improvements	41.1	37.1	18.5	22.3	59.6	59.4
Machinery and equipment	15.8	15.1	4.2	4.3	20.0	19.4
Construction in progress	0.7	0.7	-	-	0.7	0.7
Subtotal	61.4	56.3	23.5	27.4	84.9	83.7
Accumulated depreciation	(26.6)	(23.8)	(10.2)	(9.8)	(36.8)	(33.6)
Total	<u>\$34.8</u>	<u>\$ 32.5</u>	<u>\$13.3</u>	<u>\$ 17.6</u>	<u>\$48.1</u>	<u>\$ 50.1</u>

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2013, totals \$48.1 million, net of accumulated depreciation. This represents a decrease of \$2.0 million, or 4.0% from the prior year. The decrease is primarily due to depreciation expense being more than the value of assets added during the current year.

Major capital asset activity during fiscal year 2013 included the following:

- Donation of Camp 24 land and buildings from the Blue Ridge Regional Jail Authority, \$0.3 million.
- Acquisition of seventeen public safety vehicles costing \$0.5 million funded through general fund revenues.
- Acquisition of an ambulance for \$0.2 million funded through grants and EMS cost recoveries.
- Rebuild of a Mack truck at Solid Waste operations for \$0.1 million.

Table 6 illustrates the County's outstanding obligations at June 30, 2013. Additional information can be found in Note 7.

Table 6

Summary of Changes in Long-Term Debt
(\$ in millions)

	<u>July 1, 2012</u>	<u>Net Increase (Decrease)</u>	<u>June 30, 2013</u>
Governmental Activities:			
General obligation bonds, lease revenue bonds and deferred amounts	\$ 67.1	\$ (3.2)	\$ 63.9
Capital leases	8.0	-	8.0
Compensated absences	1.7	0.1	1.8
Other post-employment benefits	0.2	-	0.2
Total long-term obligations	<u>\$ 77.0</u>	<u>\$ (3.1)</u>	<u>\$ 73.9</u>
Business-Type Activities:			
Lease revenue bonds and deferred amounts	\$ 2.4	\$ (2.4)	\$ -
Capital leases	0.4	(0.1)	0.3
Compensated absences	0.2	-	0.2
Other post-employment benefits	-	0.1	0.1
Landfill closure and postclosure	5.5	0.4	5.9
Total long-term obligations	<u>\$ 8.5</u>	<u>\$ (2.0)</u>	<u>\$ 6.5</u>
Component Unit-School Board:			
Capital leases	\$ 2.3	\$ (0.8)	\$ 1.5
Compensated absences	1.6	-	1.6
Other post-employment benefits	1.1	(0.1)	1.0
Total long-term obligations	<u>\$ 5.0</u>	<u>\$ (0.9)</u>	<u>\$ 4.1</u>

As of June 30, 2013, the County's governmental activities long-term obligations totaled \$73.9 million. The County's governmental activities long-term obligations decreased during fiscal 2013 by \$3.1 million. Business-type activities totaled \$6.5 million during the year. After closure of the Group Homes, there remained \$2.2 million of lease revenue bonds and deferred amounts that were transferred to the County's governmental activities. The School Board obligations represent the largest category of obligations totaling 81.9% of the County's total long-term governmental obligations.

The Code of Virginia does not impose a legal debt margin limit on counties. However, the County has adopted a policy with three debt ratios as a management tool. A key debt policy is the ratio of debt service costs to general government expenditures, which was 7.11% for the current year comparing favorably to the policy target of 15%. Debt ratios for the last ten years are provided in Table 11, Statistical Section of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The unemployment rate for the County in August 2013 was 5.4%, down 0.4% from August 2012. The County's rate continues to compare favorably to the State's average of 5.6% and the national average of 7.3%
- The enrollment in public schools remained flat between fiscal years, and is projected to decline over the next five years. School enrollment for the last ten years is provided in Table 17, Statistical Section of this report.
- The City of Bedford, with whom the County had many shared services, reverted to town status effective July 1, 2013. Goals of the reversion include providing long-term benefits to the citizens by increased opportunities for more efficient delivery of needed services and to expand cooperation in pursuing economic development and employment for the City/County region.

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

COUNTY OF BEDFORD, VIRGINIA

Statement of Net Position June 30, 2013

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
Assets			
Cash, cash equivalents, and investments	\$ 54,859,971	\$ 9,155,979	\$ 64,015,950
Receivables, net	22,124,183	406,971	22,531,154
Internal balances	(116,157)	116,157	-
Due from primary government	-	-	-
Prepays	191,482	46,609	238,091
Inventories	45,796	-	45,796
Restricted assets:			
Cash, cash equivalents, and investments	1,546,715	18,064	1,564,779
Capital assets:			
Nondepreciable	4,441,099	865,652	5,306,751
Depreciable, net	30,389,796	12,442,103	42,831,899
Total assets	113,482,885	23,051,535	136,534,420
Deferred Outflows of Resources			
Deferred charge on refunding	3,443,594	-	3,443,594
Liabilities			
Accounts payable and accrued expenses	1,375,417	322,899	1,698,316
Accrued payroll and related liabilities	337,592	139,869	477,461
Accrued interest payable	829,502	-	829,502
Self insurance	-	-	-
Incentives and performance grants payable	-	-	-
Due to component units	9,207,504	-	9,207,504
Asset held in agency capacity	4,518	18,064	22,582
Noncurrent liabilities:			
Due within one year	7,608,620	425,875	8,034,495
Due in more than one year	69,704,530	6,053,514	75,758,044
Total liabilities	89,067,683	6,960,221	96,027,904
Deferred Inflows of Resources			
Property taxes	18,723,304	-	18,723,304
Net Position			
Net investment in capital assets	24,869,124	13,012,464	37,881,588
Restricted for:			
Capital projects	126,189	-	126,189
Debt service	1,076	-	1,076
Donor requests	-	-	-
Unrestricted (deficit)	(15,860,897)	3,078,850	(12,782,047)
Total net position	\$ 9,135,492	\$ 16,091,314	\$ 25,226,806

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

Component Units				
School Board	Public Library	Economic Development Authority	Reclassifications (Note 1 D. 11.)	Total
\$ 5,947,174	\$ 297,205	\$ 997,149	\$ -	\$ 71,257,478
4,078,839	34,066	-	-	26,644,059
-	-	-	-	-
9,207,504	-	-	-	9,207,504
184,549	43,019	2,139	-	467,798
101,095	-	8,531,192	-	8,678,083
4	39,971	-	-	1,604,754
2,692,083	-	353,931	-	8,352,765
94,830,889	657,711	1,279,207	-	139,599,706
117,042,137	1,071,972	11,163,618	-	265,812,147
-	-	-	-	3,443,594
2,163,732	20,322	4,048	-	3,886,418
9,502,613	26,342	-	-	10,006,416
42,770	-	-	-	872,272
1,201,906	-	-	-	1,201,906
-	-	62,500	-	62,500
-	-	-	-	9,207,504
-	-	-	-	22,582
1,490,566	67,882	-	-	9,592,943
2,661,279	1,844	-	-	78,421,167
17,062,866	116,390	66,548	-	113,273,708
-	-	-	-	18,723,304
96,063,553	657,711	1,633,138	(60,564,531)	75,671,459
-	-	-	-	126,189
4	-	-	-	1,080
-	39,246	-	-	39,246
3,915,714	258,625	9,463,932	60,564,531	61,420,755
\$ 99,979,271	\$ 955,582	\$ 11,097,070	\$ -	\$ 137,258,729

COUNTY OF BEDFORD, VIRGINIA

Statement of Activities For the Year Ended June 30, 2013

		Program Revenues		
Function	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 3,691,404	\$ 456,206	\$ 378,021	\$ -
Judicial administration	2,328,645	159,643	1,067,274	-
Public safety	17,641,751	2,780,427	4,071,233	167,917
Public works	4,688,457	191,118	57,446	-
Health and welfare	9,706,770	846,663	5,421,665	16,956
Education	40,154,179	-	-	-
Parks, recreational, and cultural	2,838,982	25,343	9,211	33,208
Community development	5,703,012	190,748	471,091	-
Interest on long-term debt	3,674,625	22,146	5	-
Total governmental activities	90,427,825	4,672,294	11,475,946	218,081
Business-type activities:				
Group homes	1,452,772	1,067,380	3,765	-
Nursing home	5,226,464	5,543,359	11,975	-
Solid waste	3,700,318	1,973,378	381,959	-
Total business-type activities	10,379,554	8,584,117	397,699	-
Total primary government	\$ 100,807,379	\$ 13,256,411	\$ 11,873,645	\$ 218,081
Component Units:				
School Board	\$ 102,516,696	\$ 8,405,921	\$ 19,374,378	\$ -
Public Library	1,800,084	55,165	233,732	-
Economic Development Authority	211,849	-	48,108	-
Total component units	\$ 104,528,629	\$ 8,461,086	\$ 19,656,218	\$ -

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
- 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
\$ (2,857,177)	\$ -	\$ (2,857,177)	\$ -	\$ -	\$ -	\$ (2,857,177)
(1,101,728)	-	(1,101,728)	-	-	-	(1,101,728)
(10,622,174)	-	(10,622,174)	-	-	-	(10,622,174)
(4,439,893)	-	(4,439,893)	-	-	-	(4,439,893)
(3,421,486)	-	(3,421,486)	-	-	-	(3,421,486)
(40,154,179)	-	(40,154,179)	-	-	-	(40,154,179)
(2,771,220)	-	(2,771,220)	-	-	-	(2,771,220)
(5,041,173)	-	(5,041,173)	-	-	-	(5,041,173)
(3,652,474)	-	(3,652,474)	-	-	-	(3,652,474)
(74,061,504)	-	(74,061,504)	-	-	-	(74,061,504)
-	(381,627)	(381,627)	-	-	-	(381,627)
-	328,870	328,870	-	-	-	328,870
-	(1,344,981)	(1,344,981)	-	-	-	(1,344,981)
-	(1,397,738)	(1,397,738)	-	-	-	(1,397,738)
(74,061,504)	(1,397,738)	(75,459,242)	-	-	-	(75,459,242)
-	-	-	(74,736,397)	-	-	(74,736,397)
-	-	-	-	(1,511,187)	-	(1,511,187)
-	-	-	-	-	(163,741)	(163,741)
-	-	-	(74,736,397)	(1,511,187)	(163,741)	(76,411,325)
52,749,509	-	52,749,509	-	-	-	52,749,509
10,435,809	-	10,435,809	-	-	-	10,435,809
-	-	-	40,152,454	1,356,580	84,225	41,593,259
6,611,332	-	6,611,332	32,282,549	203,814	-	39,097,695
246,068	38,382	284,450	-	1,643	2,529	288,622
14,986	-	14,986	1,101	-	-	16,087
946,856	3,777	950,633	274,752	9,525	-	1,234,910
162,292	(162,292)	-	-	-	-	-
71,166,852	(120,133)	71,046,719	72,710,856	1,571,562	86,754	145,415,891
(2,894,652)	(1,517,871)	(4,412,523)	(2,025,541)	60,375	(76,987)	(6,454,676)
12,030,144	17,609,185	29,639,329	102,004,812	895,207	11,174,057	143,713,405
\$ 9,135,492	\$ 16,091,314	\$ 25,226,806	\$ 99,979,271	\$ 955,582	\$ 11,097,070	\$ 137,258,729

COUNTY OF BEDFORD, VIRGINIA

**Balance Sheet –
Governmental Fund
June 30, 2013**

	General Fund
Assets	
Cash, cash equivalents, and investments	\$ 54,859,971
Receivables, net	22,103,611
Prepays	191,482
Inventories	45,796
Restricted cash, cash equivalents, and investments	1,546,715
Total assets	\$ 78,747,575
Liabilities	
Liabilities:	
Accounts payable and accrued expenses	\$ 1,360,410
Accrued payroll and related liabilities	337,592
Due to other funds	116,157
Due to component units	7,270,738
Assets held in agency capacity	4,518
Total liabilities	9,089,415
Deferred Inflows of Resources	
Unavailable/unearned revenue	20,350,078
Total deferred inflows of resources	20,350,078
Fund Balances	
Nonspendable	617,553
Restricted	770,552
Committed	7,710,886
Assigned	22,154,070
Unassigned	18,055,021
Total fund balances	49,308,082
Total liabilities, deferred inflows of resources and fund balances	\$ 78,747,575
Adjustments for the Statement of Net Position:	
Total fund balance	\$ 49,308,082
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	34,830,895
Receivables on the statement of net position that do not provide current financial resources are not reported in the governmental funds.	1,647,346
Interest on long-term debt is not accrued in the governmental funds, but rather recognized as an expenditure when due.	(829,502)
Other liabilities that are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds:	
Shared services settlement-City of Bedford	(15,007)
Operating settlement-School Board	(1,936,766)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds:	
General obligation and lease revenue bonds	(62,304,770)
Equipment leases	(8,000,000)
Premium on debt issued	(5,005,530)
Deferred amounts on refunding	3,443,594
Compensated absences	(1,763,951)
Other post-employment benefits	(238,899)
Net position of Governmental Activities	\$ 9,135,492

COUNTY OF BEDFORD, VIRGINIA

**Statement of Revenues, Expenditures, and Changes in Fund Balance –
Governmental Fund
For the Year Ended June 30, 2013**

	<u>General Fund</u>
Revenues	
General property taxes	\$ 52,987,699
Other local taxes	10,491,533
Permits, privilege fees, and regulatory licenses	491,867
Fines and forfeitures	159,438
Revenue from use of money and property	296,329
Charges for services	2,038,596
Other	881,022
Recovered costs	1,759,014
Intergovernmental	18,393,111
Total revenues	<u>87,498,609</u>
Expenditures	
Current operating	
General government administration	3,501,138
Judicial administration	1,945,807
Public safety	16,754,396
Public works	4,061,034
Health and welfare	9,548,473
Education	32,546,495
Parks, recreation, and cultural	2,583,097
Community development	3,101,816
Debt service	
Principal	5,788,415
Interest and other fiscal charges	3,619,767
Capital projects	
Education	6,782,569
Other governmental activities	3,781,266
Total expenditures	<u>94,014,273</u>
Excess (deficiency) of revenues over expenditures	<u>(6,515,664)</u>
Other Financing Sources (Uses)	
Transfers out	(813,133)
Refunding bonds issued	23,788,000
Bond premium	4,395,064
Payment to refunded bond escrow agent	(28,026,995)
Total other financing sources (uses)	<u>(657,064)</u>
Net change in fund balance	(7,172,728)
Fund balance, beginning	<u>56,480,810</u>
Fund balance, ending	<u><u>\$ 49,308,082</u></u>

(Continued)

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

COUNTY OF BEDFORD, VIRGINIA

**Statement of Revenues, Expenditures, and Changes in Fund Balance –
Governmental Fund
For the Year Ended June 30, 2013**

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 change in fund balance – total governmental fund	\$ (7,172,728)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense, which is not a use of current financial resources.

Transfer of Group Home assets to the General Fund	\$ 3,145,140	
Expenditures for capital assets	1,221,496	
Donation of capital assets	349,405	
Depreciation expense	<u>(2,357,906)</u>	2,358,135

The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and insurance proceeds) is to decrease net assets.	(6,404)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(525,920)
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Debt issuance proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Transfer of Group Home debt, premium and deferred charges to the General Fund	(2,175,012)	
Debt principal repayment	30,388,415	
Debt proceeds	(23,788,000)	
Premium on new debt	(4,395,064)	
Deferred charge on refunding	3,199,357	
Changes in deferred charges on debt issuance costs and refundings	<u>41,275</u>	3,270,971

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

Changes in compensated absences	(88,204)	
Changes in other post-employment benefits	(48,826)	
Changes in accrued interest payable	131,504	
Changes in operating settlement-School Board	(825,115)	
Changes in shared services settlement-City of Bedford	<u>11,935</u>	(818,706)

Change in net position of governmental activities	<u><u>\$ (2,894,652)</u></u>
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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, 2013**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
General property taxes	\$ 52,078,917	\$ 52,078,917	\$ 53,154,139	\$ 1,075,222
Other local taxes	10,028,901	10,044,401	10,613,218	568,817
Permits, privilege fees, and regulatory licenses	434,100	434,100	491,867	57,767
Fines and forfeitures	141,000	141,000	171,631	30,631
Revenue from use of money and property	255,111	255,324	296,586	41,262
Charges for services	1,752,612	1,860,745	2,018,463	157,718
Miscellaneous	285,633	337,762	881,442	543,680
Recovered costs	1,790,288	1,790,288	1,746,054	(44,234)
Intergovernmental	17,063,858	19,690,166	18,091,440	(1,598,726)
Total revenues	<u>83,830,420</u>	<u>86,632,703</u>	<u>87,464,840</u>	<u>832,137</u>
Expenditures				
Current operating				
General government administration	4,192,922	4,449,656	3,478,688	970,968
Judicial administration	1,918,318	1,987,653	1,939,351	48,302
Public safety	15,423,593	17,723,970	16,551,808	1,172,162
Public works	4,462,593	4,462,593	4,029,973	432,620
Health and welfare	11,341,173	11,431,898	9,582,562	1,849,336
Education	1,745	1,745	1,726	19
Parks, recreation, and cultural	2,703,154	2,742,954	2,601,793	141,161
Community development	3,177,276	3,405,391	3,095,397	309,994
Debt service				
Principal	1,495,000	1,495,000	1,495,000	-
Interest and other fiscal charges	419,614	608,778	552,149	56,629
Capital projects				
Education	8,742,350	8,742,350	6,068,416	2,673,934
Other governmental activities	6,118,439	9,245,761	3,666,581	5,579,180
Total expenditures	<u>59,996,177</u>	<u>66,297,749</u>	<u>53,063,444</u>	<u>13,234,305</u>
Excess of revenues over expenditures	<u>23,834,243</u>	<u>20,334,954</u>	<u>34,401,396</u>	<u>14,066,442</u>
Other Financing Sources (Uses)				
Transfers to:				
Proprietary fund types	-	(39,658)	(817,697)	(778,039)
Component units	(39,041,103)	(39,696,555)	(39,518,046)	178,509
Refunding bonds issued	-	23,788,000	23,788,000	-
Bond premium	-	4,395,064	4,395,064	-
Payment to refunded bond escrow agent	-	(28,026,995)	(28,026,995)	-
Total other financing sources (uses)	<u>(39,041,103)</u>	<u>(39,580,144)</u>	<u>(40,179,674)</u>	<u>(599,530)</u>
Net change in fund balance	<u>\$ (15,206,860)</u>	<u>\$ (19,245,190)</u>	<u>\$ (5,778,278)</u>	<u>\$ 13,466,912</u>

(Continued)

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

COUNTY OF BEDFORD, VIRGINIA

**Statement of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual (Cash Basis)
Governmental Fund
For the Year Ended June 30, 2013**

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

Total Revenues Budgetary Basis (Exhibit 5)	\$ 87,464,840
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Tax and other accruals, grant deferrals, and other transfers	33,769
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Total Revenues GAAP Basis (Exhibit 4)	\$ 87,498,609
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Expenditures

Total Expenditures Budgetary Basis (Exhibit 5)	\$ 53,063,444
--	---------------

Accounts payable and other accruals	1,432,782
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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	32,200,998
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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	7,317,049
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Total Expenditures GAAP Basis (Exhibit 4)	\$ 94,014,273
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Other Financing Sources (Uses)

Total Other Financing Sources and Uses Budgetary Basis (Exhibit 5)	\$ (40,179,674)
--	-----------------

Absorption of Group Home Receivables and Payables	4,564
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Transfers to component units are expenditures for financial reporting purposes	39,518,046
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Total Other Financing Sources and Uses GAAP Basis (Exhibit 4)	\$ (657,064)
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COUNTY OF BEDFORD, VIRGINIA

**Statement of Net Position
Proprietary Funds
June 30, 2013**

	Business-Type Activities – Enterprise Funds			
	Group Homes	Nursing Home	Solid Waste	Total
ASSETS				
Current assets:				
Cash, cash equivalents, and investments	\$ -	\$ 2,545,732	\$ 6,610,247	\$ 9,155,979
Receivables, net	-	321,711	85,260	406,971
Due from other funds	-	-	116,157	116,157
Prepays	-	37,908	8,701	46,609
Total current assets	-	2,905,351	6,820,365	9,725,716
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	-	18,064	-	18,064
Capital assets, net	-	4,844,950	8,462,805	13,307,755
Total noncurrent assets	-	4,863,014	8,462,805	13,325,819
Total assets	-	7,768,365	15,283,170	23,051,535
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	-	59,263	263,636	322,899
Accrued payroll and related liabilities	-	118,308	21,561	139,869
Assets held in agency capacity	-	18,064	-	18,064
Compensated absences	-	126,262	47,281	173,543
Capital lease obligations	-	-	119,172	119,172
Landfill closure/postclosure	-	-	133,160	133,160
Total current liabilities	-	321,897	584,810	906,707
Noncurrent liabilities:				
Other post-employment benefits	-	42,963	10,500	53,463
Capital lease obligations	-	-	176,119	176,119
Landfill closure/postclosure	-	-	5,823,932	5,823,932
Total noncurrent liabilities	-	42,963	6,010,551	6,053,514
Total liabilities	-	364,860	6,595,361	6,960,221
NET POSITION				
Net investment in capital assets	-	4,844,950	8,167,514	13,012,464
Unrestricted	-	2,558,555	520,295	3,078,850
Total net position	\$ -	\$ 7,403,505	\$ 8,687,809	\$ 16,091,314

COUNTY OF BEDFORD, VIRGINIA

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2013

	Business-Type Activities – Enterprise Funds			
	Group Homes	Nursing Home	Solid Waste	Total
Operating Revenues				
Charges for services	\$ 1,067,380	\$ 5,543,359	\$ 1,973,378	\$ 8,584,117
Other	3,765	11,975	381,959	397,699
Total Operating Revenues	1,071,145	5,555,334	2,355,337	8,981,816
Operating Expenses				
Personal services	788,386	2,765,141	530,168	4,083,695
Employee benefits	237,836	846,173	201,291	1,285,300
Purchased services	44,512	234,088	661,981	940,581
Continuous charges	91,437	448,232	569,004	1,108,673
Supplies and materials	39,398	633,076	300,627	973,101
Equipment, property, and improvements	2,750	9,083	12,088	23,921
Landfill closure/postclosure	-	-	440,145	440,145
Depreciation	134,397	290,671	972,485	1,397,553
Total Operating Expenses	1,338,716	5,226,464	3,687,789	10,252,969
Operating income (loss)	(267,571)	328,870	(1,332,452)	(1,271,153)
Non-Operating Revenues (Expenses)				
Interest income	5	6,398	31,979	38,382
Interest expense	(114,056)	-	(12,529)	(126,585)
Gain (loss) on disposal of capital assets	-	(897)	4,674	3,777
Contribution expense	(567,069)	(2,769)	-	(569,838)
Total Non-Operating Revenues (Expenses)	(681,120)	2,732	24,124	(654,264)
Income (loss) before transfers	(948,691)	331,602	(1,308,328)	(1,925,417)
Transfers in	367,888	-	39,658	407,546
Change in Net Position	(580,803)	331,602	(1,268,670)	(1,517,871)
Net Position, beginning	580,803	7,071,903	9,956,479	17,609,185
Net Position, ending	\$ -	\$ 7,403,505	\$ 8,687,809	\$ 16,091,314

COUNTY OF BEDFORD, VIRGINIA

**Statement of Cash Flows –
Proprietary Funds
For the Year Ended June 30, 2013**

	Business-Type Activities – Enterprise Funds			
	Group Homes	Nursing Home	Solid Waste	Total
Operating Activities				
Receipts from customers	\$ 1,216,683	\$ 5,583,418	\$ 1,983,261	\$ 8,783,362
Other cash receipts	4,060	4,996	402,372	411,428
Payments to employees	(852,802)	(2,741,523)	(532,080)	(4,126,405)
Payments for employee benefits	(237,688)	(810,696)	(191,560)	(1,239,944)
Payments to suppliers	(168,785)	(1,329,073)	(1,463,773)	(2,961,631)
Net Cash Provided by (Used in) Operating Activities	(38,532)	707,122	198,220	866,810
Noncapital Financing Activities				
Transfers from other funds	367,888	-	39,658	407,546
Net Cash Provided by Noncapital Financing Activities	367,888	-	39,658	407,546
Capital and Related Financing Activities				
Acquisition and construction of capital assets	(3,376)	(3,128)	(129,115)	(135,619)
Principal paid on debt	(220,000)	-	(115,079)	(335,079)
Interest paid on debt	(109,438)	-	(12,529)	(121,967)
Net Cash Used in Capital and Related Financing Activities	(332,814)	(3,128)	(256,723)	(592,665)
Investing Activities				
Interest received	5	6,398	31,979	38,382
Net Increase (Decrease) in Cash and Cash Equivalents	(3,453)	710,392	13,134	720,073
Cash and Cash Equivalents Beginning of Year	3,453	1,853,404	6,597,113	8,453,970
Cash and Cash Equivalents End of Year	\$ -	\$ 2,563,796	\$ 6,610,247	\$ 9,174,043
Reconciliation to Exhibit 6				
Cash and Cash Equivalents	\$ -	\$ 2,545,732	\$ 6,610,247	\$ 9,155,979
Restricted Cash and Cash Equivalents	-	18,064	-	18,064
	\$ -	\$ 2,563,796	\$ 6,610,247	\$ 9,174,043

(Continued)

The Notes to the 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, 2013**

	Business-Type Activities – Enterprise Funds			
	Group Homes	Nursing Home	Solid Waste	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating Income (Loss)	\$ (267,571)	\$ 328,870	\$ (1,332,452)	\$ (1,271,153)
Adjustments Not Affecting Cash				
Depreciation	134,397	290,671	972,485	1,397,553
Landfill closure/postclosure	-	-	440,145	440,145
Gain on disposal of capital assets	-	576	4,674	5,250
(Increase) Decrease in Assets				
Accounts receivable	143,959	39,560	26,436	209,955
Due from other funds	5,640	-	(911)	4,729
Prepays	9,076	(6,239)	(255)	2,582
Increase (Decrease) in Liabilities				
Accounts payable and accrued expenses	5,876	(2,981)	80,053	82,948
Accrued payroll and related liabilities	(3,638)	50,689	7,046	54,097
Due to other funds	-	-	-	-
Compensated absences	(62,271)	5,418	(1,974)	(58,827)
Other post-employment benefits	(4,000)	9,225	3,000	8,225
Assets held in agency capacity	-	(8,667)	(27)	(8,694)
Net Cash Provided by (Used in) Operating Activities	<u>\$ (38,532)</u>	<u>\$ 707,122</u>	<u>\$ 198,220</u>	<u>\$ 866,810</u>
SCHEDULE OF NONCASH ACTIVITIES				
Amortization of debt related items	\$ 24,691	\$ -	\$ -	\$ 24,691
Transfer of capital assets to governmental activities	3,145,140	-	-	3,145,140
Transfer of capital related debt to the governmental activities	2,175,012	-	-	2,175,012

COUNTY OF BEDFORD, VIRGINIA

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Pension Trust	
	Fire and Rescue Pension Trust Length of Service Award Program	Agency
ASSETS		
Cash and cash equivalents	\$ -	\$ 665,881
Cash in custody of others	1,325,567	-
Security deposits	-	900
Receivables, net	-	2,555
Total assets	<u>\$ 1,325,567</u>	<u>\$ 669,336</u>
LIABILITIES		
Accounts payable	\$ -	\$ 2,518
Accrued payroll and related liabilities	-	1,002
Amounts held for clients/others	-	665,816
Total liabilities	<u>-</u>	<u>669,336</u>
NET POSITION		
Held in trust for pension benefits	<u>1,325,567</u>	<u>-</u>
Total liabilities and net position	<u>\$ 1,325,567</u>	<u>\$ 669,336</u>

COUNTY OF BEDFORD, VIRGINIA

**Statement of Changes in Fiduciary Net Position –
Pension Trust Fund
For the Year Ended June 30, 2013**

	Fire and Rescue Pension Trust Length of Service Award Program
Additions	
Employer contributions	\$ 232,518
Investment income	46,852
Total additions	<u>279,370</u>
Deductions	
Administrative fees	3,448
Annuities	<u>91,321</u>
Total deductions	<u>94,769</u>
Change in net position	184,601
Net position, beginning	<u>1,140,966</u>
Net position, ending	<u><u>\$ 1,325,567</u></u>

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Blended Component Unit. A blended component unit is an entity, that while legally separate, is in substance part of the County’s operations, and so 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.

Bedford County Broadband Authority

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

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

Bedford County School Board

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

Bedford Public Library System

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

COUNTY OF BEDFORD, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

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.

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.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

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

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.

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:

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

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 agent or custodian for individuals, private organizations, or other governmental units. The Pension Trust Fund accounts for assets held in trust by the County for volunteers and beneficiaries of its Fire and Rescue Length of Service Award Program. Agency funds include the Tri-County Relicensing Committee, 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.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

Operating revenues and expenses in the proprietary funds result from providing goods and services in connection with their principal ongoing operations. The principal operating revenues of the 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 nonoperating.

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	\$ 2,490,354
General Fund – EMS transport fees	114,955
Proprietary Funds	<u>193</u>
	<u><u>\$ 2,605,502</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, 2012, and the first installment (June 5) of the levy on assessed value at January 1, 2013. The installment due on June 5, 2013 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, 2013 is included as deferred inflows since these taxes are restricted for use until fiscal year 2014.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

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 2012 tax bills, payable in fiscal year 2013, included a fifty-five percent reduction on qualifying vehicles. All PPTRA payments received are classified as noncategorical 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 capital lease proceeds of \$1,542,190, unreimbursed employee medical and dependent care deductions of \$4,518, \$18,064 of resident funds for individuals in the nursing home, and \$7 debt service reserves. Restricted cash, cash equivalents, and investments of the component unit – School Board consists of funds held for debt service reserves. 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 THE FINANCIAL STATEMENTS

June 30, 2013

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 assets. The Proprietary Funds also record depreciation expense and accumulated depreciation and capitalize interest, when material in amount. No debt was issued for the construction of capital assets during the current year, therefore no interest was capitalized.

6. Compensated Absences

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

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The County only has one item that qualifies for reporting in this category. It 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.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The County has two types of items. One item occurs only under the modified accrual basis of accounting. The 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 and property taxes levied to fund future years. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

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

8. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net 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.

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.

9. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. There were no significant encumbrances at year end.

10. 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 costs. 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.

11. School Board Debt/Capital Assets Reporting

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

Because this debt is related to capital assets of the reporting entity as a whole, the debt amount of \$60,564,531 is reclassified as shown on Exhibit 1 to present the total reporting entity column.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

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

12. Estimates

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

13. Revenue Recognition – Nursing Home

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

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

Note 2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

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.
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	\$ 101,289,689
Principal and other debt service expenditures included in primary government	<u>7,317,049</u>
Total expenditures for school activities	<u>\$ 108,606,738</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).

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

Note 4. Deposits and Investments (Continued)

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

Type	Fair Value	Credit Rating	Percent of Portfolio
Demand deposits	\$ 50,976,614	NA	75.44%
Virginia LGIP	15,053,374	AAAm	22.28%
Virginia SNAP	1,542,189	AAAm	2.28%
Total deposits and investments	<u>\$ 67,572,177</u>		<u>100.00%</u>

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 year end, more than 82% 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	\$ 3,000	\$ -
Deposits	67,569,177	5,947,178
	<u>\$ 67,572,177</u>	<u>\$ 5,947,178</u>
Statement of net position:		
Cash and cash equivalents	\$ 64,015,950	\$ 5,947,174
Restricted, cash equivalents, and investments	1,564,779	4
Fiduciary fund cash and cash equivalents	1,991,448	-
	<u>\$ 67,572,177</u>	<u>\$ 5,947,178</u>

All investments were in compliance with the Policy.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

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	\$ 20,568,855	\$ -	\$ -	\$ -	\$ -
Accounts	899,121	321,904	85,260	407,164	393,401
Accounts receivable - long-term	380,275	-	-	-	-
Intergovernmental	2,881,241	-	-	-	3,726,117
Gross receivables	24,729,492	321,904	85,260	407,164	4,119,518
Less: allowance for uncollectibles	(2,605,309)	(193)	-	(193)	-
Net total receivables	\$ 22,124,183	\$ 321,711	\$ 85,260	\$ 406,971	\$ 4,119,518

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 12.1% of the total taxes receivable and is based on historical collection rates.

The Nursing Home mix of receivables from residents and third-party payers is Medicaid (92.55%) and private pay (7.45%). The allowance for uncollectible accounts is 0.06% of the total receivable and is based on specific account identification.

Unavailable/Unearned Revenue

Governmental 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. Governmental fund also defers revenue recognition in connection with resources that have been received, but not yet earned. The various components of unavailable and unearned revenue are as follows:

	Deferred Inflows	
	Unavailable/ Unearned	Property Taxes
Property taxes	\$ 20,169,453	\$ 18,723,304
Other receivables not available to liquidate liabilities of current period	180,625	-
Total unavailable/unearned revenue for governmental funds	<u>\$ 20,350,078</u>	<u>\$ 18,723,304</u>

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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	\$ 3,426,970	\$ 332,075	\$ -	\$ 3,759,045
Construction in progress	680,578	123,144	121,668	682,054
Total capital assets, not depreciated	4,107,548	455,219	121,668	4,441,099
Capital assets, depreciated:				
Buildings and improvements	37,045,668	4,082,964	-	41,128,632
Machinery and equipment	15,100,172	1,297,891	579,381	15,818,682
Total capital assets, depreciated	52,145,840	5,380,855	579,381	56,947,314
Less accumulated depreciation for:				
Buildings and improvements	14,437,087	1,924,547	-	16,361,634
Machinery and equipment	9,337,137	1,428,955	570,208	10,195,884
Total accumulated depreciation	23,774,224	3,353,502	570,208	26,557,518
Net capital assets, depreciated	28,371,616	2,027,353	9,173	30,389,796
Governmental activities net capital assets	\$ 32,479,164	\$ 2,482,572	\$ 130,841	\$ 34,830,895
Business-Type Activities				
Capital assets, not depreciated:				
Land	\$ 850,964	\$ -	\$ -	\$ 850,964
Construction in progress	5,020	9,668	-	14,688
Total capital assets, not depreciated	855,984	9,668	-	865,652
Capital assets, depreciated:				
Buildings and improvements	22,326,871	37,995	3,864,822	18,500,044
Machinery and equipment	4,247,810	323,888	423,335	4,148,363
Total capital assets, depreciated	26,574,681	361,883	4,288,157	22,648,407
Less accumulated depreciation for:				
Buildings and improvements	7,279,203	1,131,429	754,078	7,656,554
Machinery and equipment	2,552,317	379,601	382,168	2,549,750
Total accumulated depreciation	9,831,520	1,511,030	1,136,246	10,206,304
Net capital assets, depreciated	16,743,161	(1,149,147)	3,151,911	12,442,103
Business-type activities net capital assets	\$ 17,599,145	\$ (1,139,479)	\$ 3,151,911	\$ 13,307,755

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

Note 6. Capital Assets (Continued)

Component Unit – School Board	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 1,584,510	\$ -	\$ -	\$ 1,584,510
Construction in progress	68,859	1,107,573	68,859	1,107,573
Total capital assets, not depreciated	1,653,369	1,107,573	68,859	2,692,083
Capital assets, depreciated:				
Buildings and improvements	191,224,171	1,973,337	32,348	193,165,160
Machinery and equipment	21,113,039	394,791	1,580,926	19,926,904
Total capital assets, depreciated	212,337,210	2,368,128	1,613,274	213,092,064
Less accumulated depreciation for:				
Buildings and improvements	101,350,766	4,263,408	30,191	105,583,983
Machinery and equipment	13,058,548	1,198,239	1,579,595	12,677,192
Total accumulated depreciation	114,409,314	5,461,647	1,609,786	118,261,175
Net capital assets, depreciated	97,927,896	(3,093,519)	3,488	94,830,889
School Board net capital assets	\$ 99,581,265	\$ (1,985,946)	\$ 72,347	\$ 97,522,972

Depreciation expense was charged to functions/programs as follows:

Primary Government – Governmental Activities

General government administration	\$ 183,050
Judicial administration	362,349
Public safety	1,236,194
Public works	71,505
Health and welfare	159,307
Parks, recreation, and cultural	290,353
Community development	55,149
Total governmental activities	\$ 2,357,907

Primary Government – Business-Type Activities

Group homes	\$ 134,397
Nursing home	290,671
Solid waste	972,485
Total business-type activities	\$ 1,397,553
Component Unit – School Board	\$ 5,461,647

The total increase in accumulated depreciation reflected above includes accumulated depreciation of items transferred from other funds of \$995,595 for governmental activities and \$113,477 for business-type activities.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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	\$ 10,180,000	\$ 2,137,000	\$ 1,495,000	\$ 10,822,000	\$ 1,730,000
School projects	56,588,185	23,788,000	28,893,415	51,482,770	4,293,415
Deferred amounts:					
Add bond premium	1,133,791	4,459,709	587,970	5,005,530	318,418
Deduct underwriter's discount	(510,249)		(510,249)	-	-
Deduct loss on refundings	(254,050)	(3,225,989)	(36,445)	(3,443,594)	(207,791)
Total general obligation and revenue bonds	67,137,677	27,158,720	30,429,691	63,866,706	6,134,042
Capital Leases:					
County projects	650,042	-	-	650,042	14,220
School projects	7,349,958	-	-	7,349,958	160,780
Compensated absences	1,675,748	1,322,798	1,234,595	1,763,951	1,299,578
Other post-employment benefits	190,072	50,000	1,173	238,899	-
Total long-term liabilities	<u>\$ 77,003,497</u>	<u>\$ 28,531,518</u>	<u>\$31,665,459</u>	<u>\$ 73,869,556</u>	<u>\$ 7,608,620</u>
Business-type activities:					
General obligation and lease revenue bonds	\$ 2,365,000	\$ 187,000	\$ 2,552,000	\$ -	\$ -
Deferred amounts:					
Add bond premium	34,690	36,392	71,082	-	-
Deduct underwriter's discount	(27,536)	-	(27,536)	-	-
Deduct loss on refundings	-	(26,632)	(26,632)	-	-
Total general obligation and lease revenue bonds	2,372,154	223,392	2,595,546	-	-
Capital leases	410,370	-	115,079	295,291	119,172
Compensated absences	232,369	383,042	441,868	173,543	173,543
Other post-employment benefits	45,238	5,000	(3,225)	53,463	-
Landfill closure/postclosure costs	5,516,946	440,146	-	5,957,092	133,160
Total long-term liabilities	<u>\$ 8,577,077</u>	<u>\$ 1,051,580</u>	<u>\$ 3,149,268</u>	<u>\$ 6,479,389</u>	<u>\$ 425,875</u>
Component Unit					
School Board					
Capital leases	\$ 2,302,405	\$ -	\$ 842,986	\$ 1,459,419	\$ 666,097
Compensated absences	1,626,324	832,584	816,292	1,642,616	824,469
Other post-employment benefits	1,104,543	520,000	574,733	1,049,810	-
Total long-term liabilities	<u>\$ 5,033,272</u>	<u>\$ 1,352,584</u>	<u>\$ 2,234,011</u>	<u>\$ 4,151,845</u>	<u>\$ 1,490,566</u>

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

Note 7. Long-Term Liabilities (Continued)

Annual debt service requirements to maturity are as follows:

Year Ending June 30	Primary Government				Component Unit			
	Governmental Activities		Business-Type Activities		School Board			
	General Obligation and Lease Revenue Bonds		Capital Leases		Capital Leases		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 5,892,408	\$ 2,375,699	\$ 175,000	\$ 212,000	\$ 119,172	\$ 8,436	\$ 666,097	\$ 50,589
2015	5,693,314	2,467,899	355,000	205,044	123,411	4,197	450,167	27,079
2016	5,330,879	2,207,752	376,400	195,570	52,708	462	224,299	11,692
2017	5,230,217	1,982,632	410,939	185,342	-	-	118,856	3,860
2018	4,996,020	1,730,660	441,147	174,245	-	-	-	-
2019-2023	16,091,932	5,964,488	2,587,305	679,791	-	-	-	-
2024-2028	11,505,000	2,972,238	3,289,228	296,011	-	-	-	-
2029-2031	7,565,000	443,734	364,981	4,836	-	-	-	-
	<u>\$ 62,304,770</u>	<u>\$ 20,145,102</u>	<u>\$ 8,000,000</u>	<u>\$ 1,952,839</u>	<u>\$ 295,291</u>	<u>\$ 13,095</u>	<u>\$ 1,459,419</u>	<u>\$ 93,220</u>

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

On May 9, 2013, the County issued \$23,975,000 of General Obligation School Bonds, Series 2013, through the VPSA to advance refund \$24,795,000 of the Bedford County EDA Lease Revenue Bond, Series 2006. The refunding bond proceeds are in an irrevocable trust with an escrow agent and invested in U.S. Government securities maturing to fund the refunded bonds future debt service. The reacquisition price exceeded the net carrying amount of the refunded bonds by \$3,225,989, and this amount is being amortized over the remaining life of the refunded bonds.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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	\$ 1,960,000
VPSA Bonds	3.05-5.05	2013	2021	187,000	187,000
Total governmental activities-County					<u>2,147,000</u>
Schools:					
VPSA Bonds	6.10-6.30	1994	2013	6,000,000	310,000
VPSA Bonds	6.10-6.60	1994	2014	3,000,000	300,000
VPSA Bonds	5.10-6.10	1995	2015	4,000,000	600,000
VPSA Bonds	4.60-6.10	1996	2016	6,000,000	1,200,000
VPSA Bonds	4.35-5.35	1997	2017	4,700,000	1,670,000
VPSA Bonds	3.60-5.10	1998	2018	5,200,000	1,560,000
VPSA Bonds	5.10-6.10	1999	2019	12,030,340	4,755,550
VPSA Bonds	5.10-6.35	2000	2020	4,200,000	2,235,000
VPSA Bonds	4.98-5.85	2000	2020	6,285,526	2,779,220
VPSA Bonds	4.10-5.10	2008	2029	5,420,000	4,320,000
VPSA Bonds	3.05-5.05	2013	2031	23,788,000	23,788,000
Total general obligation bonds-Schools					<u>43,517,770</u>
Total general obligation bonds					<u>\$ 45,664,770</u>
Lease Revenue Bonds					
County:					
Bedford County EDA-Courthouse & Social Services Refunding	2.05%	2005	2020	\$ 7,875,000	\$ 6,090,000
Bedford County EDA-Group Homes	4.00-5.00	2006	2021	\$ 3,435,000	1,950,000
Bedford County EDA-Nursing Home Refunding	4.00-5.00	2006	2015	2,490,000	635,000
Total lease revenue bonds-County					<u>8,675,000</u>
Schools:					
Bedford County EDA-Jefferson Forest High School	4.00-5.25	2006	2031	38,710,000	7,965,000
Total lease revenue bonds					<u>\$ 16,640,000</u>
Capital Leases					
Capital One-Energy Conservation Measures					
County	2.65%	2012	2029	\$ 650,042	\$ 650,042
Schools	2.65	2012	2029	7,349,958	7,349,958
Total capital leases					<u>\$ 8,000,000</u>
Business-Type Activities:					
Capital Leases					
Caterpillar-Solid Waste equipment	3.50	2010	2015	584,550	295,291
Total business-type activities					<u>\$ 295,291</u>

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

Note 7. Long-Term Liabilities (Continued)

<u>Purpose</u>		<u>Interest</u>	<u>Date</u>	<u>Final</u>	<u>Amount</u>	<u>Amount</u>
COMPONENT UNIT		<u>Rates</u>	<u>Issued</u>	<u>Maturity</u>	<u>Issued</u>	<u>Outstanding</u>
				<u>Date</u>		
School Board						
First Citizens Bank	20 buses	3.74%	2007	2013	\$ 1,505,308	\$ 230,807
First Citizens Bank	18 buses and a wrecker	3.35	2008	2014	1,533,155	459,304
First Citizens Bank	9 buses	3.35	2009	2015	711,945	315,848
Daimler Chrysler Truck Financial	9 buses	3.20	2010	2016	782,073	453,460
Total capital leases-School Board						<u>\$ 1,459,419</u>

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

The assets acquired through capital leases are as follows:

	<u>Primary</u>	<u>Component</u>
	<u>Government</u>	<u>Unit</u>
	<u>Business-Type</u>	<u>School</u>
	<u>Activities</u>	<u>Board</u>
Machinery and equipment	\$ 584,550	\$ 4,532,481
Less: accumulated depreciation	151,009	1,410,788
Net	<u>\$ 433,541</u>	<u>\$ 3,121,693</u>

Note 8. Interfund Receivables and Payables and Transfers

The \$116,157 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.

The Group Homes ceased program operations during the fiscal year ended June 30, 2013 due to its inability to generate sufficient revenues to meet program expenses. All assets and liabilities of the Group Homes were transferred to the General Fund and are reflected as contribution expense and transfers in on Exhibit 7.

Note 9. Defined Benefit Pension Plan

A. Plan Description

The County contributes to the Virginia Retirement System (VRS), a mixed agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (the System). In addition, professional and non-professional employees of the Schools are covered the VRS. Professional employees participate in a VRS statewide teacher cost sharing pool, and non-professional employees participate as a separate group in the agency multiple-employer retirement system.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

Note 9. Defined Benefit Pension Plan (Continued)

A. Plan Description (Continued)

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

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

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

- Members hired before July 1, 2010 and who are vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or at age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least five years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs, and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP), or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP, or Advance Pension Option, or those retiring with a reduced benefit.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

Note 9. Defined Benefit Pension Plan (Continued)

A. Plan Description (Continued)

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 3.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. 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. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees.

The County's contribution rate for fiscal year 2013 was 10.19% of annual covered payroll. The School Board's contribution rates for fiscal year 2013 were 10.29% for nonprofessional employees and 13.66% for professional employees.

For the three years ended June 30, 2013, 2012, and 2011, total employer and employee contributions made to the VRS state-wide teacher pool for professional employees by the School Board were \$7,625,221, \$5,011,244, and \$4,009,688, respectively and represented 11.33%, 8.93%, and 11.62% of annual covered payroll, respectively, and 100% of the required contributions for 2013, 2012, and 2011.

C. Annual Pension Cost

For fiscal year 2013, the County's annual pension cost of \$2,620,840 was equal to the County's required and actual contribution, and the School Board's non-professional groups annual pension cost of \$704,243 was also equal to the required and actual contribution.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

Note 9. Defined Benefit Pension Plan (Continued)

C. Annual Pension Cost (Continued)

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
County			
June 30, 2013	\$ 2,620,840	100%	\$ -
June 30, 2012	2,177,910	100%	-
June 30, 2011	2,128,046	100%	-
School Board Non-Professional			
June 30, 2013	\$ 704,243	100%	\$ -
June 30, 2012	591,327	100%	-
June 30, 2011	613,081	100%	-

The fiscal year 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.75% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County and School Board assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's and School Board's unfunded actuarial accrued liabilities are being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 for the unfunded actuarial accrued liability (UAAL) was 30 years.

D. Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date for the County, the plan was 78.91% funded. The actuarial accrued liability for benefits was \$54,541,234, and the actuarial value of assets was \$43,037,109, resulting in an UAAL of \$11,504,125. The covered payroll (annual payroll of active employees covered by the plan) was \$16,572,730, and the ratio of the UAAL to the covered payroll was 69.42%.

As of June 30 2012, the most recent actuarial valuation date for the School's nonprofessional employees, the plan was 85.73% funded. The actuarial accrued liability for benefits was \$18,523,172, and the actuarial value of assets was \$15,880,831, resulting in an UAAL of \$2,642,341. The covered payroll (annual payroll of active employees covered by the plan) was \$5,275,472, and the ratio of the UAAL to the covered payroll was 50.09%.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

Note 9. Defined Benefit Pension Plan (Continued)

D. Funded Status and Funding Progress (Continued)

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

Note 10. Other Post-Employment Benefits (OPEB)

A. Plan Description

The County and School Board provide post-employment medical coverage for retired employees through a single-employer defined benefit plan. The County and School Board may change, add, or delete coverage as they deem appropriate and with the approval of the Board 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.

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	6	72
Active employees	381	1,132
Total	<u>387</u>	<u>1,204</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 2013, neither the County nor the School Board designated any funding for the OPEB liability.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

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

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

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

	County	School Board
Annual required contribution	\$ 59,000	\$ 524,000
Interest on net OPEB obligation	7,000	57,000
Adjustment to annual required contribution	(11,000)	(61,000)
Annual OPEB cost	55,000	520,000
Contributions made	2,052	(574,733)
Increase (decrease) in net OPEB obligation	57,052	(54,733)
Net OPEB obligation-beginning of year	235,310	1,104,543
Net OPEB obligation-end of year	\$ 292,362	\$ 1,049,810

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, 2013	\$ 57,052	0.0%	\$ 292,362
June 30, 2012	82,963	0.0%	235,310
June 30, 2011	55,000	2.5%	152,347
School Board			
June 30, 2013	520,000	110.5%	1,049,810
June 30, 2012	515,000	143.0%	1,104,543
June 30, 2011	493,000	84.6%	1,326,127

D. Funded Status and Funding Progress

As of July 1, 2012, the County and School Board's most recent actuarial valuation date, the actuarial accrued liability for benefits was \$457,000 and \$5,079,000, all of which was unfunded. The County's covered payroll (annual payroll of active employees covered by the Plan) was \$16,572,730, and the ratio of the UAAL to the covered payroll was 2.76%. The School Board's covered payroll was \$49,493,629, and the ratio of the UAAL to the covered payroll was 10.26%. 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.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

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

D. Funded Status and Funding Progress (Continued)

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

E. Actuarial Methods and Assumptions

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

In the July 1, 2012 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, a 3.2% inflation rate, a 3.50% payroll increase, and an initial annual healthcare cost trend of 5.80% reduced gradually each year to the rate in 2045 of 5.20%. The unfunded actuarial accrued liability is being amortized as a percentage of pay over a closed period. The remaining amortization period at June 30, 2013 was 25 years.

Note 11. Length of Service Award Program

A. Plan Description

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

As of June 30, 2013, the most recent actuarial valuation date, the program membership consisted of the following:

Active Participants	192
Terminated Vested Participants	59
Total	<u>251</u>

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

Note 11. Length of Service Award Program (Continued)

B. Funding Policy

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

C. Annual Program Cost

For the current year, the annual cost of \$232,518 equaled the required and actual contributions.

<u>Fiscal Year Ending</u>	<u>Annual Program Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Program Obligation</u>
June 30, 2013	\$ 232,518	100%	\$ -
June 30, 2012	253,683	100%	-
June 30, 2011	254,327	100%	-

The program's funding provides for periodic County contributions at actuarially determined rates that are sufficient to accumulate adequate assets to pay benefits when due. At year end the plan had net assets available for benefits totaling \$1,325,567. Unfunded past service costs total \$422,950 and will be fully amortized in 3 years. The plan additions fund the cost of administering the plan.

D. Funding Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the plan was funded 52.08%. The actuarial accrued liability for benefits was \$2,545,175 resulting in an UAAL of \$1,219,608.

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

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

Note 12. 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 \$1,409,707.

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.

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 \$4,547,385 reported as landfill closure and postclosure care liability as of June 30, 2013 represents the cumulative amount reported to date based on the use of approximately 70% of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$1,959,426 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2013. 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 2020.

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

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

Note 13. Fund Balances

In accordance with Government Accounting Standards Board (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.
- **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 THE FINANCIAL STATEMENTS

June 30, 2013

Note 13. Fund Balances (Continued)

	<u>General Fund</u>	<u>School Board</u>
Nonspendable:		
Inventories	\$ 45,796	\$ 101,095
Prepays	191,482	184,549
Long-term portion of loans/note receivable	380,275	-
Total nonspendable	<u>617,553</u>	<u>285,644</u>
Restricted for:		
Judicial administration	18,725	-
Public safety	53,810	-
Public works	126,188	-
Education	565,426	-
Parks, recreation, and cultural	810	-
Community development	-	-
Debt service	1,076	4
Other purposes	4,517	-
Total restricted	<u>770,552</u>	<u>4</u>
Committed to:		
Public works	210,355	-
Health self insurance	-	1,201,906
Education-operating	-	183,636
Education-textbooks	-	3,645
Capital projects	7,500,531	15,700
Total committed	<u>7,710,886</u>	<u>1,404,887</u>
Assigned to:		
Judicial administration	21,331	-
Public safety	1,921,672	-
Health and welfare	152,378	-
Education	178,510	-
Education-nutrition	-	1,655,642
Education-textbooks	-	922,053
Education-maintenance projects	-	238,333
Education-capital projects	-	215,930
Funding of subsequent year budget	18,903,793	-
Subsequent year appropriation of fund balance	735,107	-
Other purposes	241,279	-
Total assigned	<u>22,154,070</u>	<u>3,031,958</u>
Unassigned	<u>18,055,021</u>	<u>(749,389)</u>
Total fund balances	<u><u>\$ 49,308,082</u></u>	<u><u>\$ 3,973,104</u></u>

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

Note 14. 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 the County and through the Virginia School Board Association for the School Board. 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 \$287,101 and \$306,805 for the County and School Board, 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. The School Board provides general liability and other insurance through the Virginia School Board Association. General liability and business automobile have a \$1,000,000 limit. Boiler and machinery insurance has a \$10,000,000 limit and property insurance is covered as per the statement of values. Furthermore, the School Division maintains a \$3,000,000 umbrella policy over all forms of liability.

Health care

The County carried commercial insurance for employee health insurance plans for the year ended June 30, 2013.

The School Board established a self-insured health insurance program on July 1, 2012. The professionally administered 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 \$8,627,459. Administrative fees and stop loss premiums for the year ended June 30 totaled \$881,167. Estimated incurred but not reported (IBNR) claims at June 30 base on prior experience totaled \$620,000. Changes in the balance of claims payable liability during the past year is as follows:

	<u>Health Insurance</u>
Unpaid Claims at July 1	\$ -
Incurred claims	
(including IBNR and changes in estimates)	8,627,459
Claim payments	<u>(7,683,362)</u>
Unpaid claims at June 30	<u><u>\$ 944,097</u></u>

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

Note 15. Shared Services

Through June 30, 2013, the County provided courthouse facilities, as well as the services of the Sheriff, Commonwealth Attorney, and Clerk of the Circuit Court to the City of Bedford. See Note 19 for changes to this arrangement. The City reimbursed the County for these services based on the total population of both localities as reported in the most recent census. For the current fiscal year, the City's population was 8.31% of the total population. In addition, the County provided health and welfare services to the City through the Departments of Health and Social Services, respectively. The City reimbursed the County for these services based on the actual caseload for each fiscal year. Pursuant to an agreement dated June 28, 1988, the County provides public school services and educational programs for the students of the City. The City reimbursed the County for its share of the net expenses based on its percentage of students as determined by the March 30 Average Daily Membership (ADM) of each fiscal year. The total costs of these services are presented in this report.

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

The following organizations are excluded from the accompanying financial statements:

Related Organizations:

The Bedford County Public Service Authority (PSA)

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

The PSA entered a consolidation agreement, effective July 1, 2013, to form the Bedford Regional Water Authority (BRWA), and to transfer all its assets and liabilities to the BRWA. The County's various contracts and commitments with the PSA transferred to the BRWA with no substantive changes.

Jointly Governed Organizations:

Horizon Behavioral Health (HBH)

The County, in conjunction with the Counties of Amherst, Appomattox, and Campbell and the Cities of Bedford and Lynchburg participates in HBH, whose board is composed of two members from each of the participating localities. The County contributed \$104,386 for operations to HBH for 2013.

Blue Ridge Regional Jail Authority (BRRJA)

The County, in conjunction with the Counties of Amherst, Appomattox, Campbell, and Halifax, and the Cities of Bedford and Lynchburg, 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 an 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.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

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

Joint Ventures:

Bedford Joint Economic Development Authority (BJEDA)

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

Region 2000 Radio Communications Board

The County, along with the County of Amherst and Cities of Bedford and Lynchburg, is a participant in the development and operation of a regional radio communication system. During 2012, the Central Virginia Radio Communications Board was dissolved and replaced by the Region 2000 Radio Communications Board (the "Board"), which has the same participants as its predecessor. Each participant agreed to contribute its pro rata share for annual capital and operational costs, as well as any annual deficit. The County's pro rata share is 38.2% through July 1, 2013. 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 36.8%, and annual contributions for debt service will approximate \$408,430. An asset or obligation is not reflected at June 30 because the system has yet to be constructed.

Tri-County Lake Administrative Commission (TLAC)

The County, in conjunction with the Counties of Franklin and Pittsylvania, created TLAC, which is composed of an eight-member board of directors appointed by the participating localities to carry out lake planning duties as may be assigned by the respective Boards of Supervisors. Such duties may include, but are not limited to, navigation marker issues, debris cleanup, and coordination with American Electric Power on lake-related issues. The County is responsible for annual contributions of 45% to TLAC, which equaled \$113,244 for 2013. Separate financial statements for TLAC are not available.

Note 17. Interjurisdictional Agreement

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

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

In conjunction with the City's reversion to Town status (Note 19), this agreement is terminated.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

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. Other Matters

On July 1, 2013, the City of Bedford, Virginia reverted to town status. The goal of the reversion is to provide long-term benefits to the citizens by increased opportunities for more efficient delivery of needed services, to expand cooperation in pursuing economic development and employment for the City/County region, to realize substantial financial incentives offered by the Commonwealth for the implementation of such a partial consolidation, to simplify boundary adjustments for the new town, and to create a new water and sewer authority (Note 16).

Note 20. Subsequent Event

In October 2013, the Board of Supervisors approved the use of \$2.90 million of unassigned fund balance for the purchase of a domestic violence shelter, construction of an electrical substation by the EDA, and additional funding for the Regional Radio upgrade.

Note 21. New Accounting Standards

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

GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, was issued to resolve conflicting guidance that resulted from the issuance of two pronouncements. The Statement amends GASB Statement No. 10 by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. The fund classification should be determined based on the nature of the activity to be reported. The Statement also amends GASB Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a normal servicing fee rate. The Statement will be effective for the year ending June 30, 2014.

GASB Statement No. 67, *Financial Reporting for Pension Plans* replaces the requirements of *GASB Statements No. 25 and No. 50* as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Statement enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. The Statement also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial Statements and in 10-year RSI schedules. This Statement will be effective for the year ending June 30, 2014.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

Note 21. New Accounting Standards (Continued)

GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans* replaces the requirements of *GASB Statements No. 27 and No. 50* as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. The Statement requires governments providing defined benefit pensions to recognize the long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information, including disclosing descriptive information about the types of benefits provided, how contributions to the pension plan are determined, and assumptions and methods used to calculate the pension liability. This Statement will be effective for the year ending June 30, 2015.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* was issued to provide governmental guidance on governmental combinations and disposals of governmental operations that does not conflict with *GASB Statement No. 34*. The objective of this Statement is to improve financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. A disposal of a government's operations results in the removal of specific activities of a government. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial Statement users to evaluate the nature and financial effects of those transactions. This Statement will be effective for the year ending June 30, 2015.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* was issued to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also provides guidance on the accounting for the government if they are the obligor in the transaction and on intra-entity nonexchange financial guarantees involving blended component units. This Statement specifies the information required to be disclosed by governments that extend or receive nonexchange financial guarantees. This Statement will be effective for the year ending June 30, 2014.

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

REQUIRED SUPPLEMENTAL INFORMATION

COUNTY OF BEDFORD, VIRGINIA

Schedules of Funding Progress
VRS, LOSAP, and OPEB
June 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Payroll (b-a)/c
Virginia Retirement System						
County						
June 30, 2012	\$ 43,037,109	\$ 54,541,234	\$ 11,504,125	78.91 %	\$ 16,572,730	69.42 %
June 30, 2011	42,184,384	52,789,743	10,605,359	79.91	16,652,826	63.69
June 30, 2010	40,570,853	50,194,250	9,623,397	80.83	16,498,435	58.33
Component unit – School Board – Non-Professional Employees						
June 30, 2012	\$ 15,880,831	\$ 18,523,172	\$ 2,642,341	85.73 %	\$ 5,275,472	50.09 %
June 30, 2011	15,732,707	18,091,226	2,358,519	86.96	5,381,730	43.82
June 30, 2010	15,251,442	17,380,872	2,129,430	87.75	5,664,375	37.59
Fire and Rescue Length of Service Award Program						
County						
June 30, 2013	\$ 1,325,567	\$ 2,545,175	\$ 1,219,608	52.08 %	NA	NA
June 30, 2012	1,140,966	2,477,705	1,336,739	46.05	NA	NA
June 30, 2011	993,461	2,494,145	1,500,684	39.83	NA	NA
Other Post-Employment Benefit Plans						
County						
June 30, 2012	\$ -	\$ 457,000	\$ 457,000	0.00 %	\$ 16,572,730	2.76 %
June 30, 2011	-	523,000	523,000	0.00	16,652,826	3.14
June 30, 2010	-	470,000	470,000	0.00	16,498,435	2.85
Component unit – School Board						
June 30, 2012	\$ -	\$ 5,079,000	\$ 5,079,000	0.00 %	49,493,629	10.26 %
June 30, 2011	-	5,004,000	5,004,000	0.00	50,360,550	9.94
June 30, 2010	-	4,898,000	4,898,000	0.00	53,615,276	9.14

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.

OTHER SUPPLEMENTAL INFORMATION

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COUNTY OF BEDFORD, VIRGINIA

Agency Funds –
Combining Statement of Fiduciary Net Position
June 30, 2013

	Tri-County Relicensing Committee	Tri-County Lake Administrative Commission	Bedford Community Coalition	Bedford Wine Trail	Special Welfare Fund	Road Escrow Accounts	Land Disturbing Bonds	Sheriff Asset Seizures	Total
Assets									
Cash and cash equivalents	\$ -	\$ 333,829	\$ 1,580	\$ 3,579	\$ 78,518	\$ 60,310	\$ 152,967	\$ 35,098	\$ 665,881
Security deposits	-	900	-	-	-	-	-	-	900
Accounts receivable	-	2,555	-	-	-	-	-	-	2,555
Total assets	<u>\$ -</u>	<u>\$ 337,284</u>	<u>\$ 1,580</u>	<u>\$ 3,579</u>	<u>\$ 78,518</u>	<u>\$ 60,310</u>	<u>\$ 152,967</u>	<u>\$ 35,098</u>	<u>\$ 669,336</u>
Liabilities									
Accounts payable	\$ -	\$ 2,518	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,518
Accrued payroll and related liabilities	-	1,002	-	-	-	-	-	-	1,002
Amounts held for others	-	333,764	1,580	3,579	78,518	60,310	152,967	35,098	665,816
Total liabilities	<u>\$ -</u>	<u>\$ 337,284</u>	<u>\$ 1,580</u>	<u>\$ 3,579</u>	<u>\$ 78,518</u>	<u>\$ 60,310</u>	<u>\$ 152,967</u>	<u>\$ 35,098</u>	<u>\$ 669,336</u>

COUNTY OF BEDFORD, VIRGINIA

Agency Funds –
Combining Statement of Fiduciary Net Position and Liabilities
For the Year Ended June 30, 2013

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Ending</u>
Tri-County Relicensing Committee				
Assets:				
Accounts receivable	\$ 17,513	\$ 54,469	\$ 71,982	\$ -
Liabilities:				
Accounts payable	\$ 17,513	\$ 54,469	\$ 71,982	\$ -
Tri-County Lake Administrative Commission				
Assets:				
Cash and cash equivalents	\$ 429,941	\$ 276,764	\$ 372,876	\$ 333,829
Security deposits	900	-	-	900
Accounts receivable	-	2,555	-	2,555
Total assets	<u>\$ 430,841</u>	<u>\$ 279,319</u>	<u>\$ 372,876</u>	<u>\$ 337,284</u>
Liabilities:				
Accounts payable	\$ 12,480	\$ 250,253	\$ 260,215	\$ 2,518
Accrued liabilities	-	113,663	112,661	1,002
Amounts held for others	418,361	-	84,597	333,764
Total assets	<u>\$ 430,841</u>	<u>\$ 363,916</u>	<u>\$ 457,473</u>	<u>\$ 337,284</u>
Bedford Community Coalition				
Assets:				
Cash and cash equivalents	\$ 2,037	\$ 70	\$ 527	\$ 1,580
Liabilities:				
Amounts held for others	\$ 2,037	\$ 70	\$ 527	\$ 1,580
Bedford Wine Trail				
Assets:				
Cash and cash equivalents	\$ 4,330	\$ 900	\$ 1,651	\$ 3,579
Liabilities:				
Amounts held for others	\$ 4,330	\$ 900	\$ 1,651	\$ 3,579
Special Welfare Fund				
Assets:				
Cash and cash equivalents	\$ 21,689	\$ 321,956	\$ 265,127	\$ 78,518
Liabilities:				
Amounts held for others	\$ 21,689	\$ 321,956	\$ 265,127	\$ 78,518
Road Escrow Accounts				
Assets:				
Cash and cash equivalents	\$ 60,190	\$ 120	\$ -	\$ 60,310
Liabilities:				
Amounts held for others	\$ 60,190	\$ 120	\$ -	\$ 60,310

COUNTY OF BEDFORD, VIRGINIA

Agency Funds –
Combining Statement of Fiduciary Net Position and Liabilities
For the Year Ended June 30, 2013

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Ending</u>
Land Disturbing Bonds				
Assets:				
Cash and cash equivalents	<u>\$ 159,703</u>	<u>\$ 7,296</u>	<u>\$ 14,032</u>	<u>\$ 152,967</u>
Liabilities:				
Amounts held for others	<u>\$ 159,703</u>	<u>\$ 7,296</u>	<u>\$ 14,032</u>	<u>\$ 152,967</u>
Sheriff Asset Seizures				
Assets:				
Cash and cash equivalents	<u>\$ 29,949</u>	<u>\$ 12,764</u>	<u>\$ 7,615</u>	<u>\$ 35,098</u>
Liabilities:				
Amounts held for others	<u>\$ 29,949</u>	<u>\$ 12,764</u>	<u>\$ 7,615</u>	<u>\$ 35,098</u>
Total Fiduciary Funds				
Assets:				
Cash and cash equivalents	\$ 707,839	\$ 619,870	\$ 661,828	\$ 665,881
Security deposits	900	-	-	900
Accounts receivable	17,513	57,024	71,982	2,555
Total assets	<u>\$ 726,252</u>	<u>\$ 676,894</u>	<u>\$ 733,810</u>	<u>\$ 669,336</u>
Liabilities:				
Accounts payable	\$ 29,993	\$ 304,722	\$ 332,197	\$ 2,518
Accrued liabilities	-	113,663	112,661	1,002
Amounts held for others	696,259	343,106	373,549	665,816
Total liabilities	<u>\$ 726,252</u>	<u>\$ 761,491</u>	<u>\$ 818,407</u>	<u>\$ 669,336</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, 2013

	Special Revenue Funds			Capital	Total
	Operating	Nutrition	Textbooks	Projects	Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,730,817	\$ 1,919,244	\$ 1,068,504	\$ 228,609	\$ 5,947,174
Receivables, net	4,072,530	32,475	14,513	-	4,119,518
Due from primary government	6,556,584	-	-	714,153	7,270,737
Prepays	153,249	31,300	-	-	184,549
Inventories	-	101,095	-	-	101,095
Restricted cash and investments	4	-	-	-	4
Total assets	<u>\$ 13,513,184</u>	<u>\$ 2,084,114</u>	<u>\$ 1,083,017</u>	<u>\$ 942,762</u>	<u>\$ 17,623,077</u>
LIABILITIES					
Accounts payable and accrued expenses	\$ 1,288,527	\$ 6,754	\$ 157,319	\$ 711,132	\$ 2,163,732
Accrued payroll and related liabilities	9,213,290	289,323	-	-	9,502,613
Self insurance	1,201,906	-	-	-	1,201,906
Deferred revenue	781,722	-	-	-	781,722
Total liabilities	<u>12,485,445</u>	<u>296,077</u>	<u>157,319</u>	<u>711,132</u>	<u>13,649,973</u>
FUND BALANCES					
Fund balances:					
Nonspendable	153,249	132,395	-	-	285,644
Restricted	4	-	-	-	4
Committed	1,385,542	-	3,645	15,700	1,404,887
Assigned	238,333	1,655,642	922,053	215,930	3,031,958
Unassigned	(749,389)	-	-	-	(749,389)
Total fund balances	<u>1,027,739</u>	<u>1,788,037</u>	<u>925,698</u>	<u>231,630</u>	<u>3,973,104</u>
Total liabilities and fund balances	<u>\$ 13,513,184</u>	<u>\$ 2,084,114</u>	<u>\$ 1,083,017</u>	<u>\$ 942,762</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	97,522,972
Long-term liabilities, such as compensated absences (\$1,642,616), other post-employment benefits (\$1,049,810), capital leases (\$1,459,419), and accrued interest (\$42,770) do not require the use of current financial resources and are not reported as expenditures in governmental funds.	(4,194,614)
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	2,677,809
Net position of governmental activities	<u>\$ 99,979,271</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, 2013

	Special Revenue Funds				Total Governmental Funds
	Operating	Nutrition	Textbooks	Capital Projects	
REVENUES					
Revenue from use of money and property	\$ 2,756	\$ 8,312	\$ 5,158	\$ 22	\$ 16,248
Charges for services	619,323	2,032,927	-	-	2,652,250
Recovered costs	5,656,820	-	122,692	-	5,779,512
Other	410,122	-	1,209	-	411,331
Intergovernmental:					
County of Bedford	32,544,770	-	-	6,782,569	39,327,339
Commonwealth of Virginia	43,104,435	65,051	484,165	-	43,653,651
Federal government	6,464,939	2,182,271	-	-	8,647,210
Total revenues	88,803,165	4,288,561	613,224	6,782,591	100,487,541
EXPENDITURES					
Current:					
Instructional	65,668,428	-	1,549,700	6,847,422	74,065,550
Administration, attendance, and health	3,238,782	-	-	-	3,238,782
Pupil transportation services	6,356,144	-	-	-	6,356,144
Operations and maintenance services	8,860,509	-	-	-	8,860,509
Nutrition services	-	4,150,289	-	-	4,150,289
Technology	3,695,029	-	-	-	3,695,029
Debt Service:					
Principal	842,987	-	-	-	842,987
Interest and other fiscal charges	80,399	-	-	-	80,399
Total expenditures	88,742,278	4,150,289	1,549,700	6,847,422	101,289,689
Excess (deficiency) of revenues over expenditures	60,887	138,272	(936,476)	(64,831)	(802,148)
Fund balance, beginning	966,852	1,649,765	1,862,174	296,461	
Fund balance, ending	\$ 1,027,739	\$ 1,788,037	\$ 925,698	\$ 231,630	
Adjustments for the Statement of Activities:					
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which depreciation exceeded capital outlays in the current period.					(2,133,419)
Debt issuance proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Position. This is the amount by which repayments exceeded proceeds.					842,987
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.					3,614
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.					63,425
Change in net position of governmental activities					<u>\$ (2,025,541)</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, 2013

	Operating			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from use of money and property	\$ -	\$ -	\$ 2,756	\$ 2,756
Charges for services	380,000	562,761	619,324	56,563
Recovered costs	5,485,576	5,751,615	5,666,158	(85,457)
Other	155,000	310,119	494,958	184,839
Intergovernmental:				
County of Bedford	39,041,103	39,696,555	39,518,045	(178,510)
Commonwealth of Virginia	43,072,133	43,072,133	42,941,856	(130,277)
Federal government	5,567,969	6,546,245	6,588,682	42,437
Total revenues	93,701,781	95,939,428	95,831,779	(107,649)
EXPENDITURES				
Current:				
Instructional	63,979,838	65,523,933	65,490,580	33,353
Administration, attendance, and health	3,252,162	3,252,162	3,229,928	22,234
Pupil transportation services	7,234,250	7,272,350	7,267,269	5,081
Operations and maintenance services	9,172,054	9,155,054	8,553,050	602,004
Nutrition services	-	-	-	-
Technology	3,768,294	3,768,294	3,728,764	39,530
Debt service	7,303,982	7,320,982	7,317,049	3,933
Total expenditures	94,710,580	96,292,775	95,586,640	706,135
Excess (deficiency) of revenues over expenditures	(1,008,799)	(353,347)	245,139	598,486
Net change in fund balances	\$ (1,008,799)	\$ (353,347)	\$ 245,139	\$ 598,486

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, 2013

Nutrition				Textbooks			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final			Original	Final		
\$ 9,700	\$ 9,700	\$ 8,312	\$ (1,388)	\$ -	\$ -	\$ 5,158	\$ 5,158
2,234,450	2,234,450	2,032,927	(201,523)	-	-	-	-
-	-	-	-	95,761	95,761	110,090	14,329
-	-	-	-	-	-	1,209	1,209
-	-	-	-	-	-	-	-
73,137	73,137	65,051	(8,086)	484,501	484,501	484,165	(336)
2,086,570	2,086,570	2,151,129	64,559	-	-	-	-
4,403,857	4,403,857	4,257,419	(146,438)	580,262	580,262	600,622	20,360
-	-	-	-	1,780,262	1,780,262	1,413,075	367,187
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
4,403,857	4,403,857	4,174,111	229,746	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
4,403,857	4,403,857	4,174,111	229,746	1,780,262	1,780,262	1,413,075	367,187
-	-	83,308	83,308	(1,200,000)	(1,200,000)	(812,453)	387,547
\$ -	\$ -	\$ 83,308	\$ 83,308	\$ (1,200,000)	\$ (1,200,000)	\$ (812,453)	\$ 387,547

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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, 2013**

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 37,407,917	\$ 37,407,917	\$ 37,773,566	\$ 365,649
Real and personal public service corporation property taxes	1,295,000	1,295,000	1,298,687	3,687
Personal property taxes (local remittance)	10,150,000	10,150,000	10,737,166	587,166
Machinery and tools taxes	2,476,000	2,476,000	2,492,262	16,262
Merchant's capital taxes	-	-	285	285
Mobile home taxes	125,000	125,000	129,739	4,739
Penalties and interest	625,000	625,000	722,434	97,434
Total general property taxes	<u>52,078,917</u>	<u>52,078,917</u>	<u>53,154,139</u>	<u>1,075,222</u>
Other local taxes:				
Local sales and use taxes	4,000,000	4,000,000	3,994,963	(5,037)
Consumer utility taxes	1,177,400	1,177,400	1,221,986	44,586
Business licenses taxes	501	501	-	(501)
Utility license tax	75,000	75,000	124,408	49,408
Bank stock taxes	215,000	215,000	242,409	27,409
Taxes on recordings and wills	796,000	796,000	1,009,282	213,282
Transient occupancy tax	315,000	315,000	388,692	73,692
Meals tax	1,500,000	1,515,500	1,647,753	132,253
Communications sales tax	1,950,000	1,950,000	1,983,725	33,725
Total other local taxes	<u>10,028,901</u>	<u>10,044,401</u>	<u>10,613,218</u>	<u>568,817</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	50,000	50,000	51,370	1,370
Building permits	200,000	200,000	249,561	49,561
Other permits and licenses	84,100	84,100	91,669	7,569
Planning permits and fees	100,000	100,000	99,267	(733)
Total permits, privilege fees, and regulatory licenses	<u>434,100</u>	<u>434,100</u>	<u>491,867</u>	<u>57,767</u>
Fines and forfeitures	<u>141,000</u>	<u>141,000</u>	<u>171,631</u>	<u>30,631</u>
Revenue from use of money and property:				
Revenue from use of money	225,070	225,283	259,534	34,251
Revenue from use of property	30,041	30,041	37,052	7,011
Total revenue from use of money and property	<u>255,111</u>	<u>255,324</u>	<u>296,586</u>	<u>41,262</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, 2013**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Charges for services:				
Court costs	\$ 159,312	\$ 159,312	\$ 182,490	\$ 23,178
Commonwealth attorney	2,000	2,000	5,475	3,475
Law enforcement and traffic control	64,500	64,500	69,382	4,882
County attorney	2,000	2,000	756	(1,244)
Welfare and social services	25,000	25,000	33,286	8,286
Comprehensive services	93,000	93,000	123,615	30,615
Youth and family services	500	500	-	(500)
Recreation fees	1,100	1,100	1,852	752
EMS cost recoveries	1,400,000	1,508,133	1,596,132	87,999
Other	5,200	5,200	5,475	275
Total charges for services	1,752,612	1,860,745	2,018,463	157,718
Miscellaneous	285,633	337,762	881,442	543,680
Recovered costs:				
City of Bedford – shared services	1,444,288	1,444,288	1,361,734	(82,554)
Bedford Public Library	35,000	35,000	35,000	-
Tri-County Lake Administrative Commission	6,000	6,000	6,000	-
Central Garage	105,000	105,000	139,067	34,067
Prisoner Extradition	-	-	552	552
Nursing Home	200,000	200,000	203,701	3,701
Total recovered costs	1,790,288	1,790,288	1,746,054	(44,234)
Total revenue from local sources	66,766,562	66,942,537	69,373,400	2,430,863
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Personal property taxes (state remittance)	6,086,051	6,086,051	6,086,051	-
Rental taxes	25,000	25,000	21,619	(3,381)
Mobile home titling taxes	60,000	60,000	66,048	6,048
Recordation taxes	215,000	215,000	250,413	35,413
Railroad rolling stock taxes	150,000	150,000	176,879	26,879
Reduction in state aid to localities	(290,000)	(290,000)	(229,984)	60,016
Total non-categorical aid	6,246,051	6,246,051	6,371,026	124,975
Categorical aid:				
Shared expenses:				
Commonwealth's Attorney	511,134	511,134	508,855	(2,279)
Sheriff	2,214,474	2,255,766	2,255,767	1
Commissioner of the Revenue	174,149	174,149	174,057	(92)
Treasurer	137,307	137,307	136,961	(346)
Registrar and Electoral board	38,590	38,590	44,658	6,068
Clerk of the Circuit Court	385,276	385,276	399,148	13,872
Communications	133,514	133,514	134,657	1,143
Total shared expenses	3,594,444	3,635,736	3,654,103	18,367

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, 2013**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Other:				
Social services	\$ 2,169,359	\$ 2,201,859	\$ 2,006,960	\$ (194,899)
Comprehensive services	2,081,026	2,081,026	903,603	(1,177,423)
Forfeited asset seizure proceeds	-	15,394	15,394	-
State internet crimes	-	875,928	619,274	(256,654)
EMS Four for Life	30,000	30,000	75,851	45,851
Fire funds	80,000	80,000	25,942	(54,058)
Public safety grants	-	153,397	167,917	14,520
Victim witness coordinator	16,276	16,276	16,489	213
Domestic violence grants	135,700	177,905	159,991	(17,914)
VJCCCA	67,475	67,475	70,445	2,970
Wireless E-911 grant	92,400	92,400	79,254	(13,146)
PSAP grants	-	2,000	1,500	(500)
Record preservation grant	-	26,938	26,938	-
VA Commission of Arts	5,000	5,000	-	(5,000)
Juror and witness reimbursement	25,000	25,000	22,125	(2,875)
Virginia Tobacco Commission grants	-	331,081	471,081	140,000
VDOT Revenue Sharing	-	66,828	71,608	4,780
Other	-	12,400	16,286	3,886
Total other categorical aid	4,702,236	6,260,907	4,750,658	(1,510,249)
Total categorical aid	8,296,680	9,896,643	8,404,761	(1,491,882)
Total revenue from the Commonwealth	14,542,731	16,142,694	14,775,787	(1,366,907)
Revenue from the federal government:				
Payments in lieu of taxes	40,000	40,000	46,512	6,512
Social services	2,424,893	2,457,393	2,616,180	158,787
Sheriff – DMV grants	-	29,602	14,579	(15,023)
Justice assistance grants	-	19,339	18,613	(726)
DEA overtime reimbursement	-	19,864	18,504	(1,360)
Internet crimes grant	-	794,938	411,034	(383,904)
Bulletproof vest grant	-	5,912	10,666	4,754
Other law enforcement grants	-	113,795	101,126	(12,669)
Forfeited asset seizure proceeds	-	2,783	2,783	-
Victim witness coordinator	48,828	48,828	49,466	638
Domestic violence grants	7,406	15,018	12,633	(2,385)
Other	-	-	13,557	13,557
Total categorical aid	2,481,127	3,507,472	3,269,141	(238,331)
Total revenue from the federal government	2,521,127	3,547,472	3,315,653	(231,819)
Total intergovernmental revenues	17,063,858	19,690,166	18,091,440	(1,598,726)
Total general fund	\$ 83,830,420	\$ 86,632,703	\$ 87,464,840	\$ 832,137

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, 2013**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Expenditures				
General government administration:				
Legislative:				
Board of Supervisors	\$ 142,338	\$ 284,338	\$ 280,335	\$ 4,003
General and financial administration:				
County Administration	419,177	419,177	283,034	136,143
County Attorney	260,565	260,565	242,203	18,362
Independent auditor	58,000	58,000	53,755	4,245
Commissioner of the Revenue	513,133	513,133	495,476	17,657
Assessor	638,291	688,291	-	688,291
Treasurer	551,531	551,531	524,972	26,559
Fiscal management	490,873	490,873	476,258	14,615
Information technology	509,681	547,315	540,112	7,203
Management services	319,104	319,104	306,671	12,433
Electoral board	113,442	140,542	125,677	14,865
Registrar	176,787	176,787	150,195	26,592
Total general and financial administration	4,050,584	4,165,318	3,198,353	966,965
Total general government administration	4,192,922	4,449,656	3,478,688	970,968
Judicial administration:				
Courts:				
Circuit Court	85,696	85,696	85,120	576
District Court	13,800	13,950	13,935	15
Magistrates	2,325	2,325	1,712	613
Juvenile and Domestic Relations District Court	15,900	16,000	15,959	41
Clerk of the Circuit Court	819,570	819,570	812,840	6,730
Circuit Court Records Preservation	-	26,938	8,213	18,725
Victim Witness Coordinator	115,130	115,130	114,553	577
Law Library	10,075	10,075	9,176	899
Other court services	11,234	11,234	11,234	-
Total courts	1,073,730	1,100,918	1,072,742	28,176
Commonwealth's Attorney	844,588	886,735	866,609	20,126
Total judicial administration	1,918,318	1,987,653	1,939,351	48,302
Public safety:				
Law enforcement and traffic control:				
Sheriff	5,844,355	5,979,935	5,910,612	69,323
Internet Crimes Grant	-	1,670,865	1,041,369	629,496
Law enforcement grants	-	192,061	153,036	39,025
Total law enforcement and traffic control	5,844,355	7,842,861	7,105,017	737,844
Fire and rescue services:				
Volunteer fire companies	988,330	988,330	883,134	105,196
Volunteer rescue squads	1,135,742	1,138,875	1,136,636	2,239
Other fire and rescue services	245,522	256,522	196,742	59,780
Total fire and rescue services	2,369,594	2,383,727	2,216,512	167,215

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, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Correction and detention:				
Blue Ridge Regional Jail	\$ 1,288,515	\$ 1,288,515	\$ 1,288,515	\$ -
VJCCCA	81,665	206,665	206,154	511
Juvenile secure detention	650,000	525,000	445,896	79,104
Total correction and detention	<u>2,020,180</u>	<u>2,020,180</u>	<u>1,940,565</u>	<u>79,615</u>
Building Inspections	<u>547,491</u>	<u>547,491</u>	<u>470,132</u>	<u>77,359</u>
Other protection:				
Animal shelter	168,382	177,882	177,226	656
Animal control	228,081	228,081	225,683	2,398
Emergency services	1,971,013	2,166,013	2,159,461	6,552
Communications center	2,273,897	2,356,835	2,256,368	100,467
Transportation Safety Committee	600	900	844	56
Total other protection	<u>4,641,973</u>	<u>4,929,711</u>	<u>4,819,582</u>	<u>110,129</u>
Total public safety	<u>15,423,593</u>	<u>17,723,970</u>	<u>16,551,808</u>	<u>1,172,162</u>
Public works:				
Sanitation and waste removal:				
Refuse collection	<u>2,735,159</u>	<u>2,735,159</u>	<u>2,610,263</u>	<u>124,896</u>
Total sanitation and waste removal	<u>2,735,159</u>	<u>2,735,159</u>	<u>2,610,263</u>	<u>124,896</u>
Maintenance – buildings and grounds:				
Housekeeping	441,847	441,847	373,155	68,692
General properties	879,999	879,999	763,723	116,276
Central garage	405,588	405,588	282,832	122,756
Total maintenance – buildings and grounds	<u>1,727,434</u>	<u>1,727,434</u>	<u>1,419,710</u>	<u>307,724</u>
Total public works	<u>4,462,593</u>	<u>4,462,593</u>	<u>4,029,973</u>	<u>432,620</u>
Health and welfare:				
Health:				
Supplement to local health department	<u>514,699</u>	<u>514,699</u>	<u>498,134</u>	<u>16,565</u>
Welfare:				
Social services	6,782,097	6,864,357	6,621,148	243,209
Youth and family services	355,737	361,002	342,743	18,259
Comprehensive services	3,170,813	3,170,813	1,620,557	1,550,256
Domestic violence	314,941	318,141	297,307	20,834
Other health and welfare	202,886	202,886	202,673	213
Total welfare	<u>10,826,474</u>	<u>10,917,199</u>	<u>9,084,428</u>	<u>1,832,771</u>
Total health and welfare	<u>11,341,173</u>	<u>11,431,898</u>	<u>9,582,562</u>	<u>1,849,336</u>
Education:				
Community college	<u>1,745</u>	<u>1,745</u>	<u>1,726</u>	<u>19</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, 2013**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Parks, recreation, and cultural:				
Recreation department	\$ 1,224,374	\$ 1,264,174	\$ 1,130,013	\$ 134,161
Cultural enrichment	122,200	122,200	115,200	7,000
Contribution to Regional Library	1,356,580	1,356,580	1,356,580	-
Total parks, recreation, and cultural	2,703,154	2,742,954	2,601,793	141,161
Community development:				
Planning and community development:				
Planning commission	64,976	64,976	55,961	9,015
Community development	839,437	889,437	817,877	71,560
GIS	238,756	238,756	225,748	13,008
Board of appeals	5,291	5,391	2,429	2,962
Economic development	333,079	427,759	385,091	42,668
Joint City/County Economic development	800,000	815,500	815,338	162
Economic development grants	-	37,835	-	37,835
Chamber of Commerce	4,750	4,750	4,750	-
Tourism	498,418	498,418	450,166	48,252
Total planning and community development	2,784,707	2,982,822	2,757,360	225,462
Environmental management:				
Erosion and sediment control	144,216	144,216	123,160	21,056
Storm Water Management	20,700	50,700	-	50,700
Soil and Water Conservation District	14,250	14,250	14,250	-
Tri-County Lake Administrative Commission	113,244	113,244	113,244	-
Total environmental management	292,410	322,410	250,654	71,756
Cooperative Extension Program:				
VPI & SU Extension Office	66,700	66,700	58,611	8,089
Cannery	33,459	33,459	28,772	4,687
Total cooperative extension program	100,159	100,159	87,383	12,776
Total community development	3,177,276	3,405,391	3,095,397	309,994
Debt Service:				
Principal retirement	1,495,000	1,495,000	1,495,000	-
Interest and other fiscal charges	419,614	608,778	552,149	56,629
Total debt service	1,914,614	2,103,778	2,047,149	56,629
Capital projects:				
General governmental	194,762	605,262	24,878	580,384
Judicial administration	81,372	81,372	-	81,372
Public safety	876,348	1,382,898	313,387	1,069,511
Public works	1,810,773	3,127,601	636,856	2,490,745
Education	8,742,350	8,742,350	6,068,416	2,673,934
Parks, recreation, and cultural	462,870	673,232	157,379	515,853
Community and economic development	2,692,314	3,375,396	2,534,081	841,315
Total capital projects	14,860,789	17,988,111	9,734,997	8,253,114
Total expenditures	59,996,177	66,297,749	53,063,444	13,234,305
Excess of Revenues over Expenditures	23,834,243	20,334,954	34,401,396	14,066,442

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, 2013**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Other Financing Sources (Uses):				
Transfers to:				
Propriety fund types	\$ -	\$ (39,658)	\$ (817,697)	\$ (778,039)
Component units	(39,041,103)	(39,696,555)	(39,518,046)	178,509
Refunding bonds issued	-	23,788,000	23,788,000	-
Premium on bonds issued	-	4,395,064	4,395,064	-
Payment to refunded bond escrow agent	-	(28,026,995)	(28,026,995)	-
Total other financing sources and uses	<u>(39,041,103)</u>	<u>(39,580,144)</u>	<u>(40,179,674)</u>	<u>(599,530)</u>
Net change in fund balance	<u>\$ (15,206,860)</u>	<u>\$ (19,245,190)</u>	<u>\$ (5,778,278)</u>	<u>\$ 13,466,912</u>

COUNTY OF BEDFORD, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

<u>Federal Grantor/Pass-Through Grantor (Commonwealth of Virginia)/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>Department of Agriculture:</u>		
<u>Pass-Through Payments:</u>		
<u>Department of Social Services:</u>		
Supplemental Nutrition Assistance Program	10.561	\$ 577,547
<u>Department of the Agriculture and Consumer Services:</u>		
Child Nutrition Cluster – National School Lunch Program (Commodities)	10.555	285,465
Child Nutrition Cluster – Summer Food Service Program for Children	10.559	585
<u>Department of Education:</u>		
Child Nutrition Cluster – National School Breakfast Program	10.553	542,680
Child Nutrition Cluster – National School Lunch Program	10.555	1,627,282
Summer Fruit and Vegetable Program	10.582	12,310
Schools and Roads – Grants to States	10.665	15,571
<u>Department Of Justice:</u>		
<u>Direct Payments:</u>		
Missing Children's Task Force	16.543	290,942
Federal Surplus Property Transfer Program	16.578	15,900
Bulletproof Vest Partnership Program	16.607	5,912
Public Safety Partnership and Community Policing Grants	16.710	88,518
JAG Program Cluster – Edward Byrne Memorial Justice Assistance Grant	16.738	18,613
ARRA – Internet Crimes Against Children Task Force Program	16.800	85,290
<u>Pass-Through Payments:</u>		
<u>Department of Criminal Justice Services:</u>		
Crime Victim Assistance	16.575	48,828
Violence Against Women Formula Grants	16.588	12,902
<u>Pass-Through Payments:</u>		
<u>Department of Social Services:</u>		
Crime Victim Assistance	16.575	44,273
<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	9,572
Occupant Protection	20.602	90
Alcohol Open Container Requirements	20.607	7,099
<u>Department of Education:</u>		
Fund for the Improvement of Education	84.215	174,971
Twenty-First Century Community Learning Centers	84.287	767,318
<u>Pass-through Payments:</u>		
<u>Department of Education:</u>		
Title I, Part A Cluster – Title I: Grants to Local Educational Agencies	84.010	1,682,437
Sepcial Education Cluster – Special Education – Grants to States	84.027	2,342,433
Vocational Education – Basic Grants to States	84.048	200,931
Special Education Cluster – Special Education – Preschool Grants	84.173	42,505

COUNTY OF BEDFORD, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

<u>Federal Grantor/Pass-Through Grantor (Commonwealth of Virginia)/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>Pass-through Payments:</u>		
<u>Department of Education:</u>		
English Language Acquisition Grants	84.365	\$ 10,596
No Child Left Behind Act	84.367	298,406
ARRA – Education Jobs Fund	84.410	904,772
<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	30,218
TANF Block Grant	93.558	430,366
Refugee and Entrant Assistance – State Administered Program	93.566	2,293
Low Income Home Energy Assistance	93.568	28,315
CCDF Cluster – Payments to States for Child Care Assistance	93.575	(21,714)
CCDF Cluster – Child Care Development Fund	93.596	59,267
Chafee Education & Training Vouchers Program	93.599	4,543
Child Welfare Services – State Grants	93.645	1,747
Foster Care – Title IV-E	93.658	357,291
Adoption Assistance	93.659	530,465
Social Service Block Grant	93.667	246,743
Family Violence Prevention and Services/Grants for Battered Women’s Shelters	93.671	40,339
Independent Living	93.674	9,365
Virginia Children’s Medical Insurance Plan	93.767	14,791
Medical Assistance Program (Medicaid; Title XIX)	93.778	350,914
<u>Department of Homeland Security:</u>		
<u>Pass-through Payments:</u>		
<u>Department of Emergency Management Services:</u>		
Emergency Management Performance Grants	97.042	8,660
Total Expenditures of Federal Awards		<u>\$ 12,207,351</u>

Note 1. Basis of Accounting

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

Note 2. Nonmonetary Assistance

Nonmonetary assistance is reported in the Schedule of Expenditures of Federal Awards at the fair market value of the food commodities or food stamps disbursed. At year end, the County had food commodity inventory totaling \$585 and the School Board had commodity inventory of \$285,465.

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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
	Restated		Restated							
Governmental activities										
Net investment in capital assets	\$ 12,147,741	\$ 15,401,751	\$ 16,915,012	\$ 19,769,906	\$ 21,352,975	\$ 21,945,190	\$ 22,587,976	\$ 23,428,803	\$ 23,524,890	\$ 24,869,124
Restricted	658,644	18,817	989,905	7,516	5,342	57	20	3	648,562	127,265
Unrestricted	(14,857,305)	(18,605,404)	(17,629,741)	(30,928,461)	(39,372,692)	(38,605,383)	(29,263,886)	(20,875,025)	(12,143,308)	(15,860,897)
Total governmental activities net position	\$ (2,050,920)	\$ (3,184,836)	\$ 275,176	\$ (11,151,039)	\$ (18,014,375)	\$ (16,660,136)	\$ (6,675,890)	\$ 2,553,781	\$ 12,030,144	\$ 9,135,492
Business-type activities										
Net investment in capital assets	\$ 5,416,677	\$ 6,175,620	\$ 12,580,147	\$ 11,467,746	\$ 11,329,513	\$ 16,346,809	\$ 16,206,826	\$ 15,617,382	\$ 14,816,621	\$ 13,012,464
Restricted	-	-	-	-	-	48	19	4	3	-
Unrestricted	4,650,107	10,489,870	4,726,144	5,282,464	5,762,678	2,148,113	2,557,009	3,152,150	2,792,561	3,078,850
Total business-type activities net position	\$ 10,066,784	\$ 16,665,490	\$ 17,306,291	\$ 16,750,210	\$ 17,092,191	\$ 18,494,970	\$ 18,763,854	\$ 18,769,536	\$ 17,609,185	\$ 16,091,314
Primary government										
Net investment in capital assets	\$ 17,564,418	\$ 21,577,371	\$ 29,495,159	\$ 31,237,652	\$ 32,682,488	\$ 38,291,999	\$ 38,794,802	\$ 39,046,185	\$ 38,341,511	\$ 37,881,588
Restricted	658,644	18,817	989,905	7,516	5,342	105	39	7	648,565	127,265
Unrestricted	(10,207,198)	(8,115,534)	(12,903,597)	(25,645,997)	(33,610,014)	(36,457,270)	(26,706,877)	(17,722,875)	(9,350,747)	(12,782,047)
Total primary government net position	\$ 8,015,864	\$ 13,480,654	\$ 17,581,467	\$ 5,599,171	\$ (922,184)	\$ 1,834,834	\$ 12,087,964	\$ 21,323,317	\$ 29,639,329	\$ 25,226,806
Component Unit – School Board (1)										
Net investment in capital assets	\$ 71,513,428	\$ 69,738,099	\$ 69,230,835	\$ 86,529,453	\$ 103,265,540	\$ 105,979,076	\$ 103,254,031	\$ 101,059,369	\$ 97,278,860	\$ 96,063,553
Restricted	-	58,221	-	3,069	2,176	331	20	4	763,216	4
Unrestricted	3,878,993	3,456,795	3,310,400	4,156,055	3,268,571	4,923,623	5,407,005	5,346,181	3,962,736	3,915,714
Total component unit – School Board net position	\$ 75,392,421	\$ 73,253,115	\$ 72,541,235	\$ 90,688,577	\$ 106,536,287	\$ 110,903,030	\$ 108,661,056	\$ 106,405,554	\$ 102,004,812	\$ 99,979,271

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

Table 2

COUNTY OF BEDFORD, VIRGINIA

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
	Restated		Restated							
Primary Government:										
Expenses										
Governmental activities:										
General government	\$ 2,517,950	\$ 2,788,055	\$ 2,924,255	\$ 3,824,050	\$ 3,380,053	\$ 3,571,372	\$ 3,735,551	\$ 4,084,722	\$ 3,623,380	\$ 3,691,404
Judicial administration	1,660,103	1,811,883	1,947,871	2,056,926	2,284,198	2,537,675	2,365,312	2,323,836	2,236,346	2,328,645
Public safety	10,270,852	10,927,145	11,626,173	12,666,867	13,833,606	14,777,921	14,860,554	14,908,199	16,052,649	17,641,751
Public works	4,547,937	4,453,992	5,453,172	5,370,581	5,502,498	4,712,842	4,665,741	4,085,930	3,966,475	4,688,457
Health and welfare	12,148,631	13,458,791	11,638,152	12,074,123	13,059,878	10,911,164	10,445,685	10,441,003	9,782,800	9,706,770
Education	23,608,373	24,721,347	29,242,511	47,347,095	47,741,253	37,412,680	27,959,531	28,843,332	27,870,369	40,154,179
Parks, recreational, and cultural	2,234,339	2,503,139	2,571,247	2,700,063	3,236,708	3,071,792	3,011,340	2,870,815	2,763,383	2,838,982
Community development	5,012,657	5,737,018	6,720,905	6,773,411	6,204,133	5,393,145	5,032,293	5,255,719	5,220,060	5,703,012
Interest on long-term debt	3,600,201	3,354,821	3,039,416	4,506,633	4,577,074	4,780,219	4,002,134	3,849,961	3,473,234	3,674,625
Total governmental activities expenses	65,601,043	69,756,191	75,163,702	97,319,749	99,819,401	87,168,810	76,078,141	76,663,517	74,988,696	90,427,825
Business-type activities:										
Group homes	-	-	-	-	-	2,025,932	1,929,560	1,993,131	2,023,174	1,452,772
Nursing home	2,111,571	2,264,728	2,427,190	3,604,364	4,342,769	5,059,249	5,082,479	5,538,976	5,383,423	5,226,464
Solid waste	2,498,231	1,982,096	2,278,683	2,486,645	2,806,450	1,663,395	2,325,292	2,279,669	3,208,084	3,700,318
Total business-type activities expenses	4,609,802	4,246,824	4,705,873	6,091,009	7,149,219	8,748,576	9,337,331	9,811,776	10,614,681	10,379,554
Total primary government expenses	\$ 70,210,845	\$ 74,003,015	\$ 79,869,575	\$ 103,410,758	\$ 106,968,620	\$ 95,917,386	\$ 85,415,472	\$ 86,475,293	\$ 85,603,377	\$ 100,807,379
Program Revenues										
Governmental activities:										
Charges for services:										
Public safety	\$ 1,100,746	\$ 1,177,471	\$ 1,288,243	\$ 1,265,036	\$ 2,163,510	\$ 2,443,376	\$ 2,262,367	\$ 2,339,436	\$ 2,287,544	\$ 2,780,427
Health and welfare	1,445,538	1,956,513	2,237,056	2,274,424	2,921,589	1,058,391	1,044,637	814,513	822,149	846,663
Community development	391,369	491,279	647,038	571,151	535,270	438,539	394,042	326,217	262,608	190,748
Other activities	964,212	833,180	973,939	1,063,298	963,336	1,028,522	926,581	908,164	794,555	854,456
Operating grants and contributions	13,150,699	13,458,742	11,669,652	11,728,169	13,585,678	12,833,423	12,213,856	11,616,928	10,956,576	11,475,946
Capital grants and contributions	212,952	92,999	362,228	583,838	1,377,486	333,475	125,180	572,784	53,965	218,081
Total governmental activities program revenues	17,265,516	18,010,184	17,178,156	17,485,916	21,546,869	18,135,726	16,966,663	16,578,042	15,177,397	16,366,321
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	2,026,175	2,194,365	2,496,310	2,730,766	4,487,317	5,013,390	5,280,011	5,223,478	5,130,089	5,543,359
Solid Waste	2,792,072	2,634,072	2,673,304	2,603,368	2,145,939	1,959,824	1,940,554	1,966,176	1,995,213	1,973,378
Operating grants and contributions	66,801	69,937	104,642	235,702	360,639	324,405	401,302	540,807	538,281	397,699
Capital grants and contributions	-	-	3,086	-	-	-	-	-	-	-
Total business-type activities program revenues	4,885,048	4,898,374	5,277,342	5,569,836	6,993,895	9,621,523	9,581,233	9,780,223	9,429,200	8,981,816
Total primary government program revenues	22,150,564	22,908,558	22,455,498	23,055,752	28,540,764	27,757,249	26,547,896	26,358,265	24,606,597	25,348,137
Net (expense) revenue (1)										
Governmental activities	(48,335,527)	(51,746,007)	(57,985,546)	(79,833,833)	(78,272,532)	(69,033,084)	(59,111,478)	(60,085,475)	(59,811,299)	(74,061,504)
Business-type activities	275,246	651,550	571,469	(521,173)	(155,324)	872,947	243,902	(31,553)	(1,185,481)	(1,397,738)
Total primary government net expense	(48,060,281)	(51,094,457)	(57,414,077)	(80,355,006)	(78,427,856)	(68,160,137)	(58,867,576)	(60,117,028)	(60,996,780)	(75,459,242)

(Continued)

Table 2

COUNTY OF BEDFORD, VIRGINIA

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
	Restated			Restated						
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 38,661,676	\$ 39,697,006	\$ 41,735,306	\$ 45,592,782	\$ 50,206,992	\$ 53,448,639	\$ 52,390,092	\$ 52,096,954	\$ 51,879,533	\$ 52,749,509
Other local taxes	8,602,719	9,539,914	11,243,214	11,481,043	12,420,350	9,932,722	10,026,312	10,271,067	10,215,999	10,435,809
Noncategorical state aid	6,522,300	6,327,009	6,577,321	6,972,228	6,745,218	6,537,665	6,271,093	6,337,356	6,598,813	6,611,332
Investment earnings-unrestricted	317,882	643,319	1,159,965	1,419,147	1,134,312	507,834	174,192	292,420	248,974	246,068
Investment earnings-restricted for capital projects and debt service	-	-	-	1,925,215	738,678	187,973	6,818	3,023	7,070	14,986
Miscellaneous	124,368	128,540	229,752	378,575	162,905	107,511	227,217	314,326	337,273	946,856
Transfers	(427,382)	(5,723,697)	500,000	638,628	741	(335,021)	-	-	-	162,292
Special Item - contribution of capital assets	97,000	-	-	-	-	-	-	-	-	-
Total governmental activities	53,898,563	50,612,091	61,445,558	68,407,618	71,409,196	70,387,323	69,095,724	69,315,146	69,287,662	71,166,852
Business-type activities:										
Investment earnings-unrestricted and restricted	100,664	218,146	569,332	603,720	498,046	190,527	25,056	23,637	21,315	38,382
Miscellaneous	371	5,313	-	-	-	4,284	26	13,498	13	3,777
Transfers	427,382	5,723,697	(500,000)	(638,628)	(741)	335,021	-	-	3,802	(162,292)
Total business-type activities	528,417	5,947,156	69,332	(34,908)	497,305	529,832	25,082	37,135	25,130	(120,133)
Total primary government	\$ 54,426,980	\$ 56,559,247	\$ 61,514,890	\$ 68,372,710	\$ 71,906,501	\$ 70,917,155	\$ 69,120,806	\$ 69,352,281	\$ 69,312,792	\$ 71,046,719
Change in Net Position										
Governmental activities	\$ 5,563,036	\$ (1,133,916)	\$ 3,460,012	\$ (11,426,215)	\$ (6,863,336)	\$ 1,354,239	\$ 9,984,246	\$ 9,229,671	\$ 9,476,363	\$ (2,894,652)
Business-type activities	803,663	6,598,706	640,801	(556,081)	341,981	1,402,779	268,984	5,582	(1,160,351)	(1,517,871)
Total Primary Government	\$ 6,366,699	\$ 5,464,790	\$ 4,100,813	\$ (11,982,296)	\$ (6,521,355)	\$ 2,757,018	\$ 10,253,230	\$ 9,235,253	\$ 8,316,012	\$ (4,412,523)
Component Unit-School Board: (2)										
Expenses										
Education	\$ 74,832,422	\$ 83,292,902	\$ 88,838,635	\$ 95,021,813	\$ 99,029,507	\$ 103,365,329	\$ 98,735,253	\$ 92,148,786	\$ 93,926,813	\$ 102,516,696
Program Revenues										
Charges for services	7,832,329	8,152,270	8,414,045	8,888,476	8,883,190	9,137,849	9,603,258	6,386,146	7,848,217	8,405,921
Operating grants and contributions	15,382,207	16,425,570	17,788,003	19,418,681	21,392,617	20,330,558	23,965,199	20,959,960	20,643,938	19,374,378
Capital grants and contributions	350,037	200,829	71,016	15,128	500,990	10,000	-	-	-	-
Total component unit program revenues	23,564,573	24,778,669	26,273,064	28,322,285	30,776,797	29,478,407	33,568,457	27,346,106	28,492,155	27,780,299
Net (expense)/revenue	(51,267,849)	(58,514,233)	(62,565,571)	(66,699,528)	(68,252,710)	(73,886,922)	(65,166,796)	(64,802,680)	(65,434,658)	(74,736,397)
General Revenues and Other Changes in Net Position										
Contribution from primary government	23,497,966	24,644,950	29,213,615	47,318,197	47,739,518	37,410,945	27,911,539	28,791,675	27,868,624	40,152,454
State aid	26,531,348	31,598,089	32,487,146	36,864,684	36,088,770	40,803,551	34,945,640	33,698,695	32,987,401	32,282,549
Investment earnings-unrestricted	-	-	-	-	5	-	-	2,427	-	-
Investment earnings-restricted for capital projects and debt service	-	-	-	-	6,983	1,466	141	62	37	1,101
Miscellaneous	87,328	131,888	152,930	663,989	265,144	37,703	67,502	54,319	177,854	274,752
Total general revenues and other changes in net assets	50,116,642	56,374,927	61,853,691	84,846,870	84,100,420	78,253,665	62,924,822	62,547,178	61,033,916	72,710,856
Total Component Unit-School Board Change in Net Position	\$ (1,151,207)	\$ (2,139,306)	\$ (711,880)	\$ 18,147,342	\$ 15,847,710	\$ 4,366,743	\$ (2,241,974)	\$ (2,255,502)	\$ (4,400,742)	\$ (2,025,541)

Table 3

COUNTY OF BEDFORD, VIRGINIA

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Funds										
General Fund										
Nonspendable	\$ 498,652	\$ 498,749	\$ 513,288	\$ 527,075	\$ 527,941	\$ 535,613	\$ 572,710	\$ 591,378	\$ 609,118	\$ 617,553
Restricted	1,138,982	671,586	41,569,441	21,033,575	9,748,039	2,753,499	248,090	246,949	8,064,388	770,552
Committed	4,869,787	5,970,480	5,962,792	3,523,951	3,589,869	5,333,247	5,845,833	4,471,108	4,847,144	7,710,886
Assigned	23,144,397	18,451,456	18,266,861	20,369,879	20,450,272	21,095,931	22,045,371	21,344,121	26,773,987	22,154,070
Unassigned	-	-	447,950	1,945,297	5,029,081	7,078,298	11,780,390	18,035,007	16,186,173	18,055,021
Total governmental funds	\$ 29,651,818	\$ 25,592,271	\$ 66,760,332	\$ 47,399,777	\$ 39,345,202	\$ 36,796,588	\$ 40,492,394	\$ 44,688,563	\$ 56,480,810	\$ 49,308,082

Table 4

COUNTY OF BEDFORD, VIRGINIA

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
General property taxes	\$ 38,739,358	\$ 39,752,665	\$ 41,752,060	\$ 46,534,525	\$ 50,435,680	\$ 53,224,141	\$ 51,970,906	\$ 51,542,750	\$ 51,962,404	\$ 52,987,699
Other local taxes	8,636,512	9,538,475	11,233,025	11,538,775	12,429,090	9,931,350	10,023,749	10,212,720	10,224,275	10,491,533
Permits, privilege fees, and regulatory licenses	787,066	846,390	966,639	911,748	752,110	502,972	469,212	520,504	403,614	491,867
Fines and forfeitures	209,378	195,903	165,256	156,098	125,643	149,258	206,289	175,543	155,453	159,438
Revenue from use of money and property	379,459	749,511	1,252,371	3,455,870	1,983,920	783,989	227,479	323,446	286,553	296,329
Charges for services	1,363,064	1,466,650	1,708,253	2,019,517	3,297,142	1,945,017	1,736,611	1,612,856	1,651,322	2,038,596
Other	369,553	265,707	439,845	815,087	975,822	504,790	586,216	836,223	551,202	881,022
Recovered costs	1,152,417	1,627,975	1,886,865	1,756,255	1,893,579	2,091,841	1,858,219	1,785,592	1,709,688	1,759,014
Intergovernmental	18,389,038	18,303,707	18,226,520	19,305,784	20,221,553	20,549,462	18,633,912	18,508,921	17,662,423	18,393,111
Total revenues	70,025,845	72,746,983	77,630,834	86,493,659	92,114,539	89,682,820	85,712,593	85,518,555	84,606,934	87,498,609
Expenditures										
General government administration	2,365,699	3,094,329	2,723,253	3,692,154	3,012,437	3,167,848	3,368,948	3,804,248	3,380,525	3,501,138
Judicial administration	1,274,706	1,377,361	1,520,552	1,633,882	1,889,969	2,116,953	1,968,828	1,945,473	1,854,452	1,945,807
Public safety	9,636,510	10,492,596	11,013,979	11,895,295	13,082,577	14,098,374	14,135,048	13,974,585	15,319,034	16,754,396
Public works	4,266,765	4,376,124	4,704,841	4,691,966	4,317,006	4,199,905	4,124,046	4,128,287	4,103,729	4,061,034
Health and welfare	10,608,966	11,428,047	11,769,995	11,910,543	12,592,205	10,706,610	10,293,539	10,293,677	9,426,911	9,548,473
Education	24,691,693	23,590,933	27,523,126	28,189,811	29,281,512	29,893,180	27,758,039	27,926,157	28,889,100	32,546,495
Parks, recreation, and cultural	2,026,183	2,218,636	2,265,495	2,523,411	2,568,142	2,766,085	2,729,488	2,524,712	2,556,162	2,583,097
Community development	2,122,603	2,459,735	2,666,576	4,631,435	3,151,955	3,269,112	2,942,518	2,911,920	3,017,817	3,101,816
Debt service										
Principal	5,180,907	5,136,513	5,408,595	5,551,341	6,327,234	6,203,703	6,138,043	5,988,946	5,928,101	5,788,415
Interest and other fiscal charges	3,825,880	3,427,841	3,753,315	4,510,107	4,597,358	4,779,182	4,089,104	3,794,573	3,526,435	3,619,767
Capital projects	5,001,833	6,254,783	6,985,756	26,644,484	25,163,154	11,292,405	4,469,186	4,029,808	2,812,421	10,563,835
Total expenditures	71,001,745	73,856,898	80,335,483	105,874,429	105,983,549	92,493,357	82,016,787	81,322,386	80,814,687	94,014,273
Excess of revenues over (under) expenditures	(975,900)	(1,109,915)	(2,704,649)	(19,380,770)	(13,869,010)	(2,810,537)	3,695,806	4,196,169	3,792,247	(6,515,664)
Other Financing Sources (Uses)										
Transfers in	-	1,000,000	500,000	20,215	-	261,923	-	-	-	-
Transfers out	(427,382)	(6,723,697)	-	-	-	-	-	-	-	(813,133)
Issuance of debt	-	2,700,000	42,145,000	-	5,420,000	-	-	-	-	-
Refunding bonds issued	-	1,938,650	14,115,000	-	-	-	-	-	-	23,788,000
Premiums on issuance of debt	-	-	1,133,073	-	394,435	-	-	-	-	4,395,064
Payment to refunded bond escrow agent	-	(2,303,766)	(14,023,715)	-	-	-	-	-	-	(28,026,995)
Capital lease proceeds	-	439,181	3,352	-	-	-	-	-	8,000,000	-
Total other financing sources and uses	(427,382)	(2,949,632)	43,872,710	20,215	5,814,435	261,923	-	-	8,000,000	(657,064)
Net change in fund balances	\$ (1,403,282)	\$ (4,059,547)	\$ 41,168,061	\$ (19,360,555)	\$ (8,054,575)	\$ (2,548,614)	\$ 3,695,806	\$ 4,196,169	\$ 11,792,247	\$ (7,172,728)

Table 4

COUNTY OF BEDFORD, VIRGINIA

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt Service as a Percentage of Noncapital Expenditures:										
Primary Government:										
Total debt service	\$ 9,006,787	\$ 8,564,354	\$ 9,161,910	\$ 10,061,448	\$ 10,924,592	\$ 10,982,885	\$ 10,227,147	\$ 9,783,519	\$ 9,454,536	\$ 9,408,182
Total expenditures	71,001,745	73,856,898	80,335,483	105,874,429	105,983,549	92,493,357	82,016,787	81,322,386	80,814,687	94,014,273
Capital outlay primary government only	2,368,844	3,912,007	1,783,156	5,619,913	2,310,305	2,061,660	1,543,981	1,806,521	1,113,164	1,221,496
Noncapital expenditures	68,632,901	69,944,891	78,552,327	100,254,516	103,673,244	90,431,697	80,472,806	79,515,865	79,701,523	92,792,777
Debt service as a percentage of noncapital expenditures	13.12%	12.24%	11.66%	10.04%	10.54%	12.14%	12.71%	12.30%	11.86%	10.14%
Component Unit-School Board:										
Total debt service	896,977	976,162	1,023,670	1,110,537	1,220,437	1,312,395	1,279,589	1,253,283	1,094,691	923,386
School expenditures excluding County contribution	48,876,241	58,624,404	60,656,202	66,200,598	69,451,815	70,190,000	67,843,266	62,835,578	61,441,387	61,962,350
Capital outlay Component Unit - School Board	1,889,349	2,231,564	3,369,261	21,360,629	21,329,683	7,990,979	2,199,985	2,870,303	657,301	3,330,385
Noncapital expenditures	46,986,892	56,392,840	57,286,941	44,839,969	48,122,132	62,199,021	65,643,281	59,965,275	60,784,086	58,631,965
Primary Government and Component Unit-Schools										
Total Debt Service	9,903,764	9,540,516	10,185,580	11,171,985	12,145,029	12,295,280	11,506,736	11,036,802	10,549,227	10,331,568
Total Noncapital Expenditure	\$ 115,619,793	\$ 126,337,731	\$ 135,839,268	\$ 145,094,485	\$ 151,795,376	\$ 152,630,718	\$ 146,116,087	\$ 139,481,140	\$ 140,485,609	\$ 151,424,742
Debt Service as a percentage of noncapital expenditures	8.57%	7.55%	7.50%	7.70%	8.00%	8.06%	7.88%	7.91%	7.51%	6.82%

- (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 relected 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			
2003	\$ 3,452,878,879	\$ 179,546,500	\$ 827,089,700	\$ 220,822,402	\$ 392,410,800	\$ 4,287,926,681	0.66
2004	3,560,745,194	206,542,600	827,586,511	210,873,333	395,596,411	4,410,151,227	0.65
2005	3,728,060,857	208,868,800	833,212,811	189,128,993	389,201,911	4,570,069,550	0.65
2006	3,943,680,332	215,050,200	839,390,200	161,543,522	389,244,300	4,770,419,954	0.65
2007	6,416,922,632	316,676,800	1,789,627,000	240,590,375	1,151,428,300	7,612,388,507	0.50
2008	6,607,003,403	323,909,200	1,797,799,400	226,978,152	1,173,745,100	7,781,945,055	0.50
2009	6,745,894,103	328,639,600	1,800,619,100	247,559,296	1,177,476,400	7,945,235,699	0.50
2010	6,717,623,265	433,072,300	1,792,334,000	255,469,933	1,191,870,500	8,006,628,998	0.50
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

- (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	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Real Estate:										
General Fund	\$ 0.65	\$ 0.65	\$ 0.65	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50

Source: Bedford County Commissioner of the Revenue

Table 7

COUNTY OF BEDFORD, VIRGINIA

Principal Real Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	2012 Calendar Year			2003 Calendar Year		
	Assessed Valuation	Rank	% of Total Taxable Assessed Valuation	Assessed Valuation	Rank	% of Total Taxable Assessed Valuation
Appalachian Power Co	\$ 125,545,970	1	1.60%	\$ 104,922,440	1	2.45%
Teva Pharmaceuticals Industries Ltd	44,992,300	2	0.57%	25,045,800	3	0.58%
Verizon Virginia Inc	42,288,196	3	0.54%	51,751,949	2	1.21%
Norfolk & Western Railway Co	35,171,225	4	0.45%	18,879,312	4	0.44%
Southside Electric Corporation	25,610,120	5	0.33%	16,376,395	5	0.38%
GP (Georgia Pacific) Big Island LLC	17,515,600	6	0.22%	11,996,000	6	0.28%
Wal-Mart	9,945,300	7	0.13%	9,857,200	7	0.23%
Boonsboro Country Club	9,761,400	8	0.12%	-		-
Center for Advanced Engineering & Research	9,156,700	9	0.12%	-		-
Crystal Shores Marina Resort	8,743,900	10	0.11%	-		-
Sentry Equipment Erectors	-		-	7,154,400	8	0.17%
Coleman Co LLC	-		-	7,061,100	9	0.16%
Forest Square Corp	-		-	6,337,500	10	0.15%
Total	<u>\$ 328,730,711</u>		<u>4.19%</u>	<u>\$ 259,382,096</u>		<u>6.05%</u>

Table 8

COUNTY OF BEDFORD, VIRGINIA

Real Property Tax Levies and Collections
Last Ten Fiscal Years

Tax Year	Tax Levied for the Tax Year	Adjustments	Total Adjusted Levy	Collection within the Tax Year of Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Tax Levy		Amount	Percentage of Tax Levy
2003	\$ 28,222,324	\$ 289,352	\$ 28,511,676	\$ 26,822,895	95.04%	\$ 1,681,694	\$ 28,504,589	99.98%
2004	28,657,083	365,367	29,022,450	27,320,457	95.34%	1,692,664	29,013,121	99.97%
2005	29,651,153	356,135	30,007,288	28,215,897	95.16%	1,777,245	29,993,142	99.95%
2006	30,956,215	281,195	31,237,410	29,620,209	95.68%	1,591,381	31,211,590	99.92%
2007	37,875,560	238,867	38,114,427	36,284,648	95.80%	1,765,500	38,050,148	99.83%
2008	38,711,970	167,839	38,879,809	37,040,942	95.68%	1,743,201	38,784,143	99.75%
2009	39,442,413	85,252	39,527,665	37,530,764	95.15%	1,841,648	39,372,412	99.61%
2010	39,794,973	89,384	39,884,357	37,517,045	94.28%	2,096,163	39,613,208	99.32%
2011	38,373,116	106,931	38,480,047	36,479,693	95.07%	1,581,390	38,061,083	98.91%
2012	38,826,705	65,050	38,891,755	37,047,971	95.42%	1,129,192	38,177,163	98.16%

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			
2004	\$ 5,520,000	\$ 1,244,389	\$ 43,629,587	\$ 15,246,950	\$ -	\$ -	\$ 72,928	\$ 65,713,854	2.99%	1,038
2005	5,125,000	988,949	40,241,929	16,541,893	418,025	-	46,017	63,361,813	2.75%	983
2006	4,880,000	733,509	36,849,963	57,839,114	337,967	-	322,107	100,962,660	4.17%	1,515
2007	4,460,000	478,069	33,462,654	56,437,830	250,661	-	241,800	95,331,014	3.64%	1,429
2008	4,040,000	222,629	35,730,154	54,027,709	161,488	-	178,610	94,360,590	3.31%	1,396
2009	3,620,000	-	32,548,964	48,583,557	70,756	2,970,000	112,189	87,905,466	3.17%	1,293
2010	3,200,000	-	29,245,342	46,239,890	-	2,775,000	42,369	81,502,601	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	*	1,114
2013	1,960,000	-	43,704,770	16,640,000	8,000,000	-	295,291	70,600,061	*	*

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

* Unavailable

Table 10

COUNTY OF BEDFORD, VIRGINIA

Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Real Property (1)	Per Capita (2)
	County General Obligation	School General Obligation	Total Primary Government		
2004	\$ 5,520,000	\$ 44,873,976	\$ 50,393,976	1.14%	796
2005	5,125,000	41,230,878	46,355,878	1.01%	719
2006	4,880,000	37,583,472	42,463,472	0.89%	637
2007	4,460,000	33,940,723	38,400,723	0.50%	576
2008	4,040,000	35,952,783	39,992,783	0.51%	591
2009	3,620,000	32,548,964	36,168,964	0.46%	532
2010	3,200,000	29,245,342	32,445,342	0.41%	471
2011	2,785,000	26,084,759	28,869,759	0.36%	416
2012	2,370,000	22,893,185	25,263,185	0.33%	363
2013	1,960,000	43,704,770	45,664,770	0.58%	*

(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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net debt applicable to parameter	\$ 65,640,926	\$ 63,315,796	\$ 100,640,553	\$ 95,089,214	\$ 94,181,980	\$ 84,823,277	\$ 78,685,232	\$ 72,696,286	\$ 74,768,185	\$ 70,304,770
Net debt as a percentage of assessed value (not to exceed 3.5%)	1.49%	1.39%	2.11%	1.25%	1.21%	1.07%	0.98%	0.94%	0.95%	0.89%
Net debt per capita (not to exceed \$1,750)	\$ 1,037	\$ 982	\$ 1,510	\$ 1,425	\$ 1,393	\$ 1,247	\$ 1,142	\$ 1,048	\$ 1,074	*
Debt service as a percentage of General Governmental Expenditures (not to exceed 15%)	8.61%	7.57%	7.61%	7.69%	8.14%	8.12%	7.92%	7.88%	7.57%	7.11%

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

* Unavailable

Table 12

COUNTY OF BEDFORD, VIRGINIA

Demographic and Economic Statistics
Last Ten Calendar Years

Year	Population (1)	Personal Income (2) (5) (thousands of dollars)	Per Capita Personal Income (2) (6)	School Enrollment (3)	Unemployment Rate (4)
2004	63,326	\$ 2,196,637	\$ 31,317	10,772	3.7%
2005	64,489	2,304,368	32,333	10,801	3.4%
2006	66,645	2,421,037	33,674	10,851	2.9%
2007	66,715	2,618,524	35,934	10,951	2.9%
2008	67,616	2,846,751	39,114	10,774	3.6%
2009	68,003	2,772,227	37,715	10,646	6.7%
2010	68,880	2,836,787	37,827	10,590	6.8%
2011	69,379	2,911,097	38,595	10,363	6.2%
2012	69,637	*	*	10,299	5.8%
2013	*	*	*	10,302	5.5%

Sources: (1) Weldon Cooper Center for Public Service, University of Virginia, intercensal estimates for FY 2004 through FY 2010 and estimates for FY 2011 through FY 2012.

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

(3) March 31 ADM

(4) Virginia Employment Commission calendar year data for 2004-2012. Data for 2013 is average for January 1, 2013 through June 30, 2013.

(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	2013		2004	
	Employees	Rank	Employees	Rank
Bedford County School Board	1,000+	1	1,000+	1
County of Bedford	500-999	2	250-499	2
** Teva Pharmaceuticals Industries Ltd	500-999	3	250-499	4
Mail America Communications	250-499	4	100-249	8
*** GP (Georgia Pacific) Big Island LLC	250-499	5	250-499	3
* Staffmark Investment LLC	250-499	6	-	
Walmart	250-499	7	-	
Food Lion	100-249	8	250-499	7
* Elwood Staffing Services Inc	100-249	9	-	
Sentry Equipment Erectors	100-249	10	100-249	9
Inservice America	-		250-499	5
* Alpha Omega Resources	-		250-499	6
Jordan Air Express	-		100-249	10

Source: Virginia Employment Commission

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

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

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

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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government administration	43.5	43.5	43.5	44.3	44.8	47.0	45.9	46.2	46.8	45.0
Judicial administration	24.3	26.8	27.5	27.8	29.3	28.3	28.3	28.3	28.0	28.8
Public safety	106.0	107.5	114.0	120.3	131.8	138.0	146.0	141.8	151.6	154.3
Public works	38.0	41.8	47.8	51.3	52.3	52.3	53.0	50.9	51.8	49.0
Health & welfare	70.5	73.8	80.8	82.8	85.3	84.3	82.2	82.6	81.8	83.8
Parks, recreation, and cultural	13.0	13.8	13.8	14.3	12.8	14.0	13.0	12.8	13.0	12.5
Community development	21.0	25.3	27.5	27.8	29.5	30.0	26.8	25.3	25.5	25.5
Other funds										
Group homes	19.3	20.8	22.5	26.0	31.5	34.3	32.0	33.8	35.3	23.0
Nursing home	50.3	52.5	51.0	63.8	83.8	93.8	94.5	99.8	98.8	96.8
Solid waste	14.3	14.3	15.0	15.0	15.5	16.0	16.3	15.6	17.3	18.0
Other funds	83.9	87.6	88.5	104.8	130.8	144.1	142.8	149.2	151.4	137.8
Total primary government	400.2	420.1	443.4	473.4	516.6	538.0	538.0	537.1	549.9	536.7
Education	1,646.0	1,751.0	1,832.0	1,836.0	1,819.0	1,750.0	1,744.0	1,683.0	1,619.0	1,615.0
Total	2,046.2	2,171.1	2,275.4	2,309.4	2,335.6	2,288.0	2,282.0	2,220.1	2,168.9	2,151.7

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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public safety										
Sheriff										
Number of calls	27,087	28,804	30,329	30,130	32,442	33,477	32,951	36,934	36,297	35,686
Criminal warrants served	2,487	2,619	2,678	3,612	3,964	3,174	3,156	3,359	1,584	1,197
Other warrants/protective orders served	3,177	3,245	3,230	798	982	1,566	1,561	1,464	1,201	1,052
Civil papers handled	16,172	18,393	21,459	23,912	23,353	24,271	23,181	21,209	20,743	20,090
Building inspections										
Number of permits	2,160	2,092	2,045	2,144	1,935	1,471	1,439	1,402	1,260	1,417
Value of permits	\$ 162,652,211	\$ 181,582,198	\$ 243,905,223	\$ 241,579,114	\$ 170,770,127	\$ 90,784,891	\$ 91,434,427	\$ 94,222,524	\$ 72,847,955	\$ 90,876,889
Fire and rescue										
Number of Volunteers	825	770	752	737	698	661	619	600	606	600
Number of EMS calls	9,312	9,486	10,758	12,530	14,238	13,864	15,399	15,727	15,054	15,951
Number of fire calls	2,956	3,082	3,424	3,781	3,847	4,042	3,463	3,522	3,380	3,051
Public Works										
Refuse collection										
Incoming waste tonnage										
Industrial	94	434	76	32	29	31	46	25	26	25
Commercial	13,202	13,735	15,990	15,956	15,530	12,904	12,147	13,772	14,164	14,315
County collection system	27,324	27,679	26,790	27,933	25,929	24,117	24,550	24,176	23,908	23,698
Commercial hauled residential	2,640	2,176	1,662	1,309	1,437	1,507	1,536	1,560	1,561	1,538
Residential hauled	1,926	1,924	2,006	2,038	2,027	1,824	1,768	1,890	1,977	2,095
Total	45,186	45,948	46,524	47,268	44,952	40,383	40,047	41,423	41,636	41,671
Recyclable tonnage collected	805	914	1,308	1,598	1,701	1,731	1,905	1,949	2,019	1,977
Parks, recreation, and cultural										
(1) Parks and recreation										
Number of child participants	5,379	5,584	5,015	5,924	5,328	5,506	5,674	5,264	5,776	5,822
Number of adult participants	486	114	508	1,012	740	985	837	859	913	945
Number of senior participants	1,968	2,614	2,606	3,912	4,351	4,025	3,993	3,585	4,150	3,987
Scheduled events	14	8	9	12	10	12	11	8	8	8
Number of event participants	1,335	1,410	1,237	1,933	1,705	1,986	1,623	1,180	1,031	1,001
Trips/tours	42	33	53	45	40	46	66	29	26	24
Number of trip participants	1,299	1,084	2,326	1,249	1,188	1,177	1,419	554	364	355

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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public safety										
Sheriff										
Stations	6	6	6	9	7	9	5	5	5	5
Patrol units	82	88	88	91	94	99	99	102	109	107
Fire & rescue										
Rescue squads	11	11	11	11	11	11	11	11	11	11
Satellite rescue squads	3	4	5	5	5	5	5	5	5	5
Fire companies	10	10	10	10	10	10	10	10	10	10
Marine based fire company	1	1	1	1	1	1	1	1	1	1
Satellite fire companies	6	8	9	9	9	9	9	9	9	9
Public works										
Refuse collection										
County convenience centers										
Unstaffed	1	1	1	1	1	1	1	1	1	1
Partially staffed	8	6	6	5	5	5	4	4	4	4
Fully staffed	5	7	8	9	9	9	10	10	10	10
Total county convenience centers	14	14	15	15	15	15	15	15	15	15
Leased convenience centers										
Unstaffed	2	2	2	2	1	0	0	0	0	0
Partially staffed	10	10	9	9	9	10	10	10	10	10
Total leased convenience centers	12	12	11	11	10	10	10	10	10	10
Recycling centers	9	10	12	12	12	12	13	13	13	13
Parks, recreation, and cultural										
Parks & recreation										
Acreage	625	625	625	625	625	625	625	625	625	625
County parks	4	4	4	4	4	4	4	4	4	4
Leased parks	8	8	8	8	8	8	8	8	8	8
Skate Park	0		0	0	0	0	0	1	1	1
Walking/biking trails - miles developed	5	5	5	7	16	18	18	18	21	23
County baseball/softball diamonds	1	1	1	3	3	4	4	4	4	4
Leased baseball/softball diamonds	38	38	38	38	38	39	39	39	39	39
Football fields	3	3	4	4	4	4	4	4	4	4
County soccer fields	3	3	3	3	3	3	3	3	3	3
Leased soccer fields	37	37	37	37	37	37	37	37	37	37
Community centers	1	1	1	1	1	1	1	1	2	2

Sources: Various county departments

Table 17

COUNTY OF BEDFORD, VIRGINIA

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

Grade	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-2010	2010-2011	2011-2012	2012-2013
K	741	760	760	807	739	782	767	714	776	733
1	817	778	761	753	786	763	792	750	728	769
2	812	823	808	750	746	772	755	771	744	718
3	783	842	833	832	778	775	791	747	784	750
4	791	788	828	841	839	784	766	786	739	784
5	799	808	830	859	855	848	793	759	797	756
6	803	834	850	848	851	832	855	772	763	796
7	933	843	880	856	843	851	870	868	781	782
8	899	951	870	888	865	860	867	865	881	804
9	930	914	920	905	911	859	865	887	874	934
10	897	884	874	937	855	868	821	831	834	837
11	784	849	833	843	889	817	825	783	814	809
12	783	727	804	832	817	876	823	830	784	830
Total	<u>10,772</u>	<u>10,801</u>	<u>10,851</u>	<u>10,951</u>	<u>10,774</u>	<u>10,687</u>	<u>10,590</u>	<u>10,363</u>	<u>10,299</u>	<u>10,302</u>
Elementary school membership	4,974	5,050	5,041	5,082	4,988	4,946	4,908	4,527	4,568	4,510
Secondary school membership	<u>5,798</u>	<u>5,751</u>	<u>5,810</u>	<u>5,869</u>	<u>5,786</u>	<u>5,741</u>	<u>5,682</u>	<u>5,836</u>	<u>5,731</u>	<u>5,792</u>
Total	<u>10,772</u>	<u>10,801</u>	<u>10,851</u>	<u>10,951</u>	<u>10,774</u>	<u>10,687</u>	<u>10,590</u>	<u>10,363</u>	<u>10,299</u>	<u>10,302</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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Supervisory										
Instructional administrators	10	9	10	10	10	10	9	9	8	6
Noninstructional administrators	15	16	14	14	14	14	14	13	14	14
Consultants/supervisors of instruction	21	17	18	25	22	24	23	18	26	31
Principals	22	22	22	22	22	22	22	22	22	22
Assistant principals	17	18	18	17	18	16	15	14	14	15
Total supervisory	85	82	82	88	86	86	83	76	84	88
Instruction										
Elementary classroom teachers	372	403	420	419	410	381	386	355	343	350
Secondary classroom teachers	374	418	407	396	400	396	406	396	398	398
ESE teachers	3	3	3	3	3	3	3	3	3	-
Other teachers (adult)	4	4	5	5	5	5	5	5	5	-
Other professionals (instructional)	79	79	122	125	130	125	135	143	122	119
Aides	148	165	181	183	175	163	161	156	154	157
Total instruction	980	1,072	1,138	1,131	1,123	1,073	1,096	1,058	1,025	1,024
Student Services										
Guidance counselors	29	33	35	34	34	36	36	34	32	33
Visiting teachers/social workers	3	3	3	4	4	4	3	3	3	3
Psychologists	7	7	7	7	7	7	7	7	7	7
Librarians	30	30	36	39	37	36	30	28	26	26
Other professionals (noninstructional)	26	27	27	25	27	28	28	30	29	29
Technicians	8	12	12	12	12	11	10	11	12	13
Total student services	103	112	120	121	121	122	114	113	109	111
Support and Administration										
Clerical/secretarial	68	75	77	77	74	68	70	67	67	66
Service workers	380	383	382	385	381	369	346	336	301	290
Skilled crafts	21	18	23	23	23	23	24	22	22	24
Unskilled laborers	10	10	12	11	11	9	11	11	11	12
Total support and administration	479	486	494	496	489	469	451	436	401	392
Total employees	1,647	1,752	1,834	1,835	1,819	1,750	1,744	1,683	1,619	1,615
Teachers and administrators	837	910	916	912	904	871	883	835	833	836
Other employees	809	842	916	925	915	879	861	848	786	779
Total employees	1,646	1,752	1,832	1,837	1,819	1,750	1,744	1,683	1,619	1,615

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
2004	10,772	\$ 72,293,689	6,711	2.14%	\$ 7,177,988	666	-8.60%	746	14.44	31%
2005	10,801	81,062,404	7,505	11.83%	7,033,239	651	-2.28%	821	13.16	29%
2006	10,851	86,954,245	8,013	6.77%	6,881,657	634	-2.61%	827	13.12	27%
2007	10,951	93,183,363	8,509	6.19%	8,315,551	759	19.73%	815	13.44	28%
2008	10,774	94,564,754	8,777	3.15%	9,229,609	857	12.82%	810	13.30	29%
2009	10,687	97,030,914	9,079	3.44%	9,306,432	871	1.65%	777	13.75	30%
2010	10,590	93,233,802	8,804	-3.03%	9,062,726	856	-1.73%	812	13.04	33%
2011	10,363	89,458,628	8,633	-1.95%	8,713,795	841	-1.74%	759	13.65	35%
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%

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 Audit 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, 2013, 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 21, 2013.

Internal Control over Financial Reporting

In planning and performing our audit, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs as Items 13-1 through 13-4.**

County of Bedford, Virginia's Responses to Findings

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County of Bedford, Virginia's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 21, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

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 Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2013. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each 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 each of its major federal programs for the year ended June 30, 2013.

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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 21, 2013

COUNTY OF BEDFORD, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2013

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

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

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

COUNTY OF BEDFORD, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

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 with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133.
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 include:

<u>Name of Program:</u>	<u>CFDA #</u>
Missing Children's Task Force	16.543
Special Education Cluster – Special Education – Grants to States	84.027
Special Education Cluster – Special Education – Preschool Grants	84.173
ARRA – Education Jobs Fund	84.410
Foster Care – Title IV-E	93.658
Adoption Assistance – Title IV-E	93.659

8. The **threshold for** distinguishing Type A and B programs was **\$366,221**.
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.

COUNTY OF BEDFORD, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013**

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

13-1: Nondiscrimination Clause

Condition:

In accordance with Section 2.2-4311 of the Virginia Public Procurement Act, every contract in excess of \$10,000 should include those nondiscrimination clauses as specified in the Act. We noted that a School Board contract that did not include the provisions as set forth in the previously mentioned code section.

Recommendation:

All contracts should be reviewed to determine that all required clauses are included prior to contract issuance.

Management's Response:

The auditee concurs with this recommendation.

13-2: Annual Review of System Access – Department of Social Services

Condition:

The Virginia Department of Social Services requires all local departments of social services to review the system access granted to all users at least annually to determine that access aligns with current individual job functions and responsibilities. We noted in our testing that this review did not occur during fiscal year 2013 as required.

Recommendation:

All users' system access should be reviewed annually as required.

Management's Response:

The auditee concurs with this recommendation and will take steps to correct.

13-3: Acceptable Use Acknowledgement Form

Condition:

The Virginia Department of Social Services (VDSS) requires all users to sign an annual VDSS Information Security Program and Acceptable User Awareness Acknowledgement Form. For fiscal year 2013, this form was required to be circulated and signed by November 30, 2012. During our testing, we noted that the local department of social services failed to circulate and have employees sign the form as required.

Recommendation:

The required form should be circulated and signed by all local social services employees prior to the deadline.

Management's Response:

The auditee concurs with this recommendation and will take steps to correct.

COUNTY OF BEDFORD, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA (Continued)

13-4: Commonwealth of Virginia Disclosure Statements

Condition:

Seven individuals filed disclosure statements after the January 15, 2013 deadline. Two additional individuals did not file the required forms at all.

Recommendation:

Steps should be taken to ensure that all statements are filed and filed timely.

Management's Response:

The auditee concurs with the recommendation and noted that turnover during the year created some issues with getting the forms out and returned timely.