

**TOWN OF BEDFORD, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2018**  
**DEPARTMENT OF FINANCE AND ADMINISTRATION**







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# INTRODUCTORY SECTION

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# **Town of Bedford, Virginia**

## ***Office of the Town Manager***

215 East Main Street ● Bedford, VA 24523 ● (p) 540.587.6001 ● (f) 540.587.6143

November 6, 2018

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

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of the Town of Bedford for the fiscal year ended June 30, 2018. This report is submitted in accordance with Section 15.1-167 of the *Code of Virginia* and with Section 30 of the Charter of the Town of Bedford, both of which require an annual independent audit and report of financial activity of the Town. The independent certified public accounting firm of Brown, Edwards & Company, L.L.P., has audited the financial statements and supplemental schedules contained herein. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Town. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the Town. All disclosures necessary to enable the reader to gain an understanding of the Town's financial activities have been included.

### **The Reporting Entity and Services Provided**

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

### **Organization of Government**

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

(Continued)



## **Economic Condition and Outlook**

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

Bedford enjoys a diversified economy primarily comprised of manufacturing, services, and retail trade. Bedford's industrial base includes major employers involved in furniture manufacturing, lithographed labels, plastics, weaving, polyurethane products, steel abrasives, closed-cell rubber products, and steel cutting dies. Since the independent City of Bedford was changed to town status and was added to Bedford County, town demographics and economic statistics are now reported in conjunction with Bedford County. During 2017/2018 the Town's unemployment rate was reported as a percentage of Bedford County's which was 4.0%. There was a slight increase in employment by select principal employers located within the Town. Town Council's commitment to economic development and diversification positioned the Town well for expansion when the overall economic climate improves. Bedford also enjoys a healthy mix in real estate values with approximately 62 percent coming from residential property, while approximately 38 percent is commercial and industrial.

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

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

The Town of Bedford continues to maintain a Virginia Enterprise Zone designation, which provides State and local incentives for investment in Centertown and the older manufacturing buildings, as well as the Bedford Center for Business. The State recently approved a significant expansion of the area for the Zone to include additional commercial and industrial areas. State Enterprise Zone grants provide money as a reward for physical improvements to property; and in the case of manufacturing, grants for job creation above four (4) employees. Local incentives are designed to reward both new and existing industries.



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

## **Major Initiatives**

In the coming year, several major initiatives are planned which will assist the Town Council, management, and staff in preparing for the continued growth and prosperity of the Town. These initiatives include:

- Economic Development continues to be a top priority for Town Council as evidenced by the designation of one-half cent of meals tax revenue generated being earmarked for economic development initiatives only. Town Council continues to collaborate with the Bedford County Economic Development Authority and the Town of Bedford Economic Development Authority to attract new economic development opportunities through various block grants and performance-based incentive programs administered through the Economic Development Coordinator. In addition, Council continues to have a major focus on community planning and the level of service required for accommodating growth and providing resources for a sustainable future.
- The Town continues to explore the feasibility of a passenger rail stop within Town limits. New standards for passenger rail station development were published by the Virginia Department of Rail and Public Transportation. The Bedford-Franklin Regional Rail Initiative continues to develop what is needed in order to submit a proposal meeting those criteria for consideration in the document.
- A business retention and expansion program was developed for outreach to businesses. Annual meetings with businesses and more informal check-in meetings are expected to provide open communication.
- Pairing new business recruitment with efforts to match potential building owners with properties that need to be redeveloped is a key action to rejuvenate the economic environment.
- The Town continues to focus on areas where physical improvements should be made related to pedestrian safety and to promote accessibility at a level defined by the Americans with Disabilities Act. A project for revitalization in the Bridge Street area was begun in 2017 and will continue into the future as a way to improve the economic climate in the town through physical improvements throughout the central business district.
- The Town, in cooperation with service provider Shentel, provides a free, public “wireless hotspot” in Centertown Plaza similar to facilities at the Bedford Welcome Center. Helping businesses find affordable, properly-sized internet for access operations will be an on-going effort.



- With other American Municipal Power members, the Town will continue its participation in projects designed to provide diversity in our wholesale power portfolio. At present, approximately 8% of the Town's electricity is from renewable sources such as a hydro-electric generation facility and a solar power generation facility, with the goal of increasing that to 15%. The Town has also addressed other revenue sources such as pole attachment agreements and right-of-way fees to ensure competitiveness and maximization of revenues in these areas. The Town will also continue to focus on providing exemplary customer service and reliability for our customers by upgrading and building new distribution line circuits.
- The Town remains an active regional partner in many programs. Examples are current participation in regional marketing and economic development initiatives, as well as provision of police and emergency services. The Town also participates in cooperative services such as the Region 2000 Local Government Council, the Blue Ridge Power Agency, and the Municipal Electric Power Association of Virginia.
- Fulfilling the goals of the Comprehensive Plan continue to guide numerous initiatives. Communication and citizen outreach will be key factors in this effort and others throughout the Town.
- The Town continues to maintain a standard of excellence in providing fiduciary responsibility by ensuring that financial resources are collected, safe-guarded, maximized, and dispersed in a fiscally judicious manner. We provide optimal services to a wide range of constituents in a transparent and professional way that meets the expectations of those we serve. One way that we measure our standard of excellence is by the awards that we receive. Last fiscal year the Town was awarded the Distinguished Budget Presentation by the Government Finance Officers Association of the United States and Canada (GFOA). In order to receive this award, a governmental entity must publish a document that meets guidelines established by the National Advisory Council on State and Local Budgeting and the GFOA's best practices on budgeting as a policy document, as an operations guide, as a financial plan, and as a communication device. The Town will continue to heighten standards that will ensure that the locality is marked for excellence by achieving future award recognitions.

## **Financial Information**

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

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

(Continued)



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

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

## **Cash Management**

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

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

## **Other Information**

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

*Certificate of Achievement.* The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Bedford for its comprehensive annual financial report for the fiscal year ended June 30, 2017. This was the 18<sup>th</sup> consecutive year that the government has achieved this prestigious award. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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



The Honorable Mayor, Members of Town Council  
And the Citizens of Bedford, Virginia  
November 6, 2018

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Bart F. Warner". The signature is fluid and cursive, with the first name "Bart" being more prominent.

Bart F. Warner  
Town Manager

A handwritten signature in black ink, appearing to read "Sonia Jammes". The signature is cursive and somewhat stylized, with the last name "Jammes" being more prominent.

Sonia Jammes  
Director of Finance





Government Finance Officers Association

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

Presented to

**Town of Bedford  
Virginia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morill*

Executive Director/CEO



**DIRECTORY OF PRINCIPAL OFFICIALS**  
**June 30, 2018**

**MEMBERS OF TOWN COUNCIL**

Robert T. Wandrei, Mayor  
Tim Black, Vice Mayor

Steve Rush  
Stacey Hailey  
Bryan Schley

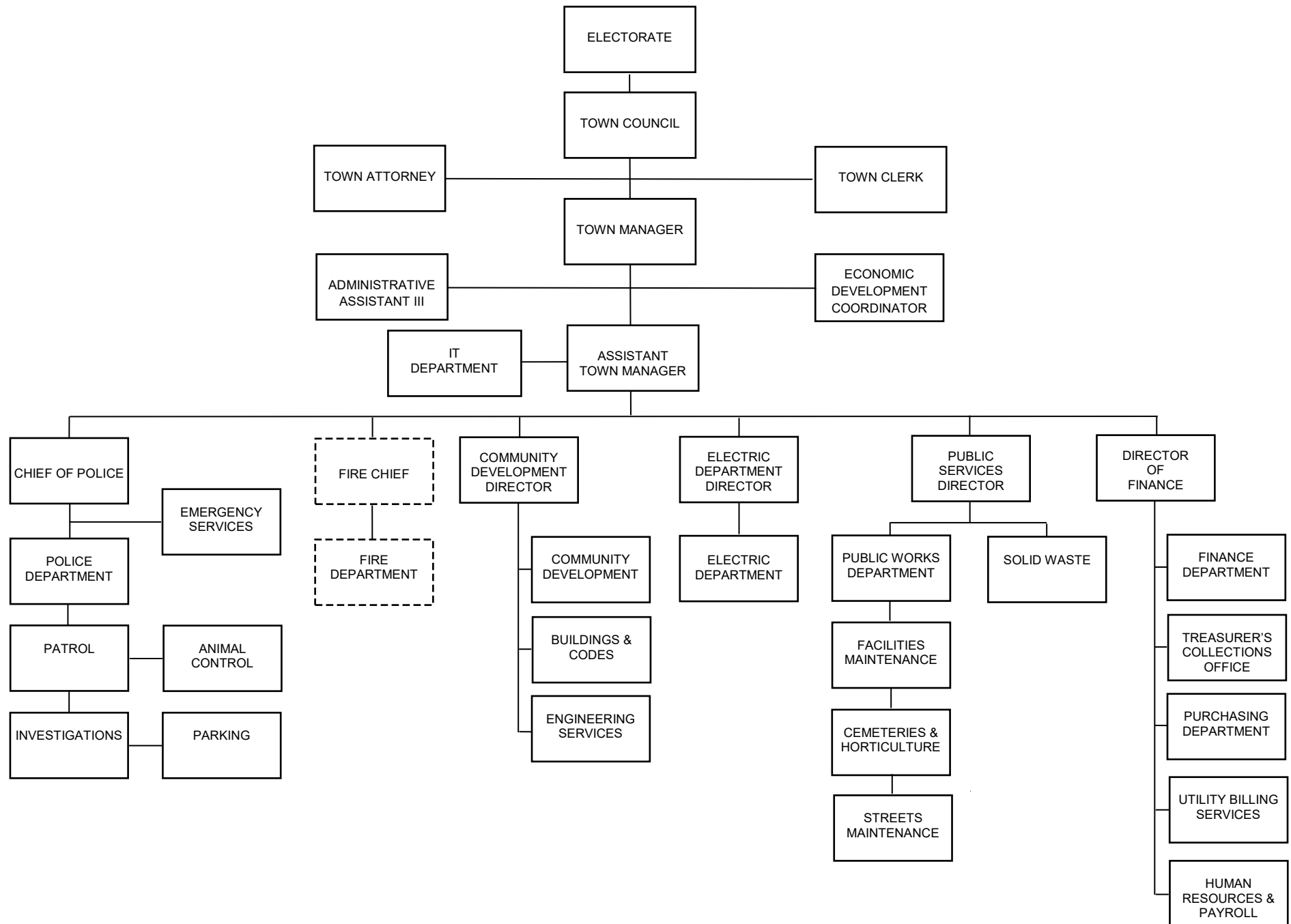
Bruce Johannessen  
Robert Carson

**OTHER OFFICIALS**

Barrett (Bart) Warner ..... Town Manager  
Sonia Jammes ..... Assistant Town Manager/Director of Finance  
Susan Roberts ..... Assistant Director of Finance  
Teresa Hatcher ..... Town Clerk  
William Berry, IV ..... Town Attorney  
Debbie Roberts ..... Town Treasurer  
Todd Foreman..... Chief of Police  
D.W. Lawhorne ..... Director of Public Services  
John Wagner ..... General Manager – Electric Department  
Brad Creasy ..... Fire Chief



# TOWN OF BEDFORD ORGANIZATIONAL CHART





## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Bedford, Virginia (the "Town") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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



## **Report on the Financial Statements (Continued)**

### *Auditor's Responsibility (Continued)*

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

### *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, and each major fund of the Town of Bedford, Virginia, as of June 30, 2018, 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.**

### *Change in Accounting Principle*

As described in Note 21 to the financial statements, in 2018, the Town adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions*. Our opinion is not modified with respect to this matter

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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 6, 2018 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report was 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 Town's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
November 6, 2018



## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Bedford, Virginia (the "Town"), we offer readers this narrative overview and analysis of the financial activities of the Town for the fiscal years ended June 30, 2018 and 2017. Please consider the information presented here in conjunction with information that we have furnished in our letter of transmittal found on pages i through vi.

### Financial Highlights

- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the current fiscal year by \$33,140,083 (net position). Of this amount, \$7,566,707 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$2,339,424 which is primarily attributable to the operations of the enterprise funds.
- At the end of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$7,399,516, an increase of \$987,691 in comparison with the prior year. Approximately 22% of this total amount, \$1,625,837, is available for spending at the Town's discretion (unassigned fund balance).
- The Town refunded debt during the current fiscal year. The refunding resulted in a present value savings of \$336,228 and a cash flow savings of \$352,596.

### Overview of the Financial Statements

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

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

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

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, judicial administration, public safety, public works, and cultural and community development. The business-type activities are the solid waste and electric funds.

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

(Continued)



## Overview of the Financial Statements (Continued)

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

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

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

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

Fund balances are the differences between assets and liabilities in a governmental fund.

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

At June 30, 2018, the Town’s governmental fund reported an ending fund balance of \$7,399,516, an increase of \$987,691 in comparison with the prior year. Of that amount, \$988,954 was nonspendable, \$4,416,957 was restricted, \$367,768 was assigned, and \$1,625,837 was unassigned.

As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 17.6% of total general fund expenditures, while total fund balance represents 79.9% of that same amount.

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

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town’s funding progress for its defined benefit pension plan and other post-employment benefits.

(Continued)



## Overview of the Financial Statements (Continued)

### Other Information (Continued)

In 2018, the Town adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The overall effect of this new standard is to reflect the Town's long-term other postretirement benefit ("OPEB") obligations directly in the financial statements. Under previous accounting guidance, these amounts were recorded incrementally over time, but were not recognized in their entirety. Instead, the total liability which has now been recorded, was only disclosed. The new standard not only changes certain measurement methodologies, but also requires certain new disclosures and that the Town record a net OPEB liability directly on the statement of net position. Beginning net position has been restated as discussed in Note 21, and this has had a significant impact on the Town's net position. However, because similar information has been disclosed in prior years, both in the notes to the financial statements and in required supplementary information, the effect of this new standard is not expected to negatively affect how most governmental entities are viewed by sophisticated readers of their financial statements. Because information to restate prior years is not readily available, the prior year comparative information included in this discussion and analysis has not been restated.

### Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows exceeded liabilities and deferred inflows by \$33,140,083 at the close of the most recent fiscal year.

A portion of the Town's net position (63.7%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted balance (13.3%) represents 2010 GO Bond funds, cemetery perpetual care funds, and other grant funds. The remaining balance of *unrestricted net assets* (22.9%) may be used to meet the government's ongoing obligations to citizens and creditors.

	The Town's Net Position					
	Governmental		Business-Type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 12,981,833	\$ 12,407,647	\$ 18,164,601	\$ 17,513,257	\$ 31,146,434	\$ 29,920,904
Capital assets	14,013,896	14,586,698	18,758,966	18,482,349	32,772,862	33,069,047
Total assets	26,995,729	26,994,345	36,923,567	35,995,606	63,919,296	62,989,951
Deferred outflow of resources	535,612	816,556	920,039	1,135,423	1,455,651	1,951,979
Long-term liabilities	8,069,490	8,932,585	14,386,200	15,065,928	22,455,690	23,998,513
Net pension liability and OPEB	4,153,460	4,333,911	2,824,361	3,080,661	6,977,821	7,414,572
Other liabilities	513,153	349,887	1,938,810	1,842,235	2,451,983	2,192,122
Total liabilities	12,736,103	13,616,383	19,149,371	19,988,824	31,885,474	33,605,207
Deferred inflows of resources	207,852	10,960	141,538	7,791	349,390	18,751
Net position						
Net investment in capital assets	13,341,012	14,271,330	7,815,407	7,958,527	21,156,419	22,229,857
Restricted	4,416,957	4,743,685	-	-	4,416,957	4,743,685
Unrestricted	(3,170,583)	(4,831,457)	10,737,290	9,175,887	7,566,707	4,344,430
Total net position	\$ 14,587,386	\$ 14,183,558	\$ 18,552,697	\$ 17,134,414	\$ 33,140,083	\$ 31,317,972

(Continued)



## **Government-Wide Financial Analysis (Continued)**

As noted, net position and assets by category may serve over time as a useful indicator of a government's financial position. In the case of the Town, as of June 30, 2018, assets exceeded liabilities by \$33,140,083 in Governmental Activities and Business-type Activities.

The Town's net position for total government increased by \$2,339,424, or 7.5%, during the current fiscal year. One element of this increase was an impactful decrease in total liabilities with a slight off-setting increase in current and other assets. The Town continued its current initiative towards lean decision making for all of the Town's funds – including General Fund, Electric Fund, and Solid Waste Fund – in an effort to be good stewards of public resources and to put the Town in the best financial position possible.

**Governmental Activities** – Governmental activities increased the Town's net position by \$716,456, or 30.6%, of the total growth. This increase was less than the prior year of \$1,074,913 which was a result of a flat trend in revenues in comparison with the previous year and a slight uptick in expenses which caused the lower than normal growth for the fund. Total expenses for governmental activities rose by 15.3% mainly attributed to increased levels of service costs for Public Safety, Public Works, and Community Development. Overall total liabilities decreased by 6.5% and assets held steady at 0.01%. There was an electric transfer of \$500,000 executed in this fiscal year which accounted for the slight growth in the Other Revenue category.

**Business-type Activities** – Business-type activities increased the Town's net position by \$1,622,968, or 69.4%, of the total growth. This increase was less than the prior year increase of \$4,215,560. Program revenues for the Town's enterprise funds were \$25,487,401 with additional investment earnings of \$407,564 which was a 1.8% growth over the previous fiscal year. Total expenses for business-type activities rose by 12.0% mainly attributed to increased capital costs associated with infrastructure reliability and maintenance. In addition, there was a \$500,000 expense associated with the transfer to the general fund executed in the current fiscal year. There was an increase in unrestricted earnings of \$1,561,403 which may be used for ongoing obligations and infrastructure.



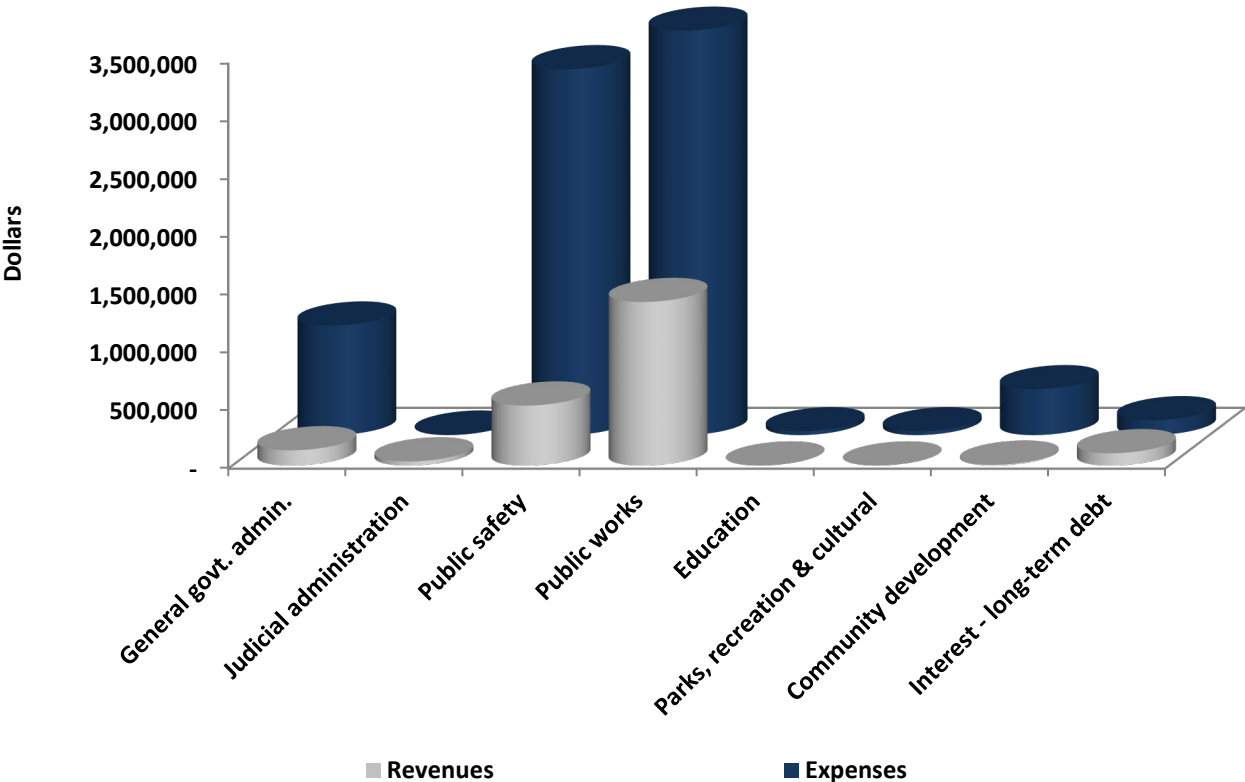
**The Town's Changes in Net Position**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Revenues						
Program revenues						
Charges for services	\$ 391,026	\$ 307,498	\$ 25,487,401	\$ 25,077,288	\$ 25,878,427	\$ 25,384,786
Operating grants and contributions	1,818,526	2,162,848	-	-	1,818,526	2,162,848
Capital grants and contributions	-	-	-	-	-	-
General revenues						
Property taxes	1,748,579	1,690,389	-	-	1,748,579	1,690,389
Other taxes	2,380,335	2,331,632	-	-	2,380,335	2,331,632
Intergovernmental revenue unrestricted	319,104	332,998	-	-	319,104	332,998
Investment earnings	141,944	57,179	407,564	357,135	549,508	414,314
Other	850,057	512,414	-	-	850,057	512,414
County reversion payments	750,000	750,000	-	-	750,000	750,000
Gain from sale of capital assets	11,587	38,067	-	-	11,587	38,067
Total revenues	<u>8,411,158</u>	<u>8,183,025</u>	<u>25,894,965</u>	<u>25,434,423</u>	<u>34,306,123</u>	<u>33,617,448</u>
Expenses						
General government	945,588	1,282,152	-	-	945,588	1,282,152
Judicial administration	3,841	3,999	-	-	3,841	3,999
Public safety	3,162,010	2,785,159	-	-	3,162,010	2,785,159
Public works	3,494,753	2,558,911	-	-	3,494,753	2,558,911
Education	32,528	42,468	-	-	32,528	42,468
Parks, recreation, and cultural	32,597	27,089	-	-	32,597	27,089
Community development	395,555	260,404	-	-	395,555	260,404
Interest on long-term debt	127,830	147,930	-	-	127,830	147,930
Solid waste	-	-	1,299,612	972,846	1,299,612	972,846
Electric	-	-	22,472,385	20,246,017	22,472,385	20,246,017
Total expenses	<u>8,194,702</u>	<u>7,108,112</u>	<u>23,771,997</u>	<u>21,218,863</u>	<u>31,966,699</u>	<u>28,326,975</u>
Excess before transfers	216,456	1,074,913	2,122,968	4,215,560	2,339,424	5,290,473
Transfers	<u>500,000</u>	<u>-</u>	<u>(500,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	716,456	1,074,913	1,622,968	4,215,560	2,339,424	5,290,473
Net position – July 1	<u>13,870,930</u>	<u>13,108,645</u>	<u>16,929,729</u>	<u>12,918,854</u>	<u>30,800,659</u>	<u>26,027,499</u>
Net position – June 30	<u>\$ 14,587,386</u>	<u>\$ 14,183,558</u>	<u>\$ 18,552,697</u>	<u>\$ 17,134,414</u>	<u>\$ 33,140,083</u>	<u>\$ 31,317,972</u>

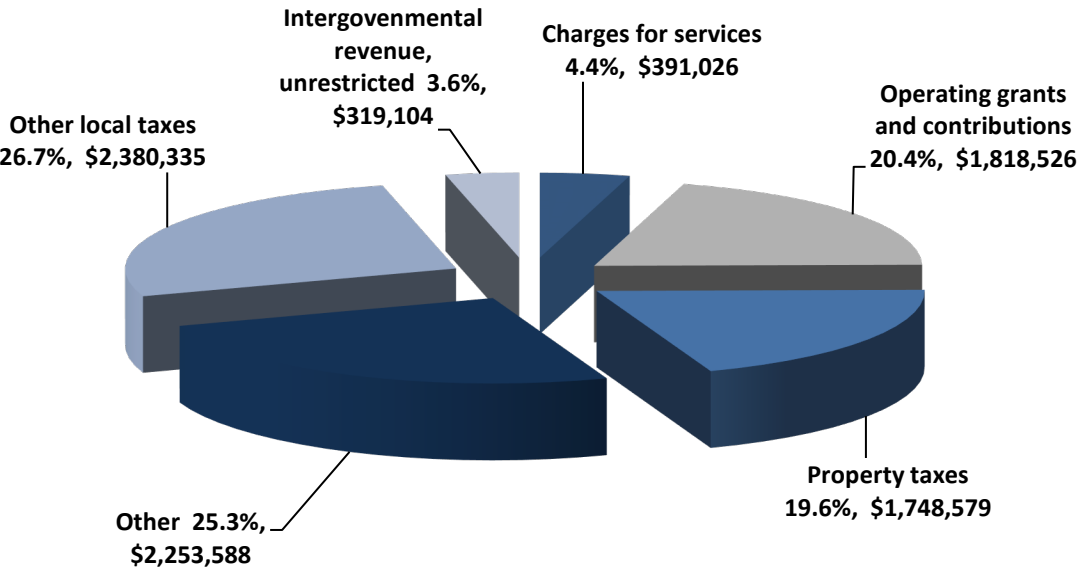
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Expenses and Program Revenues – Governmental Activities

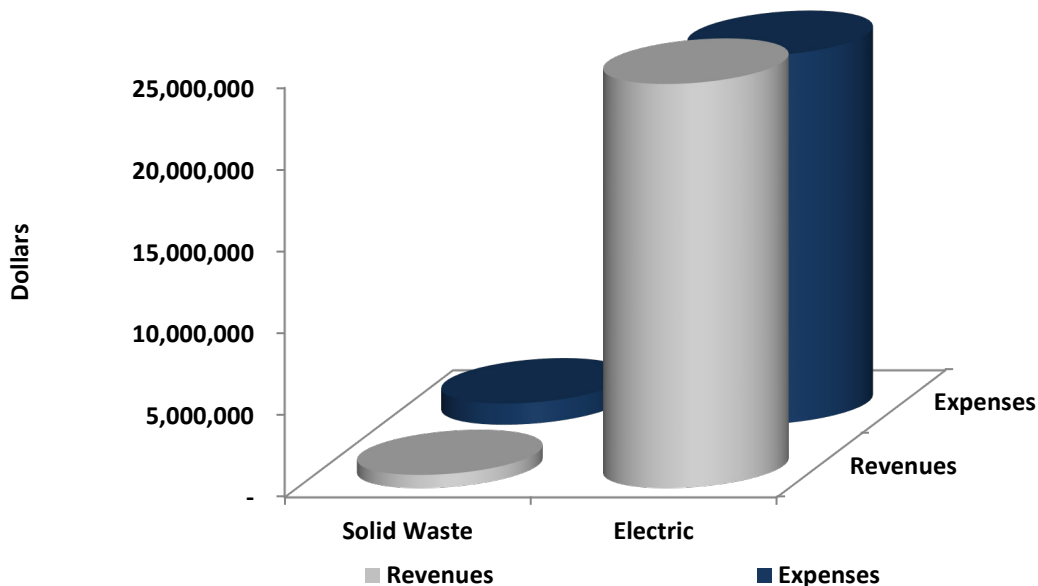


Revenues by Source – Governmental Activities





## Expenses and Program Revenues – Business-type Activities



## Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$7,399,516, an increase of \$987,691 in comparison with the prior year. The primary factor contributing to this fund balance increase was a growth of receipts in other taxes and fees. Revenue categories such as interest on investments, miscellaneous one-time revenue and fee sources, and recovered costs came in higher than anticipated. Approximately 22.0% of this total amount – that is, \$1,625,837, constitutes *unassigned fund balance*, which is available for spending at the Town's discretion. Approximately 5.0%, \$367,768, constitutes *assigned fund balance*, which the government intends to use for specific purposes. Approximately 59.7%, \$4,416,957, constitutes *restricted fund balance* which has been constrained with provisions.

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

Unrestricted net position of the solid waste fund had a deficit of \$(2,930,599); and the unrestricted net position for the electric fund amounted to \$13,667,889. The total fiscal year increase in net position for enterprise funds was \$1,622,968. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

(Continued)



## **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget amounted to \$1,449,370. Highlights include the following:

- \$661,421 was re-appropriated for community and economic development purposes.
- \$153,376 was re-appropriated for Centertown improvement/D-Day Memorial Connector.
- \$236,232 was re-appropriated for paving and various highway maintenance projects.
- \$82,413 was re-appropriated for I.T. infrastructure.
- \$35,796 was re-appropriated for ADA improvements.

Differences between the final amended budget and actual results amounted to \$1,087,855. Highlights are as follows:

- \$122,829 less expended than budgeted in General Government Administration due to underspending operational and re-appropriated funds.
- \$1,076,447 less expended than budgeted in Public Works due to underspending operational and re-appropriated funds.
- \$581,526 less expended than budgeted in Community Development due to re-appropriating budgets for four Community Development projects: Economic Development Fund, Community Development Fund, Centertown Improvement Projects, and Enterprise Zone Maintenance which resulted in a positive variance of funding for projects that were not completed during the current fiscal year.
- \$(754,130) more expended than budgeted in Debt Service due to the General Obligation Bond Series 2017 A & B Refunding.

## **Capital Asset and Debt Administration**

**Capital Assets** – The Town’s investment in capital assets for its governmental and business-type activities as of June 30, 2018 amounts to \$32,772,862 (net of accumulated depreciation). This includes land, buildings, and system improvements, and machinery, equipment, and infrastructure. The total decrease in the investment in capital assets for the current fiscal year was (0.09)% (a (3.90)% decrease for governmental activities and a 1.5% increase for business-type activities).



The Town's investment in capital assets as of June 30 amounts to \$32,772,862, as summarized below:

<b>The Town's Capital Assets</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Land	\$ 1,877,702	\$ 1,877,702	\$ 710,517	\$ 710,517	\$ 2,588,219	\$ 2,588,219
Buildings and improvements	7,773,582	7,668,682	14,800,237	14,786,924	22,573,819	22,455,606
Distribution and transmission systems	-	-	17,457,282	17,194,579	17,457,282	17,194,579
Landfill development costs	-	-	3,315,945	3,315,945	3,315,945	3,315,945
Machinery and equipment	10,493,944	10,215,183	7,558,755	6,993,144	18,052,699	17,208,327
Infrastructure	14,592,473	14,565,559	-	-	14,592,473	14,565,559
Construction in progress	80,292	-	466,291	-	546,583	-
Less accumulated depreciation	(20,804,097)	(19,740,428)	(25,550,061)	(24,518,760)	(46,354,158)	(44,259,188)
<b>Total</b>	<b>\$ 14,013,896</b>	<b>\$ 14,586,698</b>	<b>\$ 18,758,966</b>	<b>\$ 18,482,349</b>	<b>\$ 32,772,862</b>	<b>\$ 33,069,047</b>

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

**Long-term Debt and Liabilities** – At June 30, 2018, the Town had total debt and liabilities outstanding of \$22,455,690. Of this amount, \$14,243,827 comprises debt backed by the full faith and credit of the government and \$10,035,639 is related to pledged revenue bonds and bond anticipation notes.

<b>The Town's Outstanding Debt and Liabilities</b>						
<b>General Obligation Bonds, Capital Leases, and Liabilities</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
General obligation bonds	\$ 5,471,966	\$ 6,270,893	\$ 8,771,861	\$ 2,038,576	\$ 14,243,827	\$ 8,309,469
Revenue bonds	-	-	1,335,000	1,450,000	1,335,000	1,450,000
Payable to AMP:						
Contract	-	-	836,697	896,697	836,697	896,697
Bond anticipation notes	-	-	-	7,688,942	-	7,688,942
Compensated absences	197,524	161,692	131,500	104,472	329,024	266,164
Landfill liability:						
Closed landfill	2,400,000	2,500,000	-	-	2,400,000	2,500,000
Region 2000	-	-	44,657	46,394	44,657	46,394
Transfer station	-	-	24,167	23,740	24,167	23,740
Active landfill	-	-	3,242,318	2,817,107	3,242,318	2,817,107
<b>Total</b>	<b>\$ 8,069,490</b>	<b>\$ 8,932,585</b>	<b>\$ 14,386,200</b>	<b>\$ 15,065,928</b>	<b>\$ 22,455,690</b>	<b>\$ 23,998,513</b>

The Town's total debt decreased by \$1,542,823 or 6.4% during the current fiscal year due to regular debt payments and the General Obligation Bond Series 2017 A & B Refunding.

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

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

(Continued)



## **Economic Factors and Next Year's Budgets and Rates**

- The Town continues to analyze its financial situation and implement the necessary measures to maintain and expand adequate levels of fund balance to mitigate risks, provide a back-up plan for revenue shortfalls, and ensure that appropriate amounts are available for emergencies. However, maintaining financial stability with ever-challenging State mandates and reduced State funding of required services is perhaps the greatest short-term threat to the financial stability of the Town. A primary area feeling the effects of these challenges is Public Safety which continues to be challenged by unfunded mandates enacted into Virginia state code. One example is the regulation that requires all law enforcement agencies to provide transportation for mental health cases where an emergency custody order (§37.2-808 *Code of Virginia*) or temporary detention order (§37.2-809 *Code of Virginia*) is issued. The handling of these calls is placing extra demand on law enforcement officers in terms of providing dedicated transportation and patrol officer time from normal shift duties.
- Because the Town is a service organization, a major portion of the operating budget is allocated to employee compensation and fringe benefits. Maintaining these items at a current market rate in an effort to continue to attract and maintain a strong workforce continues to present a challenge.
- The Town continues to make strides to combat an aging infrastructure in our enterprise funds as well as general fund. Capital improvements have been overlooked in an effort to shore up core services for a number of years and infrastructure is at an age where it must be addressed in the short-term. Capital outlay expense has been redirected to provide more efficient services, as well as maintain and enhance hydro generation operations, system extensions, and circuit reliability maintenance as part of the electric utility operation. An apparent increase in energy and energy transmission costs is expected to continue to be passed through the energy market to distributors. This makes it imperative that the Town continue to evaluate all options in energy production in order to stabilize costs for our customers.
- The Town is continuing to proceed with closure of its current active landfill facility as it is nearing capacity. This will carry with it significant closure and post-closure costs. In accordance with federal and state laws the Town is required to perform certain maintenance and monitoring functions for 30 years once capacity is reached and a final cover is placed on the landfill. In addition, the Town continues to meet DEQ testing and monitoring requirements on its current closed landfill with additional expenses resulting from those standards.
- The Town continues to march toward the future incorporation of areas adjacent to Town Corporate limits in the next phase of the Voluntary Settlement Agreement. The Town will expand by approximately four square miles and will need to provide citizens in those areas the enhanced level of services that are currently provided to existing Town residents. This will have significant budget and economic impacts on the Town's funding streams.

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

## **Requests for Information**

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



## **BASIC FINANCIAL STATEMENTS**

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## TOWN OF BEDFORD, VIRGINIA

## STATEMENT OF NET POSITION

June 30, 2018

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents (Note 2)	\$ 2,337,686	\$ 11,473,875	\$ 13,811,561
Investments (Note 2)	724,812	-	724,812
Receivables, net (Note 3)	954,689	2,636,490	3,591,179
Internal balances (Note 4)	5,246	(5,246)	-
Due from other governmental units (Note 5)	174,436	-	174,436
Inventories	-	936,535	936,535
Cash and cash equivalents, restricted (Note 2)	4,416,957	940,094	5,357,051
BRWA debt service receivable (Note 6)	4,368,007	-	4,368,007
Net investment in direct financing lease (Note 18)	-	2,182,853	2,182,853
Capital assets: (Note 7)			
Nondepreciable	1,957,994	1,176,808	3,134,802
Depreciable, net	12,055,902	17,582,158	29,638,060
Total assets	26,995,729	36,923,567	63,919,296
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions (Notes 11 and 14)	498,597	340,257	838,854
Deferred outflows related to other postemployment benefits (Notes 12, 13, and 14)	37,015	24,788	61,803
Deferred charge on refunding	-	554,994	554,994
Total deferred outflows of resources	535,612	920,039	1,455,651
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	261,844	1,382,809	1,644,653
Accrued payroll and related liabilities	153,625	88,446	242,071
Accrued interest payable	48,378	111,574	159,952
Due to other governmental units (Note 5)	49,306	-	49,306
Customer security deposits	-	355,981	355,981
Noncurrent liabilities:			
Net pension liability (Notes 11 and 14)	3,856,278	2,631,622	6,487,900
Net other postemployment benefit liability (Notes 12, 13, and 14)	297,182	192,739	489,921
Due within one year (Note 8)	1,240,234	1,409,820	2,650,054
Due in more than one year (Note 8)	6,829,256	12,976,380	19,805,636
Total liabilities	12,736,103	19,149,371	31,885,474
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions (Notes 11 and 14)	183,235	125,044	308,279
Deferred inflows related to other postemployment benefits (Notes 12, 13, and 14)	24,617	16,494	41,111
Total deferred inflows of resources	207,852	141,538	349,390
<b>NET POSITION</b>			
Net investment in capital assets	13,341,012	7,815,407	21,156,419
Restricted for:			
Other grants	325,115	-	325,115
Debt collateral	4,020,584	-	4,020,584
2010 GO Bond restriction	71,258	-	71,258
Unrestricted	(3,170,583)	10,737,290	7,566,707
Total net position	\$ 14,587,386	\$ 18,552,697	\$ 33,140,083

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



**EXHIBIT 2**

**TOWN OF BEDFORD, VIRGINIA**

**STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government administration	\$ 945,588	\$ 131,657	\$ -	\$ -	\$ (813,931)		\$ (813,931)
Judicial administration	3,841	35,316	-	-	31,475		31,475
Public safety	3,162,010	224,053	293,204	-	(2,644,753)		(2,644,753)
Public works	3,494,753	-	1,411,838	-	(2,082,915)		(2,082,915)
Education	32,528	-	-	-	(32,528)		(32,528)
Parks, recreation, and cultural	32,597	-	-	-	(32,597)		(32,597)
Community development	395,555	-	7,535	-	(388,020)		(388,020)
Interest on long-term debt	127,830	-	105,949	-	(21,881)		(21,881)
Total governmental activities	8,194,702	391,026	1,818,526	-	(5,985,150)		(5,985,150)
Business-type activities:							
Solid waste	1,299,612	813,553	-	-		\$ (486,059)	(486,059)
Electric	22,472,385	24,673,848	-	-		2,201,463	2,201,463
Total business-type activities	23,771,997	25,487,401	-	-		1,715,404	1,715,404
Total primary government	\$ 31,966,699	\$ 25,878,427	\$ 1,818,526	\$ -	(5,985,150)	1,715,404	(4,269,746)
General revenues:							
Property taxes					1,748,579	-	1,748,579
Sales tax					219,355	-	219,355
Communication tax					128,802	-	128,802
Meals tax					1,395,644	-	1,395,644
Other local taxes					636,534	-	636,534
Intergovernmental revenue, unrestricted					319,104	-	319,104
Unrestricted investment earnings					141,944	407,564	549,508
Other					850,057	-	850,057
County reversion payments (Note 23)					750,000	-	750,000
Gain on sale of assets					11,587	-	11,587
Transfers (Note 4)					500,000	(500,000)	-
Total general revenues and special items					6,701,606	(92,436)	6,609,170
Change in net position					716,456	1,622,968	2,339,424
NET POSITION AT JULY 1, as restated (Note 21)					13,870,930	16,929,729	30,800,659
NET POSITION AT JUNE 30					\$ 14,587,386	\$ 18,552,697	\$ 33,140,083

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



**EXHIBIT 3****TOWN OF BEDFORD, VIRGINIA****BALANCE SHEET –  
GOVERNMENTAL FUND****June 30, 2018**

	<b><u>General</u></b>
<b>ASSETS</b>	
Cash and cash equivalents (Note 2)	\$ 2,337,686
Investments (Note 2)	724,812
Receivables, net (Note 3)	954,689
Due from other funds (Note 4)	5,246
Due from other governmental units (Note 5)	174,436
Cash and cash equivalents, restricted (Note 2)	4,416,957
BRWA debt service receivable (Note 6)	<u>4,368,007</u>
Total assets	<u><u>\$ 12,981,833</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	261,844
Accrued payroll and related liabilities	153,625
Due to other governmental units (Note 5)	<u>49,306</u>
Total liabilities	<u>464,775</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue (Note 3)	<u>5,117,542</u>
<b>FUND BALANCE (Note 10)</b>	
Nonspendable	988,954
Restricted	4,416,957
Assigned	367,768
Unassigned	<u>1,625,837</u>
Total fund balance	<u>7,399,516</u>
Total liabilities, deferred inflows of resources, and fund balance	<u><u>\$ 12,981,833</u></u>

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



## TOWN OF BEDFORD, VIRGINIA

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
June 30, 2018**

<b>Total Fund Balance – Governmental Fund</b>		\$ 7,399,516
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds.		
Nondepreciable capital assets	\$ 1,957,994	
Depreciable capital assets, net	<u>12,055,902</u>	
		14,013,896
Certain receivables are not available to pay for current-period expenditures and therefore are deferred in the funds.		
		5,117,542
Financial statement elements related to other postemployment benefits and pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows related to:		
Pensions	498,597	
Other postemployment benefits	<u>37,015</u>	
		535,612
Deferred inflows related to:		
Pensions	(183,235)	
Other postemployment benefits	<u>(24,617)</u>	
		(207,852)
Net pension liability		(3,856,278)
Net other post employment benefits liability		(297,182)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(5,471,966)	
Accrued interest payable	(48,378)	
Compensated absences	(197,524)	
Landfill postclosure liability	<u>(2,400,000)</u>	
		<u>(8,117,868)</u>
<b>Total Net Position – Governmental Activities</b>		<u><u>\$ 14,587,386</u></u>

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



## TOWN OF BEDFORD, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE – GOVERNMENTAL FUND  
Year Ended June 30, 2018**

	<u>General</u>
REVENUES	
General property taxes	\$ 1,688,139
Other local taxes	2,380,335
Permits, privilege fees, and regulatory licenses	8,160
Fines and forfeitures	35,316
Investment earnings	141,944
Charges for services	131,657
County reversion payments (Note 23)	750,000
Other	857,085
Intergovernmental	2,031,681
BRWA debt service payments (Note 6)	748,592
Recovered costs	215,893
Total revenues	<u>8,988,802</u>
EXPENDITURES	
Current	
General government administration	1,010,568
Judicial administration	3,850
Public safety	2,815,660
Public works	3,450,379
Education	32,601
Parks, recreation, and cultural	32,670
Community development	227,753
Debt service	
Principal retirement	1,543,067
Interest and fiscal charges	133,262
Issuance costs	7,028
Total expenditures	<u>9,256,838</u>
Deficiency of revenues over expenditures	<u>(268,036)</u>
OTHER FINANCING SOURCES	
Issuance of debt	744,140
Proceeds from sale of capital assets	11,587
Transfers in	500,000
Total other financing sources	<u>1,255,727</u>
Net change in fund balance	987,691
FUND BALANCE AT JULY 1	<u>6,411,825</u>
FUND BALANCE AT JUNE 30	<u><u>\$ 7,399,516</u></u>

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



## TOWN OF BEDFORD, VIRGINIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2018**

<b>Net Change in Fund Balance – Governmental Fund</b>	<b>\$</b>	<b>987,691</b>
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures; however, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlays	\$ 524,758	
Depreciation expense	<u>(1,107,422)</u>	(582,664)
The net effect of loss on disposition of assets involving capital assets that do not provide or use current financial resources and are not reported as revenue or expenditures in the governmental funds.		
		9,862
Governmental funds report debt service amounts received from BRWA as revenue, while this represents repayment of principle of the long-term receivable in governmental activities.		
		(642,643)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
		60,440
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction has an effect on net position.		
Issuance of debt	(744,140)	
Principal repayments and other long-term debt reductions:		
General obligation bonds	1,543,067	
Landfill postclosure (net change)	<u>100,000</u>	898,927
Governmental funds report employer pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
Pension contributions	475,024	
Net pension liability	477,633	
Cost of benefits earned net of employee contributions	<u>(965,258)</u>	(12,601)
Governmental funds report employer other postemployment benefit contributions as expenditures. However, in the statement of activities the cost of these benefits earned, net of employee contributions, is reported as other postemployment benefit expense.		
Employer other postemployment benefit contributions	48,452	
Other postemployment benefit expense	<u>(20,608)</u>	27,844
Governmental funds report the effect of discounts and premiums when debt is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the Statement of Activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of those differences is as follows:		
Interest expense	<u>5,432</u>	5,432
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(35,832)</u>
<b>Change in Net Position – Governmental Activities</b>	<b>\$</b>	<b>716,456</b>

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



## TOWN OF BEDFORD, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL – GENERAL FUND  
Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 1,696,155	\$ 1,696,155	\$ 1,688,139	\$ (8,016)
Other local taxes	2,176,827	2,176,827	2,380,335	203,508
Permits, privilege fees, and regulatory licenses	8,850	8,850	8,160	(690)
Fines and forfeitures	78,250	78,250	35,316	(42,934)
Investment earnings	52,971	52,971	141,944	88,973
Charges for services	85,163	85,163	131,657	46,494
Other	1,278,199	1,278,199	1,607,085	328,886
Intergovernmental	3,164,986	3,409,963	2,031,681	(1,378,282)
BRWA debt service payments	748,592	748,592	748,592	-
Recovered costs	135,200	135,200	215,893	80,693
Total revenues	9,425,193	9,670,170	8,988,802	(681,368)
EXPENDITURES				
Current				
General government administration	1,045,590	1,133,397	1,010,568	122,829
Judicial administration	4,200	4,200	3,850	350
Public safety	2,817,984	2,863,321	2,815,660	47,661
Public works	3,793,729	4,526,826	3,450,379	1,076,447
Education	40,000	40,000	32,601	7,399
Parks, recreation, and cultural	33,050	33,050	32,670	380
Community development	226,150	809,279	227,753	581,526
Debt service				
Principal retirement	788,937	788,937	1,543,067	(754,130)
Interest and fiscal charges	145,683	145,683	133,262	12,421
Issuance costs	-	-	7,028	7,028
Total expenditures	8,895,323	10,344,693	9,256,838	1,087,855
Excess (deficiency) of revenue over expenditures	529,870	(674,523)	(268,036)	406,487
OTHER FINANCING SOURCES				
Issuance of debt	-	-	744,140	744,140
Proceeds from sale of capital assets	10,400	10,400	11,587	1,187
Transfers in	500,000	500,000	500,000	-
Total other financing sources	510,400	510,400	1,255,727	745,327
Net change in fund balance	\$ 1,040,270	\$ (164,123)	\$ 987,691	\$ 1,151,814

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



## TOWN OF BEDFORD, VIRGINIA

STATEMENT OF NET POSITION –  
PROPRIETARY FUNDS

June 30, 2018

	Business-Type Activities – Enterprise Funds		
	Solid Waste	Electric	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents (Note 2)	\$ 622,745	\$ 10,851,130	\$ 11,473,875
Receivables, net (Note 3)	112,120	2,524,370	2,636,490
Due from other funds (Note 4)	-	518,931	518,931
Inventories	-	936,535	936,535
Total current assets	734,865	14,830,966	15,565,831
<b>NONCURRENT ASSETS</b>			
Cash and cash equivalents, restricted (Note 2)	495,453	444,641	940,094
Net investment in direct financing lease (Note 18)	-	2,182,853	2,182,853
Capital assets: (Note 7)			
Nondepreciable	506,831	669,977	1,176,808
Depreciable, net	914,564	16,667,594	17,582,158
Total noncurrent assets	1,916,848	19,965,065	21,881,913
Total assets	2,651,713	34,796,031	37,447,744
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions (Notes 11 and 14)	36,791	303,466	340,257
Deferred outflows related to other postemployment benefits (Notes 12, 13, and 14)	2,815	21,973	24,788
Deferred charges on refunding	-	554,994	554,994
Total deferred outflows of resources	39,606	880,433	920,039
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued liabilities	10,905	1,371,904	1,382,809
Accrued payroll and related liabilities	8,436	80,010	88,446
Accrued interest payable	5,898	105,676	111,574
Due to other funds (Note 4)	524,177	-	524,177
Customer security deposits	-	355,981	355,981
Noncurrent liabilities due within one year (Note 8)	78,505	1,331,315	1,409,820
Total current liabilities	627,921	3,244,886	3,872,807
<b>NONCURRENT LIABILITIES</b>			
Net pension liability (Notes 11 and 14)	284,546	2,347,076	2,631,622
Net OPEB liability (Notes 12, 13, and 14)	22,852	169,887	192,739
Due in more than one year (Note 8)	3,788,673	9,187,707	12,976,380
Total noncurrent liabilities	4,096,071	11,704,670	15,800,741
Total liabilities	4,723,992	14,949,556	19,673,548
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions (Notes 11 and 14)	13,520	111,524	125,044
Deferred inflows related to other postemployment benefits (Notes 12, 13, and 14)	1,872	14,622	16,494
Total deferred inflows of resources	15,392	126,146	141,538
<b>NET POSITION (DEFICIT)</b>			
Net investment in capital assets	882,534	6,932,873	7,815,407
Unrestricted	(2,930,599)	13,667,889	10,737,290
Total net position (deficit)	\$ (2,048,065)	\$ 20,600,762	\$ 18,552,697

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



## TOWN OF BEDFORD, VIRGINIA

**STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION –  
PROPRIETARY FUNDS  
Year Ended June 30, 2018**

	<b>Business-Type Activities – Enterprise Funds</b>		
	<b>Solid Waste</b>	<b>Electric</b>	<b>Total</b>
OPERATING REVENUES			
Charges for services	\$ 813,553	\$ 24,673,848	\$ 25,487,401
OPERATING EXPENSES			
Refuse collection	251,049	-	251,049
Refuse disposal	304,576	-	304,576
Transmission and distribution	-	1,294,021	1,294,021
Power generation	-	293,363	293,363
Purchased power	-	17,790,616	17,790,616
Meter reading	-	56,728	56,728
Landfill closure and postclosure care	475,680	-	475,680
Administration	98,478	1,539,446	1,637,924
Maintenance and repair	-	225,792	225,792
Depreciation	140,408	890,893	1,031,301
Total operating expenses	1,270,191	22,090,859	23,361,050
Operating income (loss)	(456,638)	2,582,989	2,126,351
NONOPERATING REVENUES (EXPENSES)			
Interest income	7,363	400,201	407,564
Interest expense	(29,421)	(381,526)	(410,947)
Net nonoperating revenues (expenses)	(22,058)	18,675	(3,383)
Income (loss) before transfers	(478,696)	2,601,664	2,122,968
<b>TRANSFERS OUT (Note 4)</b>	-	(500,000)	(500,000)
Change in net position	(478,696)	2,101,664	1,622,968
NET POSITION (DEFICIT) AT JULY 1, as restated (Note 21)	(1,569,369)	18,499,098	16,929,729
NET POSITION (DEFICIT) AT JUNE 30	\$ (2,048,065)	\$ 20,600,762	\$ 18,552,697

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



## TOWN OF BEDFORD, VIRGINIA

**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS**  
**Year Ended June 30, 2018**

	<b>Business-Type Activities – Enterprise Funds</b>		
	<b>Solid Waste</b>	<b>Electric</b>	<b>Total</b>
<b>OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 808,710	\$ 24,473,668	\$ 25,282,378
Payments to suppliers	(378,988)	(19,166,956)	(19,545,944)
Payments to employees	(299,180)	(2,093,724)	(2,392,904)
Net cash provided by operating activities	<u>130,542</u>	<u>3,212,988</u>	<u>3,343,530</u>
<b>NONCAPITAL FINANCING ACTIVITIES</b>			
Interfund borrowing	<u>518,931</u>	<u>(1,018,931)</u>	<u>(500,000)</u>
Net cash provided by (used in) noncapital financing activities	<u>518,931</u>	<u>(1,018,931)</u>	<u>(500,000)</u>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of capital assets	(444,625)	(863,293)	(1,307,918)
Principal paid on capital debt	-	(175,059)	(175,059)
Refunding of general obligation bonds	(582,342)	(9,146,853)	(9,729,195)
General obligation bond issued	538,860	8,233,000	8,771,860
Interest paid on capital debt	<u>(80,889)</u>	<u>(288,388)</u>	<u>(369,277)</u>
Net cash used in capital and related financing activities	<u>(568,996)</u>	<u>(2,240,593)</u>	<u>(2,809,589)</u>
<b>INVESTING ACTIVITIES</b>			
Interest received	<u>7,363</u>	<u>400,201</u>	<u>407,564</u>
Net cash provided by investing activities	<u>7,363</u>	<u>400,201</u>	<u>407,564</u>
Net increase in cash and cash equivalents	87,840	353,665	441,505
<b>CASH AND CASH EQUIVALENTS</b>			
Beginning at July 1	<u>1,030,358</u>	<u>10,942,106</u>	<u>11,972,464</u>
Ending at June 30	<u><u>\$ 1,118,198</u></u>	<u><u>\$ 11,295,771</u></u>	<u><u>\$ 12,413,969</u></u>
<b>RECONCILIATION TO EXHIBIT 8</b>			
Cash and cash equivalents	\$ 622,745	\$ 10,851,130	\$ 11,473,875
Cash and cash equivalents, restricted	<u>495,453</u>	<u>444,641</u>	<u>940,094</u>
	<u><u>\$ 1,118,198</u></u>	<u><u>\$ 11,295,771</u></u>	<u><u>\$ 12,413,969</u></u>

(Continued)

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



## TOWN OF BEDFORD, VIRGINIA

**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS**  
**Year Ended June 30, 2018**

	<b>Business-Type Activities – Enterprise Funds</b>		
	<b>Solid Waste</b>	<b>Electric</b>	<b>Total</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (456,638)	\$ 2,582,989	\$ 2,126,351
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	140,408	890,893	1,031,301
Landfill closure and postclosure care	475,680	-	475,680
Pension expense net of employer contributions	(26,401)	(65,213)	(91,614)
Other postemployment benefit expense net of employer contributions	(2,055)	(18,187)	(20,242)
Change in assets and liabilities:			
(Increase) decrease in:			
Receivables, net	(4,843)	(258,218)	(263,061)
Due from other governments, net	-	(7,532)	(7,532)
Net investment in direct financing lease	-	53,817	53,817
Inventories	-	(8,127)	(8,127)
(Decrease) increase in:			
Accounts payable and accrued liabilities	2,412	(1,768)	644
Accrued payroll and related liabilities	(1,177)	8,709	7,532
Customer security deposits	-	11,753	11,753
Compensated absences	3,156	23,872	27,028
Net cash provided by operating activities	<u>\$ 130,542</u>	<u>\$ 3,212,988</u>	<u>\$ 3,343,530</u>

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



**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 1. Summary of Significant Accounting Policies**

**A. The Financial Reporting Entity**

The Town of Bedford, Virginia (the “Town”) was originally incorporated as a city in 1968. Effective July 1, 2013, the City reverted to town status, as more fully described in Note 20. The Town operates a Council-Manager form of government and provides municipal services to its residents. The financial statements of the reporting entity include only those of the Town (the primary government). The Town has no component units.

The following entities are excluded from the accompanying financial statements:

Jointly Governed organizations

*Region 2000 Services Authority*

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

Related organizations

*Town of Bedford Redevelopment and Housing Authority*

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

*Industrial Development Authority of the Town of Bedford*

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

(Continued)



**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**A. The Financial Reporting Entity (Continued)**

Related organizations (Continued)

*Other Boards and Commissions*

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

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

(Continued)



**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 1. Summary of Significant Accounting Policies (Continued)**

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

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

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

The Town reports the following major governmental fund:

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

The Town reports the following major proprietary funds:

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

The *electric fund* accounts for electric distribution operations.

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

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

(Continued)



**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Budgets and Budgetary Accounting**

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

- 1) Prior to May 1, the Town Manager submits to Town Council a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted to obtain citizen comments.
- 3) Prior to June 30, the budget is legally enacted through passage of an appropriations resolution. The appropriations ordinance places legal restrictions on expenditures at the fund level.
- 4) The Town Manager is authorized to transfer budget amounts between departments within any fund; however, any revisions that alter the total budget amounts and/or appropriations of any fund must be approved by Town Council. Town Council approved additional appropriations of approximately \$1,200,000 during the current fiscal year primarily for unanticipated expenditures in general governmental administration, public works, public safety, and potential grant expenditures in community development.
- 5) Formal budgetary integration is employed as a management control device for all funds.
- 6) The budget for the general fund is adopted on the modified accrual basis of accounting.

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

**E. Cash and Cash Equivalents**

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

**F. Investments and Fair Value Measurement**

Investments are stated at fair value.

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

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

(Continued)



**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**G. Allowance for Uncollectible Accounts**

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

**H. Inventories**

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

**I. Capital Assets**

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

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

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

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

(Continued)



**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**J. Deferred Outflows/Inflows of Resources**

In addition to assets, the statements that presents net position reports a separate section for deferred outflows of resources. These items represent a consumption of net position that applies to future periods and so will *not* be recognized as an outflow of resources (expense) until then. The Town has the following items that qualify for reporting in this category:

- Deferred loss on refunding. A deferred loss on refunding is a deferred outflow which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Contributions subsequent to the measurement date for pensions and OPEB are always a deferred outflow; this will be applied to the net pension or OPEB liability in the next fiscal year.
- Differences between expected and actual experience for economic/demographic factors in the measurement of the total pension or OPEB liability. This difference will be recognized in pension or OPEB expense over the closed five year period and may be reported as a deferred inflow or outflow as appropriate.
- Difference between projected and actual earnings on pension and OPEB plan investments. This difference will be recognized in pension or OPEB expense over the closed five year period and may be reported as a deferred outflow or inflow as appropriate.
- Changes in actuarial assumptions that will be recognized in the pension and OPEB expenses over the closed five year period.

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

- The governmental fund reports unavailable revenue from property taxes and other receivables, such as the BRWA receivable, not collected within 45 days of year end and property taxes levied to fund future years.
- Differences between expected and actual experience for economic/demographic factors in the measurement of the total pension or OPEB liability. This difference will be recognized in pension or OPEB expense over the closed five year period and may be reported as a deferred inflow or outflow as appropriate.
- Difference between projected and actual earnings on pension and OPEB plan investments. This difference will be recognized in pension or OPEB expense over the closed five year period and may be reported as a deferred outflow or inflow as appropriate.
- Changes in actuarial assumptions that will be recognized in the pension and OPEB expenses over the closed five year period.

(Continued)



**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**K. Pensions and Other Postemployment Benefits (OPEB)**

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

**L. Compensated Absences**

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

**M. Long-Term Obligations**

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

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

**N. Net Position/Fund Balance**

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

(Continued)



**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**N. Net Position/Fund Balance (Continued)**

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

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

**O. Restricted Amounts**

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

**P. Minimum Fund Balance Policy**

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

**Q. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Significant encumbrances as of June 30 totaled \$367,768 in the general fund.

(Continued)



**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**R. Estimates**

Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and reported revenues, expenditures, and expenses. Actual results could differ from those estimates.

**Note 2. Deposits and Investments**

**Deposits**

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

**Investments**

**Investment policy**

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

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

The Town has invested bond proceeds subject to rebate of arbitrage earnings in the SNAP (a 2a-7 like pool), which is an open-ended management investment company registered with the SEC designed to assist local governments in complying with the arbitrage rebate requirements of the Tax Reform Act of 1986. This program provides comprehensive investment management, accounting, and arbitrage rebate calculation services for proceeds of tax-exempt financing.

(Continued)



**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 2. Deposits and Investments (Continued)**

Credit risk

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

Concentration of credit risk

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

Interest rate risk

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

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Standard &amp; Poor’s Credit Rating</u>	<u>Percentage of Portfolio</u>	<u>Weighted Average Maturity*</u>
Government National Mortgage Association	\$ <u>724,812</u>	AAA	<u>100.00%</u>	0.002

\*Weighted average maturity in years

(Continued)



**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 2. Deposits and Investments (Continued)**

**Investments (Continued)**

Custodial credit risk

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

Deposits and investments consist of the following:

Deposits	\$ 19,168,612
Investments	<u>724,812</u>
Total deposits and investments	<u><u>\$ 19,893,424</u></u>

Reconciliation of deposits and investments to Exhibit 1:

Cash and cash equivalents	\$ 13,811,561
Investments	724,812
Cash and cash equivalents, restricted	<u>5,357,051</u>
Total deposits and investments	<u><u>\$ 19,893,424</u></u>

Restricted cash and cash equivalents

Restricted cash and cash equivalents consists of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Unspent shared revenue sharing	\$ 71,258	\$ -	\$ 71,258
Maintained as a condition of certain bond instruments	4,020,584	88,660	4,109,244
Utility deposits	-	355,981	355,981
Landfill closure	-	495,453	495,453
Grant restrictions	<u>325,115</u>	<u>-</u>	<u>325,115</u>
	<u><u>\$ 4,416,957</u></u>	<u><u>\$ 940,094</u></u>	<u><u>\$ 5,357,051</u></u>

(Continued)



**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 2. Deposits and Investments (Continued)**

Restricted cash and cash equivalents (Continued)

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Town has the following recurring fair value measurements as of June 30, 2018:

	<u><b>Level 1</b></u>
Debt securities	
Government and Agency Bonds	724,812
Total	<u><u>\$ 724,812</u></u>

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

**Note 3. Receivables**

Receivables for the individual major funds are as follows:

	<u><b>General</b></u>	<u><b>Solid Waste</b></u>	<u><b>Electric</b></u>	<u><b>Total</b></u>
Receivables				
Taxes	\$ 776,896	\$ -	\$ -	\$ 776,896
Accounts	193,949	165,638	2,916,369	3,275,956
Gross receivables	970,845	165,638	2,916,369	4,052,852
Less allowance for uncollectibles	(16,156)	(53,518)	(391,999)	(461,673)
Net receivables	<u><u>\$ 954,689</u></u>	<u><u>\$ 112,120</u></u>	<u><u>\$ 2,524,370</u></u>	<u><u>\$ 3,591,179</u></u>

Governmental funds report *unavailable revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At June 30, *unavailable revenue* related to taxes receivable was \$749,535 and the BRWA debt service receivable was \$4,368,007.

**Note 4. Interfund Receivables, Payables, and Transfers**

Amounts due from/to other funds are as follows:

<u><b>Receivable Fund</b></u>	<u><b>Payable Fund</b></u>	<u><b>Amount</b></u>
General	Solid Waste	\$ 5,246
Electric	Solid Waste	518,931
		<u><u>\$ 524,177</u></u>

(Continued)



**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

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

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

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

**Note 5. Due From/(To) Other Governmental Units**

Amounts due from/(to) other governmental units is as follows:

	<b>Governmental Activities</b>	
	<b>Due From</b>	<b>Due To</b>
Bedford County		
Local sales tax	\$ 39,172	\$ -
State of Virginia		
Communications tax	20,619	-
Rental tax	2,210	(49,306)
Other	112,435	-
	<u>\$ 174,436</u>	<u>\$ (49,306)</u>

**Note 6. BRWA Debt Service Receivable**

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

<b>Year Ending</b>	<b>Principal</b>	<b>Interest</b>
2019	\$ 651,014	\$ 95,218
2020	470,611	84,273
2021	475,027	80,070
2022	482,343	72,881
2023	490,012	65,475
2024-2026	1,799,000	107,174
	<u>\$ 4,368,007</u>	<u>\$ 505,091</u>

(Continued)



**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 7. Capital Assets**

Capital asset activity for the year was as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets, not depreciated				
Land	\$ 1,877,702	\$ -	\$ -	\$ 1,877,702
Construction in progress	-	80,292	-	80,292
Total capital assets, not depreciated	1,877,702	80,292	-	1,957,994
Capital assets, depreciated				
Buildings and improvements	7,668,682	104,900	-	7,773,582
Machinery and equipment	10,215,183	308,786	(30,025)	10,493,944
Infrastructure	14,565,559	30,780	(3,866)	14,592,473
Total capital assets, depreciated	32,449,424	444,466	(33,891)	32,859,999
Less accumulated depreciation	(19,740,428)	(1,107,422)	43,753	(20,804,097)
Total capital assets, depreciated, net	12,708,996	(662,956)	9,862	12,055,902
Governmental activities capital assets, net	<u>\$ 14,586,698</u>	<u>\$ (582,664)</u>	<u>\$ 9,862</u>	<u>\$ 14,013,896</u>
<b>Business-Type Activities</b>				
Capital assets, not depreciated				
Land	\$ 710,517	\$ -	\$ -	\$ 710,517
Construction in progress	-	466,291	-	466,291
Total capital assets, not depreciated	710,517	466,291	-	1,176,808
Capital assets, depreciated				
Buildings and improvements	14,786,924	13,313	-	14,800,237
Machinery and equipment	6,993,144	565,611	-	7,558,755
Landfill development costs	3,315,945	-	-	3,315,945
Distribution and transmission systems	17,194,579	262,703	-	17,457,282
Total capital assets, depreciated	42,290,592	841,627	-	43,132,219
Less accumulated depreciation	(24,518,760)	(1,031,301)	-	(25,550,061)
Total capital assets, depreciated, net	17,771,832	(189,674)	-	17,582,158
Business-type activities capital assets, net	<u>\$ 18,482,349</u>	<u>\$ 276,617</u>	<u>\$ -</u>	<u>\$ 18,758,966</u>

(Continued)



**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 7. Capital Assets (Continued)**

Depreciation expense was charged to functions/programs as follows:

Governmental activities	
General government administration	\$ 191,805
Public safety	447,177
Public works	298,118
Community development	170,322
	<u>\$ 1,107,422</u>
Business-type activities	
Solid waste	\$ 140,408
Electric	890,893
	<u>\$ 1,031,301</u>

**Note 8. Long-Term Liabilities**

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

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
General obligation bonds	\$ 6,270,893	\$ 744,140	\$ (1,543,067)	\$ 5,471,966	\$ 802,710
Compensated absences	161,692	197,524	(161,692)	197,524	197,524
Landfill liability:					
Closed landfill	2,500,000	-	(100,000)	2,400,000	240,000
Governmental activities long-term liabilities	<u>\$ 8,932,585</u>	<u>\$ 941,664</u>	<u>\$ (1,804,759)</u>	<u>\$ 8,069,490</u>	<u>\$ 1,240,234</u>

(Continued)



**TOWN OF BEDFORD, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 8. Long-Term Liabilities (Continued)**

<b>Business-Type Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
General obligation bonds	\$ 2,038,576	\$ 8,771,860	\$ (2,038,575)	\$ 8,771,861	\$ 1,093,320
Revenue bonds	1,450,000	-	(115,000)	1,335,000	125,000
Payable to AMP:					
Contract (Note 13)	896,697	-	(60,000)	836,697	60,000
Bond anticipation notes	7,688,942	-	(7,688,942)	-	-
Compensated absences	104,472	131,500	(104,472)	131,500	131,500
Landfill liability:					
Region 2000	46,394	-	(1,737)	44,657	-
Transfer station	23,740	427	-	24,167	-
Active landfill	2,817,107	425,211	-	3,242,318	-
Business-type activities long-term liabilities	<u>\$ 15,065,928</u>	<u>\$ 9,328,998</u>	<u>\$ (10,008,726)</u>	<u>\$ 14,386,200</u>	<u>\$ 1,409,820</u>

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

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

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

<b>Year</b>	<b>Governmental Activities</b>		<b>Business-Type Activities</b>				<b>AMP</b>
	<b>General Obligation</b>		<b>General Obligation</b>				<b>Obligations</b>
	<b>Bonds</b>		<b>Bonds</b>		<b>Revenue Bonds</b>		<b>Contract</b>
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>
<b>Ending June 30,</b>							
2019	\$ 802,710	\$ 126,292	\$ 1,093,320	\$ 208,561	\$ 125,000	\$ 101,921	\$ 60,000
2020	628,213	109,528	1,133,840	167,482	135,000	91,963	60,000
2021	636,883	100,855	1,159,100	143,033	145,000	81,224	60,000
2022	649,123	89,064	1,184,780	118,039	160,000	69,509	60,000
2023	661,811	76,911	1,210,460	92,490	170,000	56,818	60,000
2024-2028	2,093,226	120,345	2,990,361	133,747	600,000	84,543	300,000
2029-2033	-	-	-	-	-	-	236,697
2034-2038	-	-	-	-	-	-	-
	<u>\$ 5,471,966</u>	<u>\$ 622,995</u>	<u>\$ 8,771,861</u>	<u>\$ 863,352</u>	<u>\$ 1,335,000</u>	<u>\$ 485,978</u>	<u>\$ 836,697</u>

(Continued)



# TOWN OF BEDFORD, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS June 30, 2018

### Note 8. Long-Term Liabilities (Continued)

Details of long-term indebtedness are as follows:

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
<b><u>General Obligation Bonds</u></b>						
Virginia Resources Authority:						
Taxable water and sewer	2.5%	06/1998	2019	\$ 5,225,000	\$ 497,474	\$ -
Virginia Revolving Loan Fund:						
Water and sewer	0.0	04/2002	2022	2,866,300	644,917	-
Water and sewer	0.0	09/2001	2022	1,800,000	360,000	-
Public improvement	2.8-3.6	04/2008	2023	5,472,438	403,435	-
Public improvement	2.9	03/2011	2026	5,485,000	2,822,000	-
Public improvement	1.9-2.2	12/2017	2026	5,485,000	744,140	8,771,861
					<u>\$ 5,471,966</u>	<u>\$ 8,771,861</u>
<b><u>Revenue Bonds</u></b>						
Virginia Resources Authority:						
Taxable lease	7.8	06/1996	2026	2,630,000	-	1,335,000
					<u>\$ -</u>	<u>\$ 1,335,000</u>
<b><u>Obligations Payable – AMP</u></b>						
Generating station contract	0.8%	N/A	2029	\$ 1,081,697	\$ -	\$ 836,697
					<u>\$ -</u>	<u>\$ 836,697</u>

### **Obligations Payable – AMP**

#### **Generating Station Contract**

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

(Continued)



**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 8. Long-Term Liabilities (Continued)**

**General Obligation Refunding Bonds, Series 2017**

On December 28, 2017, the Town issued \$8,287,000 of General Obligation Refunding Bonds, Series 2017A. The Town used the proceeds of the Series 2017A Bonds to refund on a current basis all of the Town's General Obligation Public Improvement Bond Series 2011, to retire and fix through maturity the AMP Electric System Improvement Bond Anticipation Note, and to pay the costs of issuing the Bonds. The refunding of the Public Improvement Bond Series 2011 resulted in a present value savings (the difference between the present value of the debt service payments on the old and new debt) of \$30,534 and gross cash flow savings of \$33,848.

On December 28, 2017, the Town issued \$1,229,000 of General Obligation Refunding Bonds, Series 2017B. The Town issued the Bonds to refund the Refunded Bond (as defined below), and pay the costs of issuing the Bond and refunding the Refunded Bond. The Town used the proceeds of the Series 2017B Bonds to refund on a current basis all of the Town's General Obligation Public Improvement Bond, Series 2008. The refunding resulted in a present value savings (the difference between the present value of the debt service payments on the old and new debt) of \$305,694 and gross cash flow savings of \$318,748.

**Note 9. Landfill Closure and Postclosure Care Costs**

**Closed landfill**

The Town closed its former landfill site in 1994. In accordance with federal and state laws, the Town placed a final cover on this site and was required to perform certain maintenance and monitoring functions for a minimum of ten years after closure. The cumulative amount of estimated closure and postclosure care costs for this site, less costs paid to date, totals \$2,400,000. The presence of certain contaminants has been detected in the groundwater on adjacent property. The estimated liability is based on the Virginia Department of Environmental Quality (DEQ) accepting the active remedy proposed by the Town. If the DEQ does not accept the active remedy, the actual costs may increase. Also, actual costs may be higher due to inflation, changes in technology, changes in regulations, or other unforeseen circumstances.

**Open landfill**

This landfill site began accepting waste in 1994. State and federal laws require the Town to place a final cover on this site when it stops accepting waste and to perform maintenance and monitoring functions for thirty years after closure. Although closure and postclosure care costs are paid only near or after the date the landfill stops accepting waste, the Town reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used. The \$3,242,318 reported as landfill closure and postclosure liability as of June 30 represents the cumulative amount reported to date based on use of approximately 99.14% of estimated capacity. The remaining estimated cost of closure and post closure care of \$28,198 will be recognized as remaining capacity is filled. The Town is shipping most waste, except construction debris, to Bedford County's landfill and the Town expects to close the landfill in 2020. Actual costs may be higher due to inflation, changes in technology, changes in regulations, or other unforeseen circumstances.

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

(Continued)



**TOWN OF BEDFORD, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**Note 10. Net Position/Fund Equity**

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

Nonspendable for:	
Corpus of permanent fund	\$ 988,954
Restricted for:	
General governmental administration (grant funding)	230,435
Public safety (grant funding)	20,555
Community development (grant funding & cemetery)	74,125
2010 GO Bond	71,258
Debt service reserves	4,020,584
	<u>4,416,957</u>
Assigned to:	
General governmental administration (encumbrances)	194,570
Public safety (encumbrances)	23,870
Public works (encumbrances)	24,727
Community development (encumbrances)	124,601
	<u>367,768</u>
Unassigned	<u>1,625,837</u>
Total fund balance	<u>\$ 7,399,516</u>

Deficit net position

At June 30, the solid waste fund had a deficit net position of \$(2,048,065) which is anticipated to be recovered through future revenues, as well as possible transfers from the general and/or electric funds.

**Note 11. Defined Benefit Pension Plan**

**Plan Description**

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

(Continued)



**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 11. Defined Benefit Pension Plan (Continued)**

**Plan Description (Continued)**

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

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

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

(Continued)



**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 11. Defined Benefit Pension Plan (Continued)**

**Plan Description (Continued)**

**Plan 1 (Continued)**

- **Calculating the Benefit** – The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier, and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.
- **Average Final Compensation** – A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
- **Service Retirement Multiplier** – The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.
- **Normal Retirement Age** – Age 65 or age 60 for hazardous duty employees.
- **Earliest Unreduced Retirement Eligibility** – Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service for hazardous duty employees.
- **Earliest Reduced Retirement Eligibility** – Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. Age 50 with at least five years of creditable service for hazardous duty employees.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.
  - **Eligibility** – For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

(Continued)



**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 11. Defined Benefit Pension Plan (Continued)**

**Plan Description (Continued)**

**Plan 1 (Continued)**

- **Cost-of-Living Adjustment (COLA) in Retirement (Continued)**
  - **Exceptions to COLA Effective Dates** – The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:
    - The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
    - The member retires on disability.
    - The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
    - The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
    - The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.
- **Disability Coverage** – Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
- **Purchase of Prior Service** – Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

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

(Continued)



**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 11. Defined Benefit Pension Plan (Continued)**

**Plan Description (Continued)**

**Plan 2 (Continued)**

- **Hybrid Opt-In Election** – Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.
- **Retirement Contributions** – Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016.
- **Creditable Service** – Same as Plan 1.
- **Vesting** – Same as Plan 1.
- **Calculating the Benefit** – See definition under Plan 1.
- **Average Final Compensation** – A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
- **Service Retirement Multiplier** – Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013. Sheriffs, regional jail superintendents, and hazardous duty employees are same as Plan 1.
- **Normal Retirement Age** – Normal Social Security retirement age. Hazardous duty employees are the same as Plan 1.
- **Earliest Unreduced Retirement Eligibility** – Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Hazardous duty employees are the same as Plan 1.
- **Earliest Reduced Retirement Eligibility** – Age 60 with at least five years (60 months) of creditable service. Hazardous duty employees are the same as Plan 1.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 2.00% increase in the CPI-U and half of any additional increase (up to 2.00%), for a maximum COLA of 3.00%.
  - **Eligibility** – Same as Plan 1.
  - **Exceptions to COLA Effective Dates** – Same as Plan 1.

(Continued)



**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 11. Defined Benefit Pension Plan (Continued)**

**Plan Description (Continued)**

**Plan 2 (Continued)**

- **Disability Coverage** – Same as Plan 1 except that the retirement multiplier is 1.65%.
- **Purchase of Prior Service** – Same as Plan 1.

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

- **Eligible Members** – Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes political subdivision employees; members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.
- **Non-Eligible Members** – Some employees are not eligible to participate in the Hybrid Retirement Plan. They include political subdivision employees who are covered by enhanced benefits for hazardous duty employees. Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
- **Retirement Contributions** – A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

(Continued)



**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 11. Defined Benefit Pension Plan (Continued)**

**Plan Description (Continued)**

**Hybrid Retirement Plan (Continued)**

- **Creditable Service –**
  - **Defined Benefit Component** – Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
  - **Defined Contributions Component** – Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
- **Vesting –**
  - **Defined Benefit Component** – Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.
  - **Defined Contributions Component** – Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. After two years, a member is 50% vested and may withdraw 50% of employer contributions. After three years, a member is 75% vested and may withdraw 75% of employer contributions. After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
- **Calculating the Benefit –**
  - **Defined Benefit Component** – See definition under Plan 1.
  - **Defined Contribution Component** – The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
- **Average Final Compensation** – Same as Plan 2 for the defined benefit component of the plan.

(Continued)



**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 11. Defined Benefit Pension Plan (Continued)**

**Plan Description (Continued)**

**Hybrid Retirement Plan (Continued)**

- **Service Retirement Multiplier** – The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. This is not applicable to sheriffs, regional jail superintendents, or hazardous duty employees.
- **Normal Retirement Age** –
  - **Defined Benefit Component** – Same as Plan 2, however, not applicable for hazardous duty employees.
  - **Defined Contribution Component** – Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Earliest Unreduced Retirement Eligibility** –
  - **Defined Benefit Component** – Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. This is not applicable to hazardous duty employees.
  - **Defined Contribution Component** – Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Earliest Reduced Retirement Eligibility** –
  - **Defined Benefit Component** – Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. This is not applicable to hazardous duty employees.
  - **Defined Contribution Component** – Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Cost-of-Living Adjustment (COLA) in Retirement** –
  - **Defined Benefit Component** – Same as Plan 2.
  - **Defined Contribution Component** – Not Applicable.
  - **Eligibility** – Same as Plan 1 and 2.
  - **Exceptions to COLA Effective Dates** – Same as Plan 1 and 2.

(Continued)



**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 11. Defined Benefit Pension Plan (Continued)**

**Plan Description (Continued)**

**Hybrid Retirement Plan (Continued)**

- **Disability Coverage** – Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
- **Purchase of Prior Service** –
  - **Defined Benefit Component** – Same as Plan 1, with the following exceptions:
    - Hybrid Retirement Plan members are ineligible for ported service.
  - **Defined Contribution Component** – Not Applicable.

**Employees Covered by Benefit Terms**

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<b><u>Number</u></b>
Inactive members or their beneficiaries currently receiving benefits	<u>117</u>
Inactive members:	
Vested inactive members	16
Non-vested inactive members	32
Inactive members active elsewhere in VRS	<u>66</u>
Total inactive members	114
Active members	<u>82</u>
Total covered employees	<u><u>313</u></u>

(Continued)



**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 11. Defined Benefit Pension Plan (Continued)**

**Contributions**

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The political subdivision's contractually required contribution rate for the year ended June 30, 2018 was 18.56% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$799,167 and \$759,855 for the years ended June 30, 2018 and June 30, 2017, respectively.

**Net Pension Liability**

The political subdivision's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

(Continued)



**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 11. Defined Benefit Pension Plan (Continued)**

**Actuarial Assumptions**

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

- \* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment rate for GASB purposes of slightly more than the assumed 7.00%. However, since the difference was minimal, and a more conservative 7.00% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.00% to simplify preparation of pension liabilities.

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service related. Public Safety Employees – 70% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2000 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Update mortality table; lowered retirement rates at older ages, changed final retirement from 70 to 75; lowered disability rates, no change to salary scale, increased rate of line of duty disability from 14% to 20%.

Public Safety Employees – Largest 10 – Hazardous Duty and All Others (Non 10 Largest): Update mortality table; adjustment to rates of retirement by increasing rate at 50 and lowering rate at older ages; adjusted rates of withdrawal and disability to better fit experience; changes to line of duty rates, and no changes to salary scale.

(Continued)



**TOWN OF BEDFORD, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**Note 11. Defined Benefit Pension Plan (Continued)**

**Long-Term Expected Rate of Return**

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

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-Term Expected Rate of Return</b>	<b>Weighted Average Long-Term Expected Rate of Return</b>
Public Equity	40.00 %	4.54 %	1.82 %
Fixed Income	15.00	0.69	0.10
Credit Strategies	15.00	3.96	0.59
Real Assets	15.00	5.76	0.86
Private Equity	15.00	9.53	1.43
Total	100.00 %		4.80 %
	Inflation		2.50 %
	*Expected arithmetic nominal return		7.30 %

- \* The above allocation provides for a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.5%.

(Continued)



**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 11. Defined Benefit Pension Plan (Continued)**

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2016, the rate contributed by the employer for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in Net Pension Liability**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
Balances at June 30, 2016	\$ 26,959,548	\$ 19,544,976	\$ 7,414,572
Changes for the year:			
Service cost	448,329	-	448,329
Interest	1,833,006	-	1,833,006
Change in assumptions	77,847	-	77,847
Differences between expected and actual experience	(10,116)	-	(10,116)
Contributions – employer	-	759,855	(759,855)
Contributions – employee	-	178,391	(178,391)
Net investment income	-	2,353,494	(2,353,494)
Benefit payments, including refunds of employee contributions	(1,547,508)	(1,547,508)	-
Administrative expenses	-	(13,924)	13,924
Other changes	-	(2,078)	2,078
Net changes	801,558	1,728,230	(926,672)
Balances at June 30, 2017	\$ 27,761,106	\$ 21,273,206	\$ 6,487,900

(Continued)



**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 11. Defined Benefit Pension Plan (Continued)**

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

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

	<b>1.00% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1.00% Increase (8.00%)</b>
Political subdivision's net pension liability	\$ 9,746,963	\$ 6,487,900	\$ 3,754,235

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

For the year ended June 30, 2018, the political subdivision recognized pension expense of \$720,156. At June 30, 2018, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 5,157
Change in assumptions	39,687	-
Net difference between projected and actual earnings on pension plan investments	-	303,122
Employer contributions subsequent to the measurement date	799,167	-
Total	<u>\$ 838,854</u>	<u>\$ 308,279</u>

(Continued)



**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 11. Defined Benefit Pension Plan (Continued)**

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

The \$799,167 reported as deferred outflows of resources related to pensions resulting from the Political Subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30,</b>	<b>Reduction to Pension Expense</b>
2019	\$ (174,091)
2020	100,934
2021	6,011
2022	(201,446)
2023	-
Thereafter	-

**Pension Plan Data**

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Note 12. Other Post-Employment Benefits – Local Plan**

**Plan Description**

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

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

(Continued)



**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 12. Other Post-Employment Benefits – Local Plan (Continued)**

**Benefits Provided**

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

**Employees Covered by Benefit Terms**

The number of participants at January 1, 2014 was as follows:

Retirees currently receiving benefits	2
Active employees	<u>75</u>
Total	<u><u>77</u></u>

**Total OPEB Liability**

The Town's total OPEB liability of \$185,921 was measured as of December 31, 2018 and was determined based on an actuarial valuation performed as of June 30, 2018.

**Actuarial Assumptions and other inputs**

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

Inflation	2.50%
Salary increases, including inflation	4.00%
Healthcare cost trend rates	8.00% Initial, 5.00% Ultimate
Retirees' share of benefit-related costs	Same as Health Care Trend
Actuarial cost method	Entry Age Normal

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2017.

Changes in assumptions and other inputs reflect a change in the discount rate based on GASB 75 rules.

(Continued)



**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 12. Other Post-Employment Benefits – Local Plan (Continued)**

**Changes in the Total OPEB Liability**

Balance at June 30, 2017	\$ 165,313
Changes for the year:	
Service cost	17,924
Interest	5,273
Benefit changes	-
Differences between expected and actual experience	-
Assumption or other input changes	12,061
Benefit payments	(6,772)
Other changes	(7,878)
Net changes	20,608
Balance at June 30, 2018	\$ 185,921

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.19%) or one percentage point higher (4.19%) than the current discount rate:

	<b>1.00% Decrease (2.19%)</b>	<b>Current Discount Rate (3.19%)</b>	<b>1.00% Increase (4.19%)</b>
Total OPEB liability	\$ 202,025	\$ 185,921	\$ 171,155

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the total OPEB liability, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (7.00%) or one percentage point higher (9.00%) than the current healthcare cost trend rates:

	<b>1.00% Decrease (7.00%)</b>	<b>Current Healthcare Cost Trend Rates (8.00%)</b>	<b>1.00% Increase (9.00%)</b>
Total OPEB liability	\$ 164,472	\$ 185,921	\$ 211,595

(Continued)



**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 12. Other Post-Employment Benefits – Local Plan (Continued)**

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2018, the Town recognized OPEB expense of \$23,497. At June 30, 2018, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Change in assumptions	\$ 10,886	\$ (7,111)
Total	<u>\$ 10,886</u>	<u>\$ (7,111)</u>

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

<b>Year Ending June 30,</b>	<b>Increase (Reduction) to OPEB Expense</b>
2019	\$ 408
2020	408
2021	408
2022	408
2023	408
Thereafter	1,735

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

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

(Continued)



**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

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

**Plan Descriptions**

Group Life Insurance Program

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

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

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

GLI is administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia and is considered a multiple employer, cost sharing plan.

**Contributions**

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2015. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:	<i>Code of Virginia 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.</i>
Total rate:	1.31% of covered employee compensation. Rate allocated 60/40; 0.79% employee and 0.52% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2018 Contribution	\$50,917
June 30, 2017 Contribution	\$19,367

(Continued)



**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

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

**OPEB Liabilities, OPEB Expense, and Deferred Inflows and Outflows of Resources Related to OPEB**

The net OPEB liabilities were measured as of June 30, 2017 and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations as of that date. The covered employer's proportion of the net OPEB liabilities, were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers.

**Group Life Insurance Program**

June 30, 2018 proportionate share of liability	\$ 304,000
June 30, 2017 proportion	0.02019%
June 30, 2016 proportion	0.02013%
June 30, 2018 expense	\$ 4,000

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

**Group Life Insurance Program**

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ -	\$ (7,000)
Change in assumptions	-	(16,000)
Net difference between projected and actual earnings on OPEB plan investments	-	(11,000)
Employer contributions subsequent to the measurement date	<u>50,917</u>	<u>-</u>
Total	<u><u>\$ 50,917</u></u>	<u><u>\$ (34,000)</u></u>

(Continued)



**TOWN OF BEDFORD, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

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

**OPEB Liabilities, OPEB Expense, and Deferred Inflows and Outflows of Resources Related to OPEB**

The deferred outflows of resources related to OPEB resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Group Life Insurance Program

<b>Year Ending June 30,</b>	<b>Increase (Reduction) to OPEB Expense</b>
2019	\$ (7,002)
2020	(7,002)
2021	(7,002)
2022	(7,002)
2023	(4,130)
Thereafter	(1,862)

**Actuarial Assumptions and Other Inputs**

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2016, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017:

Inflation	2.50%
Salary increases, including inflation:	
• Locality – general employees	3.50 – 5.35%
• Locality – hazardous duty employees	3.50 – 4.75%
Healthcare cost trend rates:	
• Under age 65	7.75 – 5.00%
• Ages 65 and older	5.75 – 5.00%
Investment rate of return, net of expenses, including inflation*	GLI: 7.00%

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

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

(Continued)



**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

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

**Net OPEB Liabilities**

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, net OPEB liability amounts for the group life insurance programs is as follows (amounts expressed in thousands):

	<b><u>Group Life Insurance Program</u></b>
Total OPEB Liability	\$ 2,942,426
Plan fiduciary net position	1,437,586
Employers' net OPEB liability (asset)	1,504,840
Plan fiduciary net position as a percentage of total OPEB liability	48.86%

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

**Long-Term Expected Rate of Return**

**Group Life Insurance Programs**

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

(Continued)



**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

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

**Long-Term Expected Rate of Return (Continued)**

Group Life Insurance Programs (Continued)

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	40.00 %	4.54 %	1.82 %
Fixed Income	15.00	0.69	0.10
Credit Strategies	15.00	3.96	0.59
Real Assets	15.00	5.76	0.86
Private Equity	15.00	9.53	1.43
Total	100.00 %		4.80 %
	Inflation		2.50 %
	*Expected arithmetic nominal return		7.30 %

- \* The above allocation provides for a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.5%.

**Discount Rate**

The discount rate used to measure the GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

(Continued)



**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

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

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

The following presents the net OPEB liabilities of the Town, as well as what the Town's net OPEB liabilities would be if it were calculated using a discount rate that is one percentage point lower (GLI/6%) or one percentage point higher (GLI/8%) than the current discount rate:

	<b>1.00% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1.00% Increase (8.00%)</b>
GLI Net OPEB liability	\$ 393,164	\$ 304,000	\$ 231,679

**OPEB Plan Fiduciary Net Position**

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Note 14. Summary of Pension and Other Post Employment Benefit Elements**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total Primary Government</b>
Deferred outflows of resources – pensions			
Change of assumptions			
VRS	\$ 23,589	\$ 16,098	\$ 39,687
Employer contributions subsequent to the measurement date			
VRS	475,008	324,159	799,167
Total deferred outflows of resources – pensions	<u>\$ 498,597</u>	<u>\$ 340,257</u>	<u>\$ 838,854</u>
Deferred outflows of resources – OPEB			
Change in assumptions			
Local plan	\$ 6,858	\$ 4,028	\$ 10,886
Employer contributions subsequent to the measurement date			
VRS GLI	30,157	20,760	50,917
Total deferred outflows of resources – OPEB	<u>\$ 37,015</u>	<u>\$ 24,788</u>	<u>\$ 61,803</u>

(Continued)



**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 14. Summary of Pension and Other Post Employment Benefit Elements (Continued)**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Net pension liability			
VRS	\$ 3,856,278	\$ 2,631,622	\$ 6,487,900
Total net pension liability	<u>\$ 3,856,278</u>	<u>\$ 2,631,622</u>	<u>\$ 6,487,900</u>
Net OPEB liability			
Local plan	\$ 117,130	\$ 68,791	\$ 185,921
VRS GLI	<u>180,052</u>	<u>123,948</u>	<u>304,000</u>
Total net OPEB liability	<u>\$ 297,182</u>	<u>\$ 192,739</u>	<u>\$ 489,921</u>
Deferred inflows of resources – pensions			
Difference between expected and actual experience			
VRS	\$ 3,065	\$ 2,092	\$ 5,157
Net difference between projected and actual investment earnings on pension plan investments			
VRS	<u>180,170</u>	<u>122,952</u>	<u>303,122</u>
Total deferred inflows of resources – pensions	<u>\$ 183,235</u>	<u>\$ 125,044</u>	<u>\$ 308,279</u>
Deferred inflows of resources – OPEB			
Difference between expected and actual experience			
VRS GLI	\$ 4,147	\$ 2,853	\$ 7,000
Net difference between projected and actual investment earnings on OPEB plan investments			
VRS GLI	6,515	4,485	11,000
Change in assumptions			
Local plan	4,479	2,632	7,111
VRS GLI	<u>9,476</u>	<u>6,524</u>	<u>16,000</u>
Total deferred inflow of resources – OPEB	<u>\$ 24,617</u>	<u>\$ 16,494</u>	<u>\$ 41,111</u>

(Continued)



**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 15. Service Contracts**

Power purchase contracts

*Holcomb Rock and Coleman Falls*

In 2011, the Town entered a contract through 2018 to purchase all of the energy generated from two hydroelectric facilities. The agreement provides for one-year extensions subsequent to the 2018 expiration date. The Town has elected to extend this contract through 2019. The amount purchased by the Town varies according to current hydrologic conditions but is estimated to be 10,000,000 kilowatt-hours per year. The Town pays a fixed rate of \$0.05 per kilowatt-hour for energy produced by the facilities.

*AMP – Master Service Agreement*

In 2018, the Town entered a power sales contract with AMP through 2020 with an automatic annual renewal clause. The agreement requires the Town to purchase a minimum amount of power which varies based on expected usage. The Town is charged for this power at various adjustable rates based on current market conditions.

*AMP – Prairie State Energy Project*

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

*AMP – Fremont Energy Center*

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

(Continued)



**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 15. Service Contracts (Continued)**

Power purchase contracts (Continued)

*Bedford Solar LLC*

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

**Note 16. Property Taxes**

During 2014 the Town adopted Bedford County's tax billing schedule. Property taxes are levied on a calendar year basis. The County provides the Town with the assessed value as of January 1 for real and personal property. Real estate taxes are payable June 5 and December 5. The real estate tax rate was \$0.32 per \$100 of assessed value for both 2018 and 2017.

Personal property taxes are payable on December 5. The personal property tax rate was \$1.06 per \$100 for both 2018 and 2017. A penalty of 10% for late payment and interest at the rate of 10% per annum, is charged on unpaid balances. The Town bills and collects its own property taxes.

**Note 17. Risk Management**

The Risk Management programs of the Town are as follows:

Workers' Compensation

The Town is a member of the Virginia Municipal League Insurance Programs for workers' compensation insurance. Benefits are provided by the Commonwealth of Virginia. Premiums are based on covered payroll, job rates, and claims experience. Total premiums for fiscal year 2018 were \$65,078.

General Liability and Other

The Town purchases insurance coverage for exposure related to property, general, boiler and machinery, flood, accident and automobile liability from Virginia Municipal League Insurance Programs. The Town's property and contents are insured up to a limit of approximately \$63 million. The Town maintains an additional \$5,000,000 umbrella policy over all forms of liability insurance. The Town's Public Officials and Law Enforcement Liability coverages, with a \$1,000,000 limit for each, are provided through a policy with the Commonwealth of Virginia. Total premiums for fiscal year 2018 were \$135,978.

(Continued)



**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 17. Risk Management (Continued)**

Healthcare

The Town provides healthcare coverage for employees through a policy with Anthem. The Town contributes towards the premium for each employee that elects to be covered. Dependents are also covered provided they pay the additional premium to the Town. Total premiums paid by the Town for fiscal year 2018 were \$594,061.

Other

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

**Note 18. Direct Financing Lease**

The electric fund is the lessor of certain equipment relating to an electric substation for a thirty-year term through 2026. The lessee provides all maintenance and repairs. The lease is a direct financing lease since the lessee will purchase the equipment at the end of the lease term.

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

Total minimum lease payments	\$ 2,769,641
Guaranteed residual value	1,369,086
Unearned income	<u>(1,955,874)</u>
Net investment in direct financing lease	<u><u>\$ 2,182,853</u></u>

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

**Note 19. Commitments and Contingencies**

Grants

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

**Note 20. Major Customer/Taxpayer**

During fiscal year 2018, approximately 7% of the Town's business-type revenues were generated by one industrial customer.

(Continued)



**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 21. Adoption of New Standard and Prior Period Restatement**

In the current year the Town adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard replaces the requirements of GASB Statement No. 45 as it relates to governments that provide postemployment benefits other than pensions. The new Statement requires governments providing defined benefit postemployment benefits to recognize the long-term obligation for those benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of other postemployment 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 plans are determined, and assumptions and methods used to calculate the liability. Comparative prior year information, to the extent presented, has not been restated because the necessary information is not available.

The following is a summary of the restatements to net position, as applicable, resulting from the adoption of GASB Statement No. 75:

	<u>Funds</u>		<u>Governmental</u>	<u>Business-Type</u>
	<u>Solid Waste</u>	<u>Electric</u>	<u>Activities</u>	<u>Activities</u>
Net position				
July 1, 2017, as previously reported	\$ (1,545,407)	\$ 18,679,821	\$ 14,183,558	\$ 17,134,414
Restatement due to:				
Recognition of other postemployment benefit related liabilities and related deferred outflows/inflows in accordance with GASB No. 75	<u>(23,962)</u>	<u>(180,723)</u>	<u>(312,628)</u>	<u>(204,685)</u>
Net position				
July 1, 2017, as restated	<u>\$ (1,569,369)</u>	<u>\$ 18,499,098</u>	<u>\$ 13,870,930</u>	<u>\$ 16,929,729</u>

**Note 22. New Accounting Standards**

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

The GASB issued **Statement No. 83**, *Certain Asset Retirement Obligations* in November 2016. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The requirements of this Statement are effective for periods beginning after June 15, 2018.

The GASB issued **Statement No. 84**, *Fiduciary Activities* in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2018.

(Continued)



## TOWN OF BEDFORD, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

June 30, 2018

#### Note 22. New Accounting Standards (Continued)

The GASB issued **Statement No. 87, *Leases*** in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after December 15, 2019.

The GASB issued **Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*** in March 2018. This Statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The requirements of this Statement are effective for periods beginning after June 15, 2018.

The GASB issued **Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*** in June 2018. This Statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for periods beginning after December 15, 2019. The requirements of this Statement should be applied prospectively.

The GASB issued **Statement No. 90, *Major Equity Interests, an amendment of GASB Statements No. 14 and No. 61*** in August 2018. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

(Continued)



**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 22. New Accounting Standards (Continued)**

The requirements of this Statement are effective for periods beginning after December 15, 2018. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

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

**Note 23. Reversion to Town Status**

On July 1, 2013 the City of Bedford reverted to town status. Certain governmental activities capital assets in the amount of \$2,132,737 were transferred to Bedford County, including the library and elementary school. Due to the reversion, the County receives an increase in state education funding for 15 years ("Incentive Payments"). In consideration for assets transferred, the County agreed to pay the Town \$500,000 annually for a period of 15 years. In any year in which the Incentive Payment is greater than \$4 million, the County shall pay the Town an additional \$250,000. If the Incentive Payment is less than \$4 million, the payment to the Town will be reduced by a formula described in the reversion agreement. For the year ended June 30, 2018, the Town received \$750,000 from the County related to Incentive Payments.

The Town is leasing to the County its middle school for successive terms of one year for a maximum total period of six years. The upcoming 2019 annual lease payment of \$750,000 is the last payment expected.



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## **REQUIRED SUPPLEMENTARY INFORMATION**

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## TOWN OF BEDFORD, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**June 30, 2018**

	Plan Year			
	2017	2016	2015	2014
<b>Total Pension Liability</b>				
Service cost	\$ 448,329	\$ 372,848	\$ 447,703	\$ 535,089
Interest on total pension liability	1,833,006	1,767,235	1,770,097	1,709,653
Changes of assumptions	77,847	-	-	-
Difference between expected and actual experience	(10,116)	297,975	(768,809)	-
Benefit payments, including refunds of employee contributions	(1,547,508)	(1,449,454)	(1,530,307)	(1,232,204)
Net change in total pension liability	801,558	988,604	(81,316)	1,012,538
<b>Total pension liability – beginning</b>	<b>26,959,548</b>	<b>25,970,944</b>	<b>26,052,260</b>	<b>25,039,722</b>
<b>Total pension liability – ending</b>	<b>27,761,106</b>	<b>26,959,548</b>	<b>25,970,944</b>	<b>26,052,260</b>
<b>Plan Fiduciary Net Position</b>				
Contributions – employer	759,855	600,332	561,937	470,434
Contributions – employee	178,391	177,475	167,446	177,122
Net investment income	2,353,494	331,602	891,005	2,750,390
Benefit payments, including refunds of employee contributions	(1,547,508)	(1,449,454)	(1,530,307)	(1,232,204)
Administrative expenses	(13,924)	(12,640)	(12,793)	(15,177)
Other	(2,078)	(144)	(186)	145
Net change in plan fiduciary net position	1,728,230	(352,829)	77,102	2,150,710
<b>Plan fiduciary net position – beginning</b>	<b>19,544,976</b>	<b>19,897,805</b>	<b>19,820,703</b>	<b>17,669,993</b>
<b>Plan fiduciary net position – ending</b>	<b>21,273,206</b>	<b>19,544,976</b>	<b>19,897,805</b>	<b>19,820,703</b>
<b>Net pension liability – ending</b>	<b>\$ 6,487,900</b>	<b>\$ 7,414,572</b>	<b>\$ 6,073,139</b>	<b>\$ 6,231,557</b>
Plan fiduciary net position as a percentage of total pension liability	76.63%	72.50%	76.62%	76.08%
Covered employee payroll	\$ 4,095,552	\$ 3,958,630	\$ 3,124,628	\$ 3,899,256
Net pension liability as a percentage of covered employee payroll	158.41%	187.30%	194.36%	159.81%

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

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

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



## TOWN OF BEDFORD, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PENSION CONTRIBUTIONS

June 30, 2018

<b>Town Fiscal Year Ended June 30,</b>	<b>Actuarially Determined Contribution</b>	<b>Contributions in Relation to Actuarially Determined Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Employee Payroll</b>	<b>Contributions as a Percentage of Covered Employee Payroll</b>
2018	\$ 799,167	\$ 799,167	\$ -	\$ 4,306,424	18.56 %
2017	759,855	759,855	-	4,095,552	18.55
2016	600,332	600,332	-	3,958,630	15.17
2015	693,716	693,716	-	3,124,628	22.20

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, only four years of data is available. However, additional years will be included as they become available.

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



## TOWN OF BEDFORD, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS – LOCAL PLAN**  
**June 30, 2018**

	<u>Plan Year</u> <u>2017</u> <u>Primary</u> <u>Government</u> <u>Local Plan</u>
<b>Total OPEB Liability</b>	
Service cost	\$ 17,924
Interest on total OPEB liability	5,273
Changes in benefit terms	-
Difference between expected and actual experience	-
Changes in assumptions	12,061
Benefit payments	(6,772)
Other Changes	(7,878)
	<hr/>
Net change in total OPEB liability	20,608
<b>Total OPEB liability – beginning</b>	<hr/> 165,313
<b>Total OPEB liability – ending</b>	<hr/> <b>\$ 185,921</b> <hr/>
Plan fiduciary net position as a percentage of total OPEB liability	<hr/> 0% <hr/>
Covered payroll	<hr/> <b>\$ 3,253,522</b> <hr/>
Net OPEB liability as a percentage of covered payroll	<hr/> 5.71% <hr/>

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

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



## TOWN OF BEDFORD, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY – VRS**  
**June 30, 2018**

<b>Entity Fiscal Year Ended June 30,</b>	<b>Employer's Proportion of the Net OPEB Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net OPEB Liability (Asset)</b>	<b>Employer's Covered Payroll</b>	<b>Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>
<b>Virginia Retirement System – Group Life Insurance – General Employees</b>					
2018	0.0202 %	\$ 304,000	\$ 4,306,424	7.06 %	48.86 %

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

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



## TOWN OF BEDFORD, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF OPEB CONTRIBUTIONS – VRS**  
**June 30, 2018**

<b>Entity Fiscal Year Ended June 30,</b>	<b>Contractually Required Contribution</b>	<b>Contributions in Relation to Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Employer's Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
<b>Virginia Retirement System – Group Life Insurance – General Employees</b>					
2018	\$ 50,917	\$ 50,917	\$ -	4,306,424	1.18 %

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

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



## TOWN OF BEDFORD, VIRGINIA

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2018

#### Note 1. Changes of Benefit Terms

##### Pension

There have been no actuarially material changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

##### Other Postemployment Benefits (OPEB)

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

#### Note 2. Changes of Assumptions

The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

##### Largest 10 – Non-Hazardous Duty:

- Update mortality table
- Lowered in rates of service retirement
- Update withdrawal rates to better fit experience
- Lowered in rates of disability retirement
- No changes to salary rates
- Increase Line of Duty Disability rates
- Applicable to: Pension and GLI OPEB

##### Largest 10 – Hazardous Duty/Public Safety Employees:

- Update mortality table
- Lowered rates of retirement at older ages
- Update withdrawal rates to better fit experience
- Increased disability rates
- No changes to salary rates
- Increased Line of Duty disability rates
- Applicable to: Pension and GLI OPEB

(Continued)



**TOWN OF BEDFORD, VIRGINIA**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2018**

**Note 2. Changes of Assumptions (Continued)**

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

- Update mortality table
- Lowered rates of retirement at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience
- Lowered disability rates
- No changes to salary rates
- Increased Line of Duty disability rates from 14% to 15%
- Applicable to: Pension and GLI OPEB

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

- Update mortality table
- Increased retirement rate at age 50 and lowered rates at older ages
- Update withdrawal rates to better fit experience
- Update disability rates to better fit experience
- No changes to salary rates
- Lowered Line of Duty rate from 60% to 45%
- Applicable to: Pension and GLI OPEB



# STATISTICAL SECTION

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*This part of the Town of Bedford's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town's overall financial health.*

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

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



TABLE 1

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Governmental activities</b>										
Net investment in capital assets	\$ 13,341,012	\$ 14,271,330	\$ 14,454,095	\$ 13,173,900	\$ 11,818,082	\$ 12,802,057	\$ 13,580,468	\$ 13,928,863	\$ 15,167,250	\$ 15,362,995
Restricted	4,416,957	4,743,685	583,892	764,318	1,257,885	893,641	905,566	1,275,857	-	-
Unrestricted	(3,170,583)	(4,831,457)	(1,929,342)	(1,794,430)	1,349,711	574,787	967,285	202,484	(539,263)	(1,517,998)
Total governmental activities net position	<u>\$ 14,587,386</u>	<u>\$ 14,183,558</u>	<u>\$ 13,108,645</u>	<u>\$ 12,143,788</u>	<u>\$ 14,425,678</u>	<u>\$ 14,270,485</u>	<u>\$ 15,453,319</u>	<u>\$ 15,407,204</u>	<u>\$ 14,627,987</u>	<u>\$ 13,844,997</u>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 7,815,407	\$ 7,958,527	\$ 4,981,528	\$ 4,390,762	\$ 3,769,941	\$ 17,821,614	\$ 19,684,925	\$ 16,310,638	\$ 14,469,590	\$ 13,809,254
Restricted	-	-	-	-	-	806,525	422,208	-	-	-
Unrestricted	10,737,290	9,178,887	7,937,326	5,437,754	7,126,700	8,589,819	5,537,133	5,972,814	8,114,890	10,062,241
Total business-type activities net position	<u>\$ 18,552,697</u>	<u>\$ 17,137,414</u>	<u>\$ 12,918,854</u>	<u>\$ 9,828,516</u>	<u>\$ 10,896,641</u>	<u>\$ 27,217,958</u>	<u>\$ 25,644,266</u>	<u>\$ 22,283,452</u>	<u>\$ 22,584,480</u>	<u>\$ 23,871,495</u>
<b>Primary government</b>										
Net investment in capital assets	\$ 21,156,419	\$ 22,229,857	\$ 19,435,623	\$ 17,564,662	\$ 15,588,023	\$ 30,623,671	\$ 33,265,393	\$ 30,239,501	\$ 29,636,840	\$ 29,172,249
Restricted	4,416,957	4,743,685	583,892	764,318	1,257,885	1,700,166	1,327,774	1,275,857	-	-
Unrestricted	7,566,707	4,347,430	6,007,984	3,643,324	8,476,411	9,164,606	6,504,418	6,175,298	7,575,627	8,544,243
Total primary government net position	<u>\$ 33,140,083</u>	<u>\$ 31,320,972</u>	<u>\$ 26,027,499</u>	<u>\$ 21,972,304</u>	<u>\$ 25,322,319</u>	<u>\$ 41,488,443</u>	<u>\$ 41,097,585</u>	<u>\$ 37,690,656</u>	<u>\$ 37,212,467</u>	<u>\$ 37,716,492</u>

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

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



TABLE 2

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Expenses</b>										
<b>Governmental activities:</b>										
General government administration	\$ 945,588	\$ 1,282,152	\$ 979,299	\$ 985,262	\$ 1,087,365	\$ 1,486,378	\$ 1,372,155	\$ 1,243,932	\$ 1,263,022	\$ 1,285,276
Judicial administration	3,841	3,999	3,956	4,143	4,200	66,994	64,599	69,749	73,925	54,638
Public safety	3,162,010	2,785,159	2,538,917	2,480,298	2,690,606	3,328,885	3,268,702	3,221,404	3,234,418	3,531,246
Public works	3,494,753	2,558,911	2,989,966	2,320,701	2,734,693	3,510,226	2,783,359	2,381,402	2,238,273	2,002,857
Health and welfare	-	-	-	-	-	611,757	661,680	684,699	615,447	679,222
Education	32,528	42,468	19,535	1,480	2,048	7,027,650	6,329,561	6,637,708	6,312,843	7,400,863
Parks, recreation, and cultural	32,597	27,089	25,695	38,914	86,971	375,631	414,045	443,092	505,520	732,067
Community development	395,555	260,404	98,840	271,475	604,569	258,210	320,829	312,424	419,959	521,281
Nondepartmental	-	-	-	-	-	-	-	-	-	3,578
Interest on long-term debt	127,830	147,930	182,910	208,103	295,433	100,817	97,101	120,140	150,360	167,716
Total governmental activities	8,194,702	7,108,112	6,839,118	6,310,376	7,505,885	16,766,548	15,312,031	15,114,550	14,813,767	16,378,744
<b>Business-type activities:</b>										
Water and sewer	-	-	-	-	-	3,514,595	3,288,441	3,008,301	3,057,530	3,012,009
Solid waste	1,299,612	972,846	773,583	812,685	1,041,820	864,030	1,011,584	1,114,103	979,974	1,141,850
Electric	22,472,385	20,246,017	20,288,724	20,878,587	21,764,439	19,710,177	19,557,948	23,366,909	22,855,580	23,372,403
Total business-type activities expense	23,771,997	21,218,863	21,062,307	21,691,272	22,806,259	24,088,802	23,857,973	27,489,313	26,893,084	27,526,262
Total primary government expenses	31,966,699	28,326,975	27,901,425	28,001,648	30,312,144	40,855,350	39,170,004	42,603,863	41,706,851	43,905,006
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
Charges for services:										
General government	131,657	115,804	115,851	170,154	238,114	240,274	191,469	267,863	346,196	299,493
Judicial administration	35,316	45,837	31,077	-	-	-	-	-	-	-
Public safety	224,053	145,857	135,200	94,300	86,785	99,357	170,578	129,156	94,192	117,681
Public works	-	-	-	23,691	-	-	-	-	-	-
Parks, recreation, and cultural	-	-	-	-	5,410	16,357	19,142	20,962	28,133	89,320
Operating grants and contributions	1,818,526	2,162,848	2,008,857	1,930,366	1,713,909	5,840,890	5,675,008	5,728,339	5,542,630	6,493,199
Capital grants and contributions	-	-	234,800	-	5,753	32,474	38,022	216,354	68,807	258,533
Total governmental activities program revenues	2,209,552	2,470,346	2,525,785	2,218,511	2,049,971	6,229,352	6,094,219	6,362,674	6,079,958	7,258,226

(Continued)



TABLE 2

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Business-type activities:</b>										
Charges for services:										
Water and sewer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,304,287	\$ 3,140,016	\$ 3,108,582	\$ 3,249,909	\$ 3,131,495
Solid waste	813,553	791,828	745,762	740,127	903,966	913,436	999,851	1,010,196	1,000,078	1,032,705
Electric	24,673,848	24,285,460	23,056,147	22,108,184	22,162,487	21,534,257	20,431,813	22,615,629	21,620,435	24,188,620
Operating grants and contributions	-	-	72,006	99,440	-	410,416	383,853	397,679	389,336	381,015
Capital grants and contributions	-	-	-	-	-	61,303	2,699,315	840,092	136,236	57,500
Total business-type activities										
program revenues	25,487,401	25,077,288	23,873,915	22,947,751	23,066,453	26,223,699	27,654,848	27,972,178	26,395,994	28,791,335
Total primary government										
program revenues	27,696,953	27,547,634	26,399,700	25,166,262	25,116,424	32,453,051	33,749,067	34,334,852	32,475,952	36,049,561
<b>Net (expense) revenue</b>										
Governmental activities	(5,985,150)	(4,637,766)	(4,313,333)	(4,091,865)	(5,455,914)	(10,537,196)	(9,217,812)	(8,751,876)	(8,733,809)	(9,120,518)
Business-type activities	1,715,404	3,858,425	2,811,608	1,256,479	260,194	2,134,897	3,796,875	482,865	(497,090)	1,265,073
Total primary government net expense	(4,269,746)	(779,341)	(1,501,725)	(2,835,386)	(5,195,720)	(8,402,299)	(5,420,937)	(8,269,011)	(9,230,899)	(7,855,445)
<b>General Revenues and Other Changes in Net Position</b>										
<b>Governmental activities:</b>										
Taxes										
Property taxes	1,748,579	1,690,389	1,701,705	1,641,132	3,246,201	5,001,731	4,941,170	4,866,945	4,863,006	4,492,230
Sales taxes	219,355	233,412	184,345	181,294	181,660	842,139	830,064	857,218	854,574	894,826
Meals tax	1,395,644	1,345,430	1,176,022	1,143,412	1,080,127	680,651	671,404	655,365	643,868	663,141
Communication tax	128,802	132,652	136,256	-	-	-	-	-	-	-
Other local taxes	636,534	620,138	596,475	730,442	698,508	1,064,445	1,039,171	1,065,882	989,365	1,038,472
Intergovernmental revenue, unrestricted	319,104	332,998	394,822	394,764	467,240	741,161	771,718	707,804	955,354	924,651
Unrestricted investment earnings	141,944	57,179	68,596	27,419	-	10,887	56,106	55,553	23,447	143,365
Gain (loss) on disposition of assets	11,587	38,067	28,405	11,952	10,850	88,641	4,102	24,224	10,544	3,078
County reversion payments	750,000	750,000	750,000	750,000	821,050	-	-	-	-	-
Other	850,057	512,414	241,564	245,244	191,492	25,932	77,768	21,963	37,692	27,374
Transfers	500,000	-	-	-	722,153	900,000	872,424	1,300,000	1,138,949	1,467,000
Special Items:										
Annexation of state roads	-	-	-	1,036,341	-	-	-	-	-	-
Transfer of assets to other governments	-	-	-	-	(2,138,673)	-	-	-	-	-
Total governmental activities	6,701,606	5,712,679	5,278,190	6,162,000	5,280,608	9,356,812	9,263,927	9,554,954	9,516,799	9,654,137

(Continued)



TABLE 2

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Business-type activities:</b>										
Investment earnings	\$ 407,564	\$ 357,135	\$ 256,805	\$ 219,365	\$ 323,709	\$ 338,795	\$ 342,248	\$ 340,479	\$ 349,024	\$ 467,022
Gain on sale of capital assets	-	-	-	-	-	-	-	-	-	-
Other	-	-	21,925	3,300	-	-	-	-	-	-
Transfers	(500,000)	-	-	-	(722,153)	(900,000)	(872,424)	(1,300,000)	(1,138,949)	(1,467,000)
Special Items:										
Transfer of assets to other governments	-	-	-	-	(15,923,758)	-	-	-	-	-
Total business-type activities	(92,436)	357,135	278,730	222,665	(16,322,202)	(561,205)	(530,176)	(959,521)	(789,925)	(999,978)
Total primary government	6,609,170	6,069,814	5,556,920	6,384,665	(11,041,594)	8,795,607	8,733,751	8,595,433	8,726,874	8,654,159
<b>Changes in Net Position</b>										
Governmental activities	716,456	1,074,913	964,857	2,070,135	(175,306)	(1,180,384)	46,115	803,078	782,990	533,619
Business-type activities	1,622,968	4,215,560	3,090,338	1,479,144	(16,062,008)	1,573,692	3,266,699	(476,656)	(1,287,015)	265,095
Total primary government	\$ 2,339,424	\$ 5,290,473	\$ 4,055,195	\$ 3,549,279	\$ (16,237,314)	\$ 393,308	\$ 3,312,814	\$ 326,422	\$ (504,025)	\$ 798,714

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



TABLE 3

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

		Post-GASB 54							
		2018	2017	2016	2015	2014	2013	2012	2011
General Fund									
Nonspendable	\$	988,954	\$ 971,460	\$ -	\$ 930,648	\$ 887,603	\$ 880,907	\$ 881,387	\$ 828,714
Restricted		4,416,957	4,292,609	4,054,534	1,680,974	2,173,623	893,642	905,566	904,160
Assigned		367,768	569,468	271,663	14,235	192,464	27,245	565,787	354,146
Unassigned		1,625,837	578,288	1,516,604	3,748,577	2,880,569	2,573,798	2,368,680	1,916,649
Total general fund	\$	7,399,516	\$ 6,411,825	\$ 5,842,801	\$ 6,374,434	\$ 6,134,259	\$ 4,375,592	\$ 4,721,420	\$ 4,003,669
		Pre-GASB 54							
		2010	2009						
General Fund									
Reserved			\$ 1,966,581	\$ 1,840,352					
Unreserved			1,719,613	1,000,010					
Total general fund	\$		3,686,194	\$ 2,840,362					

Note: GASB 54 was adopted in fiscal year 2011.

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



TABLE 4

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Revenues</b>										
Taxes	\$ 4,068,474	\$ 4,019,919	\$ 3,777,727	\$ 3,686,479	\$ 4,696,712	\$ 7,592,582	\$ 7,555,727	\$ 7,416,138	\$ 7,258,677	\$ 7,097,542
Permits, privilege fees, and licenses	8,160	8,357	7,677	6,880	7,005	12,321	26,166	23,359	23,261	38,843
Fines and forfeitures	35,316	45,837	35,152	64,535	79,780	87,035	94,468	77,935	65,813	65,802
Revenue from use of money and property	141,944	57,179	113,523	27,420	-	10,887	56,106	55,553	23,447	143,365
Charges for services	131,657	115,804	104,099	98,739	108,920	122,028	125,951	155,067	175,270	212,939
County revision payments	750,000	750,000	750,000	750,000	821,050	-	-	-	-	-
BRWA debt service payments	748,592	750,951	753,311	755,671	758,051	-	-	-	-	-
Other	1,072,978	649,914	376,764	363,235	134,604	88,640	77,768	183,583	241,868	216,284
Intergovernmental	2,031,681	2,379,375	2,231,962	2,188,217	2,932,695	6,749,129	6,619,353	6,577,499	6,566,791	7,676,383
Total revenues	8,988,802	8,777,336	8,150,215	7,941,176	9,538,817	14,662,622	14,555,539	14,489,134	14,355,127	15,451,158
<b>Expenditures</b>										
General government	1,010,568	1,213,200	866,920	855,383	1,057,256	1,456,493	1,289,938	1,151,035	1,156,296	1,176,391
Judicial administration	3,850	4,200	4,200	4,200	4,200	66,994	64,599	69,749	73,925	54,638
Public safety	2,815,660	2,624,603	2,396,478	2,465,921	3,081,246	3,187,608	3,130,237	3,021,780	3,034,104	3,374,816
Public works	3,450,379	2,935,528	3,288,539	2,862,241	3,300,643	2,856,280	2,567,995	2,900,284	2,273,460	2,313,259
Parks, recreation, and cultural	32,601	44,599	27,279	39,452	90,672	318,399	348,542	381,331	436,653	663,122
Health and welfare	-	-	-	-	-	611,757	661,680	684,699	615,447	679,222
Education	32,670	28,448	20,740	1,500	14,046	6,617,245	5,888,862	6,189,655	5,923,094	6,950,962
Community development	227,753	278,424	612,355	131,622	484,855	178,769	203,823	260,011	330,515	617,783
Nondepartmental	-	-	-	-	-	-	-	-	-	3,578
Debt service:										
Bond issuance costs	7,028	-	-	-	-	-	-	12,533	-	-
Principal	1,543,067	956,183	1,313,711	1,129,041	1,273,225	539,491	469,185	681,164	664,029	879,780
Interest	133,262	161,194	199,940	223,593	248,384	100,121	89,453	132,314	153,843	173,994
Total expenditures	9,256,838	8,246,379	8,730,162	7,712,953	9,554,527	15,933,157	14,714,314	15,484,555	14,661,366	16,887,545
Excess (deficiency) of revenues under expenditures	(268,036)	530,957	(579,947)	228,223	(15,710)	(1,270,535)	(158,775)	(995,421)	(306,239)	(1,436,387)
<b>Other Financing Sources</b>										
Proceeds from borrowing	744,140	-	-	-	-	-	-	1,282,911	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	(1,270,378)	-	-
Proceeds from sale of assets	11,587	38,067	48,314	11,952	10,850	24,707	4,102	24,224	13,122	4,164
Transfers in	500,000	-	-	-	1,992,266	900,000	872,424	1,300,000	1,138,949	1,467,000
Total other financing sources	1,255,727	38,067	48,314	11,952	2,003,116	924,707	876,526	1,336,757	1,152,071	1,471,164
Net change in fund balances	\$ 987,691	\$ 569,024	\$ (531,633)	\$ 240,175	\$ 1,987,406	\$ (345,828)	\$ 717,751	\$ 341,336	\$ 845,832	\$ 34,777
Debt service as a percentage of noncapital expenditures	19.77%	14.96%	19.76%	20.06%	19.02%	4.06%	3.86%	5.60%	5.74%	6.24%

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



TABLE 5

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

<b>Fiscal Year</b>	<b>Real Estate</b>	<b>Personal Property</b>	<b>Machinery and Tools</b>	<b>Public Service Corporation</b>	<b>Mobile Homes</b>	<b>Total Assessed Value</b>	<b>Total Direct Tax Rate<sup>(1)</sup></b>	<b>Overlapping Government County<sup>(2)</sup></b>	<b>Total Direct and Overlapping</b>
2018	\$ 495,443,800	\$ 8,753,136	\$ -	\$ 8,649,100	\$ 996,088	\$ 513,842,124	0.34	0.52	0.86
2017	492,589,599	8,645,280	-	8,731,400	1,098,888	511,065,167	0.34	0.52	0.86
2016	490,197,300	8,262,777	-	8,646,890	1,125,788	508,232,755	0.34	0.52	0.86
2015	485,471,900	-	8,646,890	8,028,090	1,338,172	557,382,276	0.34	0.52	1.05
2014	474,911,700	49,928,570	32,422,960	8,406,570	365,500	566,035,300	0.53	0.52	1.04
2013	427,414,000	32,422,960	8,286,200	9,270,300	353,000	521,534,880	1.04	NA	1.03
2012	426,408,500	46,608,260	34,809,690	8,896,880	407,900	517,131,230	1.03	NA	1.03
2011	426,484,700	45,780,775	35,757,860	8,173,800	420,700	516,617,835	1.03	NA	0.97
2010	406,184,200	45,604,044	36,509,350	8,502,100	415,000	497,214,694	0.97	NA	0.93
2009	403,819,100	48,686,689	31,436,013	8,440,200	421,600	492,803,602	0.93	NA	0.93
2008	396,308,300	47,144,412	33,851,260	9,845,100	416,600	487,565,672	0.93	NA	0.96

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

<sup>(1)</sup> Per \$1,000 of assessed value.

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

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



TABLE 6

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

Customer	Fiscal Year 2018			Fiscal Year 2009		
	Revenue	Rank	Percentage of Total Town Electrical Revenue	Revenue	Rank	Percentage of Total Town Electrical Revenue
Wheelabrator Abrasives	\$ 1,366,198	1	7.07 %	\$ 2,020,508	1	11.93 %
Bedford Weaving	1,015,272	2	5.26	726,250	3	4.29
The Matrix Group	589,619	3	3.05	294,985	8	1.74
Centra Bedford Memorial Hospital	448,805	4	2.32	280,715	10	1.66
Smyth Companies	426,179	5	2.21	427,203	4	2.52
Town of Bedford	400,236	6	2.07	369,313	5	2.18
Bedford Regional Water Authority	373,648	7	1.93	-		-
Wal-Mart	372,921	8	1.93	325,675	7	1.92
Bedford Storage Investment LLC	336,628	9	1.74	-		-
Liberty High School	249,692	10	1.29	287,925	9	1.70
English Meadows	202,860	11	1.05	-		-
Lowes Home Improvement	201,453	12	1.04	-		-
Bedford Middle School	160,841	13	0.83	-		-
Bedford Coutny School Board	148,331	14	0.77	-		-
Trident (Formerly Golden West)	-		-	750,102	2	4.43
Rubatex International	-		-	367,196	6	2.17
	<u>\$ 6,292,683</u>		<u>32.56 %</u>	<u>\$ 5,849,872</u>		<u>34.54 %</u>

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



TABLE 7

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

<b>Fiscal Year Ended June 30,</b>	<b>Taxes Levied for the Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2018	\$ 1,631,221	\$ 934,373	57.28 %	\$ -	\$ 934,373	57.28 %
2017	1,670,455	1,279,351	76.59	-	1,279,351	76.59
2016	1,657,705	1,243,844	75.03	396,953	1,640,797	98.98
2015	1,625,391	1,201,076	73.89	419,604	1,620,680	99.71
2014	3,599,653	2,964,106	82.34	628,041	3,592,147	99.79
2013	5,261,090	5,149,132	97.87	107,555	5,256,687	99.92
2012	5,181,486	5,059,795	97.65	78,143	5,137,938	99.16
2011	5,095,003	5,051,869	99.15	43,134	5,095,003	100.00
2010	5,002,964	4,934,386	98.63	67,112	5,001,498	99.97
2009	4,723,553	4,665,545	98.77	50,572	4,716,117	99.84

Source: Tax Records of the Town.

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



**TABLE 8**

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Debt limit	\$ 51,384,212	\$ 50,409,290	\$ 49,884,419	\$ 49,349,999	\$ 48,331,827	\$ 43,668,430	\$ 43,530,538	\$ 43,465,850	\$ 41,468,630	\$ 41,225,930
Total net debt applicable to limit	14,243,827	8,309,469	9,536,517	11,111,943	12,550,533	14,123,033	16,111,135	17,718,481	16,502,823	18,036,255
Legal debt margin	<u>\$ 37,140,385</u>	<u>\$ 42,099,821</u>	<u>\$ 40,347,902</u>	<u>\$ 38,238,056</u>	<u>\$ 35,781,294</u>	<u>\$ 29,545,397</u>	<u>\$ 27,419,403</u>	<u>\$ 25,747,369</u>	<u>\$ 24,965,807</u>	<u>\$ 23,189,675</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>27.72%</u>	<u>16.48%</u>	<u>19.12%</u>	<u>22.52%</u>	<u>25.97%</u>	<u>32.34%</u>	<u>37.01%</u>	<u>40.76%</u>	<u>39.80%</u>	<u>43.75%</u>

**Legal Debt Margin Calculation for Fiscal Year 2018**

Assessed value	<u>\$ 513,842,124</u>
Debt limit (10% of assessed value)	\$ 51,384,212
Less debt applicable to limit:	
General obligation bonds	<u>(14,243,827)</u>
Legal debt margin	<u>\$ 37,140,385</u>

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



TABLE 9

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

Fiscal Year	General Bonded Debt			Percentage of Actual Value of Taxable Property	Per Capital	Other Governmental Activities Debt	
	General Obligation Bonds	Business Type General Obligation Bonds	Total General Bonded Debt			Capital Leases	Other Debt
2018	\$ 5,471,966	\$ 8,771,861	\$ 14,243,827	2.77 %	*	\$ -	\$ -
2017	6,270,893	2,038,576	8,309,469	1.63 %	*	-	-
2016	7,234,391	2,309,441	9,543,832	1.88	*	-	-
2015	8,165,787	2,571,156	10,736,943	1.93	\$ 1,661	-	375,000
2014	9,219,828	2,880,705	12,100,533	2.14	1,850	-	450,000
2013	1,570,080	11,125,529	12,695,609	2.43	2,134	-	525,000
2012	2,034,572	13,476,563	15,511,135	3.00	2,353	-	600,000
2011	2,428,757	14,614,724	17,043,481	3.30	2,757	-	675,000
2010	2,819,927	12,932,896	15,752,823	3.17	2,504	184,882	750,000
2009	3,230,546	14,020,836	17,251,382	3.50	2,717	363,292	825,000

Fiscal Year	Business-Type Activities			Per Capital <sup>(1)</sup>	Percentage of Personal Income <sup>(1)</sup>
	Revenue Bonds	Other Debt	Total Primary Government		
2018	\$ 1,335,000	\$ 836,697	\$ 16,415,524	*	*
2017	1,450,000	8,585,639	18,345,108	*	*
2016	1,560,000	9,518,440	20,622,272	*	*
2015	10,387,719	1,677,094	23,176,756	\$ 3,584	*
2014	11,163,283	1,076,697	24,790,513	3,791	*
2013	11,910,422	1,126,157	26,257,188	4,414	12.31
2012	12,634,273	2,179,318	30,924,726	4,691	12.05
2011	13,431,282	2,570,674	33,720,437	5,455	14.01
2010	14,343,108	-	31,030,813	4,933	12.67
2009	15,215,652	-	33,655,326	5,300	13.61

\* Unavailable

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

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



**TABLE 10**

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

<b>Fiscal Year</b>	<b>Gross Revenue</b>	<b>Less: Operating Expenses</b>	<b>Net Available Revenue</b>	<b>Debt Service</b>		<b>Coverage</b>
				<b>Principal</b>	<b>Interest</b>	
2018	\$ 24,673,848	\$ 22,090,859	\$ 2,582,989	\$ 115,000	\$ 105,676	11.70
2017	24,285,460	19,019,111	5,266,349	110,000	119,688	22.93
2016	23,056,147	19,548,380	3,507,767	814,133	481,401	2.71
2015	22,108,184	20,204,054	1,904,130	775,564	519,193	1.47
2014	22,162,487	21,026,163	1,136,324	747,139	549,753	0.88
2013	21,534,257	18,973,898	2,560,359	723,851	578,499	1.97
2012	20,431,813	18,789,808	1,642,005	797,009	606,101	1.17
2011	22,615,629	21,508,360	1,107,269	911,826	633,082	0.72
2010	21,620,435	22,157,031	(536,596)	872,544	663,496	(0.35)
2009	24,188,620	22,511,926	1,676,694	858,423	689,452	1.08

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

Operating expenses do not include depreciation, interest, or amortization expenses.

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



TABLE 11

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

<b>Fiscal Year Ended <sup>(1)</sup></b>	<b>Population <sup>(2)</sup></b>	<b>Total Personal Income <sup>(3)</sup></b>	<b>Per Capita Personal Income <sup>(4)</sup></b>	<b>Public School Enrollment <sup>(5)</sup></b>	<b>Unemployment Rate <sup>(6)</sup></b>
2018	(7)	\$ (7)	\$ (7)	(7)	(7)
2017	(7)	(7)	(7)	(7)	4.20 %
2016	(7)	(7)	(7)	(7)	5.30
2015	(7)	(7)	(7)	(7)	5.90
2014	(7)	(7)	(7)	(7)	7.80
2013	5,948	2,832,788	35,863	825	7.90
2012	6,593	2,797,077	32,167	809	8.30
2011	6,181	2,911,097	33,040	784	8.10
2010	6,291	2,836,787	37,827	830	9.70
2009	6,350	2,772,227	38,937	827	6.90

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

<sup>(2)</sup> Source: Weldon Cooper Center for Public Service, Demographics Research Group  
As of July 1, 2014

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

<sup>(4)</sup> Median Household Income, 2008-2012, U.S. Census Bureau

<sup>(5)</sup> Source: Weldon Cooper Center for Public Service, Demographics Research Group, July 2016

<sup>(6)</sup> Source: VEC, Local Area Unemployment Statistics, VirginiaLMI.com

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



TABLE 12

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

Employer	Fiscal Year 2018			Fiscal Year 2009		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Bedford Public Schools	440	1	6.77 %	318	2	4.51 %
Centra Bedford Memorial Hospital	437	2	6.72	360	1	5.10
Wal-Mart	362	3	5.57	-	NA	-
Sam Moore Furniture LLC	209	4	3.22	287	3	4.07
Bedford Weaving Mills	136	5	2.09	143	5	2.03
Cintas	130	6	2.00	142	6	2.01
Lowes	107	7	1.65	90	8	1.28
Smyth Companies Bedford	104	8	1.60	125	7	1.77
English Meadows aka Elks National Home	103	9	1.58	87	9	1.23
Food Lion	63	10	0.97	-	NA	-
Trident Seafood Inc (Brooks Foods/Golden West)	-	NA	-	182	4	2.58
Longwood Industries	-	NA	-	67	10	0.95
	<u>2,091</u>		<u>32.17 %</u>	<u>1,801</u>		<u>25.53 %</u>

Source: HR Departments of Employers.



TABLE 13

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

<b>Function/Program</b>	<b>Fiscal Year</b>									
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
General government										
Executive	3	3	2	2	2	2	2	2	2	2
Treasurer	5	5	5	5	2	2	2	1	1	1
Personnel	-	-	-	-	3	-	-	-	-	-
Finance	4	5	5	5	5	5	5	5	5	5
Information Technology	1	1	1	2	2	2	2	2	2	2
Planning	3	2	3	3	2	2	3	3	3	3
Schools	-	-	-	-	-	9	9	9	9	8
Police										
Officers	27	20	23	24	24	23	24	24	24	21
Civilians	2	2	3	3	3	3	3	5	3	2
Fire	1	1	1	1	1	1	1	1	1	1
Public works	21	20	18	17	18	20	19	20	18	21
Engineering	1	1	1	1	2	2	2	2	2	2
Cemetery	1	1	1	1	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	1	2	2	3	3
Solid waste	1	2	3	3	3	2	2	2	3	4
Water	-	-	-	-	-	6	6	6	6	6
Wastewater	-	-	-	-	-	10	10	11	11	11
Electric	21	22	19	18	17	*17	*14	*14	*13	*15
Total	<u>91</u>	<u>85</u>	<u>85</u>	<u>85</u>	<u>84</u>	<u>107</u>	<u>106</u>	<u>109</u>	<u>106</u>	<u>107</u>

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

Source: Town of Bedford's Finance Department.

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



TABLE 14

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b><u>Function/Program</u></b>										
General government:										
Fleet:										
Pieces of equipment maintained	148	140	131	127	124	132	132	130	127	129
Public safety:										
Police:										
Physical arrests	924	829	801	777	964	964	1,137	902	943	1,116
Parking violations	503	225	298	1,040	1,321	1,093	1,128	1,937	1,235	1,381
Traffic violations	1,476	1,338	992	1,045	985	1,762	2,135	1,319	1,334	1,535
Fire:										
Emergency responses – per calendar year	1,077	1,098	1,041	808	721	741	824	821	919	913
Public works:										
Refuse collection:										
Refuse collected (tons per day)	25	25	25	25	40	40	40	40	27	25
Recyclables collected (tons per day)	0.4	0.4	0.4	0.4	1	1	1	2	1	2
Other public works:										
Street resurfacing (miles)	1.71	1.13	2.74	2	6	6	6	4	4	2
Parks, recreation, and cultural:										
Parks and recreation:										
Tournaments hosted	-	-	-	-	-	-	2	3	2	2
Electric:										
Number of customer accounts	6,658	6,623	6,643	6,614	6,574	6,531	6,519	6,499	7,091	6,986
Miles of distribution lines	354	353	353	353	353	353	353	353	353	352
Miles of transmission lines	29	29	29	29	29	29	29	29	29	29
Water:										
Number of customer accounts	-	-	-	-	-	3,328	3,306	3,289	3,583	3,509
Miles of distribution lines	-	-	-	-	-	65	65	65	65	65
Volume pumped (million gallons per day average)	-	-	-	-	-	1	1	1	1	1
Sewer:										
Number of customer accounts	-	-	-	-	-	2,698	2,679	2,664	2,929	2,856
Waste/Water treated (million gallons per day)	-	-	-	-	-	1	1	1	1	1

Source:

NA – Information not available at this time

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



TABLE 15

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

<b><u>Function/Program</u></b>	<b>Fiscal Year</b>									
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Public safety:										
Law enforcement vehicles	21	20	20	20	20	18	18	19	18	19
Fire stations	1	1	1	1	1	1	1	1	1	1
Public works:										
Primary streets (lane miles)	21.59	21.59	24.11	24.61	24	24.11	24.11	24.11	24.11	24.11
Secondary streets (lane miles)	76.65	76.65	71.51	73.63	72	71.51	71.51	71.51	71.51	66.47
Streetlights	982	982	982	979	974	974	974	897	897	875
Parks, recreation, and cultural:										
Community centers	-	-	-	-	-	1	1	1	1	1
Parks/athletic fields	-	-	-	-	-	12	12	12	12	12
Electric:										
Substations	11	10	10	10	10	10	10	10	10	11
Transformers	3,601	3,582	3,582	3,582	3,475	3,340	3,340	3,340	3,340	3,340
Water and sewage:										
Water treatment plants	-	-	-	-	-	1	1	1	1	1
Water mains (miles)	-	-	-	-	-	65	65	65	65	65
Storm sewers (miles)	-	-	-	-	-	5	5	5	5	5
Sanitary sewers (miles)	-	-	-	-	-	47	47	47	47	47

Source: Information was obtained from prior year audit reports.

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

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



## **COMPLIANCE SECTION**

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Bedford, Virginia (the "Town"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 6, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) 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 Town's internal control. Accordingly, we do not express an opinion on the effectiveness of Town's internal control.

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

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



## Compliance and Other Matters

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

## Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
November 6, 2018



**TOWN OF BEDFORD, VIRGINIA**  
**SUMMARY OF COMPLIANCE MATTERS**  
**June 30, 2018**

As more fully described in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the Town's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

**STATE COMPLIANCE MATTERS**

*Code of Virginia:*

- Budget and Appropriation Laws
- Cash and Investment Laws
- Conflicts of Interest Act
- Local Retirement Systems
- Debt Provisions
- Procurement Laws
- Uniform Disposition of Unclaimed Property Act
- Highway Maintenance

**LOCAL COMPLIANCE MATTERS**

- Town Charter
- Town Code