

BEDFORD COUNTY

Virginia



Comprehensive Annual Financial Report
Fiscal Year Ending June 30, 2018



COUNTY OF BEDFORD, VIRGINIA

**COMPREHENSIVE ANNUAL FINANCIAL
REPORT**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**

DEPARTMENT OF FISCAL MANAGEMENT

COUNTY OF BEDFORD, VIRGINIA

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INTRODUCTORY SECTION



COUNTY OF BEDFORD, VIRGINIA
County Administration Building
122 East Main Street, Suite 202
Bedford, Virginia 24523
Tel: (540) 586.7601

G. CARL BOGGESS
COUNTY
ADMINISTRATOR

OFFICE OF THE COUNTY ADMINISTRATOR

December 20, 2018

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

We are pleased to submit to you Bedford County's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018, as required by the *Code of Virginia*. The Department of Fiscal Management has prepared this report in accordance with generally accepted accounting principles (GAAP) in the United States, the standards of financial reporting prescribed by the Governmental Accounting Standards Board (GASB), and those of the Auditor of Public Accounts of the Commonwealth of Virginia. Brown, Edwards & Company, LLP, an independent certified public accounting firm, has audited the financial statements and the firm's opinions are contained within this report.

Responsibility for both the accuracy of the presented data and the fairness of the presentation, including all disclosures, rests with the County. As such, and after detailed review, we believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and the results of operations of the various funds of the County; and that all disclosures necessary to enable the reader to gain maximum understanding of the County's financial activity have been included. The CAFR consists of management's representations concerning the finances of the County.

The County government is required to undergo an annual single audit to conform to the provisions of the Single Audit Act Amendments of 1996 and Title 2 in the *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Costs Principles and Audit Requirements for Federal Awards*. Information related to this single audit, including the schedule of expenditures of Federal awards, findings and questioned costs, and auditor's reports on internal control and compliance with applicable laws and regulations are included in the compliance section of this report.

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

Three discretely presented component units are included in the County’s financial statements. Discretely presented component units are entities that are legally separate from the County, but for which the County is financially accountable, or whose relationships with the County are such that exclusion would cause the County’s financial statements to be misleading or incomplete. In Bedford County, these are the School Division, the Public Library System and the Economic Development Authority (EDA). Additional information on each of these legally separate entities can be found in Note 1 in the notes to the financial statements.

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

PROFILE OF BEDFORD COUNTY, VIRGINIA

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



Bedford County is organized under the traditional form of government (as defined under Virginia Law), with the elected Board of Supervisors (the Board) establishing laws and policies for the administration of the government operations. The Board consists of seven members; one member from each of seven districts, elected for a four-year term by the voters of the district in which the member resides. The Board appoints a County Administrator to act as the administrative head of the County.

The annual budget serves as the foundation of the County's financial planning and control. All County departments submit appropriation requests to the Fiscal Management department on or about December 1 each year. The budget committee, which consists of the County Administrator, Deputy County Administrator, Director of Fiscal Management, and two additional support staff, uses the departmental requests as the starting point for developing a proposed budget. The proposed budget is presented to the Board for review in March. The Board is required to hold public hearings on the proposed budget and to adopt a final budget by July 1.

The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., Sheriff's office) with the appropriations resolution adopted by the Board placing legal restriction of expenditures at the department level. When necessary, the Board of Supervisors approves amendments to the adopted budget in accordance with state law.

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

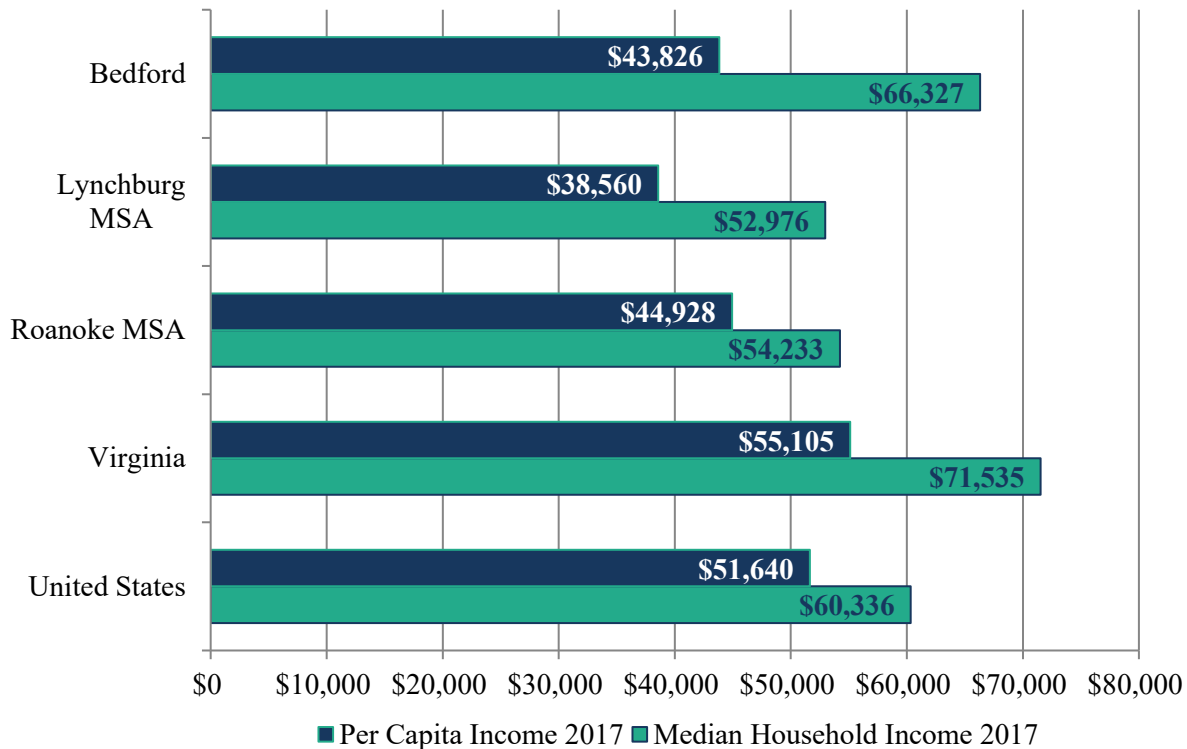
FACTORS AFFECTING FINANCIAL CONDITION

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

Local Economy

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

Per Capita & Median Household Income



Sources: U.S. Census Bureau 2017 American Community Survey 1-Year Estimates (Median Household Income) and U.S. Bureau of Economic Analysis 2017 Local Personal Income for 2017

The County continues to add to its labor force while decreasing unemployment. This has contributed to Bedford’s lowest unemployment rate since the recession. Throughout fiscal year 2018, the County’s unemployment rate decreased. In June 2018, the County’s employment rate was 3.4%, which is 0.8% lower than the same month a year ago. The current unemployment rate as of October 2018 is 2.7%.

Economic Development Update

This marked another successful year for increased business investment in Bedford County. Over the last year, Bedford County has seen growth with announcement of existing business expansion projects.

- **Innovairre Communications, LLC** a global leader in direct mail marketing for the non-profit community invested \$4.85 million in digital presses and added 42 full time jobs at its Forest site. The company is also retraining existing employees.
- **KMR Aviation Services, Inc.** a global airline industry maintenance provider, invested \$1 million to purchase and upgrade an existing facility and add a repair center in Forest which will result in 12 full time jobs.
- **Central Virginia Manufacturing**, a sheet metal fabricator in Bedford, invested \$300,000 to expand its operation and will add nine full time positions.

- **Custom Truck One Source**, a specialized truck and heavy equipment solutions provider, added a second location in Forest and is hiring more than 40 new production-based employees.
- **Cintas Corporation**, a service provider of laundered uniforms and supplies for facilities, invested in upgraded equipment and completed its 2016 expansion which resulted in a \$6 million expansion and 15 new jobs.
- **Blue Ridge Optics**, an industry leader in the fabrication, polishing and coating of optical components, announced a new investment of \$750,000 to develop a new product line at its facility in Bedford. The company has added more than 10 full time jobs since its most recent expansion in 2016. The company was accepted into the Virginia Economic Gardening Pilot Program (VEGPP). The VEGPP, administered by the Virginia Economic Development Partnership (VEDP), targets second-stage companies that are growth-oriented and have moved beyond the startup phase by demonstrating a notable increase in revenue or employment.

Bedford County has also continued to see strong growth in our tourism industries. According to the Virginia Tourism Corporation and U.S. Travel Association, direct travel expenditures by visitors to Bedford grew to more than \$110 million which is up more than 4% from the prior year. Tourism also supported 1,228 jobs in Bedford and generated more than three million dollars in local taxes.

In January 2018, the tourism department began working with Mikula Harris, a branding agency specializing in the travel and tourism industry, to develop a new brand and marketing strategy for Bedford tourism. During the Discovery Phase of this brand development process, Mikula Harris became familiar with the unique strengths and assets of Bedford; they reviewed existing local and state data, looked at competitors and other areas, conducted surveys of local stakeholders and visitors, and explored the county through in-person site visits. This is a multi-phase process, which will continue into FY19.

LONG-TERM FINANCIAL PLANNING

The County's General Fund reported an ending unrestricted (the total of the committed, assigned, and unassigned components of fund balance) fund balance of \$61.8 million, a decrease of \$0.1 million from fiscal year 2017. Total unassigned fund balance was \$24.1 million, which exceeds the minimum fund balance policy of 10.0% (\$10.2 million) of General Fund expenditures.

The Capital Improvement Plan (CIP) is a planning document intended to provide an analysis of potential long-range funding needs for investing in facilities, improvements and equipment. The five year CIP is submitted annually to the Board of Supervisors through which stated need is analyzed against the County's ability to pay. The adopted fiscal year 2019 CIP for the County projects is \$9.5 million and is cash funded. The cash funding consists of a planned use of unassigned fund balance of \$3.7 million and the remainder from operating revenues.

FINANCIAL INFORMATION

Throughout the year, the County's accounting records for operations are maintained on the cash basis. At year end, adjusting entries are made to report general governmental operations on the modified accrual basis. The modified accrual basis reports revenues when they become measurable and available and expenditures when the good and/or services are received or related fund liability is incurred. For the County's enterprise fund, the nursing home and solid waste program, adjusting entries are made to report the activity on the accrual basis.

In developing and evaluating the County's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are a system of methods, practices, and procedures designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that; (1) the cost of a control should not exceed the benefits likely to be derived there from; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal accounting control evaluations occur within the above framework. We believe that our system of internal accounting control adequately safeguards assets and provides reasonable assurance for the proper recording of financial transactions. Budgetary controls are maintained to ensure compliance with the budget approved by the Board of Supervisors. The approved budget is used as a tool to monitor general government expenditures within the limits adopted by the Board.

POLICIES

The Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is effective for fiscal year 2018 financial reporting. Accordingly, the County's net OPEB liability and its proportionate share of OPEB expense appear as line items in the FY 2018 CAFR. In addition, disclosures have been made about the County's financial reporting for postemployment benefits other than pensions.

INDEPENDENT AUDIT

The *Code of Virginia* and the Commonwealth's Auditor of Public Accounts require an annual audit of the books of account, financial records, and the transactions of all administrative departments, agencies, and activities of the County by an independent certified public accountant selected the by the Board of Supervisors. This requirement has been complied with and the report of independent auditors has been included in the financial section of this report.

In addition to meeting the requirement set forth in State statutes and regulations, the audit was also designed to meet the requirement of the Single Audit Act Amendments of 1996 and Title 2 in the CFR Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*. The reports of the independent auditors that relate specifically to the single audit are also included in the compliance section of this report.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its CAFR for the fiscal year ended June 30, 2017. This was the County's 21st consecutive year in achieving this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readably and efficiently organized CAFR. This report must satisfy both accounting principles generally accepted in the United States of American and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program requirement, and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

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

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

Respectfully submitted,



G. Carl Boggess
County Administrator



Susan L. Crawford, CPA
Director of Fiscal Management



Government Finance Officers Association

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

Presented to

**County of Bedford
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

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

MEMBERS OF THE BOARD OF SUPERVISORS

Bill Thomasson, Chairperson
Tommy Scott, Vice Chairperson

Edgar Tuck
Charla Bansley
John Sharp

Andy Dooley
Kevin S. Willis

MEMBERS OF THE COUNTY SCHOOL BOARD

Julie M. Bennington, Chairperson
Jason W. Johnson, Vice Chairperson

Richard P. Downey
Dr. John H. Hicks, Jr.
Marcus Hill

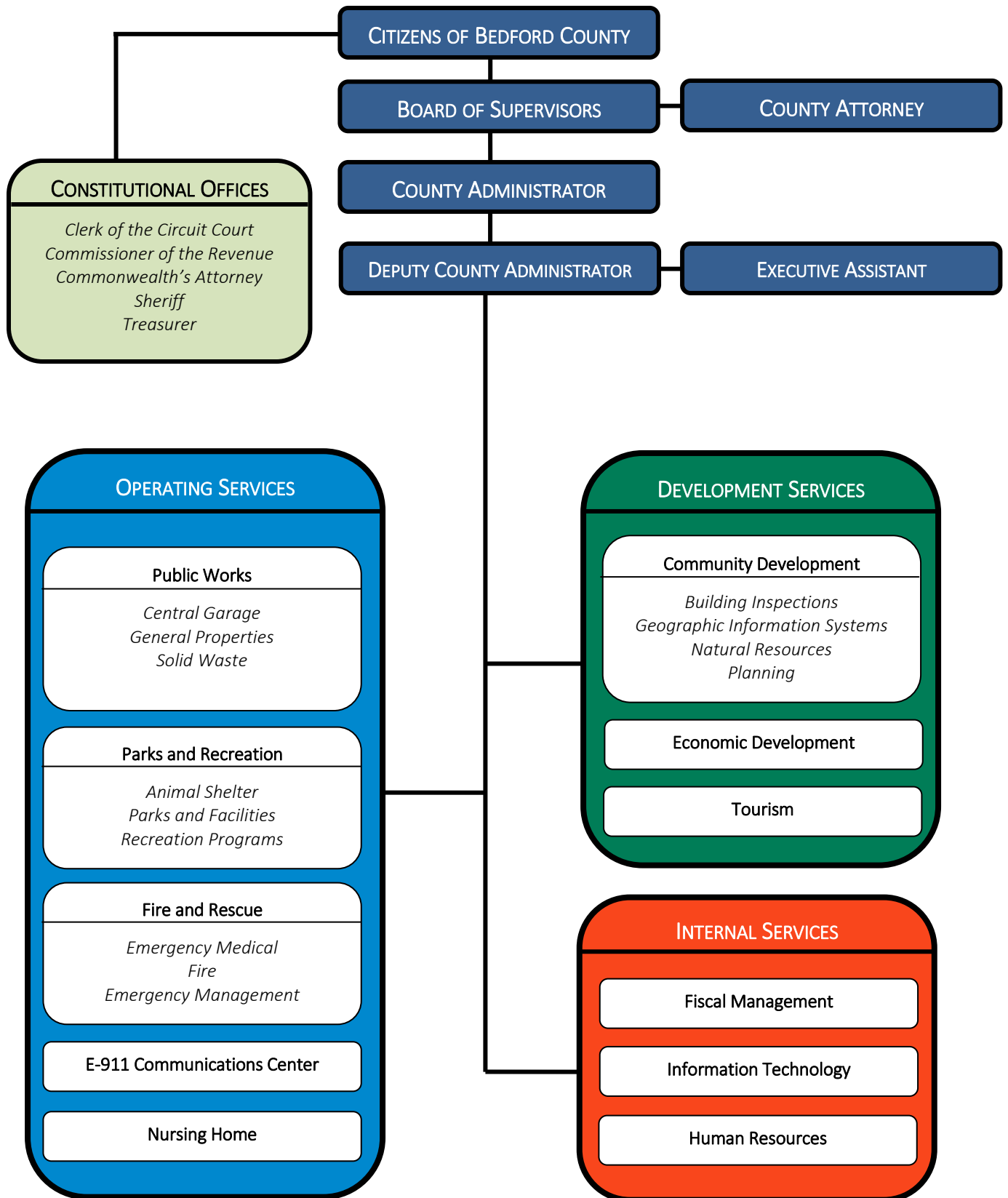
Susan F. Kirby
Martin F. Leamy

OTHER OFFICIALS

G. Carl Boggess
Patrick J. Skelley, II
Susan L. Crawford, CPA
Dr. Douglas Schuch
Randy Hagler
Andrew L. Crawford
Cathy C. Hogan
Wes Nance
Julie Creasy
Kim J. Snow
Michael J. Brown
Barbara J. Gunter

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

Bedford County Organizational Chart



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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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Notes 13, 14, and 23 to the financial statements, in 2018, the County adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining statements, discretely presented School Board combining statements, Schedule 1, and the statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the basic financial statements.

Other Matters (Continued)

Other Information (Continued)

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2018 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, S. L. P.

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
December 20, 2018

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, 2018. The Bedford County Schools (School Board) component unit is also included in this narrative. We encourage readers to consider this discussion and analysis in conjunction with our letter of transmittal in the Introductory Section of this report, and the County's basic financial statements which follow this discussion and analysis.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Primary Government exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2018 by \$38.1 million (*net position*). Under Virginia law, School Divisions hold title to all school property and local governments incur financial obligations for school property. The assets are reported on the School Division's Statement of Net Position and the related debt is reported on the County's Statement of Net Position. Consequently, the County reports \$73.8 million in school debt without the related assets.
- In 2018, the County adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The overall effect of this new standard is to reflect the County's long-term other postretirement benefit (OPEB) obligations directly in the financial statements. Under previous accounting guidance, these amounts were recorded incrementally over time, but were not recognized in their entirety. Instead, the total liability which has now been recorded, was only disclosed. The new standard not only changes certain measurement methodologies, but also requires certain new disclosures that the County record a net OPEB liability directly on the statement of net position. Beginning net position has been restated as discussed in Note 23, and this had had a significant impact on the County's net position. However, because similar information has been disclosed in prior years, both in the notes to the financial statements and in required supplementary information, the effect of the new standard is not expected to negatively affect how most governmental entities are viewed by users of the financial statements. Because information to restate prior years is not readily available, the prior year comparative information included in this discussion and analysis has not been restated.
- As of the close of fiscal year 2018, the County's general fund reported combined ending fund balances of \$68.2 million, a decrease of \$24.5 million from the prior year. Approximately \$23.0 million of the decrease is due to the expenditure of bond proceeds for the new Liberty zone middle school and competition gym. Of the \$68.2 million total, 90.7% (\$61.8 million) is available for spending at the County's discretion (sum of *committed, assigned and unassigned fund balances*), while the *nonspendable and restricted fund balances* were 9.3% or \$6.4 million.
- The County's total debt decreased by \$6.5 million (7.7%) to \$77.7 million during fiscal year 2018 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.

(Continued)

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

(Continued)

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

Proprietary Funds

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

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

Fiduciary Funds

Fiduciary funds are used to account for resources received and held in a fiduciary capacity for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. However, the County is responsible for ensuring that the fiduciary fund assets are used for their intended purposes. The County's fiduciary funds consist of Agency Funds. The fiduciary fund financial statement can be found at Exhibit 9 of this report, while individual fund data for the agency funds can be found in the form of combining statements at Exhibits 20 and 21 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 31-95.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the County's pension and other postemployment benefits to its current and future retirees. These schedules of required supplementary information can be found at Exhibits 10 through 19.

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 22 through 24 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 20 and 21 of this report.

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

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

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

(Continued)

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

Table 1 summarizes the Statements of Net Position as of June 30, 2018 and 2017:

	Primary Government						Component Unit	
	Governmental Activities		Business-Type Activities		Total Primary Government		School Board	
	2018	2017	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 107.5	\$ 128.2	\$ 16.5	\$ 14.8	\$ 124.0	\$ 143.0	\$ 26.5	\$ 23.8
Capital assets (net)	40.6	38.5	10.3	11.0	50.9	49.5	124.3	102.7
Total assets	<u>148.1</u>	<u>166.7</u>	<u>26.8</u>	<u>25.8</u>	<u>174.9</u>	<u>192.5</u>	<u>150.8</u>	<u>126.5</u>
Total deferred outflows	3.8	5.0	0.2	0.5	4.0	5.5	12.1	15.1
Long-term liabilities	91.5	99.7	7.8	8.0	99.3	107.7	99.7	95.2
Other liabilities	16.1	13.9	0.6	0.4	16.7	14.3	18.2	15.7
Total liabilities	<u>107.6</u>	<u>113.6</u>	<u>8.4</u>	<u>8.4</u>	<u>116.0</u>	<u>122.0</u>	<u>117.9</u>	<u>110.9</u>
Total deferred inflows	24.4	23.2	0.4	0.3	24.8	23.5	14.8	7.0
Net position:								
Net investment in capital assets	37.0	33.5	10.3	11.1	47.3	44.6	120.6	99.5
Unrestricted	(17.1)	1.4	7.9	6.5	(9.2)	7.9	(90.4)	(75.8)
Total net position	<u>\$ 19.9</u>	<u>\$ 34.9</u>	<u>\$ 18.2</u>	<u>\$ 17.6</u>	<u>\$ 38.1</u>	<u>\$ 52.5</u>	<u>\$ 30.2</u>	<u>\$ 23.7</u>

Table 1 may differ from Exhibit 1 due to rounding.

The County's net position of \$38.1 decreased 27.4%, or \$14.4 million, from fiscal year 2017. The decrease is comprised of a decrease in net position in governmental activities of \$15.0 million, and an increase of \$0.6 million in business-type activities. The decrease in governmental activities was primarily due to the expenditure of bond proceeds for the new Liberty zone middle school and competition gym. The increase for business-type activities was mainly attributable to reductions in liabilities for pension obligations.

Net investment in capital assets of \$47.3 million was 124.1% of the net position and increased 6.1%, or \$2.7 million. Net position invested in capital assets is not available for future expenses because the assets are facilities, equipment, and infrastructure, etc. utilized to provide services

The County has unrestricted net position of (\$9.2) million, which is comprised of (\$17.1) million for governmental activities and \$7.9 million for business-type activities. Unrestricted net position available for providing services to the citizens decreased 216.5%, or \$17.1 million. The decrease is due to the expenditure of bond proceeds for the Liberty Middle School. As stated earlier, under Virginia Law, School Divisions hold title to the school property and County incurs the financial obligation for the school property. Consequently, the County reports \$73.8 million in school debt without the related assets.

The School Board's total net position of \$30.2 million, increased \$6.5 million from fiscal year 2017, primarily due to construction related to the Liberty Middle School offset by recording liabilities for OPEB obligations.

(Continued)

Statement of Activities

Table 2 summarizes the Statement of Activities for the fiscal years ended June 30, 2018 and 2017:

Change in Net Position								
Year ended June 30, 2018								
(\$ in millions)								
Primary Government								
	Governmental		Business-Type		Total		Component Unit	
	Activities		Activities		Primary		School	
	2018	2017	2018	2017	2018	2017	2018	2017
Revenues								
Program revenues:								
Charges for services	\$ 4.7	\$ 4.2	\$ 9.9	\$ 9.8	\$ 14.6	\$ 14.0	\$ 2.8	\$ 2.6
Operating grants and contributions	14.9	13.8	0.4	0.4	15.3	14.2	25.1	22.7
Capital grants and contributions	0.1	0.2	-	-	0.1	0.2	-	-
General revenues:								
Property taxes	65.1	64.0	-	-	65.1	64.0	-	-
Other taxes	13.2	12.5	-	-	13.2	12.5	-	-
Payments from Bedford County	-	-	-	-	-	-	60.4	48.1
Noncategorical state aid	6.8	6.9	-	-	6.8	6.9	40.5	40.6
Investment earnings	0.6	0.5	-	-	0.6	0.5	-	-
Other	0.2	1.7	0.1	0.1	0.3	1.8	0.1	0.3
Total revenues	105.6	103.8	10.4	10.3	116.0	114.1	128.9	114.3
Expenses								
General government	4.3	4.1	-	-	4.3	4.1	-	-
Judicial administration	2.6	2.6	-	-	2.6	2.6	-	-
Public safety	22.0	20.7	-	-	22.0	20.7	-	-
Public works	5.0	4.7	-	-	5.0	4.7	-	-
Health and welfare	13.2	11.7	-	-	13.2	11.7	-	-
Education	60.4	48.1	-	-	60.4	48.1	104.9	103.2
Parks, recreation and cultural	3.5	3.3	-	-	3.5	3.3	-	-
Community development	5.4	5.3	-	-	5.4	5.3	-	-
Nursing Home	-	-	6.0	5.8	6.0	5.8	-	-
Solid Waste	-	-	3.5	3.3	3.5	3.3	-	-
Interest on long-term debt	2.9	3.0	-	-	2.9	3.0	-	-
Total expenses	119.3	103.5	9.5	9.1	128.8	112.6	104.9	103.2
Increase (decrease) in net position before transfers	<u>\$ (13.7)</u>	<u>\$ 0.3</u>	<u>\$ 0.9</u>	<u>\$ 1.2</u>	<u>\$ (12.8)</u>	<u>\$ 1.5</u>	<u>\$ 24.0</u>	<u>\$ 11.1</u>

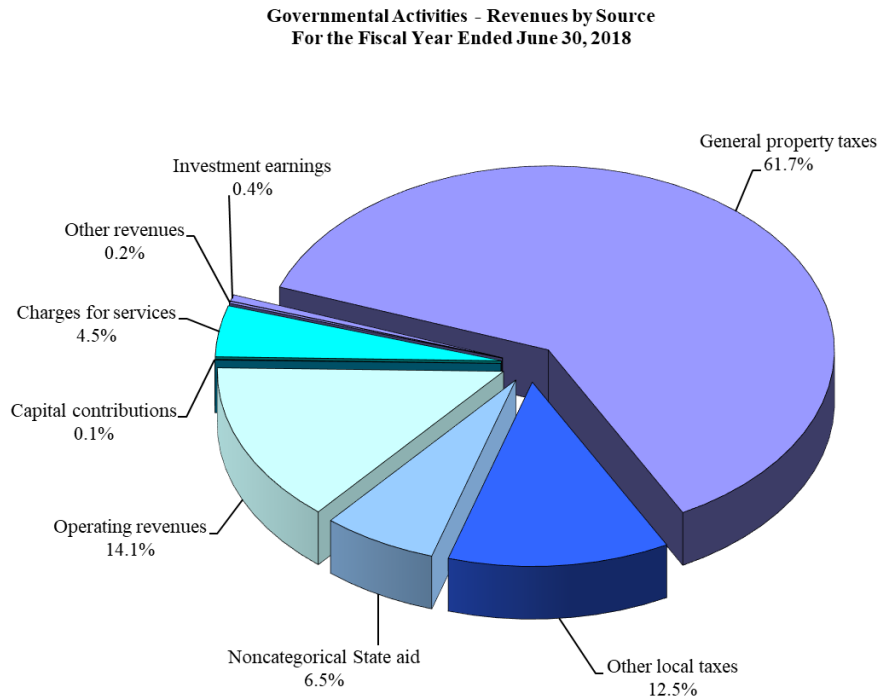
Table 2 may differ from Exhibit 2 due to rounding.

(Continued)

Governmental Activities

The decrease in net position attributable to the County's governmental activities totaled \$13.7 million. Generally, net position changes are the result of the difference between revenues and expenses. Fiscal 2018 revenues of \$105.6 million represent an increase of \$1.8 million or 1.7% in comparison to the prior year, while expenses of \$119.3 million represent an increase of \$15.8 million, or 15.3% compared to the prior year.

The following chart illustrates the County's fiscal 2018 governmental revenues by source as a percentage of total governmental revenues:



Taxes comprise the largest source of County revenues, totaling \$78.3 million for fiscal year 2018, an increase of \$1.8 million, or 2.4%, in comparison to fiscal year 2017. General property taxes account for \$65.1 million or 61.7% of revenues. An increase in general property taxes of \$1.1 million, or 1.7%, are attributable to continued growth in the tax base. In addition, sales tax, transient occupancy tax and meals tax revenue each increased by \$0.2 million or (4.3%, 34.7% and 11.5% respectively).

Also in fiscal year 2018, \$19.7 million, or 18.7% of total revenues, consisted of program revenues, including \$4.7 million in charges for services, \$14.9 million of operating grants and contributions, and \$0.1 million of capital grants and contributions. General revenue, including \$6.8 million of noncategorical state aid and \$0.8 million of investment earnings and other income, accounted for the remaining revenues. Also shown in Table 2 and Table 3, the total expenses of all the County's governmental activities for fiscal year 2018 were \$119.3 million, which represents an increase of \$15.8 million or 15.3% higher than fiscal year 2017. The increase is primarily due to increased expenses for education of \$12.3 million; public safety of \$1.3 million; health and welfare of \$1.5 million. These changes are attributed to the following:

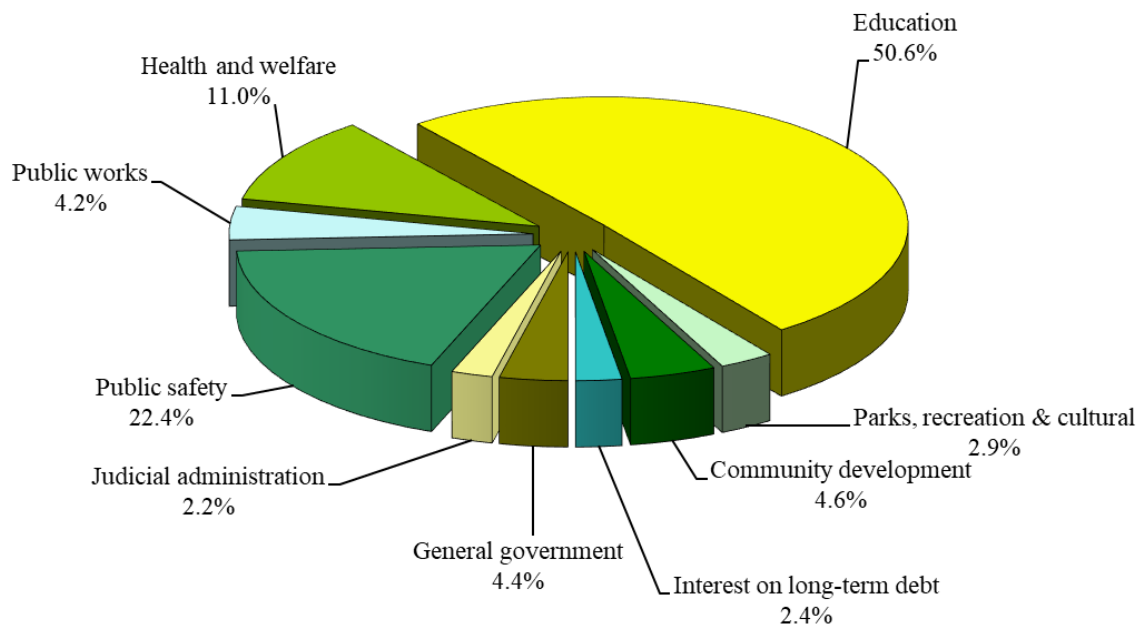
- Increases in education funding are due to construction expenses associated with the new Liberty zone middle school and competition gym.

(Continued)

- Increases in public safety expenses are primarily due to the Internet Crime against Children grant expenditures and increased staffing for emergency services personnel.
- Increases in health and welfare expenses are related to Children’s Service Act. Expense increased for special education services. Additionally, the number of children in therapeutic foster care continues to increase.

As the following chart indicates, education continues to be one of the County’s largest programs and highest priorities, with education expenses totaling \$60.4 million in fiscal year 2018. Public Safety and human services are also strategic focus areas and the County’s second and third largest expenses, totaling \$22.0 million and \$13.2 million, respectively, in fiscal year 2018.

**Governmental Activities
Functional Expenses
For the Fiscal Year Ended June 30, 2018**



(Continued)

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, 2018 and 2017:

**Net Cost of Governmental Activities
For the Fiscal Year Ended June 30, 2018**

Table 3 **(\$ in millions)**

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
General government	\$ 4.3	\$ 4.1	\$ 3.2	\$ 3.1
Judicial administration	2.6	2.6	1.3	1.2
Public safety	22.0	20.7	13.9	13.2
Public works	5.0	4.7	4.7	4.5
Health and welfare	13.2	11.7	4.7	3.9
Education	60.4	48.1	60.4	48.1
Parks, recreation & cultural	3.5	3.3	3.3	3.2
Community development	5.4	5.3	5.2	5.0
Interest on long-term debt	2.9	3.0	2.9	3.0
Total	\$ 119.3	\$ 103.5	\$ 99.6	\$ 85.2

Table 3 may differ from Exhibit 2 due to rounding.

A portion of the \$119.3 million cost of the County’s governmental activities was paid by those who directly benefited from the programs (i.e., charges for services of \$4.7 million), and other governments and organizations that subsidized certain programs (i.e. operating and capital grants and contributions of \$15.0 million). These combined program revenues of \$19.7 million reduced the total fiscal year 2018 cost of services from \$119.3 million to the net cost of services of \$99.6 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 \$0.9 million for fiscal year 2018.

FINANCIAL ANALYSIS OF THE COUNTY'S GENERAL FUND

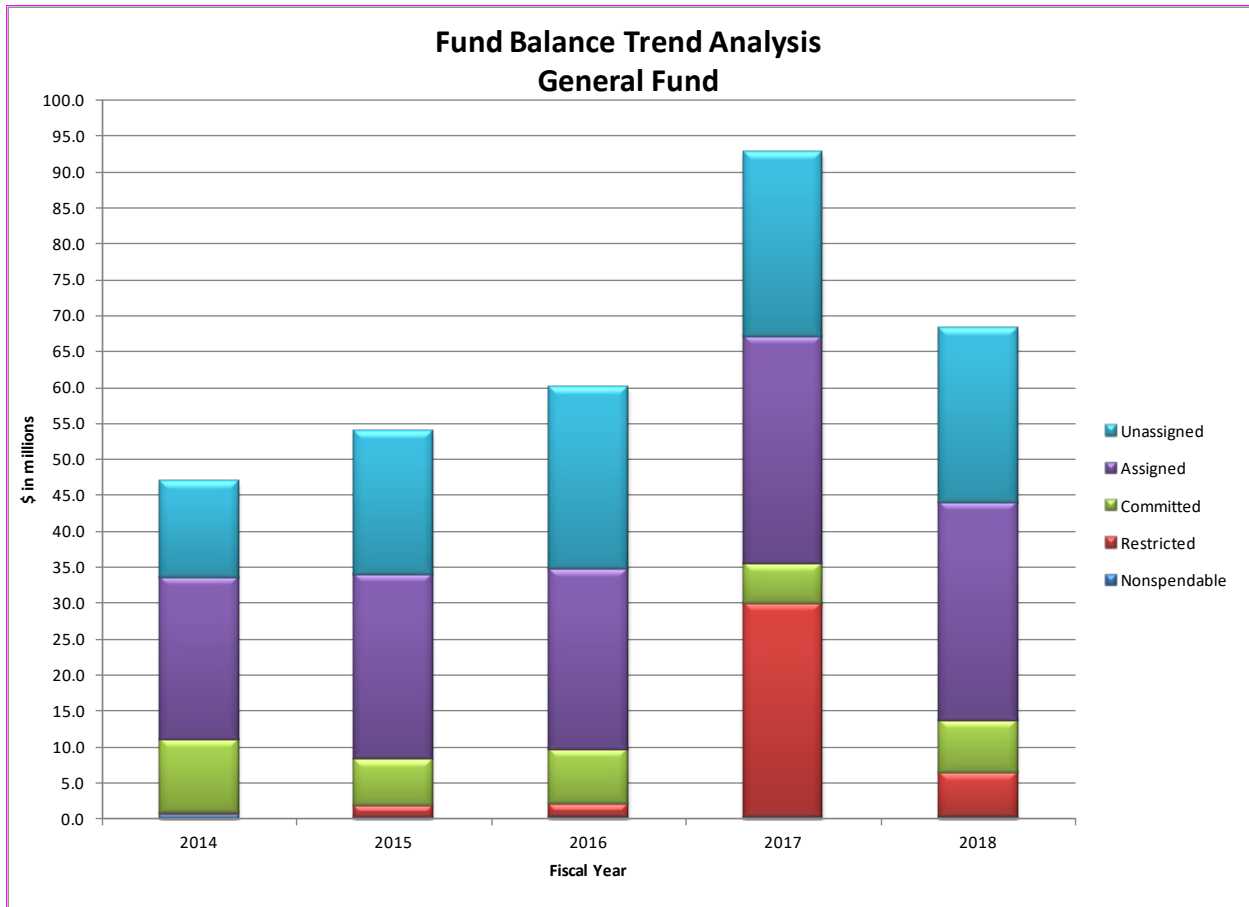
As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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 2018, the County's General Fund reported combined ending fund balances of \$68.2 million (Exhibit 3), as compared to \$92.7 million at June 30, 2017, a decrease of \$24.5 million. Of the \$68.2 million fiscal year 2018 fund balance, \$0.3 million is classified as *nonspendable* because it is invested in inventories and prepaid expenditures and, therefore, is not in spendable form; \$6.1 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, grant agreements, and volunteer fire and rescue length of service program), \$7.3 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, \$30.4 million is assigned to indicate that County administration has identified specific purposes for the use of those funds, and the remaining \$24.1 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.

Additional information can be found in Note 16.

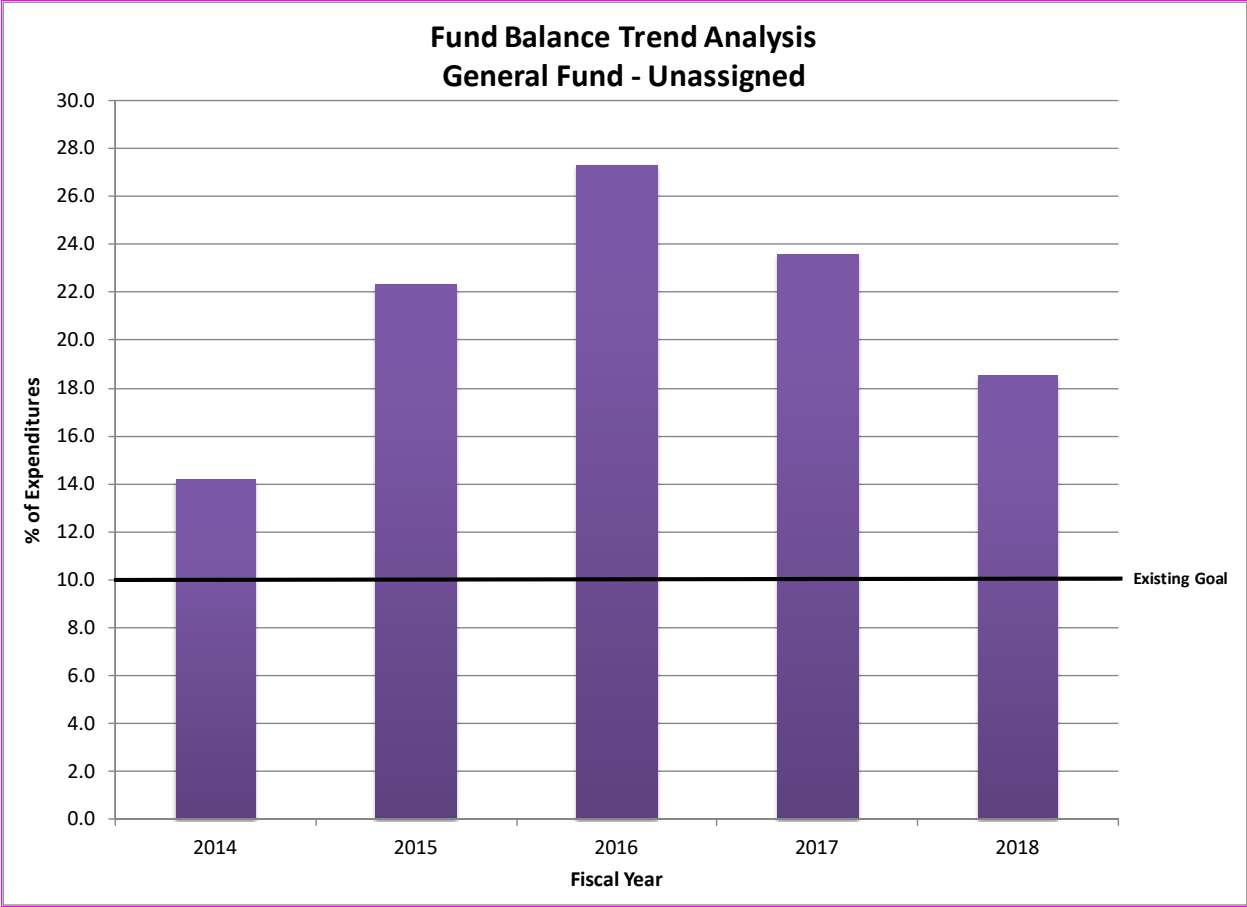
The following graphs illustrate fund balance trends for the County's general fund for fiscal years 2014 through 2018.



The decrease in restricted fund balance in fiscal 2018 was due to the expenditure of debt proceeds for the Liberty zone middle school and competition gym. The unspent proceeds of the issuance are classified as restricted.

The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$24.1 million. This represents 18.5% of total fiscal year 2018 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 52.3% of that same amount. This positive liquidity primarily results from the County receiving the first half of the 2018 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.

(Continued)



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).

Table 4	Budgetary Comparison General Fund For the Fiscal Year Ended June 30, 2018 (\$ in millions)		
	Original Budget	Amended Budget	Actual
Revenues & Other Financing Sources:			
General Property Taxes	\$ 63.4	\$ 63.4	\$ 65.0
Other Local Taxes	12.7	12.7	13.0
Intergovernmental	19.7	23.0	22.1
Other Revenue	3.9	4.2	5.3
Total	99.7	103.3	105.4
Expenditures & Other Financing Uses:			
Expenditures	105.1	109.3	91.6
Other Uses	35.7	36.6	35.2
Total	140.8	145.9	126.8
Changes in Fund Balance	\$ (41.1)	\$ (42.6)	\$ (21.4)

The original budget includes rollover capital improvement program appropriations of \$35.8 million and a planned use of fund balance for capital projects and debt service of \$1.4 million and \$4.8 million, respectively. Additionally, the Board did not appropriate \$0.5 million of the budget as it is reserved for a new landfill cell.

General Fund budget amendments resulted in an increase of \$5.1 million between the originally adopted budget and the final budget. Significant amendments included:

- \$2.4 million for Internet Crime Against Children Grants.
- \$0.1 million for Law Enforcement Grants.
- \$0.5 million for Emergency Services.
- \$0.3 million for Adult Detention.
- \$0.5 million for Children’s Service Act Expenditures.
- \$0.2 million for Domestic Violence Grants.
- \$0.1 million for Economic Development Incentives.
- \$0.8 million for the School Division’s Health Insurance reserves and maintenance projects.

(Continued)

CAPITAL ASSETS AND DEBT ADMINISTRATION

The County's investment in capital assets as of June 30, 2018, totals \$50.9 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, 2018
(\$ in millions)**

Table 5

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	Land	\$ 4.2	\$ 4.1	\$ 1.2	\$ 1.2	\$ 5.4
Building and improvements	48.8	49.7	19.8	19.7	68.6	69.4
Machinery and equipment	23.6	22.2	5.0	4.8	28.6	27.0
Construction in progress	3.6	1.0	0.3	0.1	3.9	1.1
Subtotal	80.2	77.0	26.3	25.8	106.5	102.8
Accumulated depreciation	(39.6)	(38.5)	(16.0)	(14.8)	(55.6)	(53.3)
Total	<u>\$40.6</u>	<u>\$ 38.5</u>	<u>\$10.3</u>	<u>\$ 11.0</u>	<u>\$50.9</u>	<u>\$ 49.5</u>

Major capital asset activity during fiscal year 2018 included the following:

- Renovation of the Falling Creek Center of \$2.2 million.
- Acquisition of seventeen public safety vehicles costing \$0.4 million funded through general fund revenues.
- Sale of Thaxton Elementary School.

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

(Continued)

Table 6 illustrates the County’s outstanding obligations at June 30, 2018. Additional information can be found in Note 7.

**Summary of Long Term Debt
as of June 30, 2018
(\$ in millions)**

Table 6

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
	General obligation and lease revenue bonds	\$ 71.2	\$ 77.1	\$ -	\$ -	\$ 71.2
Capital lease obligations	6.2	6.7	0.3	0.4	6.5	7.1
Total	\$ 77.4	\$ 83.8	\$ 0.3	\$ 0.4	\$ 77.7	\$ 84.2

The *Code of Virginia* does not impose a legal debt margin limit on counties. However, the County has adopted a policy with three debt ratios as a management tool. A key debt policy is the ratio of debt service costs to general government expenditures, which was 7.6% for the current year comparing favorably to the policy maximum of 15%. Debt ratios for the last ten years are provided in Table 11 in the Statistical Section of this report.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

During fiscal year 2018, the County experienced positive trends in its economic indicators.

- The County’s revenues continue to slowly grow, primarily due to higher property tax valuations.
- Other local taxes continue to grow at 3.0% or more each year since 2013.
- Throughout fiscal year 2018, the County’s unemployment rate decreased. In June 2018, the County’s employment rate was 3.4%, which is 0.8% lower than the same month a year ago. The current unemployment rate as of October 2018 is 2.7%.

Fiscal year 2019 is anticipated to continue those trends, particularly in the areas of real estate and personal property taxes.

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

County general property tax rates remained unchanged for the calendar year 2018.

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, 2018**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash, cash equivalents, and investments (Note 4)	\$ 70,855,718	\$ 15,442,826	\$ 86,298,544
Receivables, net (Note 5)	26,299,106	843,364	27,142,470
Internal balances	(147,451)	147,451	-
Due from component unit	8,750	-	8,750
Due from primary government	-	-	-
Prepays	250,722	46,272	296,994
Inventories	45,885	-	45,885
Restricted assets:			
Cash, cash equivalents, and investments (Note 4)	10,175,474	12,764	10,188,238
Net pension asset	-	-	-
Capital assets: (Note 6)			
Nondepreciable	7,814,892	1,495,335	9,310,227
Depreciable, net	32,803,971	8,798,712	41,602,683
Total assets	148,107,067	26,786,724	174,893,791
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	2,412,673	-	2,412,673
Deferred outflows related to pensions (Notes 9,10,11, and 12)	1,189,963	211,581	1,401,544
Deferred outflows related to other postemployment benefits (Notes 13 and 14)	166,007	46,962	212,969
Total deferred outflows of resources	3,768,643	258,543	4,027,186
LIABILITIES			
Accounts payable and accrued expenses	1,975,786	424,570	2,400,356
Accrued payroll and related liabilities	377,907	159,423	537,330
Accrued interest payable	1,336,346	-	1,336,346
Self insurance (Note 17)	-	-	-
Incentives and performance grants payable	-	-	-
Due to component units	12,427,556	-	12,427,556
Due to primary government	-	-	-
Liabilities payable from restricted assets	-	12,764	12,764
Noncurrent liabilities:			
Due within one year (Note 7)	7,752,822	462,057	8,214,879
Due in more than one year (Note 7)	77,983,076	6,847,841	84,830,917
Net pension liability (Notes 9,10,11, and 12)	3,897,615	196,435	4,094,050
Net other postemployment benefit liability (Notes 13 and 14)	1,854,141	324,942	2,179,083
Total liabilities	107,605,249	8,428,032	116,033,281
DEFERRED INFLOWS OF RESOURCES			
Property taxes (Note 5)	21,751,318	-	21,751,318
Deferred inflows related to pensions (Notes 9,10,11, and 12)	2,420,528	399,693	2,820,221
Deferred inflows related to other postemployment benefits (Notes 13 and 14)	173,605	31,282	204,887
Lease income	-	-	-
Total deferred inflows of resources	24,345,451	430,975	24,776,426
NET POSITION			
Net investment in capital assets	37,032,856	10,294,047	47,326,903
Restricted for:			
Donor requests	-	-	-
Unrestricted (deficit)	(17,107,846)	7,892,213	(9,215,633)
Total net position	\$ 19,925,010	\$ 18,186,260	\$ 38,111,270

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
\$ 8,713,168	\$ 432,724	\$ 1,348,188	\$ -	\$ 96,792,624
4,094,401	-	1,642,856	-	32,879,727
-	-	-	-	-
-	-	-	-	8,750
12,424,432	3,124	-	-	12,427,556
132,946	34,772	-	-	464,712
86,293	-	8,815,831	-	8,948,009
-	44,411	42,034	-	10,274,683
1,100,923	309,095	-	-	1,410,018
40,283,159	-	467,831	-	50,061,217
83,974,636	599,850	1,407,127	-	127,584,296
<u>150,809,958</u>	<u>1,423,976</u>	<u>13,723,867</u>	<u>-</u>	<u>340,851,592</u>
-	-	-	-	2,412,673
11,017,388	33,666	-	-	12,452,598
1,141,017	3,456	-	-	1,357,442
<u>12,158,405</u>	<u>37,122</u>	<u>-</u>	<u>-</u>	<u>16,222,713</u>
5,144,280	27,107	18,023	-	7,589,766
11,598,446	48,190	-	-	12,183,966
54,822	-	-	-	1,391,168
1,500,287	-	-	-	1,500,287
-	-	343,000	-	343,000
-	-	-	-	12,427,556
-	8,750	-	-	8,750
-	-	-	-	12,764
1,882,664	64,221	10,761	-	10,172,525
3,323,292	-	1,330,488	-	89,484,697
75,240,000	-	-	-	79,334,050
19,203,814	54,000	-	-	21,436,897
<u>117,947,605</u>	<u>202,268</u>	<u>1,702,272</u>	<u>-</u>	<u>235,885,426</u>
-	-	-	-	21,751,318
13,586,640	78,608	-	-	16,485,469
1,215,479	6,000	-	-	1,426,366
-	-	128,232	-	128,232
<u>14,802,119</u>	<u>84,608</u>	<u>128,232</u>	<u>-</u>	<u>39,791,385</u>
120,580,237	599,850	1,874,958	(73,821,050)	96,560,898
-	43,331	-	-	43,331
(90,361,598)	531,041	10,018,405	73,821,050	(15,206,735)
<u>\$ 30,218,639</u>	<u>\$ 1,174,222</u>	<u>\$ 11,893,363</u>	<u>\$ -</u>	<u>\$ 81,397,494</u>

COUNTY OF BEDFORD, VIRGINIA

**Statement of Activities
For the Year Ended June 30, 2018**

Function	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 4,324,995	\$ 569,953	\$ 517,182	\$ -
Judicial administration	2,621,336	69,446	1,295,495	-
Public safety	21,976,031	3,316,833	4,695,700	53,032
Public works	4,996,039	242,388	25,638	-
Health and welfare	13,154,429	121,645	8,341,159	-
Education	60,391,126	-	-	-
Parks, recreational, and cultural	3,448,466	116,905	18,939	605
Community development	5,444,352	293,703	-	-
Interest on long-term debt	2,911,990	-	-	-
Total governmental activities	<u>119,268,764</u>	<u>4,730,873</u>	<u>14,894,113</u>	<u>53,637</u>
Business-type activities:				
Nursing home	5,958,786	7,209,455	11,931	-
Solid waste	3,528,516	2,685,029	347,391	-
Total business-type activities	<u>9,487,302</u>	<u>9,894,484</u>	<u>359,322</u>	<u>-</u>
Total primary government	<u>\$ 128,756,066</u>	<u>\$ 14,625,357</u>	<u>\$ 15,253,435</u>	<u>\$ 53,637</u>
Component Units:				
School Board	\$ 104,889,393	\$ 2,786,113	\$ 25,133,669	\$ -
Public Library	1,977,145	64,621	257,315	-
Economic Development Authority	430,000	-	363,657	-
Total component units	<u>\$ 107,296,538</u>	<u>\$ 2,850,734</u>	<u>\$ 25,754,641</u>	<u>\$ -</u>

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
 Capital contributions
 Total general revenues
 Change in net position
 Net position-beginning, as restated (Note 23)
 Net position-ending

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

**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
\$ (3,237,860)	\$ -	\$ (3,237,860)	\$ -	\$ -	\$ -	\$ (3,237,860)
(1,256,395)	-	(1,256,395)	-	-	-	(1,256,395)
(13,910,466)	-	(13,910,466)	-	-	-	(13,910,466)
(4,728,013)	-	(4,728,013)	-	-	-	(4,728,013)
(4,691,625)	-	(4,691,625)	-	-	-	(4,691,625)
(60,391,126)	-	(60,391,126)	-	-	-	(60,391,126)
(3,312,017)	-	(3,312,017)	-	-	-	(3,312,017)
(5,150,649)	-	(5,150,649)	-	-	-	(5,150,649)
(2,911,990)	-	(2,911,990)	-	-	-	(2,911,990)
(99,590,141)	-	(99,590,141)	-	-	-	(99,590,141)
-	1,262,600	1,262,600	-	-	-	1,262,600
-	(496,096)	(496,096)	-	-	-	(496,096)
-	766,504	766,504	-	-	-	766,504
(99,590,141)	766,504	(98,823,637)	-	-	-	(98,823,637)
-	-	-	(76,969,611)	-	-	(76,969,611)
-	-	-	-	(1,655,209)	-	(1,655,209)
-	-	-	-	-	(66,343)	(66,343)
-	-	-	(76,969,611)	(1,655,209)	(66,343)	(78,691,163)
65,118,037	-	65,118,037	-	-	-	65,118,037
13,221,452	-	13,221,452	-	-	-	13,221,452
-	-	-	60,389,231	1,622,616	163,055	62,174,902
6,814,314	-	6,814,314	40,508,443	-	-	47,322,757
250,275	36,750	287,025	1,110	1,618	3,756	293,509
337,943	-	337,943	114,525	-	-	452,468
226,623	1,512	228,135	-	14,314	-	242,449
(50,000)	50,000	-	-	-	-	-
-	-	-	-	-	10,300	10,300
85,918,644	88,262	86,006,906	101,013,309	1,638,548	177,111	188,835,874
(13,671,497)	854,766	(12,816,731)	24,043,698	(16,661)	110,768	11,321,074
33,596,507	17,331,494	50,928,001	6,174,941	1,190,883	11,782,595	70,076,420
\$ 19,925,010	\$ 18,186,260	\$ 38,111,270	\$ 30,218,639	\$ 1,174,222	\$ 11,893,363	\$ 81,397,494

COUNTY OF BEDFORD, VIRGINIA

Balance Sheet
Governmental Fund
June 30, 2018

	General Fund
Assets	
Cash, cash equivalents, and investments	\$ 70,855,718
Receivables, net	26,299,106
Due from component unit	8,750
Prepays	250,722
Inventories	45,885
Restricted cash, cash equivalents, and investments	10,175,474
Total assets	\$ 107,635,655
Liabilities	
Accounts payable and accrued expenses	\$ 1,975,786
Accrued payroll and related liabilities	377,907
Due to other funds	147,451
Due to component units	12,466,801
Total liabilities	14,967,945
Deferred Inflows of Resources	
Unavailable revenue	24,497,202
Total deferred inflows of resources	24,497,202
Fund Balances	
Nonspendable	296,607
Restricted	6,072,001
Committed	7,290,318
Assigned	30,428,808
Unassigned	24,082,774
Total fund balances	68,170,508
Total liabilities, deferred inflows of resources and fund balances	\$ 107,635,655

(Continued)

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

COUNTY OF BEDFORD, VIRGINIA

Balance Sheet
Governmental Fund
June 30, 2018

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

Total Fund Balance, Governmental Funds		\$68,170,508
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$80,200,493	
Accumulated depreciation	<u>(39,581,630)</u>	40,618,863
Receivables on the statement of net position that do not provide current financial resources are not reported in the governmental funds.		2,745,884
Financial statement elements related to pension and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.		
Pension related deferred outflows	1,189,963	
OPEB related deferred outflows	166,007	
Pension related deferred inflows	(2,420,528)	
OPEB related deferred inflows	<u>(173,605)</u>	(1,238,163)
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		39,245
Long-term liabilities do not require the use of current financial resources and are not reported as expenditures in governmental funds.		
Accrued interest payable	(1,336,346)	
General obligation and lease revenue bonds	(71,181,932)	
Premium on debt issued	(6,464,444)	
Deferred charge on refunding	2,412,673	
Equipment leases	(6,241,514)	
Compensated absences	(1,848,008)	
Other post-employment benefits	(1,854,141)	
Net pension liability	<u>(3,897,615)</u>	<u>(90,411,327)</u>
Net position of Governmental Activities		<u><u>\$19,925,010</u></u>

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

COUNTY OF BEDFORD, VIRGINIA

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
Year Ended June 30, 2018**

	General Fund
Revenues	
General property taxes	\$ 65,013,122
Other local taxes	13,215,433
Permits, privilege fees, and regulatory licenses	530,735
Fines and forfeitures	145,480
Revenue from use of money and property	786,376
Charges for services	2,818,251
Other	593,612
Recovered costs	522,472
Intergovernmental	22,167,811
Total revenues	105,793,292
Expenditures	
Current operating	
General government administration	4,190,871
Judicial administration	2,314,015
Public safety	21,303,220
Public works	4,792,171
Health and welfare	13,281,249
Education	37,302,935
Parks, recreation, and cultural	3,165,687
Community development	3,393,749
Debt service	
Principal	6,362,167
Interest and other fiscal charges	3,543,651
Capital projects	
Education	24,018,220
Other governmental activities	6,585,982
Total expenditures	130,253,917
Excess (deficiency) of revenues over expenditures	(24,460,625)
Other Financing Sources (Uses)	
Transfers out	(50,000)
Total other financing uses	(50,000)
Net change in fund balance	(24,510,625)
Fund balance, beginning	92,681,133
Fund balance, ending	\$ 68,170,508

(Continued)

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

COUNTY OF BEDFORD, VIRGINIA

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2018**

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		\$ (24,510,625)
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	\$ 5,352,233	
Depreciation	<u>(3,281,192)</u>	2,071,041
The net effect of various transactions involving capital assets (sales, trade ins) is to decrease net position		3,939
Governmental funds report employer pension contributions as expenditures. However, in the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense.		
Employer pension contributions	88,388	
Pension expenses	<u>776,371</u>	864,759
Governmental funds report other postemployment benefit contributions as expenditures. However, in the statement of activities the cost of these benefits earned net of employee contributions is reported as other postemployment benefit expense.		
Employer other postemployment benefit contributions	117,584	
Other postemployment benefits expense	<u>(138,010)</u>	(20,426)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Debt principal repayment	6,362,167	
Change in accrued interest payable	399,923	
Changes in deferred charges on refundings and bond premiums	<u>231,738</u>	6,993,828
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	108,781	
Other revenues	<u>(84,640)</u>	24,141
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	930,029	
Changes in compensated absences	<u>(28,183)</u>	901,846
Total changes in net position of governmental activities		<u><u>\$ (13,671,497)</u></u>

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

COUNTY OF BEDFORD, VIRGINIA

**Statement of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual – Cash Basis –
Governmental Fund
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
General property taxes	\$ 63,368,500	\$ 63,368,500	\$ 64,969,941	\$ 1,601,441
Other local taxes	12,747,491	12,747,491	13,049,033	301,542
Permits, privilege fees, and regulatory licenses	518,200	518,200	530,516	12,316
Fines and forfeitures	130,000	130,000	149,869	19,869
Revenue from use of money and property	349,790	349,879	729,624	379,745
Charges for services	2,130,084	2,270,084	2,733,191	463,107
Miscellaneous	318,039	455,323	600,624	145,301
Recovered costs	472,000	474,268	522,472	48,204
Intergovernmental	19,676,312	22,978,618	22,073,097	(905,521)
Total revenues	<u>99,710,416</u>	<u>103,292,363</u>	<u>105,358,367</u>	<u>2,066,004</u>
Expenditures				
Current operating				
General government administration	4,909,011	4,988,121	3,941,286	1,046,835
Judicial administration	2,403,500	2,457,079	2,320,029	137,050
Public safety	19,406,213	22,333,382	21,423,376	910,006
Public works	5,157,396	5,161,896	4,765,090	396,806
Health and welfare	12,772,002	13,588,575	13,262,982	325,593
Education	1,895	1,895	1,895	-
Parks, recreation, and cultural	3,190,598	3,190,598	3,162,415	28,183
Community development	3,725,778	3,835,473	3,365,534	469,939
Debt service				
Principal	6,362,168	6,362,168	6,362,167	1
Interest and other fiscal charges	3,543,632	3,543,657	3,543,651	6
Capital projects				
Education	32,568,867	32,568,867	23,110,935	9,457,932
Other governmental activities	11,060,977	11,312,361	6,328,854	4,983,507
Total expenditures	<u>105,102,037</u>	<u>109,344,072</u>	<u>91,588,214</u>	<u>17,755,858</u>
Excess of revenues over expenditures	<u>(5,391,621)</u>	<u>(6,051,709)</u>	<u>13,770,153</u>	<u>19,821,862</u>
Other Financing Sources (Uses)				
Transfers to:				
Proprietary fund types	-	(50,000)	(50,000)	-
Component units	(35,673,838)	(36,516,100)	(35,190,590)	1,325,510
Total other financing sources (uses)	<u>(35,673,838)</u>	<u>(36,566,100)</u>	<u>(35,240,590)</u>	<u>1,325,510</u>
Net change in fund balance	<u>\$ (41,065,459)</u>	<u>\$ (42,617,809)</u>	<u>\$ (21,470,437)</u>	<u>\$ 21,147,372</u>

(Continued)

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

COUNTY OF BEDFORD, VIRGINIA

**Statement of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual – Cash Basis –
Governmental Fund
For the Year Ended June 30, 2018**

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

Total Revenues Budgetary Basis (Exhibit 5)	\$ 105,358,367
Tax and other accruals, grant deferrals, and other transfers	<u>434,925</u>
Total Revenues GAAP Basis (Exhibit 4)	<u><u>\$ 105,793,292</u></u>

Expenditures

Total Expenditures Budgetary Basis (Exhibit 5)	\$ 91,588,214
Accounts payable and other accruals	3,475,113
Transfers to component unit are expenditures for financial reporting purposes.	<u>35,190,590</u>
Total Expenditures GAAP Basis (Exhibit 4)	<u><u>\$ 130,253,917</u></u>

Other Financing Sources (Uses)

Total Other Financing Sources and Uses Budgetary Basis (Exhibit 5)	\$ (35,240,590)
Transfers to component units are expenditures for financial reporting purposes	<u>35,190,590</u>
Total Other Financing Sources and Uses GAAP Basis (Exhibit 4)	<u><u>\$ (50,000)</u></u>

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

COUNTY OF BEDFORD, VIRGINIA

Statement of Net Position
Proprietary Funds
June 30, 2018

	Business-Type Activities – Enterprise Funds		
	Nursing Home	Solid Waste	Total
ASSETS			
Current assets:			
Cash, cash equivalents, and investments	\$ 8,937,751	\$ 6,505,075	\$ 15,442,826
Receivables, net	656,004	187,360	843,364
Due from other funds	-	147,451	147,451
Prepays	36,443	9,829	46,272
Total current assets	<u>9,630,198</u>	<u>6,849,715</u>	<u>16,479,913</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	12,764	-	12,764
Capital assets, net	3,776,322	6,517,725	10,294,047
Total noncurrent assets	<u>3,789,086</u>	<u>6,517,725</u>	<u>10,306,811</u>
Total assets	<u>13,419,284</u>	<u>13,367,440</u>	<u>26,786,724</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	166,626	44,955	211,581
Deferred outflows related to other postemployment benefits	40,679	6,283	46,962
Total deferred outflows of resources	<u>207,305</u>	<u>51,238</u>	<u>258,543</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	180,173	244,397	424,570
Accrued payroll and related liabilities	126,808	32,615	159,423
Assets held in agency capacity	12,764	-	12,764
Compensated absences	189,505	44,211	233,716
Capital lease obligations	-	85,739	85,739
Landfill closure/postclosure	-	142,602	142,602
Total current liabilities	<u>509,250</u>	<u>549,564</u>	<u>1,058,814</u>
Noncurrent liabilities:			
Compensated absences	-	10,047	10,047
Other post-employment benefit liability	240,764	84,178	324,942
Net pension liability	153,766	42,669	196,435
Capital lease obligations	-	245,225	245,225
Landfill closure/postclosure	-	6,592,569	6,592,569
Total noncurrent liabilities	<u>394,530</u>	<u>6,974,688</u>	<u>7,369,218</u>
Total liabilities	<u>903,780</u>	<u>7,524,252</u>	<u>8,428,032</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	320,116	79,577	399,693
Deferred inflows related to other postemployment benefits	24,217	7,065	31,282
Total deferred inflows of resources	<u>344,333</u>	<u>86,642</u>	<u>430,975</u>
NET POSITION			
Net investment in capital assets	3,776,322	6,517,725	10,294,047
Unrestricted	8,602,154	(709,941)	7,892,213
Total net position	<u>\$ 12,378,476</u>	<u>\$ 5,807,784</u>	<u>\$ 18,186,260</u>

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

COUNTY OF BEDFORD, VIRGINIA

**Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2018**

	Business-Type Activities – Enterprise Funds		
	Nursing	Solid	Total
	Home	Waste	
Operating Revenues			
Charges for services	\$ 7,209,455	\$ 2,685,029	\$ 9,894,484
Other	11,931	347,391	359,322
Total Operating Revenues	<u>7,221,386</u>	<u>3,032,420</u>	<u>10,253,806</u>
Operating Expenses			
Personal services	2,863,089	659,883	3,522,972
Employee benefits	795,309	208,020	1,003,329
Purchased services	760,351	638,170	1,398,521
Continuous charges	517,036	489,785	1,006,821
Supplies and materials	700,320	268,820	969,140
Equipment, property, and improvements	43,183	61,623	104,806
Landfill closure/postclosure	-	274,494	274,494
Depreciation	276,861	915,496	1,192,357
Total Operating Expenses	<u>5,956,149</u>	<u>3,516,291</u>	<u>9,472,440</u>
Operating income (loss)	<u>1,265,237</u>	<u>(483,871)</u>	<u>781,366</u>
Non-Operating Revenues (Expenses)			
Interest income	22,135	14,615	36,750
Interest expense	-	(12,225)	(12,225)
Gain (loss) on disposal of capital assets	(2,637)	1,512	(1,125)
Total Non-Operating Revenues (Expenses)	<u>19,498</u>	<u>3,902</u>	<u>23,400</u>
Income (loss) before transfers	1,284,735	(479,969)	804,766
Transfers in	-	50,000	50,000
Change in Net Position	1,284,735	(429,969)	854,766
Net Position, beginning, as restated	11,093,741	6,237,753	17,331,494
Net Position, ending	<u>\$ 12,378,476</u>	<u>\$ 5,807,784</u>	<u>\$ 18,186,260</u>

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

COUNTY OF BEDFORD, VIRGINIA

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	<u>Nursing Home</u>	<u>Solid Waste</u>	<u>Total</u>
Operating Activities			
Receipts from customers	\$ 7,160,486	\$ 2,672,578	\$ 9,833,064
Other cash receipts	11,981	364,575	376,556
Payments to employees	(2,936,751)	(663,562)	(3,600,313)
Payments for employee benefits	(940,420)	(241,767)	(1,182,187)
Payments to suppliers	(1,920,898)	(1,473,198)	(3,394,096)
Net Cash Provided by Operating Activities	<u>1,374,398</u>	<u>658,626</u>	<u>2,033,024</u>
Noncapital Financing Activities			
Transfers from other funds	-	50,000	50,000
Net Cash Provided by Noncapital Financing Activities	<u>-</u>	<u>50,000</u>	<u>50,000</u>
Capital and Related Financing Activities			
Acquisition and construction of capital assets	(6,436)	(288,731)	(295,167)
Proceeds from sale of capital assets	-	1,513	1,513
Principal paid on debt	-	(83,001)	(83,001)
Interest paid on debt	-	(12,225)	(12,225)
Net Cash Used in Capital and Related Financing Activities	<u>(6,436)</u>	<u>(382,444)</u>	<u>(388,880)</u>
Investing Activities			
Interest received	22,135	14,615	36,750
Net Increase in Cash and Cash Equivalents	1,390,097	340,797	1,730,894
Cash and Cash Equivalents Beginning of Year	7,560,418	6,164,278	13,724,696
Cash and Cash Equivalents End of Year	<u>\$ 8,950,515</u>	<u>\$ 6,505,075</u>	<u>\$ 15,455,590</u>
Reconciliation to Exhibit 6			
Cash and Cash Equivalents	\$ 8,937,751	\$ 6,505,075	\$ 15,442,826
Restricted Cash and Cash Equivalents	12,764	-	12,764
	<u>\$ 8,950,515</u>	<u>\$ 6,505,075</u>	<u>\$ 15,455,590</u>

(Continued)

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

COUNTY OF BEDFORD, VIRGINIA

**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018**

	<u>Nursing Home</u>	<u>Solid Waste</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ 1,265,237	\$ (483,871)	\$ 781,366
Adjustments Not Affecting Cash			
Depreciation	276,861	915,496	1,192,357
Landfill closure/postclosure	-	274,494	274,494
(Increase) Decrease in Assets			
Accounts receivable	(38,760)	17,250	(21,510)
Due from other funds	-	(12,267)	(12,267)
Prepays	6,806	697	7,503
(Increase) Decrease in Deferred Outflows of Resources			
Pension deferrals	216,403	50,260	266,663
Other postemployment benefit deferrals	(40,679)	(6,283)	(46,962)
Increase (Decrease) in Liabilities			
Accounts payable and accrued expenses	94,232	(15,064)	79,168
Accrued payroll and related liabilities	(55,714)	(6,430)	(62,144)
Assets held in agency capacity	(1,936)	-	(1,936)
Compensated absences	(26,467)	2,371	(24,096)
Other post-employment benefits	(880)	54,678	53,798
Net pension liability	(435,154)	(160,896)	(596,050)
Increase (Decrease) in Deferred Inflows of Resources			
Pension deferrals	90,232	21,126	111,358
Other postemployment benefit deferrals	24,217	7,065	31,282
Net Cash Provided by Operating Activities	<u>\$ 1,374,398</u>	<u>\$ 658,626</u>	<u>\$ 2,033,024</u>
SCHEDULE OF NONCASH ACTIVITIES			
Capital asset additions financed by accounts payable	<u>\$ -</u>	<u>\$ 161,449</u>	<u>\$ 161,449</u>

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

COUNTY OF BEDFORD, VIRGINIA

Statement of Fiduciary Net Position
 Fiduciary Fund
 June 30, 2018

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 1,020,165
Security deposits	900
Receivables, net	<u>11,900</u>
Total assets	<u><u>\$ 1,032,965</u></u>
 LIABILITIES	
Accounts payable	\$ 1,416
Accrued payroll and related liabilities	585
Amounts held for clients/others	<u>1,030,964</u>
Total liabilities	<u><u>\$ 1,032,965</u></u>

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

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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; the primary government having the ability to impose its will on the component unit; the component unit having fiscal dependency on the primary government; or a financial benefit or burden relationship existing between the component unit and the primary government.

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:

(Continued)

COUNTY OF BEDFORD, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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. The County has operational responsibility for the component unit.

Discretely Presented Component Units:

Bedford County School Board

The County provides education through its own public school system administered by the Bedford County School Board (the “School Board”). The School Board has been classified as a discretely presented component unit in the financial reporting entity because it is legally separate, but financially dependent through appropriations. The Board of Supervisors administers the School Board’s appropriation of funds at the category level, approves transfers between categories, and authorizes school debt issuances. Financial statements of the School Board are included in a discretely presented component unit column and/or row of the government-wide financial statements, as well as in the supplementary information section. 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 has been classified as a discretely presented component unit in the financial statements because it is legally separate, but financially dependent through appropriations. The Board of Supervisors appoints Library Board members. Financial statements of the Library are included in a discretely presented component unit column and/or row of the government-wide financial statements. Complete financial statements for the Library 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. Financial statements of the EDA are included in a discretely presented component unit column and/or row of the government-wide financial statements. Complete financial statements for the EDA may be obtained by writing the EDA at 122 East Main St., Suite 202, Bedford, Virginia 24523.

(Continued)

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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.

(Continued)

COUNTY OF BEDFORD, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

The County reports the following major governmental fund:

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

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

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

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

Additionally, the County reports the following fund category:

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

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

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

(Continued)

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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	\$ 2,205,146
General Fund – EMS transport fees	<u>48,855</u>
	<u>\$ 2,254,001</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, 2017, and the first installment (June 5) of the levy on assessed value at January 1, 2018. The installment due on June 5, 2018 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, 2018 is included as deferred inflows since these taxes are intended for use in fiscal year 2019.

(Continued)

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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 2017 tax bills, payable in fiscal year 2018, included a forty six and half (46.5) 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

In accordance with applicable bond covenants and other agreements, governmental activities report restricted cash, cash equivalents, and investments at June 30, 2018 of \$10,188,238, which consists of unspent bond proceeds and accumulated interest of \$8,138,880 restricted for School capital projects, \$139,332 restricted for water and sewer projects, and \$1,897,262 for the Volunteer Length of Service Awards Program. Business-type activities report restricted cash, cash equivalents, and investments of \$12,764 for Nursing Home resident funds. Restricted cash, cash equivalents, and investments of \$44,411 in 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 acquisition value.

(Continued)

COUNTY OF BEDFORD, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

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

5. Capital Assets (Continued)

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

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

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

Depreciation is charged as an expense in the statement of activities and accumulated depreciation is reported in the statement of net 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 in the Proprietary Funds 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 and Other Postemployment Benefits

For purposes of measuring all financial elements related to pension and other postemployment benefit (OPEB) plans, information about the fiduciary net position of the County's and School's Plans and the additions to/deductions from the County and Schools Plans' 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.

(Continued)

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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 statements that present net position report a separate section for *deferred outflows of resources*. These items represent a consumption of net position that applies to future periods and so will *not* be recognized as an outflow of resources (expense) until then. In addition to liabilities, the statements that present financial position report a separate section for *deferred inflows of resources*. These items represent an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The County and Schools have the following items that qualify for reporting as deferred inflows or outflows:

- The deferred charge on refunding reported in the government-wide statement of net position results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Contributions subsequent to the measurement date for pensions and OPEB are always a deferred outflow; this will be applied to the net pension or OPEB liability in the next fiscal year.
- Differences between expected and actual experience for economic/demographic factors as well as changes in actuarial assumptions in the measurement of the total pension or OPEB liability. This difference will be recognized in pension or OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow as appropriate.
- Difference between projected and actual earnings on pension and OPEB plan investments. This difference will be recognized in pension or OPEB expense over a closed five year period and may be reported as a deferred outflow or inflow as appropriate.
- Changes in proportion and differences between employer contributions and proportionate share of employer contributions in the Virginia Retirement System's teacher cost sharing pool or OPEB cost sharing pool plans. This difference is deferred and recognized in expense over the average remaining service life of the employees who are subject to the plan, and may be reported as a deferred outflow or inflow as appropriate.
- *Unavailable revenue* is reported only in the governmental funds balance sheet under a modified accrual basis of accounting. The governmental funds report unavailable revenue from property taxes and other receivables not collected within 45 days of year-end and property taxes levied to fund future years. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- At the government-wide level, the County reports deferred inflows for unearned property taxes which are billed and/or collected but are intended to fund future years.

(Continued)

COUNTY OF BEDFORD, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

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

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. Costs associated with the issuance of debt are expensed in the period debt is issued.

10. Net Position/Fund Equity

Net position is comprised of three categories: net investment in capital assets; restricted; and unrestricted. The first category reflects the portion of net position associated with capital assets, less the outstanding debt (net) related to these capital assets. The related debt (net) is the debt less the unspent bond proceeds and any associated unamortized 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.

11. School Board Debt/Capital Assets Reporting

The County issues debt to finance the construction of school facilities because the School Board does not have borrowing or taxing authority. The County reports this debt, whereas the School Board reports the related capital assets. As a result, in the Statement of Net Position (Exhibit 1), the debt reduces *unrestricted net 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 \$73,821,050 is reclassified as shown on Exhibit 1 to present the total reporting entity column.

12. Estimates

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

(Continued)

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

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

13. 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 \$1,011,767 for fiscal year 2018.

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

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.

(Continued)

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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

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

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

Expenditures of School Board – Component Unit	\$ 131,158,595
Principal and other debt service expenditures included in primary government	<u>8,345,462</u>
Total expenditures for school activities	<u><u>\$ 139,504,057</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.

(Continued)

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

Note 4. Deposits and Investments

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	\$ 86,450,640	NA	89.60%
Virginia SNAP	8,138,880	AAAm	8.44%
Guaranteed Interest Account	1,897,262	NA	1.96%
Total deposits and investments	\$ 96,486,782		100.00%

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, 77.9% of the portfolio will mature in less than one year.

(Continued)

COUNTY OF BEDFORD, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 4. Deposits and Investments (Continued)

Interest Rate Risk (Continued)

The above items are reflected in the statements as follows:

	Primary Government	School Board Component Unit
Deposits and investments:		
Cash on hand	\$ 2,725	\$ -
Deposits	86,447,915	8,713,168
Investments	10,036,142	-
	\$ 96,486,782	\$ 8,713,168
Statement of net position:		
Cash and cash equivalents	\$ 86,298,544	\$ 8,713,168
Restricted cash, cash equivalents, and investments	10,188,238	-
	\$ 96,486,782	\$ 8,713,168

All investments were in compliance with the Policy.

(Continued)

COUNTY OF BEDFORD, VIRGINIA

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

Note 5. Receivables

Receivables are as follows:

	Primary Government				Component Unit School Board
	Governmental Activities	Business-Type Activities			
	General Fund	Nursing Home	Solid Waste	Total	
Receivables					
Taxes	\$ 23,139,001	\$ -	\$ -	\$ -	\$ -
Accounts	1,241,062	656,004	187,446	843,450	638,925
Intergovernmental	4,173,044	-	-	-	3,455,476
Gross receivables	28,553,107	656,004	187,446	843,450	4,094,401
Less: allowance for uncollectibles	(2,254,001)	-	(86)	(86)	-
Net total receivables	<u>\$ 26,299,106</u>	<u>\$ 656,004</u>	<u>\$ 187,360</u>	<u>\$ 843,364</u>	<u>\$ 4,094,401</u>

Taxes receivable represent the current and past four years of uncollected levies for personal property taxes and the current and past nineteen years for real property. The allowance for estimated uncollectible taxes receivable is 9.53% 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 (95.73%) and private pay (4.27%). No allowance for uncollectible accounts was considered necessary at year end.

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	\$ 23,483,372	\$ 21,751,318
Other receivables not available to liquidate liabilities of current period	1,013,830	-
Total unavailable/unearned revenue	<u>\$ 24,497,202</u>	<u>\$ 21,751,318</u>

(Continued)

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 6. Capital Assets

Capital asset activity was as follows:

Primary Government

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not depreciated:				
Land	\$ 4,152,370	\$ 21,895	\$ -	\$ 4,174,265
Construction in progress	970,570	3,398,492	728,435	3,640,627
Total capital assets, not depreciated	<u>5,122,940</u>	<u>3,420,387</u>	<u>728,435</u>	<u>7,814,892</u>
Capital assets, depreciated:				
Buildings and improvements	49,729,061	728,199	1,715,963	48,741,297
Machinery and equipment	22,199,832	1,986,179	541,707	23,644,304
Total capital assets, depreciated	<u>71,928,893</u>	<u>2,714,378</u>	<u>2,257,670</u>	<u>72,385,601</u>
Less accumulated depreciation for:				
Buildings and improvements	25,526,723	1,230,237	1,715,938	25,041,022
Machinery and equipment	12,981,227	2,098,702	539,321	14,540,608
Total accumulated depreciation	<u>38,507,950</u>	<u>3,328,939</u>	<u>2,255,259</u>	<u>39,581,630</u>
Net capital assets, depreciated	<u>33,420,943</u>	<u>(614,561)</u>	<u>2,411</u>	<u>32,803,971</u>
Governmental activities net capital assets	<u>\$ 38,543,883</u>	<u>\$ 2,805,826</u>	<u>\$ 730,846</u>	<u>\$ 40,618,863</u>
Business-Type Activities				
Capital assets, not depreciated:				
Land	\$ 1,220,571	\$ -	\$ -	\$ 1,220,571
Construction in progress	129,925	240,089	95,250	274,764
Total capital assets, not depreciated	<u>1,350,496</u>	<u>240,089</u>	<u>95,250</u>	<u>1,495,335</u>
Capital assets, depreciated:				
Buildings and improvements	19,696,592	163,908	-	19,860,500
Machinery and equipment	4,807,202	244,889	80,513	4,971,578
Total capital assets, depreciated	<u>24,503,794</u>	<u>408,797</u>	<u>80,513</u>	<u>24,832,078</u>
Less accumulated depreciation for:				
Buildings and improvements	11,519,096	915,765	-	12,434,861
Machinery and equipment	3,302,771	373,610	77,876	3,598,505
Total accumulated depreciation	<u>14,821,867</u>	<u>1,289,375</u>	<u>77,876</u>	<u>16,033,366</u>
Net capital assets, depreciated	<u>9,681,927</u>	<u>(880,578)</u>	<u>2,637</u>	<u>8,798,712</u>
Business-type activities net capital assets	<u>\$ 11,032,423</u>	<u>\$ (640,489)</u>	<u>\$ 97,887</u>	<u>\$ 10,294,047</u>

(Continued)

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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	15,034,300	25,517,385	2,356,363	38,195,322
Total capital assets, not depreciated	17,122,137	25,517,385	2,356,363	40,283,159
Capital assets, depreciated:				
Buildings and improvements	197,763,421	2,366,613	-	200,130,034
Machinery and equipment	26,118,496	1,995,219	221,336	27,892,379
Total capital assets, depreciated	223,881,917	4,361,832	221,336	228,022,413
Less accumulated depreciation for:				
Buildings and improvements	122,526,260	4,134,046	-	126,660,306
Machinery and equipment	15,795,771	1,803,268	211,568	17,387,471
Total accumulated depreciation	138,322,031	5,937,314	211,568	144,047,777
Net capital assets, depreciated	85,559,886	(1,575,482)	9,768	83,974,636
School Board net capital assets	<u>\$ 102,682,023</u>	<u>\$ 23,941,903</u>	<u>\$ 2,366,131</u>	<u>\$ 124,257,795</u>

Depreciation expense was charged to functions/programs as follows:

Primary Government – Governmental Activities	
General government administration	\$ 236,181
Judicial administration	394,416
Public safety	1,851,597
Public works	173,029
Health and welfare	173,929
Parks, recreation, and cultural	390,716
Community development	61,324
Total governmental activities	<u>\$ 3,281,192</u>
Primary Government – Business-Type Activities	
Nursing home	276,861
Solid waste	915,496
Total business-type activities	<u>\$ 1,192,357</u>
Component Unit – School Board	<u>\$ 5,937,314</u>

The total increase in accumulated depreciation reflected above in governmental activities includes accumulated depreciation of items transferred from the Enterprise Funds of \$47,747 for governmental activities and for business-type activities, \$97,018 of accumulated depreciation for items transferred from the General Fund.

(Continued)

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 7. Long-Term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government					
Governmental activities:					
General obligation and lease revenue bonds					
County projects	\$ 4,547,000	\$ -	\$ 1,413,000	\$ 3,134,000	\$ 1,038,000
School projects	72,555,952	-	4,508,020	68,047,932	4,590,380
Deferred amounts:					
Bond premium	<u>6,893,919</u>	<u>-</u>	<u>429,475</u>	<u>6,464,444</u>	<u>429,475</u>
Total general obligation and revenue bonds	83,996,871	-	6,350,495	77,646,376	6,057,855
Capital leases:					
County projects	543,001	-	35,846	507,155	37,771
School projects	6,139,660	-	405,301	5,734,359	427,072
Compensated absences	1,819,825	1,239,547	1,211,364	1,848,008	1,230,124
Other post-employment benefits	1,922,461	160,633	228,953	1,854,141	-
Net pension liability	<u>6,724,656</u>	<u>521,362</u>	<u>3,348,403</u>	<u>3,897,615</u>	<u>-</u>
Total long-term liabilities	<u>\$ 101,146,474</u>	<u>\$ 1,921,542</u>	<u>\$ 11,580,362</u>	<u>\$ 91,487,654</u>	<u>\$ 7,752,822</u>
Business-type activities:					
Capital leases	\$ 413,965	\$ -	\$ 83,001	\$ 330,964	\$ 85,739
Compensated absences	267,860	315,542	339,639	243,763	233,716
Other post-employment benefits	340,972	30,429	46,459	324,942	-
Net pension liability	737,834	66,155	607,554	196,435	-
Landfill closure/postclosure costs	<u>6,460,677</u>	<u>274,494</u>	<u>-</u>	<u>6,735,171</u>	<u>142,602</u>
Total long-term liabilities	<u>\$ 8,221,308</u>	<u>\$ 686,620</u>	<u>\$ 1,076,653</u>	<u>\$ 7,831,275</u>	<u>\$ 462,507</u>
Component Unit					
School Board					
Capital leases	\$ 3,241,407	\$ 1,328,096	\$ 891,945	\$ 3,677,558	\$ 881,531
Compensated absences	1,674,390	950,769	1,096,761	1,528,398	1,001,133
Other post-employment benefits	20,180,611	1,235,433	2,212,230	19,203,814	-
Net pension liability	<u>88,575,594</u>	<u>1,098,000</u>	<u>14,433,594</u>	<u>75,240,000</u>	<u>-</u>
Total long-term liabilities	<u>\$ 113,672,002</u>	<u>\$ 4,612,298</u>	<u>\$ 18,634,530</u>	<u>\$ 99,649,770</u>	<u>\$ 1,882,664</u>

(Continued)

COUNTY OF BEDFORD, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 7. Long-Term Liabilities (Continued)

Annual debt service requirements to maturity are as follows:

Year Ending June 30,	Primary Government				Component Unit	
	Governmental Activities				School Board	
	General Obligation and Lease Revenue Bonds		Capital Leases		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 5,628,380	\$ 2,860,909	\$ 464,843	\$ 162,342	\$ 881,531	\$ 65,002
2020	5,542,392	2,595,365	492,226	149,939	897,196	49,336
2021	4,971,160	2,342,095	525,000	136,659	747,452	33,390
2022	3,380,000	2,135,829	540,000	122,680	569,015	20,371
2023	3,535,000	1,965,303	565,235	108,172	385,195	10,531
2024-2028	20,285,000	6,996,388	3,289,228	296,011	197,169	3,906
2029-2033	18,095,000	2,772,960	364,982	4,835	-	-
2034-2037	9,745,000	640,998	-	-	-	-
	<u>\$ 71,181,932</u>	<u>\$ 22,309,847</u>	<u>\$ 6,241,514</u>	<u>\$ 980,638</u>	<u>\$ 3,677,558</u>	<u>\$ 182,536</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.

(Continued)

COUNTY OF BEDFORD, VIRGINIA

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

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:						
VPSA Bonds	3.05-5.05%	2013	2021	\$ 187,000	\$ 144,000	
Total general obligations-County					<u>144,000</u>	
Schools:						
VPSA Bonds	3.60-5.10%	1998	2018	\$ 5,200,000	260,000	
VPSA Bonds	5.10-6.10	1999	2019	12,030,340	1,455,544	
VPSA Bonds	5.10-6.35	2000	2020	4,200,000	955,000	
VPSA Bonds	4.98-5.85	2000	2020	6,285,526	1,091,388	
VPSA Bonds	4.10-5.10	2008	2029	5,420,000	2,970,000	
VPSA Bonds	3.05-5.05	2013	2031	23,788,000	22,426,000	
VPSA Bonds	2.80-5.05	2017	2037	36,865,000	35,975,000	
Total general obligation bonds-Schools					<u>65,132,932</u>	
Total general obligation bonds					<u>\$ 65,276,932</u>	
Lease Revenue Bonds						
County:						
Bedford County EDA-Courthouse and Social Services Refunding	2.05%	2005	2020	\$ 7,875,000	\$ 2,230,000	
Bedford County EDA Refunding-Group Home	2.81	2015	2021	1,525,000	760,000	
Total lease revenue bonds-County					<u>2,990,000</u>	
Schools:						
Bedford County EDA Refunding-Jefferson Forest High School	2.810%	2015	2031	\$ 5,700,000	2,915,000	
Total lease revenue bonds					<u>\$ 5,905,000</u>	
Capital Leases						
Capital One-Energy Conservation Measures						
County	2.65%	2012	2029	\$ 650,042	\$ 507,155	
Schools	2.65	2012	2029	7,349,958	5,734,359	
Total capital leases					<u>\$ 6,241,514</u>	
Business-Type Activities:						
Capital Leases						
John Deere-Solid Waste equipment	3.25%	2017	2022	\$ 138,894	\$ 106,254	
John Deere-Solid Waste equipment	3.25	2017	2022	300,015	224,710	
Total capital leases-business-type activities					<u>330,964</u>	
Total business-type activities					<u>\$ 330,964</u>	
COMPONENT UNIT						
School Board						
Capital leases:						
SunTrust	13 buses	1.94%	2013	2019	\$ 1,095,679	\$ 321,982
Wachovia Bank, N.A.	14 buses	1.78	2014	2020	1,271,888	554,510
First Citizens Bank & Trust	14 buses	1.75	2015	2021	1,287,652	741,904
U.S. Bancorp Gov't Leasing	14 buses	1.456	2016	2022	1,305,270	932,141
U.S. Bancorp Gov't Leasing	14 buses	1.456	2017	2023	1,328,096	1,127,021
Total capital leases-School Board					<u>\$ 3,677,558</u>	

(Continued)

COUNTY OF BEDFORD, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 7. Long-Term Liabilities (Continued)

The Schools lease buses under various capital leases expiring at various dates through 2023.

The assets acquired through capital leases are as follows:

	Component Unit
	School Board
Machinery and equipment	\$ 6,288,585
Less: accumulated depreciation	1,162,505
	\$ 5,126,080

Note 8. Interfund Receivables and Payables and Transfers

The \$147,451 due from the General Fund to the Solid Waste Fund represents revenues collected in the General Fund to finance solid waste programs in accordance with budgetary authorization.

Note 9. Defined Benefit Pension Plan

Plan Description

All full-time, salaried permanent employees of the County of Bedford, (the “Political Subdivision”) are automatically covered by VRS Retirement Plan upon employment. This multi-employer agent 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.

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 with each plan is as follows:

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

(Continued)

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 1 – (Continued)

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

(Continued)

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 1 – (Continued)

- **Normal Retirement Age** – Age 65 or age 60 for hazardous duty employees.
- **Earliest Unreduced Retirement Eligibility** – Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service, for hazardous duty employees.
- **Earliest Reduced Retirement Eligibility** – Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. 50 with at least five years of creditable service for hazardous duty employees.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.
 - **Eligibility** – For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.
 - **Exceptions to COLA Effective Dates** – The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:
 - The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
 - The member retires on disability.
 - The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
 - The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
 - The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.
- **Disability Coverage** – Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted.

(Continued)

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 1 – (Continued)

- **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. Members also may be eligible to purchase periods of leave without pay.

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

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

(Continued)

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 2 – (Continued)

- **Earliest Reduced Retirement Eligibility** – Age 60 with at least five years (60 months) of creditable service. Hazardous duty employees are the same as Plan 1.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 2.00% increase in the CPI-U and half of any additional increase (up to 2.00%), for a maximum COLA of 3.00%.
 - **Eligibility** – Same as Plan 1.
 - **Exceptions to COLA Effective Dates** – Same as Plan 1.
- **Disability Coverage** – Same as Plan 1 except that the retirement multiplier is 1.65%.
- **Purchase of Prior Service** – Same as Plan 1.

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

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

(Continued)

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan – (Continued)

- **Creditable Service** –
 - **Defined Benefit Component** – Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
 - **Defined Contributions Component:** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
- **Vesting** –
 - **Defined Benefit Component:** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.
 - **Defined Contributions Component:** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. After two years, a member is 50% vested and may withdraw 50% of employer contributions. After three years, a member is 75% vested and may withdraw 75% of employer contributions. After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
- **Calculating the Benefit** –
 - **Defined Benefit Component:** See definition under Plan 1.
 - **Defined Contribution Component:** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
- **Average Final Compensation** – Same as Plan 2 for the defined benefit component of the plan.
- **Service Retirement Multiplier** – The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. This is not applicable to sheriffs, regional jail superintendents, or hazardous duty employees.

(Continued)

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

Note 9. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan – (Continued)

- **Normal Retirement Age** –
 - **Defined Benefit Component:** Same as Plan 2, however, not applicable for hazardous duty employees.
 - **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Earliest Unreduced Retirement Eligibility** –
 - **Defined Benefit Component** – Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. This is not applicable to hazardous duty employees.
 - **Defined Contribution Component** – Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Earliest Reduced Retirement Eligibility** –
 - **Defined Benefit Component** – Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. This is not applicable to hazardous duty employees.
 - **Defined Contribution Component** – Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Cost-of-Living Adjustment (COLA) in Retirement**
 - **Defined Benefit Component** – Same as Plan 2.
 - **Defined Contribution Component** – Not Applicable.
 - **Eligibility** – Same as Plan 1 and 2.
 - **Exceptions to COLA Effective Dates** – Same as Plan 1 and 2.
- **Disability Coverage** – Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
- **Purchase of Prior Service** –
 - **Defined Benefit Component** – Same as Plan 1, with the following exceptions:
 - Hybrid Retirement Plan members are ineligible for ported service.
 - **Defined Contribution Component** – Not Applicable.

(Continued)

COUNTY OF BEDFORD, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 9. Defined Benefit Pension Plan (Continued)

Employees Covered by Benefit Terms

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

	County
Inactive members or their beneficiaries currently receiving benefits	179
Inactive members:	
Vested	72
Non-vested	260
Active elsewhere in VRS	123
Total inactive members	455
Active members	439
Total covered employees	1,073

Contributions

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

The political subdivision's contractually required contribution rate for the year ended June 30, 2018 was 6.57% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2016.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$1,394,763 and \$1,308,922 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

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

(Continued)

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 9. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions

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

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

- * Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% 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 7.0% to simplify preparation of pension liabilities.

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service related. Public Safety Employees – 70% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2014 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

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

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

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

(Continued)

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

Note 9. Defined Benefit Pension Plan (Continued)

Long-Term Expected Rate of Return

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

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

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

(Continued)

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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, 2019, the rate contributed by the employer for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2016	\$ 63,487,687	\$ 58,767,224	\$ 4,720,463
Changes for the year:			
Service cost	1,898,498	-	1,898,498
Interest	4,339,811	-	4,339,811
Changes in benefit terms	517,512	-	517,512
Changes in assumptions	(459,022)	-	(459,022)
Differences between expected and actual experience	(451,977)	-	(451,977)
Contributions – employer	-	1,272,940	(1,272,940)
Contributions – employee	-	909,120	(909,120)
Net investment income	-	7,135,145	(7,135,145)
Benefit payments, including refunds of employee contributions	(2,980,765)	(2,980,765)	-
Administrative expenses	-	(41,144)	41,144
Other changes	-	(6,358)	6,358
Net changes	2,864,057	6,288,938	(3,424,881)
Balances at June 30, 2017	\$ 66,351,744	\$ 65,056,162	\$ 1,295,582

(Continued)

COUNTY OF BEDFORD, VIRGINIA

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

Note 9. Defined Benefit Pension Plan (Continued)

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

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

<u>Net Pension Liability (Asset)</u>	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Bedford County	\$ 10,340,422	\$ 1,295,282	\$ (6,171,674)

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

For the year ended June 30, 2018, the political subdivision recognized pension expense of \$223,300. At June 30, 2018, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Bedford County</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,373,014
Net difference between projected and actual earnings on pension plan investments	-	929,775
Changes in assumptions	-	324,805
Employer contributions subsequent to the measurement date	1,394,763	-
	<u>\$ 1,394,763</u>	<u>\$ 2,627,594</u>

The \$1,394,763 reported as deferred outflows of resources related to pensions resulting from the Political Subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2019. 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>Increase (Reduction) to Pension Expense</u>
2019	\$ (1,555,679)
2020	(347,029)
2021	(114,674)
2022	(610,212)
2023	-
Thereafter	-

(Continued)

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

Note 9. Defined Benefit Pension Plan (Continued)

Pension Plan Data

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

Payables to the Pension Plan

At June 30, 2018, approximately \$115,419 was payable to the Virginia Retirement System for the legally required contributions related to June 2018 payroll.

Note 10. Defined Benefit Pension Plan – School Nonprofessionals

Plan Description

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

Employees Covered by Benefit Terms

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

	School Board Non- Professional
Inactive members or their beneficiaries currently receiving benefits	171
Inactive members:	
Vested	26
Non-vested	61
Active Elsewhere in VRS	27
Total inactive members	114
Active members	264
Total covered employees	549

(Continued)

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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

Contributions

The school division's contractually required contribution rate for the year ended June 30, 2018 was 4.59% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

Contributions to the pension plan from the school division were \$248,907 and \$253,457 for the years ended June 30, 2018 and June 30, 2017, respectively.

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balances at June 30, 2016	\$ 21,330,167	\$ 21,024,573	\$ 305,594
Changes for the year:			
Service cost	547,567	-	547,567
Interest	1,454,802	-	1,454,802
Changes in assumptions	(224,914)	-	(224,914)
Differences between expected and actual experience	(164,960)		(164,960)
Contributions – employer	-	236,702	(236,702)
Contributions – employee	-	261,842	(261,842)
Net investment income	-	2,537,662	(2,537,662)
Benefit payments, including refunds of employee contributions	(1,094,549)	(1,094,549)	-
Administrative expenses	-	(14,951)	14,951
Other changes	-	(2,243)	2,243
Net changes	517,946	1,924,463	(1,406,517)
Balances at June 30, 2017	\$ 21,848,113	\$ 22,949,036	\$ (1,100,923)

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

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

<u>Net Pension Liability (Asset)</u>	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School Board Non-Professional	\$ 1,397,835	\$ (1,100,923)	\$ (3,217,692)

(Continued)

COUNTY OF BEDFORD, VIRGINIA

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

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

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

For the year ended June 30, 2018, the school division recognized pension benefit of \$213,780. At June 30, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	School Board Non-Professional	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,692	\$ 347,922
Net difference between projected and actual earnings on pension plan investments	-	327,445
Changes in assumptions	-	146,273
Employer contributions subsequent to the measurement date	248,907	-
	\$ 259,599	\$ 821,640

The \$248,907 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, 2019. 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,	Increase (Reduction) to Pension Expense
2019	\$ (533,794)
2020	(60,731)
2021	1,057
2022	(217,480)
2023	-
Thereafter	-

Pension Plan Data

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

Payables to the Pension Plan

At June 30, 2018, approximately \$42,070 was payable to the Virginia Retirement System for the legally required contributions related to June 2018 payroll.

(Continued)

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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

General Information about the Teacher Cost Sharing Plan

Plan Description

All full-time, salaried permanent (professional) employees of Virginia school divisions, including Bedford County School Board, (the “School Division”), are automatically covered by the VRS Teacher Retirement Plan upon employment. This multiple employer, cost sharing 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 employers 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 funded service.

The System administers three different benefit structures for covered employees in the VRS Teacher Retirement Plan – Plan 1, Plan 2, and Hybrid. The provisions and features of the plans, as well as all actuarial assumptions, are substantially the same as those described in Note 9.

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. Each school division’s contractually required contribution rate for the year ended June 30, 2017 was 14.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. 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. Contributions to the pension plan from the school division were \$8,147,789 and \$6,950,571 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the school division reported a liability of \$75,240,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 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, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division’s proportion was 0.61% as compared to 0.63% at June 30, 2016.

(Continued)

COUNTY OF BEDFORD, VIRGINIA

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

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

General Information about the Teacher Cost Sharing Plan (Continued)

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

For the year ended June 30, 2018, the school division recognized pension expense of \$4,808,571. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	School Board Professional	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 5,328,000
Net difference between projected and actual earnings on pension plan investments	-	2,734,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,512,000	4,703,000
Changes in assumptions	1,098,000	-
Employer contributions subsequent to the measurement date	8,147,789	-
	\$ 10,757,789	\$ 12,765,000

The \$8,147,789 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, 2019. 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,	Increase (Reduction) to Pension Expense
2019	\$ (3,687,000)
2020	(1,246,000)
2021	(1,770,000)
2022	(2,920,000)
2023	(532,000)
Thereafter	-

(Continued)

COUNTY OF BEDFORD, VIRGINIA

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

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

General Information about the Teacher Cost Sharing Plan (Continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system’s total pension liability determined in accordance with GASB Statement No. 67, less that system’s fiduciary net position. As of June 30, 2017, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
Total Pension Liability	\$ 45,417,520
Plan Fiduciary Net Position	33,119,545
Employers’ Net Pension Liability	\$ 12,297,975
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.92%

The total pension liability is calculated by the System’s actuary, and each plan’s fiduciary net position is reported in the System’s financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System’s notes to the financial statements and required supplementary information.

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
<u>Net Pension Liability</u>			
School division’s proportionate share of the VRS teacher employee retirement plan net pension liability	\$ 112,359,000	\$ 75,240,000	\$ 44,535,000

(Continued)

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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

General Information about the Teacher Cost Sharing Plan (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2018, approximately \$709,948 was payable to the Virginia Retirement System for the legally required contributions related to June 2018 payroll.

Note 12. Fire and Rescue Length of Service Awards Program

A. Plan Description

The County established a Length of Service Awards Program (LOSAP) on July 1, 2006, for the Bedford County Fire and Rescue Association members to recognize the service provided by the volunteers. The LOSAP is accounted for as a single employer defined benefit pension plan. The plan is administered by the Volunteer Fireman's Insurance Services, Inc (the VFIS); amendments to the plan may be made at the discretion of the County Board of Supervisors.

(Continued)

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

Note 12. Fire and Rescue Length of Service Awards Program (Continued)

A. Plan Description (Continued)

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. 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.

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

Active Participants	135
Vested-Terminated	101
Retired and Beneficiaries	<u>1</u>
Total	<u>237</u>

Although the County's Guaranteed Interest account is intended to fund the plan, this account consists of a "rabbi" trust, which is not a trust or equivalent arrangement where:

- Contributions to the pension plan and earning on those contributions are irrevocable.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator.

Therefore, the assets of the guaranteed interest account are not considered assets of the plan.

B. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2017 rolled forward to June 30, 2018 using the actuarial assumptions applied to all periods included in the measurement.

Inflation	0.0%
Salary increases	Not Applicable
Investment rate of return	3.61%, net of pension plan investment expense, including inflation
Mortality	No pre-retirement; post retirement RP2000MF with improvement
Retirement	First eligible
Turnover	T5
Disability	None

The above is a summary of key actuarial assumptions. Full descriptions of the actuarial assumptions are available in the July 1, 2017 actuarial valuation report. Calculations assume the plan remains unfunded and uses a discount rate of 3.56% which is based on the 20-year AA general obligation bond rate as of June 30, 2017.

(Continued)

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

Note 12. Fire and Rescue Length of Service Awards Program (Continued)

C. Changes in Net Pension Liability

	Bedford County – LOSAP		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balances at June 30, 2017	\$ 2,761,154	\$ -	\$ 2,761,154
Changes for the year:			
Service cost	97,910	-	97,910
Interest	98,590	-	98,590
Differences between expected and actual experience	(49,620)	-	(49,620)
Contributions – employer	-	-	-
Contributions – employee	-	-	-
Net investment income	-	-	-
Benefit payments, including refunds of employee contributions	(64,755)	-	(64,755)
Administrative expenses	-	-	-
Changes in assumptions	(32,874)	-	(32,874)
Net changes	49,251	-	49,251
Balances at June 30, 2018	\$ 2,810,405	\$ -	\$ 2,810,405

D. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the LOSAP using the discount rate of 3.61%, as well as what the LOSAP's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.61%) or one percentage point higher (4.61%) than the current rate:

	1% Decrease (2.61%)	Current Discount Rate (3.61%)	1% Increase (4.61%)
Net Pension Liability (Asset)			
Bedford County – LOSAP	\$ 3,010,512	\$ 2,810,405	\$ 2,605,864

(Continued)

COUNTY OF BEDFORD, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 12. Fire and Rescue Length of Service Awards Program (Continued)

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

For the year ended June 30, 2018, the LOSAP recognized pension expense of \$169,895. At June 30, 2018, the LOSAP reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Bedford County – LOSAP	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 44,107
Changes in assumptions	-	151,296
	\$ -	\$ 195,403

Amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Increase (Reduction) to Pension Expense
2019	\$ (26,605)
2020	(26,605)
2021	(26,605)
2022	(26,605)
2023	(26,605)
Thereafter	(62,378)

(Continued)

COUNTY OF BEDFORD, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 13. Other Postemployment Benefits Liability – Local Plans

Plan Description and Benefits Provided

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.

Employees Covered by Benefit Terms

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

	County	School Board
Retirees currently receiving benefits	1	46
Active employees	387	1,098
	388	1,144

Total OPEB Liability

The County's and School Board's total OPEB liability of \$667,758 and \$7,083,814, respectively was measured as of June 30, 2017 and was determined based on an actuarial valuation performed as of June 30, 2016.

COUNTY OF BEDFORD, VIRGINIA

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

Note 13. Other Postemployment Benefits Liability – Local Plans (Continued)

Actuarial Assumptions and other inputs

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

	<u>County</u>	<u>School Board</u>
Inflation	2.80%	2.50%
Salary increases, including inflation	3.50	3.50
Healthcare cost trend rates	6.00	6.00

Mortality rates: RR-2000 Combined Healthy Table, fully generational with scale AA.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2015 through June 30, 2016.

There have been no changes in benefit terms for the County of the School Board.

Changes in assumptions and other inputs reflect change in the discount rate from 2.85% to 3.58% for both the County and the School Board based on GASB 75 rules.

Changes in the Total OPEB Liability

	<u>Bedford County</u>			<u>School Board</u>		
	<u>Increase (Decrease)</u>			<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net OPEB Liability (a) – (b)</u>	<u>Total OPEB Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net OPEB Liability (a) – (b)</u>
Balance at June 30, 2016	\$ 620,514	\$ -	\$ 620,514	\$ 6,981,611	\$ -	\$ 6,981,611
Changes for the year:						
Service cost	45,868	-	45,868	460,509	-	460,509
Interest	18,053	-	18,053	196,367	-	196,367
Contributions – employer	(42,476)	-	(42,476)	(371,559)	-	(371,559)
Benefit payments, including refunds of employee contributions	25,799	(25,799) 25,799	25,799 -	- (183,114)	183,114 (183,114)	(183,114) -
Net changes	47,244	-	47,244	102,203	-	102,203
Balance at June 30, 2017	\$ 667,758	\$ -	\$ 667,758	\$ 7,083,814	\$ -	\$ 7,083,814

(Continued)

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

Note 13. Other Postemployment Benefits Liability – Local Plans (Continued)

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

The following presents the total OPEB liability of the County and School Board, as well as what the County and School Board's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.58%) or one percentage point higher (4.58%) than the current discount rate:

	1.00% Decrease (2.58%)	Current Discount Rate (3.58%)	1.00% Increase (4.58%)
	<u> </u>	<u> </u>	<u> </u>
Bedford County	\$ 726,556	\$ 667,758	\$ 613,635
Bedford County School Board	\$ 7,583,814	\$ 7,083,814	\$ 6,616,964

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

The following presents the total OPEB liability of the County and School Board, as well as what the County and School Board's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	1.00% Decrease (3.40%)	Current Healthcare Cost Trend Rates (4.40%)	1.00% Increase (5.40%)
	<u> </u>	<u> </u>	<u> </u>
Bedford County	\$ 585,809	\$ 667,758	\$ 765,375
	1.00% Decrease (3.70%)	Current Healthcare Cost Trend Rates (4.70%)	1.00% Increase (5.70%)
	<u> </u>	<u> </u>	<u> </u>
Bedford County School Board	\$ 6,363,902	\$ 7,083,814	\$ 7,933,829

(Continued)

COUNTY OF BEDFORD, VIRGINIA

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

Note 13. Other Postemployment Benefits Liability – Local Plans (Continued)

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

For the year ended June 30, 2018, the County and School Board recognized OPEB expense of \$57,853 and \$603,796, respectively. At June 30, 2018, the reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	County Local OPEB		School Board Local OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ -	\$ 36,408	\$ -	\$ 318,479
Employer contributions subsequent to the measurement date	<u>13,755</u>	<u>-</u>	<u>235,616</u>	<u>-</u>
Total	<u><u>\$ 13,755</u></u>	<u><u>\$ 36,408</u></u>	<u><u>\$ 235,616</u></u>	<u><u>\$ 318,479</u></u>

The \$13,755 and \$235,616 reported as deferred outflows of resources related to OPEB resulting from the retiree's contributions subsequent to the measurement date will be recognized as a reduction of the OPEB Liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Increase (Reduction) to OPEB Expense	
	County	Schools
2019	\$ (6,068)	\$ (53,080)
2020	(6,068)	(53,080)
2021	(6,068)	(53,080)
2022	(6,068)	(53,080)
2023	(6,068)	(53,080)
Thereafter	(6,068)	(53,079)

(Continued)

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans

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

Plan Descriptions

Group Life Insurance Program

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

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

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

Teacher Employee Health Insurance Credit Program

All full time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee Health Insurance Credit (HIC) Program. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

Specific information about the Teacher HIC is available at <https://www.varetire.org/retirees/insurance/healthinscredit/index.asp>.

The GLI and Teacher HIC are administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Both of these plans are considered multiple employer, cost sharing plans.

(Continued)

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Contributions (Continued)

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

Group Life Insurance Program-Bedford County

Governed by:	<i>Code of Virginia 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.</i>
Total rate:	1.31% of covered employee compensation. Rate allocated 60/40; 0.79% employee and 0.52% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2018 Contribution	\$103,829
June 30, 2017 Contribution	\$96,622

Group Life Insurance Program-Bedford County School Board-Teachers

Governed by:	<i>Code of Virginia 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.</i>
Total rate:	1.31% of covered employee compensation. Rate allocated 60/40; 0.79% employee and 0.52% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2018 Contribution	\$261,711
June 30, 2017 Contribution	\$250,959

Group Life Insurance Program-Bedford County School Board-Nonprofessional

Governed by:	<i>Code of Virginia 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.</i>
Total rate:	1.31% of covered employee compensation. Rate allocated 60/40; 0.79% employee and 0.52% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2018 Contribution	\$29,372
June 30, 2017 Contribution	\$28,264

(Continued)

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Contributions (Continued)

Teacher Health Insurance Credit Program-Bedford County School Board

Governed by:	<i>Code of Virginia</i> 51.1-1401(E) and may be impacted as a result of funding provided to school divisions by the Virginia General Assembly.
Total rate:	1.23% of covered employee compensation.
June 30, 2018 Contribution	\$614,318
June 30, 2017 Contribution	\$534,414

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

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

Group Life Insurance Program – Bedford County

June 30, 2018 proportionate share of liability	\$	1,511,325
June 30, 2017 proportion		0.0010%
June 30, 2016 proportion		0.0009%
June 30, 2018 expense	\$	35,000

Group Life Insurance Program-Bedford County School Board – Teachers

June 30, 2018 proportionate share of liability	\$	3,938,000
June 30, 2017 proportion		0.0026%
June 30, 2016 proportion		0.0027%
June 30, 2018 expense	\$	27,000

Group Life Insurance Program – Bedford County School Board – Nonprofessional

June 30, 2018 proportionate share of liability	\$	443,000
June 30, 2017 proportion		0.0003%
June 30, 2016 proportion		0.0003%
June 30, 2018 expense	\$	3,000

(Continued)

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

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

Teacher Health Insurance Credit Program-Bedford County School Board

June 30, 2018 proportionate share of liability	\$	7,739,000
June 30, 2017 proportion		0.61%
June 30, 2016 proportion		0.63%
June 30, 2018 expense	\$	597,000

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

At June 30, 2018, the County and School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program – Bedford County

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 34,000
Net difference between projected and actual earnings on pension plan investments	-	57,000
Change in assumptions	-	78,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	96,000	-
Employer contributions subsequent to the measurement date	<u>103,829</u>	<u>-</u>
Total	<u>\$ 199,829</u>	<u>\$ 169,000</u>

(Continued)

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

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

Group Life Insurance Program – Bedford County School Board – Teachers

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<hr/>	<hr/>
Differences between expected and actual experience	\$ -	\$ 87,000
Net difference between projected and actual earnings		
on pension plan investments	-	148,000
Change in assumptions	-	203,000
Changes in proportion and differences between employer		
contributions and proportionate share of contributions	-	90,000
Employer contributions subsequent to the		
measurement date	<hr/> 261,711	<hr/> -
Total	<hr/> \$ 261,711	<hr/> \$ 528,000

Group Life Insurance Program – Bedford County School Board – Nonprofessional

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<hr/>	<hr/>
Differences between expected and actual experience	\$ -	\$ 9,000
Net difference between projected and actual earnings		
on pension plan investments	-	17,000
Change in assumptions	-	23,000
Changes in proportion and differences between employer		
contributions and proportionate share of contributions	-	9,000
Employer contributions subsequent to the		
measurement date	<hr/> 29,372	<hr/> -
Total	<hr/> \$ 29,372	<hr/> \$ 58,000

(Continued)

COUNTY OF BEDFORD, VIRGINIA

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

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

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

Teacher Health Insurance Credit Program-Bedford County School Board

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 14,000
Change in assumptions	-	79,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	218,000
Employer contributions subsequent to the measurement date	<u>614,318</u>	<u>-</u>
Total	<u>\$ 614,318</u>	<u>\$ 311,000</u>

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

Group Life Insurance Program-Bedford County

<u>Year Ending June 30,</u>	<u>Increase (Reduction) to OPEB Expense</u>
2019	\$ (17,000)
2020	(17,000)
2021	(17,000)
2022	(17,000)
2023	(2,000)
Thereafter	(3,000)

(Continued)

COUNTY OF BEDFORD, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

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

Group Life Insurance Program – Bedford County School Board – Teachers

<u>Year Ending June 30,</u>	<u>Increase (Reduction) to OPEB Expense</u>
2019	\$ (107,000)
2020	(107,000)
2021	(107,000)
2022	(107,000)
2023	(70,000)
Thereafter	(30,000)

Group Life Insurance Program – Bedford County School Board – Nonprofessional

<u>Year Ending June 30,</u>	<u>Increase (Reduction) to OPEB Expense</u>
2019	\$ (12,000)
2020	(12,000)
2021	(12,000)
2022	(12,000)
2023	(7,000)
Thereafter	(3,000)

Teacher Health Insurance Credit Program – Bedford County School Board

<u>Year Ending June 30,</u>	<u>Increase (Reduction) to OPEB Expense</u>
2019	\$ (49,000)
2020	(49,000)
2021	(49,000)
2022	(48,000)
2023	(45,000)
Thereafter	(71,000)

(Continued)

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Actuarial Assumptions and Other Inputs

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

Inflation	2.50%
Salary increases, including inflation:	
• Locality – general employees	3.5 – 5.35%
• Locality – hazardous duty employees	3.5 – 4.75%
• Teachers	3.5 – 5.95%
Healthcare cost trend rates:	
• Under age 65	7.75 – 5.00%
• Ages 65 and older	5.75 – 5.00%
Investment rate of return, net of expenses, including inflation*	GLI & HIC: 7.00%

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

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 9.

(Continued)

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Net OPEB Liabilities

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

	Group Life Insurance Program	Teacher Employee HIC OPEB Plan
Total OPEB Liability	\$ 2,942,426	\$ 1,364,702
Plan fiduciary net position	1,437,586	96,091
Employers’ net OPEB liability (asset)	1,504,840	1,268,611
Plan fiduciary net position as a percentage of total OPEB liability	48.86%	7.04%

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

(Continued)

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Long-Term Expected Rate of Return

Group Life Insurance and Health Insurance Credit Programs

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

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

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

(Continued)

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Discount Rate

The discount rate used to measure the GLI and HIC OPEB liabilities was 7.00%. The discount rate used to measure the LODA OPEB liability was 3.56%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liabilities of the County and School Board, as well as what the County and School Board's net OPEB liabilities 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 discount rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
GLI Net OPEB Liability			
Bedford County	\$ 1,961,000	\$ 1,511,325	\$ 1,156,000
School Board – Teachers	5,093,000	3,938,000	3,001,000
School Board – Nonprofessional	573,000	443,000	338,000
Teacher HIC Net OPEB liability			
School Board – Teachers	8,638,000	7,739,000	6,976,000

OPEB Plan Fiduciary Net Position

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

(Continued)

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

Note 14. Other Postemployment Benefits Liability – Virginia Retirement System Plans (Continued)

Payables to the OPEB Plan

At June 30, 2018, the following amounts were payable to the Virginia Retirement System for the legally required contributions related to June 2018 payroll.

Group Life Insurance – Bedford County	\$	8,554
Group Life Insurance – Bedford County School Board – Teachers		45,293
Group Life Insurance – Bedford County School Board – Nonprofessional		4,695
Teacher Health Insurance Credit Program-Bedford County School Board		42,527

Note 15. 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 \$1,509,666.

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

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

(Continued)

COUNTY OF BEDFORD, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 15. Landfill Closure and Postclosure Costs (Continued)

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 \$5,225,503 reported as landfill closure and postclosure care liability as of June 30, 2018 represents the cumulative amount reported to date based on the use of approximately 77% of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$1,547,831 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2018. 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 2024.

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

Note 16. 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.
- **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.

(Continued)

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

Note 16. Fund Balances (Continued)

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.

	General Fund	School Board
Nonspendable:		
Prepays	\$ 250,722	\$ 132,946
Inventories	45,885	86,293
Total nonspendable	296,607	219,239
Restricted for:		
Public safety	1,993,152	-
Education	4,068,160	-
Other purposes	10,689	20,142
Total restricted	6,072,001	20,142
Committed to:		
Public works	272,749	-
Health self insurance	-	1,811,405
Community development	281,995	-
Capital projects	6,735,574	-
Total committed	7,290,318	1,811,405

(Continued)

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

Note 16. Fund Balances (Continued)

	General Fund	School Board
Assigned to:		
Judicial administration	\$ 39,384	\$ -
Public safety	1,580,833	-
Public works-landfill cell construction	2,000,000	-
Health and welfare	25,243	-
Education-nutrition	-	1,648,103
Education-textbooks	-	2,028,846
Education-maintenance projects	1,325,510	632,820
Education-capital projects	-	28,200
Funding of subsequent year budget	25,182,888	-
Subsequent year appropriation of fund balance	274,950	-
	30,428,808	4,337,969
Unassigned	24,082,774	(678,881)
Total fund balances	\$ 68,170,508	\$ 5,709,874

Note 17. 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 \$476,000 and \$247,416 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 \$304,214.

(Continued)

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

Note 17. Risk Management (Continued)

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 \$44,964. 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. Total premiums for the current fiscal year were \$420,584.

Health Care

The County carried commercial insurance for employee health insurance plans for the year ended June 30, 2018.

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 \$1,057,966. Administrative fees and stop loss premiums for the year ended June 30 totaled \$1,553,911. Estimated incurred but not reported (IBNR) claims at June 30 based on prior experience totaled \$840,000. Changes in the balance of claims payable liability during the past year is as follows:

	<u>Health Insurance</u>
Unpaid Claims at July 1	\$ 721,698
Incurred claims (including IBNR and changes in estimates)	10,578,966
Claim payments	<u>(9,785,850)</u>
Unpaid claims at June 30	<u>\$ 1,514,814</u>

(Continued)

COUNTY OF BEDFORD, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 18. 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 \$116,000 for operations to HBH for 2018.

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 through May 2027. Should the Communications Board fail to make debt service payments, the member jurisdictions have a moral non-binding obligation to pay the debt service. During fiscal year 2018, the County paid \$464,952 to the Board for debt service and other operating costs.

(Continued)

COUNTY OF BEDFORD, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 18. Related Organizations, Jointly Governed Organizations, and Joint Ventures (Continued)

Joint Ventures: (Continued)

Tri-County Lake Administrative Commission (TLAC)

The County, in conjunction with the Counties of Franklin and Pittsylvania, created TLAC, which is composed of an eight-member board of directors appointed by the participating localities to carry out lake planning duties as may be assigned by the respective Boards of Supervisors. Such duties may include, but are not limited to, navigation marker issues, debris cleanup, and coordination with American Electric Power on lake-related issues. The County is responsible for annual contributions to TLAC, which equaled \$98,829 for 2018. Separate financial statements for TLAC are not available.

Note 19. Commitments and Contingencies

Litigation

The County and School Board, in the normal course of conducting affairs, are each involved in various claims, judgements, and litigation. Officials estimate that any ultimate liability not covered by insurance will have an immaterial effect on 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 20. Tax Incentives

The County and EDA have performance based tax incentive agreements with four local businesses. The agreements provide for a partial refund of Machinery and Tools tax paid for five years. The refund is based on the performance agreement investment of business machinery and tools. The refund ranges from seventy percent of the tax paid in the first year, falling to a thirty percent refund in the fifth year. During fiscal year 2018, approximately \$68,500 was refunded to businesses in accordance with agreements.

Note 21. Subsequent Event

Subsequent to year end, the School Board entered into a master equipment lease-purchase agreement in the amount of \$1,340,532 to fund the purchase of 10 new school buses and four 35 passenger special education school buses. The agreement requires annual payments of principal and interest of approximately \$209,313 through July 2024.

Subsequent to year end, the County into a lease-purchase agreement in the amount of \$310,651 to fund the purchase of a Caterpillar Track Loader for the Landfill. The agreement requires monthly payments of principal and interest of approximately \$5,750 through October 2024.

(Continued)

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

Note 22. 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, 2018, the County paid the Town \$750,000, which was the Town's share of additional funding for the year.

Note 23. Adoption of New Standard and Net Position Restatement

In the current year the County of Bedford adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard replaces the requirements of GASB Statement No. 45 as it relates to governments that provide postemployment benefits other than pensions. The new Statement requires governments providing defined benefit postemployment benefits to recognize the long-term obligation for those benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of other postemployment benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information, including disclosing descriptive information about the types of benefits provided, how contributions to the plans are determined, and assumptions and methods used to calculate the liability. Comparative prior year information, to the extent presented, has not been restated because the necessary information is not available.

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

	<u>Primary Government</u>				<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>			<u>School Board</u>
	<u>Net Position</u>	<u>Nursing Home Net Position</u>	<u>Solid Waste Net Position</u>	<u>Total Net Position</u>	<u>Net Position</u>
At June 30, 2017, as previously reported	\$ 34,925,310	\$ 11,266,553	\$ 6,292,404	\$ 17,558,957	\$ 23,673,280
Recognition of pension related liabilities, deferred outflows and deferred inflows in accordance with GASB No. 75	<u>(1,328,803)</u>	<u>(172,812)</u>	<u>(54,651)</u>	<u>(227,463)</u>	<u>(17,498,339)</u>
At June 30, 2017, as restated	<u>\$ 33,596,507</u>	<u>\$ 11,093,741</u>	<u>\$ 6,237,753</u>	<u>\$ 17,331,494</u>	<u>\$ 6,174,941</u>

(Continued)

COUNTY OF BEDFORD, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

Note 24. New Accounting Standards

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

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

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

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

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

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

Statement No. 90, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61* in August 2018. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies the reporting for a majority equity interest in a legally separate organization.

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

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

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REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF BEDFORD, VIRGINIA

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

	Plan Year			
	2017	2016	2015	2014
Total Pension Liability				
Service cost	\$ 1,898,498	\$ 1,804,637	\$ 1,919,057	\$ 1,936,109
Interest on total pension liability	4,339,811	4,238,485	4,072,090	3,827,724
Changes in benefit terms	517,512	-	-	-
Difference between expected and actual experience	(451,977)	(1,711,831)	(1,101,052)	-
Changes in assumptions	(459,022)	-	-	-
Benefit payments, including refunds of employee contributions	(2,980,765)	(2,786,780)	(2,239,267)	(2,306,520)
Net change in total pension liability	2,864,057	1,544,511	2,650,828	3,457,313
Total pension liability – beginning	63,487,687	61,943,176	59,292,348	55,835,035
Total pension liability – ending	66,351,744	63,487,687	61,943,176	59,292,348
Plan Fiduciary Net Position				
Contributions – employer	1,272,940	1,481,732	1,451,172	1,751,158
Contributions – employee	909,120	826,393	812,546	860,090
Net investment income	7,135,145	1,023,046	2,558,667	7,596,167
Benefit payments, including refunds of employee contributions	(2,980,765)	(2,786,780)	(2,239,267)	(2,306,520)
Administrative expenses	(41,144)	(36,107)	(34,521)	(40,277)
Other	(6,358)	(430)	(546)	400
Net change in plan fiduciary net position	6,288,938	507,854	2,548,051	7,861,018
Plan fiduciary net position – beginning	58,767,224	58,259,370	55,711,319	47,850,301
Plan fiduciary net position – ending	65,056,162	58,767,224	58,259,370	55,711,319
Net pension liability – ending	\$ 1,295,582	\$ 4,720,463	\$ 3,683,806	\$ 3,581,029
Plan fiduciary net position as a percentage of total pension liability	98%	93%	94%	94%
Covered employee payroll	\$ 19,852,664	\$ 18,450,608	\$ 17,522,239	\$ 18,233,530
Net pension liability as a percentage of covered employee payroll	7%	26%	21%	20%

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

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

The Notes to Required Supplementary Information are an integral part of these statements.

COUNTY OF BEDFORD, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS –
SCHOOLS – NONPROFESSIONAL EMPLOYEES
June 30, 2018

	Plan Year			
	2017	2016	2015	2014
Total Pension Liability				
Service cost	\$ 547,567	\$ 558,668	\$ 601,405	\$ 582,857
Interest on total pension liability	1,454,802	1,431,511	1,351,849	1,277,059
Changes in benefit terms	-	-	-	-
Difference between expected and actual experience	(164,960)	(638,390)	80,427	-
Changes in assumptions	(224,914)	-	-	-
Benefit payments, including refunds of employee contributions	(1,094,549)	(943,544)	(847,770)	(735,199)
Net change in total pension liability	517,946	408,245	1,185,911	1,124,717
Total pension liability – beginning	<u>21,330,167</u>	<u>20,921,922</u>	<u>19,736,011</u>	<u>18,611,294</u>
Total pension liability – ending	<u>21,848,113</u>	<u>21,330,167</u>	<u>20,921,922</u>	<u>19,736,011</u>
Plan Fiduciary Net Position				
Contributions – employer	236,702	390,587	404,699	475,727
Contributions – employee	261,842	262,489	272,628	286,798
Net investment income	2,537,662	364,171	923,208	2,759,864
Benefit payments, including refunds of employee contributions	(1,094,549)	(943,544)	(847,770)	(735,199)
Administrative expenses	(14,951)	(13,042)	(12,637)	(14,693)
Other	(2,243)	(154)	(196)	146
Net change in plan fiduciary net position	1,924,463	60,507	739,932	2,772,643
Plan fiduciary net position – beginning	<u>21,024,573</u>	<u>20,964,066</u>	<u>20,224,134</u>	<u>17,451,491</u>
Plan fiduciary net position – ending	<u>22,949,036</u>	<u>21,024,573</u>	<u>20,964,066</u>	<u>20,224,134</u>
Net pension liability – ending	<u>\$ (1,100,923)</u>	<u>\$ 305,594</u>	<u>\$ (42,144)</u>	<u>\$ (488,123)</u>
Plan fiduciary net position as a percentage of total pension liability	<u>105%</u>	<u>99%</u>	<u>100%</u>	<u>102%</u>
Covered employee payroll	<u>\$ 6,134,885</u>	<u>\$ 6,058,761</u>	<u>\$ 5,777,679</u>	<u>\$ 6,064,075</u>
Net pension liability as a percentage of covered employee payroll	<u>-18%</u>	<u>5%</u>	<u>-1%</u>	<u>-8%</u>

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

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

The Notes to Required Supplementary Information are an integral part of these statements.

COUNTY OF BEDFORD, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS –
PRIMARY GOVERNMENT – LENGTH OF SERVICE AWARDS PROGRAM
June 30, 2018

	Plan Year	
	2018	2017
Total Pension Liability		
Service cost	\$ 97,910	\$ 104,705
Interest on total pension liability	98,590	98,942
Difference between expected and actual experience	(49,620)	-
Changes in assumptions	(32,874)	(156,953)
Benefit payments, including refunds of employee contributions	(64,755)	(118,545)
Net change in total pension liability	49,251	(71,851)
Total pension liability – beginning	2,761,154	2,833,005
Total pension liability – ending	2,810,405	2,761,154
Plan Fiduciary Net Position		
Contributions – employer	96,350	105,469
Benefit payments, including refunds of employee contributions	(96,350)	(105,469)
Net change in plan fiduciary net position	-	-
Plan fiduciary net position – beginning	-	-
Plan fiduciary net position – ending	-	-
Net pension liability – ending	\$ 2,810,405	\$ 2,761,154
Plan fiduciary net position as a percentage of total pension liability	0%	0%
Covered employee payroll	\$ -	\$ -
Net pension liability as a percentage of covered employee payroll	0%	0%

Schedule is intended to show information for 10 years. Since the 2017 fiscal year was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

COUNTY OF BEDFORD, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PENSION CONTRIBUTIONS
 June 30, 2018

<u>Entity Fiscal Year Ended June 30,</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions in Relation to Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
Primary Government-All Employees					
2018	\$ 1,394,763	\$ 1,394,763	\$ -	\$ 21,353,372	6.53 %
2017	1,308,922	1,308,922	-	19,852,664	6.59
2016	1,504,339	1,504,339	-	18,450,608	8.15
2015	1,461,696	1,461,696	-	17,522,239	8.34
Schools – Nonprofessional Employees					
2018	\$ 248,907	\$ 248,907	\$ -	\$ 6,239,209	3.99 %
2017	253,457	253,457	-	6,134,885	4.13
2016	394,983	394,983	-	6,058,761	6.52
2015	403,169	403,169	-	5,777,679	6.98
Primary Government-Length of Service Awards Program					
2018	\$ 96,350	\$ 96,350	\$ -	N/A	N/A
2017	105,469	105,469	-	N/A	N/A

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

COUNTY OF BEDFORD, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
 VRS TEACHER RETIREMENT PLAN
 June 30, 2018

School Division Plan Year Ended June 30,	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.61 %	\$ 75,240,000	\$ 47,412,845	158.69 %	72.92 %
2016	0.63	88,270,000	48,619,400	181.55	68.28
2015	0.62	78,504,000	47,022,390	166.95	70.68
2014	0.67	80,535,000	49,087,777	164.06	70.88

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

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

COUNTY OF BEDFORD, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
VRS TEACHER RETIREMENT PLAN
June 30, 2018

Entity Fiscal Year Ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2018	\$ 8,147,789	\$ 8,147,789	\$ -	\$ 48,371,493	16.84 %
2017	6,950,571	6,950,571	-	47,412,845	14.66
2016	6,672,491	6,672,491	-	48,619,400	13.72
2015	6,677,180	6,677,180	-	47,022,390	14.20

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

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

COUNTY OF BEDFORD, VIRGINIA

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

	Plan Year 2017	
	Primary	
	Government	Schools
	Local Plan	Schools Local Plan
Total OPEB Liability		
Service cost	\$ 45,868	\$ 460,509
Interest on total OPEB liability	18,053	196,367
Changes in assumptions	(42,476)	(371,559)
Benefit payments	25,799	(183,114)
Net change in total OPEB liability	47,244	102,203
Total OPEB liability – beginning	620,514	6,981,611
Total OPEB liability – ending	667,758	7,083,814
Plan Fiduciary Net Position		
Contributions – employer	(25,799)	183,114
Benefit payments	25,799	(183,114)
Net change in plan fiduciary net position	-	-
Plan fiduciary net position – beginning	-	-
Plan fiduciary net position – ending	-	-
Net OPEB liability – ending	\$ 667,758	\$ 7,083,814
Plan fiduciary net position as a percentage of total OPEB liability	0%	0%
Covered payroll	\$ 19,852,664	\$ 53,547,731
Net OPEB liability as a percentage of covered payroll	0%	0%

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

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

COUNTY OF BEDFORD, VIRGINIA

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

Entity Fiscal Year Ended June 30,	Actuarially Determined Employer Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
County Local Plan					
2018	\$ 13,755	\$ 13,755	\$ -	\$ 21,353,372	0.06 %
Schools Local Plan					
2018	235,616	235,616	-	54,610,702	0.43

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, only one year of data is available. Additional years will be included as they become available.

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

COUNTY OF BEDFORD, VIRGINIA

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

Entity Fiscal Year Ended June 30,	Employer's Proportion of the Net OPEB Liability (Asset)	Employer's Proportionate Share of the Net OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
Virginia Retirement System – Health Insurance Credit – Schools – Teachers					
2017	0.16 %	\$ 7,739,000	\$ 48,619,400	15.92 %	7.04 %
Virginia Retirement System – Group Life Insurance – Primary Government					
2017	0.10	1,516,000	21,353,372	7.10	48.86
Virginia Retirement System – Group Life Insurance – Schools-Nonprofessional Employees					
2017	0.03	443,000	6,239,209	7.10	48.86
Virginia Retirement System – Group Life Insurance – Schools-Teachers					
2017	0.26	3,938,000	48,619,400	8.10	48.86

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

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

COUNTY OF BEDFORD, VIRGINIA

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

Entity Fiscal Year Ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
Virginia Retirement System – Health Insurance Credit – Schools – Teachers					
2018	\$ 614,318	\$ 614,318	\$ -	\$ 48,371,493	1.27 %
Virginia Retirement System – Group Life Insurance – Primary Government					
2018	103,829	103,829	-	21,353,372	0.49
Virginia Retirement System – Group Life Insurance – Schools- Nonprofessional Employees					
2018	29,372	29,372	-	6,239,209	0.47
Virginia Retirement System – Group Life Insurance – Schools- Teachers					
2018	261,711	261,711	-	48,371,493	0.54

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

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

COUNTY OF BEDFORD, VIRGINIA

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

Note 1. Changes of Benefit Terms

Pension

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

Other Postemployment Benefits (OPEB)

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

Note 2. Changes of Assumptions

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

Largest 10 – Non-Hazardous Duty:

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

Largest 10 – Hazardous Duty/Public Safety Employees:

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

(Continued)

COUNTY OF BEDFORD, VIRGINIA

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

Note 2. Changes of Assumptions (Continued)

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

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

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

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

Teacher cost-sharing pool

- Update mortality table
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience
- Update disability rates to better fit experience
- No changes to salary rates
- Applicable to: Pension, GLI OPEB, and HIC OPEB

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OTHER SUPPLEMENTARY INFORMATION

COUNTY OF BEDFORD, VIRGINIA

AGENCY FUNDS –
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 June 30, 2018

	<u>Tri-County Lake Administrative Commission</u>	<u>Bedford Community Coalition</u>	<u>Bedford Wine Trail</u>	<u>Special Welfare Fund</u>	<u>Road Escrow Accounts</u>	<u>Land Disturbing Bonds</u>	<u>Sheriff Asset Seizures</u>	<u>Total</u>
Assets								
Cash and cash equivalents	\$ 804,255	\$ 1,225	\$ 4,076	\$ 28,517	\$ 69,820	\$ 57,120	\$ 55,152	\$ 1,020,165
Security deposits	900	-	-	-	-	-	-	900
Accounts receivable	11,900	-	-	-	-	-	-	11,900
Total assets	<u>\$ 817,055</u>	<u>\$ 1,225</u>	<u>\$ 4,076</u>	<u>\$ 28,517</u>	<u>\$ 69,820</u>	<u>\$ 57,120</u>	<u>\$ 55,152</u>	<u>\$ 1,032,965</u>
Liabilities								
Accounts payable	\$ 1,416	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,416
Accrued liabilities	585	-	-	-	-	-	-	585
Amounts held for others	815,054	1,225	4,076	28,517	69,820	57,120	55,152	1,030,964
Total liabilities	<u>\$ 817,055</u>	<u>\$ 1,225</u>	<u>\$ 4,076</u>	<u>\$ 28,517</u>	<u>\$ 69,820</u>	<u>\$ 57,120</u>	<u>\$ 55,152</u>	<u>\$ 1,032,965</u>

COUNTY OF BEDFORD, VIRGINIA

AGENCY FUNDS –
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 For the Year Ended June 30, 2018

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Ending</u>
Tri-County Lake Administrative Commission				
Assets:				
Cash and cash equivalents	\$ 705,062	\$ 310,686	\$ 211,493	\$ 804,255
Security deposits	900	-	-	900
Accounts receivable	9,985	312,601	310,686	11,900
	<u>\$ 715,947</u>	<u>\$ 623,287</u>	<u>\$ 522,179</u>	<u>\$ 817,055</u>
Liabilities:				
Accounts payable	\$ 573	\$ 79,764	\$ 78,921	\$ 1,416
Accrued liabilities	474	132,683	132,572	585
Amounts held for others	714,900	100,154	-	815,054
	<u>\$ 715,947</u>	<u>\$ 312,601</u>	<u>\$ 211,493</u>	<u>\$ 817,055</u>
Bedford Community Coalition				
Assets:				
Cash and cash equivalents	\$ 1,223	\$ 2	\$ -	\$ 1,225
Liabilities:				
Amounts held for others	\$ 1,223	\$ 2	\$ -	\$ 1,225
Bedford Wine Trail				
Assets:				
Cash and cash equivalents	\$ 3,729	\$ 1,500	\$ 1,153	\$ 4,076
Liabilities:				
Accounts payable	\$ -	\$ 1,153	\$ 1,153	\$ -
Amounts held for others	3,729	347	-	4,076
	<u>\$ 3,729</u>	<u>\$ 1,500</u>	<u>\$ 1,153</u>	<u>\$ 4,076</u>
Special Welfare Fund				
Assets:				
Cash and cash equivalents	\$ 25,036	\$ 112,348	\$ 108,867	\$ 28,517
	<u>\$ 25,036</u>	<u>\$ 112,348</u>	<u>\$ 108,867</u>	<u>\$ 28,517</u>
Liabilities:				
Amounts held for others	\$ 25,036	\$ 112,348	\$ 108,867	\$ 28,517
Road Escrow Accounts				
Assets:				
Cash and cash equivalents	\$ 110,993	\$ 9,250	\$ 50,423	\$ 69,820
Liabilities:				
Amounts held for others	\$ 110,993	\$ 9,250	\$ 50,423	\$ 69,820

(Continued)

COUNTY OF BEDFORD, VIRGINIA

AGENCY FUNDS –
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 For the Year Ended June 30, 2018

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Ending</u>
Land Disturbing Bonds				
Assets:				
Cash and cash equivalents	\$ 90,439	\$ 12,770	\$ 46,089	\$ 57,120
Liabilities:				
Amounts held for others	\$ 90,439	\$ 12,770	\$ 46,089	\$ 57,120
Sheriff Asset Seizures				
Assets:				
Cash and cash equivalents	\$ 63,600	\$ 22,312	\$ 30,760	\$ 55,152
Liabilities:				
Amounts held for others	\$ 63,600	\$ 22,312	\$ 30,760	\$ 55,152
Total Fiduciary Funds				
Assets:				
Cash and cash equivalents	\$ 1,000,082	\$ 468,868	\$ 448,785	\$ 1,020,165
Security deposits	900	-	-	900
Accounts receivable	9,985	312,601	310,686	11,900
Total assets	<u>\$ 1,010,967</u>	<u>\$ 781,469</u>	<u>\$ 759,471</u>	<u>\$ 1,032,965</u>
Liabilities:				
Accounts payable	\$ 573	\$ 80,917	\$ 80,074	\$ 1,416
Accrued liabilities	474	132,683	132,572	585
Amounts held for others	1,009,920	257,183	236,139	1,030,964
Total liabilities	<u>\$ 1,010,967</u>	<u>\$ 470,783</u>	<u>\$ 448,785</u>	<u>\$ 1,032,965</u>

COUNTY OF BEDFORD, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – BEDFORD COUNTY SCHOOL BOARD
 COMBINING BALANCE SHEET
 Year Ended June 30, 2018

	Special Revenue Funds			Capital Projects	Total Governmental Funds
	Operating	Nutrition	Textbooks		
ASSETS					
Cash and cash equivalents	\$ 4,705,225	\$ 1,937,136	\$ 2,042,607	\$ 28,200	\$ 8,713,168
Receivables, net	4,058,068	33,951	2,382	-	4,094,401
Due from primary government	8,392,956	-	-	4,070,721	12,463,677
Prepays	103,582	29,364	-	-	132,946
Inventories	-	86,293	-	-	86,293
Total assets	<u>\$ 17,259,831</u>	<u>\$ 2,086,744</u>	<u>\$ 2,044,989</u>	<u>\$ 4,098,921</u>	<u>\$ 25,490,485</u>
LIABILITIES					
Accounts payable and accrued expenses	\$ 1,052,948	\$ 4,469	\$ 16,143	\$ 4,070,721	\$ 5,144,281
Accrued payroll and related liabilities	11,279,931	318,515	-	-	11,598,446
Self insurance	1,500,287	-	-	-	1,500,287
Deferred revenue	1,537,597	-	-	-	1,537,597
Total liabilities	<u>15,370,763</u>	<u>322,984</u>	<u>16,143</u>	<u>4,070,721</u>	<u>19,780,611</u>
FUND BALANCES					
Fund balances:					
Nonspendable	103,582	115,657	-	-	219,239
Restricted	20,142	-	-	-	20,142
Committed	1,811,405	-	-	-	1,811,405
Assigned	632,820	1,648,103	2,028,846	28,200	4,337,969
Unassigned	(678,881)	-	-	-	(678,881)
Total fund balances	<u>1,889,068</u>	<u>1,763,760</u>	<u>2,028,846</u>	<u>28,200</u>	<u>5,709,874</u>
Total liabilities and fund balances	<u>\$ 17,259,831</u>	<u>\$ 2,086,744</u>	<u>\$ 2,044,989</u>	<u>\$ 4,098,921</u>	

COUNTY OF BEDFORD, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – BEDFORD COUNTY SCHOOL BOARD
 COMBINING BALANCE SHEET
 Year Ended June 30, 2018

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

Total Fund Balance, Governmental Funds		\$ 5,709,874
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		
Gross capital assets at historical cost	\$ 268,305,572	
Accumulated depreciation	<u>(144,047,777)</u>	124,257,795
Other long-term assets not available to pay for current period expenditures and therefore are deferred in the funds		1,498,353
Financial statement elements related to pension and other post employment benefits are applicable to future periods and therefore, are not reported in the funds		
Deferred outflows related to:		
Pensions	11,017,388	
Other postemployment benefits	1,141,017	
Deferred inflows related to:		
Pensions	(13,586,640)	
Other postemployment benefits	(1,215,479)	
Net pension asset	1,100,923	
Net pension liability	(75,240,000)	
Net other postemployment benefit liability	<u>(19,203,814)</u>	(95,986,605)
Long-term liabilities do not require the use of current financial resources and are not reported as expenditures in governmental funds		
Accrued interest	(54,822)	
Capital leases	(3,677,558)	
Compensated absences	<u>(1,528,398)</u>	(5,260,778)
Net position of Governmental Activities		<u><u>\$ 30,218,639</u></u>

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 STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2018**

	<u>Special Revenue Funds</u>				Total Governmental Funds
	<u>Operating</u>	<u>Nutrition</u>	<u>Textbooks</u>	<u>Capital Projects</u>	
REVENUES					
Revenue from use of money and property	\$ 63,415	\$ 7,832	\$ 4,095	\$ 11	\$ 75,353
Charges for services	971,352	1,752,445	-	-	2,723,797
Other	470,539	-	2,311	-	472,850
Intergovernmental:					
County of Bedford	37,301,040	-	-	24,018,220	61,319,260
Commonwealth of Virginia	56,051,065	79,862	713,300	-	56,844,227
Federal government	5,419,461	2,199,971	-	-	7,619,432
Total revenues	<u>100,276,872</u>	<u>4,040,110</u>	<u>719,706</u>	<u>24,018,231</u>	<u>129,054,919</u>
EXPENDITURES					
Current:					
Instructional	72,065,409	-	287,002	-	72,352,411
Administration, attendance, and health	4,156,229	-	-	-	4,156,229
Pupil transportation services	8,399,045	-	-	-	8,399,045
Operations and maintenance services	11,291,753	-	-	-	11,291,753
Nutrition services	-	4,182,820	-	-	4,182,820
Technology	5,808,793	-	-	-	5,808,793
Debt Service:					
Principal	891,945	-	-	-	891,945
Interest and other fiscal charges	54,588	-	-	-	54,588
Capital projects	-	-	-	24,021,011	24,021,011
Total expenditures	<u>102,667,762</u>	<u>4,182,820</u>	<u>287,002</u>	<u>24,021,011</u>	<u>131,158,595</u>
Excess (deficiency) of revenues over expenditures	<u>(2,390,890)</u>	<u>(142,710)</u>	<u>432,704</u>	<u>(2,780)</u>	<u>(2,103,676)</u>
OTHER FINANCING SOURCES					
Capital lease proceeds	1,328,096	-	-	-	1,328,096
Transfers in	-	18,769	-	-	18,769
Transfers out	(18,769)	-	-	-	(18,769)
Total other financing sources	<u>1,309,327</u>	<u>18,769</u>	<u>-</u>	<u>-</u>	<u>1,328,096</u>
Net change in fund balances	<u>(1,081,563)</u>	<u>(123,941)</u>	<u>432,704</u>	<u>(2,780)</u>	<u>(775,580)</u>
Fund balance, beginning	<u>2,970,631</u>	<u>1,887,701</u>	<u>1,596,142</u>	<u>30,980</u>	
Fund balance, ending	<u>\$ 1,889,068</u>	<u>\$ 1,763,760</u>	<u>\$ 2,028,846</u>	<u>\$ 28,200</u>	

(Continued)

COUNTY OF BEDFORD, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT – BEDFORD COUNTY SCHOOL BOARD
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2018**

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

Net changes in fund balances - total governmental funds	\$	(775,580)
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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	\$ 27,492,948		
Depreciation expense for governmental	<u>(5,937,314)</u>		21,555,634

The net effect of various transactions involving capital assets (sales, trade ins) is to decrease net position			20,138
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Governmental funds report pension contributions as expenditures. However, in the Statement of Activities the cost of pension benefits earned, net of employee contributions is reported as pension expense

Employer pension contributions			1,192,668
Pension expense			2,592,482

Governmental funds report pension contributions as expenditures. However, in the Statement of Activities the cost of pension benefits earned, net of employee contributions is reported as pension expense

Employer other postemployment benefit contributions			1,141,017
Other postemployment expense			(1,235,433)

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	(1,328,096)		
Principal payments on long-term debt	891,945		
Increase in accrued interest payable	<u>(10,986)</u>		(447,137)

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

Other revenues			(146,083)
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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			<u>145,992</u>
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Total changes in net position of governmental activities	\$		<u><u>24,043,698</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
Year Ended June 30, 2018**

	<u>Operating</u>			Variance with Final Budget Positive (Negative)
	<u>Budgeted Amounts</u>		<u>Actual</u>	
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from use of money and property	\$ -	\$ -	\$ 30,772	\$ 30,772
Charges for services	715,000	715,000	932,454	217,454
Other	158,000	175,414	191,728	16,314
Intergovernmental:				
County of Bedford	35,673,838	36,516,100	35,190,590	(1,325,510)
Commonwealth of Virginia	55,924,696	56,753,275	56,791,624	38,349
Federal government	<u>4,728,189</u>	<u>5,073,420</u>	<u>5,983,505</u>	<u>910,085</u>
Total revenues	<u>97,199,723</u>	<u>99,233,209</u>	<u>99,120,673</u>	<u>(112,536)</u>
EXPENDITURES				
Current:				
Instructional	70,149,778	70,945,009	70,935,357	9,652
Administration, attendance, and health	4,138,384	4,138,384	4,137,373	1,011
Pupil transportation services	7,808,356	7,933,356	7,925,721	7,635
Operations and maintenance services	10,579,565	11,396,689	11,221,134	175,555
Nutrition services	-	-	-	-
Technology	<u>5,656,284</u>	<u>5,531,284</u>	<u>5,441,572</u>	<u>89,712</u>
Total expenditures	<u>98,332,367</u>	<u>99,944,722</u>	<u>99,661,157</u>	<u>283,565</u>
Excess (deficiency) of revenues over expenditures	<u>(1,132,644)</u>	<u>(711,513)</u>	<u>(540,484)</u>	<u>171,029</u>
Net change in fund balances	<u>\$ (1,132,644)</u>	<u>\$ (711,513)</u>	<u>\$ (540,484)</u>	<u>\$ 171,029</u>

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	\$ 7,832	\$ 832	\$ -	\$ -	\$ 4,095	\$ 4,095
2,283,930	2,283,930	1,752,445	(531,485)	-	-	-	-
-	-	-	-	-	-	1,987	1,987
-	-	-	-	-	-	-	-
50,243	50,243	96,101	45,858	701,040	701,040	713,300	12,260
2,231,623	2,231,623	2,166,020	(65,603)	-	-	-	-
4,572,796	4,572,796	4,022,398	(550,398)	701,040	701,040	719,382	18,342
-	-	-	-	701,040	701,040	311,436	389,604
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
4,572,796	4,572,796	4,114,340	458,456	-	-	-	-
-	-	-	-	-	-	-	-
4,572,796	4,572,796	4,114,340	458,456	701,040	701,040	311,436	389,604
-	-	(91,942)	(91,942)	-	-	407,946	407,946
\$ -	\$ -	\$ (91,942)	\$ (91,942)	\$ -	\$ -	\$ 407,946	\$ 407,946

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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, 2018**

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 43,100,000	\$ 43,100,000	\$ 43,895,395	\$ 795,395
Real and personal public service corporation property taxes	1,725,000	1,725,000	1,698,025	(26,975)
Personal property taxes (local remittance)	13,930,000	13,930,000	14,513,756	583,756
Machinery and tools taxes	3,687,500	3,687,500	3,805,483	117,983
Mobile home taxes	126,000	126,000	130,468	4,468
Penalties and interest	800,000	800,000	926,814	126,814
Total general property taxes	<u>63,368,500</u>	<u>63,368,500</u>	<u>64,969,941</u>	<u>1,601,441</u>
Other local taxes:				
Local sales and use taxes	5,880,091	5,880,091	5,917,417	37,326
Consumer utility taxes	1,245,400	1,245,400	1,254,838	9,438
Utility license tax	80,000	80,000	81,738	1,738
Bank stock taxes	300,000	300,000	415,146	115,146
Taxes on recordations and wills	1,117,000	1,117,000	1,126,255	9,255
Transient occupancy tax	800,000	800,000	826,004	26,004
Meals tax	1,525,000	1,525,000	1,660,665	135,665
Communications sales tax	1,800,000	1,800,000	1,766,970	(33,030)
Total other local taxes	<u>12,747,491</u>	<u>12,747,491</u>	<u>13,049,033</u>	<u>301,542</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	50,000	50,000	44,349	(5,651)
Building permits	275,000	275,000	271,477	(3,523)
Other permits and licenses	18,200	18,200	22,280	4,080
Planning permits and fees	175,000	175,000	192,410	17,410
Total permits, privilege fees, and regulatory licenses	<u>518,200</u>	<u>518,200</u>	<u>530,516</u>	<u>12,316</u>
Fines and forfeitures	<u>130,000</u>	<u>130,000</u>	<u>149,869</u>	<u>19,869</u>
Revenue from use of money and property:				
Revenue from use of money	183,050	183,139	528,719	345,580
Revenue from use of property	166,740	166,740	200,905	34,165
Total revenue from use of money and property	<u>349,790</u>	<u>349,879</u>	<u>729,624</u>	<u>379,745</u>

(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, 2018**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Charges for services:				
Court costs	\$ 231,304	\$ 231,304	\$ 219,210	\$ (12,094)
Commonwealth attorney	3,500	3,500	6,475	2,975
Law enforcement and traffic control	146,180	146,180	209,912	63,732
County attorney	2,000	2,000	-	(2,000)
Welfare and social services	8,000	8,000	3,679	(4,321)
Comprehensive services	33,000	33,000	47,642	14,642
Recreation fees	76,500	76,500	83,537	7,037
EMS cost recoveries	1,625,000	1,765,000	2,159,598	394,598
Other	4,600	4,600	3,138	(1,462)
Total charges for services	<u>2,130,084</u>	<u>2,270,084</u>	<u>2,733,191</u>	<u>463,107</u>
Miscellaneous	<u>318,039</u>	<u>455,323</u>	<u>600,624</u>	<u>145,301</u>
Recovered costs:				
City of Bedford – shared services	40,000	42,268	46,563	4,295
Bedford Public Library	35,000	35,000	35,000	-
Tri-County Lake Administrative Commission	10,000	10,000	10,000	-
Central Garage	160,000	160,000	174,105	14,105
Prisoner Extradition	2,000	2,000	230	(1,770)
Nursing Home	225,000	225,000	256,574	31,574
Total recovered costs	<u>472,000</u>	<u>474,268</u>	<u>522,472</u>	<u>48,204</u>
Total revenue from local sources	<u>80,034,104</u>	<u>80,313,745</u>	<u>83,285,270</u>	<u>2,971,525</u>
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	100,000	100,000	90,906	(9,094)
Mobile home titling taxes	90,000	90,000	95,631	5,631
Recordation taxes	270,000	270,000	273,202	3,202
Railroad rolling stock taxes	165,000	165,000	162,679	(2,321)
Total non-categorical aid	<u>6,711,051</u>	<u>6,711,051</u>	<u>6,708,469</u>	<u>(2,582)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's Attorney	581,265	581,265	580,723	(542)
Sheriff	2,397,877	2,397,877	2,392,611	(5,266)
Commissioner of the Revenue	242,886	242,886	240,440	(2,446)
Treasurer	234,327	234,327	226,559	(7,768)
Registrar and Electoral board	46,856	46,856	47,358	502
Clerk of the Circuit Court	478,542	478,542	479,606	1,064
Communications	148,579	148,579	146,077	(2,502)
Total shared expenses	<u>4,130,332</u>	<u>4,130,332</u>	<u>4,113,374</u>	<u>(16,958)</u>

(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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Other:				
Social services	\$ 2,416,539	\$ 2,476,539	\$ 2,214,190	\$ (262,349)
Comprehensive services	2,023,696	2,379,336	2,220,451	(158,885)
Forfeited asset seizure proceeds	-	1,600	1,450	(150)
State internet crimes	-	2,086,850	1,506,652	(580,198)
EMS Four for Life	85,000	85,000	-	(85,000)
Fire funds	200,000	200,000	229,594	29,594
Public safety grants	-	67,141	68,899	1,758
Victim witness coordinator	38,033	37,288	45,811	8,523
Domestic violence grants	209,042	263,538	198,388	(65,150)
VJCCCA	70,751	70,751	70,751	-
Wireless E-911 grant	93,000	93,000	98,159	5,159
PSAP grants	-	2,000	1,959	(41)
Record preservation grant	-	10,910	13,490	2,580
VA Commission of Arts	5,000	5,000	4,500	(500)
Juror and witness reimbursement	27,000	27,000	23,419	(3,581)
Virginia Tobacco Commission grants	-	67,500	7,415	(60,085)
VDOT Revenue Sharing	-	25,322	-	(25,322)
Other	34,933	34,933	35,242	309
Total other categorical aid	<u>5,202,994</u>	<u>7,933,708</u>	<u>6,740,370</u>	<u>(1,193,338)</u>
Total categorical aid	<u>9,333,326</u>	<u>12,064,040</u>	<u>10,853,744</u>	<u>(1,210,296)</u>
Total revenue from the Commonwealth	<u>16,044,377</u>	<u>18,775,091</u>	<u>17,562,213</u>	<u>(1,212,878)</u>
Revenue from the federal government:				
Payments in lieu of taxes	-	-	74,089	74,089
Categorical aid:				
Social services	3,372,216	3,432,216	3,706,313	274,097
Sheriff – DMV grants	-	34,217	18,129	(16,088)
Justice assistance grants	-	5,886	14,528	8,642
Federal Agency overtime reimbursement	-	-	6,012	6,012
Internet crimes grant	-	317,007	263,057	(53,950)
Bulletproof vest grant	-	4,814	6,381	1,567
Victim witness coordinator	114,100	111,862	137,430	25,568
Domestic violence grants	12,591	164,497	123,107	(41,390)
Other	133,028	133,028	161,838	28,810
Total categorical aid	<u>3,631,935</u>	<u>4,203,527</u>	<u>4,436,795</u>	<u>233,268</u>
Total revenue from the federal government	<u>3,631,935</u>	<u>4,203,527</u>	<u>4,510,884</u>	<u>307,357</u>
Total intergovernmental revenues	<u>19,676,312</u>	<u>22,978,618</u>	<u>22,073,097</u>	<u>(905,521)</u>
Total general fund	<u>\$ 99,710,416</u>	<u>\$ 103,292,363</u>	<u>\$ 105,358,367</u>	<u>\$ 2,066,004</u>

(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, 2018**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Expenditures				
General government administration:				
Legislative:				
Board of Supervisors	\$ 127,364	\$ 132,364	\$ 131,439	\$ 925
General and financial administration:				
County administration	430,165	434,775	427,247	7,528
County attorney	140,271	149,771	139,701	10,070
Independent auditor	68,000	68,000	62,613	5,387
Commissioner of the Revenue	637,226	637,226	587,255	49,971
Assessor	738,141	738,141	143,994	594,147
Treasurer	711,688	711,688	698,478	13,210
Fiscal management	613,399	633,399	593,913	39,486
Information technology	783,004	823,004	573,072	249,932
Human resources	269,132	269,132	258,436	10,696
Electoral board	179,907	179,907	124,251	55,656
Registrar	210,714	210,714	200,887	9,827
Total general and financial administration	4,781,647	4,855,757	3,809,847	1,045,910
Total general government administration	4,909,011	4,988,121	3,941,286	1,046,835
Judicial administration:				
Courts:				
Circuit Court	91,349	91,349	86,319	5,030
District Court	17,600	19,910	17,611	2,299
Magistrates	2,800	3,275	2,582	693
Juvenile and Domestic Relations District Court	16,625	16,625	16,261	364
Clerk of the Circuit Court	1,055,359	1,055,359	1,023,791	31,568
Circuit Court Records Preservation	-	10,910	10,910	-
Victim Witness Coordinator	218,559	215,576	206,003	9,573
Law Library	12,450	12,450	11,199	1,251
Other court services	12,000	12,000	12,000	-
Total courts	1,426,742	1,437,454	1,386,676	50,778
Commonwealth's Attorney	976,758	1,019,625	933,353	86,272
Total judicial administration	2,403,500	2,457,079	2,320,029	137,050
Public safety:				
Law enforcement and traffic control:				
Sheriff	7,439,670	7,468,686	7,369,921	98,765
Internet Crimes Grant	-	2,403,857	2,170,438	233,419
Law enforcement grants	-	50,682	35,933	14,749
Total law enforcement and traffic control	7,439,670	9,923,225	9,576,292	346,933
Fire and rescue services:				
Volunteer fire companies	1,546,815	1,556,029	1,445,065	110,964
Volunteer rescue squads	978,212	1,012,812	908,047	104,765
Other fire and rescue services	74,000	81,800	71,781	10,019
Total fire and rescue services	2,599,027	2,650,641	2,424,893	225,748

(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, 2018**

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Correction and detention:				
Blue Ridge Regional Jail	\$ 1,900,000	\$ 2,150,000	\$ 2,149,070	\$ 930
VJCCA	201,270	201,270	178,309	22,961
Juvenile secure detention	300,000	300,000	194,040	105,960
Total correction and detention	<u>2,401,270</u>	<u>2,651,270</u>	<u>2,521,419</u>	<u>129,851</u>
Building Inspections	<u>521,030</u>	<u>521,030</u>	<u>514,114</u>	<u>6,916</u>
Other protection:				
Animal shelter	206,717	206,717	177,844	28,873
Animal control	291,078	291,078	280,779	10,299
Emergency services	3,213,769	3,353,769	3,346,654	7,115
Communications center	2,732,676	2,732,676	2,578,414	154,262
Communications grants	-	2,000	1,997	3
Transportation Safety Committee	976	976	970	6
Total other protection	<u>6,445,216</u>	<u>6,587,216</u>	<u>6,386,658</u>	<u>200,558</u>
Total public safety	<u>19,406,213</u>	<u>22,333,382</u>	<u>21,423,376</u>	<u>910,006</u>
Public works:				
Sanitation and waste removal:				
Refuse collection	3,186,193	3,186,193	2,977,544	208,649
Total sanitation and waste removal	<u>3,186,193</u>	<u>3,186,193</u>	<u>2,977,544</u>	<u>208,649</u>
Maintenance – buildings and grounds:				
Housekeeping	432,834	432,834	402,839	29,995
General properties	1,224,038	1,224,038	1,090,971	133,067
Central garage	314,331	318,831	293,736	25,095
Total maintenance – buildings and grounds	<u>1,971,203</u>	<u>1,975,703</u>	<u>1,787,546</u>	<u>188,157</u>
Total public works	<u>5,157,396</u>	<u>5,161,896</u>	<u>4,765,090</u>	<u>396,806</u>
Health and welfare:				
Health:				
Supplement to local health department	488,509	488,509	488,509	-
Welfare:				
Social services	8,469,620	8,580,120	8,355,838	224,282
Comprehensive services	3,237,000	3,760,000	3,725,723	34,277
Domestic violence	357,873	540,946	473,912	67,034
Other health and welfare	219,000	219,000	219,000	-
Total welfare	<u>12,283,493</u>	<u>13,100,066</u>	<u>12,774,473</u>	<u>325,593</u>
Total health and welfare	<u>12,772,002</u>	<u>13,588,575</u>	<u>13,262,982</u>	<u>325,593</u>
Education:				
Community college	<u>1,895</u>	<u>1,895</u>	<u>1,895</u>	<u>-</u>

(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, 2018**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Parks, recreation, and cultural:				
Recreation department	\$ 1,434,232	\$ 1,434,232	\$ 1,407,049	\$ 27,183
Cultural enrichment	133,750	133,750	132,750	1,000
Contribution to Regional Library	1,622,616	1,622,616	1,622,616	-
Total parks, recreation, and cultural	<u>3,190,598</u>	<u>3,190,598</u>	<u>3,162,415</u>	<u>28,183</u>
Community development:				
Planning and community development:				
Planning commission	63,575	63,575	50,075	13,500
Community development	781,962	781,962	676,743	105,219
GIS	306,160	306,160	249,202	56,958
Board of appeals	6,036	6,036	1,214	4,822
Economic development	614,884	714,884	533,089	181,795
Joint City/County Economic development	750,000	750,000	750,000	-
Chamber of Commerce	10,000	10,000	10,000	-
Tourism	629,934	629,934	572,986	56,948
Tourism grants	-	9,695	-	9,695
Total planning and community development	<u>3,162,551</u>	<u>3,272,246</u>	<u>2,843,309</u>	<u>428,937</u>
Environmental management:				
Natural Resources	344,014	344,014	332,059	11,955
Soil and Water Conservation District	14,250	14,250	14,250	-
Tri-County Lake Administrative Commission	98,829	98,829	98,829	-
Total environmental management	<u>457,093</u>	<u>457,093</u>	<u>445,138</u>	<u>11,955</u>
Cooperative Extension Program:				
VPI & SU Extension Office	76,665	76,665	61,856	14,809
Cannery	29,469	29,469	15,231	14,238
Total cooperative extension program	<u>106,134</u>	<u>106,134</u>	<u>77,087</u>	<u>29,047</u>
Total community development	<u>3,725,778</u>	<u>3,835,473</u>	<u>3,365,534</u>	<u>469,939</u>
Debt Service:				
Principal retirement	6,362,168	6,362,168	6,362,167	1
Interest and other fiscal charges	3,543,632	3,543,657	3,543,651	6
Total debt service	<u>9,905,800</u>	<u>9,905,825</u>	<u>9,905,818</u>	<u>7</u>

COUNTY OF BEDFORD, VIRGINIA

**Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual – Cash Basis –
Governmental Fund
For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Capital projects:				
General governmental	\$ 1,280,826	\$ 1,312,094	\$ 604,929	\$ 707,165
Judicial administration	8,855	8,855	-	8,855
Public safety	1,702,048	1,811,987	541,260	1,270,727
Public works	5,304,252	5,346,695	3,011,466	2,335,229
Health and welfare	6,305	6,305	6,436	(131)
Education	32,568,867	32,568,867	23,110,935	9,457,932
Parks, recreation, and cultural	304,867	305,101	111,898	193,203
Community and economic development	2,453,824	2,521,324	2,052,865	468,459
Total capital projects	<u>43,629,844</u>	<u>43,881,228</u>	<u>29,439,789</u>	<u>14,441,439</u>
Total expenditures	<u>105,102,037</u>	<u>109,344,072</u>	<u>91,588,214</u>	<u>17,755,858</u>
Excess of Revenues over Expenditures	<u>(5,391,621)</u>	<u>(6,051,709)</u>	<u>13,770,153</u>	<u>19,821,862</u>
Other Financing Sources (Uses):				
Transfers to:				
Propriety fund types	-	(50,000)	(50,000)	-
Component units	(35,673,838)	(36,516,100)	(35,190,590)	1,325,510
Total other financing sources and uses	<u>(35,673,838)</u>	<u>(36,566,100)</u>	<u>(35,240,590)</u>	<u>1,325,510</u>
Net change in fund balance	<u>\$ (41,065,459)</u>	<u>\$ (42,617,809)</u>	<u>\$ (21,470,437)</u>	<u>\$ 21,147,372</u>

COUNTY OF BEDFORD, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

<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	\$ 833,303
<u>Department of the Agriculture and Consumer Services:</u>		
Child Nutrition Cluster – National School Lunch Program (Commodities)	10.555	293,513
Emergency Food Assistance Program (Food Commodities)	10.559	1,119
<u>Department of Education:</u>		
Child Nutrition Cluster – National School Breakfast Program	10.553	554,662
Child Nutrition Cluster – National School Lunch Program	10.555	1,611,359
Summer Food Service for Children	10.559	33,951
Schools and Roads – Grants to States	10.665	16,471
<u>Department Of Justice:</u>		
<u>Direct Payments:</u>		
Missing Children’s Task Force	16.543	276,335
Federal Surplus Property Transfer Program	16.578	4,500
Bulletproof Vest Partnership Program	16.607	4,814
JAG Program Cluster – Edward Byrne Memorial Justice Assistance Grant	16.738	1,160
<u>Pass-Through Payments:</u>		
<u>Department of Criminal Justice Services:</u>		
Crime Victim Assistance	16.575	227,788
Violence Against Women Formula Grants	16.588	12,803
<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	5,954
Alcohol Open Container Requirements	20.607	16,567
National Priority Safety Programs	20.616	2,051
<u>Department of Education:</u>		
Twenty-First Century Community Learning Centers	84.287	586,503
<u>Department of Education:</u>		
Adult Education Grants to States	84.002	93,624
Title I, Part A Cluster – Title I: Grants to Local Educational Agencies	84.010	1,695,865
Special Education Cluster – Special Education – Grants to States	84.027	2,532,519
Vocational Education – Basic Grants to States	84.048	169,297
Special Education Cluster – Special Education – Preschool Grants	84.173	60,831

(Continued)

COUNTY OF BEDFORD, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

<u>Federal Grantor/Pass-Through Grantor (Commonwealth of Virginia)/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>Department of Education:</u>		
English Language Acquisition Grants	84.365	\$ 16,865
No Child Left Behind Act Improving Teacher Quality State Grants	84.367	229,503
<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	29,052
TANF Block Grant	93.558	423,314
Refugee and Entrant Assistance – State Administered Program	93.566	703
Low Income Home Energy Assistance	93.568	40,304
CCDF Cluster – Payments to States for Child Care Assistance	93.575	(36)
CCDF Cluster – Child Care Development Fund	93.596	58,008
Chafee Education & Training Vouchers Program	93.599	449
Adoption Incentives Payment Program	93.603	1,549
Child Welfare Services – State Grants	93.645	1,043
Foster Care – Title IV-E	93.658	804,620
Adoption Assistance	93.659	578,442
Social Service Block Grant	93.667	447,946
Family Violence Prevention and Services/Grants for Battered Women’s Shelters	93.671	9,982
Independent Living	93.674	7,288
Virginia Children’s Medical Insurance Plan	93.767	34,790
Medical Assistance Program (Medicaid; Title XIX)	93.778	847,224
Total Expenditures of Federal Awards		<u>\$ 12,566,035</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, 2018, the County had food commodities totaling \$232 in inventory. The Bedford County School Board had food commodities totaling \$33,678 in inventory at June 30, 2018.

Note 3. Indirect Costs

The County has not elected to use the de minimis 10% indirect cost rate.

Note 4. Outstanding Loan Balances

At June 30, 2018, the County had no outstanding loan balances requiring continuing disclosure.

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.

COUNTY OF BEDFORD, VIRGINIA

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net investment in capital assets	\$ 21,945,190	\$ 22,587,976	\$ 23,428,803	\$ 23,524,890	\$ 24,869,124	\$ 26,704,166	\$ 28,334,835	\$ 30,177,071	\$ 33,534,872	\$ 37,032,856
Restricted	57	20	3	648,562	127,265	18,033	1,079	1,778,497	-	-
Unrestricted	(38,605,383)	(29,263,886)	(20,875,025)	(12,143,308)	(15,860,897)	(13,795,499)	(6,360,819)	5,347,098	1,390,438	(17,107,846)
Total governmental activities net position	\$ (16,660,136)	\$ (6,675,890)	\$ 2,553,781	\$ 12,030,144	\$ 9,135,492	\$ 12,926,700	\$ 21,975,095	\$ 37,302,666	\$ 34,925,310	\$ 19,925,010
Business-type activities										
Net investment in capital assets	\$ 16,346,809	\$ 16,206,826	\$ 15,617,382	\$ 14,816,621	\$ 13,012,464	\$ 12,464,508	\$ 11,690,734	\$ 10,903,022	\$ 11,032,423	\$ 10,294,047
Restricted	48	19	4	3	-	-	-	-	-	-
Unrestricted	2,148,113	2,557,009	3,152,150	2,792,561	3,078,850	2,819,835	3,656,443	5,412,132	6,526,534	7,892,213
Total business-type activities net position	\$ 18,494,970	\$ 18,763,854	\$ 18,769,536	\$ 17,609,185	\$ 16,091,314	\$ 15,284,343	\$ 15,347,177	\$ 16,315,154	\$ 17,558,957	\$ 18,186,260
Primary government										
Net investment in capital assets	\$ 38,291,999	\$ 38,794,802	\$ 39,046,185	\$ 38,341,511	\$ 37,881,588	\$ 39,168,674	\$ 40,025,569	\$ 41,080,093	\$ 44,567,295	\$ 47,326,903
Restricted	105	39	7	648,565	127,265	18,033	1,079	1,778,497	-	-
Unrestricted	(36,457,270)	(26,706,877)	(17,722,875)	(9,350,747)	(12,782,047)	(10,975,664)	(2,704,376)	10,759,230	7,916,972	(9,215,633)
Total primary government net position	\$ 1,834,834	\$ 12,087,964	\$ 21,323,317	\$ 29,639,329	\$ 25,226,806	\$ 28,211,043	\$ 37,322,272	\$ 53,617,820	\$ 52,484,267	\$ 38,111,270
Component Unit-School Board (1)										
Net investment in capital assets	\$ 105,979,076	\$ 103,254,031	\$ 101,059,369	\$ 97,278,860	\$ 96,063,553	\$ 94,486,617	\$ 91,638,957	\$ 89,284,475	\$ 99,440,616	\$ 120,580,237
Restricted	331	20	4	763,216	4	6	6	-	-	-
Unrestricted	4,923,623	5,407,005	5,346,181	3,962,736	3,915,714	3,727,386	(80,768,278)	(76,737,675)	(75,767,336)	(90,361,598)
Total component unit-School Board net position	\$ 110,903,030	\$ 108,661,056	\$ 106,405,554	\$ 102,004,812	\$ 99,979,271	\$ 98,214,009	\$ 10,870,685	\$ 12,546,800	\$ 23,673,280	\$ 30,218,639

(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.

(3) GASB Statement No. 75 was adopted in fiscal year 2018.

COUNTY OF BEDFORD, VIRGINIA

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Primary Government:										
Expenses										
Governmental activities:										
General government	\$ 3,571,372	\$ 3,735,551	\$ 4,084,722	\$ 3,623,380	\$ 3,691,404	\$ 4,032,123	\$ 3,903,841	\$ 3,686,970	\$ 4,135,945	\$ 4,324,995
Judicial administration	2,537,675	2,365,312	2,323,836	2,236,346	2,328,645	2,434,093	2,339,469	2,419,173	2,588,187	2,621,336
Public safety	14,777,921	14,860,554	14,908,199	16,052,649	17,641,751	19,756,848	18,263,579	18,985,844	20,680,112	21,976,031
Public works	4,712,842	4,665,741	4,085,930	3,966,475	4,688,457	4,963,878	4,569,759	4,523,662	4,736,339	4,996,039
Health and welfare	10,911,164	10,445,685	10,441,003	9,782,800	9,706,770	9,868,303	9,929,076	10,643,689	11,668,977	13,154,429
Education	37,412,680	27,959,531	28,843,332	27,870,369	40,154,179	34,743,918	29,271,434	33,713,688	48,102,859	60,391,126
Parks, recreational, and cultural	3,071,792	3,011,340	2,870,815	2,763,383	2,838,982	3,312,492	3,116,385	3,753,755	3,344,715	3,448,466
Community development	5,393,145	5,032,293	5,255,719	5,220,060	5,703,012	6,341,152	7,308,128	5,114,090	5,254,616	5,444,352
Interest on long-term debt	4,780,219	4,002,134	3,849,961	3,473,234	3,674,625	2,709,301	2,484,060	2,201,911	2,989,864	2,911,990
Total governmental activities expenses	87,168,810	76,078,141	76,663,517	74,988,696	90,427,825	88,162,108	81,185,731	85,042,782	103,501,614	119,268,764
Business-type activities:										
Group homes	2,025,932	1,929,560	1,993,131	2,023,174	1,452,772	-	-	-	-	-
Nursing home	5,059,249	5,082,479	5,538,976	5,383,423	5,226,464	5,491,294	5,279,264	5,323,100	5,752,404	5,958,786
Solid waste	1,663,395	2,325,292	2,279,669	3,208,084	3,700,318	3,456,334	3,127,530	3,360,369	3,324,130	3,528,516
Total business-type activities expenses	8,748,576	9,337,331	9,811,776	10,614,681	10,379,554	8,947,628	8,406,794	8,683,469	9,076,534	9,487,302
Total primary government expenses	\$ 95,917,386	\$ 85,415,472	\$ 86,475,293	\$ 85,603,377	\$ 100,807,379	\$ 97,109,736	\$ 89,592,525	\$ 93,726,251	\$ 112,578,148	\$ 128,756,066
Program Revenues										
Governmental activities:										
Charges for services:										
Public safety	\$ 2,443,376	\$ 2,262,367	\$ 2,339,436	\$ 2,287,544	\$ 2,780,427	\$ 2,229,697	\$ 2,237,790	\$ 2,322,194	\$ 2,190,308	\$ 3,316,833
Health and welfare	1,058,391	1,044,637	814,513	822,149	846,663	324,979	119,175	132,634	141,947	121,645
Community development	438,539	394,042	326,217	262,608	190,748	243,713	247,451	241,294	255,561	293,703
Other activities	1,028,522	926,581	908,164	794,555	854,456	605,163	747,100	824,510	958,722	998,692
Operating grants and contributions	12,833,423	12,213,856	11,616,928	10,956,576	11,475,946	12,958,689	12,680,711	13,479,122	14,505,883	14,894,113
Capital grants and contributions	333,475	125,180	572,784	53,965	218,081	278,842	104,082	346,027	239,004	53,637
Total governmental activities program revenues	18,135,726	16,966,663	16,578,042	15,177,397	16,366,321	16,641,083	16,136,309	17,345,781	18,291,425	19,678,623
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	5,013,390	5,280,011	5,223,478	5,130,089	5,543,359	5,645,133	6,737,547	6,802,536	7,244,858	7,209,455
Solid Waste	1,959,824	1,940,554	1,966,176	1,995,213	1,973,378	2,084,227	2,330,680	2,493,612	2,610,092	2,685,029
Operating grants and contributions	324,405	401,302	540,807	538,281	397,699	397,947	351,149	295,454	378,572	359,322
Total business-type activities program revenues	9,621,523	9,581,233	9,780,223	9,429,200	8,981,816	8,127,307	9,419,376	9,591,602	10,233,522	10,253,806
Total primary government program revenues	27,757,249	26,547,896	26,358,265	24,606,597	25,348,137	24,768,390	25,555,685	26,937,383	28,524,947	29,932,429
Net (expense) revenue (1)										
Governmental activities	(69,033,084)	(59,111,478)	(60,085,475)	(59,811,299)	(74,061,504)	(71,521,025)	(65,049,422)	(67,697,001)	(85,210,189)	(99,590,141)
Business-type activities	872,947	243,902	(31,553)	(1,185,481)	(1,397,738)	(820,321)	1,012,582	908,133	1,156,988	766,504
Total primary government net expense	(68,160,137)	(58,867,576)	(60,117,028)	(60,996,780)	(75,459,242)	(72,341,346)	(64,036,840)	(66,788,868)	(84,053,201)	(98,823,637)

COUNTY OF BEDFORD, VIRGINIA

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 53,448,639	\$ 52,390,092	\$ 52,096,954	\$ 51,879,533	\$ 52,749,509	\$ 56,345,681	\$ 59,963,137	\$ 61,722,532	\$ 63,956,257	\$ 65,118,037
Other local taxes	9,932,722	10,026,312	10,271,067	10,215,999	10,435,809	10,955,993	11,657,187	12,118,186	12,529,640	13,221,452
Noncategorical state aid	6,537,665	6,271,093	6,337,356	6,598,813	6,611,332	6,685,461	6,595,703	6,701,673	6,871,458	6,814,314
Investment earnings-unrestricted	507,834	174,192	292,420	248,974	246,068	241,059	150,908	261,818	274,992	250,275
Investment earnings-restricted for capital projects, debt service and length of service award program	187,973	6,818	3,023	7,070	14,986	1,925	1,233	55,460	263,835	337,943
Miscellaneous	107,511	227,217	314,326	337,273	946,856	229,025	205,121	573,225	1,677,067	226,623
Transfers	(335,021)	-	-	-	162,292	35,205	2,867	-	5,751	(50,000)
Special Item - contribution of capital assets	-	-	-	-	-	817,884	-	-	-	-
Total governmental activities	70,387,323	69,095,724	69,315,146	69,287,662	71,166,852	75,312,233	78,576,156	81,432,894	85,579,000	85,918,644
Business-type activities:										
Investment earnings-unrestricted and restricted	190,527	25,056	23,637	21,315	38,382	42,071	15,811	58,686	29,687	36,750
Miscellaneous	4,284	26	13,498	13	3,777	6,484	-	1,158	62,879	1,512
Transfers	335,021	-	-	3,802	(162,292)	(35,205)	(2,867)	-	(5,751)	50,000
Total business-type activities	529,832	25,082	37,135	25,130	(120,133)	13,350	12,944	59,844	86,815	88,262
Total primary government	\$ 70,917,155	\$ 69,120,806	\$ 69,352,281	\$ 69,312,792	\$ 71,046,719	\$ 75,325,583	\$ 78,589,100	\$ 81,492,738	\$ 85,665,815	\$ 86,006,906
Change in Net Position										
Governmental activities	\$ 1,354,239	\$ 9,984,246	\$ 9,229,671	\$ 9,476,363	\$ (2,894,652)	\$ 3,791,208	\$ 13,526,734	\$ 13,735,893	\$ 368,811	\$ (13,671,497)
Business-type activities	1,402,779	268,984	5,582	(1,160,351)	(1,517,871)	(806,971)	1,025,526	967,977	1,243,803	854,766
Total Primary Government	\$ 2,757,018	\$ 10,253,230	\$ 9,235,253	\$ 8,316,012	\$ (4,412,523)	\$ 2,984,237	\$ 14,552,260	\$ 14,703,870	\$ 1,612,614	\$ (12,816,731)
Component Unit-School Board: (2)										
Expenses										
Education	\$ 103,365,329	\$ 98,735,253	\$ 92,148,786	\$ 93,926,813	\$ 102,516,696	\$ 101,586,480	\$ 98,554,187	\$ 99,876,493	\$ 103,236,399	\$ 104,889,393
Program Revenues										
Charges for services	9,137,849	9,603,258	6,386,146	7,848,217	8,405,921	2,518,530	2,859,682	2,656,725	2,581,361	2,786,113
Operating grants and contributions	20,330,558	23,965,199	20,959,960	20,643,938	19,374,378	22,127,815	22,640,803	24,797,005	22,774,064	25,133,669
Total component unit program revenues	29,478,407	33,568,457	27,346,106	28,492,155	27,780,299	24,646,345	25,500,485	27,453,730	25,355,425	27,919,782
Net (expense)/revenue	(73,886,922)	(65,166,796)	(64,802,680)	(65,434,658)	(74,736,397)	(76,940,135)	(73,053,702)	(72,422,763)	(77,880,974)	(76,969,611)
General Revenues and Other Changes in Net Position										
Contribution from primary government	37,410,945	27,911,539	28,791,675	27,868,624	40,152,454	34,718,131	29,269,553	33,711,812	48,100,970	60,389,231
State aid	40,803,551	34,945,640	33,698,695	32,987,401	32,282,549	38,663,168	40,709,409	39,980,964	40,596,771	40,508,443
Investment earnings-unrestricted	-	-	2,427	-	-	-	-	791	1,073	1,110
Investment earnings-restricted for capital projects and debt service	1,466	141	62	37	1,101	968	651	-	-	-
Miscellaneous	37,703	67,502	54,319	177,854	274,752	471,503	109,450	405,311	308,640	114,525
Special Item - contribution of capital assets	-	-	-	-	-	1,321,103	-	-	-	-
Total general revenues and other changes in net assets	78,253,665	62,924,822	62,547,178	61,033,916	72,710,856	75,174,873	70,089,063	74,098,878	89,007,454	101,013,309
Total Component Unit-School Board Change in Net Position	\$ 4,366,743	\$ (2,241,974)	\$ (2,255,502)	\$ (4,400,742)	\$ (2,025,541)	\$ (1,765,262)	\$ (2,964,639)	\$ 1,676,115	\$ 11,126,480	\$ 24,043,698

(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.

COUNTY OF BEDFORD, VIRGINIA

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Funds										
General Fund										
Nonspendable	\$ 535,613	\$ 572,710	\$ 591,378	\$ 609,118	\$ 617,553	\$ 617,465	\$ 234,600	\$ 268,645	\$ 278,565	\$ 296,607
Restricted	2,753,499	248,090	246,949	8,064,388	770,552	305,038	1,657,857	1,850,461	29,704,078	6,072,001
Committed	5,333,247	5,845,833	4,471,108	4,847,144	7,710,886	9,999,808	6,366,387	7,624,489	5,570,652	7,290,318
Assigned	21,095,931	22,045,371	21,344,121	26,773,987	22,154,070	22,687,070	25,789,032	24,936,650	31,471,282	30,428,808
Unassigned	7,078,298	11,780,390	18,035,007	16,186,173	18,055,021	13,274,315	19,916,759	25,244,877	25,656,556	24,082,774
Total governmental funds	\$ 36,796,588	\$ 40,492,394	\$ 44,688,563	\$ 56,480,810	\$ 49,308,082	\$ 46,883,696	\$ 53,964,635	\$ 59,925,122	\$ 92,681,133	\$ 68,170,508

COUNTY OF BEDFORD, VIRGINIA

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
General property taxes	\$ 53,224,141	\$ 51,970,906	\$ 51,542,750	\$ 51,962,404	\$ 52,987,699	\$ 56,556,779	\$ 60,043,733	\$ 61,700,495	\$ 63,520,537	\$ 65,013,122
Other local taxes	9,931,350	10,023,749	10,212,720	10,224,275	10,491,533	10,943,326	11,647,448	12,149,638	12,529,553	13,215,433
Permits, privilege fees, and regulatory licenses	502,972	469,212	520,504	403,614	491,867	535,127	540,118	512,450	515,652	530,735
Fines and forfeitures	149,258	206,289	175,543	155,453	159,438	144,501	122,821	115,017	155,382	145,480
Revenue from use of money and property	783,989	227,479	323,446	286,553	296,329	279,244	275,960	476,458	736,247	786,376
Charges for services	1,945,017	1,736,611	1,612,856	1,651,322	2,038,596	1,825,779	1,840,840	2,002,289	2,015,902	2,818,251
Other	504,790	586,216	836,223	551,202	881,022	615,778	541,357	535,437	446,039	593,612
Recovered costs	2,091,841	1,858,219	1,785,592	1,709,688	1,759,014	520,202	503,792	460,022	541,654	522,472
Intergovernmental	20,549,462	18,633,912	18,508,921	17,662,423	18,393,111	19,765,553	19,565,405	20,456,296	20,845,343	22,167,811
Total revenues	89,682,820	85,712,593	85,518,555	84,606,934	87,498,609	91,186,289	95,081,474	98,408,102	101,306,309	105,793,292
Expenditures										
General government administration	3,167,848	3,368,948	3,804,248	3,380,525	3,501,138	3,815,479	3,790,833	3,563,822	3,772,199	4,190,871
Judicial administration	2,116,953	1,968,828	1,945,473	1,854,452	1,945,807	2,075,807	2,025,961	2,132,148	2,210,515	2,314,015
Public safety	14,098,374	14,135,048	13,974,585	15,319,034	16,754,396	18,666,873	17,824,591	18,828,269	19,344,212	21,303,220
Public works	4,199,905	4,124,046	4,128,287	4,103,729	4,061,034	4,118,593	4,142,247	4,417,932	4,572,428	4,792,171
Health and welfare	10,706,610	10,293,539	10,293,677	9,426,911	9,548,473	9,769,392	9,879,615	10,729,572	11,626,797	13,281,249
Education	29,893,180	27,758,039	27,926,157	28,889,100	32,546,495	33,595,489	29,496,706	32,875,682	33,950,706	37,302,935
Parks, recreation, and cultural	2,766,085	2,729,488	2,524,712	2,556,162	2,583,097	2,883,655	2,823,541	2,849,528	2,993,734	3,165,687
Community development	3,269,112	2,942,518	2,911,920	3,017,817	3,101,816	3,189,462	3,099,227	3,098,928	3,247,165	3,393,749
Debt service										
Principal	6,203,703	6,138,043	5,988,946	5,928,101	5,788,415	6,067,408	6,048,314	5,777,279	5,701,156	6,362,167
Interest and other fiscal charges	4,779,182	4,089,104	3,794,573	3,526,435	3,619,767	2,599,921	2,684,171	2,363,660	2,175,912	3,543,651
Capital projects	11,292,405	4,469,186	4,029,808	2,812,421	10,563,835	6,828,596	7,396,780	5,866,985	19,127,991	30,604,202
Total expenditures	92,493,357	82,016,787	81,322,386	80,814,687	94,014,273	93,610,675	89,211,986	92,503,805	108,722,815	130,253,917
Excess of revenues over (under) expenditures	(2,810,537)	3,695,806	4,196,169	3,792,247	(6,515,664)	(2,424,386)	5,869,488	5,904,297	(7,416,506)	(24,460,625)
Other Financing Sources (Uses)										
Transfers in	261,923	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(813,133)	-	-	-	-	(50,000)
Issuance of debt	-	-	-	-	-	-	-	-	36,865,000	-
Refunding bonds issued	-	-	-	-	23,788,000	-	-	7,225,000	-	-
Premiums on issuance of debt	-	-	-	-	4,395,064	-	-	-	3,220,678	-
Payment to refunded bond escrow agent	-	-	-	-	(28,026,995)	-	-	(7,168,810)	-	-
Capital lease proceeds	-	-	-	8,000,000	-	-	-	-	-	-
Total other financing sources and uses	261,923	-	-	8,000,000	(657,064)	-	-	56,190	40,085,678	(50,000)
Net change in fund balances	\$ (2,548,614)	\$ 3,695,806	\$ 4,196,169	\$ 11,792,247	\$ (7,172,728)	\$ (2,424,386)	\$ 5,869,488	\$ 5,960,487	\$ 32,669,172	\$ (24,510,625)

COUNTY OF BEDFORD, VIRGINIA

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt Service as a Percentage of Noncapital Expenditures:										
Primary Government:										
Total debt service	\$ 10,982,885	\$ 10,227,147	\$ 9,783,519	\$ 9,454,536	\$ 9,408,182	\$ 8,667,329	\$ 8,732,485	\$ 8,140,939	\$ 7,877,068	\$ 9,905,818
Total expenditures	92,493,357	82,016,787	81,322,386	80,814,687	94,014,273	93,610,675	89,211,986	92,503,805	108,722,815	130,253,917
Capital outlay primary government only	2,061,660	1,543,981	1,806,521	1,113,164	1,221,496	2,178,092	3,669,703	3,097,784	3,461,038	5,352,233
Noncapital expenditures	90,431,697	80,472,806	79,515,865	79,701,523	92,792,777	91,432,583	85,542,283	89,406,021	105,261,777	124,901,684
Debt service as a percentage of noncapital expenditures	12.14%	12.71%	12.30%	11.86%	10.14%	9.48%	10.21%	9.11%	7.48%	7.93%
Component Unit-School Board:										
Total debt service	1,312,395	1,279,589	1,253,283	1,094,691	923,386	882,627	834,643	787,048	868,173	946,533
School expenditures excluding County contribution	70,190,000	67,843,266	62,835,578	61,441,387	61,962,350	65,148,912	67,289,716	66,399,289	67,688,200	69,839,335
Capital outlay Component Unit - School Board	7,990,979	2,199,985	2,870,303	657,301	3,330,385	3,044,830	3,004,319	4,025,400	16,465,629	27,492,948
Noncapital expenditures	62,199,021	65,643,281	59,965,275	60,784,086	58,631,965	62,104,082	64,285,397	62,373,889	51,222,571	42,346,387
Primary Government and Component Unit-Schools										
Total Debt Service	12,295,280	11,506,736	11,036,802	10,549,227	10,331,568	9,549,956	9,567,128	8,927,987	8,745,241	10,852,351
Total Noncapital Expenditure	\$ 152,630,718	\$ 146,116,087	\$ 139,481,140	\$ 140,485,609	\$ 151,424,742	\$ 153,536,665	\$ 149,827,680	\$ 151,779,910	\$ 156,484,348	\$ 167,248,071
Debt Service as a percentage of noncapital expenditures	8.06%	7.88%	7.91%	7.51%	6.82%	6.22%	6.39%	5.88%	5.59%	6.49%

(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.

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			
2008	\$ 6,607,003,403	\$ 323,909,200	\$ 1,797,799,400	\$ 226,978,152	\$ 1,173,745,100	\$ 7,781,945,055	\$ 0.50
2009	6,745,894,103	328,639,600	1,800,619,100	247,559,296	1,177,476,400	7,945,235,699	0.50
2010	6,717,623,265	433,072,300	1,792,334,000	255,469,933	1,191,870,500	8,006,628,998	0.50
2011	6,392,278,090	499,300,600	1,780,976,300	259,649,263	1,199,227,400	7,732,976,853	0.50
2012	6,453,481,865	520,095,300	1,780,679,000	259,179,258	1,173,245,800	7,840,189,623	0.50
2013	6,817,604,111	642,022,000	1,780,412,600	266,427,161	1,206,268,100	8,300,197,772	0.50
2014	6,889,739,371	649,039,700	1,785,041,800	278,858,917	1,215,882,300	8,386,797,488	0.52
2015	6,952,590,383	681,652,300	1,788,524,700	294,371,167	1,211,313,400	8,505,825,150	0.52
2016	7,042,927,820	698,322,700	1,795,584,700	331,448,764	1,214,727,200	8,653,556,784	0.52
2017	7,120,334,172	705,261,700	1,795,644,600	326,010,950	1,216,871,300	8,730,380,122	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

COUNTY OF BEDFORD, VIRGINIA

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

Type of Tax	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Real Estate:										
General Fund	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.52	\$ 0.52	\$ 0.52	\$ 0.52	\$ 0.52

Source: Bedford County Commissioner of the Revenue

COUNTY OF BEDFORD, VIRGINIA

Principal Real Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	2017 Calendar Year			2008 Calendar Year		
	Assessed Valuation	Rank	% of Total Taxable Assessed Valuation	Assessed Valuation	Rank	% of Total Taxable Assessed Valuation
Appalachian Power Co	\$ 154,904,398	1	1.77%	\$ 122,773,173	1	1.58%
Teva Pharmaceuticals Industries Ltd	47,523,500	2	0.54%	38,711,000	3	0.50%
Norfolk & Western Railway Co	43,122,702	3	0.49%	27,390,820	4	0.35%
Verizon Virginia Inc	28,864,740	4	0.33%	50,796,957	2	0.65%
Southside Electric Corporation	32,557,756	5	0.37%	21,079,701	5	0.27%
GP (Georgia Pacific) Big Island LLC	24,280,400	6	0.28%	12,819,800	7	0.16%
Carriage Square	11,931,000	7	0.14%	-		-
Wal-Mart	10,121,500	8	0.12%	10,051,300	10	0.13%
Boonsboro Country Club	9,603,700	9	0.11%	-		-
Center for Advanced Engineering & Research	9,156,700	10	0.10%	-		-
M & J Developers	-		-	20,437,700	6	0.26%
Sunset Cay Partners LLC	-		-	12,310,800	8	0.16%
W.H.M. Corp	-		-	10,395,900	9	0.13%
Total	<u>\$ 372,066,396</u>		<u>4.25%</u>	<u>\$ 326,767,151</u>		<u>4.19%</u>

Source: Bedford County Commissioner of the Revenue

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
2008	\$ 38,711,970	\$ 167,395	\$ 38,879,365	\$ 37,040,942	95.68%	\$ 1,830,370	\$ 38,871,312	99.98%
2009	39,442,413	84,807	39,527,220	37,530,764	95.15%	1,986,191	39,516,955	99.97%
2010	39,794,973	88,926	39,883,899	37,517,045	94.28%	2,354,445	39,871,490	99.97%
2011	38,373,116	107,420	38,480,536	36,479,693	95.07%	1,984,101	38,463,794	99.96%
2012	38,826,705	66,544	38,893,249	37,047,971	95.42%	1,820,284	38,868,255	99.94%
2013	40,110,895	99,523	40,210,418	38,498,853	95.98%	1,667,089	40,165,942	99.89%
2014	43,252,910	109,863	43,362,773	41,430,823	95.79%	1,817,932	43,248,755	99.74%
2015	43,857,517	139,411	43,996,928	42,162,884	96.14%	1,636,827	43,799,711	99.55%
2016	44,613,788	115,607	44,729,395	42,886,291	96.13%	1,479,944	44,366,235	99.19%
2017	45,009,233	148,499	45,157,732	42,180,622	93.72%	2,253,262	44,433,884	98.40%

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	Virginia Public School Authority Bonds	Lease Revenue Bonds	Capital Leases	Lease Revenue Bonds	Capital Leases			
2009	\$ 3,620,000	\$ 32,548,964	\$ 48,583,557	\$ 70,756	\$ 2,970,000	\$ 112,189	\$ 87,905,466	3.17%	\$ 1,293
2010	3,200,000	29,245,342	46,239,890	-	2,775,000	42,369	81,502,601	2.87%	1,183
2011	2,785,000	26,084,759	43,826,527	-	2,575,000	521,497	75,792,783	2.60%	1,092
2012	2,370,000	22,893,185	41,505,000	8,000,000	2,365,000	410,371	77,543,556	2.52%	1,114
2013	1,960,000	43,704,770	16,640,000	8,000,000	-	295,291	70,600,061	2.20%	925
2014	1,555,000	40,732,362	14,125,000	7,825,000	-	176,119	64,413,481	2.04%	834
2015	1,155,000	38,024,048	11,540,000	7,470,000	-	52,708	58,241,756	1.81%	751
2016	760,000	35,408,169	9,360,000	7,093,600	-	-	52,621,769	1.60%	679
2017	375,000	69,802,952	6,925,000	6,682,661	-	413,965	84,199,578	*	1,082
2018	-	65,276,932	5,905,000	6,241,515	-	330,964	77,754,411	*	*

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

* Unavailable

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		
2009	\$ 3,620,000	\$ 32,548,964	\$ 36,168,964	0.46%	\$ 532
2010	3,200,000	29,245,342	32,445,342	0.41%	471
2011	2,785,000	26,084,759	28,869,759	0.37%	416
2012	2,370,000	22,893,185	25,263,185	0.32%	363
2013	1,960,000	43,704,770	45,664,770	0.55%	598
2014	1,742,000	40,545,362	42,287,362	0.50%	548
2015	1,342,000	37,837,048	39,179,048	0.46%	505
2016	947,000	35,221,169	36,168,169	0.42%	467
2017	562,000	69,615,952	70,177,952	0.80%	902
2018	144,000	65,132,932	65,276,932	0.74%	*

(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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net debt applicable to parameter	\$ 84,823,277	\$ 78,685,232	\$ 72,696,286	\$ 74,768,185	\$ 70,304,770	\$ 64,237,362	\$ 58,189,048	\$ 52,621,769	\$ 83,785,613	\$ 77,423,447
Net debt as a percentage of assessed value (not to exceed 3.5%)	1.07%	0.98%	0.94%	0.95%	0.85%	0.77%	0.68%	0.61%	0.96%	0.88%
Net debt per capita (not to exceed \$1,750)	\$ 1,247	\$ 1,142	\$ 1,048	\$ 1,074	\$ 921	\$ 832	\$ 751	\$ 679	\$ 1,077	*
Debt service as a percentage of General Governmental Expenditures (not to exceed 15%)	8.57%	8.04%	8.04%	7.60%	7.27%	6.41%	6.55%	5.99%	6.21%	7.64%

- (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

COUNTY OF BEDFORD, VIRGINIA

Demographic and Economic Statistics
Last Ten Calendar Years

<u>Year</u>	<u>Population (1)</u>	<u>Personal Income (2) (5) (thousands of dollars)</u>	<u>Per Capita Personal Income (2) (6)</u>	<u>School Enrollment (3)</u>	<u>Unemployment Rate (4)</u>
2009	68,003	\$ 2,772,227	\$ 37,715	10,646	6.8%
2010	68,880	2,836,787	37,827	10,590	7.0%
2011	69,379	2,911,097	38,595	10,363	6.5%
2012	69,637	3,075,785	40,710	10,299	6.0%
2013	76,309	3,206,247	42,314	10,302	5.7%
2014	77,213	3,163,386	41,307	10,023	5.1%
2015	77,525	3,226,628	41,514	9,915	4.4%
2016	77,465	3,280,745	42,082	9,674	4.1%
2017	77,807	*	*	9,545	3.9%
2018	*	*	*	9,543	3.4%

Sources: (1) Weldon Cooper Center for Public Service, University of Virginia, intercensal estimates for FY 2009 through FY 2010 and estimates for FY 2011 through FY 2018.

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

(3) March 31 ADM

(4) Virginia Employment Commission calendar year data for 2008-2016. Data for 2017 was updated to reflect final calendar year figure. Data for 2018 is average for January 1, 2018 through June 30, 2018.

(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

COUNTY OF BEDFORD, VIRGINIA

Principal Employers
Current Year and Nine Years Ago

Taxpayer	2018		2009	
	Employees	Rank	Employees	Rank
Bedford County School Board	1,000+	1	1,000+	1
County of Bedford	500-999	2	500-999	2
Centra Health	500-999	3	-	-
Walmart	250-499	4	250-499	7
GP (Georgia Pacific) Big Island LLC	250-499	5	250-499	5
** Teva Pharmaceuticals Industries Ltd	250-499	6	500-999	3
Mail America Communications	250-499	7	250-499	6
* Elwood Staffing Services Inc	250-499	8	-	-
* Manpower International	100-249	9	-	-
Food Lion	100-249	10	100-249	10
* Staffmark Investment LLC	-	-	250-499	4
Valtim	-	-	100-249	9
Inservice America	-	-	250-499	8

Source: Virginia Labor Market Information (LMI)

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

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

COUNTY OF BEDFORD, VIRGINIA

County Government Employees by Function
Last Ten Fiscal Years

Function/Program	Full-Time Equivalent Employees as of June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government administration	47.0	45.9	46.2	46.8	45.0	46.8	46.3	48.0	49.4	49.5
Judicial administration	28.3	28.3	28.3	28.0	28.8	29.0	29.0	30.0	30.8	30.8
Public safety	138.0	146.0	141.8	151.6	154.3	159.3	154.5	149.0	161.5	161.5
Public works	52.3	53.0	50.9	51.8	49.0	49.0	48.0	49.0	50.5	50.5
Health & welfare	84.3	82.2	82.6	81.8	83.8	87.0	83.0	81.5	88.5	88.5
Parks, recreation, and cultural	14.0	13.0	12.8	13.0	12.5	11.5	12.3	12.8	14.3	14.3
Community development	30.0	26.8	25.3	25.5	25.5	25.0	25.0	24.0	24.0	24.0
Other funds										
Group homes	34.3	32.0	33.8	35.3	23.0	-	-	-	-	-
Nursing home	93.8	94.5	99.8	98.8	96.8	96.8	97.0	94.5	94.0	94.0
Solid waste	16.0	16.3	15.6	17.3	18.0	16.8	16.6	15.8	15.5	15.5
Other funds	144.1	142.8	149.2	151.4	137.8	113.6	113.6	110.3	109.5	109.5
Total primary government	538.0	538.0	537.1	549.9	536.7	521.2	511.6	504.6	528.4	528.6
Education	1,750.0	1,744.0	1,683.0	1,619.0	1,615.0	1,648.0	1,672.0	1,697.0	1,687.0	1,673.0
Total	2,288.0	2,282.0	2,220.1	2,168.9	2,151.7	2,169.2	2,183.6	2,201.6	2,215.4	2,201.6

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

* Unavailable

COUNTY OF BEDFORD, VIRGINIA

Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public safety										
Sheriff										
Number of calls	33,477	32,951	36,934	36,297	35,686	38,370	42,501	43,097	43,847	46,717
Criminal warrants served	3,174	3,156	3,359	1,584	1,197	1,694	1,544	1,485	1,560	2,027
Other warrants/protective orders served	1,566	1,561	1,464	1,201	1,052	1,155	1,099	1,290	941	1,240
Civil papers handled	24,271	23,181	21,209	20,743	20,090	19,749	18,076	17,281	18,124	22,338
Building inspections										
Number of permits	1,471	1,439	1,402	1,260	1,417	1,509	1,471	1,537	1,561	1,565
Value of permits	\$ 90,784,891	\$ 91,434,427	\$ 94,222,524	\$ 72,847,955	\$ 90,876,889	\$103,159,994	\$143,043,939	\$113,302,338	\$123,863,855	\$132,571,979
Fire and rescue										
Number of Volunteers	661	619	600	606	600	571	558	655	739	703
Number of EMS calls	13,864	15,399	15,727	15,054	15,951	15,380	17,029	18,603	18,595	16,435
Number of fire calls	4,042	3,463	3,522	3,380	3,051	2,995	3,482	3,843	4,023	3,221
Public Works										
Refuse collection										
Incoming waste tonnage										
Industrial	31	46	25	26	25	30	2,946	3,246	4,452	4,383
Commercial	12,904	12,147	13,772	14,164	14,315	17,218	19,095	20,379	20,772	23,051
County collection system	24,117	24,550	24,176	23,908	23,698	23,403	23,590	25,030	25,707	25,322
Commercial hauled residential	1,507	1,536	1,560	1,561	1,538	1,555	1,849	1,932	1,928	1,821
Residential hauled	1,824	1,768	1,890	1,977	2,095	2,018	2,135	2,479	2,915	2,979
Total	40,383	40,047	41,423	41,636	41,671	44,224	49,615	53,066	55,774	57,556
Recyclable tonnage collected	1,731	1,905	1,949	2,019	1,977	1,974	1,962	1,981	2,072	2,079
Parks, recreation, and cultural										
(1) Parks and recreation										
Number of child participants	5,506	5,674	5,264	5,776	5,822	5,667	5,585	6,331	6,525	6,894
Number of adult participants	985	837	859	913	945	575	563	776	621	617
Number of senior participants	4,025	3,993	3,585	4,150	3,987	2,684	3,987	3,069	3,200	1,832
Scheduled events	12	11	8	8	8	8	8	9	8	16
Number of event participants	1,986	1,623	1,180	1,031	1,001	765	1,001	1,091	1,253	2,048
Trips/tours	46	66	29	26	24	22	24	30	25	25
Number of trip participants	1,177	1,419	554	364	355	396	355	507	350	363

Source: Various County Departments

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

COUNTY OF BEDFORD, VIRGINIA

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public safety										
Sheriff										
Stations	9	5	5	5	5	4	4	4	4	4
Patrol units	99	99	102	109	107	113	111	112	116	117
Fire & rescue										
Rescue squads	11	11	11	11	11	11	11	11	10	10
Satellite rescue squads	5	5	5	5	5	5	5	5	5	5
Fire companies	10	10	10	10	10	11	11	11	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	8	8	7	7
Public works										
Refuse collection										
County convenience centers										
Unstaffed	1	1	1	1	1	1	1	1	1	1
Partially staffed	5	4	4	4	4	4	4	4	3	3
Fully staffed	9	10	10	10	10	10	10	10	11	11
Total county convenience centers	15	15	15	15	15	15	15	15	15	15
Leased convenience centers										
Unstaffed	-	-	-	-	-	-	-	-	-	-
Partially staffed	10	10	10	10	10	10	10	10	10	10
Total leased convenience centers	10	10	10	10	10	10	10	10	10	10
Recycling centers	12	13	13	13	13	13	13	13	14	14
Parks, recreation, and cultural										
Parks & recreation										
Acreage	625	625	625	625	625	625	625	492	492	492
County parks	4	4	4	4	4	4	4	3	3	3
Leased parks	8	8	8	8	8	8	8	8	9	9
Skate Park	-	-	1	1	1	1	1	1	1	1
Walking/biking trails - miles developed	18	18	18	21	23	23	27	27	34	40
County baseball/softball diamonds	4	4	4	4	4	4	4	4	4	4
Leased baseball/softball diamonds	39	39	39	39	39	44	44	44	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	38	39	39
Community centers	1	1	1	2	2	2	2	2	3	3
County Gymnasium	-	-	-	-	-	1	1	1	1	1

Sources: Various County Departments

COUNTY OF BEDFORD, VIRGINIA

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

<u>Grade</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
K	782	767	714	776	733	689	686	661	672	659
1	763	792	750	728	769	728	688	662	664	693
2	772	755	771	744	718	759	710	686	690	683
3	775	791	747	784	750	704	742	694	686	704
4	784	766	786	739	784	739	713	739	709	693
5	848	793	759	797	756	798	745	707	756	734
6	832	855	772	763	796	734	806	737	699	754
7	851	870	868	781	782	793	744	807	740	726
8	860	867	865	881	804	782	801	742	803	752
9	859	865	887	874	934	833	822	833	801	836
10	868	821	831	834	837	877	805	800	781	763
11	817	825	783	814	809	787	865	750	775	748
12	876	823	830	784	830	800	788	856	769	798
Total	<u>10,687</u>	<u>10,590</u>	<u>10,363</u>	<u>10,299</u>	<u>10,302</u>	<u>10,023</u>	<u>9,915</u>	<u>9,674</u>	<u>9,545</u>	<u>9,543</u>
Elementary school membership	6,407	6,389	6,167	6,112	6,088	5,944	5,834	5,693	5,616	5,646
Secondary school membership	<u>4,280</u>	<u>4,201</u>	<u>4,196</u>	<u>4,187</u>	<u>4,214</u>	<u>4,079</u>	<u>4,081</u>	<u>3,981</u>	<u>3,929</u>	<u>3,897</u>
Total	<u>10,687</u>	<u>10,590</u>	<u>10,363</u>	<u>10,299</u>	<u>10,302</u>	<u>10,023</u>	<u>9,915</u>	<u>9,674</u>	<u>9,545</u>	<u>9,543</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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Supervisory										
Instructional administrators	10	9	9	8	6	8	9	11	13	9
Noninstructional administrators	14	14	13	14	14	16	14	14	12	14
Consultants/supervisors of instruction	24	23	18	26	31	29	30	31	33	30
Principals	22	22	22	22	22	22	22	21	21	22
Assistant principals	16	15	14	14	15	15	14	14	13	14
Total supervisory	86	83	76	84	88	90	89	91	92	89
Instruction										
Elementary classroom teachers	381	386	355	343	350	451	448	434	416	448
Secondary classroom teachers	396	406	396	398	398	315	319	323	308	319
ESE teachers	3	3	3	3	-	3	3	4	5	3
Other teachers (adult)	5	5	5	5	-	-	-	-	-	-
Other professionals (instructional)	125	135	143	122	119	115	119	120	121	119
Aides	163	161	156	154	157	160	168	186	187	168
Total instruction	1,073	1,096	1,058	1,025	1,024	1,044	1,057	1,067	1,037	1,057
Student Services										
Guidance counselors	36	36	34	32	33	33	35	34	31	35
Visiting teachers/social workers	4	3	3	3	3	3	2	1	1	2
Psychologists	7	7	7	7	7	8	9	7	5	9
Librarians	36	30	28	26	26	23	20	20	20	20
Other professionals (noninstructional)	28	28	30	29	29	29	28	30	35	28
Technicians	11	10	11	12	13	14	15	12	16	15
Total student services	122	114	113	109	111	110	109	104	108	109
Support and Administration										
Clerical/secretarial	68	70	67	67	66	68	71	70	68	71
Service workers	369	346	336	301	290	296	308	323	335	308
Skilled crafts	23	24	22	22	24	26	24	24	24	24
Unskilled laborers	9	11	11	11	12	14	15	18	23	15
Total support and administration	469	451	436	401	392	404	418	435	450	418
Total employees	1,750	1,744	1,683	1,619	1,615	1,648	1,673	1,697	1,687	1,673
Teachers and administrators	871	883	835	833	836	859	859	852	821	859
Other employees	879	861	848	786	779	789	814	845	866	814
Total employees	1,750	1,744	1,683	1,619	1,615	1,648	1,673	1,697	1,687	1,673

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	Pupil-Teacher Ratio	Percentage of Students Receiving Free or Reduced-Price Meals
2009	10,687	\$ 97,030,914	\$ 9,079	3.44%	13.75	30%
2010	10,590	93,233,802	8,804	-3.03%	13.04	33%
2011	10,363	89,458,628	8,633	-1.95%	13.65	35%
2012	10,299	89,234,061	8,664	0.37%	13.75	35%
2013	10,302	92,976,273	9,025	4.16%	13.77	35%
2014	10,023	95,992,543	9,577	6.12%	13.08	35%
2015	9,915	95,893,402	9,672	0.98%	12.93	37%
2016	9,674	98,432,050	10,175	5.20%	12.78	37%
2017	9,545	96,688,413	10,130	-0.44%	13.17	37%
2018	9,543	101,495,428	10,636	4.99%	13.29	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, 2018, 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 20, 2018.

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

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
December 20, 2018



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the County of Bedford, Virginia's (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2018. 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 federal statutes, regulations, the terms, and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for 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, 2018.

Report on Internal Control over Compliance

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

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

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
December 20, 2018

COUNTY OF BEDFORD, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2018

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

STATE COMPLIANCE MATTERS

Code of Virginia

Budget and Appropriation Laws
Cash and Investment Laws
Conflicts of Interest Act
Local Retirement Systems
Debt Provisions
Procurement Laws
Uniform Disposition of Unclaimed Property Act
Comprehensive Services Act
Sheriff Internal Controls

State Agency Requirements

Education
Social Services

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

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

COUNTY OF BEDFORD, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

A. SUMMARY OF AUDITOR'S RESULTS

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

<u>Name of Program:</u>	<u>CFDA #</u>
Child Nutrition Cluster – School Breakfast Program	10.553
Child Nutrition Cluster – National School Lunch Program	10.555
Twenty-First Century Community Learning Centers	84.287
Foster Care – Title IV-E	93.658

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

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

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

None.

D. FINDINGS – COMMONWEALTH OF VIRGINIA

None.

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