

COUNTY OF BEDFORD, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2015**

DEPARTMENT OF FISCAL MANAGEMENT

COUNTY OF BEDFORD, VIRGINIA

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INTRODUCTORY SECTION



Bedford County

OFFICE OF FISCAL MANAGEMENT

December 7, 2015

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, 2015. 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).

The CAFR consists of management's representations concerning the finances of the County. Consequently, management assumes full responsibility for the completeness and fairness of presentation of the information presented in this financial report. To provide a reasonable basis for making these representations, management of the County has established a comprehensive internal control framework that is designed to ensure compliance with applicable laws and regulations and County policies, safeguard the County's assets, and compile sufficient reliable information for the preparation of the County's financial statement in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and accurate, in all material respects, and presents fairly the financial position and results of operations of the various funds and component units of the County.

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

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

PROFILE OF THE COUNTY

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

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.

Bedford County is financially accountable for a legally separate school board, which is reported separately within the financial statements as a component unit. The School Board administers the County's schools and its own appropriation within the categories defined by the Code of Virginia, but is fiscally dependent upon the County because the Board of Supervisors approves its budget, levies the necessary taxes to finance operations, and issues debt to finance capital projects. The elected School Board is composed of seven members from each of the election districts. 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 prepare students to be productive and responsible citizens in the community and the world. The school system is comprised of three high schools, three middle schools, fifteen elementary schools, one science and technology center and one alternative school.

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

The Library is governed by a board consisting of seven members appointed by the Board of Supervisors. The County provides a major portion of the Library's annual revenue and owns a majority of the buildings where the Library conducts its operations.

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

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

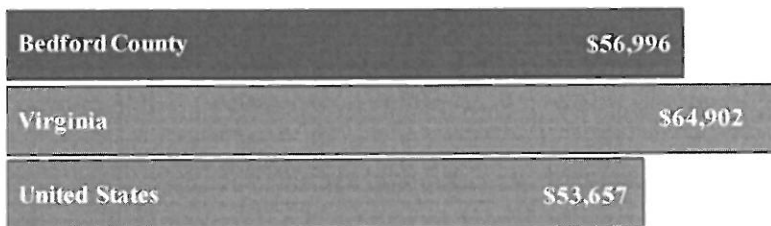
ECONOMIC OVERVIEW

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

Bedford County has remained in a favorable financial position due in large part to the financial strength and diversification of the County's business community, its low reliance on federal jobs or procurement and its strategic location between Lynchburg and Roanoke.

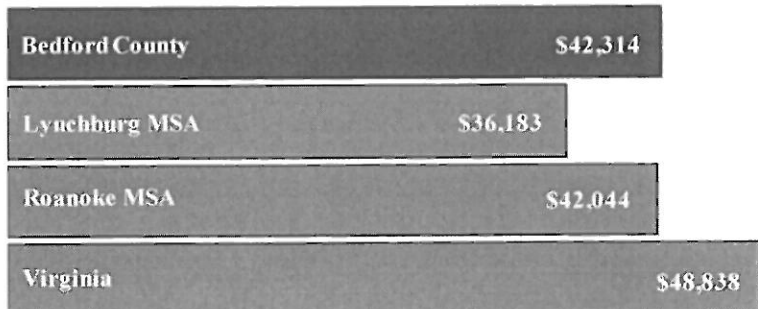
For example, as the following chart illustrates, based on the most recent estimates available, Bedford enjoys a median household and per capita income that compares favorably to the Commonwealth, U.S. and surrounding MSA's. The U.S. Census Bureau's estimate of Bedford's median household income of \$56,996 is 12.2 % lower than the Commonwealth's, \$64,902; and 6.2% higher than the United States' of \$53,657. Comparatively, Bedford's per capita income of \$42,314 is 16.9% above the Lynchburg MSA and just 0.6 above the Roanoke MSA.

MEDIAN HOUSEHOLD INCOME 2014



Source: U.S. Census Bureau, 2014 American Community Survey 1-year Estimates

PER CAPITA INCOME 2013



Source: U.S. Bureau of Economic Analysis CA1-3 Personal Income Summary

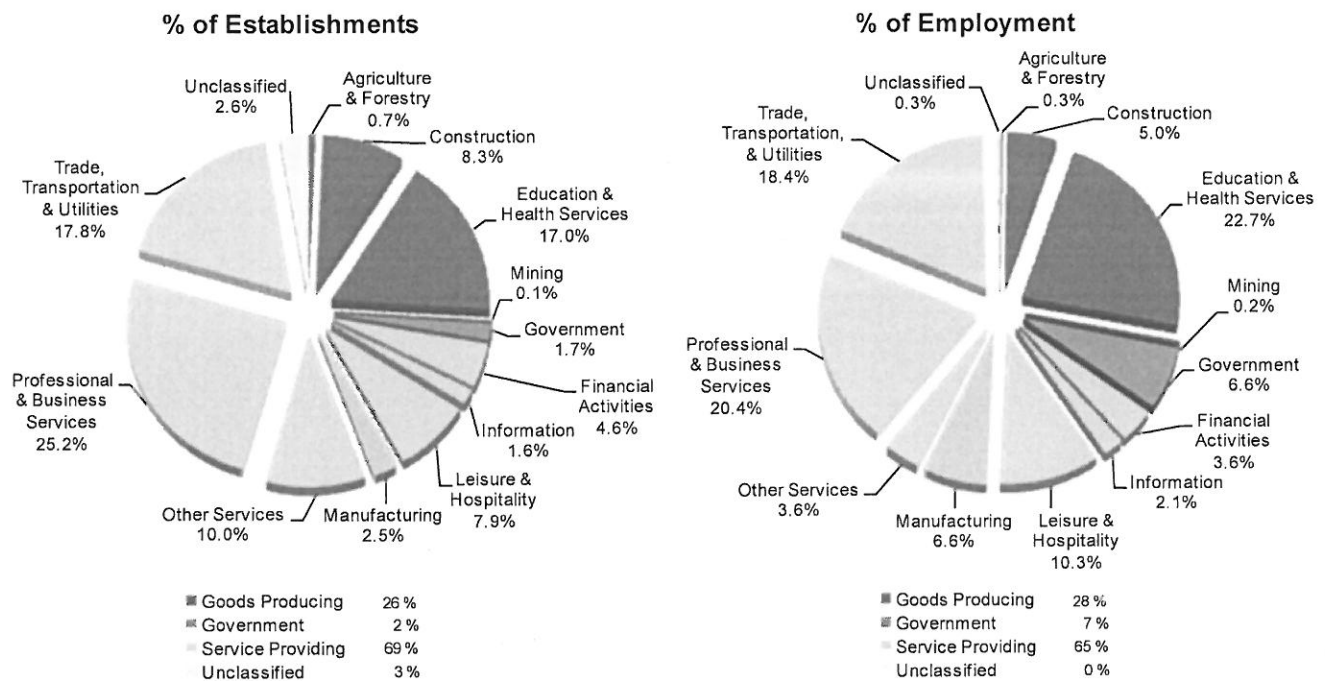
The County also continues to attract and maintain diverse sectors of employment. The County's major employment sectors are education and health services, professional and business services, and trade, transportation and utilities. Manufacturing makes up nearly seven percent of the employment base in the county and there is a focus to grow that sector further because the median salaries tend to be high compared to other sectors. The County has benefited from the general stability each of these sectors has maintained in terms of their percentage of total employment. As illustrated in the chart immediately below, this has contributed to consistently low levels of unemployment in the County over a long period, in comparison to the State and the nation, while the subsequent charts illustrate Bedford's percentage of business establishments and % of employment by industry sector for the first quarter of the calendar year 2015.

Unemployment Rates

	Bedford County	Virginia	United States
2010	7.0%	7.1%	9.6%
2011	6.4%	6.4%	8.9%
2012	5.8%	5.9%	8.1%
2013	5.6%	5.5%	7.4%
2014	5.1%	5.2%	6.2%

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

Percentage of Business Establishments and Employment by Industry Section



Source: Virginia Employment Commission, Quarterly Census of Employment and Wages (QCEW) for Multiple Industries in Bedford County in the first quarter of 2015

As shown in the following chart, another factor illustrating the resiliency of the County's economic base is the level of retail sales maintained in the County over a five year period, with four of the five years reflecting annual growth.

	Bedford County Taxable Sales	% Increase (Decrease)
2010	395,251,328	17.8%
2011	339,632,471	-14.1%
2012	350,910,154	3.3%
2013	398,017,902	13.4%
2014	454,104,805	14.1%

Source: Weldon Cooper Center for Public Service

The County is focusing on attracting new companies as well as working with existing businesses to help them grow. The Office of Economic Development utilizes a marketing plan aimed at attracting and recruiting new businesses and maximizing investment opportunities in County-owned business parks. As a result of increased marketing efforts, prospect activity increased greatly during fiscal 2015, but to a greater degree, the County's existing businesses have made new investments in real estate and equipment, as well as job growth.

As part of the Existing Business program, the Office of Economic Development hosts Quarterly Business Roundtable Meetings in which business leaders are encouraged to address any concerns or challenges that County staff may be able to assist with. The roundtable meetings serve as an opportunity for businesses to showcase their recent business or product news with County staff.

The added attention toward existing businesses has been successful. During fiscal 2015, several Forest-based companies expanded. Simplimatic Automation completed its \$5 million, 60,000 square foot facility in the New London Business and Technology Center where it engineers and produces conveyors and automation equipment for national manufacturers. Since the company moved into its new facility, it acquired Dramco Inc. and increased its employee base to more than 60 employees, exceeding its EDA commitment on job creation.

Innovairre Communications, formerly Mail America, expanded its operations again this past year, building on to its existing facility. The EDA assisted the company with an incentive to encourage its decision to expand.

Innerspec Technologies, a firm that specializes in high performance, non-destructive test solutions, moved into Bedford County, purchasing an existing vacant facility in Forest. The company is committed to investment and jobs in the County and the EDA worked with Innerspec through an incentive and performance agreement.

Other businesses that moved into Bedford County included Clearview Software that occupied space in the CAER and NanoTouch Solutions, that moved into the CAER after receiving a \$2 million R&D Tobacco Commission grant. NanoTouch is committed to adding up to 15 employees in three years and investing more than \$1 million in Bedford County.

Within the Town of Bedford, the EDA worked with Cintas Corporation as it announced plans to invest \$6 million, expand its existing facility by nearly 11,000 square feet on Industrial Drive, and add 15 new employees over the next three years. Other companies within the Town that announced expansions included Fostek that began making investments to its existing facility and Blue Ridge Optics that purchased the Longwood Industries facility on Longwood Avenue to consolidate its Bedford operations.

Overall, county businesses experienced growth in sales and orders during fiscal 2015 as shared in the Existing Business interviews and evidenced in increased tax base figures and company investments.

The Office of Economic Development and the EDA continues to support the Bedford One Program which this past fiscal year coordinated more than 150 high school students in about a dozen industry tours throughout the county. This program is part of an overall workforce development effort to prepare students for careers that are available and growing in Bedford County.

LONG-TERM FINANCIAL PLANNING

The County's General Fund reported an ending fund balance of \$52.4 million, an increase of \$5.5 million from fiscal 2014. Unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) in the general fund was \$52.1 million or 60.3% of total General Fund expenditures. Total unassigned General Fund Balance was \$19.9 million, which exceeds the minimum fund balance policy of 10.0% (\$9.1 million) of General Fund expenditures.

Long range financial planning is in place, especially for capital projects, to ensure that resources, including borrowed funds, if necessary, are available to meet 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 Bedford County EDA conducted a Master Plan for the recently acquired Bedford Center for Business park in the Town of Bedford, following the July 1, 2014 dissolution of the Bedford Joint EDA. Since the EDA took over ownership of the Bedford CVCC facility, the Authority has added ADA-compliant features to the building and developed a maintenance plan to improve the conditions and keep the facility viable for many years to come. The Master Plan provided insight into ways to make the park more marketable toward new businesses and the EDA is addressing those needs now.

The Broadband Authority, in an effort to bring internet service to County residents in un-served areas, committed \$75,000 toward the Montvale tower pilot project in 2015. The tower is to be constructed and managed by Mid-Atlantic Broadband Communities Corporation which will contract with an Internet Service Provider to bring broadband to that area in fiscal 2016.

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, 2014. This is the County's eighteenth consecutive year receiving this award.


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

The preparation of this report would not have been possible without the efficient and dedicated services of the Department of Fiscal Management. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. We 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.

Respectfully submitted,



G. Carl Boggess
Interim County Administrator



Susan L. Crawford, CPA
Director of Fiscal Management



Government Finance Officers Association

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

Presented to

**County of Bedford
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

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

MEMBERS OF THE BOARD OF SUPERVISORS

Tammy Parker, Chairperson
Steve Wilkerson, Vice Chairperson

Bill Thomasson
Curry W. Martin
John Sharp

H. Steve Arrington
Annie S. Pollard

MEMBERS OF THE COUNTY SCHOOL BOARD

Gary Hostutler, Chairperson
Julie M. Bennington, Vice Chairperson

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

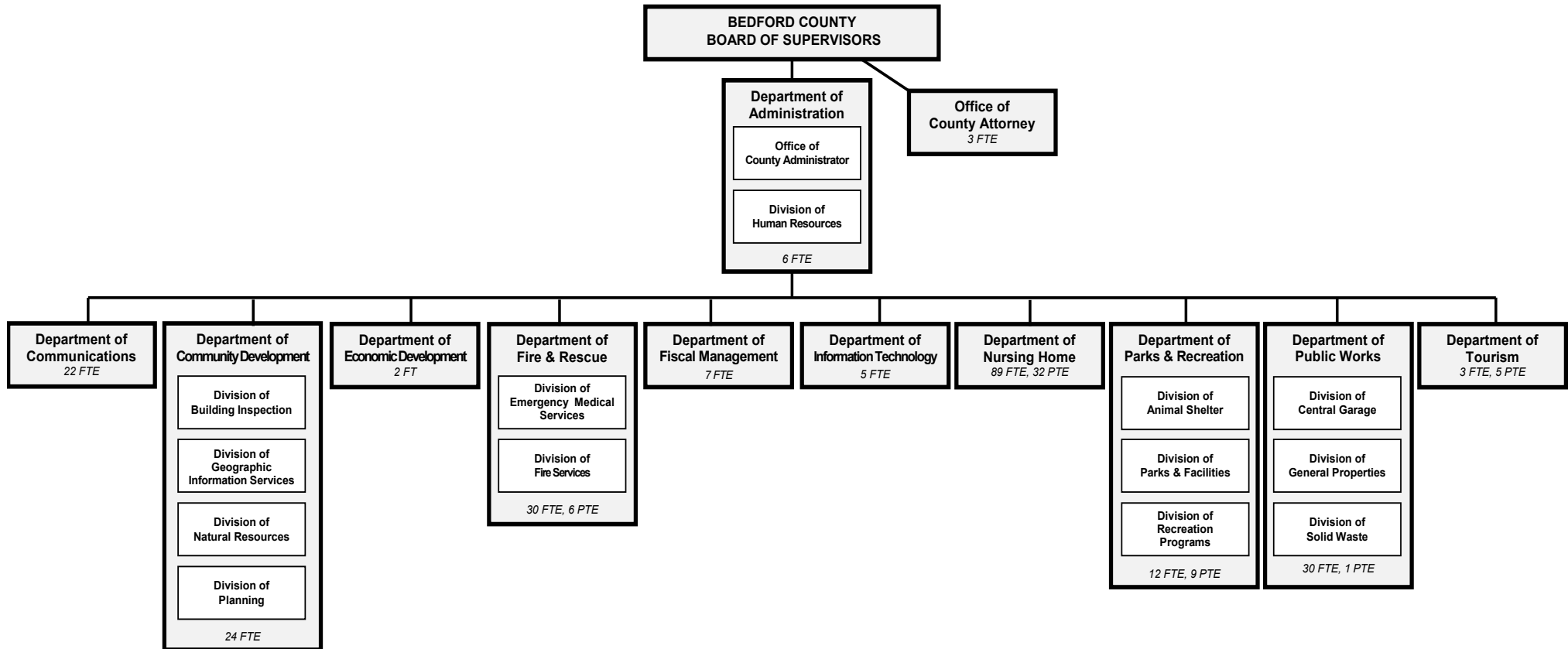
Kelly Harmony
Kevin Willis

OTHER OFFICIALS

G. Carl Boggess	Interim County Administrator and County Attorney
Susan L. Crawford, CPA	Director of Fiscal Management
Dr. Douglas Schuch	Superintendent of Schools
Randy Hagler	Schools Director of Finance
Andrew L. Crawford	Director of Social Services
Cathy C. Hogan	Clerk of the Circuit Court
Randy W. Krantz	Commonwealth's Attorney
Faye W. Eubank	Commissioner of the Revenue
Rebecca C. Jones	Treasurer
Michael J. Brown	Sheriff
Barbara J. Gunter	Registrar

COUNTY OF BEDFORD, VIRGINIA ORGANIZATIONAL CHART

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



DEFINITIONS:

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

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

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

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Bedford, Virginia (the "County") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Report on the Financial Statements (Continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 21 to the financial statements, the County adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, as amended by GASB Statement No. 71*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining statements, discretely presented School Board combining statements, Schedule 1, and the statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

Other Matters (Continued)

Other Information (Continued)

The combining statements, discretely presented School Board combining statements, Schedule 1, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements, discretely presented School Board combining statements, Schedule 1, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2015 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
December 7, 2015

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, 2015. The Bedford County Schools (School Board) component unit is also included in this narrative. We encourage readers to consider this discussion and analysis in conjunction with our letter of transmittal in the Introductory Section of this report, and the County's basic financial statements which follow this discussion and analysis.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the reporting entity exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2015 by \$62.9 million (*net position*).
- The County's total net position increased by \$9.0 million, all of which is attributable to governmental activities.
- At the close of fiscal year 2015, the County's General Fund reported ending fund balances of \$52.4 million, an increase of \$5.5 million from the prior year. Of the \$52.4 million, 99.4% (\$52.1 million) is available for spending at the County's discretion (sum of *committed, assigned and unassigned fund balances*), while the *nonspendable and restricted fund balances* were 0.6% or \$0.3 million.
- The General Fund's unassigned fund balance of \$19.9 million was 23.0% of the fiscal year 2015 general fund expenditures. The Board of Supervisors has adopted a policy requiring a minimum of 10%.
- The County's total debt decreased by \$6.5 million or 9.4% during fiscal 2015 due to principal payments on existing debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all, or a significant portion of, their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, judicial administration, public safety, public works, health and human services, parks and recreation, and community development. The business-type activities of the County include the Nursing Home and Solid Waste.

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

In fiscal year 2015, the County implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The objective of GASB Statement No. 68 is to improve accounting and financial reporting by state and local governments for pensions by establishing standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense. The overall effect of this new standard is to reflect the long-term Virginia Retirement System (VRS) obligations directly in the financial statements. Previously such amounts were disclosed, but not recognized as long as the County was current with its required VRS contributions. In addition to changing certain measurement methodologies and requiring certain new disclosures, GASB Statement No. 68 requires that the County record a net pension liability directly on the statement of net position. As a result, beginning net position has been restated as discussed in footnote 21, and this has had a significant impact on the County's net position.

The accounting treatment to restate the beginning net position for the adoption of GASB 68 resulted in a reduction of \$5.2 million for governmental activities, \$1.0 million for business-type activities and \$83.2 million for the School Board component unit. Governmental activities report a net pension liability of \$3.0 million at June 30, 2015, deferred inflows of resources relating to pensions of \$2.9 million, and deferred outflows of resources related to pensions of \$1.2 million. Business-type activities report net pension liability of \$0.6 million, deferred inflows of resources related to pensions of \$0.5 million, and deferred outflows of resources related to pensions of \$0.2 million. The School Board component unit reports a net pension asset of \$0.5 million, net pension liability \$80.1 million, deferred inflows of resources related to pensions of \$13.2 million and deferred outflow of resources related to pensions of \$10.0 million.

Fund Financial Statements

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

Governmental Funds

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

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

The County maintains one governmental fund, the general fund. The County adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The governmental fund financial statement can be found at Exhibits 3 through 5 of this report.

Proprietary Funds

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

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

Fiduciary Funds

Fiduciary funds are used to account for resources received and held in a fiduciary capacity for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the County's own programs.

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

The fiduciary fund financial statements can be found at Exhibits 9 and 10 of this report, while individual fund data for the agency funds can be found in the form of combining statements at Exhibits 16 and 17 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 32-100.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the County's pension and other postemployment benefits to its current and future retirees. These schedules of required supplementary information can be found at Exhibits 11 through 15.

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

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

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

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

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

Table 1 summarizes the Statements of Net Position for the primary government as of June 30, 2015 and 2014:

Table 1	Summary Statement of Net Position as of June 30, 2015 (\$ in millions)							
	Primary Government						Total Reporting Entity	
	Governmental Activities		Business-Type Activities		Total Primary Government		Total Reporting Entity	
	2015	2014	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 82.7	\$ 79.1	\$ 11.3	\$ 9.6	\$ 94.0	\$ 88.7	\$ 124.0	\$ 119.3
Capital assets (net)	36.2	35.3	11.7	12.6	47.9	47.9	145.7	148.2
Total assets	118.9	114.4	23.0	22.2	141.9	136.6	269.7	267.5
Deferred outflows								
Deferred charge on refundings	3.0	3.2	-	-	3.0	3.2	3.0	3.2
Contributions to pension plan in current fiscal year	1.2	-	0.2	-	1.4	-	8.5	-
Change in proportionate share - teacher cost sharing pool	-	-	-	-	-	-	2.9	-
Total deferred outflows	4.2	3.2	0.2	-	4.4	3.2	14.4	3.2
Long-term liabilities	67.7	70.9	7.0	6.5	74.7	77.4	160.5	82.4
Other liabilities	9.6	13.1	0.4	0.4	10.0	13.5	23.0	26.5
Total liabilities	77.3	84.0	7.4	6.9	84.7	90.9	183.5	108.9
Deferred inflows								
Property taxes	21.0	20.7	-	-	21.0	20.7	21.0	20.7
Pension deferrals	2.9	-	0.5	-	3.4	-	16.7	-
Total deferred inflows	23.9	20.7	0.5	-	24.4	20.7	37.7	20.7
Net position:								
Net investment in capital assets	28.3	26.7	11.7	12.5	40.0	39.2	83.9	81.7
Restricted	-	-	-	-	-	-	0.1	-
Unrestricted	(6.4)	(13.8)	3.6	2.8	(2.8)	(11.0)	(21.1)	59.4
Total net position	\$ 21.9	\$ 12.9	\$ 15.3	\$ 15.3	\$ 37.2	\$ 28.2	\$ 62.9	\$ 141.1

Table 1 may differ from Exhibit 1 due to rounding.

The County implemented GASB Statement No. 68 in fiscal year 2015. See Notes 9 and 10 of the notes to the financial statements for more information. Fiscal year 2014 was not restated herein.

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. 14, The Financial Reporting Entity, 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 a positive net position of \$62.9 million at June 30, 2015, representing a decrease of \$78.2 million from the net position at June 30, 2014.

The largest portion of the Primary government's net position, \$40.0 million, reflects its investment in capital assets (e.g., land, buildings, and equipment), less any related outstanding debt used to acquire those assets. The County uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending.

The deficit unrestricted net position of the primary government totaled \$2.8 million, and is mainly due to the primary government issuing debt in past years to finance assets capitalized on the books of the School Board and the implementation of GASB No. 68.

Statement of Activities

Table 2 summarizes the Statement of Activities of the primary government for the fiscal years ended June 30, 2015 and 2014:

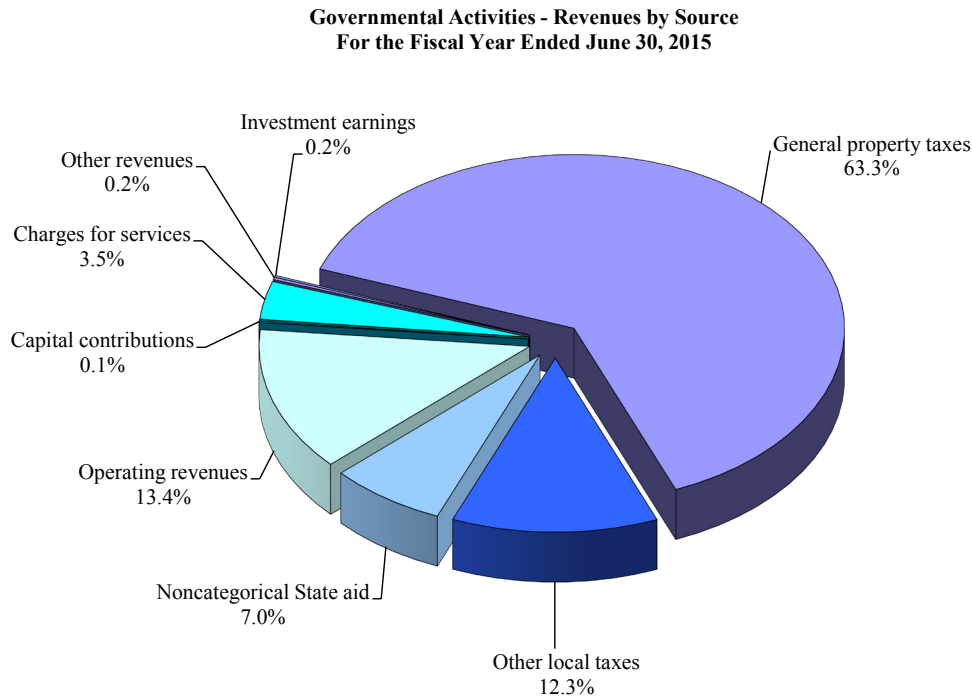
Change in Net Position Year ended June 30, 2015 (\$ in millions)						
Table 2						
Primary Government						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues:						
Charges for services	\$ 3.3	\$ 3.4	\$ 9.1	\$ 7.7	\$ 12.4	\$ 11.1
Operating grants and contributions	12.7	13.0	0.3	0.4	13.0	13.4
Capital grants and contributions	0.1	0.3	-	-	0.1	0.3
General revenues:						
Property taxes	60.0	56.4	-	-	60.0	56.4
Other taxes	11.7	11.0	-	-	11.7	11.0
Noncategorical state aid	6.6	6.7	-	-	6.6	6.7
Investment earnings	0.1	0.2	-	-	0.1	0.2
Other	0.2	1.0	-	-	0.2	1.0
Total revenues	94.7	92.0	9.4	8.1	104.1	100.1
Expenses						
General government	3.9	4.0	-	-	3.9	4.0
Judicial administration	2.3	2.4	-	-	2.3	2.4
Public safety	18.3	19.8	-	-	18.3	19.8
Public works	4.6	5.0	-	-	4.6	5.0
Health and welfare	9.9	9.9	-	-	9.9	9.9
Education	29.3	34.8	-	-	29.3	34.8
Parks, recreation and cultural	3.1	3.3	-	-	3.1	3.3
Community development	7.3	6.3	-	-	7.3	6.3
Nursing Home	-	-	5.3	5.5	5.3	5.5
Solid Waste	-	-	3.1	3.4	3.1	3.4
Interest on long-term debt	2.5	2.7	-	-	2.5	2.7
Total expenses	81.2	88.2	8.4	8.9	89.6	97.1
Increase (decrease) in net position before transfers	13.5	3.8	1.0	(0.8)	14.5	3.0
Change in net position	\$ 13.5	\$ 3.8	\$ 1.0	\$ (0.8)	\$ 14.5	\$ 3.0

Table 2 may differ from Exhibit 2 due to rounding.

Governmental Activities

The increase in net position attributable to the County's governmental activities totaled \$13.5 million. Generally, net position changes are the result of the difference between revenues and expenses. Fiscal 2015 revenues of \$94.7 million represent an increase of \$2.7 million or 2.9% in comparison to the prior year, while expenses of \$81.2 million represent a decrease of \$7.0 million, or 7.9% compared to the prior year.

The following chart illustrates the County's fiscal 2015 governmental revenues by source as a percentage of total governmental revenues:



Taxes comprise the largest source of County revenues, totaling \$71.7 million for fiscal year 2015, an increase of \$4.3 million, or 6.4%, in comparison to fiscal year 2014. General property taxes account for \$60.0 million or 63.3% of revenues. An increase in general property taxes of \$3.6 million, or 6.4%, is attributable to higher than projected real property tax revenue resulting from increased assessed values and receipt of a full year of personal property tax revenue from Town residents. Sales tax revenue increased by \$0.5 million, or 10.3%.

Furthermore, in fiscal year 2015, \$16.1 million, or 17.0% of total revenues, consisted of program revenues, including \$3.3 million in charges for services, \$12.7 million of operating grants and contributions, and \$0.1 million of capital grants and contributions. General revenue, including \$6.6 million of noncategorical state aid and \$0.3 million of unrestricted grants and investment earnings, accounted for the remaining revenues.

Also shown in Table 2 and Table 3, the total expenses of all the County's governmental activities for fiscal year 2015 were \$81.2 million, which represents a decrease of \$7.0 million or 7.9% lower than fiscal year 2014. The decrease is primarily due to decreased expenses for education of \$5.5 million; public safety of \$1.5 million; public works of \$0.4 million and increased expense of \$1.0 million for community development. These changes are attributed to the following:

- Decrease in education funding is due to the County reserving \$1.0 million, previously transferred to schools, as funding for a new school. The remaining decrease is a result of lower fiscal year 2015 year-end accruals due to a larger intergovernmental receivable and the change in funding of the OPEB liability. Additional information on the change in funding can be found in Note 21 to the financial statements.
- Decrease in public safety expenses was primarily due to staff turnover resulting in vacancy savings.
- Decrease in public works expenses was due to the completion of Woodhaven revenue road sharing project in fiscal year 2014.
- Increase in community development expenditures is primarily due to continued contributions related to the construction of the New London electrical substation, which was completed in fiscal year 2015.

As the following chart indicates, education continues to be one of the County's largest programs and highest priorities, with education expenses totaling \$29.3 million in fiscal year 2015. Public Safety and human services are also strategic focus areas and the County's second and third largest expenses, totaling \$18.3 million and \$9.9 million respectively in fiscal year 2015.

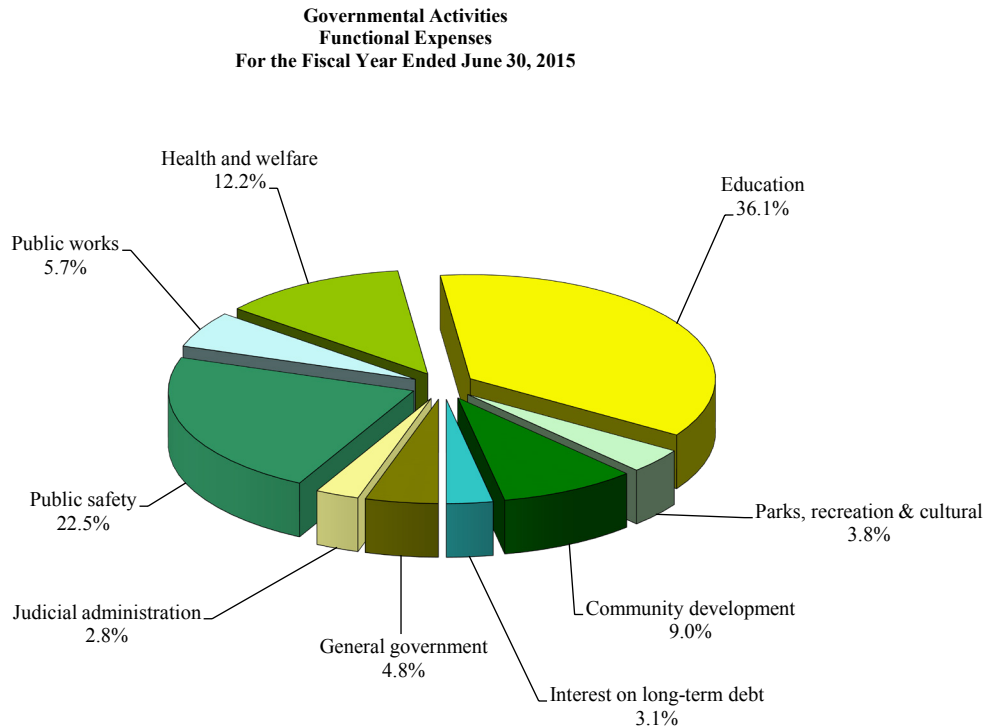


Table 3 presents the total cost of the County's governmental activities by function, as well as the net cost of each function (total cost less fees generated by each function and program-specific intergovernmental aid) for fiscal year ended June 30, 2015 and 2014:

Net Cost of Governmental Activities For the Fiscal Year Ended June 30, 2015 (\$ in millions)				
Table 3	Total Cost of Services		Net Cost of Services	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
General government	\$ 3.9	\$ 4.0	\$ 2.9	\$ 3.1
Judicial administration	2.3	2.4	1.1	1.2
Public safety	18.3	19.8	11.2	12.1
Public works	4.6	5.0	4.4	4.6
Health and welfare	9.9	9.9	3.5	3.7
Education	29.3	34.8	29.3	34.8
Parks, recreation & cultural	3.1	3.3	3.1	3.2
Community development	7.3	6.3	7.0	6.1
Interest on long-term debt	2.5	2.7	2.5	2.7
Total	<u>\$ 81.2</u>	<u>\$ 88.2</u>	<u>\$ 65.0</u>	<u>\$ 71.5</u>

Table 3 may differ from Exhibit 2 due to rounding.

A portion of the \$81.2 million cost of the County's governmental activities was paid by those who directly benefited from the programs (i.e., charges for services of \$3.3 million), and other governments and organizations that subsidized certain programs (i.e. operating and capital grants and contributions of \$12.8 million). These combined program revenues of \$16.1 million reduced the total fiscal year 2015 cost of services from \$81.2 million to the net cost of services of \$65.0 million. The net cost of services was covered by the County's general revenues, consisting primarily of taxes and state aid.

Business-type activities

Table 2 also summarizes the business-type activities. The County's business-type activities consist of the Nursing Home and Solid Waste. The increase in the net position attributable to the County's business-type activities totaled \$1.0 million for fiscal year 2015.

Nursing Home revenues totaled \$6.7 million in fiscal year 2015, compared to \$5.7 million in fiscal year 2014, an increase of \$1.0 million or 17.6%. This increase was due to the change in Medicaid reimbursement during fiscal year 2015. Please see footnote 1. D. 12. for additional information. Nursing Home expenses totaled \$5.3 million in fiscal year 2015, compared to \$5.5 million in fiscal year 2014, a decrease of \$0.2 million or 3.9%

Solid Waste operating revenues totaled \$2.7 million in fiscal year 2015, compared to \$2.5 million last year, primarily due to a commercial rate increase of \$3.00 per ton and two new commercial accounts. Solid Waste expenses totaled \$3.1 million in fiscal year 2015 compared to \$3.5 million in fiscal year 2014. A decrease of \$0.4 million due largely to a decrease in the number of gallons of leachate hauled during the year and a decrease in depreciation expense.

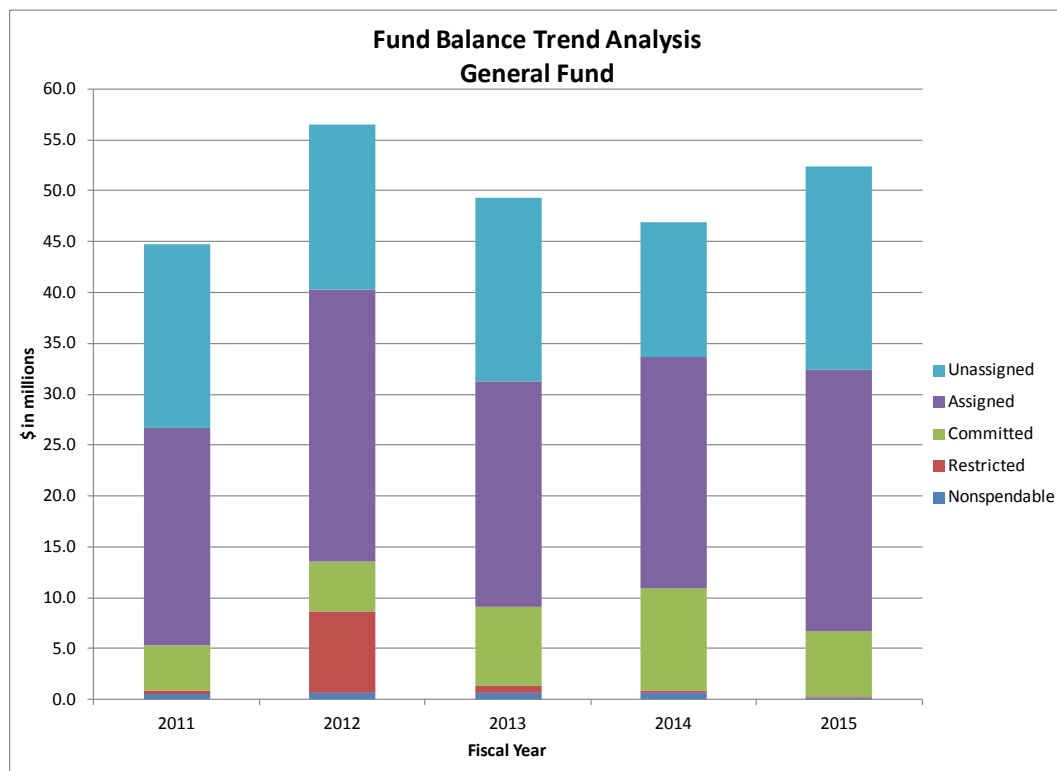
FINANCIAL ANALYSIS OF THE COUNTY'S GENERAL FUND

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

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

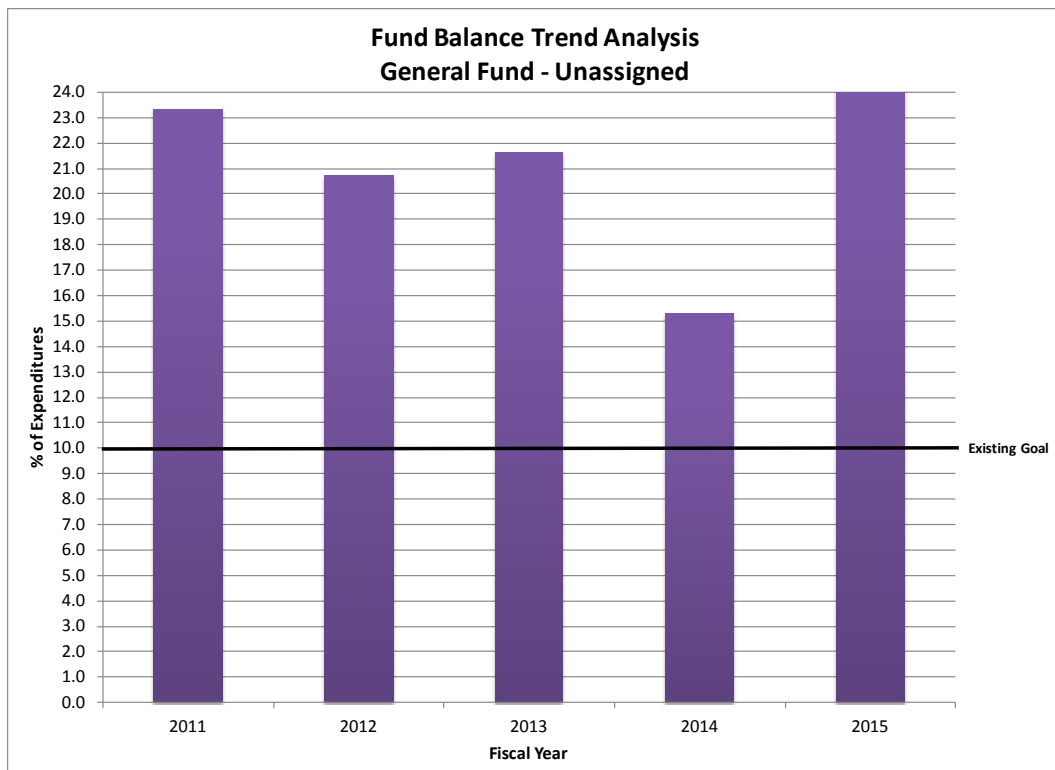
As of the end of fiscal year 2015, the County's General Fund reported combined ending fund balances of \$52.4 million (Exhibit 3), as compared to \$46.9 million at June 30, 2014, an increase of \$5.5 million. Of the \$52.4 million fiscal year 2015 fund balance, \$0.2 million is classified as *nonspendable* because it is invested in inventories and prepaid expenditures and, therefore, is not in spendable form; \$0.1 million is classified as *restricted* to indicate that it can only be spent for specific purposes as stipulated by external resource providers (for example, debt covenants and grant agreements), \$6.4 million is classified as *committed* to indicate that it has been set aside for specific purposes by resolution of the County's Board of Supervisors, \$25.8 million is assigned to indicate that County administration has identified specific purposes for the use of those funds, and the remaining \$19.9 million is *unassigned*. Unassigned fund balances are technically available for any purpose, but are maintained at targeted levels in accordance with sound financial management practices.

The following graphs illustrate fund balance trends for the County's general fund for fiscal years 2011 through 2015.



The increase in fiscal 2015 was due to higher than budgeted local taxes being received and salaries and benefits savings as a result of turnover and vacancies.

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 23.0% of total fiscal year 2015 general fund expenditures. The Board adopted a resolution setting a minimum unassigned fund balance target for the General Fund of 10.0% of the General Fund expenditures. The total fund balance represents 60.3% of that same amount. This positive liquidity primarily results from the County receiving the first half of the 2015 real estate taxes in June. The semi-annual real estate collection dates allow the County to avoid borrowing funds to support operations during the early part of the following fiscal year.



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

GENERAL FUND BUDGETARY HIGHLIGHTS

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

Budgetary Comparison General Fund For the Fiscal Year Ended June 30, 2015 (\$ in millions)			
Table 4	Original Budget	Amended Budget	Actual
Revenues & Other Financing Sources:			
General Property Taxes	\$ 58.1	\$ 58.1	\$ 60.2
Other Local Taxes	10.7	10.7	11.6
Intergovernmental	16.9	19.5	19.2
Other Revenue	3.7	3.7	3.8
Total	89.4	92.0	94.8
Expenditures & Other Financing Uses:			
Expenditures	58.9	62.7	53.1
Other Uses	38.0	38.2	37.7
Total	96.9	100.9	90.8
Changes in Fund Balance	\$ (7.5)	\$ (8.9)	\$ 4.0

The original budget includes rollover capital improvement program appropriations of \$10.2 million. Additionally, the Board did not appropriate \$2.1 million of the adopted budget; \$1.5 million of this was reserved for a new school, \$0.5 million was reserved for a new landfill cell and \$0.1 million for undesignated capital projects.

General Fund budget amendments resulted in an increase of \$4.0 million between the originally adopted budget and the final budget, with \$0.6 million of the increase resulting from the planned use of fund balance to fund the remaining needs of the new regional radio system. An additional increase of \$0.6 million was the result of reappropriation of fiscal year 2014 encumbered and unencumbered amounts for completion of projects in fiscal year 2015.

The remaining \$2.8 million in budget amendments were funded by various revenue sources other than general fund tax dollars. Significant amendments included:

- \$2.4 million for Internet Crime Against Children grants
- \$0.1 million for Fire and Rescue grants
- \$0.1 million for other Sheriff law enforcement grants
- \$0.2 million from the Contingency Fund for the Broadband Authority and Reduction in State Aid to Localities payment.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The County's investment in capital assets as of June 30, 2015, totals \$47.9 million, net of accumulated depreciation. Capital assets, net of accumulated depreciation, are illustrated in the following table.

Summary of Capital Assets as of June 30, 2015 (\$ in millions)						
Table 5						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 3.7	\$ 4.0	\$ 0.8	\$ 0.8	\$ 4.5	\$ 4.8
Building and improvements	42.7	42.5	18.8	18.8	61.5	61.3
Machinery and equipment	17.7	16.7	4.6	4.5	22.3	21.2
Construction in progress	2.4	0.7	0.2	-	2.6	0.7
Subtotal	66.5	63.9	24.4	24.1	90.9	88.0
Accumulated depreciation	(30.3)	(28.6)	(12.7)	(11.5)	(43.0)	(40.1)
Total	<u>\$36.2</u>	<u>\$ 35.3</u>	<u>\$11.7</u>	<u>\$ 12.6</u>	<u>\$47.9</u>	<u>\$ 47.9</u>

Major capital asset activity during fiscal year 2015 included the following:

- Acquisition of seven public safety vehicles costing \$0.2 million funded through general fund revenues.
- Assistance of \$1.3 million to six Volunteer Fire agencies for the purchase of fire apparatus funded through general fund revenues.
- Acquisition of mobile radios for the new Regional Radio system totaling \$0.6 million funded through general fund revenues.
- HVAC upgrades to the Animal Shelter of \$0.2 million funded through donations.
- Courthouse Bell Tower repairs of \$0.2 million funded through general fund revenues.

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

Table 6 illustrates the County's outstanding obligations at June 30, 2015. Additional information can be found in Note 7.

Summary of Long Term Debt as of June 30, 2015 (\$ in millions)						
Table 6	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
General obligation and lease revenue bonds	\$ 50.1	\$ 61.1	\$ -	\$ -	\$ 50.1	\$ 61.1
Capital lease obligations	7.5	7.8	0.1	0.2	7.6	8.0
Total	<u>\$ 57.6</u>	<u>\$ 68.9</u>	<u>\$ 0.1</u>	<u>\$ 0.2</u>	<u>\$ 57.7</u>	<u>\$ 69.1</u>

The Code of Virginia does not impose a legal debt margin limit on counties. However, the County has adopted a policy with three debt ratios as a management tool. A key debt policy is the ratio of debt service costs to general government expenditures, which was 6.55% for the current year comparing favorably to the policy target of 15%. Debt ratios for the last ten years are provided in Table 11 in the Statistical Section of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- In September 2015, the County's unemployment rate was 4.2%, which was 1.2% improved (lower) than the same month a year ago, and which continues to compare favorably to the national average rate of 4.9%.
- The enrollment in public schools decreased in fiscal year 2015 by 1.1% from 10,023 to 9,915. School enrollment is projected to decline over the next five years. School enrollment for the last ten years is provided in Table 17, Statistical Section of this report.
- County general property tax rates remained unchanged for the calendar year 2015.

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

COUNTY OF BEDFORD, VIRGINIA

**Statement of Net Position
June 30, 2015**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash, cash equivalents, and investments	\$ 58,742,790	\$ 10,374,945	\$ 69,117,735
Receivables, net	23,851,639	727,731	24,579,370
Internal balances	(131,963)	131,963	-
Due from primary government	-	-	-
Prepays	180,626	45,282	225,908
Inventories	53,974	-	53,974
Restricted assets:			
Cash, cash equivalents, and investments	1,079	22,279	23,358
Net pension asset	-	-	-
Capital assets:			
Nondepreciable	6,061,290	1,051,705	7,112,995
Depreciable, net	30,109,930	10,691,737	40,801,667
Total assets	118,869,365	23,045,642	141,915,007
Deferred Outflows of Resources			
Deferred charge on refunding	3,028,012	-	3,028,012
Contributions to pension plan in current fiscal year	1,223,789	232,575	1,456,364
Change in proportionate share – teacher cost sharing pool	-	-	-
Total deferred outflows of resources	4,251,801	232,575	4,484,376
Liabilities			
Accounts payable and accrued expenses	1,277,669	191,267	1,468,936
Accrued payroll and related liabilities	308,754	160,145	468,899
Accrued interest payable	960,025	-	960,025
Self insurance	-	-	-
Incentives and performance grants payable	-	-	-
Due to component units	7,000,870	-	7,000,870
Liabilities payable from restricted assets	-	22,279	22,279
Noncurrent liabilities:			
Due within one year	7,286,705	407,229	7,693,934
Due in more than one year	57,440,634	6,073,555	63,514,189
Net pension liability	3,012,383	553,041	3,565,424
Total liabilities	77,287,040	7,407,516	84,694,556
Deferred Inflows of Resources			
Property taxes	21,007,426	-	21,007,426
Pension deferrals	2,851,605	523,524	3,375,129
Total deferred inflows of resources	23,859,031	523,524	24,382,555
Net Position			
Net investment in capital assets	28,334,835	11,690,734	40,025,569
Restricted for:			
Capital projects	1,076	-	1,076
Debt service	3	-	3
Donor requests	-	-	-
Unrestricted (deficit)	(6,360,819)	3,656,443	(2,704,376)
Total net position	\$ 21,975,095	\$ 15,347,177	\$ 37,322,272

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

Component Units					
School Board	Public Library	Economic Development Authority	Reclassifications (See Note 1)	Total	
\$ 6,608,122	\$ 369,788	\$ 1,560,193	\$ -	\$ 77,655,838	
4,119,173	15,725	431,980	-	29,146,248	
-	-	-	-	-	
7,000,870	-	-	-	7,000,870	
116,746	53,214	-	-	395,868	
96,300	-	8,746,128	-	8,896,402	
6	52,301	-	-	75,665	
488,123	313,866	-	-	801,989	
2,087,837	-	491,203	-	9,692,035	
91,757,047	674,711	2,757,865	-	135,991,290	
112,274,224	1,479,605	13,987,369	-	269,656,205	
-	-	-	-	3,028,012	
7,080,349	43,475	-	-	8,580,188	
2,923,000	-	-	-	2,923,000	
10,003,349	43,475	-	-	14,531,200	
615,247	33,898	21,213	-	2,139,294	
10,581,312	33,833	-	-	11,084,044	
35,360	-	-	-	995,385	
1,284,627	-	-	-	1,284,627	
-	-	450,000	-	450,000	
-	-	-	-	7,000,870	
-	-	-	-	22,279	
1,697,217	55,207	-	-	9,446,358	
3,475,875	9,609	-	-	66,999,673	
80,535,000	-	-	-	84,100,424	
98,224,638	132,547	471,213	-	183,522,954	
-	-	-	-	21,007,426	
13,182,250	140,884	-	-	16,698,263	
13,182,250	140,884	-	-	37,705,689	
91,638,957	674,711	3,249,068	(51,693,345)	83,894,960	
-	-	-	-	1,076	
6	-	-	-	9	
-	51,153	-	-	51,153	
(80,768,278)	523,785	10,267,088	51,693,345	(20,988,436)	
\$ 10,870,685	\$ 1,249,649	\$ 13,516,156	\$ -	\$ 62,958,762	

COUNTY OF BEDFORD, VIRGINIA

**Statement of Activities
For the Year Ended June 30, 2015**

		Program Revenues		
Function	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 3,903,841	\$ 463,486	\$ 501,667	\$ -
Judicial administration	2,339,469	70,185	1,141,863	-
Public safety	18,263,579	2,237,790	4,720,825	81,055
Public works	4,569,759	166,129	-	-
Health and welfare	9,929,076	119,175	6,297,233	22,027
Education	29,271,434	-	-	-
Parks, recreational, and cultural	3,116,385	47,300	3,931	1,000
Community development	7,308,128	247,451	18,070	-
Interest on long-term debt	2,484,060	-	3	-
Total governmental activities	81,185,731	3,351,516	12,683,592	104,082
Business-type activities:				
Nursing home	5,279,264	6,737,547	13,423	-
Solid waste	3,127,530	2,330,680	337,726	-
Total business-type activities	8,406,794	9,068,227	351,149	-
Total primary government	\$ 89,592,525	\$ 12,419,743	\$ 13,034,741	\$ 104,082
Component Units:				
School Board	\$ 98,554,187	\$ 2,859,682	\$ 22,640,803	\$ -
Public Library	1,828,908	58,736	88,548	-
Economic Development Authority	2,829,614	-	332,674	-
Total component units	\$ 103,212,709	\$ 2,918,418	\$ 23,062,025	\$ -

General Revenues:

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

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

Primary Government			Component Units			
Governmental Activities	Business-Type Activities	Total	School Board	Public Library	Economic Development Authority	Total
\$ (2,938,688)	\$ -	\$ (2,938,688)	\$ -	\$ -	\$ -	\$ (2,938,688)
(1,127,421)	-	(1,127,421)	-	-	-	(1,127,421)
(11,223,909)	-	(11,223,909)	-	-	-	(11,223,909)
(4,403,630)	-	(4,403,630)	-	-	-	(4,403,630)
(3,490,641)	-	(3,490,641)	-	-	-	(3,490,641)
(29,271,434)	-	(29,271,434)	-	-	-	(29,271,434)
(3,064,154)	-	(3,064,154)	-	-	-	(3,064,154)
(7,042,607)	-	(7,042,607)	-	-	-	(7,042,607)
(2,484,057)	-	(2,484,057)	-	-	-	(2,484,057)
(65,046,541)	-	(65,046,541)	-	-	-	(65,046,541)
-	1,471,706	1,471,706	-	-	-	1,471,706
-	(459,124)	(459,124)	-	-	-	(459,124)
-	1,012,582	1,012,582	-	-	-	1,012,582
(65,046,541)	1,012,582	(64,033,959)	-	-	-	(64,033,959)
-	-	-	(73,053,702)	-	-	(73,053,702)
-	-	-	-	(1,681,624)	-	(1,681,624)
-	-	-	-	-	(2,496,940)	(2,496,940)
-	-	-	(73,053,702)	(1,681,624)	(2,496,940)	(77,232,266)
59,963,137	-	59,963,137	-	-	-	59,963,137
11,657,187	-	11,657,187	-	-	-	11,657,187
-	-	-	29,269,553	1,726,090	2,330,681	33,326,324
6,592,822	-	6,592,822	40,709,409	-	-	47,302,231
150,908	15,811	166,719	651	1,459	3,632	172,461
1,233	-	1,233	-	-	-	1,233
205,121	-	205,121	109,450	9,945	-	324,516
2,867	(2,867)	-	-	-	-	-
78,573,275	12,944	78,586,219	70,089,063	1,737,494	2,334,313	152,747,089
13,526,734	1,025,526	14,552,260	(2,964,639)	55,870	(162,627)	11,480,864
8,448,361	14,321,651	22,770,012	13,835,324	1,193,779	13,678,783	51,477,898
\$ 21,975,095	\$ 15,347,177	\$ 37,322,272	\$ 10,870,685	\$ 1,249,649	\$ 13,516,156	\$ 62,958,762

COUNTY OF BEDFORD, VIRGINIA

Balance Sheet
Governmental Fund
June 30, 2015

	<u>General Fund</u>
Assets	
Cash, cash equivalents, and investments	\$ 58,742,790
Receivables, net	23,851,639
Prepays	180,626
Inventories	53,974
Restricted cash, cash equivalents, and investments	1,079
Total assets	<u><u>\$ 82,830,108</u></u>
Liabilities	
Liabilities:	
Accounts payable and accrued expenses	\$ 1,277,669
Accrued payroll and related liabilities	308,754
Due to other funds	131,963
Due to component units	6,214,909
Total liabilities	<u><u>7,933,295</u></u>
Deferred Inflows of Resources	
Unavailable/unearned revenue	22,523,856
Total deferred inflows of resources	<u><u>22,523,856</u></u>
Fund Balances	
Nonspendable	234,600
Restricted	66,179
Committed	6,366,387
Assigned	25,789,032
Unassigned	19,916,759
Total fund balances	<u><u>52,372,957</u></u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 82,830,108</u></u>

(Continued)

COUNTY OF BEDFORD, VIRGINIA

Balance Sheet
Governmental Fund
June 30, 2015

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

Total Fund Balance, Governmental Funds		\$ 52,372,957
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 66,500,217	
Accumulated depreciation	<u>(30,328,997)</u>	36,171,220
Receivables on the statement of net position that do not provide current financial resources are not reported in the governmental funds.		1,516,430
Contributions to the pension plan the current fiscal year are deferred outflows of resources on the Statement of Net Position.		1,223,789
Other liabilities that are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.		
Operating settlement-School Board		(785,961)
Long-term liabilities do not require the use of current financial resources and are not reported as expenditures in governmental funds.		
Accrued interest	(960,025)	
General obligation and lease revenue bonds	(50,719,048)	
Premium on debt issued	(4,368,694)	
Deferred amounts on refunding	3,028,012	
Equipment leases	(7,470,000)	
Compensated absences	(1,858,956)	
Other post-employment benefits	(310,641)	
Net pension liability	<u>(3,012,383)</u>	(65,671,735)
Pension related deferrals		<u>(2,851,605)</u>
Net position of Governmental Activities		<u>\$ 21,975,095</u>

COUNTY OF BEDFORD, VIRGINIA

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2015

	General Fund
Revenues	
General property taxes	\$ 60,043,733
Other local taxes	11,647,448
Permits, privilege fees and regulatory licenses	540,118
Fines and forfeitures	122,821
Revenue from use of money and property	275,960
Charges for services	1,840,840
Other	541,357
Recovered costs	503,792
Intergovernmental	19,565,405
Total revenues	<u>95,081,474</u>
Expenditures	
Current operating	
General government administration	3,790,833
Judicial administration	2,025,961
Public safety	17,824,591
Public works	4,142,247
Health and welfare	9,879,615
Education	29,496,706
Parks, recreation and cultural	2,823,541
Community development	3,099,227
Debt service	
Principal	6,048,314
Interest and other fiscal charges	2,684,171
Capital projects	
Education	51,101
Other governmental activities	7,345,679
Total expenditures	<u>89,211,986</u>
Excess of revenues over expenditures	<u>5,869,488</u>
Net change in fund balance	5,869,488
Fund balance, beginning, as restated	<u>46,503,469</u>
Fund balance, ending	<u><u>\$ 52,372,957</u></u>

(Continued)

COUNTY OF BEDFORD, VIRGINIA

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2015

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

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

Net changes in fund balance – governmental fund	\$ 5,869,488
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures that were capitalized	\$ 3,669,703	
Donated assets	45,190	
Depreciation	<u>(2,419,049)</u>	1,295,844

The net effect of various transaction involving capital assets (sales, trade ins) is to decrease net position	(393,271)
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Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities	1,223,789
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments on long-term debt	6,048,314	
Decrease in accrued interest payable	89,484	
Changes in deferred charges on debt issuance costs and refundings	<u>110,627</u>	6,248,425

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds

Changes in unavailable tax revenues	(78,346)	
Other revenues	<u>(120,106)</u>	(198,452)

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

Changes in operating settlement-School Board	276,373	
Changes in compensated absences	(69,404)	
Changes in other postemployment benefits	(105,791)	
Pension expense	<u>(620,267)</u>	<u>(519,089)</u>

Total changes in net position of governmental activities	<u>\$ 13,526,734</u>
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COUNTY OF BEDFORD, VIRGINIA

**Statement of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual – Cash Basis –
Governmental Fund
For the Year Ended June 30, 2015**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
General property taxes	\$ 58,139,232	\$ 58,139,232	\$ 60,226,610	\$ 2,087,378
Other local taxes	10,713,610	10,713,610	11,602,554	888,944
Permits, privilege fees, and regulatory licenses	486,300	486,300	540,126	53,826
Fines and forfeitures	140,000	140,000	122,924	(17,076)
Revenue from use of money and property	294,115	294,235	274,960	(19,275)
Charges for services	1,954,904	1,963,438	1,854,056	(109,382)
Miscellaneous	280,348	336,020	549,675	213,655
Recovered costs	444,000	455,412	503,793	48,381
Intergovernmental	16,939,270	19,505,239	19,180,261	(324,978)
Total revenues	<u>89,391,779</u>	<u>92,033,486</u>	<u>94,854,959</u>	<u>2,821,473</u>
Expenditures				
Current operating				
General government administration	4,794,253	4,475,474	3,919,632	555,842
Judicial administration	2,072,203	2,126,858	2,027,432	99,426
Public safety	16,673,580	19,481,649	17,703,508	1,778,141
Public works	4,457,993	4,457,993	4,114,929	343,064
Health and welfare	10,278,098	10,364,079	9,816,206	547,873
Education	1,900	1,900	1,882	18
Parks, recreation, and cultural	2,943,967	3,015,035	2,839,897	175,138
Community development	3,201,401	3,362,861	2,971,767	391,094
Debt service				
Principal	1,773,846	1,773,846	1,773,846	-
Interest and other fiscal charges	253,809	253,809	252,317	1,492
Capital projects				
Education	1,086,182	1,086,182	51,101	1,035,081
Other governmental activities	11,381,193	12,322,557	7,661,253	4,661,304
Total expenditures	<u>58,918,425</u>	<u>62,722,243</u>	<u>53,133,770</u>	<u>9,588,473</u>
Excess of revenues over expenditures	<u>30,473,354</u>	<u>29,311,243</u>	<u>41,721,189</u>	<u>12,409,946</u>
Other Financing Sources (Uses)				
Transfers to:				
Component units	<u>(38,041,103)</u>	<u>(38,244,799)</u>	<u>(37,747,767)</u>	<u>497,032</u>
Net change in fund balance	<u>\$ (7,567,749)</u>	<u>\$ (8,933,556)</u>	<u>\$ 3,973,422</u>	<u>\$ 12,906,978</u>

(Continued)

COUNTY OF BEDFORD, VIRGINIA

**Statement of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual – Cash Basis –
Governmental Fund
For the Year Ended June 30, 2015**

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

Total Revenues Budgetary Basis (Exhibit 5)	\$ 94,854,959
Tax and other accruals, grant deferrals, and other transfers	<u>226,515</u>
Total Revenues GAAP Basis (Exhibit 4)	<u><u>\$ 95,081,474</u></u>

Expenditures

Total Expenditures Budgetary Basis (Exhibit 5)	\$ 53,133,770
Accounts payable and other accruals	(1,669,551)
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.	31,041,444
Debt service on debt issued “on behalf” of the School Board component unit is considered an expenditure of the primary government for financial reporting purposes.	<u>6,706,323</u>
Total Expenditures GAAP Basis (Exhibit 4)	<u><u>\$ 89,211,986</u></u>

Other Financing Sources (Uses)

Total Other Financing Sources and Uses Budgetary Basis (Exhibit 5)	\$ (37,747,767)
Transfers to component units are expenditures for financial reporting purposes	<u>37,747,767</u>
Total Other Financing Sources and Uses GAAP Basis (Exhibit 4)	<u><u>\$ -</u></u>

COUNTY OF BEDFORD, VIRGINIA

**Statement of Net Position
Proprietary Funds
June 30, 2015**

	Business-Type Activities – Enterprise Funds		
	Nursing Home	Solid Waste	Total
ASSETS			
Current assets:			
Cash, cash equivalents, and investments	\$ 4,252,946	\$ 6,121,999	\$ 10,374,945
Receivables, net	564,393	163,338	727,731
Due from other funds	-	131,963	131,963
Prepays	37,080	8,202	45,282
Total current assets	<u>4,854,419</u>	<u>6,425,502</u>	<u>11,279,921</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	22,279	-	22,279
Capital assets, net	4,487,920	7,255,522	11,743,442
Total noncurrent assets	<u>4,510,199</u>	<u>7,255,522</u>	<u>11,765,721</u>
Total assets	<u>9,364,618</u>	<u>13,681,024</u>	<u>23,045,642</u>
DEFERRED OUTFLOW OF RESOURCES			
Contributions to pension plan in current fiscal year	<u>184,316</u>	<u>48,259</u>	<u>232,575</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	51,442	139,825	191,267
Accrued payroll and related liabilities	132,476	27,669	160,145
Assets held in agency capacity	22,279	-	22,279
Compensated absences	175,213	42,258	217,471
Capital lease obligations	-	52,708	52,708
Landfill closure/postclosure	-	137,050	137,050
Total current liabilities	<u>381,410</u>	<u>399,510</u>	<u>780,920</u>
Noncurrent liabilities:			
Compensated absences	-	6,292	6,292
Other post-employment benefits	50,831	19,500	70,331
Net pension liability	441,004	112,037	553,041
Landfill closure/postclosure	-	5,996,932	5,996,932
Total noncurrent liabilities	<u>491,835</u>	<u>6,134,761</u>	<u>6,626,596</u>
Total liabilities	<u>873,245</u>	<u>6,534,271</u>	<u>7,407,516</u>
DEFERRED INFLOW OF RESOURCES			
Pension deferrals	<u>417,467</u>	<u>106,057</u>	<u>523,524</u>
NET POSITION			
Net investment in capital assets	4,487,920	7,202,814	11,690,734
Unrestricted	3,770,302	(113,859)	3,656,443
Total net position	<u>\$ 8,258,222</u>	<u>\$ 7,088,955</u>	<u>\$ 15,347,177</u>

COUNTY OF BEDFORD, VIRGINIA

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2015

	Business-Type Activities – Enterprise Funds		
	Nursing Home	Solid Waste	Total
Operating Revenues			
Charges for services	\$ 6,737,547	\$ 2,330,680	\$ 9,068,227
Other	13,423	337,726	351,149
Total Operating Revenues	<u>6,750,970</u>	<u>2,668,406</u>	<u>9,419,376</u>
Operating Expenses			
Personal services	2,771,578	563,750	3,335,328
Employee benefits	816,071	196,127	1,012,198
Purchased services	234,876	584,180	819,056
Continuous charges	489,038	510,243	999,281
Supplies and materials	660,357	280,437	940,794
Equipment, property, and improvements	9,704	9,065	18,769
Landfill closure/postclosure	-	99,980	99,980
Depreciation	296,973	879,551	1,176,524
Total Operating Expenses	<u>5,278,597</u>	<u>3,123,333</u>	<u>8,401,930</u>
Operating income (loss)	<u>1,472,373</u>	<u>(454,927)</u>	<u>1,017,446</u>
Non-Operating Revenues (Expenses)			
Interest income	5,136	10,675	15,811
Interest expense	-	(4,197)	(4,197)
Gain on disposal of capital assets	(667)	-	(667)
Total Non-Operating Revenues (Expenses)	<u>4,469</u>	<u>6,478</u>	<u>10,947</u>
Income (loss) before transfers	1,476,842	(448,449)	1,028,393
Transfers out	<u>-</u>	<u>(2,867)</u>	<u>(2,867)</u>
Change in Net Position	1,476,842	(451,316)	1,025,526
Net Position, beginning, as restated	<u>6,781,380</u>	<u>7,540,271</u>	<u>14,321,651</u>
Net Position, ending	<u><u>\$ 8,258,222</u></u>	<u><u>\$ 7,088,955</u></u>	<u><u>\$ 15,347,177</u></u>

COUNTY OF BEDFORD, VIRGINIA

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

	Nursing Home	Solid Waste	Total
Operating Activities			
Receipts from customers	\$ 6,496,644	\$ 2,249,895	\$ 8,746,539
Other cash receipts	12,310	340,314	352,624
Payments to employees	(2,741,336)	(566,564)	(3,307,900)
Payments for employee benefits	(899,348)	(215,153)	(1,114,501)
Payments to suppliers	(1,486,817)	(1,404,918)	(2,891,735)
Net Cash Provided by Operating Activities	<u>1,381,453</u>	<u>403,574</u>	<u>1,785,027</u>
Capital and Related Financing Activities			
Acquisition and construction of capital assets	(16,752)	(214,422)	(231,174)
Principal paid on debt	-	(123,411)	(123,411)
Interest paid on debt	-	(4,197)	(4,197)
Net Cash Used in Capital and Related Financing Activities	<u>(16,752)</u>	<u>(342,030)</u>	<u>(358,782)</u>
Investing Activities			
Interest received	5,136	10,675	15,811
Net Increase in Cash and Cash Equivalents	1,369,837	72,219	1,442,056
Cash and Cash Equivalents Beginning of Year	2,905,388	6,049,780	8,955,168
Cash and Cash Equivalents End of Year	<u>\$ 4,275,225</u>	<u>\$ 6,121,999</u>	<u>\$ 10,397,224</u>
Reconciliation to Exhibit 6			
Cash and Cash Equivalents	\$ 4,252,946	\$ 6,121,999	\$ 10,374,945
Restricted Cash and Cash Equivalents	22,279	-	22,279
	<u>\$ 4,275,225</u>	<u>\$ 6,121,999</u>	<u>\$ 10,397,224</u>

(Continued)

COUNTY OF BEDFORD, VIRGINIA

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

	Nursing Home	Solid Waste	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ 1,472,373	\$ (454,927)	\$ 1,017,446
Adjustments Not Affecting Cash			
Depreciation	296,973	879,551	1,176,524
Landfill closure/postclosure	-	99,980	99,980
(Increase) Decrease in Assets			
Accounts receivable	(247,921)	(57,793)	(305,714)
Due from other funds	-	(10,766)	(10,766)
Prepays	(2,080)	380	(1,700)
(Increase) Decrease in Deferred Outflows of Resources			
Current year pension plan contributions	(184,316)	(48,259)	(232,575)
Increase (Decrease) in Liabilities			
Accounts payable and accrued expenses	1,763	(19,639)	(17,876)
Accrued payroll and related liabilities	(31,243)	(9,178)	(40,421)
Compensated absences	18,561	(4,843)	13,718
Other post-employment benefits	10,000	6,000	16,000
Assets held in agency capacity	(43,462)	-	(43,462)
Increase (Decrease) in Deferred Inflows of Resources			
Pension deferrals	90,805	23,068	113,873
Net Cash Provided by Operating Activities	<u>\$ 1,381,453</u>	<u>\$ 403,574</u>	<u>\$ 1,785,027</u>

COUNTY OF BEDFORD, VIRGINIA

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Fire and Rescue Length of Service Award Program Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ -	\$ 1,028,212
Cash in custody of others	1,591,679	-
Security deposits	-	900
Receivables, net	-	6,357
Total assets	<u>\$ 1,591,679</u>	<u>\$ 1,035,469</u>
LIABILITIES		
Accounts payable	\$ -	\$ 2,254
Amounts held for clients/others	-	1,033,215
Total liabilities	<u>-</u>	<u>1,035,469</u>
NET POSITION		
Held in trust for volunteer benefits	<u>1,591,679</u>	<u>-</u>
Total liabilities and net position	<u>\$ 1,591,679</u>	<u>\$ 1,035,469</u>

COUNTY OF BEDFORD, VIRGINIA

Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2015

	Fire and Rescue Length of Service Award Program
Additions	
Employer contributions	\$ 247,096
Investment income	52,312
Total additions	<u>299,408</u>
Deductions	
Administrative fees	3,216
Annuities	<u>177,738</u>
Total deductions	<u>180,954</u>
Change in net position	118,454
Net position held in trust for volunteer service assets, beginning	<u>1,473,225</u>
Net position held in trust for volunteer service assets, ending	<u><u>\$ 1,591,679</u></u>

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COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

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

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

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

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

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

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Blended Component Unit:

Bedford County Broadband Authority

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

Discretely Presented Component Units:

Bedford County School Board

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

Bedford Public Library System

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

Bedford County Economic Development Authority

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

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

The County reports the following major governmental fund:

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

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

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

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

Additionally, the County reports the following fund category:

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

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

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

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

1. Deposits and Investments

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

2. Receivables and Payables

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

General Fund – Property tax receivables	\$ 2,803,884
General Fund – EMS transport fees	<u>78,211</u>
	<u><u>\$ 2,882,095</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, 2014, and the first installment (June 5) of the levy on assessed value at January 1, 2015. The installment due on June 5, 2015 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, 2015 is included as deferred inflows since these taxes are restricted for use until fiscal year 2016.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

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

2. Receivables and Payables (Continued)

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

The 1998 Virginia General Assembly enacted legislation providing property tax relief to citizens. The Personal Property Tax Relief Act (PPTRA) was intended to be phased in over five years on the first \$20,000 of value for motor vehicles not used for business purposes. In 2005 the General Assembly capped PPTRA relief at \$950 million statewide beginning with the 2006 tax year. The County receives \$6,086,051 annually. County 2014 tax bills, payable in fiscal year 2015, included a fifty percent reduction on qualifying vehicles. All PPTRA payments received are classified as non-categorical State aid in the general fund.

3. Inventories and Prepaids

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

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

4. Restricted Cash, Cash Equivalents, and Investments

Restricted cash, cash equivalents, and investments include debt lease proceeds of \$1,079 and Nursing Home resident funds of \$22,279. Restricted cash, cash equivalents, and investments of the component unit – School Board consists of funds held for debt service reserves. Restricted cash, cash equivalents, and investments of the component unit – Library consists of donations restricted as to purpose or time by donors.

5. Capital Assets

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

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

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

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

5. Capital Assets (Continued)

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

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

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

6. Compensated Absences

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

7. Pensions

For purposes of measuring the net pension asset and liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Retirement Plan and the additions to/deductions from the Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

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

8. Deferred Outflows/Inflows of Resources

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

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

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Costs associated with the issuance of debt, other than certain bond insurances, are expensed when debt is issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Cost associated with the issuance of debt are expensed in the period debt is issued.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

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

9. Net Position/Fund Equity

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

10. School Board Debt/Capital Assets Reporting

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

Because this debt is related to capital assets of the reporting entity as a whole, the debt amount of \$51,693,345 is reclassified as shown on Exhibit 1 to present the total reporting entity column.

11. Estimates

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

12. Revenue Recognition – Nursing Home

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

Beginning July 1, 2014, after approval from Centers for Medicare and Medicaid Services (CMS), the Nursing Home and four other government owned facilities began receiving payments to supplement the interim payments for Medicaid days. The additional payments totaled \$762,159 for fiscal year 2015.

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

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

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

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

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

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

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

Expenditures of School Board – Component Unit	\$ 96,835,641
Principal and other debt service expenditures included in primary government	<u>6,706,323</u>
Total expenditures for school activities	<u><u>\$ 103,541,964</u></u>

Note 4. Deposits and Investments

Deposits

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

Investment Policy

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

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

Type	Fair Value	Credit Rating	Percent of Portfolio
Demand deposits	\$ 68,052,616	NA	98.43%
Virginia LGIP	1,087,398	AAAm	1.57%
Virginia SNAP	1,079	AAAm	0.00%
Total deposits and investments	<u><u>\$ 69,141,093</u></u>		<u><u>100.00%</u></u>

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 4. Deposits and Investments (Continued)

Credit Risk

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

Concentration of Credit Risk

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

Interest Rate Risk

As a means of limiting exposure to fair value losses arising from rising interest rates, the Policy requires that at least 50% of the investment portfolio mature in less than one year. At June 30, 57.4% 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	\$ 2,700	\$ -
Deposits	69,138,393	6,608,128
	<u>\$ 69,141,093</u>	<u>\$ 6,608,128</u>
Statement of net position:		
Cash and cash equivalents	\$ 69,117,735	\$ 6,608,122
Restricted, cash equivalents, and investments	23,358	6
	<u>\$ 69,141,093</u>	<u>\$ 6,608,128</u>

All investments were in compliance with the Policy.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 5. Receivables

Receivables are as follows:

	Primary Government					Component Unit School Board
	Governmental	Business-Type				
	Activities	Activities				
	General Fund	Nursing Home	Solid Waste	Total		
Receivables						
Taxes	\$ 22,389,871	\$ -	\$ -	\$ -	\$ -	
Accounts	916,569	564,905	163,338	728,243		173,436
Intergovernmental	3,427,294	-	-	-		3,945,737
Gross receivables	26,733,734	564,905	163,338	728,243		4,119,173
Less: allowance for uncollectibles	(2,882,095)	(512)	-	(512)		-
Net total receivables	\$ 23,851,639	\$ 564,393	\$ 163,338	\$ 727,731	\$	4,119,173

Taxes receivable represent the current and past four years of uncollected levies for personal property taxes and the current and past nineteen years for real property. The allowance for estimated uncollectible taxes receivable is 12.52% 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 (92.22%) and private pay (7.78%). The allowance for uncollectible accounts is 0.09% and is based on specific account identification.

Unavailable/Unearned Revenue

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

	Deferred Inflows	
	Unavailable/Unearned	Unearned
Property taxes	\$ 22,168,199	\$ 21,007,426
Other receivables not available to liquidate liabilities of current period	355,657	-
Total unavailable/unearned revenue	<u>\$ 22,523,856</u>	<u>\$ 21,007,426</u>

COUNTY OF BEDFORD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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	\$ 4,025,270	\$ -	\$ 319,400	\$ 3,705,870
Construction in progress	647,517	1,741,550	33,647	2,355,420
Total capital assets, not depreciated	4,672,787	1,741,550	353,047	6,061,290
Capital assets, depreciated:				
Buildings and improvements	42,511,839	250,305	26,000	42,736,144
Machinery and equipment	16,679,315	1,771,460	747,992	17,702,783
Total capital assets, depreciated	59,191,154	2,021,765	773,992	60,438,927
Less accumulated depreciation for:				
Buildings and improvements	17,898,565	1,120,839	3,033	19,016,371
Machinery and equipment	10,696,729	1,309,864	693,967	11,312,626
Total accumulated depreciation	28,595,294	2,430,703	697,000	30,328,997
Net capital assets, depreciated	30,595,860	(408,938)	76,992	30,109,930
Governmental activities net capital assets	<u>\$ 35,268,647</u>	<u>\$ 1,332,612</u>	<u>\$ 430,039</u>	<u>\$ 36,171,220</u>
Business-Type Activities				
Capital assets, not depreciated:				
Land	\$ 850,964	\$ -	\$ -	\$ 850,964
Construction in progress	-	200,741	-	200,741
Total capital assets, not depreciated	850,964	200,741	-	1,051,705
Capital assets, depreciated:				
Buildings and improvements	18,801,771	33,498	7,131	18,828,138
Machinery and equipment	4,542,609	68,634	36,536	4,574,707
Total capital assets, depreciated	23,344,380	102,132	43,667	23,402,845
Less accumulated depreciation for:				
Buildings and improvements	8,746,652	872,902	7,131	9,612,423
Machinery and equipment	2,808,065	323,621	33,001	3,098,685
Total accumulated depreciation	11,554,717	1,196,523	40,132	12,711,108
Net capital assets, depreciated	11,789,663	(1,094,391)	3,535	10,691,737
Business-type activities net capital assets	<u>\$ 12,640,627</u>	<u>\$ (893,650)</u>	<u>\$ 3,535</u>	<u>\$ 11,743,442</u>

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 6. Capital Assets (Continued)

Component Unit – School Board	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 2,087,837	\$ -	\$ -	\$ 2,087,837
Construction in progress	499,862	507,159	1,007,021	-
Total capital assets, not depreciated	2,587,699	507,159	1,007,021	2,087,837
Capital assets, depreciated:				
Buildings and improvements	200,368,256	1,050,262	176,245	201,242,273
Machinery and equipment	20,712,407	2,493,863	669,712	22,536,558
Total capital assets, depreciated	221,080,663	3,544,125	845,957	223,778,831
Less accumulated depreciation for:				
Buildings and improvements	114,457,564	4,152,983	176,245	118,434,302
Machinery and equipment	13,000,871	1,245,216	658,605	13,587,482
Total accumulated depreciation	127,458,435	5,398,199	834,850	132,021,784
Net capital assets, depreciated	93,622,228	(1,854,074)	11,107	91,757,047
School Board net capital assets	\$ 96,209,927	\$ (1,346,915)	\$ 1,018,128	\$ 93,844,884

Depreciation expense was charged to functions/programs as follows:

Primary Government – Governmental Activities

General government administration	\$ 178,538
Judicial administration	367,690
Public safety	1,123,749
Public works	166,878
Health and welfare	169,457
Parks, recreation, and cultural	345,213
Community development	67,524
Total governmental activities	<u>\$ 2,419,049</u>

Primary Government – Business-Type Activities

Nursing home	\$ 296,973
Solid waste	879,551
Total business-type activities	<u>\$ 1,176,524</u>
Component Unit – School Board	<u>\$ 5,398,200</u>

The total increase in accumulated depreciation reflected above includes accumulated depreciation of items transferred from other funds of \$11,654 for governmental activities and \$19,999 for business-type activities.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 7. Long-Term Liabilities

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

	Beginning Balance*	Additions	Reductions	Ending Balance	Due within One Year
Primary Government					
Governmental activities:					
General obligation and lease revenue bonds					
County projects	\$ 9,092,000	\$ -	\$ 1,745,000	\$ 7,347,000	\$ 1,415,000
School projects	47,320,362	-	3,948,314	43,372,048	3,915,879
Deferred amounts:					
Bond premium	4,687,112	-	318,418	4,368,694	313,555
Total general obligation and revenue bonds	61,099,474	-	6,011,732	55,087,742	5,644,434
Capital Leases:					
County projects	635,822	-	28,846	606,976	30,584
School projects	7,189,178	-	326,154	6,863,024	345,816
Compensated absences	1,789,552	1,288,014	1,218,610	1,858,956	1,265,871
Other post-employment benefits	204,850	98,000	(7,791)	310,641	-
Net pension liability	5,243,721	620,267	2,851,605	3,012,383	-
Total long-term liabilities	<u>\$ 76,162,597</u>	<u>\$ 2,006,281</u>	<u>\$10,429,156</u>	<u>\$ 67,739,722</u>	<u>\$ 7,286,705</u>
Business-type activities:					
Capital leases	\$ 176,119	\$ -	\$ 123,411	\$ 52,708	\$ 52,708
Compensated absences	210,045	286,279	272,561	223,763	217,471
Other post-employment benefits	54,331	16,000	-	70,331	-
Net pension liability	962,692	113,873	523,524	553,041	-
Landfill closure/postclosure costs	6,034,002	99,980	-	6,133,982	137,050
Total long-term liabilities	<u>\$ 7,437,189</u>	<u>\$ 516,132</u>	<u>\$ 919,496</u>	<u>\$ 7,033,825</u>	<u>\$ 407,229</u>
Component Unit					
School Board					
Capital leases	\$ 1,723,310	\$ 1,271,888	\$ 789,271	\$ 2,205,927	\$ 547,036
Compensated absences	1,706,614	1,150,393	1,149,744	1,707,263	1,150,181
Other post-employment benefits	1,145,609	667,000	552,707	1,259,902	-
Net pension liability	82,549,000	9,938,000	11,952,000	80,535,000	-
Total long-term liabilities	<u>\$ 87,124,533</u>	<u>\$ 13,027,281</u>	<u>\$14,443,722</u>	<u>\$ 85,708,092</u>	<u>\$ 1,697,217</u>

*As restated. See Note 21.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 7. Long-Term Liabilities (Continued)

Annual debt service requirements to maturity are as follows:

Year Ending June 30	Primary Government						Component Unit	
	Governmental Activities				Business-Type Activities		School Board	
	General Obligation and Lease Revenue Bonds		Capital Leases		Capital Leases		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 5,330,879	\$ 2,207,752	\$ 376,400	\$ 195,570	\$ 52,708	\$ 462	\$ 547,036	\$ 46,101
2017	5,230,217	1,982,632	410,939	185,342	-	-	447,579	32,283
2018	4,996,020	1,730,660	441,147	174,245	-	-	334,820	22,327
2019	4,358,380	1,529,746	464,843	162,342	-	-	341,030	16,117
2020	4,217,392	1,333,753	492,226	149,939	-	-	347,355	9,791
2021-2025	11,816,160	4,631,496	2,862,049	537,179	-	-	188,107	3,348
2026-2030	12,250,000	1,828,225	2,422,396	131,180	-	-	-	-
2031	2,520,000	57,240	-	-	-	-	-	-
	<u>\$ 50,719,048</u>	<u>\$ 15,301,504</u>	<u>\$ 7,470,000</u>	<u>\$ 1,535,797</u>	<u>\$ 52,708</u>	<u>\$ 462</u>	<u>\$ 2,205,927</u>	<u>\$ 129,967</u>

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

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 7. Long-Term Liabilities (Continued)

Details of long-term liabilities are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
PRIMARY GOVERNMENT					
Governmental Activities:					
General Obligation Bonds					
County:					
General obligation refunding bonds	1.85%	2005	2017	\$ 3,750,000	\$ 1,155,000
VPSA Bonds	3.05-5.05	2013	2021	187,000	187,000
Total governmental activities-County					<u>1,342,000</u>
Schools:					
VPSA Bonds	5.10-6.10	1995	2015	4,000,000	200,000
VPSA Bonds	4.60-6.10	1996	2016	6,000,000	600,000
VPSA Bonds	4.35-5.35	1997	2017	4,700,000	1,055,000
VPSA Bonds	3.60-5.10	1998	2018	5,200,000	1,040,000
VPSA Bonds	5.10-6.10	1999	2019	12,030,340	3,487,234
VPSA Bonds	5.10-6.35	2000	2020	4,200,000	1,765,000
VPSA Bonds	4.98-5.85	2000	2020	6,285,526	2,121,814
VPSA Bonds	4.10-5.10	2008	2029	5,420,000	3,780,000
VPSA Bonds	3.05-5.05	2013	2031	23,788,000	23,788,000
Total general obligation bonds-Schools					<u>37,837,048</u>
Total general obligation bonds					<u>\$ 39,179,048</u>
Lease Revenue Bonds					
County:					
Bedford County EDA-Courthouse & Social Services Refunding	2.05%	2005	2020	\$ 7,875,000	\$ 4,525,000
Bedford County EDA-Group Homes	4.00-5.00	2006	2021	3,435,000	1,480,000
Total lease revenue bonds-County					<u>6,005,000</u>
Schools:					
Bedford County EDA-Jefferson Forest High School	4.00-5.25	2006	2031	38,710,000	5,535,000
Total lease revenue bonds					<u>\$ 11,540,000</u>
Capital Leases					
Capital One-Energy Conservation Measures					
County	2.65%	2012	2029	\$ 650,042	\$ 606,977
Schools	2.65	2012	2029	7,349,958	6,863,023
Total capital leases					<u>\$ 7,470,000</u>
Business-Type Activities:					
Capital Leases					
Caterpillar-Solid Waste equipment	3.50	2010	2015	584,550	52,708
Total business-type activities					<u>\$ 52,708</u>

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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>
COMPONENT UNIT						
School Board						
First Citizens Bank	9 buses	3.35%	2009	2015	\$ 711,945	\$ 109,181
Daimler Chrysler Truck Financial	9 buses	3.20	2010	2016	782,073	233,973
SunTrust	13 buses	1.94	2013	2019	1,095,679	782,339
Wachovia Bank, N.A.	14 buses	1.78	2014	2020	1,271,888	1,080,434
Total capital leases-School Board						<u>\$ 2,205,927</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 2020.

The assets acquired through capital leases are as follows:

	<u>Primary Government Business-Type Activities</u>	<u>Component Unit School Board</u>
Machinery and equipment	\$ 584,550	\$ 3,861,585
Less: accumulated depreciation	267,919	727,108
Net	<u>\$ 316,631</u>	<u>\$ 3,134,477</u>

Note 8. Interfund Receivables and Payables and Transfers

The \$131,963 due from the General Fund to the Solid Waste Fund represents revenues collected in the General Fund to finance solid waste programs in accordance with budgetary authorization.

Note 9. Defined Benefit Pension Plan

Plan Description

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

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1</p> <p>Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2</p> <p>Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan</p> <p>The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

<p>Eligible Members</p> <p>Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election</p> <p>VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Eligible Members</p> <p>Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election</p> <p>Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>Eligible Members</p> <p>Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members</p> <p>Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
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COUNTY OF BEDFORD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Retirement Contributions	Retirement Contributions	Retirement Contributions
<p>Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016.</p>	<p>A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

COUNTY OF BEDFORD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Creditable Service	Creditable Service	Creditable Service
<p>Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Same as Plan 1.</p>	<p><u>Defined Benefit Component:</u></p> <p>Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u></p> <p>Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

<p>Vesting</p> <p>Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting</p> <p>Same as Plan 1.</p>	<p>Vesting</p> <p><u>Defined Benefit Component:</u></p> <p>Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u></p> <p>Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p>
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COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

		<p>Vesting (Continued)</p> <p><u>Defined Contributions Component:</u> (Continued)</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit</p> <p>The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier, and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit</p> <p>See definition under Plan 1.</p>	<p>Calculating the Benefit</p> <p><u>Defined Benefit Component:</u></p> <p>See definition under Plan 1.</p> <p><u>Defined Contribution Component:</u></p> <p>The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

<p>Average Final Compensation</p> <p>A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation</p> <p>A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation</p> <p>Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier</p> <p>VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier</p> <p>VRS: Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier</p> <p><u>Defined Benefit Component:</u></p> <p>VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u></p> <p>Not applicable.</p>

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

<p>Normal Retirement Age</p> <p>VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age</p> <p>VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age</p> <p><u>Defined Benefit Component:</u></p> <p>VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u></p> <p>Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility</p> <p>VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility</p> <p>VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility</p> <p><u>Defined Benefit Component:</u></p> <p>VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u></p> <p>Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

COUNTY OF BEDFORD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Earliest Reduced Retirement Eligibility	Earliest Reduced Retirement Eligibility	Earliest Unreduced Retirement Eligibility
<p>VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p><u>Defined Benefit Component:</u></p> <p>VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u></p> <p>Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
Cost-of-Living Adjustment (COLA) in Retirement	Cost-of-Living Adjustment (COLA) in Retirement	Cost-of-Living Adjustment (COLA) in Retirement
<p>The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.</p> <p><u>Eligibility:</u></p> <p>For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p>	<p>The Cost-of-Living Adjustment (COLA) matches the first 2.00% increase in the CPI-U and half of any additional increase (up to 2.00%), for a maximum COLA of 3.00%.</p> <p><u>Eligibility:</u></p> <p>Same as Plan 1</p>	<p><u>Defined Benefit Component:</u></p> <p>Same as Plan 2.</p> <p><u>Defined Contribution Component:</u></p> <p>Not applicable.</p> <p><u>Eligibility:</u></p> <p>Same as Plan 1 and Plan 2.</p>

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Cost-of-Living Adjustment (COLA) in Retirement (Continued)	Cost-of-Living Adjustment (COLA) in Retirement (Continued)	Cost-of-Living Adjustment (COLA) in Retirement (Continued)
<p><u>Eligibility:</u> (Continued)</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>		
<p><u>Exceptions to COLA Effective Dates:</u></p> <p>The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. 	<p><u>Exceptions to COLA Effective Dates:</u></p> <p>Same as Plan 1.</p>	<p><u>Exceptions to COLA Effective Dates:</u></p> <p>Same as Plan 1 and Plan 2.</p>

COUNTY OF BEDFORD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

<p>Cost-of-Living Adjustment in Retirement (COLA) (Continued)</p> <p><u>Exceptions to COLA Effective Dates:</u> (Continued)</p> <ul style="list-style-type: none"> • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 		
<p>Disability Coverage</p> <p>Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage</p> <p>Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased, or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage</p> <p>Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Purchase of Prior Service	Purchase of Prior Service	Purchase of Prior Service
<p>Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Same as Plan 1.</p>	<p><u>Defined Benefit Component:</u></p> <p>Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4.00% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.
		<p><u>Defined Contribution Component:</u></p> <p>Not applicable.</p>

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 9. Defined Benefit Pension Plan (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>County</u>	<u>School Board Non-Professional</u>
Inactive members or their beneficiaries currently receiving benefits	160	150
Inactive members:		
Vested	59	18
Non-vested	260	57
Active Elsewhere in VRS	114	21
Total inactive members	433	96
Active members	442	299
Total covered employees	1,035	545

Contributions

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

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 9. Defined Benefit Pension Plan (Continued)

Contributions (Continued)

The County's contractually required contribution rate for the year ended June 30, 2015 was 8.90% of covered employee compensation. The School Board's nonprofessional contractually required contribution rate for the year ended June 30, 2015 was 7.39%. These rates were based on an actuarially determined rates from actuarial valuations as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the pension plan from the County were \$1,416,696 and \$1,757,158 for the years ended June 30, 2015 and June 30, 2014, respectively. Contribution to the pension plan from the School Board were \$403,169 and \$475,727 for the years ended June 30, 2015 and June 30, 2014, respectively.

Net Pension Liability

The political subdivision's net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

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

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

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 9. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions – General Employees (Continued)

Mortality rates: 14% of deaths are assumed to be service related.

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

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

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 9. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions – General Employees (Continued)

Largest 10 – Non-LEOS:

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

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

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

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

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

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

Mortality rates: 60% of deaths are assumed to be service related.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 9. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions – Public Safety Employees (Continued)

Largest 10 – LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

All Others (Non 10 Largest) – LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 –LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

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

COUNTY OF BEDFORD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 9. Defined Benefit Pension Plan (Continued)

Long-Term Expected Rate of Return

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

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

* Expected arithmetic nominal return

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 9. Defined Benefit Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

	Bedford County			School Board Non-Professional		
	Increase (Decrease)			Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balances at June 30, 2013	\$ 55,835,035	\$ 47,850,301	\$ 7,984,734	\$ 18,611,294	\$ 17,451,491	\$ 1,159,803
Changes for the year:						
Service cost	1,936,109	-	1,936,109	582,857	-	582,857
Interest	3,827,724	-	3,827,724	1,277,059	-	1,277,059
Differences between expected and actual experience			-			-
Contributions – employer	-	1,751,158	(1,751,158)	-	475,727	(475,727)
Contributions – employee	-	860,090	(860,090)	-	286,798	(286,798)
Net investment income	-	7,596,167	(7,596,167)	-	2,759,864	(2,759,864)
Benefit payments, including refunds of employee contributions	(2,306,520)	(2,306,520)	-	(735,199)	(735,199)	-
Administrative expenses	-	(40,277)	40,277	-	(14,693)	14,693
Other changes	-	400	(400)	-	146	(146)
Net changes	3,457,313	7,861,018	(4,403,705)	1,124,717	2,772,643	(1,647,926)
Balances at June 30, 2014	\$ 59,292,348	\$ 55,711,319	\$ 3,581,029	\$ 19,736,011	\$ 20,224,134	\$ (488,123)

(Continued)

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 9. Defined Benefit Pension Plan (Continued)

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

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

<u>Net Pension Liability (Asset)</u>	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Bedford County	\$ 11,948,754	\$ 3,581,029	\$ (3,301,738)
School Board Non-Professional	\$ 1,888,204	\$ (488,123)	\$ (2,491,376)

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

For the year ended June 30, 2015, the County and School Board recognized pension expense of \$737,354 and \$58,051, respectively. At June 30, 2015, the County and School Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Bedford County</u>		<u>School Board Non-Professional</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension	\$ -	\$ 3,389,901	\$ -	\$ 1,230,250
Employer contributions subsequent to the measurement date	1,461,696	-	403,169	-
Total	<u>\$ 1,461,696</u>	<u>\$ 3,389,901</u>	<u>\$ 403,169</u>	<u>\$ 1,230,250</u>

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 9. Defined Benefit Pension Plan (Continued)

\$1,461,696 and \$403,169 are reported as deferred outflows of resources related to pensions resulting from the County's and School Board's contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	County	School Board Non-Professional
2016	\$ (847,475)	\$ (307,563)
2017	(847,475)	(307,563)
2018	(847,475)	(307,563)
2019	847,476	(307,561)
Thereafter	-	-

Payables to the Pension Plan

At June 30, 2015, approximately \$190,938 was payable to the Virginia Retirement System for the legally required contributions related to the County June 2015 payroll and approximately \$62,753 was payable for the legally required contributions related to the School Board Non-Professional June 2015 payroll.

Note 10. Defined Benefit Pension Plan – Teacher Cost Sharing Pool

General Information about the Teacher Cost Sharing Pool

Plan Description

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

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 10. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Pension Plan (Continued)

Plan Description (Continued)

The System administers three different benefit structures for covered employees in the VRS Teacher Retirement Plan – Plan 1, Plan 2, and, Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1</p> <p>Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2</p> <p>Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan</p> <p>The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 10. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Pension Plan (Continued)

Plan Description (Continued)

		<p>About the Hybrid Retirement Plan (Continued)</p> <ul style="list-style-type: none"> • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members</p> <p>Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election</p> <p>VRS Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members</p> <p>Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election</p> <p>Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members</p> <p>Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • School division employees. • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 10. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Pension Plan (Continued)

Plan Description (Continued)

Retirement Contributions	Retirement Contributions	Retirement Contributions
Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016.	A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 10. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Pension Plan (Continued)

Plan Description (Continued)

<p>Creditable Service</p> <p>Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service</p> <p>Same as Plan 1.</p>	<p>Creditable Service</p> <p><u>Defined Benefit Component:</u></p> <p>Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u></p> <p>Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>
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COUNTY OF BEDFORD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 10. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Pension Plan (Continued)

Plan Description (Continued)

<p>Vesting</p> <p>Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting</p> <p>Same as Plan 1.</p>	<p>Vesting</p> <p><u>Defined Benefit Component:</u></p> <p>Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u></p> <p>Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p>
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COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 10. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Pension Plan (Continued)

Plan Description (Continued)

		<p>Vesting (Continued)</p> <p><u>Defined Contributions Component:</u> (Continued)</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit</p> <p>The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier, and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit</p> <p>See definition under Plan 1.</p>	<p>Calculating the Benefit</p> <p><u>Defined Benefit Component:</u></p> <p>See definition under Plan 1.</p> <p><u>Defined Contribution Component:</u></p> <p>The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 10. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Pension Plan (Continued)

Plan Description (Continued)

<p>Average Final Compensation</p> <p>A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation</p> <p>A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation</p> <p>Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier</p> <p>The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for members is 1.70%.</p>	<p>Service Retirement Multiplier</p> <p>Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. The retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013.</p>	<p>Service Retirement Multiplier</p> <p><u>Defined Benefit Component:</u></p> <p>The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p><u>Defined Contribution Component:</u></p> <p>Not applicable.</p>
<p>Normal Retirement Age</p> <p>Age 65.</p>	<p>Normal Retirement Age</p> <p>Normal Social Security retirement age.</p>	<p>Normal Retirement Age</p> <p><u>Defined Benefit Component:</u></p> <p>Same as Plan 2.</p> <p><u>Defined Contribution Component:</u></p> <p>Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 10. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Pension Plan (Continued)

Plan Description (Continued)

<p>Earliest Unreduced Retirement Eligibility</p> <p>Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility</p> <p>Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p>	<p>Earliest Unreduced Retirement Eligibility</p> <p><u>Defined Benefit Component:</u></p> <p>Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><u>Defined Contribution Component:</u></p> <p>Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility</p> <p>VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility</p> <p>VRS: Age 60 with at least five years (60 months) of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility</p> <p><u>Defined Benefit Component:</u></p> <p>VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p><u>Defined Contribution Component:</u></p> <p>Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 10. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Pension Plan (Continued)

Plan Description (Continued)

Cost-of-Living Adjustment (COLA) in Retirement	Cost-of-Living Adjustment (COLA) in Retirement	Cost-of-Living Adjustment (COLA) in Retirement
<p>The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.</p> <p><u>Eligibility:</u></p> <p>For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective Dates:</u></p> <p>The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p>	<p>The Cost-of-Living Adjustment (COLA) matches the first 2.00% increase in the CPI-U and half of any additional increase (up to 2.00%), for a maximum COLA of 3.00%.</p> <p><u>Eligibility:</u></p> <p>Same as Plan 1.</p> <p><u>Exceptions to COLA Effective Dates:</u></p> <p>Same as Plan 1.</p>	<p><u>Defined Benefit Component:</u></p> <p>Same as Plan 2.</p> <p><u>Defined Contribution Component:</u></p> <p>Not applicable.</p> <p><u>Eligibility:</u></p> <p>Same as Plan 1 and Plan 2.</p> <p><u>Exceptions to COLA Effective Dates:</u></p> <p>Same as Plan 1 and Plan 2.</p>

COUNTY OF BEDFORD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 10. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Pension Plan (Continued)

Plan Description (Continued)

<p>Cost-of-Living Adjustment (COLA) in Retirement (Continue)</p> <p><u>Exceptions to COLA Effective Dates: (Continued)</u></p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 		
<p>Disability Coverage</p> <p>Not applicable.</p>	<p>Disability Coverage</p> <p>Not applicable.</p>	<p>Disability Coverage</p> <p>Employees of political subdivisions and school divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members.</p>

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 10. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Pension Plan (Continued)

Plan Description (Continued)

		Disability Coverage (Continued) Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4.00% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <u>Defined Contribution Component:</u> Not applicable.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 10. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Pension Plan (Continued)

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin requiring that the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Each school division's contractually required contribution rate for the year ended June 30, 2015 was 14.50% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the Teacher Retirement Plan was 18.20%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2015. Contributions to the pension plan from the school division were \$6,677,180 and \$5,682,514 for the years ended June 30, 2015 and June 30, 2014, respectively.

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

At June 30, 2015, the school division reported a liability of \$80,535,000 or its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2014 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2014, the school division's proportion was .67% as compared to .64% at June 30, 2013.

For the year ended June 30, 2015, the school division recognized pension expense of \$7,015,000. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 10. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Pension Plan (Continued)

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

At June 30, 2015, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>School Board Professional</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension \$	-	\$ 11,952,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	2,923,000	-
Employer contributions subsequent to the measurement date	6,677,180	-
Total	<u>\$ 9,600,180</u>	<u>\$ 11,952,000</u>

\$6,677,180 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	<u>Pension Expense</u>
2016	\$ (2,343,000)
2017	(2,343,000)
2018	(2,343,000)
2019	(2,343,000)

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 10. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Pension Plan (Continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.50%
Salary increases, including inflation	3.50 – 5.95%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation*

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

Mortality rates:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females were set back 5 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back years and females were set back 3 years.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 10. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Pension Plan (Continued)

Long-Term Expected Rate of Return

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

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

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 10. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)

General Information about the Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, school divisions are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

Net Pension Liability	1% Decrease (6.00%)	Current Discount Rate Rate (7.00%)	1% Increase (8.00%)
School division's proportionate share of the VRS teacher employee retirement plan net pension liability	\$ 118,257,000	\$ 80,535,000	\$ 49,477,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2014 Comprehensive Annual Financial Report (CAFR). A copy of the 2014 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2015, approximately \$871,026 was payable to the Virginia Retirement System for the legally required contributions related to June 2015 payroll.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 11. Other Post-Employment Benefits (OPEB)

A. Plan Description

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

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

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

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

B. Funding Policy

The County and School Board currently fund post-employment health care benefits on a pay-as-you-go basis. During fiscal year 2015, neither the County nor the School Board designated any funding for the OPEB liability.

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

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

	<u>County</u>	<u>School Board</u>
Annual required contribution	\$ 116,000	\$ 677,000
Interest on net OPEB obligation	14,000	40,000
Adjustment to annual required contribution	(16,000)	(50,000)
Annual OPEB cost	114,000	667,000
Contributions made	7,792	(552,707)
Increase (decrease) in net OPEB obligation	121,792	114,293
Net OPEB obligation-beginning of year	259,180	1,145,609
Net OPEB obligation-end of year	<u>\$ 380,972</u>	<u>\$ 1,259,902</u>

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 11. Other Post-Employment Benefits (OPEB) (Continued)

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

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
County			
June 30, 2015	\$ 114,000	0.00%	\$ 380,972
June 30, 2014	62,000	153.52%	259,180
June 30, 2013	57,052	0.00%	292,362
School Board			
June 30, 2015	667,000	82.86%	1,259,902
June 30, 2014	543,000	82.36%	1,145,609
June 30, 2013	520,000	110.50%	1,049,810

D. Funded Status and Funding Progress

As of July 1, 2013, the County and School Board's most recent actuarial valuation date, the actuarial accrued liability for benefits was \$872,000 and \$6,885,000, all of which was unfunded. The County's covered payroll (annual payroll of active employees covered by the Plan) was \$17,522,239, and the ratio of the UAAL to the covered payroll was 4.98%. The School Board's covered payroll was \$52,800,069, and the ratio of the UAAL to the covered payroll was 13.04%. Actuarial valuations of an ongoing plan involve estimates and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

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

E. Actuarial Methods and Assumptions

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

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 11. Other Post-Employment Benefits (OPEB) (Continued)

E. Actuarial Methods and Assumptions (Continued)

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

Note 12. Length of Service Award Program

A. Plan Description

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

As of June 30, 2015, the most recent actuarial valuation date, the program membership consisted of the following:

Active Participants	178
Terminated Vested Participants	<u>78</u>
Total	<u><u>256</u></u>

B. Funding Policy

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

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 12. Length of Service Award Program (Continued)

C. Annual Program Cost

For the current year, the annual cost of \$247,096 equaled the required and actual contributions.

<u>Fiscal Year Ended</u>	<u>Annual Program Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Program Obligation</u>
June 30, 2015	\$ 247,096	100%	\$ -
June 30, 2014	236,878	100%	-
June 30, 2013	232,518	100%	-

The program's funding provides for periodic County contributions at actuarially determined rates that are sufficient to accumulate adequate assets to pay benefits when due. At year end the plan had net assets available for benefits totaling \$1,591,679. Unfunded past service costs total \$107,522 and will be fully amortized in 3 years. The plan additions fund the cost of administering the plan.

D. Funding Status and Funding Progress

As of June 30, 2015, the most recent actuarial valuation date, the plan was funded 55.17%. The actuarial accrued liability for benefits was \$2,885,268 resulting in an UAAL of \$1,293,589.

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

Note 13. 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 \$1,450,885.

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

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 13. 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 \$4,683,097 reported as landfill closure and postclosure care liability as of June 30, 2015 represents the cumulative amount reported to date based on the use of approximately 70% of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$2,014,980 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2015. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The County expects its disposal area to reach capacity in 2022.

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

Note 14. Fund Balances

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

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

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 14. Fund Balances (Continued)

- **Assigned** fund balance includes amounts that are constrained by the government's intent to be used for specific purposes but are neither restricted nor committed. Fund balance may be assigned either through the encumbrance process as a result of normal purchasing activity or by the Board or an official delegated that authority.
- **Unassigned** fund balance is the positive fund balance within the General Fund which has not been classified as Restricted, Committed, or Assigned and negative fund balances in other governmental funds.

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

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

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

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 14. Fund Balances (Continued)

	<u>General Fund</u>	<u>School Board</u>
Nonspendable:		
Inventories	\$ 53,974	\$ 96,300
Prepays	180,626	116,746
Total nonspendable	<u>234,600</u>	<u>213,046</u>
Restricted for:		
Public safety	65,100	-
Debt service	3	6
Other purposes	1,076	-
Total restricted	<u>66,179</u>	<u>6</u>
Committed to:		
Public works	295,321	-
Health self insurance	-	674,503
Capital projects	6,071,066	-
Total committed	<u>6,366,387</u>	<u>674,503</u>
Assigned to:		
Judicial administration	28,374	-
Public safety	1,754,240	-
Public works-landfill cell construction	500,000	-
Health and welfare	41,186	-
Education	497,032	-
Education-nutrition	-	1,679,953
Education-textbooks	-	1,318,504
Education-maintenance projects	-	444,679
Education-capital projects	-	69,333
Education-new school	1,530,000	-
Funding of subsequent year budget	20,517,349	-
Subsequent year appropriation of fund balance	887,408	-
Other purposes	33,443	-
Total assigned	<u>25,789,032</u>	<u>3,512,469</u>
Unassigned	<u>19,916,759</u>	<u>(612,472)</u>
Total fund balances	<u><u>\$ 52,372,957</u></u>	<u><u>\$ 3,787,552</u></u>

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 15. Risk Management

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

Worker's Compensation

Worker's Compensation Insurance is provided through VaCorp for both the County and the School Division. Benefits are those afforded through the Commonwealth of Virginia as outlined in *Code of Virginia* §65.2-100. Premiums are based on covered payroll, job rates and claims experience. Total premiums paid for the current year were \$337,328 and \$296,767 for the County and School Division, respectively.

General Liability and Other

The County provides general liability and other insurance through VaCorp. General liability and business automobile have a \$2,000,000 limit. Boiler and machinery insurance has a \$50,000,000 limit and all other property insurance is covered as per the statement of values. Furthermore, public officials' liability insurance has a \$1,000,000 limit and line of duty coverage is provided pursuant to *Code of Virginia* §9.1-400. Total premiums for the current fiscal year were \$251,489.

The Bedford County Nursing Home has a separate policy for general liability insurance through GuideOne Mutual Insurance. The policy limit is \$3,000,000. Total premiums for the current fiscal year were \$45,496. Other Nursing Home insurance (i.e. worker's compensation, business auto, etc.) is included in the VaCorp policy and premiums noted in the preceding paragraph.

The School Division provides general liability and other insurance through the VaCorp. General liability and business automobile have a \$5,000,000 limit. Boiler and machinery insurance has a \$50,000,000 limit and property insurance is covered as per the statement of values. Additional insurance policies for Virginia High School League sports and B-Team sports are provided through the Virginia High School League and Mutual of Omaha respectively. Total premiums for the current fiscal year were \$412,558.

Health care

The County carried commercial insurance for employee health insurance plans for the year ended June 30, 2015.

The School Board's professionally administered self-insured health program provides healthcare coverage for employees, retirees and their dependents. Risk management activities are accounted for in the School Operating Fund. Monthly premiums are based upon estimates from the School Board's benefit consultant that should cover administrative expenses, stop loss insurance premiums, and claims. A stop loss insurance contract executed with an insurance carrier covers claims in excess of \$250,000 per covered individual per contract year. For the year ended June 30, total claims expense was \$7,834,923. Administrative fees and stop loss premiums for the year ended June 30 totaled \$988,922. Estimated incurred but not reported (IBNR) claims at June 30 based on prior experience totaled \$740,000. Changes in the balance of claims payable liability during the past year is as follows:

	<u>Health Insurance</u>
Unpaid Claims at July 1	\$ 1,108,737
Incurred claims	
(including IBNR and changes in estimates)	7,834,923
Claim payments	<u>(8,102,272)</u>
Unpaid claims at June 30	<u><u>\$ 841,388</u></u>

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

The following organizations are excluded from the accompanying financial statements:

Related Organizations:

Bedford Regional Water Authority (BRWA):

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

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

Jointly Governed Organizations:

Horizon Behavioral Health (HBH)

The County, in conjunction with the Counties of Amherst, Appomattox, and Campbell, and the City of Lynchburg, participates in HBH, whose board is composed of two members from each of the participating localities. The County contributed \$111,211 for operations to HBH for 2015.

Blue Ridge Regional Jail Authority (BRRJA)

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

Joint Ventures:

Region 2000 Radio Communications Board

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

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 16. Related Organizations, Jointly Governed Organizations, and Joint Ventures (Continued)

Joint Ventures: (Continued)

Tri-County Lake Administrative Commission (TLAC)

The County, in conjunction with the Counties of Franklin and Pittsylvania, created TLAC, which is composed of an eight-member board of directors appointed by the participating localities to carry out lake planning duties as may be assigned by the respective Boards of Supervisors. Such duties may include, but are not limited to, navigation marker issues, debris cleanup, and coordination with American Electric Power on lake-related issues. The County is responsible for annual contributions to TLAC (38.3% for Smith Mountain Lake and 25% for Leesville Lake), which equaled \$98,829 for 2015. Separate financial statements for TLAC are not available.

Note 17. Commitments and Contingencies

Litigation

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

Special Purpose Grants

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

Note 18. Lease Commitments

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

<u>Year Ending June 30,</u>	
2016	\$ 120,000
2017	450,000
2018	450,000
2019	750,000
	<u>\$ 1,770,000</u>

Note 19. Subsequent Event

Subsequent to year end, the School Board entered into a master equipment lease-purchase agreement in the amount of \$1,287,652 to fund the purchase of 12 new school buses and two 35 passenger special education school buses. The agreement requires annual payments of principal and interest of approximately \$196,661 through September 2021.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 20. Other Matters

On July 1, 2013, the City of Bedford, Virginia reverted to Town status. The reversion agreement provided for certain capital assets with a value of \$2,132,737 to be transferred to the County from the Town, including the Library and an elementary school. Due to the reversion, the School Board receives an increase in state education funding for 15 years. In consideration for the assets received from the Town, the County agreed to pay the Town \$500,000 annually for a period of 15 years. For any year in which the additional state education funding exceeds \$4 million, the County will pay the Town an additional \$250,000. For any year in which the additional state education funding is less than \$4 million, the payment to the Town will be reduced by a formula described in the reversion agreement. For the year ended June 30, 2015, the County paid the Town \$750,000, which was the Town's share of additional funding for the year.

Note 21. Restatement of Beginning Net Position and Fund Balance

In prior years, the County has reflected a long-term note receivable from Bedford Regional Water Authority (formerly known as the Bedford Public Service Authority) for amounts provided for capital needs. The agreement dated March 1, 1989 between the County and BRWA contained a forgiveness clause that essentially ensured that BRWA would not have to repay the County. Accordingly, the County is restating beginning net position and fund balance as the County has determined such funds were never a receivable from BRWA.

In the current year the County and School Board adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No 27, as amended by GASB Statement No. 71*. This standard 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 new 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.

In the past, the County Statement of Net Position has reflected an Education expenditure for the OPEB liability at June 30th, and the Component Unit-School Board, a revenue from the County in a like amount. As both the OPEB liability and net pension liability are similar in nature, the County has determined that the School Board OPEB liability should be reflected the same as the net pension liability, with no offsetting revenue adjustment as it is not expected that the County fully fund the obligation immediately. These long-term obligations will be funded over a period of years.

COUNTY OF BEDFORD, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

Note 21. Restatement of Beginning Net Position and Fund Balance (Continued)

	Primary Government					Component Unit
	Governmental	General	Business-Type Activities			School
	Activities	Fund	Nursing Home	Solid Waste	Total	Board
	Net Position	Fund Balance	Net Position	Net Position	Net Position	Net Position
At June 30, 2014, as previously reported	\$ 12,926,700	\$ 46,883,696	\$ 7,549,046	\$ 7,735,297	\$ 15,284,343	\$ 98,214,009
Recognition of pension related liabilities, deferred outflows and deferred inflows in accordance with GASB No. 68	(5,243,721)	-	(767,666)	(195,026)	(962,692)	(83,233,076)
Recognition of funding for School OPEB liability consistently with the School pension liability	1,145,609	-	-	-	-	(1,145,609)
Bedford Public Service Authority Receivable deemed paid in full per a Reserve Fund Agreement dated March 1, 1989.	(380,227)	(380,227)	-	-	-	-
At June 30, 2014, as restated	<u>\$ 8,448,361</u>	<u>\$ 46,503,469</u>	<u>\$ 6,781,380</u>	<u>\$ 7,540,271</u>	<u>\$ 14,321,651</u>	<u>\$ 13,835,324</u>

Note 22. New Accounting Standards

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

GASB Statement No. 72, *Fair Value Measurement and Application* addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement will be effective for the year ending June 30, 2016.

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

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

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 22. New Accounting Standards (Continued)

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* identifies – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement will be effective for the year ending June 30, 2016 and should be applied retroactively. Earlier application is permitted.

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

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

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REQUIRED SUPPLEMENTAL INFORMATION

COUNTY OF BEDFORD, VIRGINIA

Required Supplementary Information
Schedules of Changes in Net Pension Liability and Related Ratios
June 30, 2015

	Primary Government	Schools – Nonprofessional Employees
Total Pension Liability		
Service cost	\$ 1,936,109	\$ 582,857
Interest on total pension liability	3,827,724	1,277,059
Changes in benefit terms	-	-
Difference between expected and actual experience	-	-
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(2,306,520)	(735,199)
Net change in total pension liability	3,457,313	1,124,717
Total pension liability – beginning	55,835,035	18,611,294
Total pension liability – ending	59,292,348	19,736,011
Plan Fiduciary Net Position		
Contributions – employer	1,751,158	475,727
Contributions – employee	860,090	286,798
Net investment income	7,596,167	2,759,864
Benefit payments, including refunds of employee contributions	(2,306,520)	(735,199)
Administrative expenses	(40,277)	(14,693)
Other	400	146
Net change in plan fiduciary net position	7,861,018	2,772,643
Plan fiduciary net position – beginning	47,850,301	17,451,491
Plan fiduciary net position – ending	55,711,319	20,224,134
Net pension liability (asset) – ending	\$ 3,581,029	\$ (488,123)
Plan fiduciary net position as a percentage of total pension liability	94%	102%
Covered employee payroll	\$ 17,522,239	\$ 5,777,679
Net pension liability as a percentage of covered employee payroll	20%	-8%

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

COUNTY OF BEDFORD, VIRGINIA

Required Supplementary Information
Schedules of Pension Contributions
June 30, 2015

Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
Primary Government					
2015	\$ 1,461,696	\$ 1,461,696	\$ -	\$ 17,522,239	8.34%
Schools - Nonprofessional Employees					
2015	\$ 403,169	\$ 403,169	\$ -	\$ 5,777,679	6.98%

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

COUNTY OF BEDFORD, VIRGINIA

Required Supplementary Information
Schedules of Employer's Share of Net Pension Liability
VRS Teacher Retirement Plan
June 30, 2015

Year Ended June 30	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.67%	\$ 80,535,000	\$ 47,022,390	171.27%	70.88%

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

COUNTY OF BEDFORD, VIRGINIA

Required Supplementary Information
Schedule of Pension Contributions
VRS Teacher Retirement Plan
June 30, 2015

Year Ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2015	\$ 6,677,180	\$ 6,677,180	\$ -	\$ 47,022,390	14.20%

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

COUNTY OF BEDFORD, VIRGINIA

Schedule of Funding Progress
June 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Payroll (b-a)/c
County – OPEB						
June 30, 2014	\$ -	\$ 872,000	\$ 872,000	0.00 %	\$ 17,522,239	4.98 %
June 30, 2013	-	480,000	480,000	0.00	17,099,585	2.81
June 30, 2012	-	457,000	457,000	0.00	16,572,730	2.76
Component unit – School Board – OPEB						
June 30, 2014	\$ -	\$ 6,885,000	\$ 6,885,000	0.00 %	\$ 52,800,069	13.04 %
June 30, 2013	-	5,148,000	5,148,000	0.00	54,490,895	9.45
June 30, 2012	-	5,079,000	5,079,000	0.00	49,493,629	10.26
Length of Service Award Program – Fire and Rescue						
June 30, 2015	\$ 1,591,679	\$ 2,885,268	\$ 1,293,589	55.17 %	NA	NA
June 30, 2014	1,476,928	2,675,318	1,198,390	55.21	NA	NA
June 30, 2013	1,325,567	2,545,175	1,219,608	52.08	NA	NA

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

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

COUNTY OF BEDFORD, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2015

Note 1. Changes of Benefit Terms

There have been no significant changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012 (fiscal year 2014 for the teacher cost sharing pool). The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013, and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

Note 2. Changes of Assumptions

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

Largest 10 – Non-LEOS:

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

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) – LEOS:

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

Teacher cost-sharing pool

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

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OTHER SUPPLEMENTAL INFORMATION

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COUNTY OF BEDFORD, VIRGINIA

Agency Funds –
Combining Statement of Fiduciary Net Position
June 30, 2015

	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	\$ -	\$ 504,760	\$ 1,218	\$ 3,655	\$ 31,706	\$ 139,078	\$ 282,798	\$ 64,997	\$ 1,028,212
Security deposits	-	900	-	-	-	-	-	-	900
Accounts receivable	-	6,357	-	-	-	-	-	-	6,357
Total assets	<u>\$ -</u>	<u>\$ 512,017</u>	<u>\$ 1,218</u>	<u>\$ 3,655</u>	<u>\$ 31,706</u>	<u>\$ 139,078</u>	<u>\$ 282,798</u>	<u>\$ 64,997</u>	<u>\$ 1,035,469</u>
Liabilities									
Accounts payable	\$ -	\$ 2,254	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,254
Accrued liabilities	-	-	-	-	-	-	-	-	-
Amounts held for others	-	509,763	1,218	3,655	31,706	139,078	282,798	64,997	1,033,215
Total liabilities	<u>\$ -</u>	<u>\$ 512,017</u>	<u>\$ 1,218</u>	<u>\$ 3,655</u>	<u>\$ 31,706</u>	<u>\$ 139,078</u>	<u>\$ 282,798</u>	<u>\$ 64,997</u>	<u>\$ 1,035,469</u>

COUNTY OF BEDFORD, VIRGINIA

Agency Funds –
Combining Statement of Fiduciary Assets and Liabilities
June 30, 2015

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Ending</u>
Tri-County Relicensing Committee				
Assets:				
Accounts receivable	<u>\$ 1,111</u>	<u>\$ 1,111</u>	<u>\$ 2,222</u>	<u>\$ -</u>
Liabilities:				
Accounts payable	<u>\$ 1,111</u>	<u>\$ 1,111</u>	<u>\$ 2,222</u>	<u>\$ -</u>
Tri-County Lake Administrative Commission				
Assets:				
Cash and cash equivalents	\$ 410,708	\$ 312,073	\$ 218,021	\$ 504,760
Security deposits	900	-	-	900
Accounts receivable	565	317,865	312,073	6,357
	<u>\$ 412,173</u>	<u>\$ 629,938</u>	<u>\$ 530,094</u>	<u>\$ 512,017</u>
Liabilities:				
Accounts payable	\$ 2,552	\$ 86,018	\$ 86,316	\$ 2,254
Accrued liabilities	2,655	128,638	131,293	-
Amounts held for others	406,966	102,797	-	509,763
	<u>\$ 412,173</u>	<u>\$ 317,453</u>	<u>\$ 217,609</u>	<u>\$ 512,017</u>
Bedford Community Coalition				
Assets:				
Cash and cash equivalents	<u>\$ 1,216</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 1,218</u>
Liabilities:				
Amounts held for others	<u>\$ 1,216</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 1,218</u>
Bedford Wine Trail				
Assets:				
Cash and cash equivalents	<u>\$ 4,363</u>	<u>\$ 1,200</u>	<u>\$ 1,908</u>	<u>\$ 3,655</u>
Liabilities:				
Accounts payable	357	1,551	1,908	-
Amounts held for others	4,006	-	351	3,655
	<u>\$ 4,363</u>	<u>\$ 1,551</u>	<u>\$ 2,259</u>	<u>\$ 3,655</u>
Special Welfare Fund				
Assets:				
Cash and cash equivalents	<u>\$ 28,398</u>	<u>\$ 185,026</u>	<u>\$ 181,718</u>	<u>\$ 31,706</u>
Liabilities:				
Amounts held for others	<u>\$ 28,398</u>	<u>\$ 185,026</u>	<u>\$ 181,718</u>	<u>\$ 31,706</u>
Road Escrow Accounts				
Assets:				
Cash and cash equivalents	<u>\$ 62,422</u>	<u>\$ 80,541</u>	<u>\$ 3,885</u>	<u>\$ 139,078</u>
Liabilities:				
Amounts held for others	<u>\$ 62,422</u>	<u>\$ 80,541</u>	<u>\$ 3,885</u>	<u>\$ 139,078</u>

(Continued)

COUNTY OF BEDFORD, VIRGINIA

Agency Funds –
Combining Statement of Fiduciary Assets and Liabilities
June 30, 2015

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Ending</u>
Land Disturbing Bonds				
Assets:				
Cash and cash equivalents	<u>\$ 48,612</u>	<u>\$ 258,468</u>	<u>\$ 24,282</u>	<u>\$ 282,798</u>
Liabilities:				
Amounts held for others	<u>\$ 48,612</u>	<u>\$ 258,468</u>	<u>\$ 24,282</u>	<u>\$ 282,798</u>
Sheriff Asset Seizures				
Assets:				
Cash and cash equivalents	<u>\$ 37,766</u>	<u>\$ 50,443</u>	<u>\$ 23,212</u>	<u>\$ 64,997</u>
Liabilities:				
Amounts held for others	<u>\$ 37,766</u>	<u>\$ 50,443</u>	<u>\$ 23,212</u>	<u>\$ 64,997</u>
Total Fiduciary Funds				
Assets:				
Cash and cash equivalents	\$ 593,485	\$ 887,753	\$ 453,026	\$ 1,028,212
Security deposits	900	-	-	900
Accounts receivable	1,676	318,976	314,295	6,357
Total assets	<u>\$ 596,061</u>	<u>\$ 1,206,729</u>	<u>\$ 767,321</u>	<u>\$ 1,035,469</u>
Liabilities:				
Accounts payable	\$ 4,020	\$ 88,680	\$ 90,446	\$ 2,254
Accrued liabilities	2,655	128,638	131,293	-
Amounts held for others	589,386	677,277	233,448	1,033,215
Total liabilities	<u>\$ 596,061</u>	<u>\$ 894,595</u>	<u>\$ 455,187</u>	<u>\$ 1,035,469</u>

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DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

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

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

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

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

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

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

COUNTY OF BEDFORD, VIRGINIA

**Discretely Presented Component Unit – Bedford County School Board
Combining Balance Sheet
Year Ended June 30, 2015**

	<u>Special Revenue Funds</u>			<u>Capital</u>	<u>Total</u>
	<u>Operating</u>	<u>Nutrition</u>	<u>Textbooks</u>	<u>Projects</u>	<u>Governmental</u>
					<u>Funds</u>
ASSETS					
Cash and cash equivalents	\$ 3,227,148	\$ 1,958,273	\$ 1,353,368	\$ 69,333	\$ 6,608,122
Receivables, net	4,108,803	10,370	-	-	4,119,173
Due from primary government	6,214,909	-	-	-	6,214,909
Due from other funds	19,130	-	-	-	19,130
Prepays	93,936	22,810	-	-	116,746
Inventories	-	96,300	-	-	96,300
Restricted cash and investments	6	-	-	-	6
Total assets	<u>\$ 13,663,932</u>	<u>\$ 2,087,753</u>	<u>\$ 1,353,368</u>	<u>\$ 69,333</u>	<u>\$ 17,174,386</u>
LIABILITIES					
Accounts payable and accrued expenses	\$ 580,287	\$ 96	\$ 34,864	\$ -	\$ 615,247
Accrued payroll and related liabilities	10,311,848	269,464	-	-	10,581,312
Due to other funds	-	19,130	-	-	19,130
Self insurance	1,284,627	-	-	-	1,284,627
Deferred revenue	886,518	-	-	-	886,518
Total liabilities	<u>13,063,280</u>	<u>288,690</u>	<u>34,864</u>	<u>-</u>	<u>13,386,834</u>
FUND BALANCES					
Fund balances:					
Nonspendable	93,936	119,110	-	-	213,046
Restricted	6	-	-	-	6
Committed	674,503	-	-	-	674,503
Assigned	444,679	1,679,953	1,318,504	69,333	3,512,469
Unassigned	(612,472)	-	-	-	(612,472)
Total fund balances	<u>600,652</u>	<u>1,799,063</u>	<u>1,318,504</u>	<u>69,333</u>	<u>3,787,552</u>
Total liabilities and fund balances	<u>\$ 13,663,932</u>	<u>\$ 2,087,753</u>	<u>\$ 1,353,368</u>	<u>\$ 69,333</u>	

COUNTY OF BEDFORD, VIRGINIA

Discretely Presented Component Unit – Bedford County School Board
Combining Balance Sheet
Year Ended June 30, 2015

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

Total Fund Balance, Governmental Funds		\$ 3,787,552
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		
Gross capital assets at historical cost	\$ 225,866,668	
Accumulated depreciation	<u>(132,021,784)</u>	93,844,884
Other long-term assets not available to pay for current period expenditures and therefore are deferred in the funds		1,672,479
Net pension asset		488,123
Contributions to the pension plan are deferred outflows of resources on the Statement of Net Position		7,080,349
Change in proportionate share – teacher cost sharing pool		2,923,000
Long-term liabilities do not require the use of current financial resources and are not reported as expenditures in governmental funds		
Accrued interest	(35,360)	
Capital leases	(2,205,927)	
Compensated absences	(1,707,263)	
Other post-employment benefits	(1,259,902)	
Net pension liability	<u>(80,535,000)</u>	(85,743,452)
Pension related deferrals		<u>(13,182,250)</u>
Net position of Governmental Activities		<u><u>\$ 10,870,685</u></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, 2015

	<u>Special Revenue Funds</u>				<u>Total Governmental Funds</u>
	<u>Operating</u>	<u>Nutrition</u>	<u>Textbooks</u>	<u>Capital Projects</u>	
REVENUES					
Revenue from use of money and property	\$ 36,492	\$ 7,761	\$ 1,702	\$ 10	\$ 45,965
Charges for services	973,632	1,850,198	-	-	2,823,830
Other	279,215	-	-	-	279,215
Intergovernmental:					
County of Bedford	29,494,824	-	-	51,101	29,545,925
Commonwealth of Virginia	54,916,324	60,807	650,704	-	55,627,835
Federal government	5,141,805	2,159,338	-	-	7,301,143
Total revenues	<u>90,842,292</u>	<u>4,078,104</u>	<u>652,406</u>	<u>51,111</u>	<u>95,623,913</u>
EXPENDITURES					
Current:					
Instructional	66,166,023	-	490,365	34,400	66,690,788
Administration, attendance, and health	3,641,117	-	-	-	3,641,117
Pupil transportation services	7,705,719	-	-	-	7,705,719
Operations and maintenance services	9,758,883	-	-	-	9,758,883
Nutrition services		4,032,834	-	-	4,032,834
Technology	4,171,657	-	-	-	4,171,657
Debt Service:					
Principal	789,271	-	-	-	789,271
Interest and other fiscal charges	45,372	-	-	-	45,372
Total expenditures	<u>92,278,042</u>	<u>4,032,834</u>	<u>490,365</u>	<u>34,400</u>	<u>96,835,641</u>
Excess (deficiency) of revenues over expenditures	<u>(1,435,750)</u>	<u>45,270</u>	<u>162,041</u>	<u>16,711</u>	<u>(1,211,728)</u>
OTHER FINANCING SOURCES					
Capital lease proceeds	1,271,888	-	-	-	1,271,888
Total other financing sources	<u>1,271,888</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,271,888</u>
Net change in fund balances	(163,862)	45,270	162,041	16,711	60,160
Fund balance, beginning	<u>764,514</u>	<u>1,753,793</u>	<u>1,156,463</u>	<u>52,622</u>	
Fund balance, ending	<u>\$ 600,652</u>	<u>\$ 1,799,063</u>	<u>\$ 1,318,504</u>	<u>\$ 69,333</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, 2015

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

Net changes in fund balances - total governmental funds	\$	60,160
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Governmental funds report capital outlays as expenditures. However, in the Statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlay expenditures that were capitalized	\$ 3,004,319	
Depreciation expense for governmental	<u>(5,398,200)</u>	(2,393,881)

The net effect of various transaction involving capital assets (sales, trade ins) is to decrease net position		(11,106)
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Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		7,080,349
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

New long-term debt issued	(1,271,888)	
Principal payments on long-term debt	789,271	
Decrease in accrued interest payable	<u>3,460</u>	(479,157)

Revenue in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds

Donated assets		39,945
Other revenues		(72,955)

Expenses in the statement of activities that do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(650)	
Other postemployment benefits	(114,293)	
Pension expense	<u>(7,073,051)</u>	<u>(7,187,994)</u>

Total changes in net position of governmental activities	\$	<u><u>(2,964,639)</u></u>
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COUNTY OF BEDFORD, VIRGINIA

**Discretely Presented Component Unit – Bedford County School Board
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Cash Basis
For the Year Ended June 30, 2015**

	Operating			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from use of money and property	\$ -	\$ -	\$ 36,492	\$ 36,492
Charges for services	715,000	715,000	883,662	168,662
Other	178,000	178,000	273,434	95,434
Intergovernmental:				
County of Bedford	38,041,103	38,244,799	37,747,767	(497,032)
Commonwealth of Virginia	54,451,777	54,540,562	54,581,740	41,178
Federal government	4,739,410	4,968,913	4,940,749	(28,164)
Total revenues	98,125,290	98,647,274	98,463,844	(183,430)
EXPENDITURES				
Current:				
Instructional	66,790,626	67,020,129	67,017,116	3,013
Administration, attendance, and health	3,756,131	3,756,131	3,679,451	76,680
Pupil transportation services	7,673,031	7,373,031	7,334,083	38,948
Operations and maintenance services	8,939,248	10,441,859	9,988,122	453,737
Nutrition services	-	-	-	-
Technology	4,250,650	4,250,650	4,197,185	53,465
Debt service	6,715,604	6,715,604	6,706,323	9,281
Total expenditures	98,125,290	99,557,404	98,922,280	635,124
Excess (deficiency) of revenues over expenditures	-	(910,130)	(458,436)	451,694
Net change in fund balances	\$ -	\$ (910,130)	\$ (458,436)	\$ 451,694

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Nutrition				Textbooks			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final			Original	Final		
\$ 7,000	\$ 7,000	\$ 7,761	\$ 761	\$ -	\$ -	\$ 1,702	\$ 1,702
2,140,233	2,140,233	1,851,485	(288,748)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
62,529	62,529	50,437	(12,092)	651,785	651,785	650,704	(1,081)
2,197,068	2,197,068	2,159,338	(37,730)	-	-	-	-
4,406,830	4,406,830	4,069,021	(337,809)	651,785	651,785	652,406	621
-	-	-	-	651,785	1,838,183	485,436	1,352,747
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
4,406,830	4,406,830	4,059,862	346,968	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
4,406,830	4,406,830	4,059,862	346,968	651,785	1,838,183	485,436	1,352,747
-	-	9,159	9,159	-	(1,186,398)	166,970	1,353,368
\$ -	\$ -	\$ 9,159	\$ 9,159	\$ -	\$ (1,186,398)	\$ 166,970	\$ 1,353,368

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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, 2015**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 41,468,232	\$ 41,468,232	\$ 42,475,749	\$ 1,007,517
Real and personal public service corporation property taxes	1,355,000	1,355,000	1,456,828	101,828
Personal property taxes (local remittance)	11,700,000	11,700,000	12,483,417	783,417
Machinery and tools taxes	2,780,000	2,780,000	2,848,692	68,692
Merchant's capital taxes	-	-	86	86
Mobile home taxes	136,000	136,000	137,737	1,737
Penalties and interest	700,000	700,000	824,101	124,101
Total general property taxes	58,139,232	58,139,232	60,226,610	2,087,378
Other local taxes:				
Local sales and use taxes	4,670,210	4,670,210	5,204,341	534,131
Consumer utility taxes	1,178,400	1,178,400	1,245,847	67,447
Utility license tax	80,000	80,000	87,340	7,340
Bank stock taxes	220,000	220,000	268,221	48,221
Taxes on recordations and wills	945,000	945,000	1,038,204	93,204
Transient occupancy tax	370,000	370,000	429,664	59,664
Meals tax	1,350,000	1,350,000	1,408,193	58,193
Communications sales tax	1,900,000	1,900,000	1,920,744	20,744
Total other local taxes	10,713,610	10,713,610	11,602,554	888,944
Permits, privilege fees, and regulatory licenses:				
Animal licenses	50,000	50,000	50,195	195
Building permits	300,000	300,000	309,946	9,946
Other permits and licenses	26,300	26,300	21,688	(4,612)
Planning permits and fees	110,000	110,000	158,297	48,297
Total permits, privilege fees, and regulatory license:	486,300	486,300	540,126	53,826
Fines and forfeitures	140,000	140,000	122,924	(17,076)
Revenue from use of money and property:				
Revenue from use of money	150,060	150,180	150,289	109
Revenue from use of property	144,055	144,055	124,671	(19,384)
Total revenue from use of money and property	294,115	294,235	274,960	(19,275)

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, 2015**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Charges for services:				
Court costs	\$ 181,304	\$ 181,304	\$ 144,935	\$ (36,369)
Commonwealth attorney	4,000	4,000	4,176	176
Law enforcement and traffic control	96,000	104,534	105,709	1,175
County attorney	-	-	8,102	8,102
Welfare and social services	18,400	18,400	6,702	(11,698)
Comprehensive services	90,200	90,200	53,040	(37,160)
Recreation fees	-	-	10,806	10,806
EMS cost recoveries	1,560,000	1,560,000	1,514,378	(45,622)
Other	5,000	5,000	6,208	1,208
Total charges for services	1,954,904	1,963,438	1,854,056	(109,382)
Miscellaneous	280,348	336,020	549,675	213,655
Recovered costs:				
City of Bedford – shared services	74,000	74,000	59,632	(14,368)
Bedford Public Library	35,000	35,000	35,000	-
Tri-County Lake Administrative Commission	10,000	10,000	10,000	-
Central Garage	125,000	125,000	148,198	23,198
Prisoner Extradition	-	-	1,223	1,223
Nursing Home	200,000	200,000	238,328	38,328
Other	-	11,412	11,412	-
Total recovered costs	444,000	455,412	503,793	48,381
Total revenue from local sources	72,452,509	72,528,247	75,674,698	3,146,451
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Personal property taxes (state remittance)	6,086,051	6,086,051	6,086,051	-
Rental taxes	10,000	10,000	9,983	(17)
Mobile home titling taxes	65,000	65,000	103,690	38,690
Recordation taxes	260,000	260,000	269,671	9,671
Railroad rolling stock taxes	160,000	160,000	177,967	17,967
Reduction in state aid to localities	-	(105,294)	(105,924)	(630)
Total non-categorical aid	6,581,051	6,475,757	6,541,438	65,681
Categorical aid:				
Shared expenses:				
Commonwealth's Attorney	562,442	562,442	566,233	3,791
Sheriff	2,296,068	2,296,068	2,292,430	(3,638)
Commissioner of the Revenue	242,090	242,090	235,977	(6,113)
Treasurer	219,727	219,727	217,754	(1,973)
Registrar and Electoral board	45,439	45,439	46,007	568
Clerk of the Circuit Court	398,896	398,896	440,370	41,474
Communications	138,745	138,745	138,798	53
Total shared expenses	3,903,407	3,903,407	3,937,569	34,162

(Continued)

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, 2015**

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Other:				
Social services	\$ 2,273,661	\$ 2,293,661	\$ 1,992,917	\$ (300,744)
Comprehensive services	1,095,909	1,095,909	1,015,707	(80,202)
Forfeited asset seizure proceeds	-	12,642	12,642	-
State internet crimes	-	1,505,690	1,119,349	(386,341)
EMS Four for Life	30,000	30,000	78,924	48,924
Fire funds	80,000	80,000	250,185	170,185
Public safety grants	-	80,537	69,671	(10,866)
Victim witness coordinator	32,552	16,764	20,711	3,947
Domestic violence grants	128,212	194,907	171,203	(23,704)
VJCCCA	70,751	70,751	70,751	-
Wireless E-911 grant	87,500	87,500	90,446	2,946
PSAP grants	-	2,000	1,026	(974)
VA Commission of Arts	5,000	5,000	-	(5,000)
Juror and witness reimbursement	23,000	23,000	29,820	6,820
VDOT Revenue Sharing	-	20,443	20,443	-
Other	30,588	53,473	115,679	62,206
Total other categorical aid	3,857,173	5,572,277	5,059,474	(512,803)
Total categorical aid	7,760,580	9,475,684	8,997,043	(478,641)
Total revenue from the Commonwealth	14,341,631	15,951,441	15,538,481	(412,960)
Revenue from the federal government:				
Payments in lieu of taxes	-	-	49,477	49,477
Categorical aid:				
Social services	2,490,637	2,510,637	2,978,473	467,836
Sheriff – DMV grants	-	32,458	27,087	(5,371)
Justice assistance grants	-	15,451	14,050	(1,401)
Federal Agency overtime reimbursement	-	41,077	33,970	(7,107)
Internet crimes grant	-	761,810	297,602	(464,208)
Bulletproof vest grant	-	11,394	3,529	(7,865)
Other law enforcement grants	-	48,477	69,759	21,282
Victim witness coordinator	32,552	50,293	45,858	(4,435)
Domestic violence grants	7,068	14,819	12,602	(2,217)
Other	67,382	67,382	109,373	41,991
Total categorical aid	2,597,639	3,553,798	3,592,303	38,505
Total revenue from the federal government	2,597,639	3,553,798	3,641,780	87,982
Total intergovernmental revenues	16,939,270	19,505,239	19,180,261	(324,978)
Total general fund	\$ 89,391,779	\$ 92,033,486	\$ 94,854,959	\$ 2,821,473

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, 2015**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Expenditures				
General government administration:				
Legislative:				
Board of Supervisors	\$ 145,658	\$ 145,658	\$ 139,691	\$ 5,967
General and financial administration:				
County administration	460,637	462,137	351,406	110,731
County attorney	267,965	267,965	224,943	43,022
Independent auditor	62,000	62,000	57,803	4,197
Commissioner of the Revenue	580,721	580,721	541,105	39,616
Assessor	1,062,485	662,485	593,617	68,868
Treasurer	629,590	629,590	614,605	14,985
Fiscal management	507,132	507,132	471,153	35,979
Information technology	558,948	631,783	516,754	115,029
Management services	224,088	224,088	181,045	43,043
Electoral board	124,216	130,216	74,422	55,794
Registrar	170,813	171,699	153,088	18,611
Total general and financial administration	4,648,595	4,329,816	3,779,941	549,875
Total general government administration	4,794,253	4,475,474	3,919,632	555,842
Judicial administration:				
Courts:				
Circuit Court	84,905	84,905	82,191	2,714
District Court	21,305	21,305	10,328	10,977
Magistrates	2,605	2,605	2,312	293
Juvenile and Domestic Relations District Court	15,475	15,475	13,283	2,192
Clerk of the Circuit Court	915,928	915,928	881,438	34,490
Circuit Court Records Preservation	-	11,291	11,291	-
Victim Witness Coordinator	123,122	123,122	119,251	3,871
Law Library	13,889	13,889	9,166	4,723
Other court services	11,234	11,234	11,234	-
Total courts	1,188,463	1,199,754	1,140,494	59,260
Commonwealth's Attorney	883,740	927,104	886,938	40,166
Total judicial administration	2,072,203	2,126,858	2,027,432	99,426
Public safety:				
Law enforcement and traffic control:				
Sheriff	5,991,668	6,108,618	5,940,301	168,317
Internet Crimes Grant	181,560	2,539,083	1,796,170	742,913
Law enforcement grants	-	119,174	100,280	18,894
Total law enforcement and traffic control	6,173,228	8,766,875	7,836,751	930,124
Fire and rescue services:				
Volunteer fire companies	1,229,550	1,364,442	1,248,587	115,855
Volunteer rescue squads	1,112,423	1,157,167	1,107,432	49,735
Other fire and rescue services	99,922	99,922	63,608	36,314
Total fire and rescue services	2,441,895	2,621,531	2,419,627	201,904

(Continued)

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, 2015**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Correction and detention:				
Blue Ridge Regional Jail	\$ 1,750,000	\$ 1,750,000	\$ 1,601,229	\$ 148,771
VJCCCA	181,665	220,351	220,351	-
Juvenile secure detention	450,000	411,314	259,675	151,639
Total correction and detention	2,381,665	2,381,665	2,081,255	300,410
Building Inspections	457,305	457,305	380,868	76,437
Other protection:				
Animal shelter	196,605	196,605	168,717	27,888
Animal control	245,109	245,109	222,340	22,769
Emergency services	2,280,378	2,280,378	2,186,404	93,974
Communications center	2,496,674	2,488,477	2,365,522	122,955
Communications grants		42,983	41,995	988
Transportation Safety Committee	721	721	29	692
Total other protection	5,219,487	5,254,273	4,985,007	269,266
Total public safety	16,673,580	19,481,649	17,703,508	1,778,141
Public works:				
Sanitation and waste removal:				
Refuse collection	2,868,773	2,868,773	2,733,962	134,811
Total sanitation and waste removal	2,868,773	2,868,773	2,733,962	134,811
Maintenance – buildings and grounds:				
Housekeeping	370,248	370,248	362,049	8,199
General properties	911,714	911,714	744,052	167,662
Central garage	307,258	307,258	274,866	32,392
Total maintenance – buildings and grounds	1,589,220	1,589,220	1,380,967	208,253
Total public works	4,457,993	4,457,993	4,114,929	343,064
Health and welfare:				
Health:				
Supplement to local health department	498,509	498,509	488,509	10,000
Welfare:				
Social services	7,485,252	7,528,977	7,146,261	382,716
Comprehensive services	1,794,000	1,794,000	1,642,208	151,792
Domestic violence	290,626	332,882	329,834	3,048
Other health and welfare	209,711	209,711	209,394	317
Total welfare	9,779,589	9,865,570	9,327,697	537,873
Total health and welfare	10,278,098	10,364,079	9,816,206	547,873
Education:				
Community college	1,900	1,900	1,882	18

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, 2015**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Parks, recreation, and cultural:				
Recreation department	\$ 1,297,280	\$ 1,364,348	\$ 1,213,460	\$ 150,888
Cultural enrichment	127,700	132,700	108,450	24,250
Contribution to Regional Library	1,518,987	1,517,987	1,517,987	-
Total parks, recreation, and cultural	2,943,967	3,015,035	2,839,897	175,138
Community development:				
Planning and community development:				
Planning commission	69,570	69,570	53,929	15,641
Community development	775,585	775,585	709,270	66,315
Community development grants	-	22,000	18,050	3,950
GIS	229,055	229,055	209,153	19,902
Board of appeals	5,288	5,288	2,254	3,034
Economic development	499,736	499,736	451,791	47,945
Joint City/County Economic development	750,000	750,000	750,000	-
Broadband Authority	-	75,000	1,366	73,634
Chamber of Commerce	4,750	4,750	4,750	-
Tourism	478,251	478,251	415,537	62,714
Total planning and community development	2,812,235	2,909,235	2,616,100	293,135
Environmental management:				
Natural Resources	158,597	159,797	142,328	17,469
Storm Water Management	13,000	76,260	1,067	75,193
Soil and Water Conservation District	14,250	14,250	14,250	-
Tri-County Lake Administrative Commission	98,830	98,830	98,829	1
Total environmental management	284,677	349,137	256,474	92,663
Cooperative Extension Program:				
VPI & SU Extension Office	68,750	68,750	68,592	158
Cannery	35,739	35,739	30,601	5,138
Total cooperative extension program	104,489	104,489	99,193	5,296
Total community development	3,201,401	3,362,861	2,971,767	391,094
Debt Service:				
Principal retirement	1,773,846	1,773,846	1,773,846	-
Interest and other fiscal charges	253,809	253,809	252,317	1,492
Total debt service	2,027,655	2,027,655	2,026,163	1,492

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, 2015**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Capital projects:				
General governmental	663,809	663,809	3,600	660,209
Judicial administration	131,372	131,372	41,145	90,227
Public safety	3,323,366	3,984,304	2,536,376	1,447,928
Public works	1,856,164	2,137,362	436,309	1,701,053
Education	1,086,182	1,086,182	51,101	1,035,081
Parks, recreation, and cultural	431,003	430,231	60,474	369,757
Community and economic development	4,975,479	4,975,479	4,583,349	392,130
Total capital projects	<u>12,467,375</u>	<u>13,408,739</u>	<u>7,712,354</u>	<u>5,696,385</u>
Total expenditures	<u>58,918,425</u>	<u>62,722,243</u>	<u>53,133,770</u>	<u>9,588,473</u>
Excess of Revenues over Expenditures	<u>30,473,354</u>	<u>29,311,243</u>	<u>41,721,189</u>	<u>12,409,946</u>
Other Financing Sources (Uses):				
Transfers from:				
Component units	<u>(38,041,103)</u>	<u>(38,244,799)</u>	<u>(37,747,767)</u>	<u>497,032</u>
Total other financing sources and uses	<u>(38,041,103)</u>	<u>(38,244,799)</u>	<u>(37,747,767)</u>	<u>497,032</u>
Net change in fund balance	<u>\$ (7,567,749)</u>	<u>\$ (8,933,556)</u>	<u>\$ 3,973,422</u>	<u>\$ 12,906,978</u>

COUNTY OF BEDFORD, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

<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	\$ 612,493
<u>Department of the Agriculture and Consumer Services:</u>		
Child Nutrition Cluster – National School Lunch Program (Commodities)	10.555	296,755
Child Nutrition Cluster – Summer Food Service Program for Children	10.559	1,218
<u>Department of Education:</u>		
Child Nutrition Cluster – National School Breakfast Program	10.553	543,093
Child Nutrition Cluster – National School Lunch Program	10.555	1,616,245
Schools and Roads – Grants to States	10.665	15,256
<u>Department Of Justice:</u>		
<u>Direct Payments:</u>		
Missing Children's Task Force	16.543	287,441
Federal Surplus Property Transfer Program	16.578	10,004
Bulletproof Vest Partnership Program	16.607	4,636
Public Safety Partnership and Community Policing Grants	16.710	48,477
JAG Program Cluster – Edward Byrne Memorial Justice Assistance Grant	16.738	13,119
<u>Pass-Through Payments:</u>		
<u>Department of Criminal Justice Services:</u>		
Crime Victim Assistance	16.575	50,293
Violence Against Women Formula Grants	16.588	12,693
<u>Pass-Through Payments:</u>		
<u>Department of Social Services:</u>		
Crime Victim Assistance	16.575	49,545
<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	8,191
Alcohol Open Container Requirements	20.607	21,775
<u>Department of Education:</u>		
Twenty-First Century Community Learning Centers	84.287	935,979
<u>Pass-through Payments:</u>		
<u>Department of Education:</u>		
Title I, Part A Cluster – Title I: Grants to Local Educational Agencies	84.010	1,341,626
Special Education Cluster – Special Education – Grants to States	84.027	2,436,916
Vocational Education – Basic Grants to States	84.048	165,469
Special Education Cluster – Special Education – Preschool Grants	84.173	53,254

COUNTY OF BEDFORD, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

<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	\$ 9,210
No Child Left Behind Act Improving Teacher Quality State Grants	84.367	304,562
<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	29,614
TANF Block Grant	93.558	449,730
Refugee and Entrant Assistance – State Administered Program	93.566	1,443
Low Income Home Energy Assistance	93.568	29,467
CCDF Cluster – Payments to States for Child Care Assistance	93.575	(8,793)
CCDF Cluster – Child Care Development Fund	93.596	54,984
Chafee Education & Training Vouchers Program	93.599	1,294
Child Welfare Services – State Grants	93.645	2,693
Foster Care – Title IV-E	93.658	426,323
Adoption Assistance	93.659	576,409
Social Service Block Grant	93.667	295,854
Family Violence Prevention and Services/Grants for Battered Women’s Shelters	93.671	42,777
Independent Living	93.674	9,744
Virginia Children’s Medical Insurance Plan	93.767	21,304
Medical Assistance Program (Medicaid; Title XIX)	93.778	714,330
<u>Department of Homeland Security:</u>		
<u>Pass-through Payments:</u>		
<u>Department of Emergency Management Services:</u>		
Emergency Management Performance Grants	97.042	13,305
Assistance to Firefighters Grant	97.044	345,959
Total Expenditures of Federal Awards		<u>\$ 12,123,839</u>

Note 1. Basis of Accounting

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

Note 2. Nonmonetary Assistance

Nonmonetary assistance is reported in the Schedule of Expenditures of Federal Awards at the fair market value of the food commodities or food stamps disbursed. At June 30, 2015, the County had food commodities totaling \$202 in inventory. The Bedford County School Board had food commodities totaling \$296,755 in inventory at June 30, 2015.

STATISTICAL SECTION

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

Contents

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

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

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

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

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

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

Table 1

COUNTY OF BEDFORD, VIRGINIA

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Net investment in capital assets	\$ 16,915,012	\$ 19,769,906	\$ 21,352,975	\$ 21,945,190	\$ 22,587,976	\$ 23,428,803	\$ 23,524,890	\$ 24,869,124	\$ 26,704,166	\$ 28,334,835
Restricted	989,905	7,516	5,342	57	20	3	648,562	127,265	18,033	1,079
Unrestricted	(17,629,741)	(30,928,461)	(39,372,692)	(38,605,383)	(29,263,886)	(20,875,025)	(12,143,308)	(15,860,897)	(13,795,499)	(6,360,819)
Total governmental activities net position	\$ 275,176	\$ (11,151,039)	\$ (18,014,375)	\$ (16,660,136)	\$ (6,675,890)	\$ 2,553,781	\$ 12,030,144	\$ 9,135,492	\$ 12,926,700	\$ 21,975,095
Business-type activities										
Net investment in capital assets	\$ 12,580,147	\$ 11,467,746	\$ 11,329,513	\$ 16,346,809	\$ 16,206,826	\$ 15,617,382	\$ 14,816,621	\$ 13,012,464	\$ 12,464,508	\$ 11,690,734
Restricted	-	-	-	48	19	4	3	-	-	-
Unrestricted	4,726,144	5,282,464	5,762,678	2,148,113	2,557,009	3,152,150	2,792,561	3,078,850	2,819,835	3,656,443
Total business-type activities net position	\$ 17,306,291	\$ 16,750,210	\$ 17,092,191	\$ 18,494,970	\$ 18,763,854	\$ 18,769,536	\$ 17,609,185	\$ 16,091,314	\$ 15,284,343	\$ 15,347,177
Primary government										
Net investment in capital assets	\$ 29,495,159	\$ 31,237,652	\$ 32,682,488	\$ 38,291,999	\$ 38,794,802	\$ 39,046,185	\$ 38,341,511	\$ 37,881,588	\$ 39,168,674	\$ 40,025,569
Restricted	989,905	7,516	5,342	105	39	7	648,565	127,265	18,033	1,079
Unrestricted	(12,903,597)	(25,645,997)	(33,610,014)	(36,457,270)	(26,706,877)	(17,722,875)	(9,350,747)	(12,782,047)	(10,975,664)	(2,704,376)
Total primary government net position	\$ 17,581,467	\$ 5,599,171	\$ (922,184)	\$ 1,834,834	\$ 12,087,964	\$ 21,323,317	\$ 29,639,329	\$ 25,226,806	\$ 28,211,043	\$ 37,322,272
Component Unit-School Board (1)										
Net investment in capital assets	\$ 69,230,835	\$ 86,529,453	\$ 103,265,540	\$ 105,979,076	\$ 103,254,031	\$ 101,059,369	\$ 97,278,860	\$ 96,063,553	\$ 94,486,617	\$ 91,638,957
Restricted	-	3,069	2,176	331	20	4	763,216	4	6	6
Unrestricted	3,310,400	4,156,055	3,268,571	4,923,623	5,407,005	5,346,181	3,962,736	3,915,714	3,727,386	(80,768,278)
Total component unit-School Board net position	\$ 72,541,235	\$ 90,688,577	\$ 106,536,287	\$ 110,903,030	\$ 108,661,056	\$ 106,405,554	\$ 102,004,812	\$ 99,979,271	\$ 98,214,009	\$ 10,870,685

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

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

Table 2

COUNTY OF BEDFORD, VIRGINIA

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Primary Government:										
Expenses										
Governmental activities:										
General government	\$ 2,924,255	\$ 3,824,050	\$ 3,380,053	\$ 3,571,372	\$ 3,735,551	\$ 4,084,722	\$ 3,623,380	\$ 3,691,404	\$ 4,032,123	\$ 3,903,841
Judicial administration	1,947,871	2,056,926	2,284,198	2,537,675	2,365,312	2,323,836	2,236,346	2,328,645	2,434,093	2,339,469
Public safety	11,626,173	12,666,867	13,833,606	14,777,921	14,860,554	14,908,199	16,052,649	17,641,751	19,756,848	18,263,579
Public works	5,453,172	5,370,581	5,502,498	4,712,842	4,665,741	4,085,930	3,966,475	4,688,457	4,963,878	4,569,759
Health and welfare	11,638,152	12,074,123	13,059,878	10,911,164	10,445,685	10,441,003	9,782,800	9,706,770	9,868,303	9,929,076
Education	29,242,511	47,347,095	47,741,253	37,412,680	27,959,531	28,843,332	27,870,369	40,154,179	34,743,918	29,271,434
Parks, recreational, and cultural	2,571,247	2,700,063	3,236,708	3,071,792	3,011,340	2,870,815	2,763,383	2,838,982	3,312,492	3,116,385
Community development	6,720,905	6,773,411	6,204,133	5,393,145	5,032,293	5,255,719	5,220,060	5,703,012	6,341,152	7,308,128
Interest on long-term debt	3,039,416	4,506,633	4,577,074	4,780,219	4,002,134	3,849,961	3,473,234	3,674,625	2,709,301	2,484,060
Total governmental activities expenses	75,163,702	97,319,749	99,819,401	87,168,810	76,078,141	76,663,517	74,988,696	90,427,825	88,162,108	81,185,731
Business-type activities:										
Group homes	-	-	-	2,025,932	1,929,560	1,993,131	2,023,174	1,452,772	-	-
Nursing home	2,427,190	3,604,364	4,342,769	5,059,249	5,082,479	5,538,976	5,383,423	5,226,464	5,491,294	5,279,264
Solid waste	2,278,683	2,486,645	2,806,450	1,663,395	2,325,292	2,279,669	3,208,084	3,700,318	3,456,334	3,127,530
Total business-type activities expenses	4,705,873	6,091,009	7,149,219	8,748,576	9,337,331	9,811,776	10,614,681	10,379,554	8,947,628	8,406,794
Total primary government expenses	\$ 79,869,575	\$ 103,410,758	\$ 106,968,620	\$ 95,917,386	\$ 85,415,472	\$ 86,475,293	\$ 85,603,377	\$ 100,807,379	\$ 97,109,736	\$ 89,592,525
Program Revenues										
Governmental activities:										
Charges for services:										
Public safety	\$ 1,288,243	\$ 1,265,036	\$ 2,163,510	\$ 2,443,376	\$ 2,262,367	\$ 2,339,436	\$ 2,287,544	\$ 2,780,427	\$ 2,229,697	\$ 2,237,790
Health and welfare	2,237,056	2,274,424	2,921,589	1,058,391	1,044,637	814,513	822,149	846,663	324,979	119,175
Community development	647,038	571,151	535,270	438,539	394,042	326,217	262,608	190,748	243,713	247,451
Other activities	973,939	1,063,298	963,336	1,028,522	926,581	908,164	794,555	854,456	605,163	747,100
Operating grants and contributions	11,669,652	11,728,169	13,585,678	12,833,423	12,213,856	11,616,928	10,956,576	11,475,946	12,958,689	12,680,711
Capital grants and contributions	362,228	583,838	1,377,486	333,475	125,180	572,784	53,965	218,081	278,842	104,082
Total governmental activities program revenues	17,178,156	17,485,916	21,546,869	18,135,726	16,966,663	16,578,042	15,177,397	16,366,321	16,641,083	16,136,309
Business-type activities:										
Charges for services:										
Group Homes	-	-	-	2,323,904	1,959,366	2,049,762	1,765,617	1,067,380	-	-
Nursing Home	2,496,310	2,730,766	4,487,317	5,013,390	5,280,011	5,223,478	5,130,089	5,543,359	5,645,133	6,737,547
Solid Waste	2,673,304	2,603,368	2,145,939	1,959,824	1,940,554	1,966,176	1,995,213	1,973,378	2,084,227	2,330,680
Operating grants and contributions	104,642	235,702	360,639	324,405	401,302	540,807	538,281	397,699	397,947	351,149
Capital grants and contributions	3,086	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	5,277,342	5,569,836	6,993,895	9,621,523	9,581,233	9,780,223	9,429,200	8,981,816	8,127,307	9,419,376
Total primary government program revenues	22,455,498	23,055,752	28,540,764	27,757,249	26,547,896	26,358,265	24,606,597	25,348,137	24,768,390	25,555,685
Net (expense) revenue (1)										
Governmental activities	(57,985,546)	(79,833,833)	(78,272,532)	(69,033,084)	(59,111,478)	(60,085,475)	(59,811,299)	(74,061,504)	(71,521,025)	(65,049,422)
Business-type activities	571,469	(521,173)	(155,324)	872,947	243,902	(31,553)	(1,185,481)	(1,397,738)	(820,321)	1,012,582
Total primary government net expense	(57,414,077)	(80,355,006)	(78,427,856)	(68,160,137)	(58,867,576)	(60,117,028)	(60,996,780)	(75,459,242)	(72,341,346)	(64,036,840)

(Continued)

Table 2

COUNTY OF BEDFORD, VIRGINIA

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 41,735,306	\$ 45,592,782	\$ 50,206,992	\$ 53,448,639	\$ 52,390,092	\$ 52,096,954	\$ 51,879,533	\$ 52,749,509	\$ 56,345,681	\$ 59,963,137
Other local taxes	11,243,214	11,481,043	12,420,350	9,932,722	10,026,312	10,271,067	10,215,999	10,435,809	10,955,993	11,657,187
Noncategorical state aid	6,577,321	6,972,228	6,745,218	6,537,665	6,271,093	6,337,356	6,598,813	6,611,332	6,685,461	6,595,703
Investment earnings-unrestricted	1,159,965	1,419,147	1,134,312	507,834	174,192	292,420	248,974	246,068	241,059	150,908
Investment earnings-restricted for capital projects and debt service	-	1,925,215	738,678	187,973	6,818	3,023	7,070	14,986	1,925	1,233
Miscellaneous	229,752	378,575	162,905	107,511	227,217	314,326	337,273	946,856	229,025	205,121
Transfers	500,000	638,628	741	(335,021)	-	-	-	162,292	35,205	2,867
Special Item - contribution of capital assets	-	-	-	-	-	-	-	-	817,884	-
Total governmental activities	61,445,558	68,407,618	71,409,196	70,387,323	69,095,724	69,315,146	69,287,662	71,166,852	75,312,233	78,576,156
Business-type activities:										
Investment earnings-unrestricted and restricted	569,332	603,720	498,046	190,527	25,056	23,637	21,315	38,382	42,071	15,811
Miscellaneous	-	-	-	4,284	26	13,498	13	3,777	6,484	-
Transfers	(500,000)	(638,628)	(741)	335,021	-	-	3,802	(162,292)	(35,205)	(2,867)
Total business-type activities	69,332	(34,908)	497,305	529,832	25,082	37,135	25,130	(120,133)	13,350	12,944
Total primary government	\$ 61,514,890	\$ 68,372,710	\$ 71,906,501	\$ 70,917,155	\$ 69,120,806	\$ 69,352,281	\$ 69,312,792	\$ 71,046,719	\$ 75,325,583	\$ 78,589,100
Change in Net Position										
Governmental activities	\$ 3,460,012	\$ (11,426,215)	\$ (6,863,336)	\$ 1,354,239	\$ 9,984,246	\$ 9,229,671	\$ 9,476,363	\$ (2,894,652)	\$ 3,791,208	\$ 13,526,734
Business-type activities	640,801	(556,081)	341,981	1,402,779	268,984	5,582	(1,160,351)	(1,517,871)	(806,971)	1,025,526
Total Primary Government	\$ 4,100,813	\$ (11,982,296)	\$ (6,521,355)	\$ 2,757,018	\$ 10,253,230	\$ 9,235,253	\$ 8,316,012	\$ (4,412,523)	\$ 2,984,237	\$ 14,552,260
Component Unit-School Board: (2)										
Expenses										
Education	\$ 88,838,635	\$ 95,021,813	\$ 99,029,507	\$ 103,365,329	\$ 98,735,253	\$ 92,148,786	\$ 93,926,813	\$ 102,516,696	\$ 101,586,480	\$ 98,554,187
Program Revenues										
Charges for services	8,414,045	8,888,476	8,883,190	9,137,849	9,603,258	6,386,146	7,848,217	8,405,921	2,518,530	2,859,682
Operating grants and contributions	17,788,003	19,418,681	21,392,617	20,330,558	23,965,199	20,959,960	20,643,938	19,374,378	22,127,815	22,640,803
Capital grants and contributions	71,016	15,128	500,990	10,000	-	-	-	-	-	-
Total component unit program revenues	26,273,064	28,322,285	30,776,797	29,478,407	33,568,457	27,346,106	28,492,155	27,780,299	24,646,345	25,500,485
Net (expense)/revenue	(62,565,571)	(66,699,528)	(68,252,710)	(73,886,922)	(65,166,796)	(64,802,680)	(65,434,658)	(74,736,397)	(76,940,135)	(73,053,702)
General Revenues and Other Changes in Net Position										
Contribution from primary government	29,213,615	47,318,197	47,739,518	37,410,945	27,911,539	28,791,675	27,868,624	40,152,454	34,718,131	29,269,553
State aid	32,487,146	36,864,684	36,088,770	40,803,551	34,945,640	33,698,695	32,987,401	32,282,549	38,663,168	40,709,409
Investment earnings-unrestricted	-	-	5	-	-	2,427	-	-	-	-
Investment earnings-restricted for capital projects and debt service	-	-	6,983	1,466	141	62	37	1,101	968	651
Miscellaneous	152,930	663,989	265,144	37,703	67,502	54,319	177,854	274,752	471,503	109,450
Special Item - contribution of capital assets	-	-	-	-	-	-	-	-	1,321,103	-
Total general revenues and other changes in net assets	61,853,691	84,846,870	84,100,420	78,253,665	62,924,822	62,547,178	61,033,916	72,710,856	75,174,873	70,089,063
Total Component Unit-School Board Change in Net Position	\$ (711,880)	\$ 18,147,342	\$ 15,847,710	\$ 4,366,743	\$ (2,241,974)	\$ (2,255,502)	\$ (4,400,742)	\$ (2,025,541)	\$ (1,765,262)	\$ (2,964,639)

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

Table 3

COUNTY OF BEDFORD, VIRGINIA

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental Funds										
General Fund										
Nonspendable	\$ 513,288	\$ 527,075	\$ 527,941	\$ 535,613	\$ 572,710	\$ 591,378	\$ 609,118	\$ 617,553	\$ 617,465	\$ 234,600
Restricted	41,569,441	21,033,575	9,748,039	2,753,499	248,090	246,949	8,064,388	770,552	305,038	66,179
Committed	5,962,792	3,523,951	3,589,869	5,333,247	5,845,833	4,471,108	4,847,144	7,710,886	9,999,808	6,366,387
Assigned	18,266,861	20,369,879	20,450,272	21,095,931	22,045,371	21,344,121	26,773,987	22,154,070	22,687,070	25,789,032
Unassigned	447,950	1,945,297	5,029,081	7,078,298	11,780,390	18,035,007	16,186,173	18,055,021	13,274,315	19,916,759
Total governmental funds	\$ 66,760,332	\$ 47,399,777	\$ 39,345,202	\$ 36,796,588	\$ 40,492,394	\$ 44,688,563	\$ 56,480,810	\$ 49,308,082	\$ 46,883,696	\$ 52,372,957

Table 4

COUNTY OF BEDFORD, VIRGINIA

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
General property taxes	\$ 41,752,060	\$ 46,534,525	\$ 50,435,680	\$ 53,224,141	\$ 51,970,906	\$ 51,542,750	\$ 51,962,404	\$ 52,987,699	\$ 56,556,779	\$ 60,043,733
Other local taxes	11,233,025	11,538,775	12,429,090	9,931,350	10,023,749	10,212,720	10,224,275	10,491,533	10,943,326	11,647,448
Permits, privilege fees, and regulatory licenses	966,639	911,748	752,110	502,972	469,212	520,504	403,614	491,867	535,127	540,118
Fines and forfeitures	165,256	156,098	125,643	149,258	206,289	175,543	155,453	159,438	144,501	122,821
Revenue from use of money and property	1,252,371	3,455,870	1,983,920	783,989	227,479	323,446	286,553	296,329	279,244	275,960
Charges for services	1,708,253	2,019,517	3,297,142	1,945,017	1,736,611	1,612,856	1,651,322	2,038,596	1,825,779	1,840,840
Other	439,845	815,087	975,822	504,790	586,216	836,223	551,202	881,022	615,778	541,357
Recovered costs	1,886,865	1,756,255	1,893,579	2,091,841	1,858,219	1,785,592	1,709,688	1,759,014	520,202	503,792
Intergovernmental	18,226,520	19,305,784	20,221,553	20,549,462	18,633,912	18,508,921	17,662,423	18,393,111	19,765,553	19,565,405
Total revenues	77,630,834	86,493,659	92,114,539	89,682,820	85,712,593	85,518,555	84,606,934	87,498,609	91,186,289	95,081,474
Expenditures										
General government administration	2,723,253	3,692,154	3,012,437	3,167,848	3,368,948	3,804,248	3,380,525	3,501,138	3,815,479	3,790,833
Judicial administration	1,520,552	1,633,882	1,889,969	2,116,953	1,968,828	1,945,473	1,854,452	1,945,807	2,075,807	2,025,961
Public safety	11,013,979	11,895,295	13,082,577	14,098,374	14,135,048	13,974,585	15,319,034	16,754,396	18,666,873	17,824,591
Public works	4,704,841	4,691,966	4,317,006	4,199,905	4,124,046	4,128,287	4,103,729	4,061,034	4,118,593	4,142,247
Health and welfare	11,769,995	11,910,543	12,592,205	10,706,610	10,293,539	10,293,677	9,426,911	9,548,473	9,769,392	9,879,615
Education	27,523,126	28,189,811	29,281,512	29,893,180	27,758,039	27,926,157	28,889,100	32,546,495	33,595,489	29,496,706
Parks, recreation, and cultural	2,265,495	2,523,411	2,568,142	2,766,085	2,729,488	2,524,712	2,556,162	2,583,097	2,883,655	2,823,541
Community development	2,666,576	4,631,435	3,151,955	3,269,112	2,942,518	2,911,920	3,017,817	3,101,816	3,189,462	3,099,227
Debt service										
Principal	5,408,595	5,551,341	6,327,234	6,203,703	6,138,043	5,988,946	5,928,101	5,788,415	6,067,408	6,048,314
Interest and other fiscal charges	3,753,315	4,510,107	4,597,358	4,779,182	4,089,104	3,794,573	3,526,435	3,619,767	2,599,921	2,684,171
Capital projects	6,985,756	26,644,484	25,163,154	11,292,405	4,469,186	4,029,808	2,812,421	10,563,835	6,828,596	7,396,780
Total expenditures	80,335,483	105,874,429	105,983,549	92,493,357	82,016,787	81,322,386	80,814,687	94,014,273	93,610,675	89,211,986
Excess of revenues over (under) expenditures	(2,704,649)	(19,380,770)	(13,869,010)	(2,810,537)	3,695,806	4,196,169	3,792,247	(6,515,664)	(2,424,386)	5,869,488
Other Financing Sources (Uses)										
Transfers in	500,000	20,215	-	261,923	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	(813,133)	-	-
Issuance of debt	42,145,000	-	5,420,000	-	-	-	-	-	-	-
Refunding bonds issued	14,115,000	-	-	-	-	-	-	23,788,000	-	-
Premiums on issuance of debt	1,133,073	-	394,435	-	-	-	-	4,395,064	-	-
Payment to refunded bond escrow agent	(14,023,715)	-	-	-	-	-	-	(28,026,995)	-	-
Capital lease proceeds	3,352	-	-	-	-	-	8,000,000	-	-	-
Total other financing sources and uses	43,872,710	20,215	5,814,435	261,923	-	-	8,000,000	(657,064)	-	-
Net change in fund balances	\$ 41,168,061	\$ (19,360,555)	\$ (8,054,575)	\$ (2,548,614)	\$ 3,695,806	\$ 4,196,169	\$ 11,792,247	\$ (7,172,728)	\$ (2,424,386)	\$ 5,869,488

(Continued)

Table 4

COUNTY OF BEDFORD, VIRGINIA

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt Service as a Percentage of Noncapital Expenditures:										
Primary Government:										
Total debt service	\$ 9,161,910	\$ 10,061,448	\$ 10,924,592	\$ 10,982,885	\$ 10,227,147	\$ 9,783,519	\$ 9,454,536	\$ 9,408,182	\$ 8,667,329	\$ 8,732,485
Total expenditures	80,335,483	105,874,429	105,983,549	92,493,357	82,016,787	81,322,386	80,814,687	94,014,273	93,610,675	89,211,986
Capital outlay primary government only	1,783,156	5,619,913	2,310,305	2,061,660	1,543,981	1,806,521	1,113,164	1,221,496	2,178,092	3,669,703
Noncapital expenditures	78,552,327	100,254,516	103,673,244	90,431,697	80,472,806	79,515,865	79,701,523	92,792,777	91,432,583	85,542,283
Debt service as a percentage of noncapital expenditures	11.66%	10.04%	10.54%	12.14%	12.71%	12.30%	11.86%	10.14%	9.48%	10.21%
Component Unit-School Board:										
Total debt service	1,023,670	1,110,537	1,220,437	1,312,395	1,279,589	1,253,283	1,094,691	923,386	882,627	834,643
School expenditures excluding County contribution	60,656,202	66,200,598	69,451,815	70,190,000	67,843,266	62,835,578	61,441,387	61,962,350	65,148,912	67,289,716
Capital outlay Component Unit - School Board	3,369,261	21,360,629	21,329,683	7,990,979	2,199,985	2,870,303	657,301	3,330,385	3,044,830	3,004,319
Noncapital expenditures	57,286,941	44,839,969	48,122,132	62,199,021	65,643,281	59,965,275	60,784,086	58,631,965	62,104,082	64,285,397
Primary Government and Component Unit-Schools										
Total Debt Service	10,185,580	11,171,985	12,145,029	12,295,280	11,506,736	11,036,802	10,549,227	10,331,568	9,549,956	9,567,128
Total Noncapital Expenditure	\$ 135,839,268	\$ 145,094,485	\$ 151,795,376	\$ 152,630,718	\$ 146,116,087	\$ 139,481,140	\$ 140,485,609	\$ 151,424,742	\$ 153,536,665	\$ 149,827,680
Debt Service as a percentage of noncapital expenditures	7.50%	7.70%	8.00%	8.06%	7.88%	7.91%	7.51%	6.82%	6.22%	6.39%

- (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			
2005	\$ 3,728,060,857	\$ 208,868,800	\$ 833,212,811	\$ 189,128,993	\$ 389,201,911	\$ 4,570,069,550	0.65
2006	3,943,680,332	215,050,200	839,390,200	161,543,522	389,244,300	4,770,419,954	0.65
2007	6,416,922,632	316,676,800	1,789,627,000	240,590,375	1,151,428,300	7,612,388,507	0.50
2008	6,607,003,403	323,909,200	1,797,799,400	226,978,152	1,173,745,100	7,781,945,055	0.50
2009	6,745,894,103	328,639,600	1,800,619,100	247,559,296	1,177,476,400	7,945,235,699	0.50
2010	6,717,623,265	433,072,300	1,792,334,000	255,469,933	1,191,870,500	8,006,628,998	0.50
2011	6,392,278,090	499,300,600	1,780,976,300	259,649,263	1,199,227,400	7,732,976,853	0.50
2012	6,453,481,865	520,095,300	1,780,679,000	259,179,258	1,173,245,800	7,840,189,623	0.50
2013	6,817,604,111	642,022,000	1,780,412,600	266,427,161	1,206,268,100	8,300,197,772	0.50
2014	6,889,739,371	649,039,700	1,785,041,800	278,858,917	1,215,882,300	8,386,797,488	0.52

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

Source: Bedford County Commissioner of the Revenue

Table 6

COUNTY OF BEDFORD, VIRGINIA

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

Type of Tax	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Real Estate:										
General Fund	\$ 0.65	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.52	\$ 0.52

Source: Bedford County Commissioner of the Revenue

Table 7

COUNTY OF BEDFORD, VIRGINIA

Principal Real Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	2014 Calendar Year			2005 Calendar Year		
	Assessed Valuation	Rank	% of Total Taxable Assessed Valuation	Assessed Valuation	Rank	% of Total Taxable Assessed Valuation
Appalachian Power Co	\$ 141,127,943	1	1.70%	\$ 91,839,156	1	2.08%
Teva Pharmaceuticals Industries Ltd	46,708,200	2	0.56%	26,400,600	3	0.60%
Norfolk & Western Railway Co	39,816,684	3	0.48%	16,723,954	4	0.38%
Verizon Virginia Inc	33,126,634	4	0.40%	44,133,971	2	1.00%
Southside Electric Corporation	27,705,214	5	0.33%	14,747,250	5	0.33%
GP (Georgia Pacific) Big Island LLC	18,788,500	6	0.23%	11,996,000	6	0.27%
Wal-Mart	9,984,000	7	0.12%	9,857,200	7	0.22%
Boonsboro Country Club	9,649,600	8	0.12%			-
Center for Advanced Engineering & Research	9,156,700	9	0.11%			-
Crystal Shores Marina Resort	8,743,900	10	0.11%			-
Sentry Equipment Erectors	-		-	7,116,400	9	0.16%
Forest Square Corp	-		-	7,454,200	8	0.17%
Coleman Family LLC	-		-	7,061,100	10	0.16%
Total	<u>\$ 344,807,375</u>		<u>4.16%</u>	<u>\$ 237,329,831</u>		<u>5.37%</u>

Source: Bedford County Commissioner of the Revenue

Table 8

COUNTY OF BEDFORD, VIRGINIA

Real Property Tax Levies and Collections
Last Ten Fiscal Years

Tax Year	Tax Levied for the Tax Year	Adjustments	Total Adjusted Levy	Collection within the Tax Year of Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Tax Levy		Amount	Percentage of Tax Levy
2005	\$ 29,651,153	\$ 355,751	\$ 30,006,904	\$ 28,215,897	\$ 1	\$ 1,782,733	\$ 29,998,630	99.97%
2006	30,956,215	280,812	31,237,027	29,620,209	95.68%	1,605,218	31,225,427	99.96%
2007	37,875,560	238,313	38,113,873	36,284,648	95.80%	1,802,371	38,087,019	99.93%
2008	38,711,970	167,438	38,879,408	37,040,942	95.68%	1,800,307	38,841,249	99.90%
2009	39,442,413	84,851	39,527,264	37,530,764	95.15%	1,936,219	39,466,983	99.85%
2010	39,794,973	88,982	39,883,955	37,517,045	94.28%	2,259,579	39,776,624	99.73%
2011	38,373,116	108,106	38,481,222	36,479,693	95.07%	1,829,972	38,309,665	99.55%
2012	38,826,705	67,231	38,893,936	37,047,971	95.42%	1,585,449	38,633,420	99.33%
2013	40,110,895	99,530	40,210,425	38,498,853	95.98%	1,270,689	39,769,542	98.90%
2014	43,252,910	108,515	43,361,425	41,430,823	95.79%	1,179,756	42,610,579	98.27%

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			
2006	\$ 4,880,000	\$ 733,509	\$ 36,849,963	\$ 57,839,114	\$ 337,967	\$ -	\$ 322,107	\$ 100,962,660	4.17%	\$ 1,515
2007	4,460,000	478,069	33,462,654	56,437,830	250,661	-	241,800	95,331,014	3.64%	1,429
2008	4,040,000	222,629	35,730,154	54,027,709	161,488	-	178,610	94,360,590	3.31%	1,396
2009	3,620,000	-	32,548,964	48,583,557	70,756	2,970,000	112,189	87,905,466	3.17%	1,293
2010	3,200,000	-	29,245,342	46,239,890	-	2,775,000	42,369	81,502,601	2.87%	1,183
2011	2,785,000	-	26,084,759	43,826,527	-	2,575,000	521,497	75,792,783	2.60%	1,092
2012	2,370,000	-	22,893,185	41,505,000	8,000,000	2,365,000	410,371	77,543,556	2.52%	1,114
2013	1,960,000	-	43,704,770	16,640,000	8,000,000	-	295,291	70,600,061	2.20%	925
2014	1,555,000	-	40,732,362	14,125,000	7,825,000	-	176,119	64,413,481	*	*
2015	1,155,000	-	38,024,048	11,540,000	7,470,000	-	52,708	58,241,756	*	*

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

* Unavailable

Table 10

COUNTY OF BEDFORD, VIRGINIA

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

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Real Property (1)	Per Capita (2)
	County General Obligation	School General Obligation	Total Primary Government		
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	0.37%	416
2012	2,370,000	22,893,185	25,263,185	0.32%	363
2013	1,960,000	43,704,770	45,664,770	0.55%	598
2014	1,742,000	40,545,362	42,287,362	0.50%	548
2015	1,342,000	37,837,048	39,179,048	0.46%	*

(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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net debt applicable to parameter	\$ 100,640,553	\$ 95,089,214	\$ 94,181,980	\$ 84,823,277	\$ 78,685,232	\$ 72,696,286	\$ 74,768,185	\$ 70,304,770	\$ 64,237,362	\$ 58,189,048
Net debt as a percentage of assessed value (not to exceed 3.5%)	2.11%	1.25%	1.21%	1.07%	0.98%	0.94%	0.95%	0.85%	0.77%	0.68%
Net debt per capita (not to exceed \$1,750)	\$ 1,510	\$ 1,425	\$ 1,393	\$ 1,247	\$ 1,142	\$ 1,048	\$ 1,074	\$ 921	\$ 832	*
Debt service as a percentage of General Governmental Expenditures (not to exceed 15%)	7.80%	9.00%	9.42%	8.57%	8.04%	8.04%	7.60%	7.27%	6.41%	6.55%

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

* Unavailable

Table 12

COUNTY OF BEDFORD, VIRGINIA

Demographic and Economic Statistics
Last Ten Calendar Years

Year	Population (1)	Personal Income (2) (5) (thousands of dollars)	Per Capita Personal Income (2) (6)	School Enrollment (3)	Unemployment Rate (4)
2006	66,645	\$ 2,421,037	\$ 33,674	10,851	2.9%
2007	66,715	2,618,524	35,934	10,951	2.9%
2008	67,616	2,846,751	39,114	10,774	3.6%
2009	68,003	2,772,227	37,715	10,646	6.7%
2010	68,880	2,836,787	37,827	10,590	6.8%
2011	69,379	2,911,097	38,595	10,363	6.2%
2012	69,637	3,075,785	40,710	10,299	5.8%
2013	76,309	3,206,247	42,314	10,302	5.6%
2014	77,213	*	*	10,023	5.1%
2015	*	*	*	9,915	4.9%

Sources: (1) Weldon Cooper Center for Public Service, University of Virginia, intercensal estimates for FY 2005 through FY 2010 and estimates for FY 2011 through FY 2014.

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

(3) March 31 ADM

(4) Virginia Employment Commission calendar year data for 2006-2014. Data for 2015 is average for January 1, 2015 through June 30, 2015.

(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	2015		2006	
	Employees	Rank	Employees	Rank
Bedford County School Board	1,000+	1	1,000+	1
County of Bedford	500-999	2	500-999	2
** Teva Pharmaceuticals Industries Ltd	250-499	3	250-499	3
Centra Health	250-499	4		
Mail America Communications	250-499	5	250-499	8
*** GP (Georgia Pacific) Big Island LLC	250-499	6	250-499	4
* Workforce Solutions	250-499	7		
Walmart	250-499	8	250-499	5
Sam Moore Furniture LLC	250-499	9		
Food Lion	100-249	10	100-249	9
* Alpha Omega Resources	-		250-499	6
Inservice America	-		250-499	7
Sentry Equipment Erectors			100-249	10

Source: Virginia Employment Commission

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

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

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

Table 14

COUNTY OF BEDFORD, VIRGINIA

County Government Employees by Function
Last Ten Fiscal Years

Function/Program	Full-Time Equivalent Employees as of June 30									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government administration	43.5	44.3	44.8	47.0	45.9	46.2	46.8	45.0	46.8	46.3
Judicial administration	27.5	27.8	29.3	28.3	28.3	28.3	28.0	28.8	29.0	29.0
Public safety	114.0	120.3	131.8	138.0	146.0	141.8	151.6	154.3	159.3	154.5
Public works	47.8	51.3	52.3	52.3	53.0	50.9	51.8	49.0	49.0	48.0
Health & welfare	80.8	82.8	85.3	84.3	82.2	82.6	81.8	83.8	87.0	83.0
Parks, recreation, and cultural	13.8	14.3	12.8	14.0	13.0	12.8	13.0	12.5	11.5	12.3
Community development	27.5	27.8	29.5	30.0	26.8	25.3	25.5	25.5	25.0	25.0
Other funds										
Group homes	22.5	26.0	31.5	34.3	32.0	33.8	35.3	23.0	-	-
Nursing home	51.0	63.8	83.8	93.8	94.5	99.8	98.8	96.8	96.8	97.0
Solid waste	15.0	15.0	15.5	16.0	16.3	15.6	17.3	18.0	16.8	16.6
Other funds	88.5	104.8	130.8	144.1	142.8	149.2	151.4	137.8	113.6	113.6
Total primary government	443.4	473.4	516.6	538.0	538.0	537.1	549.9	536.7	521.2	511.6
Education	1,832.0	1,836.0	1,819.0	1,750.0	1,744.0	1,683.0	1,619.0	1,615.0	1,648.0	1,672.0
Total	2,275.4	2,309.4	2,335.6	2,288.0	2,282.0	2,220.1	2,168.9	2,151.7	2,169.2	2,183.6

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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public safety										
Sheriff										
Number of calls	30,329	30,130	32,442	33,477	32,951	36,934	36,297	35,686	38,370	42,501
Criminal warrants served	2,678	3,612	3,964	3,174	3,156	3,359	1,584	1,197	1,694	1,544
Other warrants/protective orders served	3,230	798	982	1,566	1,561	1,464	1,201	1,052	1,155	1,099
Civil papers handled	21,459	23,912	23,353	24,271	23,181	21,209	20,743	20,090	19,749	18,076
Building inspections										
Number of permits	2,045	2,144	1,935	1,471	1,439	1,402	1,260	1,417	1,509	1,471
Value of permits	\$243,905,223	\$241,579,114	\$170,770,127	\$ 90,784,891	\$ 91,434,427	\$ 94,222,524	\$ 72,847,955	\$ 90,876,889	\$103,159,994	\$143,043,939
Fire and rescue										
Number of Volunteers	752	737	698	661	619	600	606	600	571	558
Number of EMS calls	10,758	12,530	14,238	13,864	15,399	15,727	15,054	15,951	15,380	17,029
Number of fire calls	3,424	3,781	3,847	4,042	3,463	3,522	3,380	3,051	2,995	3,482
Public Works										
Refuse collection										
Incoming waste tonnage										
Industrial	76	32	29	31	46	25	26	25	30	2,946
Commercial	15,990	15,956	15,530	12,904	12,147	13,772	14,164	14,315	17,218	19,095
County collection system	26,790	27,933	25,929	24,117	24,550	24,176	23,908	23,698	23,403	23,590
Commercial hauled residential	1,662	1,309	1,437	1,507	1,536	1,560	1,561	1,538	1,555	1,849
Residential hauled	2,006	2,038	2,027	1,824	1,768	1,890	1,977	2,095	2,018	2,135
Total	46,524	47,268	44,952	40,383	40,047	41,423	41,636	41,671	44,224	49,615
Recyclable tonnage collected	1,308	1,598	1,701	1,731	1,905	1,949	2,019	1,977	1,974	1,962
Parks, recreation, and cultural										
(1) Parks and recreation										
Number of child participants	5,015	5,924	5,328	5,506	5,674	5,264	5,776	5,822	5,667	5,585
Number of adult participants	508	1,012	740	985	837	859	913	945	575	563
Number of senior participants	2,606	3,912	4,351	4,025	3,993	3,585	4,150	3,987	2,684	3,987
Scheduled events	9	12	10	12	11	8	8	8	8	8
Number of event participants	1,237	1,933	1,705	1,986	1,623	1,180	1,031	1,001	765	1,001
Trips/tours	53	45	40	46	66	29	26	24	22	24
Number of trip participants	2,326	1,249	1,188	1,177	1,419	554	364	355	396	355

Source: Various County Departments

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

Table 16

COUNTY OF BEDFORD, VIRGINIA

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

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

Sources: Various county departments

Table 17

COUNTY OF BEDFORD, VIRGINIA

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

Grade	2005-06	2006-07	2007-08	2008-09	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
K	760	807	739	782	767	714	776	733	689	686
1	761	753	786	763	792	750	728	769	728	688
2	808	750	746	772	755	771	744	718	759	710
3	833	832	778	775	791	747	784	750	704	742
4	828	841	839	784	766	786	739	784	739	713
5	830	859	855	848	793	759	797	756	798	745
6	850	848	851	832	855	772	763	796	734	806
7	880	856	843	851	870	868	781	782	793	744
8	870	888	865	860	867	865	881	804	782	801
9	920	905	911	859	865	887	874	934	833	822
10	874	937	855	868	821	831	834	837	877	805
11	833	843	889	817	825	783	814	809	787	865
12	804	832	817	876	823	830	784	830	800	788
Total	<u>10,851</u>	<u>10,951</u>	<u>10,774</u>	<u>10,687</u>	<u>10,590</u>	<u>10,363</u>	<u>10,299</u>	<u>10,302</u>	<u>10,023</u>	<u>9,915</u>
Elementary school membership	5,041	5,082	4,988	4,946	4,908	4,527	4,568	4,510	4,417	4,284
Secondary school membership	<u>5,810</u>	<u>5,869</u>	<u>5,786</u>	<u>5,741</u>	<u>5,682</u>	<u>5,836</u>	<u>5,731</u>	<u>5,792</u>	<u>5,606</u>	<u>5,631</u>
Total	<u>10,851</u>	<u>10,951</u>	<u>10,774</u>	<u>10,687</u>	<u>10,590</u>	<u>10,363</u>	<u>10,299</u>	<u>10,302</u>	<u>10,023</u>	<u>9,915</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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Supervisory										
Instructional administrators	10	10	10	10	9	9	8	6	8	9
Noninstructional administrators	14	14	14	14	14	13	14	14	16	14
Consultants/supervisors of instruction	18	25	22	24	23	18	26	31	29	30
Principals	22	22	22	22	22	22	22	22	22	22
Assistant principals	18	17	18	16	15	14	14	15	15	14
Total supervisory	82	88	86	86	83	76	84	88	90	89
Instruction										
Elementary classroom teachers	420	419	410	381	386	355	343	350	451	448
Secondary classroom teachers	407	396	400	396	406	396	398	398	315	319
ESE teachers	3	3	3	3	3	3	3	-	3	3
Other teachers (adult)	5	5	5	5	5	5	5	-	-	-
Other professionals (instructional)	122	125	130	125	135	143	122	119	115	119
Aides	181	183	175	163	161	156	154	157	160	168
Total instruction	1,138	1,131	1,123	1,073	1,096	1,058	1,025	1,024	1,044	1,057
Student Services										
Guidance counselors	35	34	34	36	36	34	32	33	33	35
Visiting teachers/social workers	3	4	4	4	3	3	3	3	3	2
Psychologists	7	7	7	7	7	7	7	7	8	9
Librarians	36	39	37	36	30	28	26	26	23	20
Other professionals (noninstructional)	27	25	27	28	28	30	29	29	29	28
Technicians	12	12	12	11	10	11	12	13	14	15
Total student services	120	121	121	122	114	113	109	111	110	109
Support and Administration										
Clerical/secretarial	77	77	74	68	70	67	67	66	68	71
Service workers	382	385	381	369	346	336	301	290	296	308
Skilled crafts	23	23	23	23	24	22	22	24	26	24
Unskilled laborers	12	11	11	9	11	11	11	12	14	15
Total support and administration	494	496	489	469	451	436	401	392	404	418
Total employees	1,834	1,835	1,819	1,750	1,744	1,683	1,619	1,615	1,648	1,673
Teachers and administrators	916	912	904	871	883	835	833	836	859	859
Other employees	916	925	915	879	861	848	786	779	789	813
Total employees	1,832	1,837	1,819	1,750	1,744	1,683	1,619	1,615	1,648	1,672

Source: Bedford County School Board

Table 19

COUNTY OF BEDFORD, VIRGINIA

Bedford County School Board
Operating Statistics
Last Ten Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Debt Service Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil- Teacher Ratio	Percentage of Students Receiving Free or Reduced-Price Meals
2006	10,851	86,954,245	8,013	6.77%	6,881,657	634	-2.61%	827	13.12	27%
2007	10,951	93,183,363	8,509	6.19%	8,315,551	759	19.73%	815	13.44	28%
2008	10,774	94,564,754	8,777	3.15%	9,229,609	857	12.82%	810	13.30	29%
2009	10,687	97,030,914	9,079	3.44%	9,306,432	871	1.65%	777	13.75	30%
2010	10,590	93,233,802	8,804	-3.03%	9,062,726	856	-1.73%	812	13.04	33%
2011	10,363	89,458,628	8,633	-1.95%	8,713,795	841	-1.74%	759	13.65	35%
2012	10,299	89,234,061	8,664	0.37%	8,416,409	817	-2.81%	749	13.75	35%
2013	10,302	92,976,273	9,025	4.16%	8,240,434	800	-2.12%	748	13.77	35%
2014	10,023	95,992,543	9,577	6.12%	7,509,732	749	-6.33%	766	13.08	35%
2015	9,915	95,893,402	9,672	0.98%	7,540,965	761	1.51%	767	12.93	37%

Source: Bedford County School Board

COMPLIANCE SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Bedford, Virginia (the "County"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 7, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. **The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and is identified as Item 15-1 in the accompanying schedule of findings and questioned costs.**

County of Bedford, Virginia's Response to Finding

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
December 7, 2015

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

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

Report on Compliance for Each Major Federal Program

We have audited the County of Bedford, Virginia's (the "County") compliance with the types of compliance requirements described in the OMB Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2015. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
December 7, 2015

COUNTY OF BEDFORD, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2015

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

STATE COMPLIANCE MATTERS

Code of Virginia

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

Uniform Disposition of Unclaimed Property Act

Comprehensive Services Act

Sheriff Internal Controls

State Agency Requirements

Education

Social Services

FEDERAL COMPLIANCE MATTERS

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

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

COUNTY OF BEDFORD, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

A. SUMMARY OF AUDITOR'S RESULTS

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

<u>Name of Program:</u>	<u>CFDA #</u>
Child Nutrition Cluster – National School Breakfast Program	10.553
Child Nutrition Cluster – National School Lunch Program	10.555
Child Nutrition Cluster – Summer Food Service Program for Children	10.559
Twenty-First Century Community Learning Centers	84.287
No Child Left Behind Act Improving Teacher Quality State Grants	84.367

8. The **threshold for** distinguishing Type A programs was **\$363,715**.
9. The County of Bedford was determined to be a **low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

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

None.

COUNTY OF BEDFORD, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015**

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

15-1: Proper Clauses Included in Contracts

Condition:

We noted that a construction contract related to a restoration project did not include the necessary nondiscrimination clauses as set forth in the Virginia Public Procurement Act.

Recommendation:

Steps should be taken to ensure that all contracts entered into by the County should contain all required clauses.

Management's Response:

The auditee concurs with this recommendation and will take steps to ensure contracts contain all required clauses.