

COUNTY OF BEDFORD, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2012**

DEPARTMENT OF FISCAL MANAGEMENT

COUNTY OF BEDFORD

TABLE OF CONTENTS

INTRODUCTORY SECTION

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

FINANCIAL SECTION

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

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

Basic Financial Statements

Government-Wide Financial Statements	
Exhibit 1 Statement of Net Assets.....	16
Exhibit 2 Statement of Activities	17

Fund Financial Statements	
Exhibit 3 Balance Sheet – Governmental Fund.....	18
Exhibit 4 Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund	19
Exhibit 5 Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Cash Basis – Governmental Fund	21
Exhibit 6 Statement of Net Assets – Proprietary Funds	23
Exhibit 7 Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	24
Exhibit 8 Statement of Cash Flows – Proprietary Funds.....	25
Exhibit 9 Statement of Fiduciary Net Assets – Fiduciary Funds	27
Exhibit 10 Statement of Changes in Fiduciary Net Assets – Pension Trust Fund.....	28
Notes to Financial Statements	29

Required Supplemental Information

Exhibit 11 Schedules of Funding Progress VRS, LOSAP, and OPEB	62
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Other Supplemental Information

Combining Statements	
Exhibit 12 Agency Funds – Combining Statement of Fiduciary Net Assets.....	64
Exhibit 13 Agency Funds – Combining Statement of Changes in Fiduciary Assets and Liabilities.....	65
Discretely Presented Component Unit – Bedford County School Board	
Exhibit 14 Combining Balance Sheet	68
Exhibit 15 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	69
Exhibit 16 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Cash Basis.....	70

COUNTY OF BEDFORD

TABLE OF CONTENTS

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

STATISTICAL SECTION

Table 1	Net Assets by Component	83
Table 2	Changes in Net Assets	84
Table 3	Fund Balances, Governmental Funds.....	86
Table 4	Changes in Fund Balances, Governmental Funds	87
Table 5	Assessed Value and Estimated Actual Value of Taxable Property.....	89
Table 6	Direct Property Tax Rates	90
Table 7	Principal Real Property Tax Payers.....	91
Table 8	Real Property Tax Levies and Collections.....	92
Table 9	Ratios of Outstanding Debt by Type.....	93
Table 10	Ratios of General Bonded Debt Outstanding.....	94
Table 11	County Debt Policy.....	95
Table 12	Demographic and Economic Statistics.....	96
Table 13	Principal Employers.....	97
Table 14	County Government Employees by Function.....	98
Table 15	Operating Indicators by Function/Program.....	99
Table 16	Capital Asset Statistics by Function/Program.....	100
Table 17	Bedford County School Board School Membership	101
Table 18	Bedford County School Board Full-Time Equivalent Employees by Type	102
Table 19	Bedford County School Board Operating Statistics	103

COMPLIANCE SECTION

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	105
Independent Auditor’s Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	107
Summary of Compliance Matters.....	109
Schedule of Findings and Questioned Costs	110

INTRODUCTORY SECTION



Bedford County

OFFICE OF THE COUNTY ADMINISTRATOR

November 19, 2012

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of Bedford County (the County) for the fiscal year ended June 30, 2012. The *Code of Virginia* requires that local governments publish, within six months of the close of each fiscal year, a complete set of audited financial statements presented in conformity with accounting principles generally accepted in the United States (GAAP) as established by the Governmental Accounting Standards Board (GASB).

This report consists of management's representations concerning the finances of the County. Consequently, responsibility for both the accuracy of the data, and the completeness and reliability of the information presented in this report rests with management. To provide a reasonable basis for making these representations, County administration has established a comprehensive internal control framework that is designed both to protect assets of the County from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of controls should not exceed the benefits obtained. To the best of our knowledge and belief, this financial report is complete and accurate in all material respects.

The County's financial statements have been audited by Brown, Edwards & Company, LLP, Certified Public Accountants. The audit was conducted in accordance with generally accepted auditing standards and the Independent Auditor's Report is included as the first component in the Financial Section of this report. The goal of the independent audit was to provide reasonable assurance that the financial statements for the fiscal year ended June 30, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County's financial statements are fairly presented in conformity with GAAP.

The independent audit of the financial statements of the County was part of a broader, federally mandated “Single Audit” designed to meet the special needs of the federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the County’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are presented in the Compliance Section of this report.

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

PROFILE OF THE COUNTY

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

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

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

The County provides judicial and law enforcement services for its citizens as well as the City of Bedford. The total cost of these services is presented in this report. The City reimburses the County for these services based on the total population of both localities as reported in the 2010 census. The City of Bedford has 8.31% of the total population and is charged for these services accordingly.

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

Bedford County is financially accountable for a legally separate school board, which is reported separately within the financial statements as a component unit. The School Board administers the County’s schools and its own appropriation within the categories defined by the Code of Virginia, but is fiscally dependent upon the County because the Board of Supervisors approves the budget, levies the

necessary taxes to finance operations and issues debt to finance capital projects. The elected School Board is composed of seven members from each of the election districts and a member representing the City, who is appointed by City Council. The School Board appoints a Superintendent to administer the policies of the School Board.

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

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

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

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

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

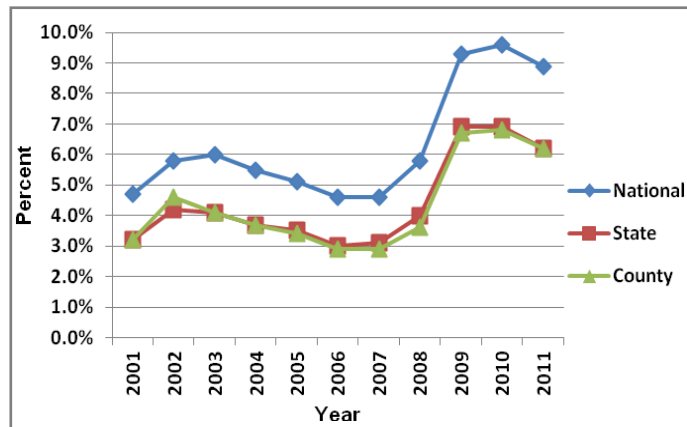
The annual budget serves as the foundation of the County's financial planning and control. All departments of the County generally submit requests for appropriation to the County Administrator on or about December 1 of each year. The County Administrator uses these requests as the starting point for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

ECONOMIC OVERVIEW

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

Historically, Bedford has attracted a highly skilled labor force to quality jobs being created in the region, which positions it to prosper during healthy economic times and to weather economic downturns. Bedford County's unemployment rate generally remains slightly below the state average and significantly below the national average.

According to the Virginia Employment Commission, as of September 2012, the unemployment rate for Bedford County was 5.5 percent. The area has one of the lower unemployment rates in the Commonwealth and was ranked 36th lowest among the 134 counties. Virginia's unemployment rate was 6.0 percent and ranked thirteenth lowest in the nation. The national unemployment rate was 8.4 percent.



Bedford County is committed to supporting initiatives that build a strong workforce for local industries. The County's One Program arranges high school student tours at local companies to give them a chance to explore careers and learn about educational requirements. Bedford County Schools also began an internship program at Liberty High School in 2011 that was expanded to all three county high schools in 2012.

During 2012 several Bedford County companies announced planned expansions and new jobs, including Mail America Communications, Inc., Forestry Equipment of Virginia and Moore & Giles.

The primary goal of the County's economic development efforts is to assist existing businesses to grow and expand within the County. The majority of businesses in the County are small, with 92 percent having fewer than 20 employees. The County seeks to attract small to mid-sized companies to locate into planned development sites within the County. In the first quarter of 2012, there were 21 new startup firms in the County.

Long-term financial planning

Unassigned fund balance in the General Fund totaled over \$16.1 million, which represents 20.0% of General Fund expenditures. An additional \$4.7 million is assigned to capital projects. Long range financial planning is in place, especially for capital projects, to ensure that resources, including borrowed funds, if necessary, are available to meet committed projects prior to their approval, and that adequate funding is planned for repayment of debt that has been or will be incurred.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

The County and the City continue to move forward in regards to the City's planned reversion to a town. In 2008, the City of Bedford notified the County of its intent to revert from a city to a town, as allowed under state law. In September 2011, City Council and the Board of Supervisors adopted a voluntary agreement which the Commonwealth used as a guideline in the City's effort to revert to town status. The negotiated agreement is intended to be the best plan for the future of the Town and County. In July 2012, the Commission on Local Government, after review of the negotiated agreement and a public hearing, found that the agreement promotes the viability of both local governments and is consistent with the best interests of the Commonwealth. Accordingly, the Commission recommended the court's approval of the agreement. In December 2012, a three judge panel will convene to approve the agreement. The reversion is expected to occur on July 1, 2013.

The reversion settlement agreement calls for the creation of a new regional water authority. This authority will be created through the merger of the existing Bedford County Public Service Authority and the City's Water and Sewer Department. As envisioned, the new authority will provide water and wastewater service to the citizens of the County and Town.

Throughout 2012, the Board continued its review of the County's Zoning Ordinance. In November 2012, the Board withdrew its initial application for zoning amendments and alternately introduced a new application reflecting its latest work on proposed ordinance amendments. This review is expected to continue into the early months of 2013.

In 2012, the County and School Board entered into a partnership to implement energy efficiency measures throughout county and school facilities. Working with Noresco, the County and School Board began installing energy efficient systems such as new plumbing and lighting fixtures. The cost of this work will be offset by the savings realized over time in utility costs. The project is financed by an eight million dollar capital lease.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its CAFR for the fiscal year ended June 30, 2011. The County has received this prestigious award each fiscal year since 1997. In order to be awarded a Certificate of Achievement, the County must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate's requirements and we are submitting it to determine its eligibility for another certificate.

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

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

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

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Frank J. Rogers".

Frank J. Rogers
Interim County Administrator

A handwritten signature in blue ink, appearing to read "Susan L. Crawford".

Susan L. Crawford, CPA
Director of Fiscal Management

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Bedford
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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



Linda C. Sandson

President

Jeffrey R. Enos

Executive Director

**COUNTY OF BEDFORD
DIRECTORY OF PRINCIPAL OFFICIALS**

MEMBERS OF THE BOARD OF SUPERVISORS

Charles D. Neudorfer, Chairman
H. Steve Arrington, Vice Chairman

Bill Thomasson
Roger W. Cheek
John Sharp

Annie S. Pollard
Tammy Parker

MEMBERS OF THE COUNTY SCHOOL BOARD

Gary Hostutler, Chairperson
Julie M. Bennington, Vice Chairperson

Richard P. Downey
Jennifer Merritt
Dr. John H. Hicks, Jr.

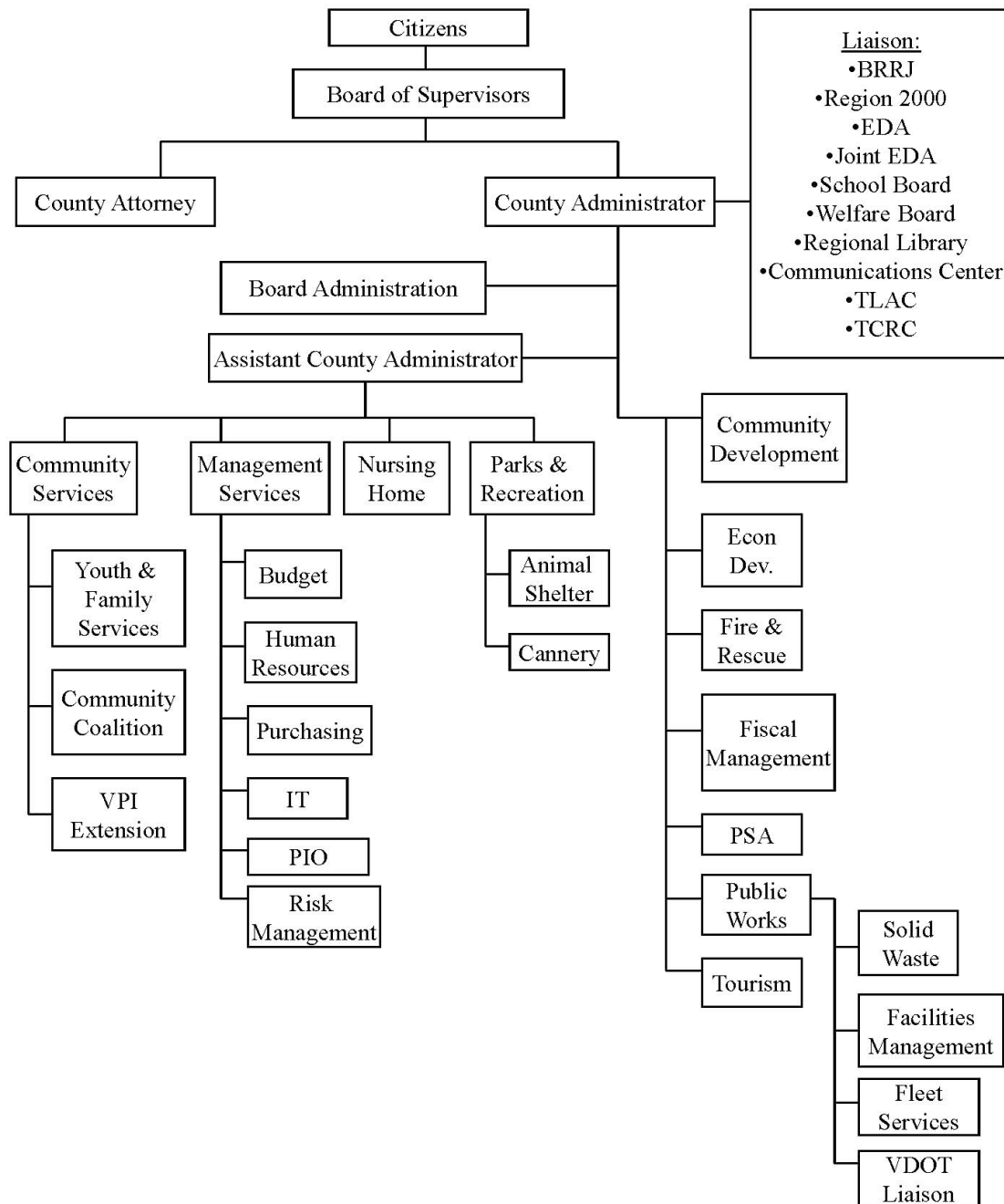
Kelly Harmony
Kevin Willis
Mickey VanDerwerker

OTHER OFFICIALS

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

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

COUNTY OF BEDFORD ORGANIZATIONAL CHART



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Bedford, Virginia as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Bedford, Virginia, as of June 30, 2012, 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 conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2012 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 19, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis (MD&A) of the County's financial statements offers readers a narrative overview and analysis of the County's financial activities for the fiscal year ended June 30, 2012. The Bedford County Schools (School Board) component unit is included in this narrative also. The information presented here should be considered in conjunction with additional information provided in the transmittal letter, financial statements, and the accompanying notes.

FINANCIAL HIGHLIGHTS

- The total assets of the reporting entity, which includes the School Board component unit, exceeded its total liabilities by \$143.7 million at June 30, 2012. This represents an increase of \$4.0 million or 2.86%.
- During the recent economic downturn, the Board has heightened their conservative approach to fiscal matters. The Board's policy direction has been to limit spending, including capital improvement projects, to only the most critical. As a result, at the close of fiscal year 2012, the County's general fund reported ending fund balances of \$56.5 million, an increase of \$11.8 million from the prior year. Of the \$56.5 million total, 28.7% (\$16.2 million) is available for spending at the County's discretion (unassigned fund balance).
- Total new debt of \$8.0 million was issued for energy conservation measures for both the County and School Board.
- The General Fund's unassigned fund balance of \$16.2 million was 19.1% of total General Fund revenues, which were \$84.6 million. This was \$7.7 million more than the Board adopted Unassigned Fund Balance Policy requirement of 10% or \$8.5 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business. One of the most important questions asked about the County's finances is, "Is the County as a whole better or worse as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets and the Statement of Activities report the County's net assets and changes in net assets – the difference between assets and liabilities – as a way to measure the County's financial health, or financial position. Over time, increases or decreases in net assets help determine whether the County's financial position is improving or deteriorating.

Governmental activities – The County's basic services are reported here: general government, judicial administration, public safety, public works, health and human services, parks and recreation, and community development. Property taxes, other taxes, and intergovernmental revenue are the primary sources that finance these activities.

Business-type activities – The financial information for the Group Homes, Nursing Home and Solid Waste are reported here. The County charges a fee to customers to fund all or most of the cost of services provided by these activities.

Component units – The County also has three separate legal entities in its report – Bedford County Public Schools, Bedford Public Library System and the Bedford Economic Development Authority. While these represent legally separate entities, their operation or financial relationship with the County makes the County financially accountable.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate fiscal accountability. As described in the following information, the County uses governmental, proprietary and fiduciary fund financial statements to provide the detailed information regarding its most significant funds.

Governmental Funds

Governmental funds report most of the County's basic services. The funds focus on cash and other financial resources that can be readily converted to cash flows in and out, and balances left at year-end that are available for future spending. Consequently, the governmental funds statements provide a near or short-term view of the County's finances that helps the reader determine whether there are greater or fewer financial resources available in the near future to finance County programs. Because this information does not encompass the long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statement to explain the relationship (or differences) between them.

Proprietary Funds

Proprietary funds report the same functions that are presented as business-type activities in the government-wide financial statements. Proprietary funds are classified as enterprise funds. An enterprise fund reports any activity for which fees are charged to external users for goods or services. The County maintains the accounting for three enterprise funds: Group Homes, Nursing Home and Solid Waste operations.

Fiduciary Funds

Fiduciary funds account for assets held by the County in a trustee capacity or as an agent for others. Activities from fiduciary funds are not included in the government-wide financial statements because the County cannot use these assets for its 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 County's progress in funding its obligations to provide pension and other postemployment benefits to its employees.

The combining fund statements include Agency Funds. Budget to actual statements, if provided, are for governmental funds with legally adopted budgets.

The County's and School Board's financial statements are included in one Comprehensive Annual Financial Report, with combining fund statements for the School Board funds. The Bedford Public Library System and Bedford Economic Development Authority issue separate reports.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets

The following table reflects condensed information for the County's net assets.

Table 1
Summary of Statement of Net Assets
as of June 30, 2012
(\$ in millions)

	Primary Government							
	Governmental Activities		Business-Type Activities		Total Primary Government		Total Reporting Entity	
	2012	2011	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 84.4	\$ 72.7	\$ 8.9	\$ 9.2	\$ 93.3	\$ 81.9	\$121.4	\$110.4
Capital assets (net)	32.5	33.7	17.6	18.7	50.1	52.4	152.0	159.0
Total assets	116.9	106.4	26.5	27.9	143.4	134.3	273.4	269.4
Long-term liabilities	77.0	74.8	8.6	8.7	85.6	83.5	90.6	89.7
Other liabilities	27.9	29.1	0.3	0.4	28.2	29.5	39.1	40.0
Total liabilities	104.9	103.9	8.9	9.1	113.8	113.0	129.7	129.7
Net assets:								
Invested in capital assets, net of related debt	23.5	23.4	14.8	15.6	38.3	39.0	80.6	80.9
Restricted	0.6	-	-	-	0.6	-	1.5	0.1
Unrestricted	(12.1)	(20.9)	2.8	3.2	(9.3)	(17.7)	61.6	58.7
Total net assets	\$ 12.0	\$ 2.5	\$17.6	\$ 18.8	\$ 29.6	\$ 21.3	\$143.7	\$139.7

Table 1 may differ from Exhibit 1 due to rounding.

The Commonwealth of Virginia requires that counties, as well as their financially dependent component units, be financed under a single taxing structure. This results in counties issuing debt to finance capital assets, such as public schools, for their component units. GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, requires that the primary government and its component units, which make up the total reporting entity, be accounted for separately on the face of the basic financial statements.

The total reporting entity, which includes the School Board, Public Library, and Economic Development Authority component units, has positive net assets of \$143.7 million at June 30, 2012. Net assets increased by \$4.0 million, or 2.86%. This increase is due to revenues being greater than expenses by \$9.5 million in governmental activities and expenses exceeding revenues in business type activities and component units.

In the case of the primary government, total assets exceeded total liabilities by \$29.6 million at June 30. The largest portion of net assets, \$38.3 million, represents the County's investment in capital assets (e.g., land, buildings, and equipment) less the depreciation and outstanding debt associated with asset acquisitions. The deficit unrestricted net assets of the primary government totaled \$9.3 million. This deficit is primarily the result of the County having borrowed \$57.3 million (\$56.6 million of outstanding bonds and \$0.7 million in premiums and deferred charges) for assets reported by the School Board component unit, which when combined for the total reporting entity, results in \$61.6 million of positive unrestricted net assets.

For the business-type activities net assets decreased by \$1.2 million, which is primarily the result of an \$0.5 million increase in depreciation for the landfill new cell which opened in June 2012, \$0.4 million for increased landfill closure and post closure costs, and Group Homes revenues decreasing by \$0.3million due to reduced occupancy.

Statement of Activities

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

	Change in Net Assets as of June 30, 2012 (\$ in millions)							
	Primary Government							
	Governmental Activities		Business-Type Activities		Total Primary Government		Total Reporting Entity	
	2012	2011	2012	2011	2012	2011	2012	2011
Revenues								
Program revenues:								
Charges for services	\$ 4.2	\$ 4.4	\$ 8.9	\$ 9.2	\$ 13.1	\$ 13.6	\$ 21.0	\$ 20.1
Operating grants and contributions	11.0	11.6	0.5	0.6	11.5	12.2	32.3	33.5
Capital grants and contributions	-	0.6	-	-	-	0.6	-	0.6
General revenues:								
Property taxes	51.9	52.0	-	-	51.9	52.0	51.9	52.0
Other taxes	10.2	10.3	-	-	10.2	10.3	10.2	10.3
Payments from Bedford County	-	-	-	-	-	-	29.3	30.5
Noncategorical state aid	6.6	6.3	-	-	6.6	6.3	39.8	40.2
Investment earnings	0.3	0.3	-	-	0.3	0.3	0.3	0.3
Other	0.3	0.3	-	-	0.3	0.3	0.6	0.7
Total revenues	84.5	85.8	9.4	9.8	93.9	95.6	185.4	188.2
Expenses								
General government	3.6	4.1	-	-	3.6	4.1	3.6	4.1
Judicial administration	2.2	2.3	-	-	2.2	2.3	2.2	2.3
Public safety	16.0	14.9	-	-	16.0	14.9	16.0	14.9
Public works	4.0	4.1	-	-	4.0	4.1	4.0	4.1
Health and welfare	9.8	10.4	-	-	9.8	10.4	9.8	10.4
Education	27.9	28.8	-	-	27.9	28.8	121.8	121.0
Parks, recreation and cultural	2.8	2.9	-	-	2.8	2.9	4.5	4.7
Community development	5.2	5.3	-	-	5.2	5.3	5.4	5.4
Group Homes	-	-	2.0	2.0	2.0	2.0	2.0	2.0
Nursing Home	-	-	5.4	5.5	5.4	5.5	5.4	5.5
Solid Waste	-	-	3.2	2.3	3.2	2.3	3.2	2.3
Interest on long-term debt	3.5	3.8	-	-	3.5	3.8	3.5	3.8
Total expenses	75.0	76.6	10.6	9.8	85.6	86.4	181.4	180.5
Increase (decrease) in net assets before transfers	9.5	9.2	(1.2)	-	8.3	9.2	4.0	7.7
Change in net assets	\$ 9.5	\$ 9.2	\$ (1.2)	\$ -	\$ 8.3	\$ 9.2	\$ 4.0	\$ 7.7

Table 2 may differ from Exhibit 2 due to rounding.

Governmental Activities

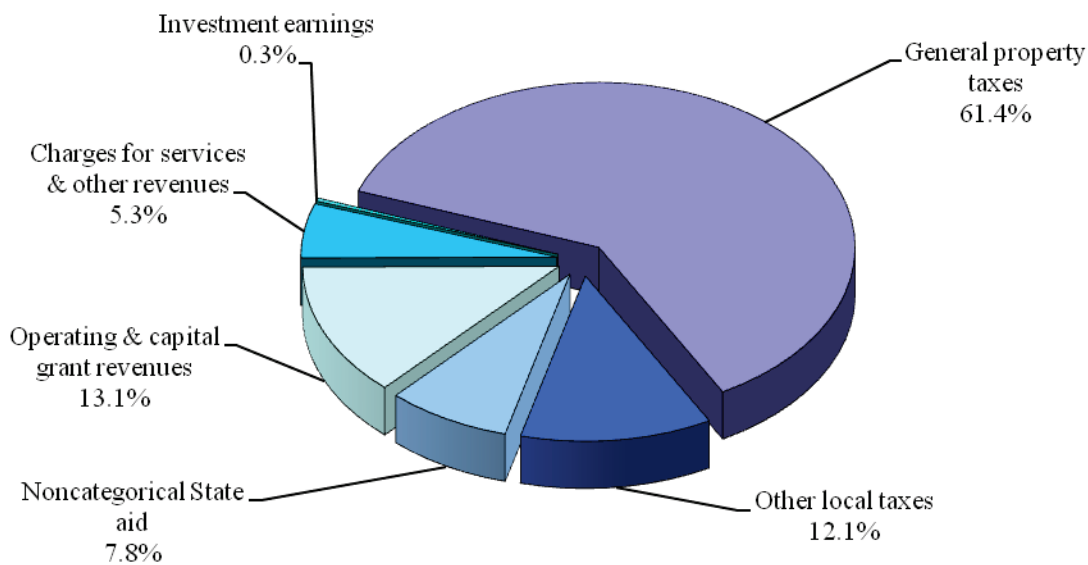
Revenues from governmental activities of \$84.5 million decreased 1.5%, or \$1.3 million from FY 2011.

Program revenues, specifically Charges for services of \$4.2 million, decreased \$0.2 million primarily due to \$0.1 million less in building and planning permit fees, \$0.05 million less in VDOT revenue sharing reimbursements, and \$0.05 million less in City of Bedford shared services recovered costs for Tourism. Operating grants and contributions decreased \$0.6 million due to fewer Comprehensive Service Act (CSA) expenses and therefore fewer reimbursements from the Commonwealth. Capital grants and contributions decreased \$0.6 million due to completion of the Skate Park and 911 phone equipment PSAP grant in the prior year.

General revenues remained relatively flat between years. Property taxes are comprised mainly of real property and personal property taxes. Other local taxes include local sales, meals, transient occupancy, consumer utilities, and communications sales and use taxes. Non-categorical state aid increased \$0.3 million as the County chose to have the Commonwealth reduce state aid instead of sending the Commonwealth a check for the Aid-to-Locality Reductions. In prior years, the County had elected to send a check to the Commonwealth for the payment. Revenue reductions are reflected in operating grants and contributions program revenues.

The following chart reflects the governmental activities distribution of revenues by source.

**Governmental Activities - Revenues by Source
For the Fiscal Year Ended June 30, 2012**



Governmental activities expenses of \$75.0 million decreased 2.1%, or \$1.6 million from FY 2011.

General government expenses decreased \$0.5 million primarily due to the countywide quadrennial real estate assessment being completed and paid for in FY 2011.

Public safety expenses increased \$1.1 million primarily due to the addition of three new Internet Crime positions, twelve new rescue/firefighter positions, and increased contributions to the Blue Ridge Regional Jail and Central Virginia Radio Communication Board.

Health and welfare expenses decreased \$0.6 million as the Commonwealth took over paying child care expenses midyear and due to foster care cases remaining low keeping CSA expenses low.

Entity wide, Education expenses increased \$0.9 million primarily due to a 2.4% increase in retirement contribution rates for School Board professional employees.

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

Table 3
Net Cost of Governmental Activities
For the Fiscal Year Ended June 30, 2012
(\$ in millions)

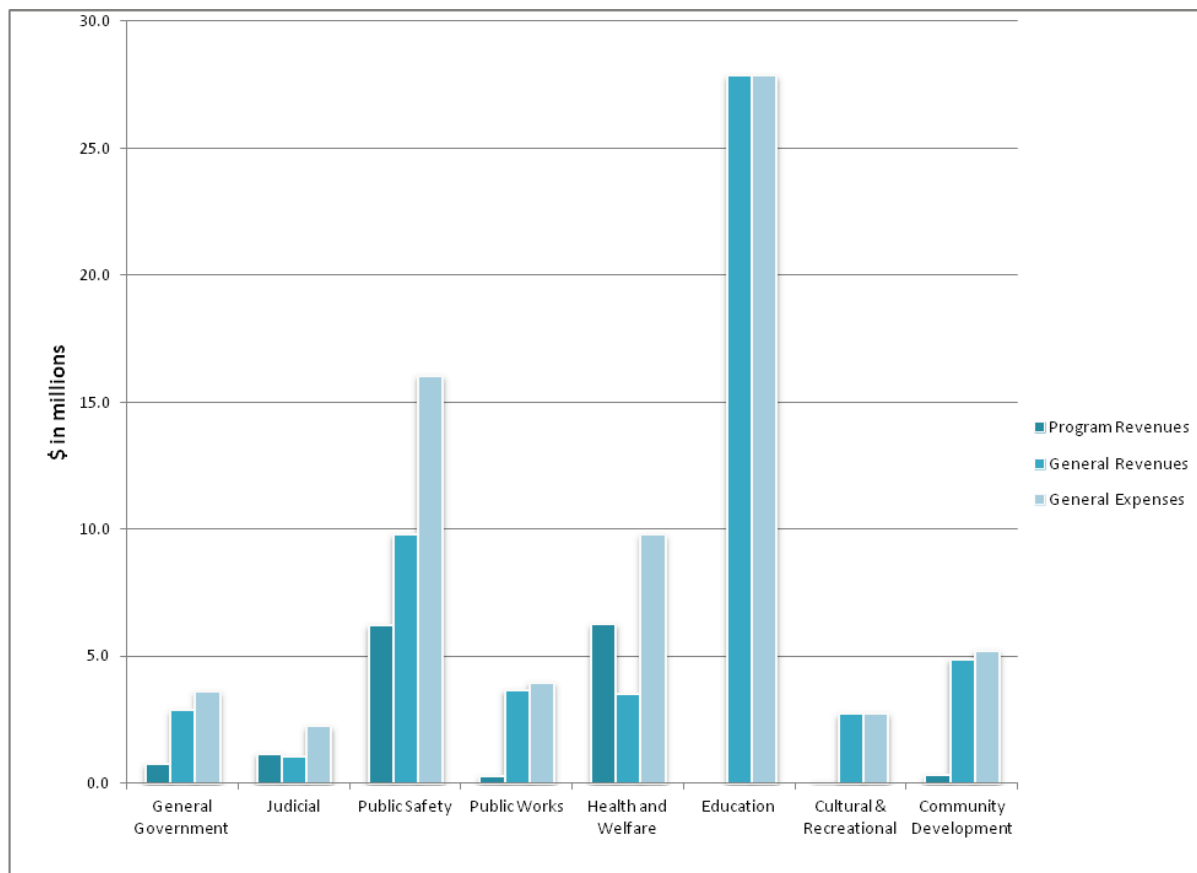
	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	<u>2012</u>	<u>2011</u>	<u>2012-2011</u>	<u>2012</u>	<u>2011</u>	<u>2012-2011</u>
General government	\$ 3.6	\$ 4.1	-12.2%	\$ 2.9	\$ 3.3	-12.1%
Judicial administration	2.2	2.3	-4.3%	1.0	1.1	-9.1%
Public safety	16.0	14.9	7.4%	9.8	8.9	10.1%
Public works	4.0	4.1	-2.4%	3.7	3.8	-2.6%
Health and welfare	9.8	10.4	-5.8%	3.5	3.2	9.4%
Education	27.9	28.8	-3.1%	27.9	28.8	-3.1%
Parks, recreation & cultural	2.8	2.9	-3.4%	2.7	2.5	8.0%
Community development	5.2	5.3	-1.9%	4.9	4.7	4.3%
Interest on long-term debt	3.5	3.8	-7.9%	3.4	3.8	-10.5%
Total	<u>\$ 75.0</u>	<u>\$ 76.6</u>	<u>-2.1%</u>	<u>\$ 59.8</u>	<u>\$ 60.1</u>	<u>-0.5%</u>

Table 3 may differ from Exhibit 2 due to rounding.

The three largest funded programs were local support for education at 37.2%, or \$27.9 million; public safety at 21.3%, or \$16.0 million; and health and welfare services at 13.1%, or \$9.8 million. Education and public safety continue to be high priorities for the County.

The governmental activities total cost of services decreased 2.1% from the prior year with a 0.5% decrease in the net cost of services. The Statement of Activities shows that \$75.0 million in governmental activities program expenses were financed by \$4.2 million from those receiving services, \$11.0 million from operating grants and contributions and \$69.3 million from general revenues. Overall, general revenues of \$69.3 million were \$9.5 million more than the \$59.8 million of expenses net of program revenues.

The following graph compares governmental activities program expenses and program revenues along with general revenues funding required for each program.



Business-type activities

The business-type activities consist of Group Homes, Nursing Home and Solid Waste activities. The total net assets of \$17.6 million decreased 6.4% or \$1.2 million from FY 2011.

Business-type activities revenue of \$9.4 million decreased \$0.4 million from the prior year. This was primarily due to a decrease in placements at the Group Homes. Changes in legislation encourage community based placements and impose a financial disincentive for residential placements. In addition, many of the Group Home's prior placements have aged out. At year end, the Group Homes had a cash deficit of \$0.4 million that was covered by pooled cash from the General Fund.

Business-type activities expenses of \$10.6 million increased \$0.8 million or 8.2% from the prior year. The increase was primarily due to increases in Solid Waste depreciation, and closure and post closure costs.

FINANCIAL ANALYSIS OF THE COUNTY'S GENERAL FUND

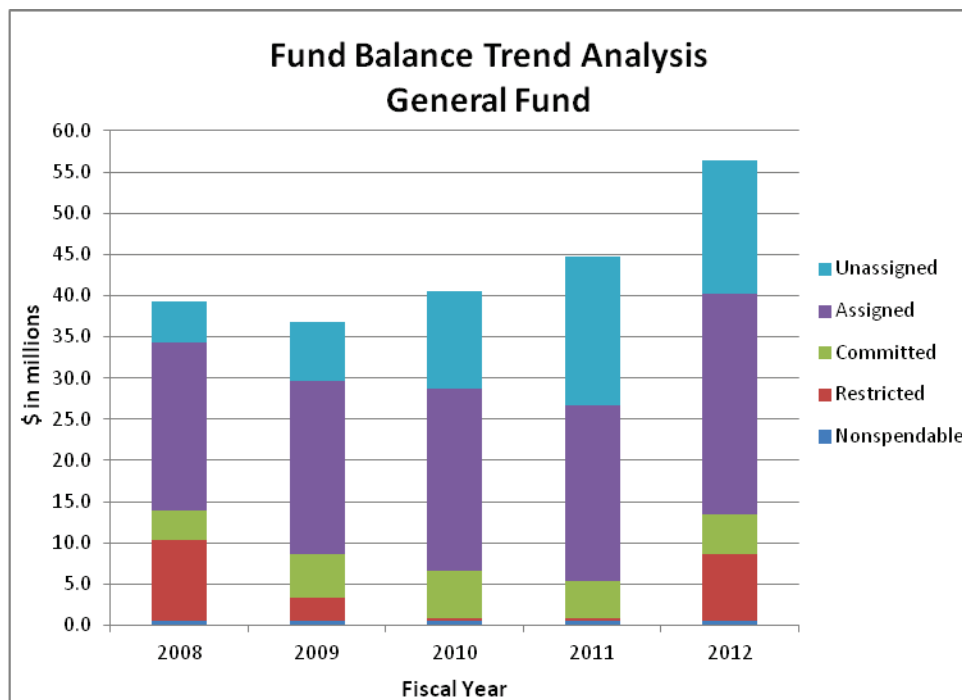
The focus of the County's General Fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In addition, the County's fund balance classifications are useful to identify the extent to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

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

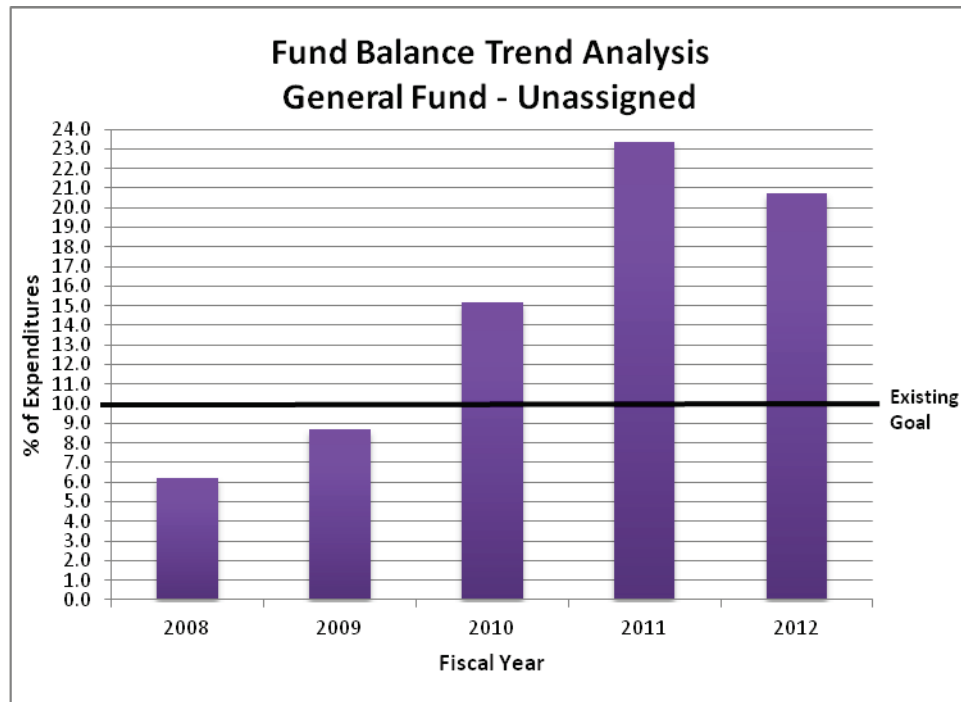
- Nonspendable fund balance includes amounts that are not in spendable form, or amounts that are required to be maintained intact.
- Restricted fund balance include amounts that can be spent only for the specific purposes stipulated by external providers, such as grantors or bondholders, as well as amounts 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 official to which the governing body has delegated authority to assign amounts to be used for specific purposes.
- Unassigned fund balances include all amounts not contained in other classifications for the general fund, and deficit fund balance in any other governmental fund.

For FY 2012, the County's General Fund reported an ending fund balance of \$56.5 million, an increase of \$11.8 million from FY 2011. Of that amount, \$8.1 million is restricted and \$8.0 million of unspent proceeds from the capital lease entered into for energy conservation measures represents the largest portion of the increase. Of the remaining fund balance, \$0.6 million is nonspendable, \$4.8 million is committed, \$26.8 million is assigned, and \$16.2 million is unassigned.

The following graphs illustrate fund balance trends for the County's general fund for fiscal years 2008 through 2012.



Of the \$56.5 million, 84.64% (\$47.8 million) constitutes unrestricted (committed, assigned and unassigned), which is available for spending at the County's discretion. The unrestricted fund balance includes \$31.6 million committed or assigned to meet needs in the general fund as further described in Note 13.



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 20.8% of total fiscal year 2012 general fund expenditures. The Board of Supervisors adopted a resolution setting a minimum unassigned fund balance target for the General Fund of 10% of the General Fund expenditures. The total fund balance represents 72.4% of that same amount. This positive liquidity primarily results from the County receiving the first half of the 2012 real estate taxes in June. The semi-annual real estate collection dates prevent the County from having to borrow funds to pay its bills during the early part of the following fiscal year.

In response to recent uncertainty related to the economy and state revenues, the Board has elected to withhold capital funds. This strategy has limited capital improvement plan funding to required moral debt obligation payments and only the most essential projects (public safety, IT infrastructure, etc.) As a result of the policy election to not fully fund a capital improvement plan, additional funds are available in the unassigned balance. The Board did approve using \$5.0 million of the unassigned fund balance in the FY 2013 budget.

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

Table 4	Budgetary Comparison		
	General Fund		
	For the Fiscal Year Ended June 30, 2012		
	(\$ in millions)		
	Original Budget	Amended Budget	Actual
Revenues & Other Financing Sources:			
General Property Taxes	\$ 50.6	\$ 50.6	\$ 52.2
Intergovernmental	18.0	20.2	17.9
Other Revenue	14.9	14.8	14.8
Other Sources	-	8.0	8.0
Total	\$ 83.5	\$ 93.6	\$ 92.9
Expenditures & Other Financing Uses:			
Expenditures	\$ 51.5	\$ 62.6	\$ 44.7
Other Uses	36.3	36.7	36.1
Total	\$ 87.8	\$ 99.3	\$ 80.8
Changes in Fund Balance	\$ (4.3)	\$ (5.7)	\$ 12.1

The original budget includes rollover capital improvement program appropriations of \$4.3 million. The funding for these appropriations are already on hand and consist of funds previously appropriated for capital improvements.

General Fund budget amendments resulted in an increase of \$11.5 million between the originally adopted fiscal year 2012 budget and the final budget, with \$8.0 million of the increase resulting from issuance of an equipment lease for energy conservation measures. An additional increase of \$1.6 million was a result of reappropriation of fiscal year 2011 encumbered and unencumbered amounts for completion of projects in fiscal year 2012. Significant reappropriations included \$0.7 million for the Contingency Fund and \$0.5 million for the School Textbook Fund

The remaining \$1.9 million in budget amendments were funded by various revenue sources other than general fund tax dollars. Significant amendments included:

- \$1.3 million for Internet Crime Against Children grants
- \$0.3 million from EMS cost recoveries for 12 additional new EMS career positions
- \$0.3 million from EMS cost recoveries and state grants for purchase of an ambulance

CAPITAL ASSETS AND DEBT ADMINISTRATION

Table 5 provides information on changes in the capital assets during fiscal year 2012. Additional information on capital assets can be found in Note 6.

	Summary of Capital Assets as of June 30, 2012 (\$ in millions)					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Land	\$ 3.4	\$ 3.4	\$ 0.8	\$ 0.8	\$ 4.2	\$ 4.2
Building and improvements	37.1	36.9	22.3	22.2	59.4	59.1
Machinery and equipment	15.1	14.4	4.3	4.1	19.4	18.5
Construction in progress	0.7	0.7	-	-	0.7	0.7
Subtotal	56.3	55.4	27.4	27.1	83.7	82.5
Accumulated depreciation	(23.8)	(21.7)	(9.8)	(8.4)	(33.6)	(30.1)
Total	\$32.5	\$ 33.7	\$17.6	\$ 18.7	\$50.1	\$ 52.4

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2012, totals \$50.1 million, net of accumulated depreciation. This represents a decrease of \$2.3 million, or 4.4% from the prior year. The investment in capital assets includes land, buildings, improvements, equipment, vehicles and construction in progress. The decrease is primarily due to depreciation expense being more than the value of assets added during the current year.

Major capital asset activity during fiscal year 2012 included the following:

- Acquisition of eleven public safety sheriff vehicles costing \$0.3 million funded through general fund revenues.
- Acquisition of two ambulances for \$0.3 million funded through grants and EMS cost recoveries.
- Addition of a second rain cover of \$0.1 million for the new landfill cell opened in June 2012.

Table 6 illustrates the County's outstanding debt at June 30, 2012. Additional information on the County's long-term debt can be found in Note 7.

Table 6	Summary of Changes in Long-Term Debt (\$ in millions)		
	July 1, 2011	Net Increase (Decrease)	June 30, 2012
Governmental Activities:			
General obligation bonds, lease revenue bonds and deferred amounts	\$ 73.1	\$ (6.0)	\$ 67.1
Capital leases	-	8.0	8.0
Compensated absences	1.6	0.1	1.7
Other postemployment benefits	0.1	0.1	0.2
Total long-term debt	<u>\$ 74.8</u>	<u>\$ 2.2</u>	<u>\$ 77.0</u>
Business-Type Activities:			
Lease revenue bonds and deferred amounts	2.6	(0.2)	2.4
Capital leases	0.5	(0.1)	0.4
Compensated absences	0.3	(0.1)	0.2
Landfill closure and postclosure	5.3	0.2	5.5
Total long-term debt	<u>\$ 8.7</u>	<u>\$ (0.2)</u>	<u>\$ 8.5</u>
Component Unit-School Board:			
Capital leases	3.3	(1.0)	2.3
Compensated absences	1.6	-	1.6
Other postemployment benefits	1.3	(0.2)	1.1
Total long-term debt	<u>\$ 6.2</u>	<u>\$ (1.2)</u>	<u>\$ 5.0</u>

As of June 30, 2012, the County's governmental activities long term debt totaled \$77.0 million. The County's governmental activities debt increased during fiscal year 2012 by \$2.2 million. During the year, the County entered into a capital lease in the amount of \$8.0 million with Capital One to finance energy conservation measures for the County and School Board. School debt represents the largest category of debt totaling 83.9% of the County's total long term governmental debt.

The Code of Virginia does not impose a legal debt margin limit on counties. However, the County has adopted a policy with three debt ratios as a management tool. A key debt policy is the ratio of debt service costs to general government expenditures, which was 7.57% for the current year comparing favorably to the policy target of 15%. Debt ratios for the last ten years are provided in Table 11, Statistical Section of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The unemployment rate for the County in September 2012 was 5.5%, which was 0.3% improved (lower) than that the same month a year ago. Unemployment decreased throughout the nation as a whole over the past year, although it remains above historical levels of recent years. The County's rate continues to compare favorably to the State's average unemployment rate of 5.6% and the national average rate of 7.8% as of September 2012.
- Meals tax revenue increased 9.67% in fiscal year 2012 and 5.79% thus far in fiscal year 2013.
- The enrollment in public schools decreased in fiscal year 2012 by 0.6% from 10,363 to 10,299. School enrollment for the last ten years is provided in Table 17, Statistical Section of this report.
- In fiscal year 2013, the County's budgeted transfer to the School Board component unit is \$39.0 million, a \$2.8 million increase from the prior fiscal year budget. Of the \$39.0 million, \$7.3 million is for debt service. Support to the Schools represents 44.0% of the General Fund appropriations.
- The Board elected to use \$5.0 million of unassigned fund balance in the fiscal year 2013 budget.

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

COUNTY OF BEDFORD, VIRGINIA

**Statement of Net Assets
June 30, 2012**

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
ASSETS			
Cash, cash equivalents, and investments	\$ 53,654,118	\$ 8,427,209	\$ 62,081,327
Receivables, net	22,321,245	656,329	22,977,574
Internal balances	289,265	(289,265)	-
Due from primary government	-	-	-
Prepays	168,188	52,671	220,859
Inventories	60,618	-	60,618
Restricted assets:			
Cash, cash equivalents, and investments	7,993,119	26,761	8,019,880
Capital assets:			
Nondepreciable	4,107,548	855,984	4,963,532
Depreciable, net	28,371,616	16,743,161	45,114,777
Total assets	<u>116,965,717</u>	<u>26,472,850</u>	<u>143,438,567</u>
LIABILITIES			
Accounts payable and accrued expenses	893,677	139,763	1,033,440
Accrued payroll and related liabilities	128,044	101,827	229,871
Accrued interest payable	961,006	18,240	979,246
Self insurance	-	-	-
Incentives and performance grants payable	-	-	-
Due to component units	7,324,462	-	7,324,462
Unearned revenue	18,613,509	-	18,613,509
Liabilities payable from restricted assets	11,378	26,758	38,136
Noncurrent liabilities:			
Due within one year	6,942,960	689,629	7,632,589
Due in more than one year	70,060,537	7,887,448	77,947,985
Total liabilities	<u>104,935,573</u>	<u>8,863,665</u>	<u>113,799,238</u>
NET ASSETS			
Invested in capital assets, net of related debt	23,524,890	14,816,621	38,341,511
Restricted for:			
Capital projects	648,558	-	648,558
Debt service	4	3	7
Self Insurance	-	-	-
Donor requests	-	-	-
Unrestricted (deficit)	(12,143,308)	2,792,561	(9,350,747)
Total net assets	<u>\$ 12,030,144</u>	<u>\$ 17,609,185</u>	<u>\$ 29,639,329</u>

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

Component Units				
School Board	Public Library	Economic Development Authority	Reclassifications (See Note 1)	Total
\$ 5,022,194	\$ 250,975	\$ 998,393	\$ -	\$ 68,352,889
4,720,007	13,189	-	-	27,710,770
-	-	-	-	-
7,324,462	-	-	-	7,324,462
72,222	52,308	2,098	-	347,487
84,642	-	8,531,192	-	8,676,452
763,216	37,578	103,961	-	8,924,635
1,653,369	-	353,931	-	6,970,832
97,927,896	635,268	1,356,318	-	145,034,259
117,568,008	989,318	11,345,893	-	273,341,786
900,783	16,218	126,836	-	2,077,277
9,368,861	17,455	-	-	9,616,187
67,754	-	-	-	1,047,000
192,526	-	-	-	192,526
-	-	45,000	-	45,000
-	-	-	-	7,324,462
-	-	-	-	18,613,509
-	-	-	-	38,136
2,300,290	56,830	-	-	9,989,709
2,732,982	3,608	-	-	80,684,575
15,563,196	94,111	171,836	-	129,628,381
97,278,860	635,268	1,710,249	(57,256,345)	80,709,543
-	-	103,961	-	752,519
3	-	-	-	10
763,213	-	-	-	763,213
-	36,235	-	-	36,235
3,962,736	223,704	9,359,847	57,256,345	61,451,885
<u>\$ 102,004,812</u>	<u>\$ 895,207</u>	<u>\$ 11,174,057</u>	<u>\$ -</u>	<u>\$ 143,713,405</u>

COUNTY OF BEDFORD, VIRGINIA

Statement of Activities For the Year Ended June 30, 2012

Function	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 3,623,380	\$ 376,721	\$ 380,212	\$ -
Judicial administration	2,236,346	131,445	1,039,072	-
Public safety	16,052,649	2,287,544	3,954,289	1,250
Public works	3,966,475	238,736	48,683	-
Health and welfare	9,782,800	822,149	5,449,580	42,742
Education	27,870,369	-	-	-
Parks, recreational, and cultural	2,763,383	24,853	14,320	9,973
Community development	5,220,060	262,608	70,415	-
Interest on long-term debt	3,473,234	22,800	5	-
Total governmental activities	74,988,696	4,166,856	10,956,576	53,965
Business-type activities:				
Group homes	2,023,174	1,765,617	22,077	-
Nursing home	5,383,423	5,130,089	9,872	-
Solid waste	3,208,084	1,995,213	506,332	-
Total business-type activities	10,614,681	8,890,919	538,281	-
Total primary government	\$ 85,603,377	\$ 13,057,775	\$ 11,494,857	\$ 53,965
Component Units:				
School Board	\$ 93,926,813	\$ 7,848,217	\$ 20,643,938	\$ -
Public Library	1,731,290	59,789	233,229	-
Economic Development Authority	244,745	-	44,507	-
Total component units	\$ 95,902,848	\$ 7,908,006	\$ 20,921,674	\$ -

General Revenues:

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

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

Primary Government			Component Units			
Governmental Activities	Business-Type Activities	Total	School Board	Public Library	Economic Development Authority	Total
\$ (2,866,447)	\$ -	\$ (2,866,447)	\$ -	\$ -	\$ -	\$ (2,866,447)
(1,065,829)	-	(1,065,829)	-	-	-	(1,065,829)
(9,809,566)	-	(9,809,566)	-	-	-	(9,809,566)
(3,679,056)	-	(3,679,056)	-	-	-	(3,679,056)
(3,468,329)	-	(3,468,329)	-	-	-	(3,468,329)
(27,870,369)	-	(27,870,369)	-	-	-	(27,870,369)
(2,714,237)	-	(2,714,237)	-	-	-	(2,714,237)
(4,887,037)	-	(4,887,037)	-	-	-	(4,887,037)
(3,450,429)	-	(3,450,429)	-	-	-	(3,450,429)
(59,811,299)	-	(59,811,299)	-	-	-	(59,811,299)
-	(235,480)	(235,480)	-	-	-	(235,480)
-	(243,462)	(243,462)	-	-	-	(243,462)
-	(706,539)	(706,539)	-	-	-	(706,539)
-	(1,185,481)	(1,185,481)	-	-	-	(1,185,481)
(59,811,299)	(1,185,481)	(60,996,780)	-	-	-	(60,996,780)
-	-	-	(65,434,658)	-	-	(65,434,658)
-	-	-	-	(1,438,272)	-	(1,438,272)
-	-	-	-	-	(200,238)	(200,238)
-	-	-	(65,434,658)	(1,438,272)	(200,238)	(67,073,168)
51,879,533	-	51,879,533	-	-	-	51,879,533
10,215,999	-	10,215,999	-	-	-	10,215,999
-	-	-	27,868,624	1,291,366	114,227	29,274,217
6,598,813	-	6,598,813	32,987,401	193,964	-	39,780,178
248,974	21,315	270,289	-	1,596	7,962	279,847
7,070	13	7,083	37	-	-	7,120
337,273	3,802	341,075	177,854	10,640	28,287	557,856
69,287,662	25,130	69,312,792	61,033,916	1,497,566	150,476	131,994,750
9,476,363	(1,160,351)	8,316,012	(4,400,742)	59,294	(49,762)	3,924,802
2,553,781	18,769,536	21,323,317	106,405,554	835,913	11,223,819	139,788,603
\$ 12,030,144	\$ 17,609,185	\$ 29,639,329	\$ 102,004,812	\$ 895,207	\$ 11,174,057	\$ 143,713,405

COUNTY OF BEDFORD, VIRGINIA

**Balance Sheet –
Governmental Fund
June 30, 2012**

	<u>General Fund</u>
ASSETS	
Cash, cash equivalents, and investments	\$ 53,654,118
Receivables, net	22,312,608
Due from other funds	410,151
Prepays	168,188
Inventories	60,618
Restricted cash, cash equivalents, and investments	7,993,119
Total assets	<u><u>\$ 84,598,802</u></u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable and accrued expenses	\$ 878,670
Accrued payroll and related liabilities	128,044
Due to other funds	120,886
Due to component units	6,212,811
Assets held in agency capacity	11,378
Deferred revenue	20,766,203
Total liabilities	<u><u>28,117,992</u></u>
Fund balance:	
Nonspendable	609,118
Restricted	8,064,388
Committed	4,847,144
Assigned	26,773,987
Unassigned	16,186,173
Total fund balance	<u><u>56,480,810</u></u>
Total liabilities and fund balance	<u><u>\$ 84,598,802</u></u>
Adjustments for the Statement of Net Assets:	
Total fund balance	\$ 56,480,810
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	32,479,164
Receivables on the statement of net assets that do not provide current financial resources are not reported in the governmental funds.	2,161,331
Interest on long-term debt is not accrued in the governmental funds, but rather recognized as an expenditure when due.	(961,006)
Other liabilities that are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds:	
Shared services settlement-City of Bedford	(15,007)
Operating settlement-School Board	(1,111,651)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds:	
General obligation bonds	(25,263,185)
Lease revenue bonds	(41,505,000)
Equipment leases	(8,000,000)
Premium on debt issued	(1,133,791)
Debt issuance costs and deferred amounts on refunding	764,299
Compensated absences	(1,675,748)
Other post-employment benefits	(190,072)
Net assets of Governmental Activities	<u><u>\$ 12,030,144</u></u>

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

COUNTY OF BEDFORD, VIRGINIA

**Statement of Revenues, Expenditures, and Changes in Fund Balance –
Governmental Fund
For the Year Ended June 30, 2012**

	<u>General Fund</u>
Revenues	
General property taxes	\$ 51,962,404
Other local taxes	10,224,275
Permits, privilege fees and regulatory licenses	403,614
Fines and forfeitures	155,453
Revenue from use of money and property	286,553
Charges for services	1,651,322
Other	551,202
Recovered costs	1,709,688
Intergovernmental	17,662,423
Total revenues	<u>84,606,934</u>
Expenditures	
Current operating	
General government administration	3,380,525
Judicial administration	1,854,452
Public safety	15,319,034
Public works	4,103,729
Health and welfare	9,426,911
Education	28,889,100
Parks, recreation and cultural	2,556,162
Community development	3,017,817
Debt service	
Principal	5,928,101
Interest and other fiscal charges	3,526,435
Capital projects	
Other governmental activities	2,812,421
Total expenditures	<u>80,814,687</u>
Excess of revenues over expenditures	<u>3,792,247</u>
Other Financing Sources	
Capital lease proceeds	8,000,000
Total other financing sources	<u>8,000,000</u>
Net change in fund balance	11,792,247
Fund balance, beginning	<u>44,688,563</u>
Fund balance, ending	<u><u>\$ 56,480,810</u></u>

(Continued)

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

COUNTY OF BEDFORD, VIRGINIA

**Statement of Revenues, Expenditures, and Changes in Fund Balance –
Governmental Fund
For the Year Ended June 30, 2012**

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

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

Net change in fund balance – total governmental funds		\$ 11,792,247
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense, which is not a use of current financial resources.		
Expenditures for capital assets	\$ 1,113,164	
Depreciation expense	<u>(2,361,678)</u>	(1,248,514)
The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and insurance proceeds) is to decrease net assets.		19,355
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		17,856
Debt issuance proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
Debt principal repayment	5,928,101	
Capital lease proceeds	(8,000,000)	
Changes in deferred charges on debt issuance costs and refundings	<u>(5,074)</u>	(2,076,973)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Changes in compensated absences	(46,190)	
Changes in other post-employment benefits	(69,559)	
Changes in accrued interest payable	58,275	
Changes in operating settlement-School Board	1,018,731	
Changes in shared services settlement-City of Bedford	<u>11,135</u>	972,392
Change in net assets of governmental activities		<u><u>\$ 9,476,363</u></u>

COUNTY OF BEDFORD, VIRGINIA

**Statement of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual (Cash Basis)
Governmental Fund
For the Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
General property taxes	\$ 50,646,840	\$ 50,646,840	\$ 52,188,022	\$ 1,541,182
Other local taxes	10,013,801	10,013,801	10,161,782	147,981
Permits, privilege fees, and regulatory licenses	481,100	481,100	403,824	(77,276)
Fines and forfeitures	165,000	165,000	157,067	(7,933)
Revenue from use of money and property	274,116	274,567	286,768	12,201
Charges for services	1,791,054	1,791,054	1,604,821	(186,233)
Miscellaneous	288,249	315,950	556,701	240,751
Recovered costs	1,764,942	1,764,942	1,635,608	(129,334)
Intergovernmental	18,039,779	20,171,611	17,900,363	(2,271,248)
Total revenues	<u>83,464,881</u>	<u>85,624,865</u>	<u>84,894,956</u>	<u>(729,909)</u>
Expenditures				
Current operating				
General government administration	3,939,043	4,050,834	3,360,562	690,272
Judicial administration	1,813,378	1,924,586	1,853,728	70,858
Public safety	13,811,097	15,825,757	15,306,478	519,279
Public works	4,916,768	4,934,948	4,142,403	792,545
Health and welfare	12,247,832	12,261,428	9,493,228	2,768,200
Education	1,745	1,745	1,745	-
Parks, recreation, and cultural	2,655,480	2,708,424	2,574,491	133,933
Community development	3,245,166	3,439,636	3,038,722	400,914
Debt service				
Principal	1,793,585	1,793,585	1,651,527	142,058
Interest and other fiscal charges	474,073	516,101	481,291	34,810
Capital projects				
Education	1,428,828	8,740,173	-	8,740,173
Other governmental activities	5,173,734	6,439,894	2,841,106	3,598,788
Total expenditures	<u>51,500,729</u>	<u>62,637,111</u>	<u>44,745,281</u>	<u>17,891,830</u>
Excess of revenues over expenditures	<u>31,964,152</u>	<u>22,987,754</u>	<u>40,149,675</u>	<u>17,161,921</u>
Other Financing Sources (Uses)				
Transfers to:				
Component units	(36,285,144)	(36,735,209)	(36,079,757)	655,452
Capital lease proceeds	-	8,000,000	8,000,000	-
Total other financing sources and uses	<u>(36,285,144)</u>	<u>(28,735,209)</u>	<u>(28,079,757)</u>	<u>655,452</u>
Net change in fund balance	<u>\$ (4,320,992)</u>	<u>\$ (5,747,455)</u>	<u>\$ 12,069,918</u>	<u>\$ 17,817,373</u>

(Continued)

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

COUNTY OF BEDFORD, VIRGINIA

**Statement of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual (Cash Basis)
Governmental Fund
For the Year Ended June 30, 2012**

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

Total Revenues Budgetary Basis (Exhibit 5)	\$ 84,894,956
Tax and other accruals, grant deferrals, and other transfers	<u>(288,022)</u>
Total Revenues GAAP Basis (Exhibit 4)	<u>\$ 84,606,934</u>

Expenditures

Total Expenditures Budgetary Basis (Exhibit 5)	\$ 44,745,281
Accounts payable and other accruals	(10,351)
Transfers to component unit are expenditures for financial reporting purposes. Transfer amount is reduced by amount of debt service on debt issued "on behalf" of the School Board component unit	28,758,039
Debt service on debt issued "on behalf" of the School Board component unit is considered an expenditure of the primary government for financial reporting purposes	<u>7,321,718</u>
Total Expenditures GAAP Basis (Exhibit 4)	<u>\$ 80,814,687</u>

Other Financing Sources (Uses)

Total Other Financing Sources and Uses Budgetary Basis (Exhibit 5)	\$ (28,079,757)
Transfers to component units are expenditures for financial reporting purposes	<u>36,079,757</u>
Total Other Financing Sources and Uses GAAP Basis (Exhibit 4)	<u>\$ 8,000,000</u>

COUNTY OF BEDFORD, VIRGINIA

Statement of Net Assets
Proprietary Funds
June 30, 2012

	Business-Type Activities – Enterprise Funds			
	Group Homes	Nursing Home	Solid Waste	Total
ASSETS				
Current assets:				
Cash, cash equivalents, and investments	\$ 3,450	\$ 1,826,673	\$ 6,597,086	\$ 8,427,209
Receivables, net	183,362	361,271	111,696	656,329
Due from other funds	5,640	-	115,246	120,886
Prepays	12,556	31,669	8,446	52,671
Total current assets	205,008	2,219,613	6,832,474	9,257,095
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	3	26,731	27	26,761
Capital assets, net	3,278,690	5,136,735	9,183,720	17,599,145
Total noncurrent assets	3,278,693	5,163,466	9,183,747	17,625,906
Total assets	3,483,701	7,383,079	16,016,221	26,883,001
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	16,389	62,244	61,130	139,763
Accrued payroll and related liabilities	19,693	67,619	14,515	101,827
Accrued interest payable	18,240	-	-	18,240
Due to other funds	51,332	-	-	51,332
Due to other funds-deficit in pooled cash	358,819	-	-	358,819
Assets held in agency capacity	-	26,731	27	26,758
Compensated absences	52,723	120,844	49,254	222,821
Capital lease obligations	-	-	115,079	115,079
Lease revenue bonds	220,795	-	-	220,795
Landfill closure/postclosure	-	-	130,934	130,934
Total current liabilities	737,991	277,438	370,939	1,386,368
Noncurrent liabilities:				
Compensated absences	9,548	-	-	9,548
Other post-employment benefits	4,000	33,738	7,500	45,238
Capital lease obligations	-	-	295,291	295,291
Lease revenue bonds	2,151,359	-	-	2,151,359
Landfill closure/postclosure	-	-	5,386,012	5,386,012
Total noncurrent liabilities	2,164,907	33,738	5,688,803	7,887,448
Total liabilities	2,902,898	311,176	6,059,742	9,273,816
NET ASSETS				
Invested in capital assets, net of related debt	906,536	5,136,735	8,773,350	14,816,621
Restricted	3	-	-	3
Unrestricted	(325,736)	1,935,168	1,183,129	2,792,561
Total net assets	\$ 580,803	\$ 7,071,903	\$ 9,956,479	\$ 17,609,185

COUNTY OF BEDFORD, VIRGINIA

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2012

	Business-Type Activities – Enterprise Funds			
	Group Homes	Nursing Home	Solid Waste	Total
Operating Revenues				
Charges for services	\$ 1,765,617	\$ 5,130,089	\$ 1,995,213	\$ 8,890,919
Other	22,077	9,872	506,332	538,281
Total Operating Revenues	<u>1,787,694</u>	<u>5,139,961</u>	<u>2,501,545</u>	<u>9,429,200</u>
Operating Expenses				
Personal services	1,138,178	2,702,164	509,747	4,350,089
Employee benefits	341,710	863,256	203,905	1,408,871
Purchased services	44,238	388,422	388,767	821,427
Continuous charges	143,782	459,475	572,193	1,175,450
Supplies and materials	90,827	646,686	276,202	1,013,715
Equipment, property, and improvements	8,908	19,349	12,179	40,436
Landfill closure/postclosure	-	-	246,304	246,304
Depreciation	139,888	304,071	982,306	1,426,265
Total Operating Expenses	<u>1,907,531</u>	<u>5,383,423</u>	<u>3,191,603</u>	<u>10,482,557</u>
Operating loss	<u>(119,837)</u>	<u>(243,462)</u>	<u>(690,058)</u>	<u>(1,053,357)</u>
Non-Operating Revenues (Expenses)				
Interest income	13	6,315	15,000	21,328
Interest expense	(115,643)	-	(16,481)	(132,124)
Gain on disposal of capital assets	-	2,419	1,383	3,802
Total Non-Operating Revenues (Expenses)	<u>(115,630)</u>	<u>8,734</u>	<u>(98)</u>	<u>(106,994)</u>
Change in Net Assets	<u>(235,467)</u>	<u>(234,728)</u>	<u>(690,156)</u>	<u>(1,160,351)</u>
Net Assets, beginning	<u>816,270</u>	<u>7,306,631</u>	<u>10,646,635</u>	<u>18,769,536</u>
Net Assets, ending	<u>\$ 580,803</u>	<u>\$ 7,071,903</u>	<u>\$ 9,956,479</u>	<u>\$ 17,609,185</u>

COUNTY OF BEDFORD, VIRGINIA

**Statement of Cash Flows –
Proprietary Funds
For the Year Ended June 30, 2012**

	Business-Type Activities – Enterprise Funds			
	Group Homes	Nursing Home	Solid Waste	Total
Operating Activities				
Receipts from customers	\$ 1,729,885	\$ 5,062,320	\$ 1,996,319	\$ 8,788,524
Other cash receipts	22,077	3,361	533,628	559,066
Payments to employees	(1,152,267)	(2,733,091)	(503,431)	(4,388,789)
Payments for employee benefits	(341,938)	(853,798)	(201,955)	(1,397,691)
Payments to suppliers	(318,216)	(1,571,354)	(1,278,234)	(3,167,804)
Net Cash Provided by (Used in) Operating Activities	(60,459)	(92,562)	546,327	393,306
Noncapital Financing Activities				
Receipt of cash on loans from other funds	358,819	-	-	358,819
Net Cash Provided by Noncapital Financing Activities	358,819	-	-	358,819
Capital and Related Financing Activities				
Acquisition and construction of capital assets	(3,400)	(63,123)	(237,058)	(303,581)
Principal paid on debt	(210,000)	-	(111,127)	(321,127)
Interest paid on debt	(117,837)	-	(16,481)	(134,318)
Net Cash Used in Capital and Related Financing Activities	(331,237)	(63,123)	(364,666)	(759,026)
Investing Activities				
Interest received	13	6,315	15,000	21,328
Net Increase (Decrease) in Cash and Cash Equivalents	(32,864)	(149,370)	196,661	14,427
Cash and Cash Equivalents Beginning of Year	36,317	2,002,774	6,400,452	8,439,543
Cash and Cash Equivalents End of Year	\$ 3,453	\$ 1,853,404	\$ 6,597,113	\$ 8,453,970
Reconciliation to Exhibit 6				
Cash and Cash Equivalents	\$ 3,450	\$ 1,826,673	\$ 6,597,086	\$ 8,427,209
Restricted Cash and Cash Equivalents	3	26,731	27	26,761
	\$ 3,453	\$ 1,853,404	\$ 6,597,113	\$ 8,453,970

(Continued)

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

COUNTY OF BEDFORD, VIRGINIA

**Statement of Cash Flows –
Proprietary Funds
For the Year Ended June 30, 2012**

	Business-Type Activities – Enterprise Funds			
	Group Homes	Nursing Home	Solid Waste	Total
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities				
Operating Loss	\$ (119,837)	\$ (243,462)	\$ (690,058)	\$ (1,053,357)
Adjustments Not Affecting Cash				
Depreciation	139,888	304,071	982,306	1,426,265
Landfill closure/postclosure	-	-	246,304	246,304
Gain on disposal of capital assets	-	2,419	1,383	3,802
(Increase) Decrease in Assets				
Accounts receivable	(53,583)	(62,437)	24,567	(91,453)
Due from other funds	18,211	-	2,563	20,774
Prepays	(150)	1,419	(533)	736
Increase (Decrease) in Liabilities				
Accounts payable and accrued expenses	(30,821)	(62,753)	(28,859)	(122,433)
Accrued payroll and related liabilities	(9,291)	3,062	4,617	(1,612)
Accrued interest payable	-	-	-	-
Compensated absences	(5,876)	(36,354)	2,182	(40,048)
Other post-employment benefits	1,000	10,405	2,000	13,405
Assets held in agency capacity	-	(8,932)	(145)	(9,077)
Net Cash Provided by (Used in) Operating Activities	<u>\$ (60,459)</u>	<u>\$ (92,562)</u>	<u>\$ 546,327</u>	<u>\$ 393,306</u>
SCHEDULE OF NONCASH ACTIVITIES				
Amortization of debt related items	<u>\$ 795</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 795</u>

COUNTY OF BEDFORD, VIRGINIA

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Pension Trust	
	Fire and Rescue Pension Trust Length of Service Award Program Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ -	\$ 707,839
Cash in custody of others	1,140,966	-
Security deposits	-	900
Receivables, net	-	17,513
Total assets	<u>\$ 1,140,966</u>	<u>\$ 726,252</u>
LIABILITIES		
Accounts payable	\$ -	\$ 29,993
Amounts held for clients/others	-	696,259
Total liabilities	<u>-</u>	<u>726,252</u>
NET ASSETS		
Held in trust for pension benefits	<u>1,140,966</u>	<u>-</u>
Total liabilities and net assets	<u>\$ 1,140,966</u>	<u>\$ 726,252</u>

COUNTY OF BEDFORD, VIRGINIA

**Statement of Changes in Fiduciary Net Assets –
Pension Trust Fund
For the Year Ended June 30, 2012**

	<u>Fire and Rescue Pension Trust Length of Service Award Program Fund</u>
Additions	
Employer contributions	\$ 253,683
Investment income	44,453
Total additions	<u>298,136</u>
 Deductions	
Administrative fees	3,736
Annuities	<u>146,895</u>
Total deductions	<u>150,631</u>
 Change in net assets	147,505
 Net assets, beginning	993,461
Net assets, ending	<u><u>\$ 1,140,966</u></u>

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

Bedford County Broadband Authority

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

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

Bedford County School Board

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

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Bedford Public Library System

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

Bedford County Economic Development Authority

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

B. Government-Wide and Fund Financial Statements

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

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

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

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

The County reports the following major governmental fund:

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

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

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

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

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

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

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

Additionally, the County reports the following fund category:

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

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

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

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

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

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

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

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

1. Deposits and Investments

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

2. Receivables and Payables

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

General Fund – Property tax receivables	\$ 2,272,056
General Fund – EMS transport fees	262,594
Proprietary Funds	<u>12,330</u>
	<u><u>\$ 2,546,980</u></u>

The County levies real estate taxes on all real estate within its boundaries, except that exempted by statute. Real estate is assessed at 100 percent of fair market value and reassessed every four years as of January 1. On January 1, the real estate taxes become an enforceable lien on the property and payment is due in two equal installments on June 5 and December 5. The real estate taxes reported as current year revenue are the second installment (December 5) of the levy on assessed value at January 1, 2011, and the first installment (June 5) of the levy on assessed value at January 1, 2012. The installment due on June 5, 2012 is shown as an assignment of fund balance as it is used to fund the subsequent year's budget. The installment due on December 5, 2012 is included as unearned revenue since these taxes are restricted for use until fiscal year 2013.

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

The 1998 Virginia General Assembly enacted legislation providing property tax relief to citizens. The Personal Property Tax Relief Act (PPTRA) was intended to be phased in over five years on the first \$20,000 of value for motor vehicles not used for business purposes. In 2005 the General Assembly capped PPTRA relief at \$950 million statewide beginning with the 2006 tax year. The County receives \$6,086,051 annually. County 2011 tax bills, payable in fiscal year 2012, included a fifty-eight percent reduction on qualifying vehicles. All PPTRA payments received are classified as noncategorical State aid in the general fund.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

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

3. Inventories and Prepaids

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

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

4. Restricted Cash, Cash Equivalents, and Investments

Restricted cash, cash equivalents, and investments include capital lease proceeds of \$7,981,738, unreimbursed employee medical and dependent care deductions of \$11,378 and \$3 debt service reserves. Restricted cash, cash equivalents, and investments of the component unit-School Board consists of funds help for future insurance claims.

5. Capital Assets

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

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

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

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

Depreciation is charged as an expense in the statement of activities and accumulated depreciation is reported in the statement of net assets. The Proprietary Funds also record depreciation and accumulated depreciation and capitalize interest, when material in amount. No debt was issued for the construction of capital assets during the current year, therefore no interest was capitalized.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

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

6. Compensated Absences

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

7. Deferred Revenue

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

8. Long-Term Obligations

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

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

9. Fund Balances

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

The classifications are as follows:

- **Nonspendable** – This category includes 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.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

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

9. Fund Balances (Continued)

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

Restricted Amounts

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

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

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

9. Fund Balances (Continued)

Fund Balance Policy

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

Encumbrances

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

10. Net Assets/Fund Equity

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

11. School Board Debt/Capital Assets Reporting

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

Because this debt is related to capital assets of the reporting entity as a whole, the debt amount of \$57,256,345 is reclassified as shown on Exhibit 1 to present the total reporting entity column.

12. Estimates

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

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

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

13. Revenue Recognition – Nursing Home

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

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

Note 2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

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

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

1. The School Board can neither levy taxes nor incur bonded debt under Virginia law. Therefore, the County issues bonded debt “on behalf” of the School Board. The debt obligation is recorded as a liability of the County’s governmental activities. The proceeds from the debt issued “on behalf” of the School Board are recorded in the County’s General Fund. Funds in an amount equal to expenditures are provided to the School Board to pay for capital expenditures. Unspent funds at year-end are reported as deposits and investments of the County’s General Fund.
2. The County’s budgeting process provides funding to the School Board for debt service payments. The School Board is responsible for appropriating debt service payments for debt issued by the primary government on its behalf. These transactions are reported as transfers on the primary government’s Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual and as transfers and debt service payments on the School Board’s Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual. GAAP requires that debt issued “on behalf” of the School Board and related debt service payments be reported by the primary government for financial reporting purposes. Therefore, debt service payments for school bonded debt is reported as part of the primary government for financial reporting purposes in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.
3. If all economic resources associated with school activities were reported with the School Board, its total expenditures would be \$97,650,470. That amount is obtained as follows:

Expenditures of School Board – Component Unit	\$ 90,328,752
Principal and other debt service expenditures included in primary government	<u>7,321,718</u>
Total expenditures for school activities	<u><u>\$ 97,650,470</u></u>

Note 4. Deposits and Investments

Deposits

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

Investment Policy

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

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Note 4. Deposits and Investments (Continued)

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

<u>Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Percent of Portfolio</u>
Demand deposits	\$ 46,055,315	NA	64.01%
Virginia LGIP	17,912,960	AAAm	24.90%
Virginia SNAP	7,981,737	AAAm	11.09%
Total deposits and investments	<u>\$ 71,950,012</u>		<u>100.00%</u>

Credit Risk

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

Concentration of Credit Risk

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

Interest Rate Risk

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

The above items are reflected in the statements as follows:

	<u>Primary Government</u>	<u>School Board Component Unit</u>
Deposits and investments:		
Cash on hand	\$ 4,075	\$ -
Deposits	54,032,977	4,734,211
Investments	17,912,960	1,051,199
	<u>\$ 71,950,012</u>	<u>\$ 5,785,410</u>
Statement of net assets:		
Cash and cash equivalents	\$ 62,081,327	\$ 5,022,194
Restricted, cash equivalents, and investments	8,019,880	763,216
Fiduciary fund cash and cash equivalents	1,848,805	-
	<u>\$ 71,950,012</u>	<u>\$ 5,785,410</u>

All investments were in compliance with the Policy.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Note 5. Receivables

Receivables are as follows:

	Governmental Activities		Business-Type Activities			Component Unit
	General Fund	Group Home	Nursing Home	Solid Waste	Total	School Board
Receivables						
Taxes	\$ 20,642,338	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts	1,360,496	183,362	373,471	111,826	668,659	155,988
Accounts receivable - long-term	380,312	-	-	-	-	-
Intergovernmental	2,472,749	-	-	-	-	4,577,180
Gross receivables	24,855,895	183,362	373,471	111,826	668,659	4,733,168
Less: allowance for uncollectibles	(2,534,650)	-	(12,200)	(130)	(12,330)	-
Net total receivables	<u>\$ 22,321,245</u>	<u>\$ 183,362</u>	<u>\$ 361,271</u>	<u>\$ 111,696</u>	<u>\$ 656,329</u>	<u>\$ 4,733,168</u>

Taxes receivable represent the current and past four years of uncollected levies for personal property taxes and the current and past nineteen years for real property. The allowance for estimated uncollectible taxes receivable is 11.01% of the total taxes receivable and is based on historical collection rates.

The Nursing Home mix of receivables from residents and third-party payers is Medicaid (92.00%) and private pay (8.00%). The allowance for uncollectible accounts is 3.27% of the total receivable and is based on specific account identification.

Deferred/Unearned Revenue

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

	<u>Deferred</u>	<u>Unearned</u>
Property taxes	\$ 20,295,580	\$ 18,613,509
Other receivables not available to liquidate liabilities of current period	470,623	-
Total deferred/unearned revenue for governmental funds	<u>\$ 20,766,203</u>	<u>\$ 18,613,509</u>

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Note 6. Capital Assets

Capital asset activity was as follows:

Primary Government

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 3,426,970	\$ -	\$ -	\$ 3,426,970
Construction in progress	658,434	111,010	88,866	680,578
Total capital assets, not depreciated	4,085,404	111,010	88,866	4,107,548
Capital assets, depreciated:				
Buildings and improvements	36,926,122	119,546	-	37,045,668
Machinery and equipment	14,370,513	1,064,058	334,399	15,100,172
Total capital assets, depreciated	51,296,635	1,183,604	334,399	52,145,840
Less accumulated depreciation for:				
Buildings and improvements	13,262,549	1,174,538	-	14,437,087
Machinery and equipment	8,411,167	1,254,824	328,854	9,337,137
Total accumulated depreciation	21,673,716	2,429,362	328,854	23,774,224
Net capital assets, depreciated	29,622,919	(1,245,758)	5,545	28,371,616
Governmental activities net capital assets	\$ 33,708,323	\$ (1,134,748)	\$ 94,411	\$ 32,479,164
Business-Type Activities				
Capital assets, not depreciated:				
Land	\$ 850,964	\$ -	\$ -	\$ 850,964
Construction in progress	5,020	-	-	5,020
Total capital assets, not depreciated	855,984	-	-	855,984
Capital assets, depreciated:				
Buildings and improvements	22,171,939	154,932	-	22,326,871
Machinery and equipment	4,141,856	205,495	99,541	4,247,810
Total capital assets, depreciated	26,313,795	360,427	99,541	26,574,681
Less accumulated depreciation for:				
Buildings and improvements	6,126,749	1,152,454	-	7,279,203
Machinery and equipment	2,321,202	330,656	99,541	2,552,317
Total accumulated depreciation	8,447,951	1,483,110	99,541	9,831,520
Net capital assets, depreciated	17,865,844	(1,122,683)	-	16,743,161
Business-type activities net capital assets	\$ 18,721,828	\$ (1,122,683)	\$ -	\$ 17,599,145

(Continued)

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Note 6. Capital Assets (Continued)

Component Unit-School Board	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 1,584,510	\$ -	\$ -	\$ 1,584,510
Construction in progress	1,287,022	339,129	1,557,292	68,859
Total capital assets, not depreciated	2,871,532	339,129	1,557,292	1,653,369
Capital assets, depreciated:				
Buildings and improvements	189,666,879	1,557,292	-	191,224,171
Machinery and equipment	20,797,079	350,693	34,733	21,113,039
Total capital assets, depreciated	210,463,958	1,907,985	34,733	212,337,210
Less accumulated depreciation for:				
Buildings and improvements	97,125,425	4,225,341	-	101,350,766
Machinery and equipment	11,869,034	1,224,247	34,733	13,058,548
Total accumulated depreciation	108,994,459	5,449,588	34,733	114,409,314
Net capital assets, depreciated	101,469,499	(3,541,603)	-	97,927,896
School Board net capital assets	<u>\$ 104,341,031</u>	<u>\$ (3,202,474)</u>	<u>\$ 1,557,292</u>	<u>\$ 99,581,265</u>

Depreciation expense was charged to functions/programs as follows:

Primary Government – Governmental Activities

General government administration	\$ 182,581
Judicial administration	372,168
Public safety	1,230,430
Public works	74,676
Health and welfare	154,593
Parks, recreation, and cultural	280,296
Community development	66,934
Total governmental activities	<u>\$ 2,361,678</u>

Primary Government – Business-Type Activities

Group homes	\$ 139,888
Nursing home	304,071
Solid waste	982,306
Total business-type activities	<u>\$ 1,426,265</u>

Component Unit – School Board

\$ 5,449,588

The total increase in accumulated depreciation reflected above includes accumulated depreciation of items transferred from other funds of \$67,684 for governmental activities and \$56,845 for business-type activities.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Note 7. Long-Term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Primary Government					
Governmental activities:					
General obligation and lease revenue bonds					
County projects	\$ 11,831,527	\$ -	\$ 1,651,527	\$ 10,180,000	\$ 1,495,000
School projects	60,864,759	-	4,276,574	56,588,185	4,293,415
Deferred amounts:					
Add bond premium	1,199,636	-	65,845	1,133,791	65,845
Deduct underwriter's discount	(544,723)	-	(34,474)	(510,249)	(34,474)
Deduct loss on refundings	(290,495)	-	(36,445)	(254,050)	(36,445)
Total general obligation and revenue bonds	<u>73,060,704</u>	<u>-</u>	<u>5,923,027</u>	<u>67,137,677</u>	<u>5,783,341</u>
Capital Leases:					
County projects	-	650,042	-	650,042	-
School projects	-	7,349,958	-	7,349,958	-
Compensated absences	1,629,557	1,173,846	1,127,655	1,675,748	1,159,619
Other post-employment benefits	<u>120,514</u>	<u>48,000</u>	<u>(21,558)</u>	<u>190,072</u>	<u>-</u>
Total long-term liabilities	<u>\$ 74,810,775</u>	<u>\$ 9,221,846</u>	<u>\$ 7,029,124</u>	<u>\$ 77,003,497</u>	<u>\$ 6,942,960</u>
Business-type activities:					
Lease revenue bonds	\$ 2,575,000	\$ -	\$ 210,000	\$ 2,365,000	\$ 220,000
Deferred amounts:					
Add bond premium	38,544	-	3,854	34,690	3,854
Deduct underwriter's discount	<u>(30,595)</u>	<u>-</u>	<u>(3,059)</u>	<u>(27,536)</u>	<u>(3,059)</u>
Total lease revenue bonds	<u>2,582,949</u>	<u>-</u>	<u>210,795</u>	<u>2,372,154</u>	<u>220,795</u>
Capital leases	521,497	-	111,127	410,370	115,079
Compensated absences	272,417	343,702	383,750	232,369	222,821
Other post-employment benefits	31,833	11,000	(2,405)	45,238	-
Landfill closure/postclosure costs	<u>5,270,641</u>	<u>391,547</u>	<u>145,242</u>	<u>5,516,946</u>	<u>130,934</u>
Total long-term liabilities	<u>\$ 8,679,337</u>	<u>\$ 746,249</u>	<u>\$ 848,509</u>	<u>\$ 8,577,077</u>	<u>\$ 689,629</u>
Component Unit					
School Board					
Capital leases	\$ 3,281,662	\$ -	\$ 979,257	\$ 2,302,405	\$ 842,986
Compensated absences	1,590,845	860,868	825,389	1,626,324	843,797
Other post-employment benefits	<u>1,326,127</u>	<u>515,000</u>	<u>736,584</u>	<u>1,104,543</u>	<u>613,507</u>
Total long-term liabilities	<u>\$ 6,198,634</u>	<u>\$ 1,375,868</u>	<u>\$ 2,541,230</u>	<u>\$ 5,033,272</u>	<u>\$ 2,300,290</u>

(Continued)

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS June 30, 2012

Note 7. Long-Term Liabilities (Continued)

Annual debt service requirements to maturity are as follows:

Year Ending June 30	Primary Government								Component Unit	
	Governmental Activities				Business-Type Activities				School Board	
	General Obligation and Lease Revenue Bonds		Capital Leases		Lease Revenue Bonds		Capital Leases		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 5,788,415	\$ 3,209,921	\$ -	\$ 212,000	\$ 220,000	\$ 109,438	\$ 115,079	\$ 12,529	\$ 842,986	\$ 80,399
2014	5,662,408	2,921,053	175,000	212,000	230,000	98,438	119,172	8,436	666,097	50,589
2015	5,453,314	2,654,264	355,000	205,044	240,000	88,950	123,411	4,197	450,167	27,079
2016	5,080,879	2,382,282	376,400	195,570	250,000	76,950	52,709	461	224,299	11,692
2017	4,970,217	2,143,629	410,939	185,342	260,000	66,950	-	-	118,856	3,860
2018-2022	18,197,952	7,582,687	2,463,216	745,864	1,165,000	146,974	-	-	-	-
2023-2027	11,265,000	4,300,613	3,139,284	380,264	-	-	-	-	-	-
2028-2031	10,350,000	1,345,891	1,080,161	28,755	-	-	-	-	-	-
	<u>\$ 66,768,185</u>	<u>\$ 26,540,340</u>	<u>\$ 8,000,000</u>	<u>\$ 2,164,839</u>	<u>\$ 2,365,000</u>	<u>\$ 587,700</u>	<u>\$ 410,371</u>	<u>\$ 25,623</u>	<u>\$ 2,302,405</u>	<u>\$ 173,619</u>

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

Details of long-term liabilities are as follows:

Purpose	Interest Rates	Date Issued	Final Maturity Date	Amount Issued	Amount Outstanding
PRIMARY GOVERNMENT					
Governmental Activities:					
General Obligation Bonds					
County:					
General obligation refunding bonds	3.83%	2005	2017	\$ 3,750,000	\$ 2,370,000
Schools:					
VPSA Bonds	5.10-8.10	1992	2012	8,000,000	240,000
VPSA Bonds	6.10-6.30	1994	2013	6,000,000	615,000
VPSA Bonds	6.10-6.60	1994	2014	3,000,000	450,000
VPSA Bonds	5.10-6.10	1995	2015	4,000,000	800,000
VPSA Bonds	4.60-6.10	1996	2016	6,000,000	1,500,000
VPSA Bonds	4.35-5.35	1997	2017	4,700,000	1,955,000
VPSA Bonds	3.60-5.10	1998	2018	5,200,000	1,820,000
VPSA Bonds	5.10-6.10	1999	2019	12,030,340	5,368,258
VPSA Bonds	5.10-6.35	2000	2020	4,200,000	2,450,000
VPSA Bonds	4.98-5.85	2000	2020	6,285,526	3,099,927
VPSA Bonds	4.10-5.10	2008	2029	5,420,000	4,595,000
Total general obligation bonds-Schools					<u>22,893,185</u>
Total general obligation bonds					<u>\$ 25,263,185</u>

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Note 7. Long-Term Liabilities (Continued)

<u>Purpose</u>	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
PRIMARY GOVERNMENT					
Governmental Activities:					
Lease Revenue Bonds					
County:					
Bedford County EDA-Courthouse & Social Services Building Refunding	4.11%	2005	2020	\$ 7,875,000	\$ 6,880,000
Bedford County EDA-Nursing Home Refunding	4.00-5.00	2006	2015	2,490,000	930,000
Total lease revenue bonds-County					<u>7,810,000</u>
Schools:					
Bedford County EDA-Jefferson Forest High School	4.00-5.25	2006	2031	38,710,000	33,695,000
Total lease revenue bonds					<u>\$ 41,505,000</u>
Capital Leases					
County:					
Capital One-Energy Conservation Measures	2.65%	2012	2029	\$ 650,042	\$ 650,042
Schools:					
Capital One-Energy Conservation Measures	2.65	2012	2029	7,349,958	7,349,958
Total capital leases					<u>\$ 8,000,000</u>
Business-Type Activities:					
Lease Revenue Bonds					
Bedford County EDA-Group Homes	4.00-5.00%	2006	2021	\$ 3,435,000	\$ 2,365,000
Capital Leases					
Caterpillar-Solid Waste equipment	3.5	2010	2015	584,550	410,371
Total Business-Type activities					<u>\$ 2,775,371</u>
COMPONENT UNIT					
School Board					
First Citizens Bank 20 buses	3.89%	2006	2012	\$ 1,294,142	\$ 199,594
First Citizens Bank 20 buses	3.74	2007	2013	1,505,308	453,293
First Citizens Bank 18 buses and a wrecker	3.35	2008	2014	1,533,155	677,851
First Citizens Bank 9 buses	3.35	2009	2015	711,945	413,613
Daimler Chrysler Truck Financial 9 buses	3.2	2010	2016	782,073	558,054
Total capital leases-School Board					<u>\$ 2,302,405</u>

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

The assets acquired through capital leases are as follows:

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Business-Type Activities</u>	<u>School Board</u>
Machinery and equipment	\$ 584,550	\$ 5,826,623
Less: accumulated depreciation	<u>92,554</u>	<u>1,572,764</u>
Net	<u>\$ 491,996</u>	<u>\$ 4,253,859</u>

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

Note 8. Interfund Receivables and Payables

Interfund balances are as follows:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
General Fund	Group Homes Fund	\$ 410,151
Group Homes Fund	General Fund	5,640
Solid Waste Fund	General Fund	115,246

The most significant interfund balance of balance is \$410,151 due from the Group Home to the General Fund. \$358,819 is to fund negative pooled cash in the Group Homes and the remaining \$51,332 represents an advance for capital projects. The amounts due from the General Fund to other funds represent revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

Note 9. Defined Benefit Pension Plan

A. Plan Description

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

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

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

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

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

Note 9. Defined Benefit Pension Plan (Continued)

A. Plan Description (Continued)

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

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

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The County's contribution rate for fiscal year 2012 was 7.99% of annual covered payroll. The School Board's contribution rates for fiscal year 2012 were 6.22% for nonprofessional employees and 6.33% for professional employees.

For the three years ended June 30, 2012, 2011, and 2010, total employer and employee contributions made to the VRS state-wide teacher pool for professional employees by the School Board were \$5,011,244, \$4,009,688, and \$5,565,198, respectively and represented 11.33%, 8.93%, and 11.62% of annual covered payroll, respectively, and 100% of the required contributions for 2012, 2011, and 2010.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

Note 9. Defined Benefit Pension Plan (Continued)

C. Annual Pension Cost

For fiscal year 2012, the County's annual pension cost of \$2,177,910 was equal to the County's required and actual contribution, and the School Board's non-professional groups annual pension cost of \$591,327 was also equal to the required and actual contribution.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
County			
June 30, 2012	\$ 2,177,910	100%	\$ -
June 30, 2011	2,128,046	100%	-
June 30, 2010	2,083,262	100%	-
School Board Non-Professional			
June 30, 2012	\$ 591,327	100%	\$ -
June 30, 2011	613,081	100%	-
June 30, 2010	685,884	100%	-

The fiscal year 2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County and School Board assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's and School Board's unfunded actuarial accrued liabilities are being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

D. Funded Status and Funding Progress

As of June 30 2011, the most recent actuarial valuation date for the County, the plan was 79.91% funded. The actuarial accrued liability for benefits was \$52,789,743, and the actuarial value of assets was \$42,184,384, resulting in an unfunded actuarial accrued liability (UAAL) of \$10,605,359. The covered payroll (annual payroll of active employees covered by the plan) was \$16,652,826, and the ratio of the UAAL to the covered payroll was 63.69%.

As of June 30 2011, the most recent actuarial valuation date for the School's nonprofessional employees, the plan was 86.96% funded. The actuarial accrued liability for benefits was \$18,091,226, and the actuarial value of assets was \$15,732,707, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,358,519. The covered payroll (annual payroll of active employees covered by the plan) was \$5,381,730, and the ratio of the UAAL to the covered payroll was 43.82%.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

Note 9. Defined Benefit Pension Plan (Continued)

D. Funded Status and Funding Progress (Continued)

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

Note 10. Other Post-Employment Benefits (OPEB)

A. Plan Description

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

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

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

	<u>Primary Government</u>	<u>School Board</u>
Retirees currently receiving benefits	6	72
Active employees	381	1,132
Total	<u>387</u>	<u>1,204</u>

B. Funding Policy

The County and School Board currently fund post-employment health care benefits on a pay-as-you-go basis. During fiscal year 2012, neither the County nor the School Board designated any funding for the OPEB liability.

COUNTY OF BEDFORD, VIRGINIA

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012**

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

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

The following table shows the details of the County and School Board's annual OPEB cost and the changes in the net OPEB obligation for the fiscal year ended June 30, 2012.

	Primary Government	School Board
Annual required contribution	\$ 59,000	\$ 516,000
Interest on net OPEB obligation	6,000	53,000
Adjustment to annual required contribution	(6,000)	(54,000)
Annual OPEB cost	59,000	515,000
Contributions made	23,963	(736,584)
Increase (decrease) in net OPEB obligation	82,963	(221,584)
Net OPEB obligation-beginning of year	152,347	1,326,127
Net OPEB obligation-end of year	<u>\$ 235,310</u>	<u>\$ 1,104,543</u>

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Primary Government			
June 30, 2012	\$ 82,963	0.0%	\$ 235,310
June 30, 2011	55,000	2.5%	152,347
June 30, 2010	78,000	39.2%	98,710
School Board			
June 30, 2012	515,000	143.0%	1,104,543
June 30, 2011	493,000	84.6%	1,326,127
June 30, 2010	1,055,000	40.4%	1,250,144

D. Funded Status and Funding Progress

As of July 1, 2012, the County and School Board's most recent actuarial valuation date, the actuarial accrued liability for benefits was \$523,000 and \$5,004,000, all of which was unfunded. The County's covered payroll (annual payroll of active employees covered by the Plan) was \$16,652,826, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 3.14%. The School Board's covered payroll was \$49,493,629, and the ratio of the UAAL to the covered payroll was 10.11%. Actuarial valuations of an ongoing plan involve estimates and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

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

D. Funded Status and Funding Progress (Continued)

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

E. Actuarial Methods and Assumptions

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

In the July 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used to determine liabilities. Under this method, the postretirement health costs are assumed to be earned ratably from the date of hire to the participant's full eligibility age. The actuarial assumptions included a 4% investment rate of return per annum. The unfunded actuarial accrued liability is being amortized as a level dollar amount over an open basis. The remaining amortization period at June 30, 2012 was 26 years.

Note 11. Length of Service Award Program

A. Plan Description

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

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

Eligible Members	236
Retirees and beneficiaries	<u>18</u>
Total	<u><u>254</u></u>

B. Funding Policy

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

COUNTY OF BEDFORD, VIRGINIA

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012**

Note 11. Length of Service Award Program (Continued)

C. Annual Program Cost

For the current year, the annual cost of \$253,683 equaled the required and actual contributions.

LOSAP			
<u>Fiscal Year Ending</u>	<u>Annual Program Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Program Obligation</u>
June 30, 2012	\$ 253,683	100%	\$ -
June 30, 2011	254,327	100%	-
June 30, 2010	260,026	100%	-

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

D. Funding Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the plan was funded 39.83%. The actuarial accrued liability for benefits was \$2,494,145 resulting in an UAAL of \$1,500,684.

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

Note 12. Landfill Closure and Postclosure Costs

Permit #30

The County stopped accepting waste at its old landfill site, permit #30, on October 8, 1993. In accordance with federal and state laws, the County placed a final cover on this site and was required to perform certain maintenance and monitoring functions for ten years after closure. The site was certified as closed by the Virginia Department of Environmental Quality (DEQ) on July 2, 1996. The cumulative amount of estimated postclosure care costs to date for this site, less amounts expended for such costs to date, totals \$1,386,143.

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

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

Note 12. Landfill Closure and Postclosure Costs (Continued)

Permit #30 (Continued)

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

Permit #560

The County's active landfill site, permit #560, began accepting waste on October 9, 1993. State and federal laws and regulations require the County to place a final cover on this landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions for thirty (30) years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used, as of each balance sheet date. The \$4,130,803 reported as landfill closure and postclosure care liability as of June 30, 2012 represents the cumulative amount reported to date based on the use of approximately 66% of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$2,123,320 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2012. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The County expects its disposal area to reach capacity in 2020.

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

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Note 13. Fund Balances

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

	<u>General Fund</u>	<u>School Board</u>
Nonspendable:		
Inventories	\$ 60,618	\$ 84,642
Prepays	168,188	72,222
Long-term portion of loans/note receivable	380,312	-
Total nonspendable	<u>609,118</u>	<u>156,864</u>
Restricted for:		
Public safety	60,679	-
Public works	648,558	-
Education	7,333,179	-
Parks, recreation, and cultural	10,560	-
Community development	31	-
Debt service reserves	3	3
Other purposes	11,378	-
Total restricted	<u>8,064,388</u>	<u>3</u>
Committed to:		
Public works	157,235	-
Health self insurance	-	570,687
Education-operating	-	20,140
Education-textbooks	-	2,006
Education-maintenance projects	-	103,158
Capital projects	4,689,909	-
Total committed	<u>4,847,144</u>	<u>695,991</u>
Assigned to:		
Judicial administration	20,105	-
Public safety	1,788,952	-
Health and welfare	127,839	-
Education	655,452	-
Education-nutrition	-	1,535,467
Education-textbooks	-	1,860,168
Education-maintenance projects	-	863,686
Education-capital projects	-	296,461
Funding of subsequent year budget	22,830,111	-
Subsequent year appropriation of fund balance	1,110,642	-
Other purposes	240,886	-
Total assigned	<u>26,773,987</u>	<u>4,555,782</u>
Unassigned	<u>16,186,173</u>	<u>(633,388)</u>
Total fund balance	<u>\$ 56,480,810</u>	<u>\$ 4,775,252</u>

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

Note 14. Risk Management

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

Worker's Compensation

Worker's Compensation Insurance is provided through VaCorp for the County and through the Virginia School Board Association for the School Board. Benefits are those afforded through the Commonwealth of Virginia as outlined in *Code of Virginia* §65.2-100. Premiums are based on covered payroll, job rates and claims experience. Total premiums paid for the current year were \$233,090 and \$349,597 for the County and School Board, respectively.

General Liability and Other

The County provides general liability and other insurance through VaCorp. General liability and business automobile have a \$2,000,000 limit. Boiler and machinery insurance has a \$50,000,000 limit and all other property insurance is covered as per the statement of values. The School Board provides general liability and other insurance through the Virginia School Board Association. General liability and business automobile have a \$1,000,000 limit. Boiler and machinery insurance has a \$10,000,000 limit and property insurance is covered as per the statement of values. Furthermore, the School Division maintains a \$3,000,000 umbrella policy over all forms of liability.

Health care

The County and School Board carried commercial insurance for employee health insurance plans for the year ended June 30, 2012. Beginning July 1, 2012 the School Board has chosen to retain the risk associated with employees' health insurance plan.

Note 15. Shared Services

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

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

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

The following organizations are excluded from the accompanying financial statements:

Related Organizations:

The Bedford County Public Service Authority (PSA):

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

Jointly Governed Organizations:

Central Virginia Community Services Board (CVCSB)

The County, in conjunction with the Counties of Amherst, Appomattox, and Campbell and the Cities of Bedford and Lynchburg participates in the CVCSB, whose board is composed of two members from each of the participating localities. The County contributed \$104,386 for operations to the CVCSB for 2012.

Blue Ridge Regional Jail Authority (BRRJA)

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

Joint Ventures:

Bedford Joint Economic Development Authority (BJEDA)

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

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

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

Joint Ventures:

Region 2000 Radio Communications Board

The County, along with the County of Amherst and Cities of Bedford and Lynchburg, is a participant in the development and operation of a regional radio communication system. During 2012, the Central Virginia Radio Communications Board was dissolved and replaced by the Region 2000 Radio Communications Board (the "Board"), which has the same participants as its predecessor. Each participant agreed to contribute its pro rata share for annual capital and operational costs, as well as any annual deficit. The County's pro rata share is 38.2% through July 1, 2013. The Board issued debt of \$13.1 million in May 2012 for the upgrade and replacement of the existing system. Each participant agreed to contribute its pro rata share towards debt service payments of the Board. The County's share will be 36.8%, and annual contributions for debt service will approximate \$408,426. An asset or obligation is not reflected at June 30 because the system has yet to be constructed.

Tri-County Lake Administrative Commission (TLAC)

The County, in conjunction with the Counties of Franklin and Pittsylvania, created TLAC, which is composed of an eight-member board of directors appointed by the participating localities to carry out lake planning duties as may be assigned by the respective Boards of Supervisors. Such duties may include, but are not limited to, navigation marker issues, debris cleanup, and coordination with American Electric Power on lake-related issues. The County is responsible for annual contributions of 45% to TLAC, which equaled \$113,244 for 2012. Separate financial statements for TLAC are not available.

Note 17. Interjurisdictional Agreement

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

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

Note 18. Commitments and Contingencies

Litigation

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

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

Note 18. Commitments and Contingencies (Continued)

Litigation (Continued)

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

Special Purpose Grants

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

Note 19. Other Matters

In 2008, the City of Bedford notified the County of its intent to revert from a city to a town, as allowed under state law. In September 2011, City Council and the Board of Supervisors adopted a voluntary agreement which the state used as a guideline in the City's effort to revert to town status. The negotiated agreement is intended to be the best plan for the future of the Town and County. In July 2012, the Commission on Local Government, after review of the negotiated agreement and a public hearing, found that the agreement promotes the viability of both local governments and is consistent with the best interests of the Commonwealth. Accordingly, the Commission recommended the court's approval of the agreement. In December 2012, a three judge panel will convene to review and consider final approval of the agreement. The reversion is expected to occur on July 1, 2013. For more information on the reversion process, please visit www.bedfordcountyva.gov/reversion.

Note 20. New Accounting Standards

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

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, was issued to address service concession arrangements, which are a type of public-private or public-public partnership. The statement defines a service concession arrangement in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The requirements of this statement establish recognition, measurement, and disclosure requirements for these types of arrangements. This statement will be effective for the year ending June 30, 2013.

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

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

Note 20. New Accounting Standards (Continued)

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

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes standards for reclassification of certain item as deferred outflows and inflows of resources that were previously reported as assets and liabilities. The standard limits the items that should be reported as deferred outflows and inflows of resources to items specifically identified in authoritative pronouncements. Additionally, the standard requires that debt issuance costs be recognized as an expense in the period incurred except any portion related to prepaid insurance costs. Prospective application is required. The statement will be effective for the year ending June 30, 2014.

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

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

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

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

REQUIRED SUPPLEMENTAL INFORMATION

COUNTY OF BEDFORD, VIRGINIA

**Schedule of Funding Progress
VRS, LOSAP, and OPEB
June 30, 2012**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Payroll (b-a)/c
Virginia Retirement System						
County						
June 30, 2011	\$ 42,184,384	\$ 52,789,743	\$ 10,605,359	79.91 %	\$ 16,652,826	63.69 %
June 30, 2010	40,570,853	50,194,250	9,623,397	80.83	16,498,435	58.33
June 30, 2009	39,511,751	44,533,165	5,021,414	88.72	16,779,532	29.93
Component unit – School Board – Non-Professional Employees						
June 30, 2011	\$ 15,732,707	\$ 18,091,226	\$ 2,358,519	86.96 %	\$ 5,381,730	43.82 %
June 30, 2010	15,251,442	17,380,872	2,129,430	87.75	5,664,375	37.59
June 30, 2009	14,825,815	15,729,856	904,041	94.25	5,830,975	15.50
Fire and Rescue Length of Service Awards Program						
County						
June 30, 2011	\$ 993,461	\$ 2,494,145	\$ 1,500,684	39.83 %	NA	NA
June 30, 2010	850,065	2,654,284	1,804,219	32.03	NA	NA
June 30, 2009	630,680	2,413,241	1,782,561	26.13	NA	NA
Other Post-Employment Benefit Plans						
County						
June 30, 2011	\$ -	\$ 523,000	\$ 523,000	0.00 %	\$ 16,652,826	3.14 %
June 30, 2010	-	470,000	470,000	0.00	16,498,435	2.85
June 30, 2009	-	644,000	644,000	0.00	16,779,532	3.84
Component unit – School Board						
June 30, 2011	\$ -	\$ 5,004,000	\$ 5,004,000	0.00 %	\$ 49,493,629	10.11 %
June 30, 2010	-	4,898,000	4,898,000	0.00	50,360,550	9.73
June 30, 2009	-	9,731,000	9,731,000	0.00	53,615,277	18.15

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

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

OTHER SUPPLEMENTAL INFORMATION

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COUNTY OF BEDFORD, VIRGINIA

Agency Funds –
Combining Statement of Fiduciary Net Assets
June 30, 2012

	Tri-County Relicensing Committee	Tri-County Lake Administrative Commission	Bedford Community Coalition	Bedford Wine Trail	Special Welfare Fund	Road Escrow Accounts	Land Disturbing Bonds	Sheriff Asset Seizures	Total
Assets									
Cash and cash equivalents	\$ -	\$ 429,941	\$ 2,037	\$ 4,330	\$ 21,689	\$ 60,190	\$ 159,703	\$ 29,949	\$ 707,839
Security deposits	-	900	-	-	-	-	-	-	900
Accounts receivable	17,513	-	-	-	-	-	-	-	17,513
Total assets	<u>\$ 17,513</u>	<u>\$ 430,841</u>	<u>\$ 2,037</u>	<u>\$ 4,330</u>	<u>\$ 21,689</u>	<u>\$ 60,190</u>	<u>\$ 159,703</u>	<u>\$ 29,949</u>	<u>\$ 726,252</u>
Liabilities									
Accounts payable	\$ 17,513	\$ 12,480	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,993
Amounts held for others	-	418,361	2,037	4,330	21,689	60,190	159,703	29,949	696,259
Total liabilities	<u>\$ 17,513</u>	<u>\$ 430,841</u>	<u>\$ 2,037</u>	<u>\$ 4,330</u>	<u>\$ 21,689</u>	<u>\$ 60,190</u>	<u>\$ 159,703</u>	<u>\$ 29,949</u>	<u>\$ 726,252</u>

COUNTY OF BEDFORD, VIRGINIA

Agency Funds –
Combining Statement of Fiduciary Net Assets and Liabilities
For the Year Ended June 30, 2012

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Ending</u>
Tri-County Relicensing Committee				
Assets:				
Accounts receivable	\$ 7,486	\$ 70,467	\$ 60,440	\$ 17,513
Liabilities:				
Accounts payable	\$ 7,486	\$ 70,467	\$ 60,440	\$ 17,513
Tri-County Lake Administrative Commission				
Assets:				
Cash and cash equivalents	\$ 472,249	\$ 279,922	\$ 322,230	\$ 429,941
Security deposits	900	-	-	900
	<u>\$ 473,149</u>	<u>\$ 279,922</u>	<u>\$ 322,230</u>	<u>\$ 430,841</u>
Liabilities:				
Accounts payable	\$ 12,048	\$ 213,258	\$ 212,826	\$ 12,480
Accrued liabilities	-	109,403	109,403	-
Amounts held for others	461,101	279,922	322,662	418,361
	<u>\$ 473,149</u>	<u>\$ 602,583</u>	<u>\$ 644,891</u>	<u>\$ 430,841</u>
Bedford Community Coalition				
Assets:				
Cash and cash equivalents	\$ 2,936	\$ 8	\$ 907	\$ 2,037
Liabilities:				
Amounts held for others	\$ 2,936	\$ 8	\$ 907	\$ 2,037
Bedford Wine Trail				
Assets:				
Cash and cash equivalents	\$ 4,030	\$ 735	\$ 435	\$ 4,330
Liabilities:				
Amounts held for others	\$ 4,030	\$ 735	\$ 435	\$ 4,330
Special Welfare Fund				
Assets:				
Cash and cash equivalents	\$ 28,980	\$ 196,228	\$ 203,519	\$ 21,689
Liabilities:				
Amounts held for others	\$ 28,980	\$ 196,228	\$ 203,519	\$ 21,689
Road Escrow Accounts				
Assets:				
Cash and cash equivalents	\$ 80,632	\$ 2,166	\$ 22,608	\$ 60,190
Liabilities:				
Amounts held for others	\$ 80,632	\$ 2,166	\$ 22,608	\$ 60,190

COUNTY OF BEDFORD, VIRGINIA

Agency Funds –
Combining Statement of Fiduciary Net Assets and Liabilities
For the Year Ended June 30, 2012

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Ending</u>
Land Disturbing Bonds				
Assets:				
Cash and cash equivalents	\$ 221,607	\$ 14,526	\$ 76,430	\$ 159,703
Liabilities:				
Amounts held for others	\$ 221,607	\$ 14,526	\$ 76,430	\$ 159,703
Sheriff Asset Seizures				
Assets:				
Cash and cash equivalents	\$ 27,461	\$ 8,416	\$ 5,928	\$ 29,949
Liabilities:				
Amounts held for others	\$ 27,461	\$ 8,416	\$ 5,928	\$ 29,949
Total Fiduciary Funds				
Assets:				
Cash and cash equivalents	\$ 837,895	\$ 502,001	\$ 632,057	\$ 707,839
Security deposits	900	-	-	900
Accounts receivable	7,486	70,467	60,440	17,513
Total assets	\$ 846,281	\$ 572,468	\$ 692,497	\$ 726,252
Liabilities:				
Accounts payable	\$ 19,534	\$ 283,725	\$ 273,266	\$ 29,993
Accrued liabilities	-	109,403	109,403	-
Amounts held for others	826,747	502,001	632,489	696,259
Total liabilities	\$ 846,281	\$ 895,129	\$ 1,015,158	\$ 726,252

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DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

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

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

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

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

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

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

COUNTY OF BEDFORD, VIRGINIA

**Discretely Presented Component Unit – Bedford County School Board
Combining Balance Sheet
Year Ended June 30, 2012**

	<u>Special Revenue Funds</u>			<u>Capital Projects</u>	<u>Total Governmental Funds</u>
	<u>Operating</u>	<u>Nutrition</u>	<u>Textbooks</u>		
ASSETS					
Cash and cash equivalents	\$ 1,008,839	\$ 1,835,937	\$ 1,880,957	\$ 296,461	\$ 5,022,194
Receivables, net	4,729,925	1,332	1,911	-	4,733,168
Due from primary government	6,212,811	-	-	-	6,212,811
Prepays	42,566	29,656	-	-	72,222
Inventories	-	84,642	-	-	84,642
Restricted cash and investments	763,216	-	-	-	763,216
Total assets	<u>\$ 12,757,357</u>	<u>\$ 1,951,567</u>	<u>\$ 1,882,868</u>	<u>\$ 296,461</u>	<u>\$ 16,888,253</u>
LIABILITIES					
Accounts payable and accrued expenses	\$ 876,656	\$ 3,433	\$ 20,694	\$ -	\$ 900,783
Accrued payroll and related liabilities	9,070,492	298,369	-	-	9,368,861
Self insurance	192,526	-	-	-	192,526
Deferred revenue	1,650,831	-	-	-	1,650,831
Total liabilities	<u>11,790,505</u>	<u>301,802</u>	<u>20,694</u>	<u>-</u>	<u>12,113,001</u>
FUND BALANCES					
Fund balances:					
Nonspendable	42,566	114,298	-	-	156,864
Restricted	3	-	-	-	3
Committed	693,985	-	2,006	-	695,991
Assigned	863,686	1,535,467	1,860,168	296,461	4,555,782
Unassigned	(633,388)	-	-	-	(633,388)
Total fund balances	<u>966,852</u>	<u>1,649,765</u>	<u>1,862,174</u>	<u>296,461</u>	<u>4,775,252</u>
Total liabilities and fund balances	<u>\$ 12,757,357</u>	<u>\$ 1,951,567</u>	<u>\$ 1,882,868</u>	<u>\$ 296,461</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	99,581,265
Long term liabilities, such as compensated absences (\$1,626,324), other post-employment benefits (\$1,104,543), capital leases (\$2,302,405), and accrued interest (\$67,754) do not require the use of current financial resources and are not reported as expenditures in governmental funds.	(5,101,026)
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	<u>2,749,321</u>
Net assets of governmental activities	<u>\$ 102,004,812</u>

COUNTY OF BEDFORD, VIRGINIA

Discretely Presented Component Unit – Bedford County School Board
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2012

	Special Revenue Funds			Capital Projects	Total Governmental Funds
	Operating	Nutrition	Textbooks		
REVENUES					
Revenue from use of money and property	\$ 1,010	\$ 10,585	\$ 5,273	\$ 27	\$ 16,895
Charges for services	558,075	2,287,396	-	-	2,845,471
Recovered costs	4,973,952	-	71,262	-	5,045,214
Other	396,567	-	999	-	397,566
Intergovernmental:					
County of Bedford	28,437,290	-	450,065	-	28,887,355
Commonwealth of Virginia	42,364,440	69,056	226,901	-	42,660,397
Federal government	7,690,818	2,167,624	-	-	9,858,442
Total revenues	84,422,152	4,534,661	754,500	27	89,711,340
EXPENDITURES					
Current:					
Instructional	62,701,406	-	930,597	-	63,632,003
Administration, attendance, and health	3,224,112	-	-	-	3,224,112
Pupil transportation services	6,229,858	-	-	-	6,229,858
Operations and maintenance services	8,339,726	-	-	-	8,339,726
Nutrition services	-	4,329,469	-	-	4,329,469
Technology	3,478,893	-	-	-	3,478,893
Debt Service:					
Principal	979,257	-	-	-	979,257
Interest and other fiscal charges	115,434	-	-	-	115,434
Total expenditures	85,068,686	4,329,469	930,597	-	90,328,752
Excess (deficiency) of revenues over expenditures	(646,534)	205,192	(176,097)	27	(617,412)
Fund balance, beginning	1,613,386	1,444,573	2,038,271	296,434	
Fund balance, ending	\$ 966,852	\$ 1,649,765	\$ 1,862,174	\$ 296,461	
Adjustments for the Statement of Activities:					
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which depreciation exceeded capital outlays in the current period.					(4,792,287)
Debt issuance proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which repayments exceeded proceeds.					979,257
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.					(185,269)
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.					214,969
Change in net assets of governmental activities					<u><u>\$(4,400,742)</u></u>

COUNTY OF BEDFORD, VIRGINIA

Discretely Presented Component Unit – Bedford County School Board
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Cash Basis)
For the Year Ended June 30, 2012

	Operating			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from use of money and property	\$ -	\$ -	\$ 1,010	\$ 1,010
Charges for services	445,000	445,000	558,708	113,708
Recovered costs	5,342,469	5,342,469	5,049,583	(292,886)
Other	140,000	140,000	279,275	139,275
Intergovernmental:				
County of Bedford	36,285,144	36,285,144	35,629,692	(655,452)
Commonwealth of Virginia	42,042,588	42,042,588	42,025,163	(17,425)
Federal government	7,584,764	7,948,640	7,793,387	(155,253)
Total revenues	91,839,965	92,203,841	91,336,818	(867,023)
EXPENDITURES				
Current:				
Instructional	61,961,314	62,625,190	62,251,170	374,020
Administration, attendance, and health	3,141,450	3,241,450	3,228,528	12,922
Pupil transportation services	7,241,781	7,441,781	7,432,269	9,512
Operations and maintenance services	9,714,018	9,414,018	8,606,294	807,724
Nutrition services	-	-	-	-
Technology	3,750,184	3,750,184	3,378,351	371,833
Debt service	7,331,218	7,331,218	7,321,718	9,500
Total expenditures	93,139,965	93,803,841	92,218,330	1,585,511
Excess (deficiency) of revenues over expenditures	(1,300,000)	(1,600,000)	(881,512)	718,488
Net change in fund balances	\$ (1,300,000)	\$ (1,600,000)	\$ (881,512)	\$ 718,488

COUNTY OF BEDFORD, VIRGINIA

Discretely Presented Component Unit – Bedford County School Board
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Cash Basis)
For the Year Ended June 30, 2012

Nutrition				Textbooks			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final			Original	Final		
\$ 7,000	\$ 7,000	\$ 10,585	\$ 3,585	\$ -	\$ -	\$ 5,273	\$ 5,273
2,325,000	2,325,000	2,287,496	(37,504)	-	-	-	-
-	-	-	-	95,761	95,761	66,136	(29,625)
-	-	-	-	-	-	1,579	1,579
-	-	-	-	-	450,065	450,065	-
59,679	59,679	69,056	9,377	226,366	226,366	226,901	535
1,974,826	1,974,826	2,229,725	254,899	-	-	-	-
4,366,505	4,366,505	4,596,862	230,357	322,127	772,192	749,954	(22,238)
-	-	-	-	1,122,127	1,572,192	910,101	662,091
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
4,366,505	4,366,505	4,311,373	55,132	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
4,366,505	4,366,505	4,311,373	55,132	1,122,127	1,572,192	910,101	662,091
-	-	285,489	285,489	(800,000)	(800,000)	(160,147)	639,853
\$ -	\$ -	\$ 285,489	\$ 285,489	\$ (800,000)	\$ (800,000)	\$ (160,147)	\$ 639,853

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SUPPORTING SCHEDULES

COUNTY OF BEDFORD, VIRGINIA

**Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual – Cash Basis
Governmental Fund
For the Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 36,586,840	\$ 36,586,840	\$ 37,584,137	\$ 997,297
Real and personal public service corporation property taxes	1,238,000	1,238,000	1,300,158	62,158
Personal property taxes (local remittance)	9,575,000	9,575,000	9,960,402	385,402
Machinery and tools taxes	2,502,000	2,502,000	2,497,827	(4,173)
Merchant's capital taxes	-	-	1,000	1,000
Mobile home taxes	145,000	145,000	130,969	(14,031)
Penalties and interest	600,000	600,000	713,529	113,529
Total general property taxes	<u>50,646,840</u>	<u>50,646,840</u>	<u>52,188,022</u>	<u>1,541,182</u>
Other local taxes:				
Local sales and use taxes	4,000,000	4,000,000	4,018,961	18,961
Consumer utility taxes	1,167,300	1,167,300	1,168,959	1,659
Business licenses taxes	501	501	501	-
Utility license tax	70,000	70,000	61,802	(8,198)
Motor vehicle licenses	-	-	20	20
Bank stock taxes	200,000	200,000	222,708	22,708
Taxes on recordations and wills	876,000	876,000	789,592	(86,408)
Transient occupancy tax	325,000	325,000	356,457	31,457
Meals tax	1,400,000	1,400,000	1,618,191	218,191
Communications sales tax	1,975,000	1,975,000	1,924,591	(50,409)
Total other local taxes	<u>10,013,801</u>	<u>10,013,801</u>	<u>10,161,782</u>	<u>147,981</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	54,000	54,000	55,545	1,545
Building permits	275,000	275,000	208,692	(66,308)
Other permits and licenses	27,100	27,100	23,098	(4,002)
Planning permits and fees	125,000	125,000	116,489	(8,511)
Total permits, privilege fees, and regulatory licenses	<u>481,100</u>	<u>481,100</u>	<u>403,824</u>	<u>(77,276)</u>
Fines and forfeitures	<u>165,000</u>	<u>165,000</u>	<u>157,067</u>	<u>(7,933)</u>
Revenue from use of money and property:				
Revenue from use of money	240,075	240,526	254,202	13,676
Revenue from use of property	34,041	34,041	32,566	(1,475)
Total revenue from use of money and property	<u>274,116</u>	<u>274,567</u>	<u>286,768</u>	<u>12,201</u>

COUNTY OF BEDFORD, VIRGINIA

**Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual – Cash Basis
Governmental Fund
For the Year Ended June 30, 2012**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Charges for services:				
Court costs	\$ 196,454	\$ 196,454	\$ 170,991	\$ (25,463)
Commonwealth attorney	1,500	1,500	4,479	2,979
Law enforcement and traffic control	64,500	64,500	63,614	(886)
County attorney	2,000	2,000	385	(1,615)
Welfare and social services	25,000	25,000	17,613	(7,387)
Comprehensive services	95,000	95,000	67,614	(27,386)
Youth and family services	500	500	-	(500)
Recreation fees	1,100	1,100	3,412	2,312
EMS cost recoveries	1,400,000	1,400,000	1,271,142	(128,858)
Other	5,000	5,000	5,571	571
Total charges for services	1,791,054	1,791,054	1,604,821	(186,233)
Miscellaneous	288,249	315,950	556,701	240,751
Recovered costs:				
City of Bedford – shared services	1,453,942	1,453,942	1,257,101	(196,841)
Bedford Public Library	35,000	35,000	35,000	-
Tri-County Lake Administrative Commission	6,000	6,000	6,000	-
Central Garage	105,000	105,000	141,821	36,821
Prisoner Extradition	-	-	695	695
Nursing Home	165,000	165,000	191,491	26,491
Other	-	-	3,500	3,500
Total recovered costs	1,764,942	1,764,942	1,635,608	(129,334)
Total revenue from local sources	65,425,102	65,453,254	66,994,593	1,541,339
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Personal property taxes (state remittance)	6,086,051	6,086,051	6,086,051	-
Rental taxes	25,000	25,000	32,205	7,205
Mobile home titling taxes	75,000	75,000	59,988	(15,012)
Recordation taxes	240,000	240,000	231,087	(8,913)
Railroad rolling stock taxes	150,000	150,000	145,160	(4,840)
Reduction in state aid to localities	(300,000)	(289,791)	-	289,791
Total non-categorical aid	6,276,051	6,286,260	6,554,491	268,231
Categorical aid:				
Shared expenses:				
Commonwealth's Attorney	497,961	497,961	488,207	(9,754)
Sheriff	2,262,923	2,262,923	2,125,526	(137,397)
Commissioner of the Revenue	173,900	173,900	167,964	(5,936)
Treasurer	136,684	136,684	132,880	(3,804)
Registrar and Electoral board	49,864	49,864	42,956	(6,908)
Clerk of the Circuit Court	384,725	407,551	414,211	6,660
Communications	134,710	134,710	131,444	(3,266)
Total shared expenses	3,640,767	3,663,593	3,503,188	(160,405)

COUNTY OF BEDFORD, VIRGINIA

**Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual – Cash Basis
Governmental Fund
For the Year Ended June 30, 2012**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Other:				
Social services	\$ 2,259,747	\$ 2,259,747	\$ 2,021,320	\$ (238,427)
Comprehensive services	2,523,362	2,523,362	982,942	(1,540,420)
Forfeited asset seizure proceeds	-	14,617	14,617	-
State internet crimes	-	636,440	520,627	(115,813)
EMS Four for Life	30,000	30,000	73,895	43,895
Fire funds	80,000	177,526	177,526	-
Public safety grants	-	214,543	107,575	(106,968)
Victim witness coordinator	15,957	16,276	15,957	(319)
Domestic violence grants	136,900	179,209	170,455	(8,754)
VJCCCA	67,475	67,475	67,179	(296)
Wireless E-911 grant	91,200	93,200	104,225	11,025
PSAP grants	-	-	55,797	55,797
Record preservation grant	-	10,076	10,076	-
VA Commission of Arts	5,000	5,000	5,000	-
Juror and witness reimbursement	20,000	28,050	28,050	-
Virginia Tobacco Commission grants	-	260,000	90,000	(170,000)
VDOT Revenue Sharing	-	29,036	29,036	-
Other	-	-	37,389	37,389
Total other categorical aid	5,229,641	6,544,557	4,511,666	(2,032,891)
Total categorical aid	8,870,408	10,208,150	8,014,854	(2,193,296)
Total revenue from the Commonwealth	15,146,459	16,494,410	14,569,345	(1,925,065)
Revenue from the federal government:				
Payments in lieu of taxes	29,000	29,000	45,676	16,676
American Recovery and Reinvestment Act (ARRA):				
Social services	67,742	67,742	-	(67,742)
Social services	2,738,916	2,738,916	2,703,068	(35,848)
Sheriff – DMV grants	-	27,967	19,858	(8,109)
Justice assistance grants	-	15,428	15,428	-
DEA overtime reimbursement	-	7,000	9,039	2,039
Internet crimes grant	-	628,536	373,656	(254,880)
Bulletproof vest grant	-	7,341	2,882	(4,459)
Other law enforcement grants	-	91,585	88,055	(3,530)
Forfeited asset seizure proceeds	-	2,389	2,389	-
Victim witness coordinator	46,976	48,828	47,870	(958)
Domestic violence grants	10,686	12,469	23,097	10,628
Total categorical aid	2,864,320	3,648,201	3,285,342	(362,859)
Total revenue from the federal government	2,893,320	3,677,201	3,331,018	(346,183)
Total intergovernmental revenues	18,039,779	20,171,611	17,900,363	(2,271,248)
Total general fund	\$ 83,464,881	\$ 85,624,865	\$ 84,894,956	\$ (729,909)

COUNTY OF BEDFORD, VIRGINIA

**Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual – Cash Basis
Governmental Fund
For the Year Ended June 30, 2012**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Expenditures				
General government administration:				
Legislative:				
Board of Supervisors	\$ 128,905	\$ 176,236	\$ 171,008	\$ 5,228
General and financial administration:				
County Administration	396,309	448,809	447,268	1,541
County Attorney	295,029	295,029	241,611	53,418
Independent auditor	58,000	58,000	53,100	4,900
Commissioner of the Revenue	494,962	494,962	469,588	25,374
Assessor	439,368	439,368	1,077	438,291
Treasurer	555,352	555,352	508,082	47,270
Fiscal management	480,664	480,664	454,127	26,537
Information technology	491,253	488,253	435,832	52,421
Management services	303,147	306,147	305,048	1,099
Electoral board	134,692	146,652	128,677	17,975
Registrar	161,362	161,362	145,144	16,218
Total general and financial administration	3,810,138	3,874,598	3,189,554	685,044
Total general government administration	3,939,043	4,050,834	3,360,562	690,272
Judicial administration:				
Courts:				
Circuit Court	72,301	80,351	78,792	1,559
District Court	13,150	13,150	12,746	404
Magistrates	2,325	2,325	1,739	586
Juvenile and Domestic Relations District Court	16,700	16,700	16,307	393
Clerk of the Circuit Court	765,568	807,584	807,543	41
Circuit Court Records Preservation	-	13,175	13,174	1
Victim Witness Coordinator	107,514	109,685	108,955	730
Law Library	10,075	10,075	9,695	380
Other court services	11,234	11,234	11,234	-
Total courts	998,867	1,064,279	1,060,185	4,094
Commonwealth's Attorney	814,511	860,307	793,543	66,764
Total judicial administration	1,813,378	1,924,586	1,853,728	70,858
Public safety:				
Law enforcement and traffic control:				
Sheriff	5,020,491	5,140,134	5,326,805	(186,671)
Internet Crimes Grant	-	1,265,878	908,346	357,532
Law enforcement grants	-	177,646	125,452	52,194
Total law enforcement and traffic control	5,020,491	6,583,658	6,360,603	223,055
Fire and rescue services:				
Volunteer fire companies	973,529	1,078,055	1,077,326	729
Volunteer rescue squads	1,244,854	1,184,224	1,112,119	72,105
Other fire and rescue services	239,522	235,137	202,126	33,011
Total fire and rescue services	2,457,905	2,497,416	2,391,571	105,845

COUNTY OF BEDFORD, VIRGINIA

**Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual – Cash Basis
Governmental Fund
For the Year Ended June 30, 2012**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Correction and detention:				
Blue Ridge Regional Jail	\$ 1,318,515	\$ 1,318,515	\$ 1,316,944	\$ 1,571
VJCCCA	81,665	192,665	191,698	967
Juvenile secure detention	650,000	539,000	411,740	127,260
Total correction and detention	2,050,180	2,050,180	1,920,382	129,798
Building Inspections	555,106	558,652	527,752	30,900
Other protection:				
Animal shelter	163,387	163,387	161,735	1,652
Animal control	220,080	220,080	177,554	42,526
Emergency services	1,528,756	1,878,674	1,922,194	(43,520)
Emergency management grants	-	28,518	28,518	-
Communications center	1,813,917	1,843,917	1,815,641	28,276
Transportation Safety Committee	1,275	1,275	528	747
Total other protection	3,727,415	4,135,851	4,106,170	29,681
Total public safety	13,811,097	15,825,757	15,306,478	519,279
Public works:				
Sanitation and waste removal:				
Refuse collection	2,769,385	2,769,385	2,608,708	160,677
Total sanitation and waste removal	2,769,385	2,769,385	2,608,708	160,677
Maintenance – buildings and grounds:				
Housekeeping	420,467	420,467	390,454	30,013
General properties	947,612	947,612	840,450	107,162
Central garage	779,304	797,484	302,791	494,693
Total maintenance – buildings and grounds	2,147,383	2,165,563	1,533,695	631,868
Total public works	4,916,768	4,934,948	4,142,403	792,545
Health and welfare:				
Health:				
Supplement to local health department	514,699	514,699	501,482	13,217
Welfare:				
Social services	6,928,329	6,928,329	6,443,382	484,947
Youth and family services	333,973	340,536	299,778	40,758
Comprehensive services	3,924,813	3,924,813	1,744,287	2,180,526
Domestic violence	343,052	350,085	305,121	44,964
Other health and welfare	202,966	202,966	199,178	3,788
Total welfare	11,733,133	11,746,729	8,991,746	2,754,983
Total health and welfare	12,247,832	12,261,428	9,493,228	2,768,200
Education:				
Community college	1,745	1,745	1,745	-

COUNTY OF BEDFORD, VIRGINIA

**Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual – Cash Basis
Governmental Fund
For the Year Ended June 30, 2012**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Parks, recreation, and cultural:				
Recreation department	\$ 1,252,123	\$ 1,294,858	\$ 1,170,425	\$ 124,433
Cultural enrichment	122,200	122,200	112,700	9,500
Contribution to Regional Library	1,281,157	1,291,366	1,291,366	-
Total parks, recreation, and cultural	2,655,480	2,708,424	2,574,491	133,933
Community development:				
Planning and community development:				
Planning commission	63,813	82,813	60,362	22,451
Community development	860,028	948,460	855,713	92,747
GIS	232,401	232,401	221,946	10,455
Board of appeals	5,291	5,291	3,657	1,634
Economic development	344,514	349,914	314,261	35,653
Joint City/County Economic development	810,000	810,000	763,869	46,131
Economic development grants	-	37,835	-	37,835
Chamber of Commerce	4,750	4,750	4,750	-
Tourism	480,519	507,522	443,311	64,211
Total planning and community development	2,801,316	2,978,986	2,667,869	311,117
Environmental management:				
Erosion and sediment control	199,747	199,747	152,269	47,478
Storm Water Management	15,000	30,000	-	30,000
Soil and Water Conservation District	14,250	14,250	14,250	-
Tri-County Lake Administrative Commission	113,244	113,244	113,244	-
Total environmental management	342,241	357,241	279,763	77,478
Cooperative Extension Program:				
VPI & SU Extension Office	67,000	68,800	59,497	9,303
Cannery	34,609	34,609	31,593	3,016
Total cooperative extension program	101,609	103,409	91,090	12,319
Total community development	3,245,166	3,439,636	3,038,722	400,914
Debt Service:				
Principal retirement	1,793,585	1,793,585	1,651,527	142,058
Interest and other fiscal charges	474,073	516,101	481,291	34,810
Total debt service	2,267,658	2,309,686	2,132,818	176,868
Capital projects:				
General governmental	244,484	233,509	74,748	158,761
Judicial administration	81,372	81,372	-	81,372
Public safety	726,803	978,206	324,510	653,696
Public works	1,202,042	1,983,273	172,500	1,810,773
Education	1,428,828	8,740,173	-	8,740,173
Parks, recreation, and cultural	483,716	488,217	114,346	373,871
Community and economic development	2,435,317	2,675,317	2,155,002	520,315
Total capital projects	6,602,562	15,180,067	2,841,106	12,338,961
Total expenditures	51,500,729	62,637,111	44,745,281	17,891,830
Excess of Revenues over Expenditures	31,964,152	22,987,754	40,149,675	17,161,921

COUNTY OF BEDFORD, VIRGINIA

**Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual – Cash Basis
Governmental Fund
For the Year Ended June 30, 2012**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Other Financing Sources (Uses):				
Transfers to:				
Component units	\$ (36,285,144)	\$ (36,735,209)	\$ (36,079,757)	\$ 655,452
Capital lease proceeds	-	8,000,000	8,000,000	-
Total other financing sources and uses	<u>(36,285,144)</u>	<u>(28,735,209)</u>	<u>(28,079,757)</u>	<u>655,452</u>
Net change in fund balance	<u>\$ (4,320,992)</u>	<u>\$ (5,747,455)</u>	<u>\$ 12,069,918</u>	<u>\$ 17,817,373</u>

COUNTY OF BEDFORD, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012

<u>Federal Grantor/Pass-Through Grantor (Commonwealth of Virginia)/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>Department of Agriculture:</u>		
<u>Pass-Through Payments:</u>		
<u>Department of Social Services:</u>		
Supplemental Nutrition Assistance Program	10.561	\$ 546,763
<u>Department of the Agriculture and Consumer Services:</u>		
Child Nutrition Cluster – National School Lunch Program (Commodities)	10.555	242,351
Child Nutrition Cluster – Summer Food Service Program for Children	10.559	864
<u>Department of Education:</u>		
Child Nutrition Cluster – National School Breakfast Program	10.553	550,893
Child Nutrition Cluster – National School Lunch Program	10.555	1,606,453
Summer Fruit and Vegetable Program	10.582	10,278
Schools and Roads – Grants to States	10.665	15,960
<u>Department Of Justice:</u>		
<u>Direct Payments:</u>		
Missing Children's Task Force	16.543	246,667
Federal Surplus Property Transfer Program	16.578	15,769
Bulletproof Vest Partnership Program	16.607	7,193
Public Safety Partnership and Community Policing Grants	16.710	43,774
JAG Program Cluster – Edward Byrne Memorial Justice Assistance Grant	16.738	15,428
ARRA – Internet Crimes Against Children Task Force Program	16.800	83,600
<u>Pass-Through Payments:</u>		
<u>Department of Criminal Justice Services:</u>		
Crime Victim Assistance	16.575	48,828
Violence Against Women Formula Grants	16.588	12,522
ARRA – JAG Program Cluster – Edward Byrne Memorial Justice Assistance Grant Program	16.803	36,440
<u>Pass-Through Payments:</u>		
<u>Department of Social Services:</u>		
Crime Victim Assistance	16.575	48,723
<u>Department of Transportation:</u>		
<u>Pass-Through Payments:</u>		
<u>Department of Motor Vehicles:</u>		
State and Community Highway Safety (Section 402)	20.600	4,642
Alcohol Open Container Requirements	20.607	14,796
<u>Department of Education:</u>		
Twenty-First Century Community Learning Centers	84.287	972,413
<u>Pass-through Payments:</u>		
<u>Department of Education:</u>		
Title I, Part A Cluster – Title I: Grants to Local Educational Agencies	84.010	1,866,605
Special Education Cluster – Special Education – Grants to States	84.027	2,209,768
Vocational Education – Basic Grants to States	84.048	142,116
Special Education Cluster – Special Education – Preschool Grants	84.173	53,703
Drug Free Schools and Communities – State Grants	84.186	8,718
Funds for the Improvement of Education	84.215	229,169

COUNTY OF BEDFORD, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012

<u>Federal Grantor/Pass-Through Grantor (Commonwealth of Virginia)/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>Pass-through Payments:</u>		
<u>Department of Education:</u>		
English Language Acquisition Grants	84.365	\$ 18,924
No Child Left Behind Act	84.367	346,515
ARRA – Statewide Longitudinal Data Systems	84.384	250
ARRA – Education Technology State Grants	84.386	304
ARRA – Title I, Part A Cluster – Title I Grants to Local Educational Agencies	84.389	182,193
ARRA – Special Education Cluster – Special Education Grants to States	84.391	252,029
ARRA – Education Jobs Fund	84.410	1,335,792
<u>Department of Health and Human Services:</u>		
<u>Pass-through Payments:</u>		
<u>Department of Social Services:</u>		
Promoting Safe and Stable Families	93.556	29,865
TANF Block Grant	93.558	441,177
Refugee and Entrant Assistance – State Administered Program	93.566	1,057
Low Income Home Energy Assistance	93.568	22,044
CCDF Cluster – Payments to States for Child Care Assistance	93.575	168,676
CCDF Cluster – Child Care Development Fund	93.596	93,104
Chafee Education & Training Vouchers Program	93.599	7,171
Child Welfare Services – State Grants	93.645	1,249
Foster Care – Title IV-E	93.658	373,306
Adoption Assistance	93.659	374,902
Social Service Block Grant	93.667	271,457
Family Violence Prevention and Services/Grants for Battered Women's Shelters	93.671	38,701
Independent Living	93.674	10,012
Virginia Children's Medical Insurance Plan	93.767	16,334
Medical Assistance Program (Medicaid; Title XIX)	93.778	332,953
<u>Department of Homeland Security:</u>		
<u>Pass-through Payments:</u>		
<u>Department of Emergency Management Services:</u>		
Emergency Management Performance Grants	97.042	4,750
Interoperable Emergency Communications	97.055	28,518
State Homeland Security Program	97.073	22,188
Buffer Zone Protection Program	97.078	500
Total Expenditures of Federal Awards		<u>\$ 13,408,407</u>

Note 1. Basis of Accounting

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

Note 2. Nonmonetary Assistance

Nonmonetary assistance is reported in the Schedule of Expenditures of Federal Awards at the fair market value of the food commodities or food stamps disbursed. At year end, the County had food commodity inventory totaling \$864 and the School Board had commodity inventory of \$32,051.

STATISTICAL SECTION

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

Contents

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

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

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

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

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

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

Table 1

COUNTY OF BEDFORD, VIRGINIA

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
			Restated		Restated					
Governmental activities										
Invested in capital assets, net of related debt	\$ 10,026,309	\$ 12,147,741	\$ 15,401,751	\$ 16,915,012	\$ 19,769,906	\$ 21,352,975	\$ 21,945,190	\$ 22,587,976	\$ 23,428,803	\$ 23,524,890
Restricted	1,346,720	658,644	18,817	989,905	7,516	5,342	57	20	3	648,562
Unrestricted	(18,986,985)	(14,857,305)	(18,605,404)	(17,629,741)	(30,928,461)	(39,372,692)	(38,605,383)	(29,263,886)	(20,875,025)	(12,143,308)
Total governmental activities net assets	\$ (7,613,956)	\$ (2,050,920)	\$ (3,184,836)	\$ 275,176	\$ (11,151,039)	\$ (18,014,375)	\$ (16,660,136)	\$ (6,675,890)	\$ 2,553,781	\$ 12,030,144
Business-type activities										
Invested in capital assets, net of related debt	\$ 5,358,005	\$ 5,416,677	\$ 6,175,620	\$ 12,580,147	\$ 11,467,746	\$ 11,329,513	\$ 16,346,809	\$ 16,206,826	\$ 15,617,382	\$ 14,816,621
Restricted	-	-	-	-	-	-	48	19	4	3
Unrestricted	3,905,116	4,650,107	10,489,870	4,726,144	5,282,464	5,762,678	2,148,113	2,557,009	3,152,150	2,792,561
Total business-type activities net assets	\$ 9,263,121	\$ 10,066,784	\$ 16,665,490	\$ 17,306,291	\$ 16,750,210	\$ 17,092,191	\$ 18,494,970	\$ 18,763,854	\$ 18,769,536	\$ 17,609,185
Primary government										
Invested in capital assets, net of related debt	\$ 15,384,314	\$ 17,564,418	\$ 21,577,371	\$ 29,495,159	\$ 31,237,652	\$ 32,682,488	\$ 38,291,999	\$ 38,794,802	\$ 39,046,185	\$ 38,341,511
Restricted	1,346,720	658,644	18,817	989,905	7,516	5,342	105	39	7	648,565
Unrestricted	(15,081,869)	(10,207,198)	(8,115,534)	(12,903,597)	(25,645,997)	(33,610,014)	(36,457,270)	(26,706,877)	(17,722,875)	(9,350,747)
Total primary government net assets	\$ 1,649,165	\$ 8,015,864	\$ 13,480,654	\$ 17,581,467	\$ 5,599,171	\$ (922,184)	\$ 1,834,834	\$ 12,087,964	\$ 21,323,317	\$ 29,639,329
Component Unit-School Board (1)										
Invested in capital assets, net of related debt	\$ 73,758,059	\$ 71,513,428	\$ 69,738,099	\$ 69,230,835	\$ 86,529,453	\$ 103,265,540	\$ 105,979,076	\$ 103,254,031	\$ 101,059,369	\$ 97,278,860
Restricted	-	-	58,221	-	3,069	2,176	331	20	4	763,216
Unrestricted	2,785,569	3,878,993	3,456,795	3,310,400	4,156,055	3,268,571	4,923,623	5,407,005	5,346,181	3,962,736
Total component unit-School Board net assets	\$ 76,543,628	\$ 75,392,421	\$ 73,253,115	\$ 72,541,235	\$ 90,688,577	\$ 106,536,287	\$ 110,903,030	\$ 108,661,056	\$ 106,405,554	\$ 102,004,812

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

Table 2

COUNTY OF BEDFORD, VIRGINIA

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
			Restated		Restated					
Primary Government:										
Expenses										
Governmental activities:										
General government	\$ 3,022,618	\$ 2,517,950	\$ 2,788,055	\$ 2,924,255	\$ 3,824,050	\$ 3,380,053	\$ 3,571,372	\$ 3,735,551	\$ 4,084,722	\$ 3,623,380
Judicial administration	1,531,028	1,660,103	1,811,883	1,947,871	2,056,926	2,284,198	2,537,675	2,365,312	2,323,836	2,236,346
Public safety	9,321,790	10,270,852	10,927,145	11,626,173	12,666,867	13,833,606	14,777,921	14,860,554	14,908,199	16,052,649
Public works	4,190,406	4,547,937	4,453,992	5,453,172	5,370,581	5,502,498	4,712,842	4,665,741	4,085,930	3,966,475
Health and welfare	13,874,130	12,148,631	13,458,791	11,638,152	12,074,123	13,059,878	10,911,164	10,445,685	10,441,003	9,782,800
Education	25,418,438	23,608,373	24,721,347	29,242,511	47,347,095	47,741,253	37,412,680	27,959,531	28,843,332	27,870,369
Parks, recreational, and cultural	2,296,281	2,234,339	2,503,139	2,571,247	2,700,063	3,236,708	3,071,792	3,011,340	2,870,815	2,763,383
Community development	3,894,988	5,012,657	5,737,018	6,720,905	6,773,411	6,204,133	5,393,145	5,032,293	5,255,719	5,220,060
Interest on long-term debt	4,101,454	3,600,201	3,354,821	3,039,416	4,506,633	4,577,074	4,780,219	4,002,134	3,849,961	3,473,234
Total governmental activities expenses	67,651,133	65,601,043	69,756,191	75,163,702	97,319,749	99,819,401	87,168,810	76,078,141	76,663,517	74,988,696
Business-type activities:										
Group homes	-	-	-	-	-	-	2,025,932	1,929,560	1,993,131	2,023,174
Nursing home	2,060,954	2,111,571	2,264,728	2,427,190	3,604,364	4,342,769	5,059,249	5,082,479	5,538,976	5,383,423
Solid waste	1,786,290	2,498,231	1,982,096	2,278,683	2,486,645	2,806,450	1,663,395	2,325,292	2,279,669	3,208,084
Total business-type activities expenses	3,847,244	4,609,802	4,246,824	4,705,873	6,091,009	7,149,219	8,748,576	9,337,331	9,811,776	10,614,681
Total primary government expenses	\$ 71,498,377	\$ 70,210,845	\$ 74,003,015	\$ 79,869,575	\$ 103,410,758	\$ 106,968,620	\$ 95,917,386	\$ 85,415,472	\$ 86,475,293	\$ 85,603,377
Program Revenues										
Governmental activities:										
Charges for services:										
Public safety	\$ 986,451	\$ 1,100,746	\$ 1,177,471	\$ 1,288,243	\$ 1,265,036	\$ 2,163,510	\$ 2,443,376	\$ 2,262,367	\$ 2,339,436	\$ 2,287,544
Health and welfare	1,314,957	1,445,538	1,956,513	2,237,056	2,274,424	2,921,589	1,058,391	1,044,637	814,513	822,149
Community development	557,820	391,369	491,279	647,038	571,151	535,270	438,539	394,042	326,217	262,608
Other activities	752,665	964,212	833,180	973,939	1,063,298	963,336	1,028,522	926,581	908,164	794,555
Operating grants and contributions	14,918,781	13,150,699	13,458,742	11,669,652	11,728,169	13,585,678	12,833,423	12,213,856	11,616,928	10,956,576
Capital grants and contributions	222,284	212,952	92,999	362,228	583,838	1,377,486	333,475	125,180	572,784	53,965
Total governmental activities program revenues	18,752,958	17,265,516	18,010,184	17,178,156	17,485,916	21,546,869	18,135,726	16,966,663	16,578,042	15,177,397
Business-type activities:										
Charges for services:										
Group Homes	-	-	-	-	-	-	2,323,904	1,959,366	2,049,762	1,765,617
Nursing Home	1,912,683	2,026,175	2,194,365	2,496,310	2,730,766	4,487,317	5,013,390	5,280,011	5,223,478	5,130,089
Solid Waste	2,687,091	2,792,072	2,634,072	2,673,304	2,603,368	2,145,939	1,959,824	1,940,554	1,966,176	1,995,213
Operating grants and contributions	60,292	66,801	69,937	104,642	235,702	360,639	324,405	401,302	540,807	538,281
Capital grants and contributions	-	-	-	3,086	-	-	-	-	-	-
Total business-type activities program revenues	4,660,066	4,885,048	4,898,374	5,277,342	5,569,836	6,993,895	9,621,523	9,581,233	9,780,223	9,429,200
Total primary government program revenues	23,413,024	22,150,564	22,908,558	22,455,498	23,055,752	28,540,764	27,757,249	26,547,896	26,358,265	24,606,597
Net (expense) revenue (1)										
Governmental activities	(48,898,175)	(48,335,527)	(51,746,007)	(57,985,546)	(79,833,833)	(78,272,532)	(69,033,084)	(59,111,478)	(60,085,475)	(59,811,299)
Business-type activities	812,822	275,246	651,550	571,469	(521,173)	(155,324)	872,947	243,902	(31,553)	(1,185,481)
Total primary government net expense	(48,085,353)	(48,060,281)	(51,094,457)	(57,414,077)	(80,355,006)	(78,427,856)	(68,160,137)	(58,867,576)	(60,117,028)	(60,996,780)

Table 2

COUNTY OF BEDFORD, VIRGINIA

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
			Restated		Restated					
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	\$ 37,216,376	\$ 38,661,676	\$ 39,697,006	\$ 41,735,306	\$ 45,592,782	\$ 50,206,992	\$ 53,448,639	\$ 52,390,092	\$ 52,096,954	\$ 51,879,533
Other local taxes	7,711,274	8,602,719	9,539,914	11,243,214	11,481,043	12,420,350	9,932,722	10,026,312	10,271,067	10,215,999
Noncategorical state aid	6,279,240	6,522,300	6,327,009	6,577,321	6,972,228	6,745,218	6,537,665	6,271,093	6,337,356	6,598,813
Investment earnings-unrestricted	437,321	317,882	643,319	1,159,965	1,419,147	1,134,312	507,834	174,192	292,420	248,974
Investment earnings-restricted for capital projects and debt service	-	-	-	-	1,925,215	738,678	187,973	6,818	3,023	7,070
Miscellaneous	66,077	124,368	128,540	229,752	378,575	162,905	107,511	227,217	314,326	337,273
Transfers	(4,181,800)	(427,382)	(5,723,697)	500,000	638,628	741	(335,021)	-	-	-
Special Item - contribution of capital assets	948,500	97,000	-	-	-	-	-	-	-	-
Total governmental activities	48,476,988	53,898,563	50,612,091	61,445,558	68,407,618	71,409,196	70,387,323	69,095,724	69,315,146	69,287,662
Business-type activities:										
Investment earnings-unrestricted	115,009	100,664	218,146	569,332	603,720	498,046	190,527	25,056	23,637	21,315
Miscellaneous	-	371	5,313	-	-	-	4,284	26	13,498	13
Transfers	2,201,150	427,382	5,723,697	(500,000)	(638,628)	(741)	335,021	-	-	3,802
Total business-type activities	2,316,159	528,417	5,947,156	69,332	(34,908)	497,305	529,832	25,082	37,135	25,130
Total primary government	\$ 50,793,147	\$ 54,426,980	\$ 56,559,247	\$ 61,514,890	\$ 68,372,710	\$ 71,906,501	\$ 70,917,155	\$ 69,120,806	\$ 69,352,281	\$ 69,312,792
Change in Net Assets										
Governmental activities	\$ (421,187)	\$ 5,563,036	\$ (1,133,916)	\$ 3,460,012	\$ (11,426,215)	\$ (6,863,336)	\$ 1,354,239	\$ 9,984,246	\$ 9,229,671	\$ 9,476,363
Business-type activities	3,128,981	803,663	6,598,706	640,801	(556,081)	341,981	1,402,779	268,984	5,582	(1,160,351)
Total Primary Government	\$ 2,707,794	\$ 6,366,699	\$ 5,464,790	\$ 4,100,813	\$ (11,982,296)	\$ (6,521,355)	\$ 2,757,018	\$ 10,253,230	\$ 9,235,253	\$ 8,316,012
Component Unit-School Board: (2)										
Expenses										
Education	\$ 72,565,410	\$ 74,832,422	\$ 83,292,902	\$ 88,838,635	\$ 95,021,813	\$ 99,029,507	\$ 103,365,329	\$ 98,735,253	\$ 92,148,786	\$ 93,926,813
Program Revenues										
Charges for services	7,198,063	7,832,329	8,152,270	8,414,045	8,888,476	8,883,190	9,137,849	9,603,258	6,386,146	7,848,217
Operating grants and contributions	13,655,802	15,382,207	16,425,570	17,788,003	19,418,681	21,392,617	20,330,558	23,965,199	20,959,960	20,643,938
Capital grants and contributions	1,215,509	350,037	200,829	71,016	15,128	500,990	10,000	-	-	-
Total component unit program revenues	22,069,374	23,564,573	24,778,669	26,273,064	28,322,285	30,776,797	29,478,407	33,568,457	27,346,106	28,492,155
Net (expense)/revenue	(50,496,036)	(51,267,849)	(58,514,233)	(62,565,571)	(66,699,528)	(68,252,710)	(73,886,922)	(65,166,796)	(64,802,680)	(65,434,658)
General Revenues and Other Changes in Net Assets										
Contribution from primary government	25,417,140	23,497,966	24,644,950	29,213,615	47,318,197	47,739,518	37,410,945	27,911,539	28,791,675	27,868,624
State aid	25,310,397	26,531,348	31,598,089	32,487,146	36,864,684	36,088,770	40,803,551	34,945,640	33,698,695	32,987,401
Investment earnings-unrestricted	-	-	-	-	-	5	-	-	2,427	-
Investment earnings-restricted for capital projects and debt service	-	-	-	-	-	6,983	1,466	141	62	37
Miscellaneous	29,924	87,328	131,888	152,930	663,989	265,144	37,703	67,502	54,319	177,854
Total general revenues and other changes in net assets	50,757,461	50,116,642	56,374,927	61,853,691	84,846,870	84,100,420	78,253,665	62,924,822	62,547,178	61,033,916
Total Component Unit-School Board Change in Net Assets	\$ 261,425	\$ (1,151,207)	\$ (2,139,306)	\$ (711,880)	\$ 18,147,342	\$ 15,847,710	\$ 4,366,743	\$ (2,241,974)	\$ (2,255,502)	\$ (4,400,742)

Table 3

COUNTY OF BEDFORD, VIRGINIA

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Funds										
General Fund										
Nonspendable	\$ 486,689	\$ 498,652	\$ 498,749	\$ 513,288	\$ 527,075	\$ 527,941	\$ 535,613	\$ 572,710	\$ 591,378	\$ 609,118
Restricted	1,585,710	1,138,982	671,586	41,569,441	21,033,575	9,748,039	2,753,499	248,090	246,949	8,064,388
Committed	6,272,394	4,869,787	5,970,480	5,962,792	3,523,951	3,589,869	5,333,247	5,845,833	4,471,108	4,847,144
Assigned	22,710,307	23,144,397	18,451,456	18,266,861	20,369,879	20,450,272	21,095,931	22,045,371	21,344,121	26,773,987
Unassigned	-	-	-	447,950	1,945,297	5,029,081	7,078,298	11,780,390	18,035,007	16,186,173
Total governmental funds	\$ 31,055,100	\$ 29,651,818	\$ 25,592,271	\$ 66,760,332	\$ 47,399,777	\$ 39,345,202	\$ 36,796,588	\$ 40,492,394	\$ 44,688,563	\$ 56,480,810

Table 4

COUNTY OF BEDFORD, VIRGINIA

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
General property taxes	\$ 37,201,360	\$ 38,739,358	\$ 39,752,665	\$ 41,752,060	\$ 46,534,525	\$ 50,435,680	\$ 53,224,141	\$ 51,970,906	\$ 51,542,750	\$ 51,962,404
Other local taxes	7,694,229	8,636,512	9,538,475	11,233,025	11,538,775	12,429,090	9,931,350	10,023,749	10,212,720	10,224,275
Permits, privilege fees, and regulatory licenses	668,158	787,066	846,390	966,639	911,748	752,110	502,972	469,212	520,504	403,614
Fines and forfeitures	166,864	209,378	195,903	165,256	156,098	125,643	149,258	206,289	175,543	155,453
Revenue from use of money and property	531,860	379,459	749,511	1,252,371	3,455,870	1,983,920	783,989	227,479	323,446	286,553
Charges for services	1,239,361	1,363,064	1,466,650	1,708,253	2,019,517	3,297,142	1,945,017	1,736,611	1,612,856	1,651,322
Other	339,792	369,553	265,707	439,845	815,087	975,822	504,790	586,216	836,223	551,202
Recovered costs	1,394,682	1,152,417	1,627,975	1,886,865	1,756,255	1,893,579	2,091,841	1,858,219	1,785,592	1,709,688
Intergovernmental	17,542,148	18,389,038	18,303,707	18,226,520	19,305,784	20,221,553	20,549,462	18,633,912	18,508,921	17,662,423
Total revenues	66,778,454	70,025,845	72,746,983	77,630,834	86,493,659	92,114,539	89,682,820	85,712,593	85,518,555	84,606,934
Expenditures										
General government administration	2,874,368	2,365,699	3,094,329	2,723,253	3,692,154	3,012,437	3,167,848	3,368,948	3,804,248	3,380,525
Judicial administration	1,059,563	1,274,706	1,377,361	1,520,552	1,633,882	1,889,969	2,116,953	1,968,828	1,945,473	1,854,452
Public safety	8,709,006	9,636,510	10,492,596	11,013,979	11,895,295	13,082,577	14,098,374	14,135,048	13,974,585	15,319,034
Public works	4,081,527	4,266,765	4,376,124	4,704,841	4,691,966	4,317,006	4,199,905	4,124,046	4,128,287	4,103,729
Health and welfare	10,164,780	10,608,966	11,428,047	11,769,995	11,910,543	12,592,205	10,706,610	10,293,539	10,293,677	9,426,911
Education	25,124,729	24,691,693	23,590,933	27,523,126	28,189,811	29,281,512	29,893,180	27,758,039	27,926,157	28,889,100
Parks, recreation, and cultural	2,027,349	2,026,183	2,218,636	2,265,495	2,523,411	2,568,142	2,766,085	2,729,488	2,524,712	2,556,162
Community development	1,951,811	2,122,603	2,459,735	2,666,576	4,631,435	3,151,955	3,269,112	2,942,518	2,911,920	3,017,817
Debt service										
Principal	5,197,226	5,180,907	5,136,513	5,408,595	5,551,341	6,327,234	6,203,703	6,138,043	5,988,946	5,928,101
Interest and other fiscal charges	4,051,230	3,825,880	3,427,841	3,753,315	4,510,107	4,597,358	4,779,182	4,089,104	3,794,573	3,526,435
Capital projects	2,831,260	5,001,833	6,254,783	6,985,756	26,644,484	25,163,154	11,292,405	4,469,186	4,029,808	2,812,421
Total expenditures	68,072,849	71,001,745	73,856,898	80,335,483	105,874,429	105,983,549	92,493,357	82,016,787	81,322,386	80,814,687
Excess of revenues over (under) expenditures	(1,294,395)	(975,900)	(1,109,915)	(2,704,649)	(19,380,770)	(13,869,010)	(2,810,537)	3,695,806	4,196,169	3,792,247
Other Financing Sources (Uses)										
Transfers in	-	-	1,000,000	500,000	20,215	-	261,923	-	-	-
Transfers out	(1,149,999)	(427,382)	(6,723,697)	-	-	-	-	-	-	-
Issuance of debt	-	-	2,700,000	42,145,000	-	5,420,000	-	-	-	-
Refunding bonds issued	-	-	1,938,650	14,115,000	-	-	-	-	-	-
Premiums on issuance of debt	-	-	-	1,133,073	-	394,435	-	-	-	-
Payment to refunded bond escrow agent	-	-	(2,303,766)	(14,023,715)	-	-	-	-	-	-
Capital lease proceeds	-	-	439,181	3,352	-	-	-	-	-	8,000,000
Total other financing sources and uses	(1,149,999)	(427,382)	(2,949,632)	43,872,710	20,215	5,814,435	261,923	-	-	8,000,000
Net change in fund balances	\$ (2,444,394)	\$ (1,403,282)	\$ (4,059,547)	\$ 41,168,061	\$ (19,360,555)	\$ (8,054,575)	\$ (2,548,614)	\$ 3,695,806	\$ 4,196,169	\$ 11,792,247

Table 4

COUNTY OF BEDFORD, VIRGINIA

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt Service as a Percentage of Noncapital Expenditures:										
Primary Government:										
Total debt service	\$ 9,248,456	\$ 9,006,787	\$ 8,564,354	\$ 9,161,910	\$ 10,061,448	\$ 10,924,592	\$ 10,982,885	\$ 10,227,147	\$ 9,783,519	\$ 9,454,536
Total expenditures	68,072,849	71,001,745	73,856,898	80,335,483	105,874,429	105,983,549	92,493,357	82,016,787	81,322,386	80,814,687
Capital outlay primary government only	1,237,173	2,368,844	3,912,007	1,783,156	5,619,913	2,310,305	2,061,660	1,543,981	1,806,521	1,113,164
Noncapital expenditures	66,835,676	68,632,901	69,944,891	78,552,327	100,254,516	103,673,244	90,431,697	80,472,806	79,515,865	79,701,523
Debt service as a percentage of noncapital expenditures	13.84%	13.12%	12.24%	11.66%	10.04%	10.54%	12.14%	12.71%	12.30%	11.86%
Component Unit-School Board:										
Total debt service	1,201,238	896,977	976,162	1,023,670	1,110,537	1,220,437	1,312,395	1,279,589	1,253,283	1,094,691
School expenditures excluding County contribution	48,275,116	48,876,241	58,624,404	60,656,202	66,200,598	69,451,815	70,190,000	67,843,266	62,835,578	61,441,387
Capital outlay Component Unit - School Board	3,653,789	1,889,349	2,231,564	3,369,261	21,360,629	21,329,683	7,990,979	2,199,985	2,870,303	657,301
Noncapital expenditures	44,621,327	46,986,892	56,392,840	57,286,941	44,839,969	48,122,132	62,199,021	65,643,281	59,965,275	60,784,086
Primary Government and Component Unit-Schools										
Total Debt Service	10,449,694	9,903,764	9,540,516	10,185,580	11,171,985	12,145,029	12,295,280	11,506,736	11,036,802	10,549,227
Total Noncapital Expenditure	\$ 111,457,003	\$ 115,619,793	\$ 126,337,731	\$ 135,839,268	\$ 145,094,485	\$ 151,795,376	\$ 152,630,718	\$ 146,116,087	\$ 139,481,140	\$ 140,485,609
Debt Service as a percentage of noncapital expenditures	9.38%	8.57%	7.55%	7.50%	7.70%	8.00%	8.06%	7.88%	7.91%	7.51%

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

Table 5

COUNTY OF BEDFORD, VIRGINIA

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

Calendar Year	Real Property				Less: Tax Deferred Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Residential Property	Commercial Property	Agricultural Property	Public Service			
2002	2,968,911,259	138,832,600	659,154,300	198,343,782	267,917,700	3,697,324,241	0.73
2003	3,452,878,879	179,546,500	827,089,700	220,822,402	392,410,800	4,287,926,681	0.66
2004	3,560,745,194	206,542,600	827,586,511	210,873,333	395,596,411	4,410,151,227	0.65
2005	3,728,060,857	208,868,800	833,212,811	189,128,993	389,201,911	4,570,069,550	0.65
2006	3,943,680,332	215,050,200	839,390,200	161,543,522	389,244,300	4,770,419,954	0.65
2007	6,416,922,632	316,676,800	1,789,627,000	240,590,375	1,151,428,300	7,612,388,507	0.50
2008	6,607,003,403	323,909,200	1,797,799,400	226,978,152	1,173,745,100	7,781,945,055	0.50
2009	6,745,894,103	328,639,600	1,800,619,100	247,559,296	1,177,476,400	7,945,235,699	0.50
2010	6,717,623,265	433,072,300	1,792,334,000	255,469,933	1,191,870,500	8,006,628,998	0.50
2011	6,392,278,090	499,300,600	1,780,976,300	259,649,263	1,199,227,400	7,732,976,853	0.50

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

Source: Bedford County Commissioner of the Revenue

COUNTY OF BEDFORD, VIRGINIA

Table 6

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

Type of Tax	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Real Estate:										
General Fund	\$ 0.66	\$ 0.65	\$ 0.65	\$ 0.65	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50

Source: Bedford County Commissioner of the Revenue

Table 7

COUNTY OF BEDFORD, VIRGINIA

Principal Real Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	2011 Calendar Year			2002 Calendar Year		
	Assessed Valuation	Rank	% of Total Taxable Assessed Valuation	Assessed Valuation	Rank	% of Total Taxable Assessed Valuation
Appalachian Power Co	\$ 126,019,762	1	1.63%	\$ 96,454,023	1	2.61%
Verizon Virginia Inc	48,103,702	2	0.62%	44,154,001	2	1.19%
Teva Pharmaceuticals Industries Ltd	44,992,300	3	0.58%	9,343,600	6	0.25%
Norfolk & Western Railway Co	31,931,589	4	0.41%	17,724,433	3	0.48%
Southside Electric Corporation	23,758,796	5	0.31%	14,014,580	4	0.38%
GP (Georgia Pacific) Big Island LLC	17,515,600	6	0.23%	10,776,800	5	0.29%
M & J Developers	13,385,100	7	0.17%	-		-
Wal-Mart	9,945,300	8	0.13%	6,791,400	7	0.18%
Crystal Shores Marina Resort	8,686,300	9	0.11%	-		-
Sentry Equipment Erectors	8,546,300	10	-	-		-
Coleman Co LLC	-		-	6,539,800	8	0.18%
Forest Square Corp	-		-	4,614,100	9	0.12%
Boonsboro Country Club	-		-	4,584,500	10	0.12%
Total	<u>\$ 332,884,749</u>		<u>4.19%</u>	<u>\$ 214,997,237</u>		<u>5.81%</u>

Table 8

COUNTY OF BEDFORD, VIRGINIA

Real Property Tax Levies and Collections
Last Ten Fiscal Years

Tax Year	Tax Levied for the Tax Year	Adjustments	Total Adjusted Levy	Collection within the Tax Year of Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Tax Levy		Amount	Percentage of Tax Levy
2002	26,926,399	247,857	27,174,256	25,639,096	95.22%	1,529,213	27,168,309	99.98%
2003	28,222,324	289,352	28,511,676	26,822,895	95.04%	1,681,239	28,504,134	99.97%
2004	28,657,083	365,367	29,022,450	27,320,457	95.34%	1,691,286	29,011,743	99.96%
2005	29,651,153	356,135	30,007,288	28,215,897	95.16%	1,771,523	29,987,420	99.93%
2006	30,956,215	281,195	31,237,410	29,620,209	95.68%	1,581,135	31,201,344	99.88%
2007	37,875,560	238,867	38,114,427	36,284,648	95.80%	1,744,559	38,029,207	99.78%
2008	38,711,970	167,839	38,879,809	37,040,942	95.68%	1,698,080	38,739,022	99.64%
2009	39,442,413	85,252	39,527,665	37,530,764	95.15%	1,741,249	39,272,013	99.35%
2010	39,794,973	89,592	39,884,565	37,517,045	94.28%	1,905,193	39,422,238	98.84%
2011	38,373,116	109,164	38,482,280	36,479,693	95.07%	1,212,481	37,692,174	97.95%

Table 9

COUNTY OF BEDFORD, VIRGINIA

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

The County has no overlapping debt

Fiscal Year	Governmental Activities					Business-type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	State Literary Fund Loans	Virginia Public School Authority Bonds	Lease Revenue Bonds	Capital Leases	Lease Revenue Bonds	Capital Leases			
2003	5,915,000	1,499,829	47,039,415	16,367,589	-	-	289,710	71,111,543	3.46%	1,145
2004	5,520,000	1,244,389	43,629,587	15,246,950	-	-	72,928	65,713,854	2.99%	1,038
2005	5,125,000	988,949	40,241,929	16,541,893	418,025	-	46,017	63,361,813	2.75%	983
2006	4,880,000	733,509	36,849,963	57,839,114	337,967	-	322,107	100,962,660	4.17%	1,515
2007	4,460,000	478,069	33,462,654	56,437,830	250,661	-	241,800	95,331,014	3.64%	1,429
2008	4,040,000	222,629	35,730,154	54,027,709	161,488	-	178,610	94,360,590	3.31%	1,396
2009	3,620,000	-	32,548,964	48,583,557	70,756	2,970,000	112,189	87,905,466	3.17%	1,293
2010	3,200,000	-	29,245,342	46,239,890	-	2,775,000	42,369	81,502,601	2.87%	1,183
2011	2,785,000	-	26,084,759	43,826,527	-	2,575,000	521,497	75,792,783	*	1,092
2012	2,370,000	-	22,893,185	41,505,000	8,000,000	2,365,000	410,371	77,543,556	*	*

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

* Unavailable

Table 10

COUNTY OF BEDFORD, VIRGINIA

Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Real Property (1)	Per Capita (2)
	County General Obligation	School General Obligation	Total Primary Government		
2003	5,915,000	48,539,244	54,454,244	1.27%	877
2004	5,520,000	44,873,976	50,393,976	1.14%	796
2005	5,125,000	41,230,878	46,355,878	1.01%	719
2006	4,880,000	37,583,472	42,463,472	0.89%	637
2007	4,460,000	33,940,723	38,400,723	0.50%	576
2008	4,040,000	35,952,783	39,992,783	0.51%	591
2009	3,620,000	32,548,964	36,168,964	0.46%	532
2010	3,200,000	29,245,342	32,445,342	0.41%	471
2011	2,785,000	26,084,759	28,869,759	0.36%	416
2012	2,370,000	22,893,185	25,263,185	0.33%	*

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

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

* Unavailable

COUNTY OF BEDFORD, VIRGINIA

County Debt Policy (1)
Last Ten Fiscal Years

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net debt applicable to parameter	\$ 70,821,833	\$ 65,640,926	\$ 63,315,796	\$ 100,640,553	\$ 95,089,214	\$ 94,181,980	\$ 84,823,277	\$ 78,685,232	\$ 72,696,286	\$ 74,768,185
Net debt as a percentage of assessed value (not to exceed 3.5%)	1.65%	1.49%	1.39%	2.11%	1.25%	1.21%	1.07%	0.98%	0.94%	0.97%
Net debt per capita (not to exceed \$1,750)	\$ 1,141	\$ 1,037	\$ 982	\$ 1,510	\$ 1,425	\$ 1,393	\$ 1,247	\$ 1,142	\$ 1,055	*
Debt service as a percentage of General Governmental Expenditures (not to exceed 15%)	9.39%	8.61%	7.57%	7.61%	7.69%	8.14%	8.12%	7.92%	7.88%	7.57%

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

* Unavailable

Table 12

COUNTY OF BEDFORD, VIRGINIA

Demographic and Economic Statistics
Last Ten Calendar Years

Year	Population (1)	Personal Income (2) (5) <i>(thousands of dollars)</i>	Per Capita Personal Income (2) (6)	School Enrollment (3)	Unemployment Rate (4)
2003	62,096	2,054,229	29,761	10,646	4.1%
2004	63,326	2,196,637	31,317	10,772	3.7%
2005	64,489	2,304,368	32,333	10,801	3.4%
2006	66,645	2,421,037	33,674	10,851	2.9%
2007	66,715	2,618,524	35,934	10,951	2.9%
2008	67,616	2,846,751	39,114	10,774	3.6%
2009	68,003	2,772,227	37,715	10,646	6.7%
2010	68,880	2,836,787	37,827	10,590	6.8%
2011	69,379	*	*	10,363	6.2%
2012	*	*	*	10,299	5.8%

Sources: (1) Weldon Cooper Center for Public Service, University of Virginia, intercensal estimates for FY 2003 through FY 2009 and estimates for FY 2010 through FY 2011.

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

(3) March 31 ADM

(4) Virginia Employment Commission calendar year data for 2003-2011. Data for 2012 is average for January 1, 2012 through June 30, 2012.

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

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

* Unavailable

Table 13

COUNTY OF BEDFORD, VIRGINIA

Principal Employers
Current Year and Nine Years Ago

Taxpayer	2012		2003	
	Employees	Rank	Employees	Rank
Bedford County School Board	1,000+	1	1,000+	1
County of Bedford	500-999	2	250-499	2
** Teva Pharmaceuticals Industries Ltd	500-999	3	250-499	4
Mail America Communications	250-499	4	100-249	8
* Staffmark Investment LLC	250-499	5	-	
*** GP (Georgia Pacific) Big Island LLC	250-499	6	250-499	3
* Elwood Staffing Services Inc	250-499	7	-	
Walmart	250-499	8	-	
Food Lion	250-499	9	250-499	6
Sentry Equipment Erectors	100-249	10	100-249	9
Inservice America	-		250-499	5
* Alpha Omega Resources	-		250-499	7
Jordan Air Express	-		100-249	10

Source: Virginia Employment Commission

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

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

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

COUNTY OF BEDFORD, VIRGINIA

Table 14

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

<u>Function/Program</u>	Full-Time Equivalent Employees as of June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government administration	43.0	43.5	43.5	43.5	44.3	44.8	47.0	45.9	46.2	46.8
Judicial administration	24.5	24.3	26.8	27.5	27.8	29.3	28.3	28.3	28.3	28.0
Public safety	109.8	106.0	107.5	114.0	120.3	131.8	138.0	146.0	141.8	151.6
Public works	35.0	38.0	41.8	47.8	51.3	52.3	52.3	53.0	50.9	51.8
Health & welfare	65.5	70.5	73.8	80.8	82.8	85.3	84.3	82.2	82.6	81.8
Parks, recreation, and cultural	14.0	13.0	13.8	13.8	14.3	12.8	14.0	13.0	12.8	13.0
Community development	18.5	21.0	25.3	27.5	27.8	29.5	30.0	26.8	25.3	25.5
Other funds										
Group homes	17.0	19.3	20.8	22.5	26.0	31.5	34.3	32.0	33.8	35.3
Nursing home	52.0	50.3	52.5	51.0	63.8	83.8	93.8	94.5	99.8	98.8
Solid waste	13.5	14.3	14.3	15.0	15.0	15.5	16.0	16.3	15.6	17.3
Other funds	82.5	83.9	87.6	88.5	104.8	130.8	144.1	142.8	149.2	151.4
Total primary government	392.8	400.2	420.1	443.4	473.4	516.6	538.0	538.0	537.1	549.9
Education	*	1,646.0	1,751.0	1,832.0	1,836.0	1,819.0	1,750.0	1,744.0	1,683.0	1619.0
Total	*	2,046.2	2,171.1	2,275.4	2,309.4	2,335.6	2,288.0	2,282.0	2,220.1	2168.9

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

* Unavailable

Table 15

COUNTY OF BEDFORD, VIRGINIA

Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public safety										
Sheriff										
Number of calls	26,247	27,087	28,804	30,329	30,130	32,442	33,477	32,951	36,934	36,297
Criminal warrants served	2,375	2,487	2,619	2,678	3,612	3,964	3,174	3,156	3,359	1,584
Other warrants/protective orders served	3,094	3,177	3,245	3,230	798	982	1,566	1,561	1,464	1,201
Civil papers handled	20,790	16,172	18,393	21,459	23,912	23,353	24,271	23,181	21,209	20,743
Building inspections										
Number of permits	2,174	2,160	2,092	2,045	2,144	1,935	1,471	1,439	1,402	1,260
Value of permits	\$ 138,728,966	\$ 162,652,211	\$ 181,582,198	\$ 243,905,223	\$ 241,579,114	\$ 170,770,127	\$ 90,784,891	\$ 91,434,427	\$ 94,222,524	\$ 72,847,955
Fire and rescue										
Number of Volunteers	*	825	770	752	737	698	661	619	600	606
Number of EMS calls	8,704	9,312	9,486	10,758	12,530	14,238	13,864	15,399	15,727	15,054
Number of fire calls	2,857	2,956	3,082	3,424	3,781	3,847	4,042	3,463	3,522	3,380
Public Works										
Refuse collection										
Incoming waste tonnage										
Industrial	86	94	434	76	32	29	31	46	25	26
Commercial	11,887	13,202	13,735	15,990	15,956	15,530	12,904	12,147	13,772	14,164
County collection system	27,380	27,324	27,679	26,790	27,933	25,929	24,117	24,550	24,176	23,908
Commercial hauled residential	2,944	2,640	2,176	1,662	1,309	1,437	1,507	1,536	1,560	1,561
Residential hauled	1,489	1,926	1,924	2,006	2,038	2,027	1,824	1,768	1,890	1,977
Total	43,786	45,186	45,948	46,524	47,268	44,952	40,383	40,047	41,423	41,636
Recyclable tonnage collected	709	805	914	1,308	1,598	1,701	1,731	1,905	1,949	2,019
Parks, recreation, and cultural										
(1) Parks and recreation										
Number of child participants	*	5,379	5,584	5,015	5,924	5,328	5,506	5,674	5,264	5776
Number of adult participants	*	486	114	508	1,012	740	985	837	859	913
Number of senior participants	*	1,968	2,614	2,606	3,912	4,351	4,025	3,993	3,585	4150
Scheduled events	*	14	8	9	12	10	12	11	8	8
Number of event participants	*	1,335	1,410	1,237	1,933	1,705	1,986	1,623	1,180	1031
Trips/tours	*	42	33	53	45	40	46	66	29	26
Number of trip participants	*	1,299	1,084	2,326	1,249	1,188	1,177	1,419	554	364

Source: Various County Departments

* Unavailable

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

Table 16

COUNTY OF BEDFORD, VIRGINIA

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public safety										
Sheriff										
Stations	2	6	6	6	9	7	9	5	5	5
Patrol units	82	82	88	88	91	94	99	99	102	109
Fire & rescue										
Rescue squads	11	11	11	11	11	11	11	11	11	11
Satellite rescue squads	4	3	4	5	5	5	5	5	5	5
Fire companies	10	10	10	10	10	10	10	10	10	10
Marine based fire company	1	1	1	1	1	1	1	1	1	1
Satellite fire companies	6	6	8	9	9	9	9	9	9	9
Public works										
Refuse collection										
County convenience centers										
Unstaffed	1	1	1	1	1	1	1	1	1	1
Partially staffed	10	8	6	6	5	5	5	4	4	4
Fully staffed	1	5	7	8	9	9	9	10	10	10
Total county convenience centers	12	14	14	15	15	15	15	15	15	15
Leased convenience centers										
Unstaffed	4	2	2	2	2	1	0	0	0	0
Partially staffed	11	10	10	9	9	9	10	10	10	10
Total leased convenience centers	15	12	12	11	11	10	10	10	10	10
Recycling centers	9	9	10	12	12	12	12	13	13	13
Parks, recreation, and cultural										
Parks & recreation										
Acreage	506	625	625	625	625	625	625	625	625	625
County parks	3	4	4	4	4	4	4	4	4	4
Leased parks	8	8	8	8	8	8	8	8	8	8
Skate Park	0	0		0	0	0	0	0	1	1
Walking/biking trails - miles developed	*	5	5	5	7	16	18	18	18	21
County baseball/softball diamonds	1	1	1	1	3	3	4	4	4	4
Leased baseball/softball diamonds	38	38	38	38	38	38	39	39	39	39
Football fields	3	3	3	4	4	4	4	4	4	4
County soccer fields	3	3	3	3	3	3	3	3	3	3
Leased soccer fields	37	37	37	37	37	37	37	37	37	37
Community centers	1	1	1	1	1	1	1	1	1	2

Sources: Various county departments

*Unavailable

Table 17

COUNTY OF BEDFORD, VIRGINIA

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

Grade	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-2010	2010-2011	2011-2012
K	814	741	760	760	807	739	782	767	714	776
1	803	817	778	761	753	786	763	792	750	728
2	766	812	823	808	750	746	772	755	771	744
3	774	783	842	833	832	778	775	791	747	784
4	790	791	788	828	841	839	784	766	786	739
5	814	799	808	830	859	855	848	793	759	797
6	906	803	834	850	848	851	832	855	772	763
7	883	933	843	880	856	843	851	870	868	781
8	893	899	951	870	888	865	860	867	865	881
9	889	930	914	920	905	911	859	865	887	874
10	813	897	884	874	937	855	868	821	831	834
11	791	784	849	833	843	889	817	825	783	814
12	710	783	727	804	832	817	876	823	830	784
Total	<u>10,646</u>	<u>10,772</u>	<u>10,801</u>	<u>10,851</u>	<u>10,951</u>	<u>10,774</u>	<u>10,687</u>	<u>10,590</u>	<u>10,363</u>	<u>10,299</u>
Elementary school membership	5,010	4,974	5,050	5,041	5,082	4,988	4,946	4,908	4,527	4,568
Secondary school membership	<u>5,636</u>	<u>5,798</u>	<u>5,751</u>	<u>5,810</u>	<u>5,869</u>	<u>5,786</u>	<u>5,741</u>	<u>5,682</u>	<u>5,836</u>	<u>5,731</u>
Total	<u>10,646</u>	<u>10,772</u>	<u>10,801</u>	<u>10,851</u>	<u>10,951</u>	<u>10,774</u>	<u>10,687</u>	<u>10,590</u>	<u>10,363</u>	<u>10,299</u>

Source: Bedford County School Board

Table 18

COUNTY OF BEDFORD, VIRGINIA

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Supervisory										
Instructional administrators	*	10	9	10	10	10	10	9	9	8
Noninstructional administrators	*	15	16	14	14	14	14	14	13	14
Consultants/supervisors of instruction	*	21	17	18	25	22	24	23	18	26
Principals	*	22	22	22	22	22	22	22	22	22
Assistant principals	*	17	18	18	17	18	16	15	14	14
Total supervisory	*	85	82	82	88	86	86	83	76	84
Instruction										
Elementary classroom teachers	*	372	403	420	419	410	381	386	355	343
Secondary classroom teachers	*	374	418	407	396	400	396	406	396	398
ESE teachers	*	3	3	3	3	3	3	3	3	3
Other teachers (adult)	*	4	4	5	5	5	5	5	5	5
Other professionals (instructional)	*	79	79	122	125	130	125	135	143	122
Aides	*	148	165	181	183	175	163	161	156	154
Total instruction	*	980	1,072	1,138	1,131	1,123	1,073	1,096	1,058	1,025
Student Services										
Guidance counselors	*	29	33	35	34	34	36	36	34	32
Visiting teachers/social workers	*	3	3	3	4	4	4	3	3	3
Psychologists	*	7	7	7	7	7	7	7	7	7
Librarians	*	30	30	36	39	37	36	30	28	26
Other professionals (noninstructional)	*	26	27	27	25	27	28	28	30	29
Technicians	*	8	12	12	12	12	11	10	11	12
Total student services	*	103	112	120	121	121	122	114	113	109
Support and Administration										
Clerical/secretarial	*	68	75	77	77	74	68	70	67	67
Service workers	*	380	383	382	385	381	369	346	336	301
Skilled crafts	*	21	18	23	23	23	23	24	22	22
Unskilled laborers	*	10	10	12	11	11	9	11	11	11
Total support and administration	*	479	486	494	496	489	469	451	436	401
Total employees	*	1,647	1,752	1,834	1,835	1,819	1,750	1,744	1,683	1,619
Teachers and administrators	*	837	910	916	912	904	871	883	835	833
Other employees	*	809	842	916	925	915	879	861	848	786
Total employees	*	1,646	1,752	1,832	1,837	1,819	1,750	1,744	1,683	1,619

Source: Bedford County School Board

* Unavailable

Table 19

COUNTY OF BEDFORD, VIRGINIA

Bedford County School Board
Operating Statistics
Last Ten Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Debt Service Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil-Teacher Ratio	Percentage of Students Receiving Free or Reduced-Price Meals
2003	10,646	69,949,891	6,571	4.69%	7,761,719	729	-1.11%	*	*	29%
2004	10,772	72,293,689	6,711	2.14%	7,177,988	666	-8.60%	746	14.44	31%
2005	10,801	81,062,404	7,505	11.83%	7,033,239	651	-2.28%	821	13.16	29%
2006	10,851	86,954,245	8,013	6.77%	6,881,657	634	-2.61%	827	13.12	27%
2007	10,951	93,183,363	8,509	6.19%	8,315,551	759	19.73%	815	13.44	28%
2008	10,774	94,564,754	8,777	3.15%	9,229,609	857	12.82%	810	13.30	29%
2009	10,687	97,030,914	9,079	3.44%	9,306,432	871	1.65%	777	13.75	30%
2010	10,590	93,233,802	8,804	-3.03%	9,062,726	856	-1.73%	812	13.04	33%
2011	10,363	89,458,628	8,633	-1.95%	8,713,795	841	-1.74%	759	13.65	35%
2012	10,299	89,234,061	8,664	0.37%	8,416,409	817	-2.81%	749	13.75	35%

Source: Bedford County School Board

COMPLIANCE SECTION

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Bedford, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control over Financial Reporting

Management of the County of Bedford, Virginia is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. **The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Item 12-1.**

We noted a certain matter that we reported to the County's management in a separate letter dated November 19, 2012.

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 19, 2012

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

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

Compliance

We have audited the County of Bedford, Virginia's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2012. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County of Bedford, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

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

Internal Control over Compliance (Continued)

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

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 19, 2012

COUNTY OF BEDFORD, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2012

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

STATE COMPLIANCE MATTERS

Code of Virginia

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

Uniform Disposition of Unclaimed Property Act

Comprehensive Services Act

Sheriff Internal Controls

State Agency Requirements

Education

Social Services

FEDERAL COMPLIANCE MATTERS

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

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

COUNTY OF BEDFORD, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

A. SUMMARY OF AUDITOR'S RESULTS

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

<u>Name of Program:</u>	<u>CFDA #</u>
Child Nutrition Cluster – National School Breakfast Program	10.553
Child Nutrition Cluster – National School Lunch Program (Commodities)	10.555
Child Nutrition Cluster – Summer Food Service Program for Children	10.559
ARRA – Twenty-First Century Community Learning Centers Education	84.287
Jobs Fund	84.410

8. The **threshold for** distinguishing Type A and B programs was **\$402,252**.
9. The County of Bedford was determined to be a **low-risk auditee**.

COUNTY OF BEDFORD, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012**

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

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

None.

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

12-1: Timely Disclosure Statement Submission

Condition:

In our review of official disclosure statements, we noted 1 out of 74 statements filed by county officials was not filed by the January 15th required submission deadline. Additionally, we noted that one disclosure statement was not filed at all for 2012 as set forth by the *Code of Virginia*.

Recommendation:

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

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