

BEDFORD COUNTY

Virginia



Comprehensive Annual Financial Report

Fiscal Year Ending June 30, 2017



COUNTY OF BEDFORD, VIRGINIA

**COMPREHENSIVE ANNUAL FINANCIAL
REPORT**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

DEPARTMENT OF FISCAL MANAGEMENT

COUNTY OF BEDFORD, VIRGINIA

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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

REID A. WODICKA
DEPUTY COUNTY
ADMINISTRATOR

OFFICE OF THE COUNTY ADMINISTRATOR

November 30, 2017

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of Bedford County (the “County”) for the fiscal year ended June 30, 2017. State law requires local governments to publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with U.S. generally accepted accounting principles (GAAP), and audited in accordance with U.S. generally accepted auditing standards (GAAS) by a firm of licensed certified public accountants. This CAFR has been prepared by the County’s Department of Fiscal Management in accordance with the above standards as prescribed by the Governmental Accounting Standards Board (GASB) and the Auditor of Public Accounts of the Commonwealth of Virginia (APA).

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

This CAFR is intended to provide informative and relevant financial information for the citizens of the County, the Board of Supervisors (the Board), investors, creditors, and other interested readers. All are encouraged to contact the Department of Fiscal Management with any comments or questions concerning this financial report.

The County's financial statements have been audited by Brown, Edwards & Company, LLP, a firm of licensed certified public accountants. The independent auditors' responsibility is to express an opinion on the County's financial statements based on an audit. The auditors conducted the audit in accordance with professional auditing standards, which require that the auditors plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. 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.

The independent auditors concluded, based upon the audit evidence they obtained, that there was a reasonable basis for forming and expressing unmodified opinions that the County's financial statements as of and for the fiscal year ended June 30, 2017 are fairly presented, in all material respects, in conformity with GAAP. The independent auditors' report on the financial statements is presented as the first component of the Financial Section of the financial report.

The independent audit of the County's financial statements was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the County's compliance with federal requirements for each major program as well as on internal control over compliance pursuant to the audit requirements of Title 2 W.S. Code of Federal Regulations Part 200, U.S. Office of Management and Budget (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The independent auditors' report on Brown Edwards report on the Single Audit for the County is available in the Compliance Section of this financial report.

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

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 operates under the traditional Board of Supervisors/County Administrator form of government, as defined under Virginia law. The governing body of the County is the Board of Supervisors (the “Board”), which establishes policies for the administration of the County. The Board consists of seven members representing the seven election districts. The Board appoints a County Administrator to serve as the administrative manager of the County. The County Administrator serves at the pleasure of the Board, carries out policies established by the Board, and directs business and administrative procedures within the County government.

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

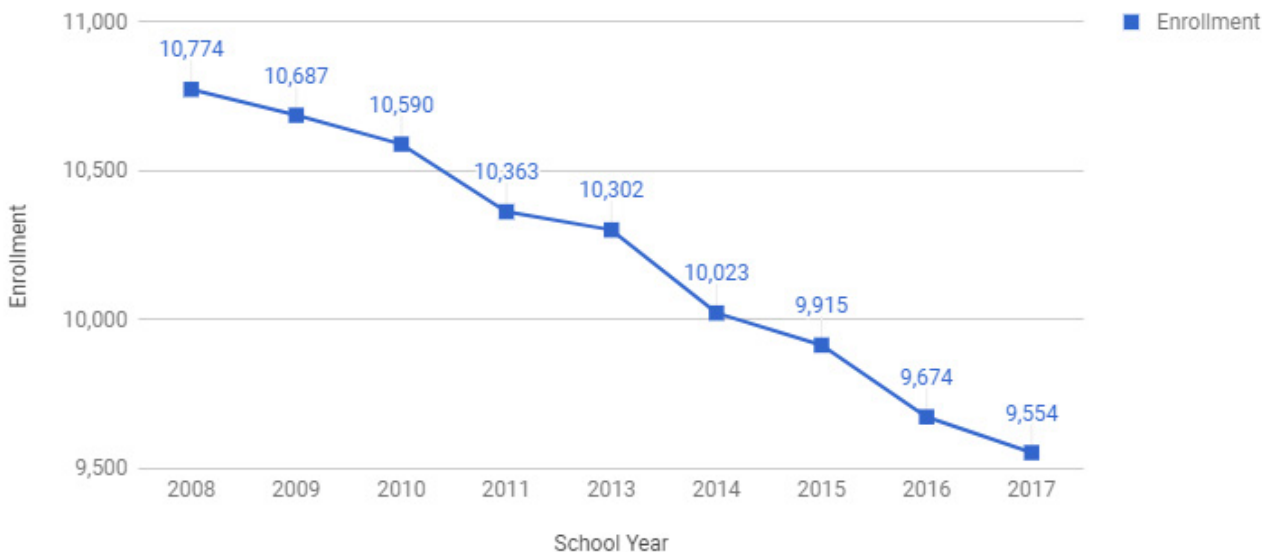
DISCRETELY PRESENTED COMPONENT UNITS

Bedford County is financially accountable for a legally separate school board, which is reported separately within the financial statements as a component unit. Education is the single largest service provided by the County. The Board of Supervisors approves the School Board’s budget, levies the necessary taxes to finance operations, and issues debt to finance capital projects.

The School Board consists of seven elected members, one for each of the seven election districts, responsible for the administration of the schools and its own appropriation within the categories defined by the Code of Virginia. The School Board is also responsible for appointing a Superintendent to carry out the policies of the School Board.

The mission of the Bedford County Public Schools (BCPS) is to empower learners for future success. The school system is comprised of three high schools, three middle schools, thirteen elementary schools, one science and technology center and one alternative school. The combined enrollment of BCPS as of September 2017 totaled 9,554 students. The graph below shows student enrollment for the past ten years.

Bedford County Public Schools Enrollment



Source: Bedford County School Board

As of June 2017, the BCPS High School On-Time Graduation Rate is 90.4%.

The County promotes economic development through the Economic Development Authority (the “EDA”) and operates a regional library, the Bedford Public Library System (the “Library”). Both the EDA and the Library are legally separate entities for which the County is financially accountable. As a result, these agencies are classified as discretely presented component units of the financial reporting entity. They are reported in a separate column in the financial statements to emphasize that they are separate from the County, and to distinguish their financial position, results of operations, and cash flows from those of the County.

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

The Library was originally created by an agreement between the County of Bedford and the City of Bedford (now the Town of Bedford). It is governed by a board consisting of seven members appointed by the County’s Board of Supervisors. The County provides a major portion of the Library’s annual revenue and owns all of the buildings where the Library conducts its operations.

BUDGETARY CONTROLS

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 Code of Virginia requires the School Superintendent to submit a School Board approved budget to the County Board of Supervisors. In March, the School Board adopts its requested budget and forwards it to the County Administrator.

As required by law, at least 45 days prior to June 30 of each year, County staff submits to the Board of Supervisors a recommended budget for the fiscal year beginning July 1. After extensive budget preparation, citizen engagement, and a Board review process that includes multiple work sessions and a public hearing, the Board of Supervisors adopts the annual budget. 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. The budget must be adopted no later than the day the fiscal year begins (July 1). When necessary, the Board of Supervisors approves amendments to the adopted budget in accordance with state law.

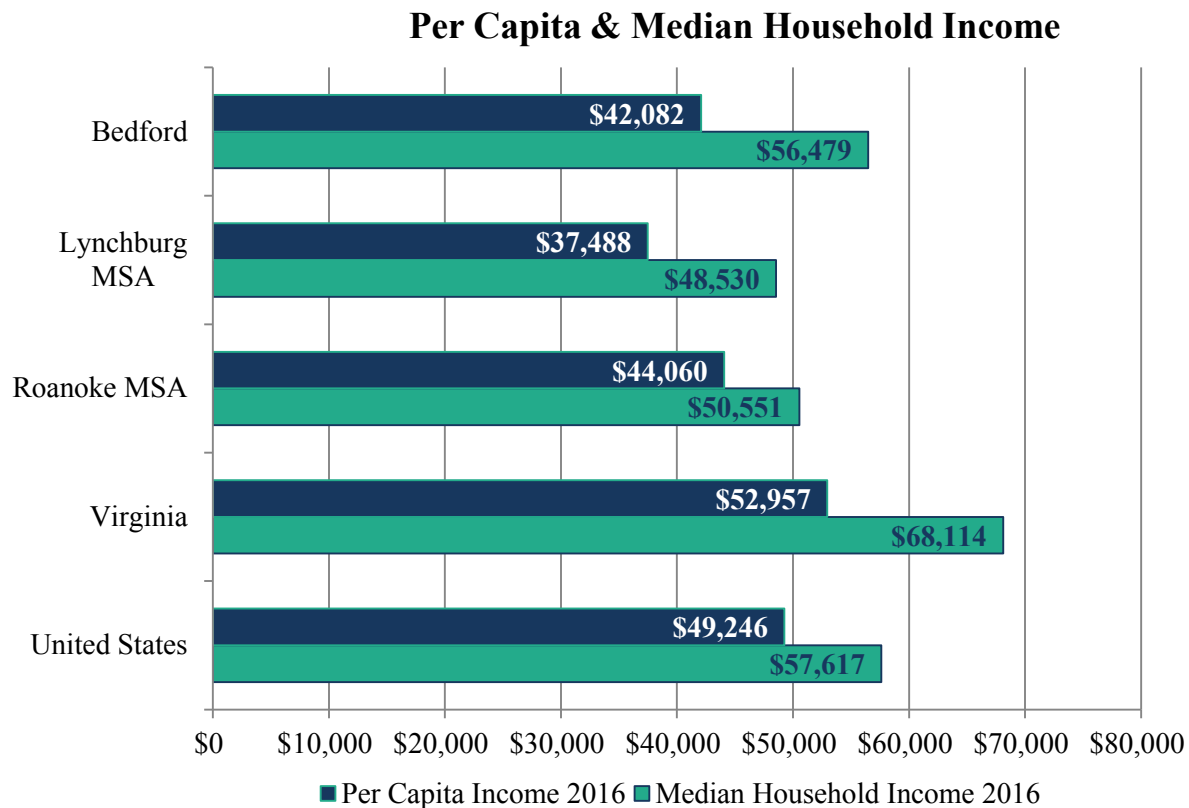
Exhibit 5 in the basic financial statements provides a budget-to-actual comparison for the General Fund. A more detailed, department level comparison is presented in Schedule 1 in the Supporting Schedules subsection of this report.

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.

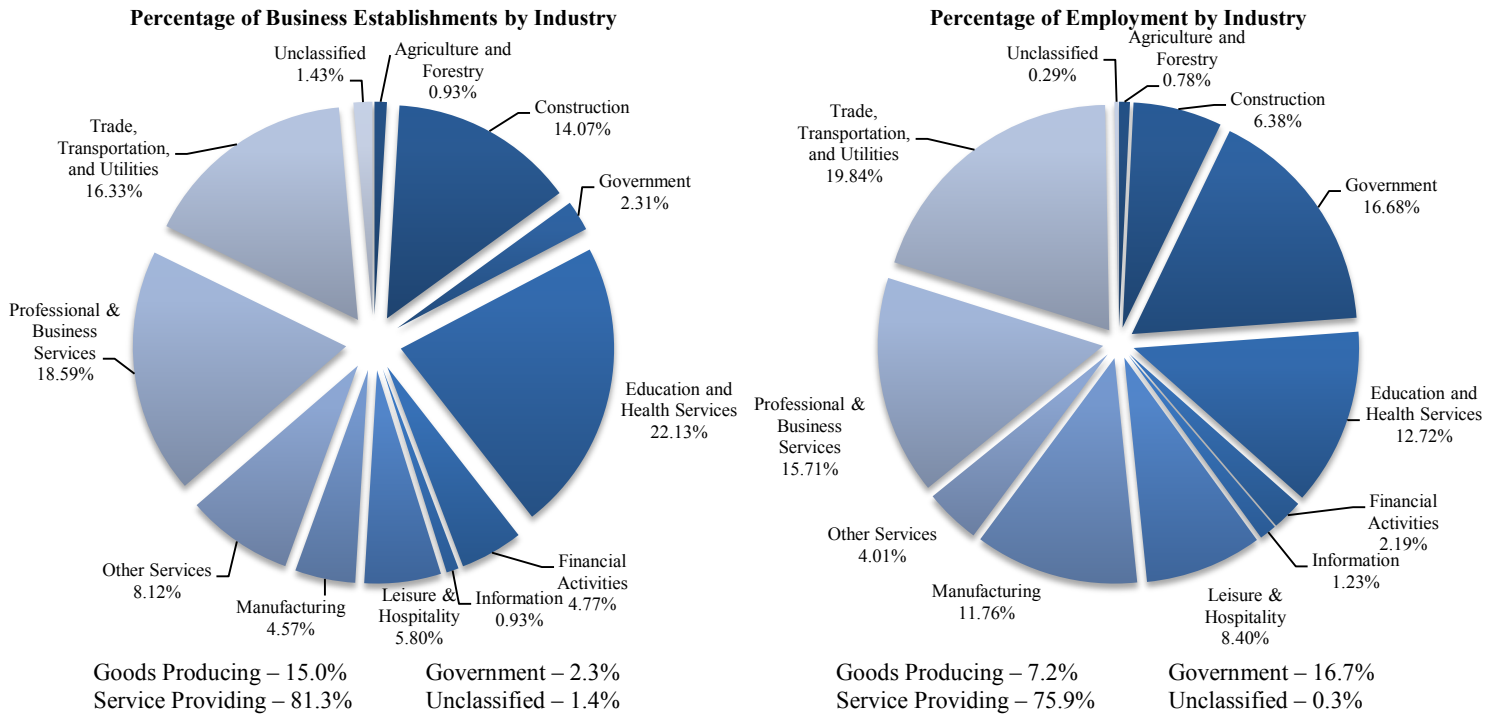
Local Economy

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 median household and per capita income compare favorably to surrounding metropolitan statistical areas (MSAs), although these measures do fall below the Commonwealth and U.S. levels.



Sources: U.S. Census Bureau 2016 American Community Survey 1-Year Estimates (Median Household Income) and U.S. Bureau of Economic Analysis 2016 Local Personal Income for 2016

Furthermore, the County continues to attract and maintain diverse sectors of employment. As illustrated in the following two graphs, the County's major employment sectors continue to be: (1) Education and Health Services; (2) Professional and Business Services; and (3) Trade, Transportation, and Utilities. Manufacturing employment has increased nearly five percent since Fiscal Year 2015; it now makes up 11.8 percent of the employment base. The County still focuses on expanding the manufacturing sector as it typically provides higher median salaries than other sectors.



Source: Virginia Employment Commission, Quarterly Census of Employment and Wages (QCEW) for Multiple Industries in Bedford County in the first quarter of 2017

These employment sectors have remained relatively stable in terms of their percentage of total employment, which has contributed to the County’s consistently low levels of unemployment, as compared to the Commonwealth and the U.S.

Economic Development

Bedford County focuses on creating an environment in which private sector businesses can flourish. The County actively works to attract new companies and support existing businesses to encourage economic growth. The Office of Economic Development’s marketing and business recruitment plan aims to continue the development of the County’s business, technology, and industrial parks. The Office and the Bedford County Economic Development Authority have the stated goal of increasing industrial development, but works with a variety of business interests to help grow the economy throughout the County. The primary focus areas for business growth are:

- Manufacturing or service sector projects new to Bedford County
- Tech-based economic development projects that provide higher paying jobs
- Real estate reuse and redevelopment projects
- New business start-ups or entrepreneurial ventures, and
- Retail and commercial projects in target areas.

As a result of the County's proactive recruitment and business support activities, businesses created 140 new jobs in Bedford County during Fiscal Year 2017.

The Office of Economic Development and the Economic Development Authority worked with the following companies throughout Bedford County to bring new or expanded investment in the County during Fiscal Year 2017.

- **Beale's Brewery and BBQ** is an adaptive re-use and downtown Bedford redevelopment project and is the result of a partnership with the County EDA, the developer, the Town of Bedford, and the Virginia Department of Housing and Community Development. The County EDA assisted with the financing and partnerships necessary to complete the \$2.0 million project. Additionally, this project has resulted in the creation of 44 new jobs in the Town of Bedford and has positively impacted tourism visits as well.
- **Redco Machine** manufactures precision machine parts and assemblies just outside of the Town of Bedford. The company invested \$600,000 as it expanded its facility and added waterjet services. Additionally, the company added 10 jobs as a result of this expansion.
- **SE&M**, a manufacturer of military equipment and conveyors, and a provider of specialized engineering and project management services, added \$700,000 in new equipment and 10 jobs to support a new, long-term government contract.
- **Smyth Companies**, a label manufacturer located in the Town of Bedford, completed a \$4.6 million investment for new offset printers and created 16 new jobs.
- **International Critical Infrastructure Security Institute (ICISI)** provides hands-on training and cyber security solutions and performance testing in an operational power plant setting. ICISI located in the Center for Advanced Engineering and Technology with an investment of \$100,000 and the commitment of 12 jobs.

In addition to private sector business development, the County EDA worked with Liberty University during 2017 to relocate the University's School of Engineering to the New London Business and Technology Center park. The school, which focuses on practical applications within the energy sector will eventually be home to undergraduate, masters, and doctoral level engineering programs and will have a charter to create an innovation environment in which research is commercialized into new business opportunities. The EDA sold 28 acres to Liberty University for this purpose and is presently working with LU to finalize technical and site plan reviews for the project.

As a component of that purchase, the University acquired the existing Center for Advanced Engineering and Technology (CAER) and has changed the name of that facility to the Center for Engineering Research and Education (CERE). The University has negotiated agreements with the existing tenants of the former CAER and hopes to continue to build mutually beneficial relationships.

This project is a significant advancement because the County believes that the research and development that will occur at the School of Engineering will lead to both spin-off companies and companies that want to locate in Bedford County to access the talent pool emerging from the University. While this project is still in its infancy, it represents an important advancement for the future of the County's economic growth.

Finally, the County continues to prepare for future economic opportunities through investment in our existing facilities, as well as our future workforce. During Fiscal Year 2017, the Office of Economic Development and the Economic Development Authority:

- Completed a grading plan for Lots 3 and 4 in the New London Technology Park to be fulfilled in the following fiscal year
- Completed a site characterization study on 100+ acres in the New London Business and Technology Center park for the Virginia Economic Development Partnership program focused on certifying and growing site-ready land for prospects
- Cleared overgrowth and completed other beautification efforts in the Montvale Center for Commerce
- Supported the Bedford One program with funding and hosted 10 industry tours for high school students interested in career opportunities throughout the County

There remain, however, challenges in the local economy. During Fiscal Year 2017, Teva Pharmaceuticals, an international manufacturer located in Forest announced a planned 2020 closure of the bulk of its operations due to an internal restructure plan resulting from a prior merger. The goal is to identify another pharmaceutical company to purchase the main facility and continue operations under a new corporate entity. The Office of Economic Development began actively working with state and regional partners in 2017 to assist the company in marketing the facility in an effort to save jobs.

Tourism

In Bedford County, one can experience award-winning wines along the Bedford Wine Trail, pay homage to the heroes who stormed the beaches of Normandy at the National D-Day Memorial, walk in the footsteps of Thomas Jefferson at Poplar Forest, and explore breathtaking overlooks along the Blue Ridge Parkway. The legendary Peaks of Otter is one of the most famous and spectacular stops along the Parkway, and the Peaks of Otter Lodge is the only hotel located along the Parkway in Virginia. A short drive off the Parkway brings visitors into historic Centertown Bedford. Centertown is home to a vibrant art community and multiple Artisan Trail sites, beautiful 19th century gardens and architecture, unique shopping, eclectic dining, a community orchestra, theatre company, live music performances, and a growing food truck and farmers market culture. In June, the Town celebrated the opening of its first brewery, Beale's Brewery & BBQ, named after the famed story of the Beale's Treasure.

Smith Mountain Lake has been called the “Jewel of the Blue Ridge”, and makes up the southern border of Bedford. Smith Mountain Lake covers 580 miles of shoreline and offers world-class fishing, boating, dining, and plenty of outdoor recreation. For recreational enthusiasts looking for something off-water, Bedford County Parks offer more than 25 miles of biking and walking trails, disc golf courses, and a skateboard park!

The mission of the Bedford County Department of Tourism is to market Bedford County and the Town of Bedford as a tourist destination, and to promote its beauty, local businesses, area attractions, activities and history; thereby generating new and repeat visitations and increasing revenues to stimulate economic development and growth for the community.

A few of the FY2017 accomplishments for the Bedford County Department of Tourism include:

Virginia Tourism LOVEworks –The Virginia Tourism Corporation launched a state-wide branding initiative in 2012 for communities to create and build their own “LOVE” letters; the campaign is designed to promote family-friendly vacation experiences in Virginia and to help spread the message that Virginia is for Lovers! The Department of Tourism partnered with Bedford County Public Schools (Liberty High School, LHS 21st Century Community Learners, and Bedford Science and Technology Center) along with several local businesses to bring Bedford’s first LOVE letters to fruition. The dedication of the LOVE letters took place on May 3, 2017, at the Bedford Area Welcome Center and included Bedford County and Town officials, Bedford County Public School officials, tourism representatives from Virginia Tourism Corporation, Virginia’s Blue Ridge, and Smith Mountain Lake, along with representatives from attractions such as the National D-Day Memorial, Poplar Forest, Peaks of Otter, Bedford Artisan Trail, and Bedford Wine Trail.

Festival of Trees – The 8th Annual Festival of Trees, “Down Home Country Christmas”, took place at the Bedford Area Welcome Center November-December 2016 and included 28 trees decorated by local businesses and organizations. More than 2,000 people came out for the event, and \$3,331 was generated for local charitable organizations. More than 600 children participated in the scavenger hunt.

Feature Film *Juanita* – The Virginia Film Office chose sites in Bedford County to film *Juanita*, starring Alfre Woodard, Blair Underwood, and Adam Beach. Filming took place April 30-May 5, 2017, and resulted in over 500 room nights, service contracts with local businesses and vendors, and the cast and crew dined in Bedford area restaurants.

Partnership and Support for the Following Events – The Department of Tourism sponsored the following events in FY17: National D-Day Memorial Veterans Day Ceremony, Armed Forces 5K, and June 6/D-Day Commemoration; Poplar Forest Wine Festival and Craft Beer Festival; Bower Center for the Arts Crawfish Festival; Fishing League Worldwide YETI College Fishing Tournament; 2017 VA Outdoor Lovers Expo; Smith Mountain Lake Triathlon; and the Horse & Hound Wine Festival.

These special events, along with the many other festivals and events hosted in Bedford County throughout the year, continue to bring visitors of all ages from across the country (and beyond) to discover all the County has to offer.

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 \$62.7 million, an increase of \$5.0 million from fiscal year 2016. Total unassigned fund balance was \$25.7 million, which exceeds the minimum fund balance policy of 10.0% (\$10.1 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 2018 CIP for the County projects is \$8.3 million and is cash funded. The cash funding consists of a planned use of unassigned fund balance of \$4.7 million and the remainder from operating revenues.

AWARDS

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, 2016. This is the County's twentieth consecutive year receiving this award.

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, 2016

Executive Director/CEO

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

MEMBERS OF THE BOARD OF SUPERVISORS

Curry W. Martin, Chairperson
Bill Thomasson, Vice Chairperson

Steve Wilkerson
John Sharp
Tommy Scott

Andy Dooley
Kevin S. Willis

MEMBERS OF THE COUNTY SCHOOL BOARD

Gary P. Hostutler, Chairperson
Julie M. Bennington, Vice Chairperson

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

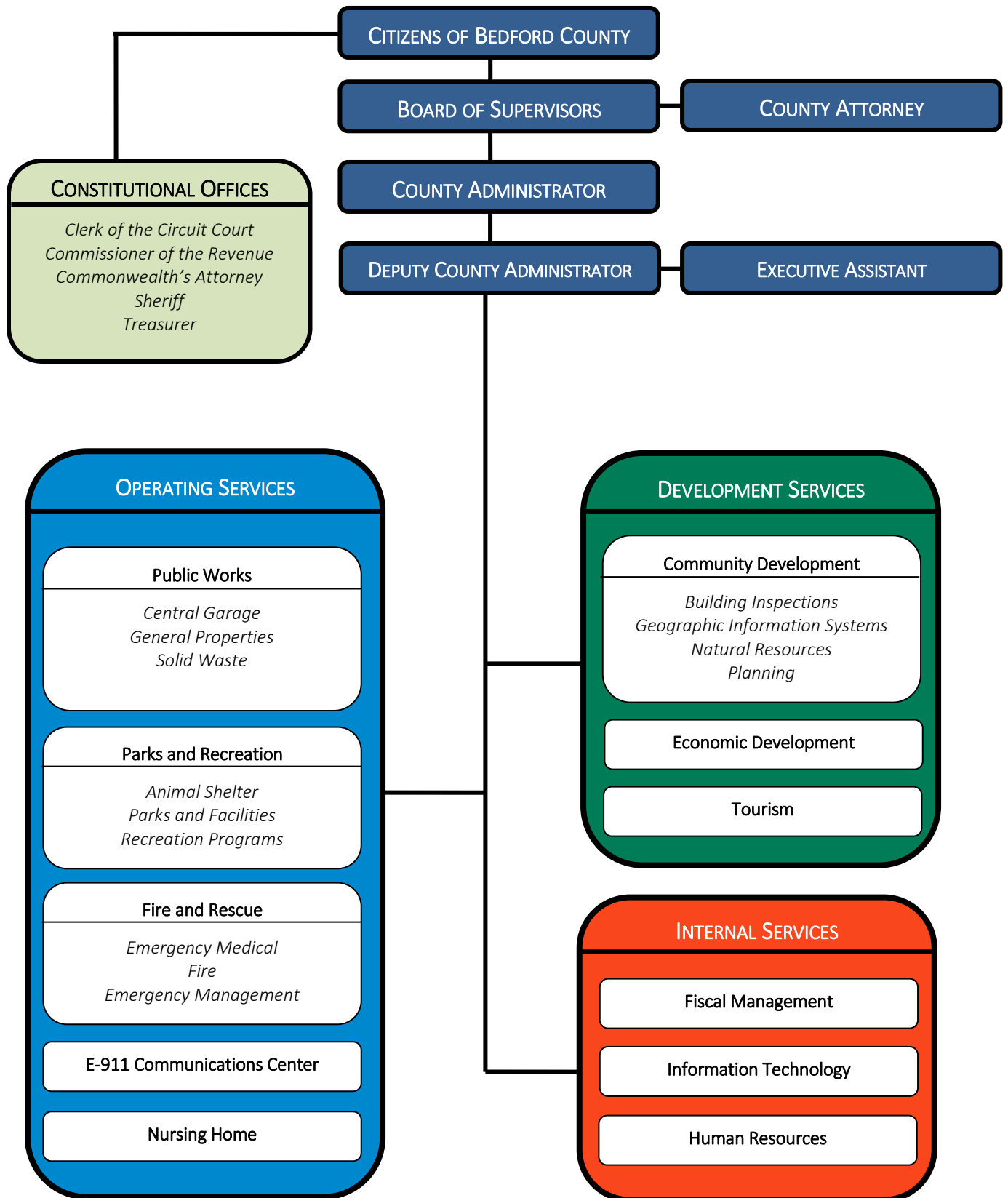
Susan F. Kirby
Martin F. Leamy

OTHER OFFICIALS

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

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

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, 2017, 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, 2017, 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.

Restatement of Prior Period

As described in Note 22 to the financial statements, in 2017, the County adopted new accounting guidance, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*. 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 November 30, 2017 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
November 30, 2017

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, 2017. 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 reporting entity, which includes the School Board, Public Library, and EDA component units, had a positive net position of \$89.2 million at June 30, 2017, which represents an increase of \$8.6 million, or 10.7 % from June 30, 2016.
- The assets and deferred outflows of resources of the Primary Government exceeded its liabilities and deferred inflows of resources at the close of FY 2017 by \$52.5 million (*net position*). Of this amount, \$6.1 million (*unrestricted net position*) may be used to meet the County's ongoing obligations to citizens and creditors.
- In comparison with the prior fiscal year, the County's total net position decreased 2.05% or \$1.1 million from FY 2016. Net position of governmental activities decreased 6.43% or \$2.4 million; and, net position of business-type activities increased 8.0% or \$1.3 million, from FY 2016 as restated.
- As of the close of FY 2017, the County's general fund reported combined ending fund balances of \$92.7 million, an increase of \$32.8 million from the prior year. Of the \$92.7 million total, 67.7% (\$62.7 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 32.3% or \$30.0 million.
- The County's total debt increased by \$31.6 million (60.1%) to \$84.2 million during fiscal year 2017 due to principal payments on existing debt and the issuance of new debt totaling \$37.3 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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 statement can be found at Exhibits 3 through 5 of this report.

Proprietary Funds

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

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

Fiduciary Funds

Fiduciary funds are used to account for resources received and held in a fiduciary capacity for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. 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 17 and 18 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 31-79.

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 16.

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 19 through 21 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 17 and 18 of this report.

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

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

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

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

Table 1 summarizes the Statements of Net Position for the primary government as of June 30, 2017 and 2016:

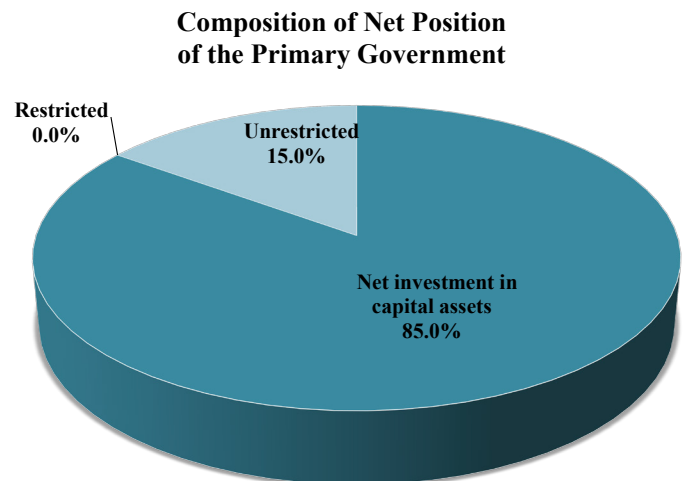
	Primary Government						Component Unit	
	Governmental Activities		Business-Type Activities		Total Primary Government		School Board	
	2017	2016	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 128.2	\$ 91.1	\$ 14.8	\$ 13.1	\$ 143.0	\$ 104.2	\$ 23.8	\$ 19.8
Capital assets (net)	38.5	36.6	11.0	10.9	49.5	47.5	102.7	92.0
Total assets	<u>166.7</u>	<u>127.7</u>	<u>25.8</u>	<u>24.0</u>	<u>192.5</u>	<u>151.7</u>	<u>126.5</u>	<u>111.8</u>
Total deferred outflows	5.0	4.1	0.5	0.2	5.5	4.3	15.1	9.4
Long-term liabilities	99.7	61.8	8.0	7.2	107.7	69.0	95.2	84.1
Other liabilities	13.9	9.5	0.4	0.4	14.3	9.9	15.7	13.3
Total liabilities	<u>113.6</u>	<u>71.3</u>	<u>8.4</u>	<u>7.6</u>	<u>122.0</u>	<u>78.9</u>	<u>110.9</u>	<u>97.4</u>
Total deferred inflows	<u>23.2</u>	<u>23.2</u>	<u>0.3</u>	<u>0.3</u>	<u>23.5</u>	<u>23.5</u>	<u>7.0</u>	<u>11.3</u>
Net position:								
Net investment in capital assets	33.5	30.2	11.1	10.9	44.6	41.1	99.5	89.3
Restricted	-	1.8	-	-	-	1.8	-	-
Unrestricted	1.4	5.3	6.5	5.4	7.9	10.7	(75.8)	(76.8)
Total net position	<u>\$ 34.9</u>	<u>\$ 37.3</u>	<u>\$ 17.6</u>	<u>\$ 16.3</u>	<u>\$ 52.5</u>	<u>\$ 53.6</u>	<u>\$ 23.7</u>	<u>\$ 12.5</u>

Table 1 may differ from Exhibit 1 due to rounding.

Change in net position is a useful indicator of a County's financial position. The County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$52.5 million at the close of fiscal year 2017, representing a decrease of \$1.1 million from the net position at June 30, 2016, as restated.

As the following graph shows, by far the largest of the County's total net position (\$44.6 million, 85.0% of total) reflects its investment in capital assets (land, buildings, machinery, and equipment), less accumulated depreciation and any debt used to acquire those assets that remains outstanding at year-end. The County uses these capital assets to provide services to citizens, like fire and emergency medical services, law enforcement, libraries, and solid waste disposal. Consequently, these assets are not available for future spending.

The remaining unrestricted net position (\$7.9 million, 15.0% of total), may be used to meet the County's ongoing obligations to citizens and creditors.



The School Board's total net position of \$23.7 million, increased \$11.2 million from fiscal year 2016, primarily due to construction related to the Liberty zone middle school and competition gym. Net investment in capital assets net position of \$99.5 million increased 11.4%, or \$10.2 million from FY 2016.

Statement of Activities

Table 2 summarizes the Statement of Activities of the primary government for the fiscal years ended June 30, 2017 and 2016:

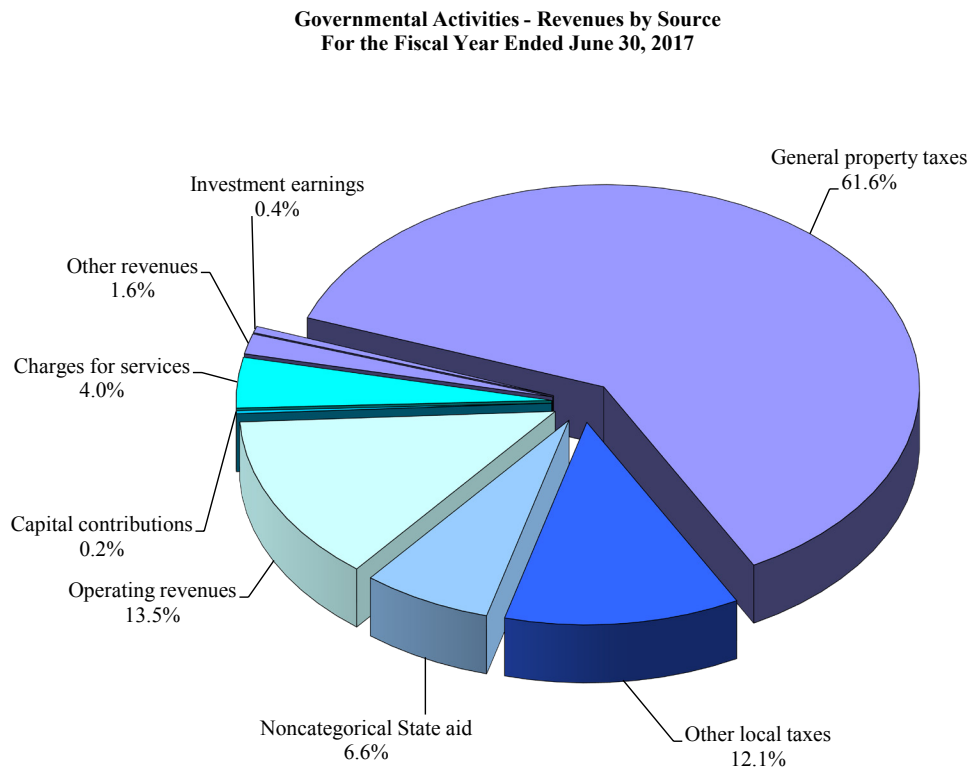
	Change in Net Position					
	Year ended June 30, 2017					
	(\$ in millions)					
Table 2	Primary Government					
	Governmental		Business-Type		Total	
	Activities		Activities		Primary	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for services	\$ 4.2	\$ 3.5	\$ 9.8	\$ 9.3	\$ 14.0	\$ 12.8
Operating grants and contributions	13.8	13.5	0.4	0.3	14.2	13.8
Capital grants and contributions	0.2	0.3	-	-	0.2	0.3
General revenues:						
Property taxes	64.0	61.7	-	-	64.0	61.7
Other taxes	12.5	12.1	-	-	12.5	12.1
Payments from Bedford County	-	-	-	-	-	-
Noncategorical state aid	6.9	6.7	-	-	6.9	6.7
Investment earnings	0.5	0.3	-	0.1	0.5	0.4
Other	1.7	0.6	0.1	-	1.8	0.6
Total revenues	103.8	98.7	10.3	9.7	114.1	108.4
Expenses						
General government	4.1	3.7	-	-	4.1	3.7
Judicial administration	2.6	2.4	-	-	2.6	2.4
Public safety	20.7	19.0	-	-	20.7	19.0
Public works	4.7	4.5	-	-	4.7	4.5
Health and welfare	11.7	10.6	-	-	11.7	10.6
Education	48.1	33.7	-	-	48.1	33.7
Parks, recreation and cultural	3.3	3.8	-	-	3.3	3.8
Community development	5.3	5.1	-	-	5.3	5.1
Group Homes	-	-	-	-	-	-
Nursing Home	-	-	5.8	5.3	5.8	5.3
Solid Waste	-	-	3.3	3.4	3.3	3.4
Interest on long-term debt	3.0	2.2	-	-	3.0	2.2
Total expenses	103.5	85.0	9.1	8.7	112.6	93.7
Increase (decrease) in net position before transfers	<u>\$ 0.3</u>	<u>\$ 13.7</u>	<u>\$ 1.2</u>	<u>\$ 1.0</u>	<u>\$ 1.5</u>	<u>\$ 14.7</u>

Table 2 may differ from Exhibit 2 due to rounding.

Governmental Activities

The increase in net position attributable to the County's governmental activities totaled \$0.3 million. Generally, net position changes are the result of the difference between revenues and expenses. Fiscal 2017 revenues of \$103.8 million represent an increase of \$5.1 million or 5.2% in comparison to the prior year, while expenses of \$103.50 million represent an increase of \$18.5 million, or 21.8% compared to the prior year.

The following chart illustrates the County's fiscal 2017 governmental revenues by source as a percentage of total governmental revenues:



Taxes comprise the largest source of County revenues, totaling \$76.5 million for fiscal year 2017, an increase of \$2.7 million, or 3.7%, in comparison to fiscal year 2016. General property taxes account for \$64.0 million or 61.2% of revenues. An increase in general property taxes of \$2.3 million, or 3.7%, is attributable to continued growth in the tax base. In addition, sales tax revenue increased by \$0.2 million; or 3.5%.

Also in fiscal year 2017, \$18.2 million, or 17.5% of total revenues, consisted of program revenues, including \$4.2 million in charges for services, \$13.8 million of operating grants and contributions, and \$0.2 million of capital grants and contributions. General revenue, including \$6.9 million of noncategorical state aid and \$2.2 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 2017 were \$103.5 million, which represents an increase of \$18.5 million or 21.8% higher than fiscal year 2016. The increase is primarily due to increased expenses for education of \$14.4 million; general government of \$0.4 million; public safety of \$1.7 million; health and welfare of \$1.1 million; and interest on long term debt by \$0.8 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. Expenses also increased as the Board directed half of the growth in discretionary revenue to the schools during the budget process.
- Increases in general government expenses are primarily due to Information Technology infrastructure upgrades.
- Increases in public safety expenses are primarily due to the pay study implementation, purchase of radios for the new Regional Radio system, increased costs for adult detention, purchase of fire and emergency vehicles and equipment, and an upgrade to the Communications center software.
- 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.
- Increases in interest on long-term debt is due to the issuance of bonds for the Liberty zone middle school and competition gym.

As the following chart indicates, education continues to be one of the County’s largest programs and highest priorities, with education expenses totaling \$48.1 million in fiscal year 2017. Public Safety and human services are also strategic focus areas and the County’s second and third largest expenses, totaling \$20.7 million and \$11.7 million, respectively, in fiscal year 2017.

**Governmental Activities
Functional Expenses
For the Fiscal Year Ended June 30, 2017**

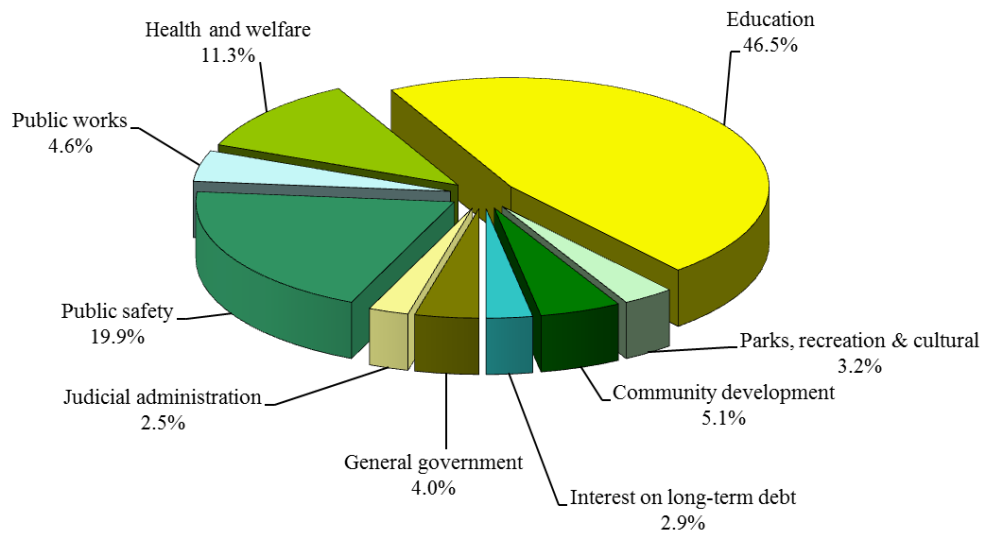


Table 3 presents the total cost of the County’s governmental activities by function, as well as the net cost of each function (total cost less fees generated by each function and program-specific intergovernmental aid) for fiscal year ended June 30, 2017 and 2016:

**Net Cost of Governmental Activities
For the Fiscal Year Ended June 30, 2017**

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

	Total Cost of Services		Net Cost of Services	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
General government	\$ 4.1	\$ 3.7	\$ 3.1	\$ 2.7
Judicial administration	2.6	2.4	1.2	1.2
Public safety	20.7	19.0	13.2	11.4
Public works	4.7	4.5	4.5	4.3
Health and welfare	11.7	10.6	3.9	3.7
Education	48.1	33.7	48.1	33.7
Parks, recreation & cultural	3.3	3.8	3.2	3.7
Community development	5.3	5.1	5.0	4.8
Interest on long-term debt	3.0	2.2	3.0	2.2
Total	<u>\$ 103.5</u>	<u>\$ 85.0</u>	<u>\$ 85.2</u>	<u>\$ 67.7</u>

Table 3 may differ from Exhibit 2 due to rounding.

A portion of the \$103.5 million cost of the County’s governmental activities was paid by those who directly benefited from the programs (i.e., charges for services of \$4.2 million), and other governments and organizations that subsidized certain programs (i.e. operating and capital grants and contributions of \$14.0 million). These combined program revenues of \$18.2 million reduced the total fiscal year 2017 cost of services from \$103.5 million to the net cost of services of \$85.2 million. The net cost of services was covered by the County’s general revenues, consisting primarily of taxes and state aid.

Business-type activities

Table 2 also summarizes the business-type activities. The County’s business-type activities consist of the Nursing Home and Solid Waste. The increase in the net position attributable to the County’s business-type activities totaled \$1.2 million for fiscal year 2017.

Nursing Home revenues and expenses each increased by approximately \$0.4 million in fiscal year 2017. Solid Waste operating revenues totaled \$3.0 million in fiscal year 2017, compared to \$2.8 million last year, primarily due to an increase in tonnage collected. Solid Waste expenses remained relatively unchanged between years.

FINANCIAL ANALYSIS OF THE COUNTY'S GENERAL FUND

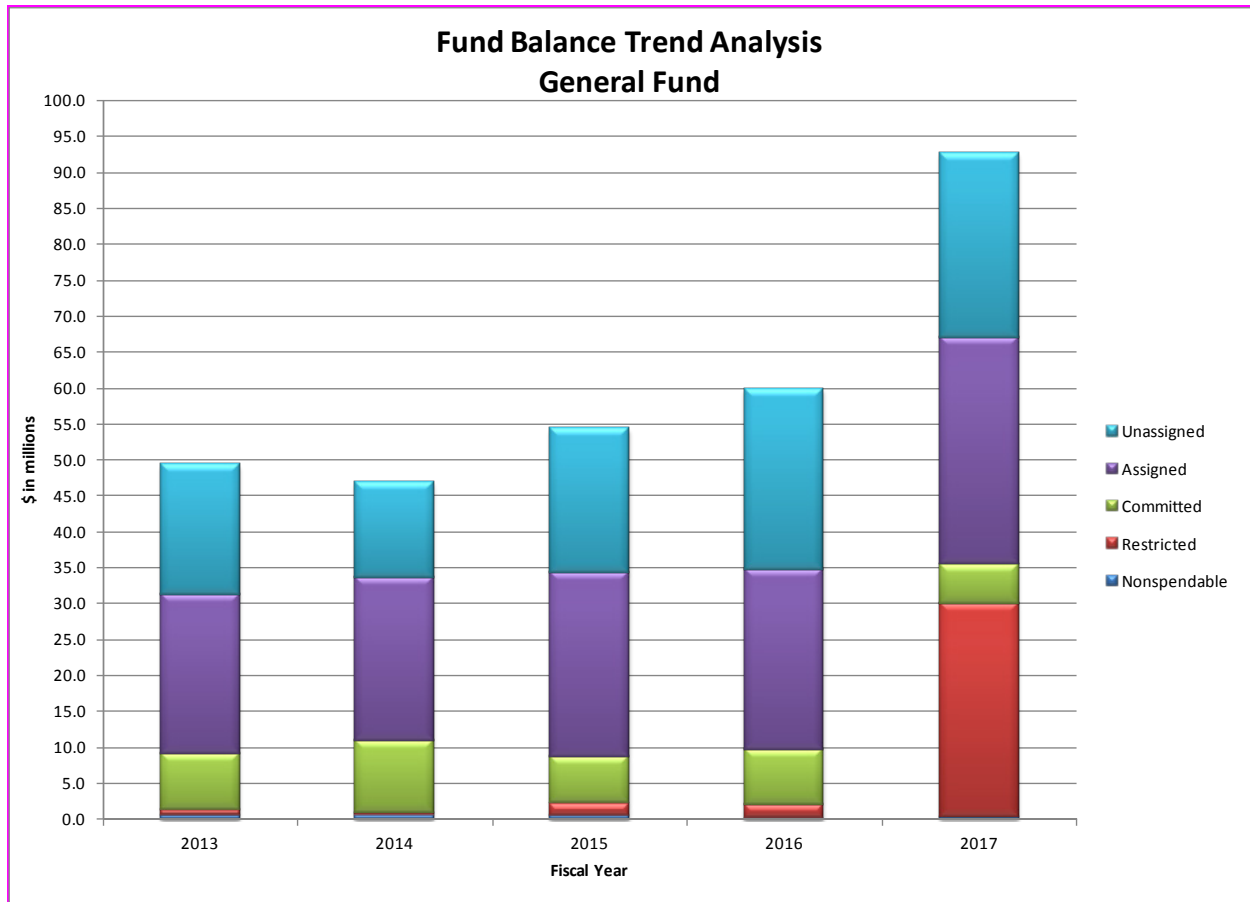
As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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 2017, the County's General Fund reported combined ending fund balances of \$92.7 million (Exhibit 3), as compared to \$55.9 million at June 30, 2016, an increase of \$32.8 million. Of the \$92.7 million fiscal year 2017 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; \$29.7 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), \$5.6 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, \$31.5 million is assigned to indicate that County administration has identified specific purposes for the use of those funds, and the remaining \$25.6 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.

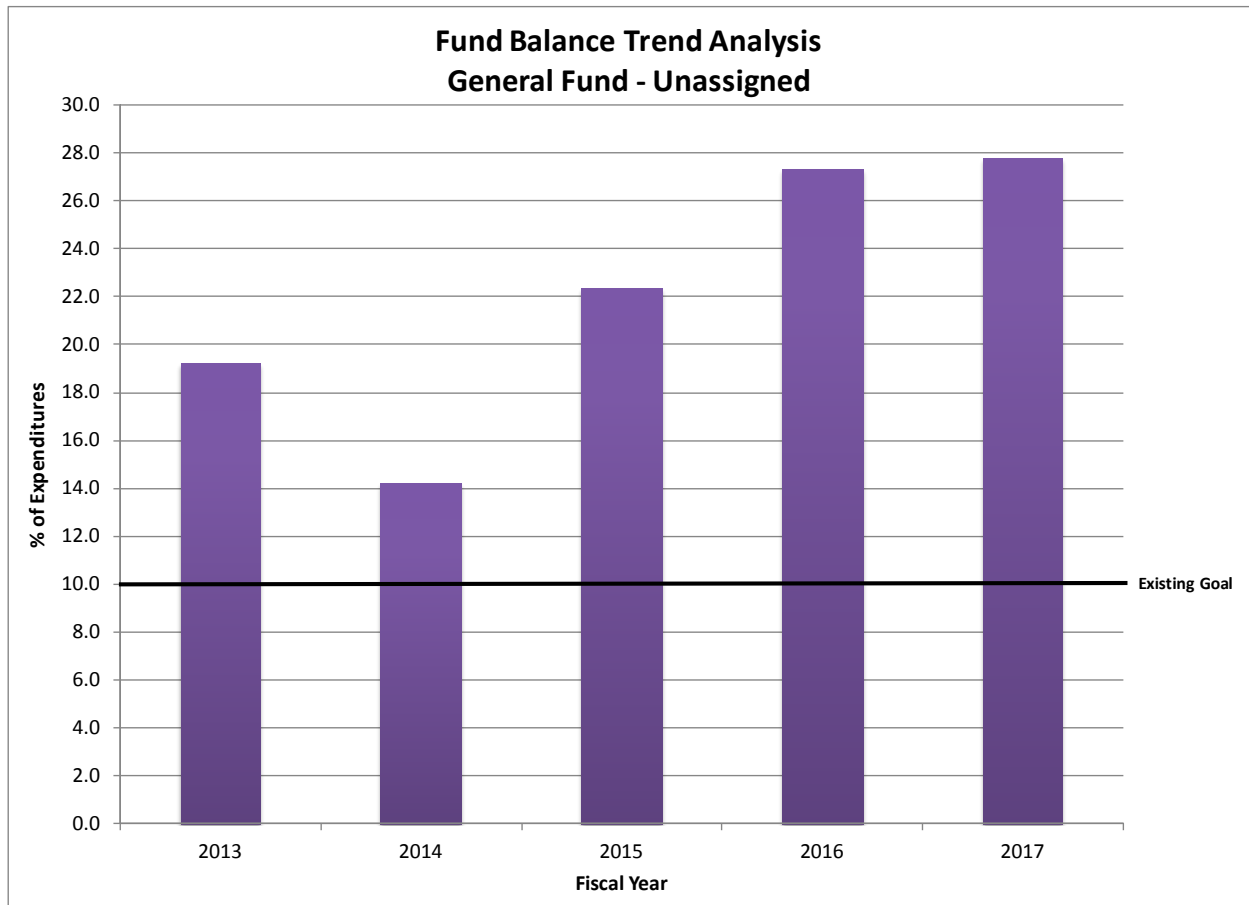
Additional information can be found in Note 15.

The following graphs illustrate fund balance trends for the County's general fund for fiscal years 2013 through 2017.



The increase in restricted fund balance in fiscal 2017 was due to the issuance of debt for the Liberty zone middle school and competition gym. The unspent proceeds of the issuance are classified as restricted. The remaining increases were generally due to higher than budgeted local taxes being received.

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 \$25.7 million. This represents 23.6% of total fiscal year 2017 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 85.2% of that same amount. This positive liquidity primarily results from the County receiving the first half of the 2017 real estate taxes in June. The semi-annual real estate collection dates allow the County to avoid borrowing funds to support operations during the early part of the following fiscal year.



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

GENERAL FUND BUDGETARY HIGHLIGHTS

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

Table 4	Budgetary Comparison General Fund For the Fiscal Year Ended June 30, 2017 (\$ in millions)		
	Original Budget	Amended Budget	Actual
Revenues & Other Financing Sources:			
General Property Taxes	\$ 60.8	\$ 60.8	\$ 63.5
Other Local Taxes	11.6	11.6	12.5
Intergovernmental	18.6	21.7	21.2
Other Revenue	3.6	3.6	4.4
Other Sources	-	40.1	40.1
Total	94.6	137.8	141.7
Expenditures & Other Financing Uses:			
Expenditures	65.7	110.7	71.4
Other Uses	33.4	35.2	34.4
Total	99.1	145.9	105.8
Changes in Fund Balance	\$ (4.5)	\$ (8.1)	\$ 35.9

The original budget includes rollover capital improvement program appropriations of \$7.2 million. Additionally, the Board did not initially appropriate \$2.4 million of the adopted budget; \$1.5 million of this was reserved for a new school, \$0.5 million was reserved for a new landfill cell, and \$0.4 million for pay study implementation.

General Fund budget amendments resulted in an increase of \$46.8 million between the originally adopted budget and the final budget, with \$40.1 million of the increase as a result of the issuance of bonds for a new Liberty zone middle school and competition gym. Additional increases included \$1.2 for implementation of the pay study; \$0.9 million was for track maintenance at the three high schools; \$0.5 million for IT modernization; and \$0.6 million was the result of reappropriation of fiscal year 2016 encumbered and unencumbered amounts for completion of projects in fiscal year 2017.

The remaining \$3.5 million in budget amendments were funded by various revenue sources other than general fund tax dollars. Significant amendments included:

- \$2.1 million for Internet Crime Against Children grants.
- \$0.3 million for Children’s Service Act expenditures
- \$0.2 million for Domestic Violence grants.
- \$0.2 million for Fire and Rescue grants.
- \$0.1 million for Victim Witness grants.
- \$0.1 million of donated funds for an Animal adoption room at the Animal Shelter.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The County's investment in capital assets as of June 30, 2017, totals \$49.5 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, 2017
(\$ in millions)**

Table 5

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	Land	\$ 4.1	\$ 3.5	\$ 1.2	\$ 1.1	\$ 5.3
Building and improvements	49.7	48.3	19.7	19.1	69.4	67.4
Machinery and equipment	22.2	20.2	4.8	4.6	27.0	24.8
Construction in progress	1.0	0.7	0.1	0.1	1.1	0.8
Subtotal	<u>77.0</u>	<u>72.7</u>	<u>25.8</u>	<u>24.9</u>	<u>102.8</u>	<u>97.6</u>
Accumulated depreciation	<u>(38.5)</u>	<u>(36.1)</u>	<u>(14.8)</u>	<u>(14.0)</u>	<u>(53.3)</u>	<u>(50.1)</u>
Total	<u><u>\$38.5</u></u>	<u><u>\$ 36.6</u></u>	<u><u>\$11.0</u></u>	<u><u>\$ 10.9</u></u>	<u><u>\$49.5</u></u>	<u><u>\$ 47.5</u></u>

Major capital asset activity during fiscal year 2017 included the following:

- Upgrade of Information Technology infrastructure and phone system costing \$0.4 million funded through general fund revenues.
- Acquisition of radios for the new Regional Radio system costing \$0.4 million funded through general fund revenues.
- Acquisition of fifteen public safety vehicles costing \$0.6 million funded through general fund revenues.
- Acquisition of emergency rescue vehicles and equipment of \$0.1 million through donation from the Bedford Live Saving Crew.
- Acquisition of the New London Fire Station land and building of \$1.2 million through donation from Forest Volunteer Fire and Goode Volunteer Rescue.

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

Table 6 illustrates the County’s outstanding obligations at June 30, 2017. Additional information can be found in Note 7.

**Summary of Long Term Debt
as of June 30, 2017
(\$ in millions)**

Table 6

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
	General obligation and lease revenue bonds	\$ 77.1	\$ 45.5	\$ -	\$ -	\$ 77.1
Capital lease obligations	6.7	7.1	0.4	-	7.1	7.1
Total	\$ 83.8	\$ 52.6	\$ 0.4	\$ -	\$ 84.2	\$ 52.6

Governmental activities issuances in fiscal year 2017 included \$36.9 million in VPSA bonds for a new middle school and competition gym in the Liberty zone. Business-type activities included \$0.4 million in capital leases for new landfill equipment

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 11.96% 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 2017, 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 2017, the County’s unemployment rate remained relatively stable. In June 2017, the County’s unemployment rate was 4.2%, which was 0.2% higher than the same month a year ago. In June 30, 2017, the State’ average unemployment rate was 3.9% and the national average of 5.5%.

Fiscal year 2018 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 2017.

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.

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BASIC FINANCIAL STATEMENTS

COUNTY OF BEDFORD, VIRGINIA

**Statement of Net Position
June 30, 2017**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash, cash equivalents, and investments	\$ 69,455,869	\$ 13,709,995	\$ 83,165,864
Receivables, net	25,654,275	821,855	26,476,130
Internal balances	(135,184)	135,184	-
Due from primary government	-	-	-
Prepays	231,726	53,775	285,501
Inventories	46,839	-	46,839
Restricted assets:			
Cash, cash equivalents, and investments	32,883,196	14,701	32,897,897
Net pension asset	-	-	-
Capital assets:			
Nondepreciable	5,122,940	1,350,496	6,473,436
Depreciable, net	33,420,943	9,681,927	43,102,870
Total assets	166,680,604	25,767,933	192,448,537
Deferred Outflows of Resources			
Deferred charge on refunding	2,610,410	-	2,610,410
Contributions to pension plan in current fiscal year	1,101,575	207,347	1,308,922
Difference between projected and actual earnings-pension	1,284,400	270,897	1,555,297
Change in proportionate share – teacher cost sharing pool	-	-	-
Difference between expected and actual experience-pension	-	-	-
Total deferred outflows of resources	4,996,385	478,244	5,474,629
Liabilities			
Accounts payable and accrued expenses	1,388,729	183,951	1,572,680
Accrued payroll and related liabilities	359,916	221,566	581,482
Accrued interest payable	1,736,269	-	1,736,269
Self insurance	-	-	-
Incentives and performance grants payable	-	-	-
Due to component units	10,336,727	-	10,336,727
Liabilities payable from restricted assets	-	14,701	14,701
Noncurrent liabilities:			
Due within one year	8,398,571	432,301	8,830,872
Due in more than one year	84,613,296	6,808,532	91,421,828
Net pension liability	6,724,656	737,834	7,462,490
Total liabilities	113,558,164	8,398,885	121,957,049
Deferred Inflows of Resources			
Property taxes	21,539,257	-	21,539,257
Pension deferrals	1,654,258	288,335	1,942,593
Lease income	-	-	-
Total deferred inflows of resources	23,193,515	288,335	23,481,850
Net Position			
Net investment in capital assets	33,534,872	11,032,423	44,567,295
Restricted for:			
Donor requests	-	-	-
Unrestricted (deficit)	1,390,438	6,526,534	7,916,972
Total net position	\$ 34,925,310	\$ 17,558,957	\$ 52,484,267

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
\$ 9,030,701	\$ 420,484	\$ 1,782,847	\$ -	\$ 94,399,896
4,190,067	29,405	1,813,833	-	32,509,435
-	-	-	-	-
10,336,727	-	-	-	10,336,727
128,825	45,877	-	-	460,203
106,742	-	8,106,734	-	8,260,315
-	41,950	106,078	-	33,045,925
-	125,239	-	-	125,239
17,122,137	-	454,409	-	24,049,982
85,559,886	616,347	1,492,980	-	130,772,083
<u>126,475,085</u>	<u>1,279,302</u>	<u>13,756,881</u>	<u>-</u>	<u>333,959,805</u>
-	-	-	-	2,610,410
7,204,028	22,841	-	-	8,535,791
5,075,937	-	-	-	6,631,234
2,311,000	-	-	-	2,311,000
550,665	86,455	-	-	637,120
<u>15,141,630</u>	<u>109,296</u>	<u>-</u>	<u>-</u>	<u>20,725,555</u>
3,966,865	26,620	87,728	-	5,653,893
10,823,892	46,306	-	-	11,451,680
43,836	-	-	-	1,780,105
872,415	-	-	-	872,415
-	-	468,000	-	468,000
-	-	-	-	10,336,727
-	-	-	-	14,701
1,750,858	62,154	8,053	-	10,651,937
4,850,460	4,048	1,341,947	-	97,618,283
88,575,594	-	-	-	96,038,084
<u>110,883,920</u>	<u>139,128</u>	<u>1,905,728</u>	<u>-</u>	<u>234,885,825</u>
-	-	-	-	21,539,257
7,059,515	-	-	-	9,002,108
-	-	68,558	-	68,558
<u>7,059,515</u>	<u>-</u>	<u>68,558</u>	<u>-</u>	<u>30,609,923</u>
99,440,616	616,347	1,947,389	(55,255,772)	91,315,875
-	40,869	-	-	40,869
(75,767,336)	592,254	9,835,206	55,255,772	(2,167,132)
<u>\$ 23,673,280</u>	<u>\$ 1,249,470</u>	<u>\$ 11,782,595</u>	<u>\$ -</u>	<u>\$ 89,189,612</u>

COUNTY OF BEDFORD, VIRGINIA

**Statement of Activities
For the Year Ended June 30, 2017**

Function	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 4,135,945	\$ 585,683	\$ 485,265	\$ -
Judicial administration	2,588,187	86,455	1,272,782	-
Public safety	20,680,112	2,827,142	4,432,491	238,009
Public works	4,736,339	207,335	33,971	-
Health and welfare	11,668,977	141,947	7,607,856	-
Education	48,102,859	-	-	-
Parks, recreational, and cultural	3,344,715	79,249	14,748	995
Community development	5,254,616	255,561	21,936	-
Interest on long-term debt	2,989,864	-	-	-
Total governmental activities	<u>103,501,614</u>	<u>4,183,372</u>	<u>13,869,049</u>	<u>239,004</u>
Business-type activities:				
Nursing home	5,752,404	7,244,858	11,204	-
Solid waste	3,324,130	2,610,092	367,368	-
Total business-type activities	<u>9,076,534</u>	<u>9,854,950</u>	<u>378,572</u>	<u>-</u>
Total primary government	<u>\$ 112,578,148</u>	<u>\$ 14,038,322</u>	<u>\$ 14,247,621</u>	<u>\$ 239,004</u>
Component Units:				
School Board	\$ 103,236,399	\$ 2,581,361	\$ 22,774,064	\$ -
Public Library	1,920,324	61,894	88,579	-
Economic Development Authority	2,923,754	-	1,381,520	-
Total component units	<u>\$ 108,080,477</u>	<u>\$ 2,643,255</u>	<u>\$ 24,244,163</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
 Total general revenues
 Change in net position
 Net position-beginning, as restated
 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
\$ (3,064,997)	\$ -	\$ (3,064,997)	\$ -	\$ -	\$ -	\$ (3,064,997)
(1,228,950)	-	(1,228,950)	-	-	-	(1,228,950)
(13,182,470)	-	(13,182,470)	-	-	-	(13,182,470)
(4,495,033)	-	(4,495,033)	-	-	-	(4,495,033)
(3,919,174)	-	(3,919,174)	-	-	-	(3,919,174)
(48,102,859)	-	(48,102,859)	-	-	-	(48,102,859)
(3,249,723)	-	(3,249,723)	-	-	-	(3,249,723)
(4,977,119)	-	(4,977,119)	-	-	-	(4,977,119)
(2,989,864)	-	(2,989,864)	-	-	-	(2,989,864)
<u>(85,210,189)</u>	<u>-</u>	<u>(85,210,189)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(85,210,189)</u>
-	1,503,658	1,503,658	-	-	-	1,503,658
-	(346,670)	(346,670)	-	-	-	(346,670)
-	1,156,988	1,156,988	-	-	-	1,156,988
<u>(85,210,189)</u>	<u>1,156,988</u>	<u>(84,053,201)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(84,053,201)</u>
-	-	-	(77,880,974)	-	-	(77,880,974)
-	-	-	-	(1,769,851)	-	(1,769,851)
-	-	-	-	-	(1,542,234)	(1,542,234)
-	-	-	<u>(77,880,974)</u>	<u>(1,769,851)</u>	<u>(1,542,234)</u>	<u>(81,193,059)</u>
63,956,257	-	63,956,257	-	-	-	63,956,257
12,529,640	-	12,529,640	-	-	-	12,529,640
-	-	-	48,100,970	1,571,235	163,055	49,835,260
6,871,458	-	6,871,458	40,596,771	173,489	-	47,641,718
274,992	29,687	304,679	1,073	1,713	2,718	310,183
263,835	-	263,835	-	-	-	263,835
1,677,067	62,879	1,739,946	308,640	13,446	-	2,062,032
5,751	(5,751)	-	-	-	-	-
<u>85,579,000</u>	<u>86,815</u>	<u>85,665,815</u>	<u>89,007,454</u>	<u>1,759,883</u>	<u>165,773</u>	<u>176,598,925</u>
368,811	1,243,803	1,612,614	11,126,480	(9,968)	(1,376,461)	11,352,665
34,556,499	16,315,154	50,871,653	12,546,800	1,259,438	13,159,056	77,836,947
<u>\$ 34,925,310</u>	<u>\$ 17,558,957</u>	<u>\$ 52,484,267</u>	<u>\$ 23,673,280</u>	<u>\$ 1,249,470</u>	<u>\$ 11,782,595</u>	<u>\$ 89,189,612</u>

COUNTY OF BEDFORD, VIRGINIA

Balance Sheet
 Governmental Fund
 June 30, 2017

	<u>General Fund</u>
Assets	
Cash, cash equivalents, and investments	\$ 69,455,869
Receivables, net	25,654,275
Prepays	231,726
Inventories	46,839
Restricted cash, cash equivalents, and investments	<u>32,883,196</u>
Total assets	<u>\$ 128,271,905</u>
Liabilities	
Accounts payable and accrued expenses	\$ 1,388,729
Accrued payroll and related liabilities	359,916
Due to other funds	135,184
Due to component units	<u>9,445,943</u>
Total liabilities	<u>11,329,772</u>
Deferred Inflows of Resources	
Unavailable/unearned revenue	<u>24,261,000</u>
Total deferred inflows of resources	<u>24,261,000</u>
Fund Balances	
Nonspendable	278,565
Restricted	29,704,078
Committed	5,570,652
Assigned	31,471,282
Unassigned	<u>25,656,556</u>
Total fund balances	<u>92,681,133</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 128,271,905</u>

(Continued)

COUNTY OF BEDFORD, VIRGINIA

Balance Sheet
Governmental Fund
June 30, 2017

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

Total Fund Balance, Governmental Funds		\$92,681,133
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$77,051,833	
Accumulated depreciation	<u>(38,507,950)</u>	38,543,883
Receivables on the statement of net position that do not provide current financial resources are not reported in the governmental funds.		2,721,743
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.		1,101,575
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		(890,784)
Long-term liabilities do not require the use of current financial resources and are not reported as expenditures in governmental funds.		
Accrued interest payable	(1,736,269)	
General obligation and lease revenue bonds	(77,102,952)	
Premium on debt issued	(6,893,919)	
Deferred charges on refunding	2,610,410	
Equipment leases	(6,682,661)	
Compensated absences	(1,819,825)	
Other post-employment benefits	(512,510)	
Net pension liability	<u>(6,724,656)</u>	(98,862,382)
Pension related deferrals		<u>(369,858)</u>
Net position of Governmental Activities		<u><u>\$34,925,310</u></u>

COUNTY OF BEDFORD, VIRGINIA

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
Year Ended June 30, 2017**

	General Fund
Revenues	
General property taxes	\$ 63,520,537
Other local taxes	12,529,553
Permits, privilege fees, and regulatory licenses	515,652
Fines and forfeitures	155,382
Revenue from use of money and property	736,247
Charges for services	2,015,902
Other	446,039
Recovered costs	541,654
Intergovernmental	20,845,343
Total revenues	101,306,309
Expenditures	
Current operating	
General government administration	3,772,199
Judicial administration	2,210,515
Public safety	19,344,212
Public works	4,572,428
Health and welfare	11,626,797
Education	33,950,706
Parks, recreation, and cultural	2,993,734
Community development	3,247,165
Debt service	
Principal	5,701,156
Interest and other fiscal charges	2,175,912
Capital projects	
Education	13,623,037
Other governmental activities	5,504,954
Total expenditures	108,722,815
Excess (deficiency) of revenues over expenditures	(7,416,506)
Other Financing Sources (Uses)	
Bond premium	3,220,678
Bond issuance	36,865,000
Total other financing sources	40,085,678
Net change in fund balance	32,669,172
Fund balance, beginning, as restated	60,011,961
Fund balance, ending	\$ 92,681,133

(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, 2017**

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 \$ 32,669,172

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures that were capitalized	\$ 3,461,039	
Donated assets	1,585,883	
Depreciation	<u>(3,048,136)</u>	1,998,786

The net effect of various transaction involving capital assets (sales, trade ins) is to decrease net position		(59,850)
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Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities		(153,766)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt proceeds	(40,085,678)	
Debt principal repayment	5,701,156	
Deferred charge on refunding	-	
Change in accrued interest payable	(875,973)	
Changes in deferred charges on debt issuance costs and refundings	<u>62,021</u>	(35,198,474)

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	437,533	
Other revenues	<u>687,544</u>	1,125,077

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	(529,116)	
Changes in compensated absences	(175,051)	
Changes in other postemployment benefits	(73,799)	
Pension expense	<u>765,832</u>	<u>(12,134)</u>

Total changes in net position of governmental activities		<u><u>\$ 368,811</u></u>
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COUNTY OF BEDFORD, VIRGINIA

**Statement of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual – Cash Basis –
Governmental Fund
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
General property taxes	\$ 60,801,500	\$ 60,801,500	\$ 63,532,094	\$ 2,730,594
Other local taxes	11,564,302	11,564,302	12,504,450	940,148
Permits, privilege fees, and regulatory licenses	502,100	502,100	515,821	13,721
Fines and forfeitures	120,000	120,000	152,790	32,790
Revenue from use of money and property	436,092	445,825	684,215	238,390
Charges for services	1,806,204	1,846,012	2,065,561	219,549
Miscellaneous	286,741	315,372	441,880	126,508
Recovered costs	445,000	445,000	543,557	98,557
Intergovernmental	18,640,360	21,695,184	21,197,290	(497,894)
Total revenues	<u>94,602,299</u>	<u>97,735,295</u>	<u>101,637,658</u>	<u>3,902,363</u>
Expenditures				
Current operating				
General government administration	4,533,256	4,653,008	3,784,922	868,086
Judicial administration	2,129,797	2,323,606	2,212,862	110,744
Public safety	17,954,799	20,631,724	18,987,118	1,644,606
Public works	4,800,718	4,912,318	4,584,918	327,400
Health and welfare	11,774,457	12,303,046	11,589,887	713,159
Education	1,900	1,900	1,889	11
Parks, recreation, and cultural	2,931,300	3,023,400	3,014,125	9,275
Community development	3,401,766	3,506,725	3,259,425	247,300
Debt service				
Principal	5,701,156	5,701,156	5,701,156	-
Interest and other fiscal charges	2,077,280	2,180,914	2,175,912	5,002
Capital projects				
Education	2,967,656	42,949,700	10,591,079	32,358,621
Other governmental activities	7,437,403	8,500,786	5,510,047	2,990,739
Total expenditures	<u>65,711,488</u>	<u>110,688,283</u>	<u>71,413,340</u>	<u>39,274,943</u>
Excess of revenues over expenditures	<u>28,890,811</u>	<u>(12,952,988)</u>	<u>30,224,318</u>	<u>43,177,306</u>
Other Financing Sources (Uses)				
Transfers to:				
Component units	(33,382,743)	(35,214,488)	(34,392,306)	822,182
Bond premium	-	3,220,678	3,220,678	-
Bond issuance	-	36,865,000	36,865,000	-
Total other financing sources (uses)	<u>(33,382,743)</u>	<u>4,871,190</u>	<u>5,693,372</u>	<u>822,182</u>
Net change in fund balance	<u>\$ (4,491,932)</u>	<u>\$ (8,081,798)</u>	<u>\$ 35,917,690</u>	<u>\$ 43,999,488</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, 2017**

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

Total Revenues Budgetary Basis (Exhibit 5)	\$ 101,637,658
Tax and other accruals, grant deferrals, and other transfers	<u>(331,349)</u>
Total Revenues GAAP Basis (Exhibit 4)	<u><u>\$ 101,306,309</u></u>

Expenditures

Total Expenditures Budgetary Basis (Exhibit 5)	\$ 71,413,340
Accounts payable and other accruals	2,917,169
Transfers to component unit are expenditures for financial reporting purposes.	<u>34,392,306</u>
Total Expenditures GAAP Basis (Exhibit 4)	<u><u>\$ 108,722,815</u></u>

Other Financing Sources (Uses)

Total Other Financing Sources and Uses Budgetary Basis (Exhibit 5)	\$ 5,693,372
Transfers to component units are expenditures for financial reporting purposes	<u>34,392,306</u>
Total Other Financing Sources and Uses GAAP Basis (Exhibit 4)	<u><u>\$ 40,085,678</u></u>

COUNTY OF BEDFORD, VIRGINIA

Statement of Net Position
Proprietary Funds
June 30, 2017

	Business-Type Activities – Enterprise Funds		
	Nursing Home	Solid Waste	Total
ASSETS			
Current assets:			
Cash, cash equivalents, and investments	\$ 7,545,717	\$ 6,164,278	\$ 13,709,995
Receivables, net	617,245	204,610	821,855
Due from other funds	-	135,184	135,184
Prepays	43,249	10,526	53,775
Total current assets	<u>8,206,211</u>	<u>6,514,598</u>	<u>14,720,809</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	14,701	-	14,701
Capital assets, net	4,049,383	6,983,040	11,032,423
Total noncurrent assets	<u>4,064,084</u>	<u>6,983,040</u>	<u>11,047,124</u>
Total assets	<u>12,270,295</u>	<u>13,497,638</u>	<u>25,767,933</u>
DEFERRED OUTFLOWS OF RESOURCES			
Difference between projected and actual earnings-pension	216,372	54,525	270,897
Contributions to pension plan in current fiscal year	166,657	40,690	207,347
Total deferred outflows of resources	<u>383,029</u>	<u>95,215</u>	<u>478,244</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	85,940	98,011	183,951
Accrued payroll and related liabilities	182,522	39,044	221,566
Assets held in agency capacity	14,701	-	14,701
Compensated absences	215,973	51,303	267,276
Capital lease obligations	-	24,944	24,944
Landfill closure/postclosure	-	140,081	140,081
Total current liabilities	<u>499,136</u>	<u>353,383</u>	<u>852,519</u>
Noncurrent liabilities:			
Compensated absences	-	584	584
Other post-employment benefits	68,831	29,500	98,331
Net pension liability	588,920	148,914	737,834
Capital lease obligations	-	389,021	389,021
Landfill closure/postclosure	-	6,320,596	6,320,596
Total noncurrent liabilities	<u>657,751</u>	<u>6,888,615</u>	<u>7,546,366</u>
Total liabilities	<u>1,156,887</u>	<u>7,241,998</u>	<u>8,398,885</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	229,884	58,451	288,335
NET POSITION			
Net investment in capital assets	4,049,383	6,983,040	11,032,423
Unrestricted	7,217,170	(690,636)	6,526,534
Total net position	<u>\$ 11,266,553</u>	<u>\$ 6,292,404</u>	<u>\$ 17,558,957</u>

COUNTY OF BEDFORD, VIRGINIA

**Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2017**

	Business-Type Activities – Enterprise Funds		
	Nursing	Solid	Total
	Home	Waste	
Operating Revenues			
Charges for services	\$ 7,244,858	\$ 2,610,092	\$ 9,854,950
Other	11,204	367,368	378,572
Total Operating Revenues	<u>7,256,062</u>	<u>2,977,460</u>	<u>10,233,522</u>
Operating Expenses			
Personal services	2,973,770	621,267	3,595,037
Employee benefits	907,756	214,979	1,122,735
Purchased services	298,584	647,542	946,126
Continuous charges	542,036	497,248	1,039,284
Supplies and materials	654,332	254,952	909,284
Equipment, property, and improvements	82,442	25,967	108,409
Landfill closure/postclosure	-	106,372	106,372
Depreciation	293,484	951,517	1,245,001
Total Operating Expenses	<u>5,752,404</u>	<u>3,319,844</u>	<u>9,072,248</u>
Operating income (loss)	<u>1,503,658</u>	<u>(342,384)</u>	<u>1,161,274</u>
Non-Operating Revenues (Expenses)			
Interest income	9,070	20,617	29,687
Interest expense	-	(4,286)	(4,286)
Gain (loss) on disposal of capital assets	-	62,879	62,879
Total Non-Operating Revenues (Expenses)	<u>9,070</u>	<u>79,210</u>	<u>88,280</u>
Income (loss) before transfers	1,512,728	(263,174)	1,249,554
Transfers out	-	(5,751)	(5,751)
Change in Net Position	1,512,728	(268,925)	1,243,803
Net Position, beginning	9,753,825	6,561,329	16,315,154
Net Position, ending	<u>\$ 11,266,553</u>	<u>\$ 6,292,404</u>	<u>\$ 17,558,957</u>

COUNTY OF BEDFORD, VIRGINIA

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

	<u>Nursing Home</u>	<u>Solid Waste</u>	<u>Total</u>
Operating Activities			
Receipts from customers	\$ 7,204,482	\$ 2,582,572	\$ 9,787,054
Other cash receipts	11,341	360,220	371,561
Payments to employees	(2,915,648)	(605,374)	(3,521,022)
Payments for employee benefits	(997,015)	(234,335)	(1,231,350)
Payments to suppliers	(1,560,166)	(1,393,022)	(2,953,188)
Net Cash Provided by Operating Activities	<u>1,742,994</u>	<u>710,061</u>	<u>2,453,055</u>
Capital and Related Financing Activities			
Acquisition and construction of capital assets	(99,039)	(875,082)	(974,121)
Proceeds from sale of capital assets	-	115,334	115,334
Principal paid on debt	-	(24,945)	(24,945)
Interest paid on debt	-	(4,286)	(4,286)
Net Cash Used in Capital and Related Financing Activities	<u>(99,039)</u>	<u>(788,979)</u>	<u>(888,018)</u>
Investing Activities			
Interest received	9,070	20,617	29,687
Net Increase (Decrease) in Cash and Cash Equivalents	1,653,025	(58,301)	1,594,724
Cash and Cash Equivalents Beginning of Year	5,907,393	6,222,579	12,129,972
Cash and Cash Equivalents End of Year	<u>\$ 7,560,418</u>	<u>\$ 6,164,278</u>	<u>\$ 13,724,696</u>
Reconciliation to Exhibit 6			
Cash and Cash Equivalents	\$ 7,545,717	\$ 6,164,278	\$ 13,709,995
Restricted Cash and Cash Equivalents	14,701	-	14,701
	<u>\$ 7,560,418</u>	<u>\$ 6,164,278</u>	<u>\$ 13,724,696</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, 2017

Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities

Operating Income (Loss)	\$ 1,503,658	\$ (342,384)	\$ 1,161,274
Adjustments Not Affecting Cash			
Depreciation	293,484	951,517	1,245,001
Landfill closure/postclosure	-	106,372	106,372
(Increase) Decrease in Assets			
Accounts receivable	10,791	(32,822)	(22,031)
Due from other funds	-	(2,220)	(2,220)
Prepays	141	(180)	(39)
(Increase) Decrease in Deferred Outflows of Resources			
Pension deferrals	(187,188)	(46,625)	(233,813)
Increase (Decrease) in Liabilities			
Accounts payable and accrued expenses	(26,387)	33,289	6,902
Accrued payroll and related liabilities	29,341	7,387	36,728
Assets held in agency capacity	(5,624)	-	(5,624)
Compensated absences	31,436	9,463	40,899
Other post-employment benefits	7,000	4,000	11,000
Net pension liability	134,956	33,484	168,440
Increase (Decrease) in Deferred Inflows of Resources			
Pension deferrals	(48,614)	(11,220)	(59,834)
Net Cash Provided by Operating Activities	<u>\$ 1,742,994</u>	<u>\$ 710,061</u>	<u>\$ 2,453,055</u>
SCHEDULE OF NONCASH ACTIVITIES			
Capital asset additions financed by accounts payable	<u>\$ 19,579</u>	<u>\$ -</u>	<u>\$ 19,579</u>

COUNTY OF BEDFORD, VIRGINIA

Statement of Fiduciary Net Position
 Fiduciary Fund
 June 30, 2017

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 1,000,081
Security deposits	900
Receivables, net	<u>9,986</u>
Total assets	<u><u>\$ 1,010,967</u></u>
LIABILITIES	
Accounts payable	\$ 573
Accrued payroll and related liabilities	474
Amounts held for clients/others	<u>1,009,920</u>
Total liabilities	<u><u>\$ 1,010,967</u></u>

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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:

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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 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.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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	\$ 2,161,546
General Fund – EMS transport fees	<u>171,649</u>
	<u>\$ 2,333,195</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, 2015, and the first installment (June 5) of the levy on assessed value at January 1, 2016. The installment due on June 5, 2016 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, 2016 is included as deferred inflows since these taxes are restricted for use until fiscal year 2017.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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 2016 tax bills, payable in fiscal year 2017, included a forty seven and half (47.5) 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, 2017 of \$32,883,196, which consists of unspent bond proceeds and accumulated interest of \$30,967,775 restricted for School capital projects, \$110,158 restricted for water and sewer projects, and \$1,805,263 for the Volunteer Length of Service Awards Program. Business-type activities report restricted cash, cash equivalents, and investments of \$14,701 for Nursing Home resident funds. Restricted cash, cash equivalents, and investments of the component unit – Library consists of donations restricted as to purpose or time by donors.

5. Capital Assets

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

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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 during the year, therefore no interest was capitalized.

6. Compensated Absences

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

7. Pensions

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

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

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

8. Deferred Outflows/Inflows of Resources

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

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

9. Long-Term Obligations

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

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

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

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

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 \$55,255,772 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.

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 \$1,014,088 for fiscal year 2017.

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.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

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

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

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

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

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

Expenditures of School Board – Component Unit	\$ 115,260,054
Principal and other debt service expenditures included in primary government	<u>6,177,379</u>
 Total expenditures for school activities	 <u><u>\$ 121,437,433</u></u>

Note 4. Deposits and Investments

Deposits

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

Investment Policy

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

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

Type	Fair Value	Credit Rating	Percent of Portfolio
Demand deposits	\$ 83,290,723	NA	71.76%
Virginia SNAP	30,967,775	AAAm	26.68%
Guaranteed Interest Account	<u>1,805,263</u>	NA	<u>1.56%</u>
 Total deposits and investments	 <u><u>\$ 116,063,761</u></u>		 <u><u>100.00%</u></u>

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 4. Deposits and Investments (Continued)

Credit Risk

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

Concentration of Credit Risk

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

Interest Rate Risk

As a means of limiting exposure to fair value losses arising from rising interest rates, the Policy requires that at least 50% of the investment portfolio mature in less than one year. At June 30, 74.0% of the portfolio will mature in less than one year.

The above items are reflected in the statements as follows:

	Primary Government	School Board Component Unit
Deposits and investments:		
Cash on hand	\$ 3,341	\$ -
Deposits	83,287,382	9,030,701
Investments	32,773,038	-
	\$ 116,063,761	\$ 9,030,701
Statement of net position:		
Cash and cash equivalents	\$ 83,165,864	\$ 9,030,701
Restricted cash, cash equivalents, and investments	32,897,897	-
	\$ 116,063,761	\$ 9,030,701

All investments were in compliance with the Policy.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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	\$ 22,745,970	\$ -	\$ -	\$ -	\$ -
Accounts	1,534,193	635,985	204,610	840,595	143,656
Intergovernmental	3,707,307	-	-	-	4,046,411
Gross receivables	27,987,470	635,985	204,610	840,595	4,190,067
Less: allowance for uncollectibles	(2,333,195)	(18,740)	-	(18,740)	-
Net total receivables	<u>\$ 25,654,275</u>	<u>\$ 617,245</u>	<u>\$ 204,610</u>	<u>\$ 821,855</u>	<u>\$ 4,190,067</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 9.50% 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 (93.33%) and private pay (6.67%). The allowance for uncollectible accounts is 2.95% and is based on specific account identification.

Unavailable/Unearned Revenue

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

	Deferred Inflows	
	Unavailable/ Unearned	Unearned
Property taxes	\$ 23,162,532	\$ 21,539,257
Other receivables not available to liquidate liabilities of current period	1,098,468	-
Total unavailable/unearned revenue	<u>\$ 24,261,000</u>	<u>\$ 21,539,257</u>

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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	\$ 3,468,570	\$ 683,800	\$ -	\$ 4,152,370
Construction in progress	652,417	881,774	563,621	970,570
Total capital assets, not depreciated	<u>4,120,987</u>	<u>1,565,574</u>	<u>563,621</u>	<u>5,122,940</u>
Capital assets, depreciated:				
Buildings and improvements	48,350,452	1,378,609	-	49,729,061
Machinery and equipment	20,210,422	3,289,597	1,300,187	22,199,832
Total capital assets, depreciated	<u>68,560,874</u>	<u>4,668,206</u>	<u>1,300,187</u>	<u>71,928,893</u>
Less accumulated depreciation for:				
Buildings and improvements	24,329,580	1,197,143	-	25,526,723
Machinery and equipment	11,747,334	2,429,454	1,195,561	12,981,227
Total accumulated depreciation	<u>36,076,914</u>	<u>3,626,597</u>	<u>1,195,561</u>	<u>38,507,950</u>
Net capital assets, depreciated	<u>32,483,960</u>	<u>1,041,609</u>	<u>104,626</u>	<u>33,420,943</u>
Governmental activities net capital assets	<u>\$ 36,604,947</u>	<u>\$ 2,607,183</u>	<u>\$ 668,247</u>	<u>\$ 38,543,883</u>
Business-Type Activities				
Capital assets, not depreciated:				
Land	\$ 1,080,025	\$ 140,546	\$ -	\$ 1,220,571
Construction in progress	71,299	98,852	40,226	129,925
Total capital assets, not depreciated	<u>1,151,324</u>	<u>239,398</u>	<u>40,226</u>	<u>1,350,496</u>
Capital assets, depreciated:				
Buildings and improvements	19,103,135	593,457	-	19,696,592
Machinery and equipment	4,600,996	702,081	495,875	4,807,202
Total capital assets, depreciated	<u>23,704,131</u>	<u>1,295,538</u>	<u>495,875</u>	<u>24,503,794</u>
Less accumulated depreciation for:				
Buildings and improvements	10,554,389	964,707	-	11,519,096
Machinery and equipment	3,398,044	342,394	437,667	3,302,771
Total accumulated depreciation	<u>13,952,433</u>	<u>1,307,101</u>	<u>437,667</u>	<u>14,821,867</u>
Net capital assets, depreciated	<u>9,751,698</u>	<u>(11,563)</u>	<u>58,208</u>	<u>9,681,927</u>
Business-type activities net capital assets	<u>\$ 10,903,022</u>	<u>\$ 227,835</u>	<u>\$ 98,434</u>	<u>\$ 11,032,423</u>

(Continued)

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 6. Capital Assets (Continued)

<u>Component Unit – School Board</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not depreciated:				
Land	\$ 2,087,837	\$ -	\$ -	\$ 2,087,837
Construction in progress	1,515,960	14,105,798	587,458	15,034,300
Total capital assets, not depreciated	3,603,797	14,105,798	587,458	17,122,137
Capital assets, depreciated:				
Buildings and improvements	197,080,334	683,087	-	197,763,421
Machinery and equipment	24,011,134	2,274,942	167,580	26,118,496
Total capital assets, depreciated	221,091,468	2,958,029	167,580	223,881,917
Less accumulated depreciation for:				
Buildings and improvements	118,359,634	4,166,626	-	122,526,260
Machinery and equipment	14,298,274	1,657,681	160,184	15,795,771
Total accumulated depreciation	132,657,908	5,824,307	160,184	138,322,031
Net capital assets, depreciated	88,433,560	(2,866,278)	7,396	85,559,886
School Board net capital assets	<u>\$ 92,037,357</u>	<u>\$ 11,239,520</u>	<u>\$ 594,854</u>	<u>\$ 102,682,023</u>

Depreciation expense was charged to functions/programs as follows:

Primary Government – Governmental Activities	
General government administration	\$ 180,810
Judicial administration	392,527
Public safety	1,763,629
Public works	158,333
Health and welfare	144,884
Parks, recreation, and cultural	357,495
Community development	50,458
Total governmental activities	<u>\$ 3,048,136</u>
Primary Government – Business-Type Activities	
Nursing home	293,484
Solid waste	951,517
Total business-type activities	<u>\$ 1,245,001</u>
Component Unit – School Board	<u>\$ 5,824,307</u>

The total increase in accumulated depreciation reflected above in governmental activities includes accumulated depreciation of items transferred from the donated assets and Enterprise Funds of \$578,461 for governmental activities and for business-type activities, \$62,100 of accumulated depreciation for items transferred from the General Fund.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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	\$ 5,967,000	\$ -	\$ 1,420,000	\$ 4,547,000	\$ 1,413,000
School projects	39,561,169	36,865,000	3,870,217	72,555,952	4,508,020
Bond premium	3,941,682	3,220,678	268,441	6,893,919	429,475
Total general obligation and revenue bonds	49,469,851	40,085,678	5,558,658	83,996,871	6,350,495
Capital Leases:					
County projects	576,392	-	33,391	543,001	35,846
School projects	6,517,208	-	377,548	6,139,660	405,301
Compensated absences	1,644,774	1,627,407	1,452,356	1,819,825	1,606,929
Other post-employment benefits	438,711	48,000	(25,799)	512,510	-
Net pension liability	5,931,437	2,578,602	1,785,383	6,724,656	-
Total long-term liabilities	<u>\$ 64,578,373</u>	<u>\$ 44,339,687</u>	<u>\$ 9,181,537</u>	<u>\$ 99,736,523</u>	<u>\$ 8,398,571</u>
Business-type activities:					
Capital leases	\$ -	\$ 438,909	\$ 24,944	\$ 413,965	\$ 24,944
Compensated absences	226,961	348,415	307,516	267,860	267,276
Other post-employment benefits	87,331	11,000	-	98,331	-
Net pension liability	569,394	488,911	320,471	737,834	-
Landfill closure/postclosure costs	6,354,305	106,372	-	6,460,677	140,081
Total long-term liabilities	<u>\$ 7,237,991</u>	<u>\$ 1,393,607</u>	<u>\$ 652,931</u>	<u>\$ 7,978,667</u>	<u>\$ 432,301</u>
Component Unit					
School Board					
Capital leases	\$ 2,752,882	\$ 1,305,270	\$ 816,745	\$ 3,241,407	\$ 690,869
Compensated absences	1,727,169	1,040,622	1,093,401	1,674,390	1,059,989
Other post-employment benefits	1,171,635	697,000	183,114	1,685,521	-
Net pension liability	78,504,000	13,229,254	3,157,660	88,575,594	-
Total long-term liabilities	<u>\$ 84,155,686</u>	<u>\$ 16,272,146</u>	<u>\$ 5,250,920</u>	<u>\$ 95,176,912</u>	<u>\$ 1,750,858</u>

(Continued)

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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
2018	\$ 5,921,020	\$ 3,354,383	\$ 441,147	\$ 174,245	\$ 690,869	\$ 54,588
2019	5,628,380	2,812,711	464,843	162,342	702,785	42,672
2020	5,542,392	2,556,998	492,226	149,939	714,909	30,548
2021	4,971,160	2,314,131	525,000	136,659	561,553	18,213
2022	3,380,000	2,118,640	540,000	122,680	379,433	8,878
2023-2027	19,395,000	7,894,052	3,139,284	380,264	191,858	2,794
2028-2032	20,265,000	3,416,398	1,080,161	28,755	-	-
2033-2037	12,000,000	983,674	-	-	-	-
	<u>\$ 77,102,952</u>	<u>\$ 25,450,987</u>	<u>\$ 6,682,661</u>	<u>\$ 1,154,884</u>	<u>\$ 3,241,407</u>	<u>\$ 157,693</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.

On October 25, 2016, the County participated in the Virginia Public School Authority Bonds Series 2016B Fall Pool sale. Bonds were issued in the amount of \$36,685,000 with interest rates ranging from 2.80% to 5.05% until final maturity in July 2036. Net bond proceeds of \$40,085,678 (after premium of \$3,220,678) are being used for various capital projects for the School Board.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 7. Long-Term Liabilities (Continued)

Details of long-term liabilities are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>	
PRIMARY GOVERNMENT						
Governmental Activities:						
General Obligation Bonds						
County:						
General obligation refunding bonds	1.85%	2013	2017	\$ 3,750,000	\$ 375,000	
VPSA Bonds	3.05-5.05	2013	2021	187,000	<u>187,000</u>	
Total governmental activities-County					<u>562,000</u>	
Schools:						
VPSA Bonds	4.35-5.35%	1997	2017	\$ 4,700,000	370,000	
VPSA Bonds	3.60-5.10	1998	2018	5,200,000	520,000	
VPSA Bonds	5.10-6.10	1999	2019	12,030,340	2,151,770	
VPSA Bonds	5.10-6.35	2000	2020	4,200,000	1,240,000	
VPSA Bonds	4.98-5.85	2000	2020	6,285,526	1,441,182	
VPSA Bonds	4.10-5.10	2008	2029	5,420,000	3,240,000	
VPSA Bonds	3.05-5.05	2013	2031	23,788,000	23,788,000	
VPSA Bonds	2.80-5.05	2017	2037	36,865,000	<u>36,865,000</u>	
Total general obligation bonds-Schools					<u>69,615,952</u>	
Total general obligation bonds					<u>\$ 70,177,952</u>	
Lease Revenue Bonds						
County:						
Bedford County EDA-Courthouse and Social Services Refunding	2.05%	2015	2020	\$ 7,875,000	\$ 2,990,000	
Bedford County EDA Refunding-Group Home	2.81	2015	2021	1,525,000	<u>995,000</u>	
Total lease revenue bonds-County					<u>3,985,000</u>	
Schools:						
Bedford County EDA Refunding-Jefferson Forest High School	2.810%	2015	2031	\$ 5,700,000	<u>2,940,000</u>	
Total lease revenue bonds					<u>\$ 6,925,000</u>	
Capital Leases						
Capital One-Energy Conservation Measures						
County	2.65%	2012	2029	\$ 650,042	\$ 543,001	
Schools	2.65	2012	2029	7,349,958	<u>6,139,660</u>	
Total capital leases					<u>\$ 6,682,661</u>	
Business-Type Activities:						
Capital Leases						
John Deere-Solid Waste equipment	3.25%	2017	2022	\$ 138,894	\$ 132,472	
John Deere-Solid Waste equipment	3.25	2017	2022	300,015	<u>281,493</u>	
Total capital leases-business-type activities					<u>413,965</u>	
Total business-type activities					<u>\$ 413,965</u>	
COMPONENT UNIT						
School Board						
Capital leases:						
SunTrust	13 buses	1.94%	2013	2019	\$ 1,095,679	\$ 478,392
Wachovia Bank, N.A.	14 buses	1.78	2014	2020	1,271,888	732,919
First Citizens Bank & Trust	14 buses	1.75	2015	2021	1,287,652	919,475
U.S. Bancorp Gov't Leasing	14 buses	1.456	2016	2022	1,305,270	<u>1,110,621</u>
Total capital leases-School Board					<u>\$ 3,241,407</u>	

(Continued)

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 7. Long-Term Liabilities (Continued)

The Schools lease buses under various capital leases expiring at various dates through 2022.

The assets acquired through capital leases are as follows:

	Component Unit
	School Board
Machinery and equipment	\$ 4,960,489
Less: accumulated depreciation	754,219
	\$ 4,206,270

Note 8. Interfund Receivables and Payables and Transfers

The \$135,184 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 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 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.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
- **Creditable Service** – Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
- **Vesting** – Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.
- **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.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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** for members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

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

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

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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.
 - The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.
 - Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.
 - **Defined Contribution Component** – Not Applicable.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 9. Defined Benefit Pension Plan (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	County
Inactive members or their beneficiaries currently receiving benefits	171
Inactive members:	
Vested	64
Non-vested	255
Active Elsewhere in VRS	122
Total inactive members	441
Active members	429
Total covered employees	1,041

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, 2017 was 6.57% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$1,308,922 and \$1,504,142 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability

The political subdivision's net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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, 2015, 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, 2016.

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 – 14% of deaths are assumed to be service related. Public Safety Employees – 60% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2000 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees – Largest 10 – Non-LEOS and all Others (Non 10 Largest): Update mortality table; decrease in rates of service retirement; decrease in rates of disability retirement; and reduce rates of salary increase by 0.25% per year.

Public Safety Employees – Largest 10 – Non-LEOS and all Others (Non 10 Largest): Update mortality table; adjustment to rates of service retirement for females (Non 10 Largest); decrease in rates of male disability (Largest 10, only); decrease in male and female rates of disability (Non 10 Largest) increase in rates of withdrawal.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 9. Defined Benefit Pension Plan (Continued)

Long-Term Expected Rate of Return

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

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

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

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 9. Defined Benefit Pension Plan (Continued)

Discount Rate

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

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a) – (b)
Balances at June 30, 2015	\$ 61,943,176	\$ 58,259,370	\$ 3,683,806
Changes for the year:			
Service cost	1,804,637	-	1,804,637
Interest	4,238,485	-	4,238,485
Differences between expected and actual experience	(1,711,831)	-	(1,711,831)
Contributions – employer	-	1,481,732	(1,481,732)
Contributions – employee	-	826,393	(826,393)
Net investment income	-	1,023,046	(1,023,046)
Benefit payments, including refunds of employee contributions	(2,786,780)	(2,786,780)	-
Administrative expenses	-	(36,107)	36,107
Other changes	-	(430)	430
Net changes	1,544,511	507,854	1,036,657
Balances at June 30, 2016	\$ 63,487,687	\$ 58,767,224	\$ \$4,720,463

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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	\$ 13,430,477	\$ 4,720,463	\$ (2,467,840)

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

For the year ended June 30, 2017, the political subdivision recognized pension expense of \$482,913. At June 30, 2017, 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	\$ -	\$ 1,791,515
Net difference between projected and actual earnings on pension plan investments	1,539,162	-
Employer contributions subsequent to the measurement date	1,308,922	-
	<u>\$ 2,848,084</u>	<u>\$ 1,791,515</u>

The \$1,308,922 reported as deferred outflows of resources related to pensions resulting from the Political Subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Increase (Reduction) to Pension Expense</u>
2018	\$ (710,229)
2019	(679,094)
2020	529,556
2021	607,414
2022	-
Thereafter	-

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2017, approximately \$188,607 was payable to the Virginia Retirement System for the legally required contributions related to June 2017 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 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, 2015 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	161
Inactive members:	
Vested	26
Non-vested	54
Active Elsewhere in VRS	22
Total inactive members	102
Active members	285
Total covered employees	548

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

Contributions

The school division's contractually required contribution rate for the year ended June 30, 2017 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 \$253,457 and \$394,983 for the years ended June 30, 2017 and June 30, 2016, 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, 2015	\$ 20,921,922	\$ 20,964,066	\$ (42,144)
Changes for the year:			
Service cost	558,668	-	558,668
Interest	1,431,511	-	1,431,511
Differences between expected and actual experience	(638,390)	-	(638,390)
Contributions – employer	-	390,587	(390,587)
Contributions – employee	-	262,489	(262,489)
Net investment income	-	364,171	(364,171)
Benefit payments, including refunds of employee contributions	(943,544)	(943,544)	-
Administrative expenses	-	(13,042)	13,042
Other changes	-	(154)	154
Net changes	408,245	60,507	347,738
Balances at June 30, 2016	\$ 21,330,167	\$ 21,024,573	\$ 305,594

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	\$ 2,759,554	\$ 305,594	\$ (1,769,341)

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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, 2017, the school division recognized pension expense of \$116,586. At June 30, 2017, 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	\$ 33,937	\$ 439,515
Net difference between projected and actual earnings on pension plan investments	550,665	-
Employer contributions subsequent to the measurement date	253,457	-
	\$ 838,059	\$ 439,515

The \$253,457 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, 2017. 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
2018	\$ (167,443)
2019	(179,994)
2020	273,986
2021	218,538
2022	-
Thereafter	-

Pension Plan Data

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

Payables to the Pension Plan

At June 30, 2017, approximately \$42,733 was payable to the Virginia Retirement System for the legally required contributions related to June 2017 payroll.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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 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. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin requiring that the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Each school division’s contractually required contribution rate for the year ended June 30, 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 actuarial rate for the Teacher Retirement Plan was 16.32%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 89.84% of the actuarial rate for the year ended June 30, 2017. Contributions to the pension plan from the school division were \$6,950,571 and \$6,672,491 for the years ended June 30, 2017 and June 30, 2016, respectively.

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

At June 30, 2017, the school division reported a liability of \$88,270,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 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, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the school division’s proportion was 0.63% as compared to 0.62% at June 30, 2015.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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, 2017, the school division recognized pension expense of \$6,049,491. 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, 2017, 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	\$ -	\$ 2,860,000
Net difference between projected and actual earnings on pension plan investments	5,042,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,316,000	3,760,000
Employer contributions subsequent to the measurement date	6,950,571	-
	\$ 14,303,571	\$ 6,620,000

The \$6,950,571 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Increase (Reduction) to Pension Expense
2018	\$ (710,000)
2019	(679,000)
2020	530,000
2021	607,000
2022	-
Thereafter	-

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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, 2016, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	<u>Teacher Employee Retirement Plan</u>
Total Pension Liability	\$ 44,182,326
Plan Fiduciary Net Position	<u>30,168,211</u>
Employers' Net Pension Liability (Asset)	<u>\$ 14,014,115</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.28%

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:

Net Pension Liability	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School division's proportionate share of the VRS teacher employee retirement plan net pension liability	\$ 125,830,000	\$ 88,270,000	\$ 57,330,000

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2017, approximately \$821,613 was payable to the Virginia Retirement System for the legally required contributions related to June 2017 payroll.

Note 12. Other Post-Employment Benefits (OPEB)

A. Plan Description

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

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

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

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

B. Funding Policy

The County and School Board currently fund post-employment health care benefits on a pay-as-you-go basis. During fiscal year 2017, neither the County nor the School Board designated any funding for the OPEB liability.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 12. Other Post-Employment Benefits (OPEB) (Continued)

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

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

	County	School Board
Annual required contribution	\$ 64,000	\$ 711,000
Interest on net OPEB contribution	21,000	41,000
Adjustment to annual required contribution	(26,000)	(55,000)
Annual OPEB cost	59,000	697,000
Contributions made	25,799	(183,114)
Increase in net OPEB obligation	84,799	513,886
Net OPEB obligation-beginning of year	526,042	1,171,635
Net OPEB obligation-end of year	\$ 610,841	\$ 1,685,521

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
County			
June 30, 2017	\$ 59,000	0.00%	\$ 610,841
June 30, 2016	122,000	0.00	527,042
June 30, 2015	114,000	0.00	380,972
School Board			
June 30, 2017	697,000	26.27	1,685,521
June 30, 2016	699,000	112.63	1,171,635
June 30, 2015	667,000	82.86	1,259,902

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 12. Other Post-Employment Benefits (OPEB) (Continued)

D. Funded Status and Funding Progress

As of July 1, 2016, the County and School Board's most recent actuarial valuation date, the actuarial accrued liability for benefits was \$524,000 and \$6,859,000, all of which was unfunded. The County's covered payroll (annual payroll of active employees covered by the Plan) was \$18,450,608, and the ratio of the UAAL to the covered payroll was 2.84%. The School Board's covered payroll was \$54,678,161, and the ratio of the UAAL to the covered payroll was 12.54%. Actuarial valuations of an ongoing plan involve estimates and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

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

E. Actuarial Methods and Assumptions

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

In the July 1, 2016 actuarial valuation, the projected unit credit actuarial cost method was used to determine liabilities. Under this method, the postretirement health costs are assumed to be earned ratably from the date of hire to the participant's assumed retirement age. The actuarial assumptions included a 4.00% discount rate for the County and a 3.50% discount rate for the School Board; a 2.80% inflation rate for the County and a 2.50% inflation rate for the School Board; a 3.50% payroll increase for both the County and School Board, and an initial annual healthcare cost trend of 6.00% reduced gradually each year to the rate in 2050 of 5.40% for the County and 5.41% for the School Board. The unfunded actuarial accrued liability is being amortized as a percentage of pay over a closed period. The remaining amortization period at June 30, 2016 was 22 years.

Note 13. 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.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 13. 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	163
Terminated Vested Participants	92
Total	255

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, 2016 rolled forward to June 30, 2017 using the actuarial assumptions applied to all periods included in the measurement.

Inflation	0.0%
Salary increases	Not Applicable
Investment rate of return	3.56%, 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 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.

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 13. 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, 2016	\$ 2,833,005	\$ -	\$ 2,833,005
Changes for the year:			
Service cost	104,705	-	104,705
Interest	98,842	-	98,842
Differences between expected and actual experience	-	-	-
Contributions – employer	-	-	-
Contributions – employee	-	-	-
Net investment income	-	-	-
Benefit payments, including refunds of employee contributions	(118,545)	-	(118,545)
Administrative expenses	-	-	-
Changes in assumptions	(156,953)	-	(156,953)
Net changes	(71,851)	-	(71,851)
Balances at June 30, 2017	\$ 2,761,154	\$ -	\$ 2,761,154

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 3.56%, 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 (2.56%) or one percentage point higher (4.56%) than the current rate:

Net Pension Liability (Asset)	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
Bedford County – LOSAP	\$ 2,961,953	\$ 2,761,154	\$ 2,555,909

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 13. 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, 2017, the LOSAP recognized pension expense of \$186,208. At June 30, 2017, 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	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-
Changes in assumptions	-	139,514
Employer contributions subsequent to the measurement date	-	-
	\$ -	\$ 139,514

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
2018	\$ (17,439)
2019	(17,439)
2020	(17,439)
2021	(17,439)
2022	(17,439)
Thereafter	(52,319)

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 14. 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 \$1,482,974.

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

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

Permit #560

The County's active landfill site, permit #560, began accepting waste on October 9, 1993. State and federal laws and regulations require the County to place a final cover on this landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions for thirty (30) years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used, as of each balance sheet date. The \$4,977,703 reported as landfill closure and postclosure care liability as of June 30, 2017 represents the cumulative amount reported to date based on the use of approximately 73% of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$1,846,289 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2016. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The County expects its disposal area to reach capacity in 2022.

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

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 15. 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.

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

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

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

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 15. Fund Balances (Continued)

	<u>General Fund</u>	<u>School Board</u>
Nonspendable:		
Inventories	\$ 46,839	\$ 106,742
Prepays	231,726	128,825
	<hr/>	<hr/>
Total nonspendable	278,565	235,567
	<hr/>	<hr/>
Restricted for:		
Public safety	1,877,439	-
Education	27,804,339	-
Other purposes	22,300	20,079
	<hr/>	<hr/>
Total restricted	29,704,078	20,079
	<hr/>	<hr/>
Committed to:		
Public works	461,886	-
Health self insurance	-	1,925,102
Education-operating	-	96,368
Community development	38,877	-
Education-maintenance projects	-	1,148,008
Capital projects	5,069,889	-
	<hr/>	<hr/>
Total committed	5,570,652	3,169,478
	<hr/>	<hr/>
Assigned to:		
Judicial administration	36,626	-
Public safety	1,543,061	-
Public works-landfill cell construction	1,500,000	-
Health and welfare	17,685	-
Education-nutrition	-	1,754,840
Education-maintenance projects	-	1,596,142
Education-textbooks	842,262	426,391
Education-capital projects	-	30,980
Funding of subsequent year budget	27,145,583	-
Subsequent year appropriation of fund balance	386,065	-
	<hr/>	<hr/>
Total assigned	31,471,282	3,808,353
	<hr/>	<hr/>
Unassigned	25,656,556	(748,023)
	<hr/>	<hr/>
Total fund balances	<u>\$ 92,681,133</u>	<u>\$ 6,485,454</u>

COUNTY OF BEDFORD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 16. 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 \$464,731 and \$254,432 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 \$308,166.

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 \$44,264. 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 \$404,954.

Health Care

The County carried commercial insurance for employee health insurance plans for the year ended June 30, 2017.

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 \$8,702,389. Administrative fees and stop loss premiums for the year ended June 30 totaled \$1,260,573. Estimated incurred but not reported (IBNR) claims at June 30 based on prior experience totaled \$440,000. Changes in the balance of claims payable liability during the past year is as follows:

	Health Insurance
Unpaid Claims at July 1	\$ 707,568
Incurred claims (including IBNR and changes in estimates)	8,702,389
Claim payments	<u>(8,688,259)</u>
Unpaid claims at June 30	<u>\$ 721,698</u>

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 17. 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 2017.

Blue Ridge Regional Jail Authority (BRRJA)

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

Joint Ventures:

Region 2000 Radio Communications Board

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

COUNTY OF BEDFORD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 17. 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 \$103,829 for 2017. Separate financial statements for TLAC are not available.

Note 18. Commitments and Contingencies

Litigation

The County, in connection with the normal conduct of its affairs, is involved in various claims, judgements, and litigation. There is one potential claim against the County which has been determined to have a potentially material effect on the financial statements of the County.

The claim seeks \$3.0 million from the County from a former employee alleging improper termination and violation of First Amendment rights. The claim is being defended by counsel hired by the Division of Risk Management under the County's liability insurance policy. The case is in the discovery phase and is scheduled for trial in May 2018. The County intends to vigorously defend against this claim and believes the Plaintiff's claims are of little merit.

Special Purpose Grants

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

Note 19. Lease Commitments

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

Year Ending June 30,	
2018	\$ 450,000
2019	750,000
	<u>\$ 1,200,000</u>

Note 20. Subsequent Event

Subsequent to year end, the School Board entered into a master equipment lease-purchase agreement in the amount of \$1,328,096 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 \$201,075 through September 2023.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 21. 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, 2017, the County paid the Town \$750,000, which was the Town's share of additional funding for the year.

Note 22. Restatement of Beginning Net Position and Fund Balance

In the current year the County adopted GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions that are provided and are not within the scope of Statement 68. This Statement also establishes requirements for governments that hold assets accumulated for purposes of providing pensions through defined benefit pension plans that are not administered through trusts. The new Statement requires governments providing defined benefit pensions to recognize the long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information, including disclosing descriptive information about the type of benefits provided, how contributions to the pension plan are determined, and assumptions and methods used to calculate the pension liability. This Statement specifically relates to the Fire and Rescue Length of Service Awards Program (LOSAP). Accordingly, the County is restating beginning net position to reflect the net pension liability.

The Bedford Regional Water Authority (formerly known as the Bedford Public Service Authority), pursuant to an agreement dated November 13, 2003, collects rents from Cellular and Broadband companies leasing space on the Smith Mountain Lake Water Tank. The agreement calls for the rents to be divided 60% to the Authority and 40% to the County. The 40% share has not been previously reflected in the County's financial statements. Accordingly, the County is restating beginning net position and fund balance to reflect the funds as part of the General Fund.

	Primary Government	
	Governmental Activities	General Fund
	Net Position	Fund Balance
At June 30, 2016, as previously reported	\$ 37,302,666	\$ 59,925,122
Recognition of pension related liabilities, deferred outflows and deferred inflows in accordance with GASB No. 73	(2,833,006)	-
Recognition of cell tower revenue funds held with the Bedford Regional Water Authority	86,839	86,839
At June 30, 2016, as restated	34,556,499	60,011,961

COUNTY OF BEDFORD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 23. New Accounting Standards

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

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 45 and No. 57 and establishes new accounting requirements for OPEB plans. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* provides recognition and measurement guidance for situations in which a government is a beneficiary of an irrevocable split-interest agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73* addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding the presentation of payroll related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for Asset Retirement Obligations (AROs). This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. This Statement will be effective for the year ending June 30, 2019.

COUNTY OF BEDFORD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 23. New Accounting Standards (Continued)

GASB Statement No. 84, *Fiduciary Activities* establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement will be effective for the year ending June 30, 2020.

GASB Statement No. 85, *Omnibus 2017* addresses practice issues that have been identified during implementation and application of certain GASB Statements, including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation.
- Reporting amounts previously reported as goodwill and “negative” goodwill.
- Classifying real estate held by insurance entities.
- Measuring certain money market investments and participating interest earning investment contracts at amortized cost.
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus.
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements.
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB.
- Classifying employer-paid member contributions for OPEB.
- Simplifying certain aspects of the alternative measurement method for OPEB.
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 87, *Leases* establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. This Statement will be effective for the year ending June 30, 2021.

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

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REQUIRED SUPPLEMENTAL INFORMATION

COUNTY OF BEDFORD, VIRGINIA

Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios – Primary Government
June 30, 2017

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

	Plan Year		
	2016	2015	2014
Total Pension Liability			
Service cost	\$ 558,668	\$ 601,405	\$ 582,857
Interest on total pension liability	1,431,511	1,351,849	1,277,059
Changes in benefit terms	-	-	-
Difference between expected and actual experience	(638,390)	80,427	-
Changes in assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(943,544)	(847,770)	(735,199)
Net change in total pension liability	408,245	1,185,911	1,124,717
Total pension liability – beginning	<u>20,921,922</u>	<u>19,736,011</u>	<u>18,611,294</u>
Total pension liability – ending	<u>21,330,167</u>	<u>20,921,922</u>	<u>19,736,011</u>
Plan Fiduciary Net Position			
Contributions – employer	390,587	404,699	475,727
Contributions – employee	262,489	272,628	286,798
Net investment income	364,171	923,208	2,759,864
Benefit payments, including refunds of employee contributions	(943,544)	(847,770)	(735,199)
Administrative expenses	(13,042)	(12,637)	(14,693)
Other	(154)	(196)	146
Net change in plan fiduciary net position	60,507	739,932	2,772,643
Plan fiduciary net position – beginning	<u>20,964,066</u>	<u>20,224,134</u>	<u>17,451,491</u>
Plan fiduciary net position – ending	<u>21,024,573</u>	<u>20,964,066</u>	<u>20,224,134</u>
Net pension liability – ending	<u>\$ 305,594</u>	<u>\$ (42,144)</u>	<u>\$ (488,123)</u>
Plan fiduciary net position as a percentage of total pension liability	<u>99%</u>	<u>100%</u>	<u>102%</u>
Covered employee payroll	<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>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.

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, 2017

	<u>Plan Year</u>
	<u>2017</u>
Total Pension Liability	
Service cost	\$ 104,705
Interest on total pension liability	98,942
Changes in benefit terms	-
Difference between expected and actual experience	-
Changes in assumptions	(156,953)
Benefit payments, including refunds of employee contributions	<u>(118,545)</u>
Net change in total pension liability	(71,851)
Total pension liability – beginning	<u>2,833,005</u>
Total pension liability – ending	<u>2,761,154</u>
Plan Fiduciary Net Position	
Contributions – employer	-
Contributions – employee	-
Net investment income	-
Benefit payments, including refunds of employee contributions	-
Administrative expenses	-
Other	-
Net change in plan fiduciary net position	<u>-</u>
Plan fiduciary net position – beginning	<u>-</u>
Plan fiduciary net position – ending	<u>-</u>
Net pension liability – ending	<u>\$ 2,761,154</u>
Plan fiduciary net position as a percentage of total pension liability	<u>0%</u>
Covered employee payroll	<u>\$ -</u>
Net pension liability as a percentage of covered employee payroll	<u>0%</u>

Schedule is intended to show information for 10 years. Since the 2017 fiscal year (plan year 2016) 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, 2017

<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					
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					
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					
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, 2017

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
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, 2017

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
2017	\$ 6,950,571	\$ 6,950,571	\$ -	\$ 47,412,846	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

Schedule of OPEB Funding Progress
June 30, 2017

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (c)</u>	<u>UAAL as a Percentage of Payroll (b-a)/c</u>
County – OPEB						
June 30, 2016	\$ -	\$ 524,000	\$ 524,000	0.00 %	18,450,608	2.84 %
June 30, 2015	-	968,000	968,000	0.00	17,522,239	5.52
June 30, 2014	-	872,000	872,000	0.00	18,233,530	4.78
Component unit – School Board – OPEB						
June 30, 2016	\$ -	\$ 6,859,000	\$ 6,859,000	0.00 %	54,678,161	12.54 %
June 30, 2015	-	6,985,000	6,985,000	0.00	52,800,069	13.23
June 30, 2014	-	6,885,000	6,885,000	0.00	55,151,852	12.48

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

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

COUNTY OF BEDFORD, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2017

Note 1. **Changes of Benefit Terms**

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, 2016 are not material.

Note 2. **Changes of Assumptions**

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

Largest 10 – Non-LEOS:

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

Largest 10 –LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) – LEOS:

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

Teacher cost-sharing pool

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

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OTHER SUPPLEMENTAL INFORMATION

COUNTY OF BEDFORD, VIRGINIA

Agency Funds –
Combining Statement of Fiduciary Net Position
June 30, 2017

	<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	\$ 705,061	\$ 1,221	\$ 3,729	\$ 25,036	\$ 110,993	\$ 90,439	\$ 63,600	\$ 1,000,081
Security deposits	900	-	-	-	-	-	-	900
Accounts receivable	9,986	-	-	-	-	-	-	9,986
Total assets	<u>\$ 715,947</u>	<u>\$ 1,221</u>	<u>\$ 3,729</u>	<u>\$ 25,036</u>	<u>\$ 110,993</u>	<u>\$ 90,439</u>	<u>\$ 63,600</u>	<u>\$ 1,010,967</u>
Liabilities								
Accounts payable	\$ 573	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 573
Accrued liabilities	474	-	-	-	-	-	-	474
Amounts held for others	714,900	1,221	3,729	25,036	110,993	90,439	63,600	1,009,920
Total liabilities	<u>\$ 715,947</u>	<u>\$ 1,221</u>	<u>\$ 3,729</u>	<u>\$ 25,036</u>	<u>\$ 110,993</u>	<u>\$ 90,439</u>	<u>\$ 63,600</u>	<u>\$ 1,010,967</u>

COUNTY OF BEDFORD, VIRGINIA

Agency Funds –
 Combining Statement of Changes in Fiduciary Assets and Liabilities
 For the Year Ended June 30, 2017

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Ending</u>
Tri-County Lake Administrative Commission				
Assets:				
Cash and cash equivalents	\$ 604,753	\$ 310,731	\$ 210,422	\$ 705,062
Security deposits	900	-	-	900
Accounts receivable	9,527	311,189	310,731	9,985
	<u>\$ 615,180</u>	<u>\$ 621,920</u>	<u>\$ 521,153</u>	<u>\$ 715,947</u>
Liabilities:				
Accounts payable	\$ 2,938	\$ 78,410	\$ 80,775	\$ 573
Accrued liabilities	645	129,475	129,646	474
Amounts held for others	611,597	103,303	-	714,900
	<u>\$ 615,180</u>	<u>\$ 311,188</u>	<u>\$ 210,421</u>	<u>\$ 715,947</u>
Bedford Community Coalition				
Assets:				
Cash and cash equivalents	\$ 1,220	\$ 3	\$ -	\$ 1,223
Liabilities:				
Amounts held for others	\$ 1,220	\$ 3	\$ -	\$ 1,223
Bedford Wine Trail				
Assets:				
Cash and cash equivalents	\$ 3,025	\$ 1,500	\$ 796	\$ 3,729
Liabilities:				
Accounts payable	\$ -	\$ 796	\$ 796	\$ -
Amounts held for others	3,025	704	-	3,729
	<u>\$ 3,025</u>	<u>\$ 1,500</u>	<u>\$ 796</u>	<u>\$ 3,729</u>
Special Welfare Fund				
Assets:				
Cash and cash equivalents	\$ 32,726	\$ 97,384	\$ 105,074	\$ 25,036
Accounts receivable	268	-	268	-
	<u>\$ 32,994</u>	<u>\$ 97,384</u>	<u>\$ 105,342</u>	<u>\$ 25,036</u>
Liabilities:				
Amounts held for others	\$ 32,994	\$ 97,384	\$ 105,342	\$ 25,036
Road Escrow Accounts				
Assets:				
Cash and cash equivalents	\$ 60,541	\$ 145,212	\$ 94,760	\$ 110,993
Liabilities:				
Amounts held for others	\$ 60,541	\$ 145,212	\$ 94,760	\$ 110,993

COUNTY OF BEDFORD, VIRGINIA

**Agency Funds –
Combining Statement of Changes in Fiduciary Assets and Liabilities
For the Year Ended June 30, 2017**

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Ending</u>
Land Disturbing Bonds				
Assets:				
Cash and cash equivalents	\$ 228,211	\$ 9,702	\$ 147,474	\$ 90,439
Liabilities:				
Amounts held for others	\$ 228,211	\$ 9,702	\$ 147,474	\$ 90,439
Sheriff Asset Seizures				
Assets:				
Cash and cash equivalents	\$ 31,307	\$ 40,761	\$ 8,468	\$ 63,600
Liabilities:				
Amounts held for others	\$ 31,307	\$ 40,761	\$ 8,468	\$ 63,600
Total Fiduciary Funds				
Assets:				
Cash and cash equivalents	\$ 961,783	\$ 605,293	\$ 566,994	\$ 1,000,082
Security deposits	900	-	-	900
Accounts receivable	9,795	311,189	310,999	9,985
Total assets	<u>\$ 972,478</u>	<u>\$ 916,482</u>	<u>\$ 877,993</u>	<u>\$ 1,010,967</u>
Liabilities:				
Accounts payable	\$ 2,938	\$ 79,206	\$ 81,571	\$ 573
Accrued liabilities	645	129,475	129,646	474
Amounts held for others	968,895	397,069	356,044	1,009,920
Total liabilities	<u>\$ 972,478</u>	<u>\$ 605,750</u>	<u>\$ 567,261</u>	<u>\$ 1,010,967</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 Balance Sheet
 Year Ended June 30, 2017

	Special Revenue Funds			Capital Projects	Total Governmental Funds
	Operating	Nutrition	Textbooks		
ASSETS					
Cash and cash equivalents	\$ 5,335,210	\$ 2,028,275	\$ 1,634,661	\$ 32,555	\$ 9,030,701
Receivables, net	4,173,829	16,238	-	-	4,190,067
Due from primary government	6,282,507	-	-	3,163,436	9,445,943
Prepays	102,706	26,119	-	-	128,825
Inventories	-	106,742	-	-	106,742
Total assets	<u>\$ 15,894,252</u>	<u>\$ 2,177,374</u>	<u>\$ 1,634,661</u>	<u>\$ 3,195,991</u>	<u>\$ 22,902,278</u>
LIABILITIES					
Accounts payable and accrued expenses	\$ 757,954	\$ 5,381	\$ 38,519	\$ 3,165,011	\$ 3,966,865
Accrued payroll and related liabilities	10,539,600	284,292	-	-	10,823,892
Self insurance	872,415	-	-	-	872,415
Deferred revenue	753,652	-	-	-	753,652
Total liabilities	<u>12,923,621</u>	<u>289,673</u>	<u>38,519</u>	<u>3,165,011</u>	<u>16,416,824</u>
FUND BALANCES					
Fund balances:					
Nonspendable	102,706	132,861	-	-	235,567
Restricted	20,079	-	-	-	20,079
Committed	3,169,478	-	-	-	3,169,478
Assigned	426,391	1,754,840	1,596,142	30,980	3,808,353
Unassigned	(748,023)	-	-	-	(748,023)
Total fund balances	<u>2,970,631</u>	<u>1,887,701</u>	<u>1,596,142</u>	<u>30,980</u>	<u>6,485,454</u>
Total liabilities and fund balances	<u>\$ 15,894,252</u>	<u>\$ 2,177,374</u>	<u>\$ 1,634,661</u>	<u>\$ 3,195,991</u>	

COUNTY OF BEDFORD, VIRGINIA

Discretely Presented Component Unit – Bedford County School Board
 Combining Balance Sheet
 Year Ended June 30, 2017

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

Total Fund Balance, Governmental Funds		\$ 6,485,454
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		
Gross capital assets at historical cost	\$ 241,004,054	
Accumulated depreciation	<u>(138,322,031)</u>	102,682,023
Other long-term assets not available to pay for current period expenditures and therefore are deferred in the funds		1,644,436
Contributions to the pension plan are deferred outflows of resources on the Statement of Net Position		7,204,028
Change in proportionate share – teacher cost sharing pool		2,311,000
Differences between expected and actual experience		33,937
Net difference between projected and actual earnings on plan investments		5,592,665
Long-term liabilities do not require the use of current financial resources and are not reported as expenditures in governmental funds		
Accrued interest	(43,836)	
Capital leases	(3,241,407)	
Compensated absences	(1,674,390)	
Other post-employment benefits	(1,685,521)	
Net pension liability	<u>(88,575,594)</u>	(95,220,748)
Pension related deferrals		<u>(7,059,515)</u>
Net position of Governmental Activities		<u><u>\$ 23,673,280</u></u>

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, 2017

	Special Revenue Funds				Total Governmental Funds
	Operating	Nutrition	Textbooks	Capital Projects	
REVENUES					
Revenue from use of money and property	\$ 42,569	\$ 8,237	\$ 2,207	\$ 11	\$ 53,024
Charges for services	809,889	1,771,472	-	-	2,581,361
Other	1,174,384	-	5,654	-	1,180,038
Intergovernmental:					
County of Bedford	33,948,817	-	-	13,623,037	47,571,854
Commonwealth of Virginia	55,386,221	89,263	715,629	-	56,191,113
Federal government	5,893,743	2,135,687	-	-	8,029,430
Total revenues	97,255,623	4,004,659	723,490	13,623,048	115,606,820
EXPENDITURES					
Current:					
Instructional	68,325,183	-	643,465	-	68,968,648
Administration, attendance, and health	4,032,200	-	-	-	4,032,200
Pupil transportation services	7,794,492	-	-	-	7,794,492
Operations and maintenance services	9,729,099	-	-	-	9,729,099
Nutrition services	-	3,974,898	-	-	3,974,898
Technology	6,231,132	-	-	-	6,231,132
Debt Service:					
Principal	816,745	-	-	-	816,745
Interest and other fiscal charges	51,428	-	-	-	51,428
Capital projects	-	-	-	13,661,412	13,661,412
Total expenditures	96,980,279	3,974,898	643,465	13,661,412	115,260,054
Excess (deficiency) of revenues over expenditures	275,344	29,761	80,025	(38,364)	346,766
OTHER FINANCING SOURCES					
Capital lease proceeds	1,305,270	-	-	-	1,305,270
Transfers in	14,645	-	-	-	14,645
Transfers out	-	(14,645)	-	-	(14,645)
Total other financing sources	1,319,915	(14,645)	-	-	1,305,270
Net change in fund balances	1,595,259	15,116	80,025	(38,364)	1,652,036
Fund balance, beginning	1,375,372	1,872,585	1,516,117	69,344	
Fund balance, ending	\$ 2,970,631	\$ 1,887,701	\$ 1,596,142	\$ 30,980	

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, 2017**

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

Net changes in fund balances - total governmental funds \$ 1,652,036

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	\$ 16,465,629	
Depreciation expense for governmental	<u>(5,824,307)</u>	10,641,322

The net effect of various transaction involving capital assets (sales, trade ins) is to decrease net position		(7,396)
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Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		136,554
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

New long-term debt issued	(1,305,270)	
Principal payments on long-term debt	816,745	
Increase in accrued interest payable	<u>(4,474)</u>	(492,999)

Revenue in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds		
Donated assets		10,740
Other revenues		(1,249,671)

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	52,779	
Other postemployment benefits	(513,886)	
Pension expense	<u>897,001</u>	<u>435,894</u>

Total changes in net position of governmental activities		<u>\$ 11,126,480</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, 2017**

	Operating			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from use of money and property	\$ -	\$ -	\$ 42,569	\$ 42,569
Charges for services	715,000	715,000	775,897	60,897
Other	158,000	480,201	439,051	(41,150)
Intergovernmental:				
County of Bedford	33,382,743	35,214,488	34,392,306	(822,182)
Commonwealth of Virginia	54,598,858	55,124,518	55,410,483	285,965
Federal government	4,911,892	5,746,892	5,630,726	(116,166)
Total revenues	<u>93,766,493</u>	<u>97,281,099</u>	<u>96,691,032</u>	<u>(590,067)</u>
EXPENDITURES				
Current:				
Instructional	67,467,677	69,095,028	68,930,465	164,563
Administration, attendance, and health	3,915,945	4,040,945	4,020,323	20,622
Pupil transportation services	7,593,436	7,593,436	7,349,736	243,700
Operations and maintenance services	9,241,318	11,003,573	9,870,139	1,133,434
Nutrition services	-	-	-	-
Technology	5,548,117	5,548,117	5,504,977	43,140
Total expenditures	<u>93,766,493</u>	<u>97,281,099</u>	<u>95,675,640</u>	<u>1,605,459</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>1,015,392</u>	<u>1,015,392</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,015,392</u>	<u>\$ 1,015,392</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	\$ 8,237	\$ 1,237	\$ -	\$ -	\$ 2,207	\$ 2,207
2,260,005	2,260,005	1,771,472	(488,533)	-	-	-	-
-	-	-	-	-	-	5,654	5,654
-	-	-	-	-	-	-	-
51,163	51,163	93,766	42,603	699,005	699,005	715,629	16,624
2,231,623	2,231,623	2,135,687	(95,936)	-	-	-	-
4,549,791	4,549,791	4,009,162	(540,629)	699,005	699,005	723,490	24,485
-	-	-	-	699,005	699,005	642,223	56,782
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
4,549,791	4,549,791	4,011,418	538,373	-	-	-	-
-	-	-	-	-	-	-	-
4,549,791	4,549,791	4,011,418	538,373	699,005	699,005	642,223	56,782
-	-	(2,256)	(2,256)	-	-	81,267	81,267
\$ -	\$ -	\$ (2,256)	\$ (2,256)	\$ -	\$ -	\$ 81,267	\$ 81,267

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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, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 42,580,000	\$ 42,580,000	\$ 43,072,121	\$ 492,121
Real and personal public service corporation property taxes	1,450,000	1,450,000	1,727,839	277,839
Personal property taxes (local remittance)	12,900,000	12,900,000	13,957,838	1,057,838
Machinery and tools taxes	2,997,500	2,997,500	3,768,362	770,862
Mobile home taxes	124,000	124,000	128,889	4,889
Penalties and interest	750,000	750,000	877,045	127,045
Total general property taxes	<u>60,801,500</u>	<u>60,801,500</u>	<u>63,532,094</u>	<u>2,730,594</u>
Other local taxes:				
Local sales and use taxes	5,376,902	5,376,902	5,765,399	388,497
Consumer utility taxes	1,219,400	1,219,400	1,242,417	23,017
Utility license tax	83,000	83,000	86,079	3,079
Bank stock taxes	260,000	260,000	353,727	93,727
Taxes on recordations and wills	930,000	930,000	1,107,057	177,057
Transient occupancy tax	420,000	420,000	614,451	194,451
Meals tax	1,425,000	1,425,000	1,522,290	97,290
Communications sales tax	1,850,000	1,850,000	1,813,030	(36,970)
Total other local taxes	<u>11,564,302</u>	<u>11,564,302</u>	<u>12,504,450</u>	<u>940,148</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	50,000	50,000	37,614	(12,386)
Building permits	275,000	275,000	288,677	13,677
Other permits and licenses	17,100	17,100	24,678	7,578
Planning permits and fees	160,000	160,000	164,852	4,852
Total permits, privilege fees, and regulatory licenses	<u>502,100</u>	<u>502,100</u>	<u>515,821</u>	<u>13,721</u>
Fines and forfeitures	<u>120,000</u>	<u>120,000</u>	<u>152,790</u>	<u>32,790</u>
Revenue from use of money and property:				
Revenue from use of money	275,050	275,128	483,610	208,482
Revenue from use of property	161,042	170,697	200,605	29,908
Total revenue from use of money and property	<u>436,092</u>	<u>445,825</u>	<u>684,215</u>	<u>238,390</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, 2017**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Charges for services:				
Court costs	\$ 156,704	\$ 156,704	\$ 204,065	\$ 47,361
Commonwealth attorney	4,000	4,000	5,045	1,045
Law enforcement and traffic control	105,000	105,000	157,900	52,900
County attorney	-	-	2,316	2,316
Welfare and social services	15,500	15,500	33,313	17,813
Comprehensive services	20,000	20,000	27,195	7,195
Recreation fees	-	39,808	40,446	638
EMS cost recoveries	1,500,000	1,500,000	1,590,477	90,477
Other	5,000	5,000	4,804	(196)
Total charges for services	<u>1,806,204</u>	<u>1,846,012</u>	<u>2,065,561</u>	<u>219,549</u>
Miscellaneous	<u>286,741</u>	<u>315,372</u>	<u>441,880</u>	<u>126,508</u>
Recovered costs:				
City of Bedford – shared services	35,000	35,000	37,453	2,453
Bedford Public Library	35,000	35,000	35,000	-
Tri-County Lake Administrative Commission	10,000	10,000	10,000	-
Central Garage	140,000	140,000	165,576	25,576
Prisoner Extradition	-	-	2,882	2,882
Nursing Home	225,000	225,000	292,646	67,646
Total recovered costs	<u>445,000</u>	<u>445,000</u>	<u>543,557</u>	<u>98,557</u>
Total revenue from local sources	<u>75,961,939</u>	<u>76,040,111</u>	<u>80,440,368</u>	<u>4,400,257</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	10,000	10,000	205,792	195,792
Mobile home titling taxes	75,000	75,000	106,552	31,552
Recordation taxes	270,000	270,000	280,112	10,112
Railroad rolling stock taxes	180,000	180,000	164,959	(15,041)
Total non-categorical aid	<u>6,621,051</u>	<u>6,621,051</u>	<u>6,843,466</u>	<u>222,415</u>
Categorical aid:				
Shared expenses:				
Commonwealth's Attorney	583,555	583,555	573,135	(10,420)
Sheriff	2,370,762	2,370,762	2,309,915	(60,847)
Commissioner of the Revenue	237,241	237,241	218,124	(19,117)
Treasurer	229,267	229,267	221,296	(7,971)
Registrar and Electoral board	54,939	54,939	46,980	(7,959)
Clerk of the Circuit Court	443,421	443,421	448,030	4,609
Communications	145,545	145,545	141,577	(3,968)
Total shared expenses	<u>4,064,730</u>	<u>4,064,730</u>	<u>3,959,057</u>	<u>(105,673)</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, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Other:				
Social services	\$ 2,399,074	\$ 2,399,074	\$ 2,006,391	\$ (392,683)
Comprehensive services	1,850,345	2,075,425	1,902,002	(173,423)
Forfeited asset seizure proceeds	-	1,371	1,371	-
State internet crimes	-	1,560,868	1,187,594	(373,274)
EMS Four for Life	75,000	75,000	79,683	4,683
Fire funds	200,000	200,000	222,862	22,862
Public safety grants	-	76,204	39,918	(36,286)
Victim witness coordinator	21,754	37,278	32,923	(4,355)
Domestic violence grants	155,000	382,232	224,309	(157,923)
VJCCCA	70,751	70,751	70,751	-
Wireless E-911 grant	97,300	97,300	94,689	(2,611)
PSAP grants	-	152,000	301,325	149,325
Record preservation grant	-	34,019	30,972	(3,047)
VA Commission of Arts	5,000	5,000	5,000	-
Juror and witness reimbursement	27,000	27,000	22,559	(4,441)
Virginia Tobacco Commission grants	-	40,000	12,615	(27,385)
VDOT Revenue Sharing	-	38,407	38,407	-
Other	32,361	32,361	32,267	(94)
Total other categorical aid	4,933,585	7,304,290	6,305,638	(998,652)
Total categorical aid	8,998,315	11,369,020	10,264,695	(1,104,325)
Total revenue from the Commonwealth	15,619,366	17,990,071	17,108,161	(881,910)
Revenue from the federal government:				
Payments in lieu of taxes	-	-	56,453	56,453
Categorical aid:				
Social services	2,821,778	2,821,778	3,331,828	510,050
Sheriff – DMV grants	-	42,155	24,890	(17,265)
Justice assistance grants	-	16,046	746	(15,300)
Federal Agency overtime reimbursement	-	-	6,829	6,829
Internet crimes grant	-	560,144	313,303	(246,841)
Bulletproof vest grant	-	8,396	6,052	(2,344)
Other law enforcement grants	-	4,400	1,600	(2,800)
Victim witness coordinator	65,293	111,863	104,624	(7,239)
Domestic violence grants	6,296	12,704	93,141	80,437
Other	127,627	127,627	149,663	22,036
Total categorical aid	3,020,994	3,705,113	4,032,676	327,563
Total revenue from the federal government	3,020,994	3,705,113	4,089,129	384,016
Total intergovernmental revenues	18,640,360	21,695,184	21,197,290	(497,894)
Total general fund	\$ 94,602,299	\$ 97,735,295	\$ 101,637,658	\$ 3,902,363

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, 2017**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Expenditures				
General government administration:				
Legislative:				
Board of Supervisors	\$ 126,409	\$ 126,409	\$ 112,108	\$ 14,301
General and financial administration:				
County administration	436,123	438,291	416,797	21,494
County attorney	226,104	230,187	131,318	98,869
Independent auditor	66,000	66,000	62,771	3,229
Commissioner of the Revenue	580,902	580,902	534,944	45,958
Assessor	514,973	514,973	1,832	513,141
Treasurer	663,855	668,154	626,637	41,517
Fiscal management	528,383	587,794	580,036	7,758
Information technology	729,555	757,648	721,192	36,456
Human resources	265,525	278,784	261,673	17,111
Electoral board	185,953	185,953	137,216	48,737
Registrar	209,474	217,913	198,398	19,515
Total general and financial administration	4,406,847	4,526,599	3,672,814	853,785
Total general government administration	4,533,256	4,653,008	3,784,922	868,086
Judicial administration:				
Courts:				
Circuit Court	88,893	88,893	83,691	5,202
District Court	22,925	22,925	12,469	10,456
Magistrates	2,850	2,850	1,622	1,228
Juvenile and Domestic Relations District Court	14,400	14,400	12,463	1,937
Clerk of the Circuit Court	959,419	995,380	951,913	43,467
Circuit Court Records Preservation	-	34,019	33,552	467
Victim Witness Coordinator	154,710	224,570	204,596	19,974
Law Library	10,950	10,950	9,290	1,660
Other court services	12,000	12,000	12,000	-
Total courts	1,266,147	1,405,987	1,321,596	84,391
Commonwealth's Attorney	863,650	917,619	891,266	26,353
Total judicial administration	2,129,797	2,323,606	2,212,862	110,744
Public safety:				
Law enforcement and traffic control:				
Sheriff	6,772,246	6,956,591	6,795,507	161,084
Internet Crimes Grant	4,779	2,145,791	1,361,457	784,334
Law enforcement grants	6,438	84,739	64,396	20,343
Total law enforcement and traffic control	6,783,463	9,187,121	8,221,360	965,761
Fire and rescue services:				
Volunteer fire companies	1,633,468	1,616,288	1,450,192	166,096
Volunteer rescue squads	1,103,464	1,116,043	964,192	151,851
Other fire and rescue services	85,000	78,000	52,973	25,027
Total fire and rescue services	2,821,932	2,810,331	2,467,357	342,974

(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, 2017**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Correction and detention:				
Blue Ridge Regional Jail	\$ 1,750,000	\$ 1,750,000	\$ 1,747,539	\$ 2,461
VJCCA	201,285	201,285	116,393	84,892
Juvenile secure detention	300,000	300,000	224,728	75,272
Total correction and detention	<u>2,251,285</u>	<u>2,251,285</u>	<u>2,088,660</u>	<u>162,625</u>
Building Inspections	<u>471,885</u>	<u>495,599</u>	<u>477,264</u>	<u>18,335</u>
Other protection:				
Animal shelter	194,973	197,702	160,242	37,460
Animal control	257,282	263,985	262,017	1,968
Emergency services	2,540,332	2,700,591	2,699,605	986
Emergency management grants	-	18,400	17,400	1,000
Communications center	2,632,897	2,703,710	2,590,891	112,819
Communications grants	-	2,000	1,325	675
Transportation Safety Committee	750	1,000	997	3
Total other protection	<u>5,626,234</u>	<u>5,887,388</u>	<u>5,732,477</u>	<u>154,911</u>
Total public safety	<u>17,954,799</u>	<u>20,631,724</u>	<u>18,987,118</u>	<u>1,644,606</u>
Public works:				
Sanitation and waste removal:				
Refuse collection	<u>3,000,526</u>	<u>3,058,392</u>	<u>2,936,753</u>	<u>121,639</u>
Total sanitation and waste removal	<u>3,000,526</u>	<u>3,058,392</u>	<u>2,936,753</u>	<u>121,639</u>
Maintenance – buildings and grounds:				
Housekeeping	394,504	413,130	408,494	4,636
General properties	1,080,426	1,114,375	959,546	154,829
Central garage	325,262	326,421	280,125	46,296
Total maintenance – buildings and grounds	<u>1,800,192</u>	<u>1,853,926</u>	<u>1,648,165</u>	<u>205,761</u>
Total public works	<u>4,800,718</u>	<u>4,912,318</u>	<u>4,584,918</u>	<u>327,400</u>
Health and welfare:				
Health:				
Supplement to local health department	<u>488,509</u>	<u>488,509</u>	<u>488,509</u>	<u>-</u>
Welfare:				
Social services	7,945,037	7,958,037	7,490,168	467,869
Comprehensive services	2,789,000	3,120,000	2,985,525	134,475
Domestic violence	332,411	517,000	406,685	110,315
Other health and welfare	219,500	219,500	219,000	500
Total welfare	<u>11,285,948</u>	<u>11,814,537</u>	<u>11,101,378</u>	<u>713,159</u>
Total health and welfare	<u>11,774,457</u>	<u>12,303,046</u>	<u>11,589,887</u>	<u>713,159</u>
Education:				
Community college	<u>1,900</u>	<u>1,900</u>	<u>1,889</u>	<u>11</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, 2017**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Parks, recreation, and cultural:				
Recreation department	\$ 1,231,315	\$ 1,313,415	\$ 1,304,140	\$ 9,275
Cultural enrichment	128,750	138,750	138,750	-
Contribution to Regional Library	1,571,235	1,571,235	1,571,235	-
Total parks, recreation, and cultural	<u>2,931,300</u>	<u>3,023,400</u>	<u>3,014,125</u>	<u>9,275</u>
Community development:				
Planning and community development:				
Planning commission	68,720	68,720	50,565	18,155
Community development	664,622	703,724	653,449	50,275
GIS	263,559	282,253	228,375	53,878
Board of appeals	6,288	6,288	935	5,353
Economic development	587,580	595,497	595,482	15
Joint City/County Economic development	750,000	750,000	750,000	-
Chamber of Commerce	5,000	5,000	5,000	-
Tourism	530,031	540,011	469,484	70,527
Tourism grants	-	9,695	-	9,695
Total planning and community development	<u>2,875,800</u>	<u>2,961,188</u>	<u>2,753,290</u>	<u>207,898</u>
Environmental management:				
Natural Resources	302,214	316,522	302,026	14,496
Soil and Water Conservation District	14,250	14,250	14,250	-
Tri-County Lake Administrative Commission	98,829	103,829	103,829	-
Total environmental management	<u>415,293</u>	<u>434,601</u>	<u>420,105</u>	<u>14,496</u>
Cooperative Extension Program:				
VPI & SU Extension Office	74,760	74,760	73,451	1,309
Cannery	35,913	36,176	12,579	23,597
Total cooperative extension program	<u>110,673</u>	<u>110,936</u>	<u>86,030</u>	<u>24,906</u>
Total community development	<u>3,401,766</u>	<u>3,506,725</u>	<u>3,259,425</u>	<u>247,300</u>
Debt Service:				
Principal retirement	5,701,156	5,701,156	5,701,156	-
Interest and other fiscal charges	2,077,280	2,180,914	2,175,912	5,002
Total debt service	<u>7,778,436</u>	<u>7,882,070</u>	<u>7,877,068</u>	<u>5,002</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, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Capital projects:				
General governmental	1,069,125	1,622,430	621,604	1,000,826
Judicial administration	8,855	8,855	-	8,855
Public safety	2,097,856	2,438,980	1,724,920	714,060
Public works	1,420,953	1,534,877	981,625	553,252
Health and welfare	-	14,000	13,945	55
Education	2,967,656	42,949,700	10,591,079	32,358,621
Parks, recreation, and cultural	413,483	414,513	154,646	259,867
Community and economic development	2,427,131	2,467,131	2,013,307	453,824
Total capital projects	<u>10,405,059</u>	<u>51,450,486</u>	<u>16,101,126</u>	<u>35,349,360</u>
Total expenditures	<u>65,711,488</u>	<u>110,688,283</u>	<u>71,413,340</u>	<u>39,274,943</u>
Excess of Revenues over Expenditures	<u>28,890,811</u>	<u>(12,952,988)</u>	<u>30,224,318</u>	<u>43,177,306</u>
Other Financing Sources (Uses):				
Transfers to:				
Component units	\$ (33,382,743)	\$ (35,214,488)	\$ (34,392,306)	\$ 822,182
VPSA bonds	-	36,865,000	36,865,000	-
Bond premium	-	3,220,678	3,220,678	-
Total other financing sources and uses	<u>(33,382,743)</u>	<u>4,871,190</u>	<u>5,693,372</u>	<u>822,182</u>
Net change in fund balance	<u>\$ (4,491,932)</u>	<u>\$ (8,081,798)</u>	<u>\$ 35,917,690</u>	<u>\$ 43,999,488</u>

COUNTY OF BEDFORD, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

<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	\$ 675,558
<u>Department of the Agriculture and Consumer Services:</u>		
Child Nutrition Cluster – National School Lunch Program (Commodities)	10.555	276,725
Child Nutrition Cluster – Summer Food Service Program for Children	10.559	1,425
Child Nutrition Discretionary Grants Limited Availability	10.579	30,350
<u>Department of Education:</u>		
Child Nutrition Cluster – National School Breakfast Program	10.553	529,651
Child Nutrition Cluster – National School Lunch Program	10.555	1,575,686
Schools and Roads – Grants to States	10.665	2,834
<u>Department Of Justice:</u>		
<u>Direct Payments:</u>		
Missing Children’s Task Force	16.543	243,138
Federal Surplus Property Transfer Program	16.578	13,062
Bulletproof Vest Partnership Program	16.607	6,946
JAG Program Cluster – Edward Byrne Memorial Justice Assistance Grant	16.738	4,939
Body Worn Camera Policy and Implementation	16.835	9,999
<u>Pass-Through Payments:</u>		
<u>Department of Criminal Justice Services:</u>		
Crime Victim Assistance	16.575	183,853
Violence Against Women Formula Grants	16.588	12,549
<u>Pass-Through Payments:</u>		
<u>Office of the Attorney General</u>		
Treasury Forfeiture Fund Program	21.000	35,204
<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	7,915
Alcohol Open Container Requirements	20.607	4,792
National Priority Safety Programs	20.616	12,311
<u>Department of Education:</u>		
Twenty-First Century Community Learning Centers	84.287	859,959
<u>Department of Education:</u>		
Adult Education Grants to States	84.002	85,884
Title I, Part A Cluster – Title I: Grants to Local Educational Agencies	84.010	1,818,289
Special Education Cluster – Special Education – Grants to States	84.027	2,547,630
Vocational Education – Basic Grants to States	84.048	93,969
Special Education Cluster – Special Education – Preschool Grants	84.173	50,018

COUNTY OF BEDFORD, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

<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>		
Advanced Placement Program	84.330	\$ 7,144
English Language Acquisition Grants	84.365	18,538
No Child Left Behind Act Improving Teacher Quality State Grants	84.367	304,466
<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	29,493
TANF Block Grant	93.558	402,671
Refugee and Entrant Assistance – State Administered Program	93.566	968
Low Income Home Energy Assistance	93.568	30,822
CCDF Cluster – Payments to States for Child Care Assistance	93.575	(91)
CCDF Cluster – Child Care Development Fund	93.596	59,972
Chafee Education & Training Vouchers Program	93.599	924
Adoption Incentives Payment Program	93.603	1,432
Child Welfare Services – State Grants	93.645	811
Foster Care – Title IV-E	93.658	646,480
Adoption Assistance	93.659	527,396
Social Service Block Grant	93.667	432,405
Family Violence Prevention and Services/Grants for Battered Women’s Shelters	93.671	9,911
Independent Living	93.674	6,567
Virginia Children’s Medical Insurance Plan	93.767	28,723
Medical Assistance Program (Medicaid; Title XIX)	93.778	872,670
<u>Department of Homeland Security:</u>		
<u>Pass-through Payments:</u>		
<u>Department of Emergency Management Services:</u>		
Emergency Management Performance Grants	97.042	13,305
Total Expenditures of Federal Awards		<u>\$ 12,477,293</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, 2017, the County had food commodities totaling \$721 in inventory. The Bedford County School Board had food commodities totaling \$276,725 in inventory at June 30, 2017.

Note 3. Indirect Costs

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

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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net investment in capital assets	\$ 21,352,975	\$ 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
Restricted	5,342	57	20	3	648,562	127,265	18,033	1,079	1,778,497	-
Unrestricted	(39,372,692)	(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
Total governmental activities net position	\$ (18,014,375)	\$ (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
Business-type activities										
Net investment in capital assets	\$ 11,329,513	\$ 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
Restricted	-	48	19	4	3	-	-	-	-	-
Unrestricted	5,762,678	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
Total business-type activities net position	\$ 17,092,191	\$ 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
Primary government										
Net investment in capital assets	\$ 32,682,488	\$ 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
Restricted	5,342	105	39	7	648,565	127,265	18,033	1,079	1,778,497	-
Unrestricted	(33,610,014)	(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
Total primary government net position	\$ (922,184)	\$ 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
Component Unit-School Board (1)										
Net investment in capital assets	\$ 103,265,540	\$ 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
Restricted	2,176	331	20	4	763,216	4	6	6	-	-
Unrestricted	3,268,571	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)
Total component unit-School Board net position	\$ 106,536,287	\$ 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

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

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

Table 2

COUNTY OF BEDFORD, VIRGINIA

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Primary Government:										
Expenses										
Governmental activities:										
General government	\$ 3,380,053	\$ 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
Judicial administration	2,284,198	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
Public safety	13,833,606	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
Public works	5,502,498	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
Health and welfare	13,059,878	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
Education	47,741,253	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
Parks, recreational, and cultural	3,236,708	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
Community development	6,204,133	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
Interest on long-term debt	4,577,074	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
Total governmental activities expenses	99,819,401	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
Business-type activities:										
Group homes	-	2,025,932	1,929,560	1,993,131	2,023,174	1,452,772	-	-	-	-
Nursing home	4,342,769	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
Solid waste	2,806,450	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
Total business-type activities expenses	7,149,219	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
Total primary government expenses	\$ 106,968,620	\$ 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
Program Revenues										
Governmental activities:										
Charges for services:										
Public safety	\$ 2,163,510	\$ 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
Health and welfare	2,921,589	1,058,391	1,044,637	814,513	822,149	846,663	324,979	119,175	132,634	141,947
Community development	535,270	438,539	394,042	326,217	262,608	190,748	243,713	247,451	241,294	255,561
Other activities	963,336	1,028,522	926,581	908,164	794,555	854,456	605,163	747,100	824,510	958,722
Operating grants and contributions	13,585,678	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
Capital grants and contributions	1,377,486	333,475	125,180	572,784	53,965	218,081	278,842	104,082	346,027	239,004
Total governmental activities program revenues	21,546,869	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
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	4,487,317	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
Solid Waste	2,145,939	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
Operating grants and contributions	360,639	324,405	401,302	540,807	538,281	397,699	397,947	351,149	295,454	378,572
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	6,993,895	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
Total primary government program revenues	28,540,764	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
Net (expense) revenue (1)										
Governmental activities	(78,272,532)	(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)
Business-type activities	(155,324)	872,947	243,902	(31,553)	(1,185,481)	(1,397,738)	(820,321)	1,012,582	908,133	1,156,988
Total primary government net expense	(78,427,856)	(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)

(Continued)

COUNTY OF BEDFORD, VIRGINIA

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 50,206,992	\$ 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
Other local taxes	12,420,350	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
Noncategorical state aid	6,745,218	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
Investment earnings-unrestricted	1,134,312	507,834	174,192	292,420	248,974	246,068	241,059	150,908	261,818	274,992
Investment earnings-restricted for capital projects, debt service and length of service award program	738,678	187,973	6,818	3,023	7,070	14,986	1,925	1,233	55,460	263,835
Miscellaneous	162,905	107,511	227,217	314,326	337,273	946,856	229,025	205,121	573,225	1,677,067
Transfers	741	(335,021)	-	-	-	162,292	35,205	2,867	-	5,751
Special Item - contribution of capital assets	-	-	-	-	-	-	817,884	-	-	-
Total governmental activities	71,409,196	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
Business-type activities:										
Investment earnings-unrestricted and restricted	498,046	190,527	25,056	23,637	21,315	38,382	42,071	15,811	58,686	29,687
Miscellaneous	-	4,284	26	13,498	13	3,777	6,484	-	1,158	62,879
Transfers	(741)	335,021	-	-	3,802	(162,292)	(35,205)	(2,867)	-	(5,751)
Total business-type activities	497,305	529,832	25,082	37,135	25,130	(120,133)	13,350	12,944	59,844	86,815
Total primary government	\$ 71,906,501	\$ 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
Change in Net Position										
Governmental activities	\$ (6,863,336)	\$ 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
Business-type activities	341,981	1,402,779	268,984	5,582	(1,160,351)	(1,517,871)	(806,971)	1,025,526	967,977	1,243,803
Total Primary Government	\$ (6,521,355)	\$ 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
Component Unit-School Board: (2)										
Expenses										
Education	\$ 99,029,507	\$ 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
Program Revenues										
Charges for services	8,883,190	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
Operating grants and contributions	21,392,617	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
Capital grants and contributions	500,990	10,000	-	-	-	-	-	-	-	-
Total component unit program revenues	30,776,797	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
Net (expense)/revenue	(68,252,710)	(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)
General Revenues and Other Changes in Net Position										
Contribution from primary government	47,739,518	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
State aid	36,088,770	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
Investment earnings-unrestricted	5	-	-	2,427	-	-	-	-	791	1,073
Investment earnings-restricted for capital projects and debt service	6,983	1,466	141	62	37	1,101	968	651	-	-
Miscellaneous	265,144	37,703	67,502	54,319	177,854	274,752	471,503	109,450	405,311	308,640
Special Item - contribution of capital assets	-	-	-	-	-	-	1,321,103	-	-	-
Total general revenues and other changes in net assets	84,100,420	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
Total Component Unit-School Board Change in Net Position	\$ 15,847,710	\$ 4,366,743	\$ (2,241,974)	\$ (2,255,502)	\$ (4,400,742)	\$ (2,025,541)	\$ (1,765,262)	\$ (2,964,639)	\$ 1,676,115	\$ 11,126,480

(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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Funds										
General Fund										
Nonspendable	\$ 527,941	\$ 535,613	\$ 572,710	\$ 591,378	\$ 609,118	\$ 617,553	\$ 617,465	\$ 234,600	\$ 268,645	\$ 278,565
Restricted	9,748,039	2,753,499	248,090	246,949	8,064,388	770,552	305,038	1,657,857	1,850,461	29,704,078
Committed	3,589,869	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
Assigned	20,450,272	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
Unassigned	5,029,081	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
Total governmental funds	\$ 39,345,202	\$ 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

COUNTY OF BEDFORD, VIRGINIA

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
General property taxes	\$ 50,435,680	\$ 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
Other local taxes	12,429,090	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
Permits, privilege fees, and regulatory licenses	752,110	502,972	469,212	520,504	403,614	491,867	535,127	540,118	512,450	515,652
Fines and forfeitures	125,643	149,258	206,289	175,543	155,453	159,438	144,501	122,821	115,017	155,382
Revenue from use of money and property	1,983,920	783,989	227,479	323,446	286,553	296,329	279,244	275,960	476,458	736,247
Charges for services	3,297,142	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
Other	975,822	504,790	586,216	836,223	551,202	881,022	615,778	541,357	535,437	446,039
Recovered costs	1,893,579	2,091,841	1,858,219	1,785,592	1,709,688	1,759,014	520,202	503,792	460,022	541,654
Intergovernmental	20,221,553	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
Total revenues	92,114,539	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
Expenditures										
General government administration	3,012,437	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
Judicial administration	1,889,969	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
Public safety	13,082,577	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
Public works	4,317,006	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
Health and welfare	12,592,205	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
Education	29,281,512	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
Parks, recreation, and cultural	2,568,142	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
Community development	3,151,955	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
Debt service										
Principal	6,327,234	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
Interest and other fiscal charges	4,597,358	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
Capital projects	25,163,154	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
Total expenditures	105,983,549	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
Excess of revenues over (under) expenditures	(13,869,010)	(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)
Other Financing Sources (Uses)										
Transfers in	-	261,923	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(813,133)	-	-	-	-
Issuance of debt	5,420,000	-	-	-	-	-	-	-	-	36,865,000
Refunding bonds issued	-	-	-	-	-	23,788,000	-	-	7,225,000	-
Premiums on issuance of debt	394,435	-	-	-	-	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	5,814,435	261,923	-	-	8,000,000	(657,064)	-	-	56,190	40,085,678
Net change in fund balances	\$ (8,054,575)	\$ (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

(Continued)

COUNTY OF BEDFORD, VIRGINIA

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt Service as a Percentage of Noncapital Expenditures:										
Primary Government:										
Total debt service	\$ 10,924,592	\$ 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
Total expenditures	105,983,549	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
Capital outlay primary government only	2,310,305	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
Noncapital expenditures	103,673,244	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
Debt service as a percentage of noncapital expenditures	10.54%	12.14%	12.71%	12.30%	11.86%	10.14%	9.48%	10.21%	9.11%	7.48%
Component Unit-School Board:										
Total debt service	1,220,437	1,312,395	1,279,589	1,253,283	1,094,691	923,386	882,627	834,643	787,048	868,173
School expenditures excluding County contribution	69,451,815	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
Capital outlay Component Unit - School Board	21,329,683	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
Noncapital expenditures	48,122,132	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
Primary Government and Component Unit-Schools										
Total Debt Service	12,145,029	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
Total Noncapital Expenditure	\$ 151,795,376	\$ 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
Debt Service as a percentage of noncapital expenditures	8.00%	8.06%	7.88%	7.91%	7.51%	6.82%	6.22%	6.39%	5.88%	5.59%

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

Table 5

COUNTY OF BEDFORD, VIRGINIA

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

Calendar Year	Real Property				Less: Tax Deferred Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Residential Property	Commercial Property	Agricultural Property	Public Service			
2007	\$ 6,416,922,632	\$ 316,676,800	#####	\$ 240,590,375	\$ 1,151,428,300	\$ 7,612,388,507	0.50
2008	6,607,003,403	323,909,200	1,797,799,400	226,978,152	1,173,745,100	7,781,945,055	0.50
2009	6,745,894,103	328,639,600	1,800,619,100	247,559,296	1,177,476,400	7,945,235,699	0.50
2010	6,717,623,265	433,072,300	1,792,334,000	255,469,933	1,191,870,500	8,006,628,998	0.50
2011	6,392,278,090	499,300,600	1,780,976,300	259,649,263	1,199,227,400	7,732,976,853	0.50
2012	6,453,481,865	520,095,300	1,780,679,000	259,179,258	1,173,245,800	7,840,189,623	0.50
2013	6,817,604,111	642,022,000	1,780,412,600	266,427,161	1,206,268,100	8,300,197,772	0.50
2014	6,889,739,371	649,039,700	1,785,041,800	278,858,917	1,215,882,300	8,386,797,488	0.52
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

- (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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Real Estate:										
General Fund	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50	\$ 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	2016 Calendar Year			2007 Calendar Year		
	Assessed Valuation	Rank	% of Total Taxable Assessed Valuation	Assessed Valuation	Rank	% of Total Taxable Assessed Valuation
Appalachian Power Co	\$ 150,026,462	1	1.73%	\$ 111,642,785	1	1.47%
Teva Pharmaceuticals Industries Ltd	47,523,500	2	0.55%	38,711,000	3	0.51%
Norfolk & Western Railway Co	42,669,008	3	0.49%	24,510,649	4	0.32%
Verizon Virginia Inc	30,451,909	4	0.35%	55,401,472	2	0.73%
Southside Electric Corporation	32,557,756	5	0.38%	19,673,256	5	0.26%
GP (Georgia Pacific) Big Island LLC	23,137,000	6	0.27%	12,741,800	6	0.17%
Carriage Square	11,931,000	7	0.14%	-		0.00%
Wal-Mart	10,121,500	8	0.12%	10,051,300	8	0.13%
Boonsboro Country Club	9,603,700	9	0.11%	7,955,100	10	0.10%
Center for Advanced Engineering & Research	9,156,700	10	0.11%	-		0.00%
W.H.M. Corp	-		-	12,010,500	7	
Sentry Equipment Erectors	-		-	8,694,000	9	0.11%
Total	\$ 367,178,535		4.25%	\$ 301,391,862		3.80%

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
2007	37,875,560	238,313	38,113,873	36,284,648	95.80%	1,815,944	38,100,592	99.97%
2008	38,711,970	167,438	38,879,408	37,040,942	95.68%	1,824,665	38,865,607	99.96%
2009	39,442,413	84,851	39,527,264	37,530,764	95.15%	1,977,744	39,508,508	99.95%
2010	39,794,973	88,970	39,883,943	37,517,045	94.28%	2,344,291	39,861,336	99.94%
2011	38,373,116	107,463	38,480,579	36,479,693	95.07%	1,972,491	38,452,184	99.93%
2012	38,826,705	66,588	38,893,293	37,047,971	95.42%	1,798,444	38,846,415	99.88%
2013	40,110,895	99,566	40,210,461	38,498,853	95.98%	1,608,768	40,107,621	99.74%
2014	43,252,910	109,908	43,362,818	41,430,823	95.79%	1,708,495	43,139,318	99.48%
2015	43,857,517	136,512	43,994,029	42,162,884	96.14%	1,439,081	43,601,965	99.11%
2016	44,613,788	109,616	44,723,404	42,886,291	96.13%	1,008,351	43,894,642	98.15%

COUNTY OF BEDFORD, VIRGINIA

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

The County has no overlapping debt

Fiscal Year	Governmental Activities					Business-type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	State Literary Fund Loans	Virginia Public School Authority Bonds	Lease Revenue Bonds	Capital Leases	Lease Revenue Bonds	Capital Leases			
2008	4,040,000	222,629	35,730,154	54,027,709	161,488	-	178,610	94,360,590	3.31%	1,396
2009	3,620,000	-	32,548,964	48,583,557	70,756	2,970,000	112,189	87,905,466	3.17%	1,293
2010	3,200,000	-	29,245,342	46,239,890	-	2,775,000	42,369	81,502,601	2.87%	1,183
2011	2,785,000	-	26,084,759	43,826,527	-	2,575,000	521,497	75,792,783	2.60%	1,092
2012	2,370,000	-	22,893,185	41,505,000	8,000,000	2,365,000	410,371	77,543,556	2.52%	1,114
2013	1,960,000	-	43,704,770	16,640,000	8,000,000	-	295,291	70,600,061	2.20%	925
2014	1,555,000	-	40,732,362	14,125,000	7,825,000	-	176,119	64,413,481	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	*	679
2017	375,000	-	69,802,952	6,925,000	6,682,661	-	413,965	84,199,578	*	*

(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		
2008	\$ 4,040,000	\$ 35,952,783	\$ 39,992,783	0.51%	\$ 591
2009	3,620,000	32,548,964	36,168,964	0.46%	532
2010	3,200,000	29,245,342	32,445,342	0.41%	471
2011	2,785,000	26,084,759	28,869,759	0.37%	416
2012	2,370,000	22,893,185	25,263,185	0.32%	363
2013	1,960,000	43,704,770	45,664,770	0.55%	598
2014	1,742,000	40,545,362	42,287,362	0.50%	548
2015	1,342,000	37,837,048	39,179,048	0.46%	505
2016	947,000	35,221,169	36,168,169	0.42%	467
2017	562,000	69,615,952	70,177,952	0.80%	*

(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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net debt applicable to parameter	\$ 94,181,980	\$ 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
Net debt as a percentage of assessed value (not to exceed 3.5%)	1.21%	1.07%	0.98%	0.94%	0.95%	0.85%	0.77%	0.68%	0.61%	0.96%
Net debt per capita (not to exceed \$1,750)	\$ 1,393	\$ 1,247	\$ 1,142	\$ 1,048	\$ 1,074	\$ 921	\$ 832	\$ 751	\$ 679	*
Debt service as a percentage of General Governmental Expenditures (not to exceed 15%)	9.42%	8.57%	8.04%	8.04%	7.60%	7.27%	6.41%	6.55%	5.94%	11.96%

- (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

Year	Population (1)	Personal Income (2) (5) <i>(thousands of dollars)</i>	Per Capita Personal Income (2) (6)	School Enrollment (3)	Unemployment Rate (4)
2008	67,616	2,846,751	39,114	10,774	3.7%
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	*	*	9,674	4.1%
2017	*	*	*	9,545	4.1%

Sources: (1) Weldon Cooper Center for Public Service, University of Virginia, intercensal estimates for FY 2007 through FY 2010 and estimates for FY 2011 through FY 2015.

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

(3) March 31 ADM

(4) Virginia Employment Commission calendar year data for 2007-2015. Data for 2016 is average for January 1, 2016 through June 30, 2016. Data for 2007-2015 was updated to reflect final calendar year figures rather than average of first six months.

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

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

* Unavailable

Table 13

COUNTY OF BEDFORD, VIRGINIA

Principal Employers
Current Year and Nine Years Ago

Taxpayer	2017		2008	
	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	250-499	3	-	
Mail America Communications	250-499	4	250-499	4
Walmart	250-499	5	250-499	5
** Teva Pharmaceuticals Industries Ltd	250-499	6	250-499	3
GP (Georgia Pacific) Big Island LLC	250-499	7	250-499	6
* Manpower International	250-499	8	-	
Sam Moore Furniture LLC	100-249	9	-	
Food Lion	100-249	10	100-249	9
* Alpha Omega Resources	-	-	100-249	8
Inservice America	-	-	250-499	7
Sentry Equipment Erectors	-	-	100-249	10

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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government administration	44.8	47.0	45.9	46.2	46.8	45.0	46.8	46.3	48.0	49.5
Judicial administration	29.3	28.3	28.3	28.3	28.0	28.8	29.0	29.0	30.0	30.8
Public safety	131.8	138.0	146.0	141.8	151.6	154.3	159.3	154.5	149.0	161.5
Public works	52.3	52.3	53.0	50.9	51.8	49.0	49.0	48.0	49.0	50.5
Health & welfare	85.3	84.3	82.2	82.6	81.8	83.8	87.0	83.0	81.5	88.5
Parks, recreation, and cultural	12.8	14.0	13.0	12.8	13.0	12.5	11.5	12.3	12.8	14.3
Community development	29.5	30.0	26.8	25.3	25.5	25.5	25.0	25.0	24.0	24.0
Other funds										
Group homes	31.5	34.3	32.0	33.8	35.3	23.0	-	-	-	-
Nursing home	83.8	93.8	94.5	99.8	98.8	96.8	96.8	97.0	94.5	94.0
Solid waste	15.5	16.0	16.3	15.6	17.3	18.0	16.8	16.6	15.8	15.5
Other funds	130.8	144.1	142.8	149.2	151.4	137.8	113.6	113.6	110.3	109.5
Total primary government	516.6	538.0	538.0	537.1	549.9	536.7	521.2	511.6	504.6	528.5
Education	1,819.0	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
Total	2,335.6	2,288.0	2,282.0	2,220.1	2,168.9	2,151.7	2,169.2	2,183.6	2,201.6	2,215.5

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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public safety										
Sheriff										
Number of calls	32,442	33,477	32,951	36,934	36,297	35,686	38,370	42,501	43,097	43,847
Criminal warrants served	3,964	3,174	3,156	3,359	1,584	1,197	1,694	1,544	1,485	1,560
Other warrants/protective orders served	982	1,566	1,561	1,464	1,201	1,052	1,155	1,099	1,290	941
Civil papers handled	23,353	24,271	23,181	21,209	20,743	20,090	19,749	18,076	17,281	18,124
Building inspections										
Number of permits	1,935	1,471	1,439	1,402	1,260	1,417	1,509	1,471	1,537	1,561
Value of permits	\$170,770,127	\$ 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
Fire and rescue										
Number of Volunteers	698	661	619	600	606	600	571	558	655	739
Number of EMS calls	14,238	13,864	15,399	15,727	15,054	15,951	15,380	17,029	18,603	18,595
Number of fire calls	3,847	4,042	3,463	3,522	3,380	3,051	2,995	3,482	3,843	4,023
Public Works										
Refuse collection										
Incoming waste tonnage										
Industrial	29	31	46	25	26	25	30	2,946	3,246	4,452
Commercial	15,530	12,904	12,147	13,772	14,164	14,315	17,218	19,095	20,379	20,772
County collection system	25,929	24,117	24,550	24,176	23,908	23,698	23,403	23,590	25,030	25,707
Commercial hauled residential	1,437	1,507	1,536	1,560	1,561	1,538	1,555	1,849	1,932	1,928
Residential hauled	2,027	1,824	1,768	1,890	1,977	2,095	2,018	2,135	2,479	2,915
Total	44,952	40,383	40,047	41,423	41,636	41,671	44,224	49,615	53,066	55,774
Recyclable tonnage collected	1,701	1,731	1,905	1,949	2,019	1,977	1,974	1,962	1,981	2,062
Parks, recreation, and cultural										
(1) Parks and recreation										
Number of child participants	5,328	5,506	5,674	5,264	5,776	5,822	5,667	5,585	6,331	6,525
Number of adult participants	740	985	837	859	913	945	575	563	776	621
Number of senior participants	4,351	4,025	3,993	3,585	4,150	3,987	2,684	3,987	3,069	3,200
Scheduled events	10	12	11	8	8	8	8	8	9	8
Number of event participants	1,705	1,986	1,623	1,180	1,031	1,001	765	1,001	1,091	1,253
Trips/tours	40	46	66	29	26	24	22	24	30	25
Number of trip participants	1,188	1,177	1,419	554	364	355	396	355	507	350

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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public safety										
Sheriff										
Stations	7	9	5	5	5	5	4	4	4	4
Patrol units	94	99	99	102	109	107	113	111	112	116
Fire & rescue										
Rescue squads	11	11	11	11	11	11	11	11	11	10
Satellite rescue squads	5	5	5	5	5	5	5	5	5	5
Fire companies	10	10	10	10	10	10	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	9	8	8	7
Public works										
Refuse collection										
County convenience centers										
Unstaffed	1	1	1	1	1	1	1	1	1	1
Partially staffed	5	5	4	4	4	4	4	4	4	3
Fully staffed	9	9	10	10	10	10	10	10	10	11
Total county convenience centers	15	15	15	15	15	15	15	15	15	15
Leased convenience centers										
Unstaffed	1	0	0	0	0	0	0	0	0	0
Partially staffed	9	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	12	13	13	13	13	13	13	13	14
Parks, recreation, and cultural										
Parks & recreation										
Acreage	625	625	625	625	625	625	625	625	492	492
County parks	4	4	4	4	4	4	4	4	3	3
Leased parks	8	8	8	8	8	8	8	8	8	9
Skate Park	0	0	0	1	1	1	1	1	1	1
Walking/biking trails - miles developed	16	18	18	18	21	23	23	26.5	26.5	33.5
County baseball/softball diamonds	3	4	4	4	4	4	4	4	4	4
Leased baseball/softball diamonds	38	39	39	39	39	39	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	37	38	39
Community centers	1	1	1	1	2	2	2	2	2	3
County Gymnasium	0	0	0	0	0	0	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>2007-08</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>
K	739	782	767	714	776	733	689	686	661	672
1	786	763	792	750	728	769	728	688	662	664
2	746	772	755	771	744	718	759	710	686	690
3	778	775	791	747	784	750	704	742	694	686
4	839	784	766	786	739	784	739	713	739	709
5	855	848	793	759	797	756	798	745	707	756
6	851	832	855	772	763	796	734	806	737	699
7	843	851	870	868	781	782	793	744	807	740
8	865	860	867	865	881	804	782	801	742	803
9	911	859	865	887	874	934	833	822	833	801
10	855	868	821	831	834	837	877	805	800	781
11	889	817	825	783	814	809	787	865	750	775
12	817	876	823	830	784	830	800	788	856	769
Total	<u>10,774</u>	<u>10,687</u>	<u>10,590</u>	<u>10,363</u>	<u>10,299</u>	<u>10,302</u>	<u>10,023</u>	<u>9,915</u>	<u>9,674</u>	<u>9,545</u>
Elementary school membership	6,437	6,407	6,389	6,167	6,112	6,088	5,944	5,834	5,693	5,616
Secondary school membership	<u>4,337</u>	<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>
Total	<u>10,774</u>	<u>10,687</u>	<u>10,590</u>	<u>10,363</u>	<u>10,299</u>	<u>10,302</u>	<u>10,023</u>	<u>9,915</u>	<u>9,674</u>	<u>9,545</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**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Supervisory										
Instructional administrators	10	10	9	9	8	6	8	9	11	13
Noninstructional administrators	14	14	14	13	14	14	16	14	14	12
Consultants/supervisors of instruction	22	24	23	18	26	31	29	30	31	33
Principals	22	22	22	22	22	22	22	22	21	21
Assistant principals	18	16	15	14	14	15	15	14	14	13
Total supervisory	<u>86</u>	<u>86</u>	<u>83</u>	<u>76</u>	<u>84</u>	<u>88</u>	<u>90</u>	<u>89</u>	<u>91</u>	<u>92</u>
Instruction										
Elementary classroom teachers	410	381	386	355	343	350	451	448	434	416
Secondary classroom teachers	400	396	406	396	398	398	315	319	323	308
ESE teachers	3	3	3	3	3	-	3	3	4	5
Other teachers (adult)	5	5	5	5	5	-	-	-	-	-
Other professionals (instructional)	130	125	135	143	122	119	115	119	120	121
Aides	175	163	161	156	154	157	160	168	186	187
Total instruction	<u>1,123</u>	<u>1,073</u>	<u>1,096</u>	<u>1,058</u>	<u>1,025</u>	<u>1,024</u>	<u>1,044</u>	<u>1,057</u>	<u>1,067</u>	<u>1,037</u>
Student Services										
Guidance counselors	34	36	36	34	32	33	33	35	34	31
Visiting teachers/social workers	4	4	3	3	3	3	3	2	1	1
Psychologists	7	7	7	7	7	7	8	9	7	5
Librarians	37	36	30	28	26	26	23	20	20	20
Other professionals (noninstructional)	27	28	28	30	29	29	29	28	30	35
Technicians	12	11	10	11	12	13	14	15	12	16
Total student services	<u>121</u>	<u>122</u>	<u>114</u>	<u>113</u>	<u>109</u>	<u>111</u>	<u>110</u>	<u>109</u>	<u>104</u>	<u>108</u>
Support and Administration										
Clerical/secretarial	74	68	70	67	67	66	68	71	70	68
Service workers	381	369	346	336	301	290	296	308	323	335
Skilled crafts	23	23	24	22	22	24	26	24	24	24
Unskilled laborers	11	9	11	11	11	12	14	15	18	23
Total support and administration	<u>489</u>	<u>469</u>	<u>451</u>	<u>436</u>	<u>401</u>	<u>392</u>	<u>404</u>	<u>418</u>	<u>435</u>	<u>450</u>
Total employees	<u>1,819</u>	<u>1,750</u>	<u>1,744</u>	<u>1,683</u>	<u>1,619</u>	<u>1,615</u>	<u>1,648</u>	<u>1,673</u>	<u>1,697</u>	<u>1,687</u>
Teachers and administrators	904	871	883	835	833	836	859	859	852	821
Other employees	915	879	861	848	786	779	789	814	845	866
Total employees	<u>1,819</u>	<u>1,750</u>	<u>1,744</u>	<u>1,683</u>	<u>1,619</u>	<u>1,615</u>	<u>1,648</u>	<u>1,673</u>	<u>1,697</u>	<u>1,687</u>

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	Teaching Staff	Pupil-Teacher Ratio	Percentage of Students Receiving Free or Reduced-Price Meals
2008	10,774	\$ 94,564,754	\$ 8,777	3.15%	810	13.30	29%
2009	10,687	97,030,914	9,079	3.44%	777	13.75	30%
2010	10,590	93,233,802	8,804	-3.03%	812	13.04	33%
2011	10,363	89,458,628	8,633	-1.95%	759	13.65	35%
2012	10,299	89,234,061	8,664	0.37%	749	13.75	35%
2013	10,302	92,976,273	9,025	4.16%	748	13.77	35%
2014	10,023	95,992,543	9,577	6.12%	766	13.08	35%
2015	9,915	95,893,402	9,672	0.98%	767	12.93	37%
2016	9,674	98,432,050	10,175	5.20%	757	12.78	37%
2017	9,545	96,688,413	10,130	-0.44%	725	13.17	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, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 30, 2017.

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
November 30, 2017

**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 the County's major federal programs for the year ended June 30, 2017. 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, 2017.

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, S. L. P.

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
November 30, 2017

COUNTY OF BEDFORD, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2017

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, 2017

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>
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561
Title I Grants to Local Educational Agencies	84.010
Temporary Assistance for Needy Families (TANF)	93.558
Social Services Block Grant	93.667
Medical Assistance Program	93.778

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.