

# **TOWN OF BEDFORD, VIRGINIA**



## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED JUNE 30, 2015**

**DEPARTMENT OF FINANCE AND ADMINISTRATION**



**TOWN OF BEDFORD, VIRGINIA**  
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# INTRODUCTORY SECTION

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# Town of Bedford, Virginia

*Office of the Town Manager*

October 20, 2015

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

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of the Town of Bedford for the fiscal year ended June 30, 2015. This report is submitted in accordance with Section 15.1-167 of the Code of Virginia and with Section 30 of the Charter of the Town of Bedford, both of which require an annual independent audit and report of financial activity of the Town. The independent certified public accounting firm of Brown, Edwards & Company, L.L.P., has audited the financial statements and supplemental schedules contained herein. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Town. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the Town. All disclosures necessary to enable the reader to gain an understanding of the Town's financial activities have been included.

**The Reporting Entity and Services Provided**

For financial reporting purposes, in accordance with the Governmental Accounting Standards Board (GASB) criteria, the Town of Bedford includes funds, agencies, boards, commissions and authorities that were controlled by or were financially dependent upon the Town within the reporting period. Control by or financial dependence was determined on the basis of obligation of the Town to finance deficits, guarantee debt, select the governing authority, approve the budget, have authority to make a public levy, and to have ownership of assets.

215 East Main Street  
Bedford, VA 24523  
Phone (540) 587-6001  
Fax (540) 587-6143

The Honorable Mayor, Members of Town Council  
And the Citizens of Bedford, Virginia  
October 20, 2015

The Town of Bedford provides an extensive range of services for its citizens including general administration, public safety, public works, planning, zoning, economic and community development, code enforcement, and cemetery management. The Town also provides and maintains electrical utilities, and handles solid waste disposal for the benefit of its citizens.

### **Organization of Government**

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

### **Economic Condition and Outlook**

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

Bedford enjoys a diversified economy primarily comprised of manufacturing, services, and retail trade. Bedford's industrial base includes major employers involved in food processing, furniture manufacturing, lithographed labels, plastics, weaving, polyurethane products, steel abrasives, closed-cell rubber products and steel cutting dies. During 2014/2015 the Town's unemployment rate decreased from 7.2% to 5.1%. This decrease can be attributed to a slight increase in employment by several companies. Town Council's commitment to economic development and diversification positioned the Town well for expansion when the overall economic climate improves. Bedford also enjoys a healthy mix in real estate values with approximately 62 percent coming from

The Honorable Mayor, Members of Town Council  
And the Citizens of Bedford, Virginia  
October 20, 2015

residential property, while approximately 38 percent is commercial and industrial. Increases resulted from new construction and revenue sharing areas, while personal property and machinery and tools tax have remained flat.

The Town of Bedford has enjoyed a relatively stable economic status as a result of several factors. The Town was one of the first in the Commonwealth to be selected as a Virginia Main Street City in 1985, and its commitment to downtown revitalization has resulted in millions of dollars being invested in ongoing renovation and rehabilitation projects in the Historic Centertown area. Bedford's downtown is experiencing a higher than normal vacancy rate due to several issues such as a changing retail economy. Town Council is working on several initiatives to address this situation. A significant downtown improvement program is commencing and business owners continue to reinvest in their facilities.

The Town and County have developed a 100-acre business park in the Town - - The Bedford Center for Business, which provides the Town a greater opportunity to compete for industrial relocations and expansions. A 50,000 square foot shell building, constructed in the park by Bedford County to temporarily house court and social services while Centertown's historic courthouse was renovated and expanded, has two tenants under long-term leases -- East Coast Fabricators/Rhino Coat, a manufacturer specializing in metal fabrication and finishing, and the Bedford Campus of Central Virginia Community College. The Mid-Atlantic Broadband Cooperative, in conjunction with the Virginia Tobacco Commission and US Department of Commerce's Economic Development Administration, provides reasonably low-cost access to high-speed broadband from facilities in the park. Citadel Plastics, a developer, manufacturer and distributor of thermoplastic materials, operates in a 37,000 sq. ft. facility in the Bedford Center for Business.

In 2015, the Town of Bedford was awarded an extension of its' Virginia Enterprise Zone designation, which provides State and local incentives for investment in Centertown, the older manufacturing buildings as well as the Bedford Center for Business. State Enterprise Zone grants provide money as a reward for physical improvements to property; and in the case of manufacturing, grants for job creation above four (4) employees. Local incentives are designed to reward both new and existing industries.

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

The Honorable Mayor, Members of Town Council  
And the Citizens of Bedford, Virginia  
October 20, 2015

Town/County joint participation and significant federal transportation funding.

### **Major Initiatives**

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

- As a result of the change in constitutional status, there is a major focus on the organizational structure of the Town as well as the basic level of services that it will provide to its citizens and customers.
- Maintaining the Town's financial stability with a goal of improving fund balances remains an ongoing effort. However, maintaining financial stability with ever-challenging State mandates and reduced State funding of required services is perhaps the greatest short-term threat to the financial stability of the Town.
- The Town Council continues to provide support for economic development initiatives, and provides funding for a performance-based, economic incentive program and other Enterprise Zone initiatives.
- The Town previously focused on improving the connectivity between the National D-Day Memorial/Bedford Welcome Center and Centertown. With partial funding from the Department of Transportation Enhancement Funds, a comprehensive Wayfinder Signage Program was implemented and a series of physical improvements have been completed. Further physical improvements related to pedestrian safety are scheduled to be undertaken in the coming year. In addition the Town, in cooperation with Bedford Main Street and service provider Shentel, provides a free, public "wireless hotspot" in Centertown Plaza similar to facilities at the Bedford Welcome Center.
- The Town will continue to upgrade and build new distribution line circuits. With other American Municipal Power members, the Town will continue its participation in projects designed to provide diversity in our wholesale power portfolio. Currently, approximately 8% of the Town's electricity is from renewable sources. We have addressed other revenue sources such as pole attachment agreements and right-of-way fees to ensure that we are competitive and maximizing our revenues in these areas. The Town will also continue to focus on

providing exemplary customer service and reliability for our customers.

- The Town remains an active regional partner in many programs. We currently participate in regional marketing and economic development, and police and emergency services. We also participate in cooperative services such as the Blue Ridge Power Agency, the Region 2000 Regional Commission, and the Municipal Electric Power Association of Virginia.

### **Financial Information**

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

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

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

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

The Honorable Mayor, Members of Town Council  
And the Citizens of Bedford, Virginia  
October 20, 2015

it. The Town's MD&A can be found immediately following the report of the independent auditors.

### **Cash Management**

During the year, cash was invested in certain U.S. Government Agency Securities, prime quality issues of commercial paper, as well as the State Treasurer's Local Government Investment Pool (LGIP). On July 12, 2011, Town Council adopted an Investment Policy that governs the specific criteria for all investments handled by the Town.

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

### **Other Information**

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

Certificate of Achievement. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Bedford for its comprehensive annual financial report for the fiscal year ended June 30, 2014. This was the fifteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgements. The preparation of this report is a very intensive project, and could not have been accomplished without the assistance and dedication

The Honorable Mayor, Members of Town Council  
And the Citizens of Bedford, Virginia  
October 20, 2015

of the Finance Department staff and other personnel from various departments, who assisted in the preparation. The Mayor and Town Council continue to be very supportive of our efforts to produce the best financial reports possible for our citizens. We appreciate your support in granting us the time and funding to generate this document, and allowing us to submit it to the GFOA for consideration. Lastly, we would like to express our appreciation to our independent auditing firm, Brown, Edwards & Company, L.L.P., for their cooperation and assistance in these efforts.

Respectfully Submitted,



Charles P. Kolakowski  
Town Manager



Sonia Jammes  
Director of Finance



Government Finance Officers Association

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

Presented to

**Town of Bedford  
Virginia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO

**TOWN OF BEDFORD, VIRGINIA**  
**DIRECTORY OF PRINCIPAL OFFICIALS**  
**June 30, 2015**

MEMBERS OF TOWN COUNCIL

Robert T. Wandrei, Mayor  
Stephen C. Rush, Vice Mayor

James A. Vest  
Robert Carson  
Stacey L. Hailey

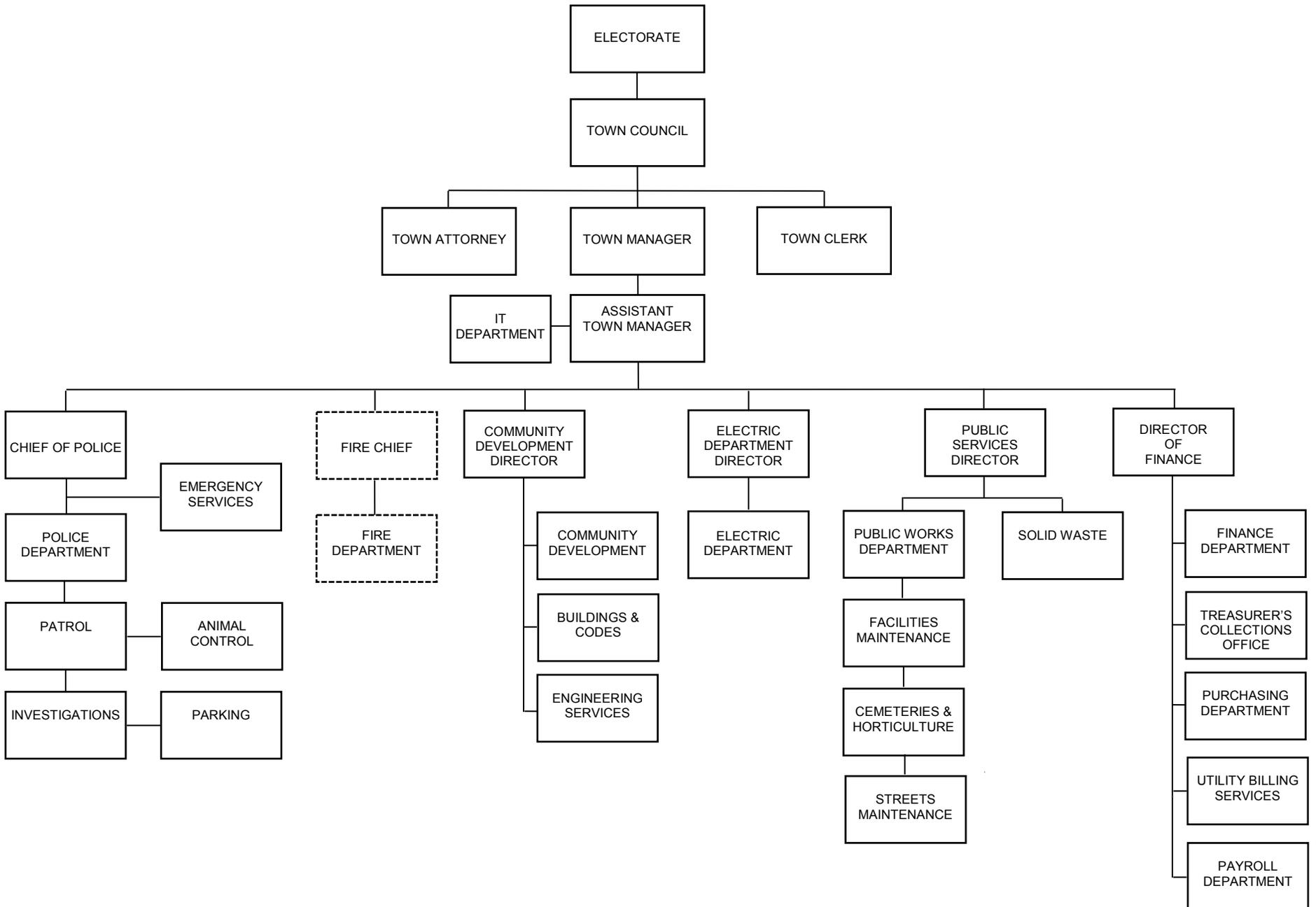
Tim Black  
Beck Stanley

OTHER OFFICIALS

Charles P. Kolakowski  
Barrett F. Warner  
Teresa W. Hatcher  
William W. Berry, IV  
Debbie A. Roberts  
Todd Foreman  
Brad Creasy  
Sonia M. Jammes  
D.W. Lawhorne  
Corey Crompton (Interim)

Town Manager  
Assistant Town Manager  
Town Clerk  
Town Attorney  
Town Treasurer  
Chief of Police  
Fire Chief  
Director of Finance  
Director of Public Services  
Director of Electric Department

# TOWN OF BEDFORD ORGANIZATIONAL CHART



# FINANCIAL SECTION

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

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

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

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

#### *Auditor's Responsibility*

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

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

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, and each major fund of the Town of Bedford, Virginia, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Change in Accounting Principle**

As described in Note 21 to the financial statements, in 2015 the Town adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, as amended by GASB Statement No. 71*. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2015 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Town's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
October 20, 2015

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Bedford, Virginia (the "Town"), we offer readers this narrative overview and analysis of the financial activities of the Town for the fiscal years ended June 30, 2015 and 2014. Please consider the information presented here in conjunction with information that we have furnished in our letter of transmittal found on pages i through vi.

### Financial Highlights

- The assets of the Town exceeded its liabilities at the close of current fiscal year by \$21,972,304 (net position). Of this amount, \$3,643,324 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position decreased by \$3,349,279 which is primarily attributable to the Town recording the net pension liability for 2015.
- At the end of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$6,374,434, an increase of \$240,175 in comparison with the prior year. Approximately 59% of this total amount, \$3,748,577 is available for spending at the Town's discretion (unassigned fund balance).
- The Town's total debt decreased by \$1,649,121 or 5.4% during the current fiscal year.

### Overview of the Financial Statements

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

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

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

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

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

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

## Overview of the Financial Statements (Continued)

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

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

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

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

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

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

At June 30, 2015, the Town’s governmental fund reported an ending fund balance of \$6,374,434, an increase of \$240,175 in comparison with the prior year. Of that amount, \$930,648 was nonspendable, \$1,680,974 was restricted, \$14,235 was assigned, and \$3,748,577 was unassigned.

As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 48.6% of total general fund expenditures, while total fund balance represents 82.6% of that same amount.

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

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

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

## Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows exceeded liabilities and deferred inflows by \$21,972,304 at the close of the most recent fiscal year.

A portion of the Town's net position (79.9%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted balance (3.4%) represents 2010 GO Bond funds, nonexpendable cemetery perpetual care funds, and other grant funds. The remaining balance of *unrestricted net assets* (16.6%) may be used to meet the government's ongoing obligations to citizens and creditors.

|                                  | <b>The Town's Net Position</b>     |                      |                                     |                      |                      |                      |
|----------------------------------|------------------------------------|----------------------|-------------------------------------|----------------------|----------------------|----------------------|
|                                  | <b>Governmental<br/>Activities</b> |                      | <b>Business-type<br/>Activities</b> |                      | <b>Total</b>         |                      |
|                                  | <b>2015</b>                        | <b>2014</b>          | <b>2015</b>                         | <b>2014</b>          | <b>2015</b>          | <b>2014</b>          |
| Current and other assets         | \$ 13,517,987                      | \$ 14,432,814        | \$ 14,186,081                       | \$ 12,914,260        | \$ 27,704,068        | \$ 27,347,074        |
| Capital assets                   | 14,540,894                         | 13,467,229           | 16,595,785                          | 16,976,503           | 31,136,679           | 30,443,732           |
| Total assets                     | <u>28,058,881</u>                  | <u>27,900,043</u>    | <u>30,781,866</u>                   | <u>29,890,763</u>    | <u>58,840,747</u>    | <u>57,790,806</u>    |
| Deferred outflow of resources    | 437,591                            | -                    | 969,689                             | 792,849              | 1,407,280            | 792,849              |
| Long-term liabilities            | 11,375,857                         | 12,648,300           | 17,366,810                          | 17,743,488           | 28,742,667           | 30,391,788           |
| Net pension liability            | 3,930,821                          | -                    | 2,300,736                           | -                    | 6,231,577            | -                    |
| Other liabilities                | 271,656                            | 826,065              | 1,802,260                           | 2,043,483            | 2,073,916            | 2,869,548            |
| Total liabilities                | <u>15,578,334</u>                  | <u>13,474,365</u>    | <u>21,469,806</u>                   | <u>19,786,971</u>    | <u>37,048,140</u>    | <u>33,261,336</u>    |
| Deferred inflows of resources    | 774,350                            | -                    | 453,233                             | -                    | 1,227,583            | -                    |
| Net investment in capital assets | 13,173,900                         | 11,818,082           | 4,390,762                           | 3,769,941            | 17,564,662           | 15,588,023           |
| Restricted                       | 764,318                            | 1,257,885            | -                                   | -                    | 764,318              | 1,257,885            |
| Unrestricted                     | <u>(1,794,430)</u>                 | <u>1,349,711</u>     | <u>5,437,754</u>                    | <u>7,126,700</u>     | <u>3,643,324</u>     | <u>8,476,411</u>     |
| Total net position               | <u>\$ 12,143,788</u>               | <u>\$ 14,425,678</u> | <u>\$ 9,828,516</u>                 | <u>\$ 10,896,641</u> | <u>\$ 21,972,304</u> | <u>\$ 25,322,319</u> |

At June 30, 2015, the Town is able to report positive total net position.

The Town's net position for primary government increased by \$3,549,279 or 19.2% during the current fiscal year. A key element of this change was decreases in operating expenditures for all of the Town's funds – including General Fund, Electric Fund, and Solid Waste Fund – from the previous fiscal. Additional elements of this increase were an increase in General Fund infrastructure assets and the implementation of lean decision making and revenue maximization.

**Governmental Activities** – Governmental activities increased the Town's net position by \$2,070,135. This increase compares to the prior year decrease of \$175,306 which was mainly due to the closing of the water and sewer fund. For the most part, increases in revenues and expenses closely paralleled inflation and growth in the demand for services. There were two noteworthy exceptions: 1) a calculated decrease in operating expenses for every program, \$1,111,064 less than fiscal year 2014, necessitated by a potential revenue shortfall due to the suspension of the transfer from the Electric Fund and 2) an increase of \$1,036,341 in assets due to an annexation of certain roads from the Virginia Department of Transportation (VDOT) in a transfer of operations.

## Government-Wide Financial Analysis (Continued)

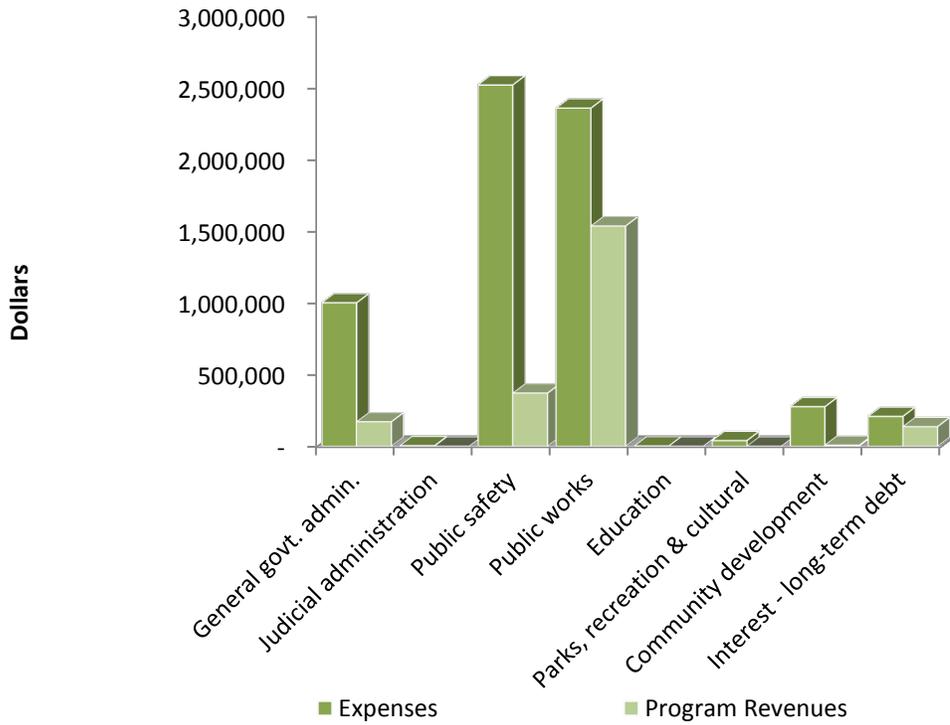
**Business-type Activities** – Business-type activities increased the Town’s net position by \$1,479,144. This increase is significantly more than the prior year decrease of \$16,062,008 which was mainly due to the closing of the water and sewer fund. Two notable mentions that speak to this increase in net position are: 1) as a result of a potential revenue shortfall the budgeted Electric transfer of \$1,300,000 to the General Fund was not executed in this fiscal year and 2) there was a calculated decrease in operating expenses of \$842,298 due to that potential shortfall.

|                                      | The Town’s Changes in Net Position |                      |                          |                      |                      |                      |
|--------------------------------------|------------------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
|                                      | Governmental Activities            |                      | Business-type Activities |                      | Total                |                      |
|                                      | 2015                               | 2014                 | 2015                     | 2014                 | 2015                 | 2014                 |
| <b>Revenues</b>                      |                                    |                      |                          |                      |                      |                      |
| Program revenues                     |                                    |                      |                          |                      |                      |                      |
| Charges for services                 | \$ 288,145                         | \$ 330,309           | \$ 22,848,311            | \$ 23,066,453        | \$ 23,136,456        | \$ 23,396,762        |
| Operating grants and contributions   | 1,930,366                          | 1,713,909            | 99,440                   | -                    | 2,029,806            | 1,713,909            |
| Capital grants and contributions     | -                                  | 5,753                | -                        | -                    | -                    | 5,753                |
| General revenues                     |                                    |                      |                          |                      |                      |                      |
| Property taxes                       | 1,641,132                          | 3,246,201            | -                        | -                    | 1,641,132            | 3,246,201            |
| Other taxes                          | 2,055,148                          | 1,960,295            | -                        | -                    | 2,055,148            | 1,960,295            |
| Intergovernmental revenue            |                                    |                      |                          |                      |                      |                      |
| unrestricted                         | 394,764                            | 467,240              | -                        | -                    | 394,764              | 467,240              |
| Investment earnings                  | 27,419                             | -                    | 219,365                  | 323,709              | 246,794              | 323,709              |
| Other                                | 245,244                            | 191,492              | 3,300                    | -                    | 248,544              | 191,492              |
| County reversion payments            | 750,000                            | 821,050              | -                        | -                    | 750,000              | 821,050              |
| Gain from sale of capital assets     | 11,952                             | 10,850               | -                        | -                    | 11,952               | 10,850               |
| Total revenues                       | <u>7,344,170</u>                   | <u>8,747,099</u>     | <u>23,170,416</u>        | <u>23,390,162</u>    | <u>30,514,586</u>    | <u>32,137,261</u>    |
| <b>Expenses</b>                      |                                    |                      |                          |                      |                      |                      |
| General government                   | 985,262                            | 1,087,365            | -                        | -                    | 985,262              | 1,087,365            |
| Judicial administration              | 4,143                              | 4,200                | -                        | -                    | 4,143                | 4,200                |
| Public safety                        | 2,480,298                          | 2,690,606            | -                        | -                    | 2,480,298            | 2,690,606            |
| Public works                         | 2,320,701                          | 2,734,693            | -                        | -                    | 2,320,701            | 2,734,693            |
| Health and welfare                   | -                                  | -                    | -                        | -                    | -                    | -                    |
| Education                            | 1,480                              | 2,048                | -                        | -                    | 1,480                | 2,048                |
| Parks, recreation, and cultural      | 38,914                             | 86,971               | -                        | -                    | 38,914               | 86,971               |
| Community development                | 271,475                            | 604,569              | -                        | -                    | 271,475              | 604,569              |
| Non-departmental                     | -                                  | -                    | -                        | -                    | -                    | -                    |
| Interest on long-term debt           | 208,103                            | 295,433              | -                        | -                    | 208,103              | 295,433              |
| Water and sewer                      | -                                  | -                    | -                        | -                    | -                    | -                    |
| Solid waste                          | -                                  | -                    | 812,685                  | 1,041,820            | 812,685              | 1,041,820            |
| Electric                             | -                                  | -                    | 20,878,587               | 21,764,439           | 20,922,141           | 21,764,439           |
| Total expenses                       | <u>6,310,376</u>                   | <u>7,505,885</u>     | <u>21,691,272</u>        | <u>22,806,259</u>    | <u>28,045,202</u>    | <u>30,312,144</u>    |
| Excess (deficiency) before transfers | \$ 949,349                         | \$ 1,241,214         | \$ 1,429,719             | \$ 583,903           | \$ 2,379,068         | \$ 1,825,117         |
| Transfers                            | -                                  | 722,153              | -                        | (722,153)            | -                    | -                    |
| Disposal of operations               | -                                  | (2,138,673)          | -                        | (15,923,758)         | -                    | (18,062,431)         |
| Annexation of state roads            | 1,036,341                          | -                    | -                        | -                    | 1,036,341            | -                    |
| Change in net position               | 2,070,135                          | (175,306)            | 1,479,144                | (16,062,008)         | 3,549,279            | (16,237,314)         |
| Net position – July 1 (as restated)  | <u>10,073,653*</u>                 | <u>14,600,984</u>    | <u>8,349,372*</u>        | <u>26,958,649</u>    | <u>18,423,025*</u>   | <u>41,559,633</u>    |
| Net position – June 30               | <u>\$ 12,143,788</u>               | <u>\$ 14,425,678</u> | <u>\$ 9,828,516</u>      | <u>\$ 10,896,641</u> | <u>\$ 21,972,304</u> | <u>\$ 25,322,319</u> |

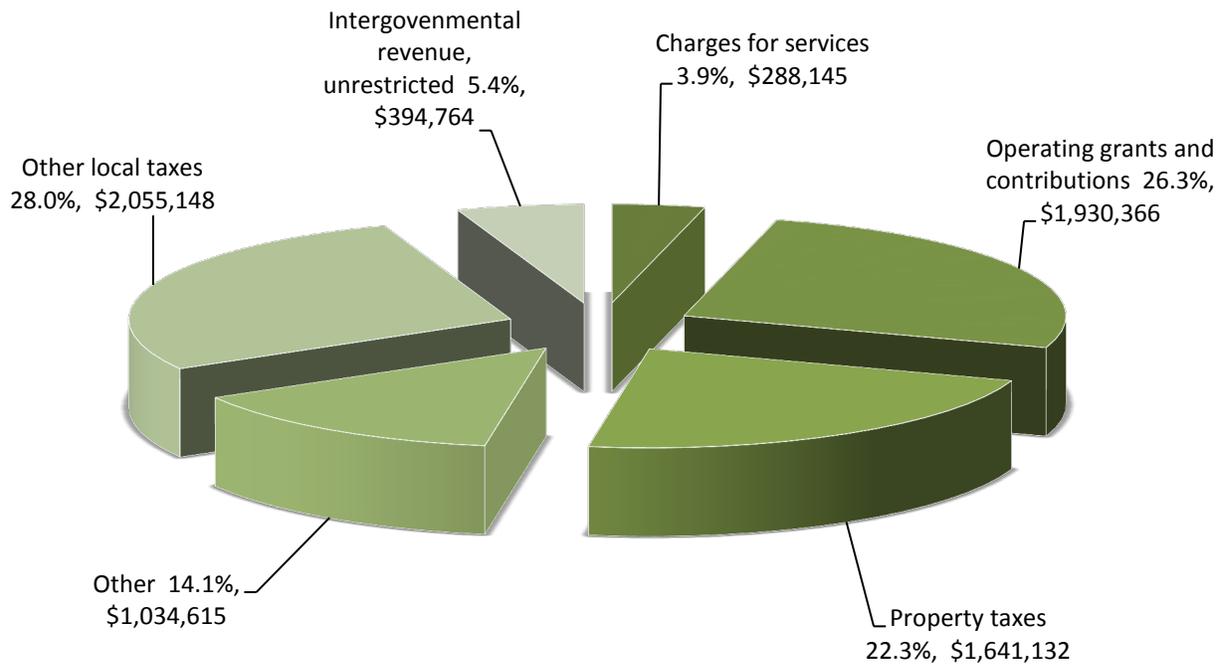
\* GASB Statement No 68 was adopted in fiscal year 2015.

(Continued)

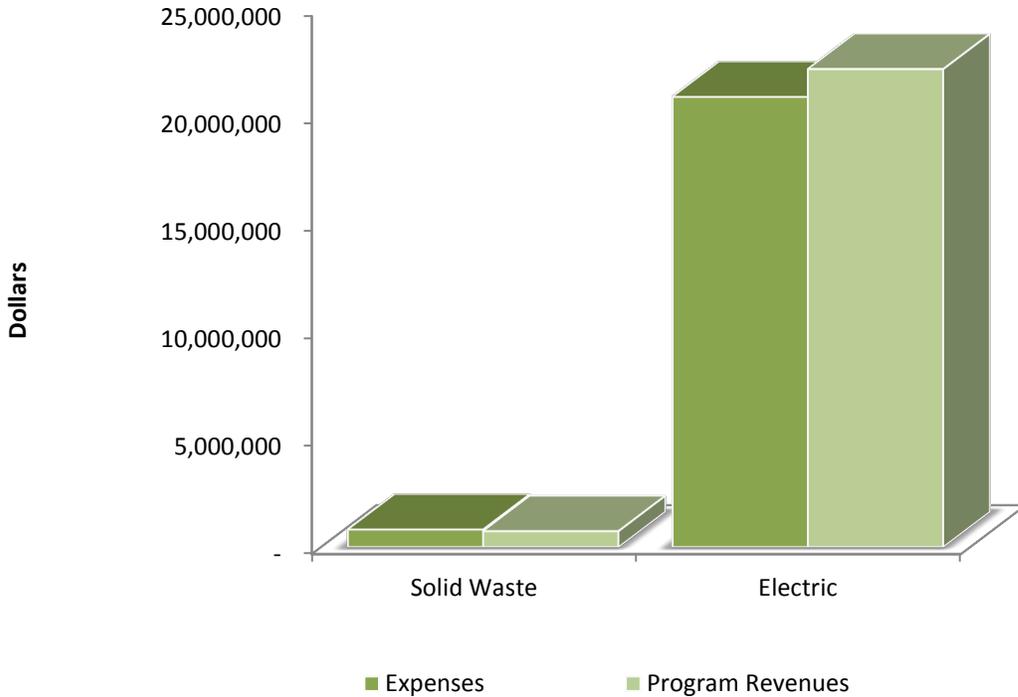
### Expenses and Program Revenues – Governmental Activities



### Revenues by Source – Governmental Activities



**Expenses and Program Revenues – Business-type Activities**



**Financial Analysis of the Government’s Funds**

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

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

As of the end of the current fiscal year, the Town’s governmental fund reported an ending fund balance of \$6,374,434, an increase of \$240,175 in comparison with the prior year. Approximately 59% of this total amount – that is, \$3,748,577 constitutes *unassigned fund balance*, which is available for spending at the Town’s discretion. Approximately 0.2%, \$14,235, constitutes *assigned fund balance*, which the government intends to use for specific purposes. Approximately 26%, \$1,680,974, constitutes *restricted fund balance*, which have been constrained by their providers. The remainder of fund balance is *nonspendable*, which are not in spendable form and must be maintained intact.

As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 49% of total general fund expenditures, while total fund balance represents 83% of that same amount.

The fund balance of the Town’s general fund increased by \$240,175 during the current fiscal year. The primary factor contributing to this fund balance increase was a focused effort of staff to reduce departmental level spending in lieu of potential revenue shortfalls.

## **Financial Analysis of the Government's Funds (Continued)**

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

Unrestricted net position of the solid waste fund was a deficit of \$(1,354,936); and the unrestricted net position for the electric fund amounted to \$11,183,452. The total increase in net position was \$1,479,144. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

### **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget amounted to \$1,631,365. Highlights include the following:

- \$365,506 was re-appropriated for community and economic development purposes.
- \$542,180 was re-appropriated for Centertown improvement.
- \$575,100 was re-appropriated for paving and various highway maintenance projects.
- \$59,591 was re-appropriated for police and fire department grants.
- \$17,331 was re-appropriated for ADA improvements
- \$20,917 was re-appropriated for engineering projects.
- \$54,375 was re-appropriated infrastructure.

Differences between the final amended budget and actual results amounted to \$2,403,870. Highlights are as follows:

- The budget for three Community Development projects: Economic Development Fund, Centertown Improvement Projects, and Enterprise Zone Maintenance totaled \$845,029. As of June 30, 2015, \$18,240 was expended which resulted in a positive variance of \$826,638. This variance is the result of funding for projects that were unable to be completed during the current fiscal year.
- The budget included funding for software upgrades whose project implementation dates were moved to fiscal year 2016. This resulted in a positive variance of \$85,938.
- As of June 30, 2015 there was \$246,140 in crosswalk and community improvements that were unable to be completed and invoiced within the current fiscal year.
- There was \$755,671 unbudgeted revenues received in the general fund from the Bedford Regional Water Authority to offset water and sewer Debt Service. These revenues were originally budgeted in the water and sewer fund which was subsequently closed.
- As of June 30, 2015 there was \$386,260 in highway and street maintenance projects that were unable to be completed and invoiced within the current fiscal year.
- The budget included funding for building improvements at the Bedford Middle School which was underspent by \$58,500.
- Public Works received \$274,599 more in grant funding than was originally budgeted.
- Various administrative and public safety operating lines were underspent resulting in a positive variance of \$532,289.

### **Capital Asset and Debt Administration**

**Capital Assets** – The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2015, amounts to \$31,136,679 (net of accumulated depreciation). This includes land, buildings and system improvements, and machinery, equipment, and infrastructure. The total increase in the investment in capital assets for the current fiscal year was 2.3% (an 8.0% increase for governmental activities and a 2.2% decrease for business-type activities).

## Capital Asset and Debt Administration (Continued)

The Town's investment in capital assets as of June 30 amounts to \$31,136,679, as summarized below:

|  | The Town's Capital Assets  |                      |                             |                      |                      |                      |
|--|----------------------------|----------------------|-----------------------------|----------------------|----------------------|----------------------|
|  | Governmental<br>Activities |                      | Business-type<br>Activities |                      | Total                |                      |
|  | 2015                       | 2014                 | 2015                        | 2014                 | 2015                 | 2014                 |
| Land                                     | \$ 1,877,702               | \$ 1,877,702         | \$ 710,517                  | \$ 710,517           | \$ 2,588,219         | \$ 2,588,219         |
| Buildings and improvements               | 6,800,626                  | 6,800,626            | 14,776,053                  | 14,776,053           | 21,576,679           | 21,576,679           |
| Distribution and transmission<br>systems | -                          | -                    | 16,241,760                  | 16,241,760           | 16,241,760           | 16,241,760           |
| Landfill development costs               | -                          | -                    | 3,315,945                   | 3,315,945            | 3,315,945            | 3,315,945            |
| Machinery and equipment                  | 9,471,573                  | 8,916,763            | 4,246,933                   | 3,787,190            | 13,718,506           | 12,703,953           |
| Infrastructure                           | 14,280,828                 | 12,876,849           | -                           | -                    | 14,280,828           | 12,876,849           |
| Construction in progress                 | 17,325                     | -                    | -                           | -                    | 17,325               | -                    |
| Less accumulated depreciation            | (17,907,159)               | (17,004,711)         | (22,695,423)                | (21,854,962)         | (40,602,582)         | (38,859,673)         |
| <b>Total</b>                             | <b>\$ 14,540,894</b>       | <b>\$ 13,467,229</b> | <b>\$ 16,595,785</b>        | <b>\$ 16,976,503</b> | <b>\$ 31,136,679</b> | <b>\$ 30,443,732</b> |

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

**Long-term Debt** – At June 30, 2015, the Town had total debt outstanding of \$28,742,667. Of this amount, \$12,789,037 comprises debt backed by the full faith and credit of the government and \$10,387,719 is related to pledged revenue bonds.

### The Town's Outstanding Debt and Liabilities General Obligation Bonds, Capital Leases, and Liabilities

|                              | Governmental<br>Activities |                      | Business-type<br>Activities |                      | Total                |                      |
|------------------------------|----------------------------|----------------------|-----------------------------|----------------------|----------------------|----------------------|
|                              | 2015                       | 2014                 | 2015                        | 2014                 | 2015                 | 2014                 |
|                              | General obligation bonds   | \$ 8,165,787         | \$ 9,219,828                | \$ 2,571,156         | \$ 2,880,705         | \$ 10,736,943        |
| Literary fund loans          | 375,000                    | 450,000              | -                           | -                    | 375,000              | 450,000              |
| Revenue bonds                | -                          | -                    | 10,387,719                  | 11,163,283           | 10,387,719           | 11,163,283           |
| Payable to AMP:              |                            |                      |                             |                      |                      |                      |
| Contract                     | -                          | -                    | 1,016,697                   | 1,076,697            | 1,016,697            | 1,076,697            |
| Promissory Note              | -                          | -                    | 660,397                     | -                    | 660,397              | -                    |
| Adjust for deferred amounts: |                            |                      |                             |                      |                      |                      |
| Issuance premiums            | 14,626                     | 21,938               | -                           | -                    | 14,626               | 21,938               |
| Issuance discounts           | -                          | -                    | (40,287)                    | (44,577)             | (40,287)             | (44,577)             |
| Compensated Absences         | 177,444                    | 194,534              | 114,295                     | 105,656              | 291,739              | 300,190              |
| Landfill liability:          |                            |                      |                             |                      |                      |                      |
| Closed landfill              | 2,643,000                  | 2,762,000            | -                           | -                    | 2,643,000            | 2,762,000            |
| Region 2000                  | -                          | -                    | 50,000                      | -                    | 50,000               | -                    |
| Active landfill              | -                          | -                    | 2,606,833                   | 2,561,724            | 2,606,833            | 2,561,724            |
| <b>Total</b>                 | <b>\$ 11,375,857</b>       | <b>\$ 12,648,300</b> | <b>\$ 17,366,810</b>        | <b>\$ 17,743,488</b> | <b>\$ 28,742,667</b> | <b>\$ 30,391,788</b> |

The Town's total debt decreased by \$1,649,121 or 5.4% during the current fiscal year due primarily to regular debt payments.

## **Capital Asset and Debt Administration (Continued)**

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

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

### **Restatement**

In 2015 the Town adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions. The overall effect of this new standard is to reflect the Town's long-term Virginia Retirement System (VRS) obligations directly in the financial statements. Previously, such amounts were mostly disclosed, but were not recognized as long as the Town was current with its required VRS contributions. The new standard not only changes certain measurement methodologies, but also requires certain new disclosures and that the Town record a net pension liability on the statement of net position. Beginning net position has been restated as discussed in Note 21, and this has had a significant impact on the Town's net position. However, because similar information has been disclosed in prior years, both in the notes to the financial statements and in required supplementary information, the effect of this new standard is not expected to negatively affect how most governmental entities are viewed by sophisticated readers of their financial statements. Because information to restate prior years is not readily available, the prior year comparative information included in this discussion and analysis has not been restated.

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

- As with other municipal and investor owned utilities, the Town is feeling the effect of increased energy and energy transmission costs. This is impacting coal generation in particular. The capital outlay is directed to maintain hydro generation operations, system extensions, and circuit reliability maintenance. The Town persists in aggressively evaluating all options in efforts to stabilize costs to our customers.
- All law enforcement agencies in Virginia are mandated by state code to provide transportation for mental health cases where an emergency custody order (§37.2-808 Code of Virginia) or temporary detention order (§37.2-809 Code of Virginia) is issued. The handling of these calls has become a major unfunded mandate in terms of providing dedicated transportation and patrol officer time from normal shift duties.
- The Town's active landfill is nearing capacity. In accordance with federal and state laws the Town is required to perform certain maintenance and monitoring functions for thirty years once capacity is reached and a final cover is placed on the landfill. The estimated closure and postclosure cost is approximately \$2,606,833. It is important for the Town to start planning for these closure and postclosure costs in current budget cycles to be in a position to accommodate these costs when they arise.

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

### **Requests for Information**

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

# **BASIC FINANCIAL STATEMENTS**

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## TOWN OF BEDFORD, VIRGINIA

## STATEMENT OF NET POSITION

June 30, 2015

|   | Governmental<br>Activities | Business-Type<br>Activities | Total                |
|---|----------------------------|-----------------------------|----------------------|
| <b>ASSETS</b>   |                            |                             |                      |
| Cash and cash equivalents (Note 2)  | \$ 4,627,032               | \$ 6,092,718                | \$ 10,719,750        |
| Receivables, net (Note 3)   | 838,538                    | 2,287,925                   | 3,126,463            |
| Internal balances (Note 4)  | 5,247                      | (5,247)                     | -                    |
| Due from other governmental units (Note 5)  | 94,546                     | -                           | 94,546               |
| Inventories   | -                          | 1,050,749                   | 1,050,749            |
| Cash and cash equivalents, restricted (Note 2)  | 1,680,974                  | 2,435,137                   | 4,116,111            |
| BRWA debt service receivable (Note 6)   | 6,271,650                  | -                           | 6,271,650            |
| Net investment in direct financing lease (Note 16)  | -                          | 2,324,799                   | 2,324,799            |
| Capital assets: (Note 7)  |                            |                             |                      |
| Nondepreciable  | 1,895,027                  | 710,517                     | 2,605,544            |
| Depreciable, net  | 12,645,867                 | 15,885,268                  | 28,531,135           |
| Total assets  | <u>28,058,881</u>          | <u>30,781,866</u>           | <u>58,840,747</u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>   |                            |                             |                      |
| Pension contributions subsequent to measurement date (Note 11)  | 437,591                    | 256,125                     | 693,716              |
| Deferred charge on refunding  | -                          | 713,564                     | 713,564              |
| Total deferred outflows of resources  | <u>437,591</u>             | <u>969,689</u>              | <u>1,407,280</u>     |
| <b>LIABILITIES</b>  |                            |                             |                      |
| Accounts payable and accrued liabilities  | 78,846                     | 1,297,024                   | 1,375,870            |
| Accrued payroll and related liabilities   | 123,139                    | 69,319                      | 192,458              |
| Accrued interest payable  | 69,671                     | 70,725                      | 140,396              |
| Customer security deposits  | -                          | 365,192                     | 365,192              |
| Noncurrent liabilities:   |                            |                             |                      |
| Net pension liability (Note 11)   | 3,930,821                  | 2,300,736                   | 6,231,557            |
| Due within one year (Note 8)  | 1,455,455                  | 1,425,379                   | 2,880,834            |
| Due in more than one year (Note 8)  | 9,920,402                  | 15,941,431                  | 25,861,833           |
| Total liabilities   | <u>15,578,334</u>          | <u>21,469,806</u>           | <u>37,048,140</u>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                            |                             |                      |
| Net difference between projected and actual investment earnings on pension plan investments (Note 11) | 774,350                    | 453,233                     | 1,227,583            |
| <b>NET POSITION</b>   |                            |                             |                      |
| Net investment in capital assets  | 13,173,900                 | 4,390,762                   | 17,564,662           |
| Restricted for:   |                            |                             |                      |
| Other grants  | 324,483                    | -                           | 324,483              |
| 2010 GO Bond restriction  | 439,835                    | -                           | 439,835              |
| Unrestricted  | (1,794,430)                | 5,437,754                   | 3,643,324            |
| Total net position  | <u>\$ 12,143,788</u>       | <u>\$ 9,828,516</u>         | <u>\$ 21,972,304</u> |

## TOWN OF BEDFORD, VIRGINIA

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2015

| Functions/Programs                                   | Program Revenues |                      |                                    |                                  | Net (Expense) Revenue and Changes in Net Position |                          |               |
|--|------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|---------------|
|  | Expenses         | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government                                |                          |               |
|  |                  |                      |                                    |                                  | Governmental Activities                           | Business-Type Activities | Total         |
| Governmental activities:                             |                  |                      |                                    |                                  |   |                          |               |
| General government administration                    | \$ 985,262       | \$ 170,154           | \$ -                               | \$ -                             | \$ (815,108)                                      |                          | \$ (815,108)  |
| Judicial administration                              | 4,143            | -                    | -                                  | -                                | (4,143)   |                          | (4,143)       |
| Public safety  | 2,480,298        | 94,300               | 275,207                            | -                                | (2,110,791)                                       |                          | (2,110,791)   |
| Public works   | 2,320,701        | 23,691               | 1,510,050                          | -                                | (786,960)   |                          | (786,960)     |
| Education  | 1,480            | -                    | -                                  | -                                | (1,480)   |                          | (1,480)       |
| Parks, recreation, and cultural                      | 38,914           | -                    | -                                  | -                                | (38,914)  |                          | (38,914)      |
| Community development                                | 271,475          | -                    | 8,196                              | -                                | (263,279)   |                          | (263,279)     |
| Interest on long-term debt                           | 208,103          | -                    | 136,913                            | -                                | (71,190)  |                          | (71,190)      |
| Total governmental activities                        | 6,310,376        | 288,145              | 1,930,366                          | -                                | (4,091,865)                                       |                          | (4,091,865)   |
| Business-type activities:                            |                  |                      |                                    |                                  |   |                          |               |
| Solid waste  | 812,685          | 740,127              | -                                  | -                                |   | \$ (72,558)              | (72,558)      |
| Electric   | 20,878,587       | 22,108,184           | 99,440                             | -                                |   | 1,329,037                | 1,329,037     |
| Total business-type activities                       | 21,691,272       | 22,848,311           | 99,440                             | -                                |   | 1,256,479                | 1,256,479     |
| Total primary government                             | \$ 28,001,648    | \$ 23,136,456        | \$ 2,029,806                       | \$ -                             | (4,091,865)                                       | 1,256,479                | (2,835,386)   |
| General revenues:                                    |                  |                      |                                    |                                  |   |                          |               |
| Property taxes                                       |                  |                      |                                    |                                  | 1,641,132   | -                        | 1,641,132     |
| Sales tax  |                  |                      |                                    |                                  | 181,294   | -                        | 181,294       |
| Business license tax                                 |                  |                      |                                    |                                  | 223,522   | -                        | 223,522       |
| Meals tax  |                  |                      |                                    |                                  | 1,143,412   | -                        | 1,143,412     |
| Other local taxes                                    |                  |                      |                                    |                                  | 506,920   | -                        | 506,920       |
| Intergovernmental revenue, unrestricted              |                  |                      |                                    |                                  | 394,764   | -                        | 394,764       |
| Unrestricted investment earnings                     |                  |                      |                                    |                                  | 27,419  | 219,365                  | 246,784       |
| Other  |                  |                      |                                    |                                  | 245,244   | 3,300                    | 248,544       |
| County reversion payments (Note 20)                  |                  |                      |                                    |                                  | 750,000   | -                        | 750,000       |
| Gain on sale of assets                               |                  |                      |                                    |                                  | 11,952  | -                        | 11,952        |
| Special items:                                       |                  |                      |                                    |                                  |   |                          |               |
| Annexation of state roads (Note 7)                   |                  |                      |                                    |                                  | 1,036,341   | -                        | 1,036,341     |
| Total general revenues and special items             |                  |                      |                                    |                                  | 6,162,000   | 222,665                  | 6,384,665     |
| Change in net position                               |                  |                      |                                    |                                  | 2,070,135   | 1,479,144                | 3,549,279     |
| <b>NET POSITION AT JULY 1, as restated (Note 21)</b> |                  |                      |                                    |                                  | 10,073,653  | 8,349,372                | 18,423,025    |
| <b>NET POSITION AT JUNE 30</b>                       |                  |                      |                                    |                                  | \$ 12,143,788                                     | \$ 9,828,516             | \$ 21,972,304 |

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

## TOWN OF BEDFORD, VIRGINIA

**BALANCE SHEET –  
GOVERNMENTAL FUND  
June 30, 2015**

|   | <b>General</b> |
|---|----------------|
| <b>ASSETS</b>   |                |
| Cash and cash equivalents (Note 2)                                      | \$ 4,627,032   |
| Receivables, net (Note 3)   | 838,538        |
| Due from other funds (Note 4)   | 5,247          |
| Due from other governmental units (Note 5)                              | 94,546         |
| Cash and cash equivalents, restricted (Note 2)                          | 1,680,974      |
| BRWA debt service receivable (Note 6)                                   | 6,271,650      |
| Total assets  | \$ 13,517,987  |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES,<br/>AND FUND BALANCE</b> |                |
| Liabilities:  |                |
| Accounts payable and accrued liabilities                                | \$ 78,846      |
| Accrued payroll and related liabilities                                 | 123,139        |
| Total liabilities   | 201,985        |
| Deferred inflows of resources:  |                |
| Unavailable revenue (Note 3)  | 6,941,568      |
| Fund balance: (Note 10)   |                |
| Nonspendable  | 930,648        |
| Restricted  | 1,680,974      |
| Assigned  | 14,235         |
| Unassigned  | 3,748,577      |
| Total fund balance  | 6,374,434      |
| Total liabilities, deferred inflows of resources, and fund balance      | \$ 13,517,987  |

## TOWN OF BEDFORD, VIRGINIA

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
June 30, 2015**

**Total Fund Balance – Governmental Fund** \$ 6,374,434

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

Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds.

|                                 |              |            |
|---------------------------------|--------------|------------|
| Nondepreciable capital assets   | \$ 1,895,027 |            |
| Depreciable capital assets, net | 12,645,867   |            |
|                                 |              | 14,540,894 |

Premiums are reported as an other financing source in the governmental funds, but are amortized over the life of the debt and included as a component of interest expense in the Statement of Activities.

(14,626)

Certain receivables are not available to pay for current-period expenditures and therefore are deferred in the funds.

6,941,568

Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds

|   |             |             |
|---|-------------|-------------|
| Deferred outflows of resources related to pensions for 2015 employer contributions  | 437,591     |             |
| Deferred inflows of resources for the net difference between projected and actual investment earnings on pension plan investments | (774,350)   |             |
| Net pension liability   | (3,930,821) |             |
|   |             | (4,267,580) |

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

|                                |             |              |
|--------------------------------|-------------|--------------|
| General obligation bonds       | (8,165,787) |              |
| Literary fund loans            | (375,000)   |              |
| Accrued interest payable       | (69,671)    |              |
| Compensated absences           | (177,444)   |              |
| Landfill postclosure liability | (2,643,000) |              |
|                                |             | (11,430,902) |

**Total Net Position – Governmental Activities** \$ 12,143,788

## TOWN OF BEDFORD, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE – GOVERNMENTAL FUND  
Year Ended June 30, 2015**

|  | <b>General</b> |
|--|----------------|
| <b>REVENUES</b>                                  |                |
| General property taxes                           | \$ 1,631,332   |
| Other local taxes                                | 2,055,147      |
| Permits, privilege fees, and regulatory licenses | 6,880          |
| Fines and forfeitures                            | 64,535         |
| Investment earnings                              | 27,420         |
| Charges for services                             | 98,739         |
| County reversion payments (Note 20)              | 750,000        |
| Other  | 245,244        |
| Intergovernmental                                | 2,188,217      |
| BRWA debt service payments (Note 6)              | 755,671        |
| Recovered costs                                  | 117,991        |
| Total revenues                                   | 7,941,176      |
| <b>EXPENDITURES</b>                              |                |
| Current:   |                |
| General government administration                | 855,383        |
| Judicial administration                          | 4,200          |
| Public safety                                    | 2,465,921      |
| Public works                                     | 2,862,241      |
| Education  | 1,500          |
| Parks, recreation, and cultural                  | 39,452         |
| Community development                            | 131,622        |
| Debt service:                                    |                |
| Principal retirement                             | 1,129,041      |
| Interest and fiscal charges                      | 223,593        |
| Total expenditures                               | 7,712,953      |
| Excess of revenues over expenditures             | 228,223        |
| <b>OTHER FINANCING SOURCES</b>                   |                |
| Proceeds from sale of capital assets             | 11,952         |
| Net change in fund balance                       | 240,175        |
| <b>FUND BALANCE AT JULY 1</b>                    | 6,134,259      |
| <b>FUND BALANCE AT JUNE 30</b>                   | \$ 6,374,434   |

## TOWN OF BEDFORD, VIRGINIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2015**

|   |            |                  |
|---|------------|------------------|
| <b>Net Change in Fund Balance – Governmental Fund</b>   | \$         | 240,175          |
| Amounts reported for governmental activities in the Statement of Activities are different because:  |            |                  |
| Governmental funds report capital outlays as expenditures; however, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.   |            |                  |
| Capital outlays   | \$ 971,066 |                  |
| Depreciation expense  | (933,742)  |                  |
|   |            | 37,324           |
| Governmental funds do not report contributions of capital assets that will be used in operations because they are not relevant to the assessment of near-term liquidity.  |            |                  |
| Road annexation   |            | 1,036,341        |
| Governmental funds report debt service amounts received from BRWA as revenue, while this represents repayment of principle of the long-term receivable in governmental activities.  |            |                  |
|   |            | (618,759)        |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.  |            |                  |
|   |            | 9,800            |
| The issuance of long-term debt (e.g., bonds, leases) provides current financial resources while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction has an effect on net position.   |            |                  |
| Principal repayments and other long-term debt reductions:   |            |                  |
| General obligation bonds  | 1,054,041  |                  |
| Literary fund loans   | 75,000     |                  |
| Landfill postclosure (net change)   | 119,000    |                  |
|   |            | 1,248,041        |
| Governmental funds report employer pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.   |            |                  |
| Pension contributions   | 437,591    |                  |
| Cost of benefits earned net of employee contributions   | (353,146)  |                  |
|   |            | 84,445           |
| Governmental funds report the effect of discounts and premiums when debt is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the Statement of Activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of those differences is as follows: |            |                  |
| Amortization of deferred amounts  | \$ 7,312   |                  |
| Interest expense  | 8,366      |                  |
|   |            | 15,678           |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.   |            |                  |
|   |            | 17,090           |
| <b>Change in Net Position – Governmental Activities</b>   | <b>\$</b>  | <b>2,070,135</b> |

## TOWN OF BEDFORD, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL – GENERAL FUND  
Year Ended June 30, 2015**

|  | Budgeted Amounts |                | Actual Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|----------------|----------------|---|
|  | Original         | Final          |                |   |
| <b>REVENUES</b>                                  |                  |                |                |   |
| General property taxes                           | \$ 1,448,776     | \$ 1,448,776   | \$ 1,631,332   | \$ 182,556  |
| Other local taxes                                | 1,924,110        | 1,924,110      | 2,055,147      | 131,037   |
| Permits, privilege fees, and regulatory licenses | 9,600            | 9,600          | 6,880          | (2,720)   |
| Fines and forfeitures                            | 80,900           | 80,900         | 64,535         | (16,365)  |
| Investment earnings                              | 22,000           | 22,000         | 27,420         | 5,420   |
| Charges for services                             | 79,100           | 79,100         | 98,739         | 19,639  |
| Other  | 947,200          | 947,200        | 995,244        | 48,044  |
| Intergovernmental                                | 1,797,799        | 1,814,514      | 2,188,217      | 373,703   |
| BRWA debt service payments                       | -                | -              | 755,671        | 755,671   |
| Recovered costs                                  | 133,616          | 133,616        | 117,991        | (15,625)  |
| Total revenues                                   | 6,443,101        | 6,459,816      | 7,941,176      | 1,481,360   |
| <b>EXPENDITURES</b>                              |                  |                |                |   |
| Current:   |                  |                |                |   |
| General government administration                | 1,008,208        | 1,016,423      | 855,383        | 161,040   |
| Judicial administration                          | 4,200            | 4,200          | 4,200          | -   |
| Public safety                                    | 2,582,339        | 2,837,170      | 2,465,921      | 371,249   |
| Public works                                     | 2,833,144        | 3,391,068      | 2,862,241      | 528,827   |
| Education  | 60,000           | 60,000         | 1,500          | 58,500  |
| Parks, recreation, and cultural                  | 37,603           | 37,603         | 39,452         | (1,849)   |
| Community development                            | 131,150          | 958,260        | 131,622        | 826,638   |
| Debt service:                                    |                  |                |                |   |
| Principal retirement                             | 282,114          | 282,114        | 1,129,041      | (846,927)   |
| Interest and fiscal charges                      | 48,625           | 48,625         | 223,593        | (174,968)   |
| Total expenditures                               | 6,987,383        | 8,635,463      | 7,712,953      | 922,510   |
| Excess (deficiency) of revenue over expenditures | (544,282)        | (2,175,647)    | 228,223        | 2,403,870   |
| <b>OTHER FINANCING SOURCES</b>                   |                  |                |                |   |
| Proceeds from sale of capital assets             | 10,000           | 10,000         | 11,952         | 1,952   |
| Total other financing sources                    | 10,000           | 10,000         | 11,952         | 1,952   |
| Net change in fund balance                       | \$ (534,282)     | \$ (2,165,647) | \$ 240,175     | \$ 2,405,822  |

## TOWN OF BEDFORD, VIRGINIA

STATEMENT OF NET POSITION –  
PROPRIETARY FUNDS

June 30, 2015

|   | Business-Type Activities – Enterprise Funds |               |              |
|---|---|---------------|--------------|
|   | Solid Waste                                 | Electric      | Total        |
| <b>ASSETS</b>   |   |               |              |
| Current assets:   |   |               |              |
| Cash and cash equivalents (Note 2)  | \$ 475,571                                  | \$ 5,617,147  | \$ 6,092,718 |
| Receivables, net (Note 3)   | 93,504                                      | 2,194,421     | 2,287,925    |
| Due from other funds (Note 4)   | -   | 518,931       | 518,931      |
| Inventories   | -   | 1,050,749     | 1,050,749    |
| Total current assets  | 569,075                                     | 9,381,248     | 9,950,323    |
| Noncurrent assets:  |   |               |              |
| Cash and cash equivalents, restricted (Note 2)  | 1,117,391                                   | 1,317,746     | 2,435,137    |
| Net investment in direct financing lease (Note 16)  | -   | 2,324,799     | 2,324,799    |
| Capital assets: (Note 7)  |   |               |              |
| Nondepreciable  | 506,831                                     | 203,686       | 710,517      |
| Depreciable, net  | 657,318                                     | 15,227,950    | 15,885,268   |
| Total noncurrent assets   | 2,281,540                                   | 19,074,181    | 21,355,721   |
| Total assets  | 2,850,615                                   | 28,455,429    | 31,306,044   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>   |   |               |              |
| Pension contributions subsequent to measurement date (Note 11)                              | 30,431                                      | 225,694       | 256,125      |
| Deferred charges on refunding   | -   | 713,564       | 713,564      |
| Total deferred outflows of resources  | 30,431                                      | 939,258       | 969,689      |
| <b>LIABILITIES</b>  |   |               |              |
| Current liabilities:  |   |               |              |
| Accounts payable and accrued liabilities  | 6,942                                       | 1,290,082     | 1,297,024    |
| Accrued payroll and related liabilities   | 7,251                                       | 62,068        | 69,319       |
| Accrued interest payable  | 8,632                                       | 62,093        | 70,725       |
| Due to other funds (Note 4)   | 524,178                                     | -             | 524,178      |
| Customer security deposits  | -   | 365,192       | 365,192      |
| Noncurrent liabilities due within one year (Note 8)   | 67,552                                      | 1,357,827     | 1,425,379    |
| Total current liabilities   | 614,555                                     | 3,137,262     | 3,751,817    |
| Noncurrent liabilities:   |   |               |              |
| Net pension liability (Note 11)   | 273,358                                     | 2,027,378     | 2,300,736    |
| Due in more than one year (Note 8)  | 3,294,219                                   | 12,647,212    | 15,941,431   |
| Total liabilities   | 3,567,577                                   | 14,674,590    | 18,242,167   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |   |               |              |
| Net difference between projected and actual investment earnings on pension plan investments | 53,850                                      | 399,383       | 453,233      |
| <b>NET POSITION (DEFICIT)</b>   |   |               |              |
| Net investment in capital assets  | 471,719                                     | 3,919,043     | 4,390,762    |
| Unrestricted  | (1,826,655)                                 | 7,264,409     | 5,437,754    |
| Total net position (deficit)  | \$ (1,354,936)                              | \$ 11,183,452 | \$ 9,828,516 |

## TOWN OF BEDFORD, VIRGINIA

**STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION –  
PROPRIETARY FUNDS  
Year Ended June 30, 2015**

|  | <u>Business-Type Activities – Enterprise Funds</u> |                      |                     |
|--|--|----------------------|---------------------|
|  | <u>Solid Waste</u>                                 | <u>Electric</u>      | <u>Total</u>        |
| <b>OPERATING REVENUES</b>  |  |                      |                     |
| Charges for services   | \$ 740,127   | \$ 22,108,184        | \$ 22,848,311       |
| <b>OPERATING EXPENSES</b>  |  |                      |                     |
| Refuse collection  | 212,765  | -                    | 212,765             |
| Refuse disposal  | 313,516  | -                    | 313,516             |
| Transmission and distribution                                      | -  | 866,908              | 866,908             |
| Power generation   | -  | 168,938              | 168,938             |
| Purchased power  | -  | 16,758,516           | 16,758,516          |
| Meter reading  | -  | 48,267               | 48,267              |
| Landfill closure and postclosure care                              | 45,109   | -                    | 45,109              |
| Administration   | 88,229   | 1,347,149            | 1,435,378           |
| Maintenance and repair   | -  | 305,306              | 305,306             |
| Depreciation   | 131,491  | 708,970              | 840,461             |
| Total operating expenses   | 791,110  | 20,204,054           | 20,995,164          |
| Operating income (loss)  | (50,983)   | 1,904,130            | 1,853,147           |
| <b>NONOPERATING REVENUES (EXPENSES)</b>                            |  |                      |                     |
| Interest income  | 3,404  | 315,401              | 318,805             |
| Interest expense   | (21,575)   | (674,533)            | (696,108)           |
| Other income   | -  | 3,300                | 3,300               |
| Net nonoperating expenses  | (18,171)   | (355,832)            | (374,003)           |
| Change in net position   | (69,154)   | 1,548,298            | 1,479,144           |
| <b>NET POSITION (DEFICIT) AT JULY 1,<br/>as restated (Note 21)</b> | (1,285,782)  | 9,635,154            | 8,349,372           |
| <b>NET POSITION (DEFICIT) AT JUNE 30</b>                           | <u>\$ (1,354,936)</u>                              | <u>\$ 11,183,452</u> | <u>\$ 9,828,516</u> |

## TOWN OF BEDFORD, VIRGINIA

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS  
Year Ended June 30, 2015

|  | <b>Business-Type Activities – Enterprise Funds</b> |                 |               |
|--|--|-----------------|---------------|
|  | <b>Solid<br/>Waste</b>                             | <b>Electric</b> | <b>Total</b>  |
| <b>OPERATING ACTIVITIES</b>                                    |  |                 |               |
| Receipts from customers  | \$ 776,880   | \$ 22,050,420   | \$ 22,827,300 |
| Payments to suppliers  | (406,766)  | (17,956,245)    | (18,363,011)  |
| Payments to employees  | (255,728)  | (1,659,009)     | (1,914,737)   |
| Net cash provided by operating activities                      | 114,386  | 2,435,166       | 2,549,552     |
| <b>NONCAPITAL FINANCING ACTIVITIES</b>                         |  |                 |               |
| Interfund borrowing  | (23,460)   | 23,460          | -             |
| Net cash provided by (used in) noncapital financing activities | (23,460)   | 23,460          | -             |
| <b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>                |  |                 |               |
| Purchases of capital assets                                    | -  | (459,743)       | (459,743)     |
| Principal paid on capital debt                                 | (79,550)   | (1,080,166)     | (1,159,716)   |
| Promissory note issued   | -  | 675,000         | 675,000       |
| Interest paid on capital debt                                  | (23,049)   | (596,363)       | (619,412)     |
| Net cash used in capital and related financing activities      | (102,599)  | (1,461,272)     | (1,563,871)   |
| <b>INVESTING ACTIVITIES</b>                                    |  |                 |               |
| Interest received  | 3,404  | 318,701         | 322,105       |
| Net cash provided by investing activities                      | 3,404  | 318,701         | 322,105       |
| Net increase (decrease) in cash and cash equivalents           | (8,269)  | 1,316,055       | 1,307,786     |
| <b>CASH AND CASH EQUIVALENTS</b>                               |  |                 |               |
| Beginning at July 1  | 1,601,231  | 5,618,838       | 7,220,069     |
| Ending at June 30  | \$ 1,592,962                                       | \$ 6,934,893    | \$ 8,527,855  |
| <b>RECONCILIATION TO EXHIBIT 8</b>                             |  |                 |               |
| Cash and cash equivalents                                      | \$ 475,571   | \$ 5,617,147    | \$ 6,092,718  |
| Cash and cash equivalents, restricted                          | 1,117,391  | 1,317,746       | 2,435,137     |
|  | \$ 1,592,962                                       | \$ 6,934,893    | \$ 8,527,855  |

(Continued)

## TOWN OF BEDFORD, VIRGINIA

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS  
Year Ended June 30, 2015

|   | <u>Business-Type Activities – Enterprise Funds</u> |                     |                     |
|---|--|---------------------|---------------------|
|   | <u>Solid<br/>Waste</u>                             | <u>Electric</u>     | <u>Total</u>        |
| <b>RECONCILIATION OF OPERATING<br/>INCOME (LOSS) TO NET CASH PROVIDED<br/>BY OPERATING ACTIVITIES</b> |  |                     |                     |
| Operating income (loss)   | \$ (50,983)  | \$ 1,904,130        | \$ 1,853,147        |
| Adjustments to reconcile operating income (loss)<br>to net cash provided by operating activities:     |  |                     |                     |
| Depreciation  | 131,491  | 708,970             | 840,461             |
| Landfill closure and postclosure care   | 45,109   | -                   | 45,109              |
| Pension expense less pension contributions, net   | (5,872)  | (43,554)            | (49,426)            |
| Change in assets and liabilities:   |  |                     |                     |
| (Increase) decrease in:   |  |                     |                     |
| Receivables, net  | 36,753   | (68,072)            | (31,319)            |
| Inventories   | -  | 67,283              | 67,283              |
| (Decrease) increase in:   |  |                     |                     |
| Accounts payable and accrued liabilities  | (45,399)   | (100,436)           | (145,835)           |
| Accrued payroll and related liabilities   | 779  | (49,591)            | (48,812)            |
| Customer security deposits  | -  | 10,307              | 10,307              |
| Compensated absences  | 2,508  | 6,129               | 8,637               |
| Net cash provided by operating activities   | <u>\$ 114,386</u>                                  | <u>\$ 2,435,166</u> | <u>\$ 2,549,552</u> |

**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

**A. The Financial Reporting Entity**

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

The following entities are excluded from the accompanying financial statements:

Jointly Governed Organizations:

*Region 2000 Services Authority*

During 2008, the Town, in conjunction with the Counties of Campbell, Nelson, and Appomattox, and the City of Lynchburg, created the Region 2000 Services Authority (the “Authority”). In 2013, the Town requested their agreement with the Authority be terminated as the Town now has full access to Bedford County’s landfill. The Authority agreed to release the Town. The Town was required to pay \$50,000 for two years, with the final payment being in the current year. In addition, the Town will continue to be responsible for the closure and post-closure cost previously incurred at the Authority, which is recorded in the long-term liabilities of the solid waste fund.

Related Organizations:

*Town of Bedford Redevelopment and Housing Authority*

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

*Industrial Development Authority of the Town of Bedford*

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

**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

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

Related Organizations: (Continued)

*Other Boards and Commissions*

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

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

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

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

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

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

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

**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

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

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

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

The Town reports the following major governmental fund:

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

The Town reports the following major proprietary funds:

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

The *electric fund* accounts for electric distribution operations.

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

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

**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

**D. Budgets and Budgetary Accounting**

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

- 1) Prior to May 1, the Town Manager submits to Town Council a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted to obtain citizen comments.
- 3) Prior to June 30, the budget is legally enacted through passage of an appropriations resolution. The appropriations ordinance places legal restrictions on expenditures at the fund level.
- 4) The Town Manager is authorized to transfer budget amounts between departments within any fund; however, any revisions that alter the total budget amounts and/or appropriations of any fund must be approved by Town Council. Town Council approved additional appropriations of approximately \$1,665,000 during the current fiscal year primarily for unanticipated expenditures in public works, public safety and potential grant expenditures in community development.
- 5) Formal budgetary integration is employed as a management control device for all funds.
- 6) The budget for the general fund is adopted on the modified accrual basis of accounting.

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

**E. Cash and Cash Equivalents**

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

**F. Investments**

Investments are stated at fair value.

**G. Allowance for Uncollectible Accounts**

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

**H. Inventories**

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

**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

**I. Capital Assets**

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

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

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

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

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

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

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

In addition to assets, the statement of financial position reports a separate financial statement element, *deferred outflows of resources*, which represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Town has only two items that qualifies for reporting in this category, one 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 second item is the deferred charge on refunding reported in the government-wide statement of net position and in the proprietary funds statement of net position. The deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**TOWN OF BEDFORD, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

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

**J. Deferred Outflows/Inflows of Resources (Continued)**

In addition to liabilities, the statement of financial position reports a separate financial statement element, *deferred inflows of resources*, which represents an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has two types of items. One item occurs only under a modified accrual basis of accounting. The item, *unavailable revenue*, is reported only in the governmental fund's balance sheet. The governmental fund reports unavailable revenue from property taxes and other receivables, such as the BRWA receivable, not collected within 45 days of year end and property taxes levied to fund future years. The second is the net difference between projected and actual earnings on pension plan investments. This difference will be recognized in pension expense over a closed five year period.

**K. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Political Subdivision's Retirement Plan and the additions to/deductions from the Political Subdivision's 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.

**L. Compensated Absences**

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

**M. Long-Term Obligations**

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

**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

**M. Long-Term Obligations (Continued)**

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

**N. Net Position/Fund Balance**

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

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

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

**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

**O. Restricted Amounts**

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

**P. Minimum Fund Balance Policy**

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

**Q. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Significant encumbrances as of June 30 total \$14,235 in the general fund.

**R. Estimates**

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

**Note 2. Deposits and Investments**

**Deposits**

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

**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

**Investments**

Investment Policy:

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

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

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

Credit Risk:

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

**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

**Investments (Continued)**

Concentration of Credit Risk:

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

Interest Rate Risk:

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

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

| <u>Investment Type</u>                      | <u>Fair Value</u>   | <u>Standard &amp;<br/>Poor's<br/>Credit<br/>Rating</u> | <u>Percentage<br/>of Portfolio</u> | <u>Weighted<br/>Average<br/>Maturity*</u> |
|---|---------------------|--|------------------------------------|---|
| LGIP  | \$ 47               | AAAm   | - %                                | -   |
| SNAP  | 2,140,400           | AAAm   | 70.47                              | -   |
| Federated Treasury Obligations<br>Fund      | 170,940             | AAAm   | 5.63                               | 0.06                                      |
| Scott & Stringfellow<br>Money Market Trust  | 16,800              | AAAm   | 0.55                               | 0.08                                      |
| Government National Mortgage<br>Association | 709,308             | AAA  | 23.35                              | 0.002                                     |
|   | <u>\$ 3,037,495</u> |  | <u>100%</u>                        |   |

\*Weighted average maturity in years

**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

**Investments (Continued)**

Custodial Credit Risk:

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

Deposits and investments consist of the following:

|  |                      |
|--|----------------------|
| Deposits   | \$ 11,798,366        |
| Investments  | <u>3,037,495</u>     |
| Total deposits and investments                           | <u>\$ 14,835,861</u> |
|  |                      |
| Reconciliation of deposits and investments to Exhibit 1: |                      |
| Cash and cash equivalents                                | \$ 10,719,750        |
| Cash and cash equivalents, restricted                    | <u>4,116,111</u>     |
| Total deposits and investments                           | <u>\$ 14,835,861</u> |

Restricted Cash and Cash Equivalents:

Restricted cash and cash equivalents consists of the following:

|  | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>Total</b>        |
|--|------------------------------------|-------------------------------------|---------------------|
| Unspent bond proceeds                                    | \$ 870,092                         | \$ 94,644                           | \$ 964,736          |
| Maintained as a condition of certain<br>bond instruments | 46,564                             | 1,300,301                           | 1,346,865           |
| Utility deposits   | -                                  | 365,192                             | 365,192             |
| Amounts to be applied to<br>2010 GO Bond                 | 439,835                            | -                                   | 439,835             |
| AMP Promissory note restriction                          | -                                  | 675,000                             | 675,000             |
| Grant restrictions                                       | <u>324,483</u>                     | <u>-</u>                            | <u>324,483</u>      |
|  | <u>\$ 1,680,974</u>                | <u>\$ 2,435,137</u>                 | <u>\$ 4,116,111</u> |

**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 3. Receivables**

Receivables for the individual major funds are as follows:

|                                    | <u>General</u>    | <u>Solid Waste</u> | <u>Electric</u>     | <u>Total</u>        |
|------------------------------------|-------------------|--------------------|---------------------|---------------------|
| Receivables                        |                   |                    |                     |                     |
| Taxes                              | \$ 764,751        | \$ -               | \$ -                | \$ 764,751          |
| Accounts                           | 131,771           | 142,585            | 2,535,349           | 2,809,705           |
|                                    | <hr/>             | <hr/>              | <hr/>               | <hr/>               |
| Gross receivables                  | 896,522           | 142,585            | 2,535,349           | 3,574,456           |
| Less: allowance for uncollectibles | (57,984)          | (49,081)           | (340,928)           | (447,993)           |
|                                    | <hr/>             | <hr/>              | <hr/>               | <hr/>               |
| Net receivables                    | <u>\$ 838,538</u> | <u>\$ 93,504</u>   | <u>\$ 2,194,421</u> | <u>\$ 3,126,463</u> |

Governmental funds report *unavailable revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At June 30, *unavailable revenue* related to taxes receivable was \$669,918 and the BRWA debt service receivable was \$6,271,650.

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

Amounts due from/to other funds are as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u>     |
|------------------------|---------------------|-------------------|
| Electric               | Solid Waste         | \$ 518,931        |
| General                | Solid Waste         | 5,247             |
|                        |                     | <hr/>             |
|                        |                     | <u>\$ 524,178</u> |

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

**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 5. Due From Other Governmental Units**

Amounts due from other governmental units is as follows:

|                    | <b>Governmental<br/>Activities</b> |
|--------------------|------------------------------------|
| Bedford County     |                                    |
| Local sales tax    | \$ 32,251                          |
| State of Virginia  |                                    |
| Communications tax | 23,591                             |
| Other              | 38,704                             |
|                    | \$ 94,546                          |

**Note 6. BRWA Debt Service Receivable**

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

| <b>Year<br/>Ended</b> | <b>Principal</b> | <b>Interest</b> |
|-----------------------|------------------|-----------------|
| 2016                  | \$ 626,520       | \$ 126,791      |
| 2017                  | 634,480          | 116,472         |
| 2018                  | 642,643          | 105,950         |
| 2019                  | 651,014          | 95,218          |
| 2020                  | 470,611          | 84,273          |
| 2021-2025             | 2,629,382        | 307,398         |
| 2026                  | 617,000          | 18,202          |
|                       | \$ 6,271,650     | \$ 854,304      |

**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 7. Capital Assets**

Capital asset activity for the year was as follows:

| <b>Governmental Activities</b>                 | <b>Beginning<br/>Balance</b> | <b>Increases</b>    | <b>Decreases</b> | <b>Ending<br/>Balance</b> |
|--|------------------------------|---------------------|------------------|---------------------------|
| Capital assets, not depreciated                |                              |                     |                  |                           |
| Land   | \$ 1,877,702                 | \$ -                | \$ -             | \$ 1,877,702              |
| Construction in progress                       | -                            | 17,325              | -                | 17,325                    |
| Total capital assets, not<br>depreciated       | <u>1,877,702</u>             | <u>17,325</u>       | <u>-</u>         | <u>1,895,027</u>          |
| Capital assets, depreciated                    |                              |                     |                  |                           |
| Buildings and improvements                     | 6,800,626                    | -                   | -                | 6,800,626                 |
| Machinery and equipment                        | 8,916,763                    | 554,809             | -                | 9,471,573                 |
| Infrastructure                                 | 12,876,849                   | 1,435,273           | (31,294)         | 14,280,828                |
| Total capital assets,<br>depreciated           | 28,594,238                   | 1,990,082           | (31,294)         | 30,553,026                |
| Less accumulated depreciation                  | <u>(17,004,711)</u>          | <u>(933,742)</u>    | <u>31,294</u>    | <u>(17,907,159)</u>       |
| Total capital assets,<br>depreciated, net      | <u>11,589,527</u>            | <u>1,056,340</u>    | <u>-</u>         | <u>12,645,867</u>         |
| Governmental activities<br>capital assets, net | <u>\$ 13,467,229</u>         | <u>\$ 1,073,665</u> | <u>\$ -</u>      | <u>\$ 14,540,894</u>      |

On July 1, 2015, certain roads were annexed from the Virginia Department of Transportation. Since the nature of the transaction was a transfer of operations, the roads were recorded at the State's carrying value.

**TOWN OF BEDFORD, VIRGINIA**

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

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

| <u>Business-Type Activities</u>                 | <u>Beginning<br/>Balance</u> | <u>Increases</u>    | <u>Decreases</u> | <u>Ending<br/>Balance</u> |
|---|------------------------------|---------------------|------------------|---------------------------|
| Capital assets, not depreciated                 |                              |                     |                  |                           |
| Land  | \$ 710,517                   | \$ -                | \$ -             | \$ 710,517                |
| Total capital assets, not<br>depreciated        | <u>710,517</u>               | <u>-</u>            | <u>-</u>         | <u>710,517</u>            |
| Capital assets, depreciated                     |                              |                     |                  |                           |
| Buildings and improvements                      | 14,776,053                   | -                   | -                | 14,776,053                |
| Machinery and equipment                         | 3,787,190                    | 459,743             | -                | 4,246,933                 |
| Landfill development costs                      | 3,315,945                    | -                   | -                | 3,315,945                 |
| Distribution and transmission<br>systems        | <u>16,241,760</u>            | <u>-</u>            | <u>-</u>         | <u>16,241,760</u>         |
| Total capital assets,<br>depreciated            | 38,120,948                   | 459,743             | -                | 38,580,691                |
| Less accumulated depreciation                   | <u>(21,854,962)</u>          | <u>(840,461)</u>    | <u>-</u>         | <u>(22,695,423)</u>       |
| Total capital assets,<br>depreciated, net       | <u>16,265,986</u>            | <u>(380,718)</u>    | <u>-</u>         | <u>15,885,268</u>         |
| Business-type activities<br>capital assets, net | <u>\$ 16,976,503</u>         | <u>\$ (380,718)</u> | <u>\$ -</u>      | <u>\$ 16,595,785</u>      |

Depreciation expense was charged to functions/programs as follows:

|                                   |                   |
|-----------------------------------|-------------------|
| Governmental activities           |                   |
| General government administration | \$ 161,724        |
| Public safety                     | 377,045           |
| Public works                      | 251,363           |
| Community development             | <u>143,610</u>    |
|                                   | <u>\$ 933,742</u> |
| Business-type activities          |                   |
| Solid waste                       | \$ 131,491        |
| Electric                          | <u>708,970</u>    |
|                                   | <u>\$ 840,461</u> |

**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 8. Long-Term Liabilities**

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

| <b>Governmental Activities</b>                     | <b>Beginning<br/>Balance</b> | <b>Increases</b>      | <b>Decreases</b>        | <b>Ending<br/>Balance</b> | <b>Due Within<br/>One Year</b> |
|--|------------------------------|-----------------------|-------------------------|---------------------------|--------------------------------|
| General obligation bonds                           | \$ 9,219,828                 | \$ -                  | \$ 1,054,041            | \$ 8,165,787              | \$ 938,711                     |
| Literary fund loans                                | 450,000                      | -                     | 75,000                  | 375,000                   | 75,000                         |
| Adjust for deferred amounts:                       |                              |                       |                         |                           |                                |
| Issuance premiums                                  | 21,938                       | -                     | 7,312                   | 14,626                    | -                              |
| Compensated absences                               | 194,534                      | 177,444               | 194,534                 | 177,444                   | 177,444                        |
| Landfill liability:                                |                              |                       |                         |                           |                                |
| Closed landfill                                    | 2,762,000                    | -                     | 119,000                 | 2,643,000                 | 264,300                        |
| <br>Governmental activities long-term liabilities  | <br><u>\$ 12,648,300</u>     | <br><u>\$ 177,444</u> | <br><u>\$ 1,449,887</u> | <br><u>\$ 11,375,857</u>  | <br><u>\$ 1,455,455</u>        |
| <br><b><u>Business-Type Activities</u></b>         |                              |                       |                         |                           |                                |
| General obligation bonds                           | \$ 2,880,705                 | \$ -                  | \$ 309,549              | \$ 2,571,156              | \$ 261,715                     |
| Revenue bonds                                      | 11,163,283                   | -                     | 775,564                 | 10,387,719                | 814,133                        |
| Adjust for deferred amounts:                       |                              |                       |                         |                           |                                |
| Issuance discounts                                 | (44,577)                     | -                     | (4,290)                 | (40,287)                  | -                              |
| Payable to AMP:                                    |                              |                       |                         |                           |                                |
| Contract   | 1,076,697                    | -                     | 60,000                  | 1,016,697                 | 60,000                         |
| Promissory note                                    | -                            | 675,000               | 14,603                  | 660,397                   | 175,236                        |
| Compensated absences                               | 105,656                      | 114,295               | 105,656                 | 114,295                   | 114,295                        |
| Landfill liability:                                |                              |                       |                         |                           |                                |
| Region 2000  | 50,000                       | -                     | -                       | 50,000                    | -                              |
| Active landfill                                    | 2,561,724                    | 45,109                | -                       | 2,606,833                 | -                              |
| <br>Business-type activities long-term liabilities | <br><u>\$ 17,793,488</u>     | <br><u>\$ 834,404</u> | <br><u>\$ 1,261,082</u> | <br><u>\$ 17,366,810</u>  | <br><u>\$ 1,425,379</u>        |

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

**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

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

| Year<br>Ended<br>June 30 | Governmental Activities |                     |                      |                  | Business-Type Activities |                   |                      |                     |                     |                   |
|--------------------------|-------------------------|---------------------|----------------------|------------------|--------------------------|-------------------|----------------------|---------------------|---------------------|-------------------|
|                          | General Obligation      |                     |                      |                  | General Obligation       |                   |                      |                     | AMP Obligations     |                   |
|                          | Bonds                   |                     | Other Long-Term Debt |                  | Bonds                    |                   | Revenue Bonds        |                     | Contract            | Note              |
|                          | Principal               | Interest            | Principal            | Interest         | Principal                | Interest          | Principal            | Interest            | Principal           | Principal         |
| 2016                     | \$ 934,618              | \$ 197,711          | \$ 75,000            | \$ 11,250        | \$ 261,715               | \$ 88,726         | \$ 814,133           | \$ 481,401          | \$ 60,000           | \$ 168,750        |
| 2017                     | 952,760                 | 175,066             | 75,000               | 9,000            | 270,865                  | 79,620            | 852,849              | 446,242             | 60,000              | 168,750           |
| 2018                     | 786,308                 | 155,941             | 75,000               | 6,750            | 280,285                  | 70,195            | 886,721              | 409,079             | 60,000              | 168,750           |
| 2019                     | 800,275                 | 139,614             | 75,000               | 4,500            | 289,986                  | 60,440            | 930,754              | 369,544             | 60,000              | 154,147           |
| 2020                     | 625,687                 | 122,856             | 75,000               | 2,250            | 299,978                  | 50,344            | 964,956              | 327,185             | 60,000              | -                 |
| 2021-2025                | 3,337,248               | 407,710             | -                    | -                | 1,104,732                | 97,469            | 5,589,196            | 909,248             | 280,929             | -                 |
| 2026-2029                | 728,891                 | 22,696              | -                    | -                | 63,595                   | 2,165             | 349,110              | 18,283              | 435,768             | -                 |
|                          | <u>\$ 8,165,787</u>     | <u>\$ 1,221,594</u> | <u>\$ 375,000</u>    | <u>\$ 33,750</u> | <u>\$ 2,571,156</u>      | <u>\$ 448,959</u> | <u>\$ 10,387,719</u> | <u>\$ 2,960,982</u> | <u>\$ 1,016,697</u> | <u>\$ 660,397</u> |

Details of long-term indebtedness are as follows:

|                                  | Interest Rates | Date Issued | Final Maturity Date | Amount of Original Issue | Governmental Activities | Business-Type Activities |
|----------------------------------|----------------|-------------|---------------------|--------------------------|-------------------------|--------------------------|
| <u>General Obligation Bonds:</u> |                |             |                     |                          |                         |                          |
| Virginia Resources Authority:    |                |             |                     |                          |                         |                          |
| Taxable water and sewer          | 2.5%           | 06/1998     | 2019                | \$ 5,225,000             | \$ 1,438,490            | \$ -                     |
| Water and sewer refunding        | 3.2-3.5        | 06/2010     | 2017                | 1,015,000                | 355,000                 | -                        |
| Virginia Revolving Loan Fund:    |                |             |                     |                          |                         |                          |
| Water and sewer                  | 0.0            | 04/2002     | 2022                | 2,866,300                | 1,074,862               | -                        |
| Water and sewer                  | 0.0            | 09/2001     | 2022                | 1,800,000                | 630,000                 | -                        |
| Public improvement               | 2.8-3.6        | 04/2008     | 2023                | 5,472,438                | 613,856                 | 1,878,735                |
| Public improvement               | 2.9            | 03/2011     | 2026                | 5,485,000                | 4,053,579               | 692,421                  |
|                                  |                |             |                     |                          | <u>\$ 8,165,787</u>     | <u>\$ 2,571,156</u>      |

Revenue Bonds:

|                               |          |          |      |               |             |                      |
|-------------------------------|----------|----------|------|---------------|-------------|----------------------|
| Virginia Resources Authority: |          |          |      |               |             |                      |
| Electric system refunding     | 3.0-4.1% | 08/2005  | 2025 | \$ 12,560,000 | \$ -        | \$ 7,515,000         |
| Taxable lease                 | 7.8      | 06/1996  | 2026 | 2,630,000     | -           | 1,660,000            |
| Electric system               | 3.8-4.1  | 11//2005 | 2026 | 2,064,710     | -           | 1,212,719            |
|                               |          |          |      |               | <u>\$ -</u> | <u>\$ 10,387,719</u> |

**TOWN OF BEDFORD, VIRGINIA**

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

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

|                                   | <u>Interest<br/>Rates</u> | <u>Date<br/>Issued</u> | <u>Final<br/>Maturity<br/>Date</u> | <u>Amount of<br/>Original Issue</u> | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> |
|-----------------------------------|---------------------------|------------------------|------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|
| <u>Other Long-Term Debt:</u>      |                           |                        |                                    |                                     |                                    |                                     |
| Literary fund loans               | 3.0%                      | 01/1998                | 2019                               | \$ 1,500,000                        | <u>\$ 375,000</u>                  | <u>\$ -</u>                         |
| <u>Obligations Payable – AMP:</u> |                           |                        |                                    |                                     |                                    |                                     |
| Generating station contract       | 0.8%                      | N/A                    | 2029                               | \$ 1,081,697                        | \$ -                               | \$ 1,016,697                        |
| Promissory note                   | 1.0                       | 05/2015                | 2019                               | 675,000                             | <u>-</u>                           | <u>660,397</u>                      |
|                                   |                           |                        |                                    |                                     | <u>\$ -</u>                        | <u>\$ 1,677,094</u>                 |

**Obligations Payable – AMP**

**Generating Station Contract:**

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

**Promissory Note:**

During May 2015, the Town entered into a promissory note with AMP that would assist the Town with the construction of certain electric upgrades. Principal of \$14,063, and interest, are due in installments of the 15<sup>th</sup> of each month starting on June 15, 2015 and ending on May 15, 2019. The obligation bears interest based upon AMP’s own borrowing costs, which are currently unknown, but shall not exceed 8% per annum.

**TOWN OF BEDFORD, VIRGINIA**

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

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

**Closed Landfill**

The Town closed its former landfill site in 1994. In accordance with federal and state laws, the Town placed a final cover on this site and was required to perform certain maintenance and monitoring functions for a minimum of ten years after closure. The cumulative amount of estimated closure and postclosure care costs for this site, less costs paid to date, totals \$2,643,000. The presence of certain contaminants has been detected in the groundwater on adjacent property. The estimated liability is based on the Virginia Department of Environmental Quality (DEQ) accepting the active remedy proposed by the Town. If the DEQ does not accept the active remedy, the actual costs may increase. Also, actual costs may be higher due to inflation, changes in technology, changes in regulations, or other unforeseen circumstances.

**Open Landfill**

This landfill site began accepting waste in 1994. State and federal laws require the Town to place a final cover on this site when it stops accepting waste and to perform maintenance and monitoring functions for thirty years after closure. Although closure and postclosure care costs are paid only near or after the date the landfill stops accepting waste, the Town reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used. The \$2,606,833 reported as landfill closure and postclosure liability as of June 30 represents the cumulative amount reported to date based on use of approximately 95.21% of estimated capacity. The remaining estimated cost of closure and post closure care of \$131,000 will be recognized as remaining capacity is filled. The Town is shipping most waste, except construction debris, to Bedford County's landfill and the Town expects to close the landfill in 2020. Actual costs may be higher due to inflation, changes in technology, changes in regulations, or other unforeseen circumstances.

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

**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

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

|   |                            |
|---|----------------------------|
| Nonspendable:                                       |                            |
| Cemetery perpetual care                             | <u>\$ 930,648</u>          |
| Restricted for:                                     |                            |
| General governmental administration (grant funding) | 240,523                    |
| Public safety (grant funding)                       | 20,474                     |
| Community development (grant funding)               | 63,486                     |
| 2010 GO Bond  | 439,835                    |
| Debt service reserves                               | <u>916,656</u>             |
|   | <u>1,680,974</u>           |
| Assigned to:  |                            |
| General governmental administration (encumbrances)  | 3,250                      |
| Public safety (encumbrances)                        | 8,110                      |
| Public works (encumbrances)                         | <u>2,875</u>               |
|   | <u>14,235</u>              |
| Unassigned  | <u>3,748,577</u>           |
| Total fund balance                                  | <u><u>\$ 6,374,434</u></u> |

**Deficit Net Position**

At June 30, the solid waste fund had a deficit net position of \$1,354,936, which is anticipated to be recovered through future revenues, as well as possible transfers from the general and/or electric funds.

**Note 11. Defined Benefit Pension Plan**

**Plan Description**

All full-time, salaried permanent employees of the Town of Bedford, Virginia, (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 are pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria a defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

**TOWN OF BEDFORD, VIRGINIA**

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

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

**Plan Description (Continued)**

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

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

(Continued)

**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

**Plan Description (Continued)**

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

**TOWN OF BEDFORD, VIRGINIA**

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

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

**Plan Description (Continued)**

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

**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

**Plan Description (Continued)**

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

**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

**Plan Description (Continued)**

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

**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

**Plan Description (Continued)**

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

**TOWN OF BEDFORD, VIRGINIA**

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

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

**Plan Description (Continued)**

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

(Continued)

**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

**Plan Description (Continued)**

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

**TOWN OF BEDFORD, VIRGINIA**

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

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

**Plan Description (Continued)**

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

**TOWN OF BEDFORD, VIRGINIA**

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

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

**Plan Description (Continued)**

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

**TOWN OF BEDFORD, VIRGINIA**

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

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

**Plan Description (Continued)**

|  |  |   |
|--|--|---|
| <p><b>Cost-of-Living Adjustment (COLA) in Retirement (Continued)</b></p> <p><b><u>Exceptions to COLA Effective Dates:</u></b> (Continued)</p> <ul style="list-style-type: none"> <li>• 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.</li> </ul> |  |   |
| <p><b>Disability Coverage</b></p> <p>Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>   | <p><b>Disability Coverage</b></p> <p>Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased, or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p> | <p><b>Disability Coverage</b></p> <p>Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p> |

**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

**Plan Description (Continued)**

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

**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

**Employees Covered by Benefit Terms**

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

|  | <b>Number</b> |
|--|---------------|
| Inactive members or their beneficiaries currently receiving benefits | 98            |
| Inactive members:  |               |
| Vested inactive members  | 17            |
| Non-vested inactive members  | 34            |
| Inactive members active elsewhere in VRS                             | 51            |
| Total inactive members   | 102           |
| Active members   | 109           |
| Total covered employees  | 309           |

**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, 2015 was 16.75% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$693,716 and \$698,766 for the years ended June 30, 2015 and June 30, 2014, respectively.

**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

**Net Pension Liability**

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

**Actuarial Assumptions – General Employees**

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

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

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

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

Largest 10 – Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

**Actuarial Assumptions – General Employees (Continued)**

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 – Non-LEOS:

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

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

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

**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

**Actuarial Assumptions – Public Safety Employees**

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

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

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

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

Largest 10 – LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

All Others (Non 10 Largest) – LEOS:

**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

**Actuarial Assumptions – Public Safety Employees (Continued)**

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

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

**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

**Long-Term Expected Rate of Return**

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

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

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

**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 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**

|  | <b>Increase (Decrease)</b>                     |  |  |
|--|--|--|--|
|  | <b>Total<br/>Pension<br/>Liability<br/>(a)</b> | <b>Plan<br/>Fiduciary<br/>Net Position<br/>(b)</b> | <b>Net<br/>Pension<br/>Liability<br/>(a) – (b)</b> |
| Balances at June 30, 2013  | \$ 25,039,722                                  | \$ 17,669,993                                      | \$ 7,369,729                                       |
| Changes for the year:  |  |  |  |
| Service cost   | 535,089  | -  | 535,089  |
| Interest   | 1,709,653                                      | -  | 1,709,653  |
| Differences between expected<br>and actual experience            | -  | -  | -  |
| Contributions – employer   | -  | 470,434  | (470,434)  |
| Contributions – employee   | -  | 177,122  | (177,122)  |
| Net investment income  | -  | 2,750,390  | (2,750,390)  |
| Benefit payments, including refunds<br>of employee contributions | (1,232,204)                                    | (1,232,204)  | -  |
| Administrative expenses  | -  | (15,177)   | 15,177   |
| Other changes  | -  | 145  | (145)  |
| Net changes  | 1,012,538                                      | 2,150,710  | (1,138,172)  |
| Balances at June 30, 2014  | \$ 26,052,260                                  | \$ 19,820,703                                      | \$ 6,231,557                                       |

**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

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

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

|  | <b>1.00%<br/>Decrease<br/>(6.00%)</b> | <b>Current<br/>Discount<br/>Rate (7.00%)</b> | <b>1.00%<br/>Increase<br/>(8.00%)</b> |
|--|---------------------------------------|--|---------------------------------------|
|  | <u>                    </u>           | <u>                    </u>                  | <u>                    </u>           |
| Political subdivision's<br>net pension liability | \$ 9,430,301                          | \$ 6,231,557                                 | \$ 3,553,335                          |
|  | <u>                    </u>           | <u>                    </u>                  | <u>                    </u>           |

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

For the year ended June 30, 2015, the political subdivision recognized pension expense of \$559,845. At June 30, 2015, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|---|---|--|
|   | <u>                    </u>                   | <u>                    </u>                  |
| Differences between expected and actual experience                                  | \$ -  | \$ -   |
| Change in assumptions   | -   | -  |
| Net difference between projected and actual earnings<br>on pension plan investments | -   | 1,227,583                                    |
| Employer contributions subsequent to the<br>measurement date                        | 693,716                                       | -  |
|   | <u>                    </u>                   | <u>                    </u>                  |
| Total   | \$ 693,716                                    | \$ 1,227,583                                 |
|   | <u>                    </u>                   | <u>                    </u>                  |

**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

\$693,716 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending<br/>June 30,</u> | <u>Reduction<br/>to Pension<br/>Expense</u> |
|---------------------------------|---|
| 2016                            | \$ 306,896                                  |
| 2017                            | 306,896                                     |
| 2018                            | 306,896                                     |
| 2019                            | 306,896                                     |
| Thereafter                      | -   |

**Payables to the Pension Plan**

At June 30, 2015, approximately \$18,000 was payable to the Virginia Retirement System for the legally required contributions related to June 2015 payroll.

**Note 12. Other Post-Employment Benefits**

The cost of other post-employment healthcare benefits (OPEB) is associated with the periods in which employees provide services, rather than in the future years when the costs will be paid.

**Plan Description**

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

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

**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

**Plan Description (Continued)**

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

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

|                                       |    |    |
|---------------------------------------|----|----|
| Retirees currently receiving benefits | 4  |    |
| Active employees                      | 75 | 75 |
| Total                                 |    | 79 |

**Funding Policy**

The Town currently funds post-employment health care benefits on a pay-as-you-go basis.

**Annual Other Post-Employment Benefit Cost and Net OPEB Obligation**

For 2015 the Town's OPEB costs were equal to the Annual Required Contribution (ARC).

|  |           |   |
|--|-----------|---|
| Annual required contribution               | \$ 19,556 |   |
| Interest on net OPEB obligation            | -         |   |
| Adjustment to annual required contribution | -         | - |
| Annual OPEB cost                           | 19,556    |   |
| Contributions made                         | (19,556)  | - |
| Change in net OPEB obligation              | -         |   |
| Net OPEB obligation – beginning of year    | -         | - |
| Net OPEB obligation – end of year          | \$ -      | - |

**TOWN OF BEDFORD, VIRGINIA**

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

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

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

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows.

| <u>Fiscal Year<br/>Ending</u> | <u>Annual OPEB<br/>Cost</u> | <u>Percentage of<br/>Annual OPEB<br/>Cost<br/>Contributed</u> | <u>Net OPEB<br/>Obligation</u> |
|-------------------------------|-----------------------------|---|--------------------------------|
| June 30, 2015                 | \$ 19,556                   | 100%  | \$ -                           |
| June 30, 2014                 | \$ 19,590                   | 100%  | \$ -                           |
| June 30, 2013                 | \$ 20,300                   | 100%  | \$ -                           |

**Funded Status and Funding Progress**

The funded status of the plan as of January 1, 2014 was as follows:

|   |              |
|---|--------------|
| Actuarial Accrued Liability (AAL)                 | \$ 142,911   |
| Actuarial Value of Plan Assets                    | \$ -         |
| Unfunded Actuarial Accrued Liability (UAAL)       | \$ 142,911   |
| Funded Ratio (Actuarial Value of Plan Assets/AAL) | 0.00%        |
| Covered Payroll (Active Plan Members)             | \$ 3,427,270 |
| UAAL as a Percentage of Covered Payroll           | 4.17%        |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**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 type 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.

**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

**Actuarial Methods and Assumptions (Continued)**

In the 2014 actuarial valuation, the alternative measurement method, as described in Governmental Accounting Standard No. 45, was used to determine liabilities. Under this method, the postretirement health costs are assumed to be earned ratably from the date of hire to the participant's full eligibility age. The actuarial assumptions used a 4.00% discount rate, and an initial annual healthcare cost trend of 5.50% reduced by decrements each year to arrive at an ultimate healthcare cost trend rate of 5.00%. The unfunded accrued liability is being amortized as a level percent of payroll. The open amortization period for 2015 was 14 years.

**Note 13. Service Contracts**

**Power Purchase Contracts**

*Holcomb Rock and Coleman Falls*

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

*AMP – Master Service Agreement*

In 2006, the Town entered a power sales contract with AMP through 2017. The agreement requires the Town to purchase a minimum amount of power which varies based on expected usage. The Town is charged for this power at various adjustable rates based on current market conditions.

*AMP – Prairie State Energy Project*

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

**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 13. Service Contracts (Continued)**

**Power Purchase Contracts (Continued)**

*AMP – Fremont Energy Center*

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

**Note 14. Property Taxes**

During 2014 the Town adopted Bedford County’s tax billing schedule. Property taxes are levied on a calendar year basis. The County provides the Town with the assessed value as of January 1 for real and personal property. Real estate taxes are payable June 5 and December 5. The real estate tax rate was \$0.30 per \$100 of assessed value for years 2015 and 2014, respectively.

Personal property taxes are payable on December 5. The personal property tax rate was \$1.06 and \$2.43 per \$100 for 2015 and 2014, respectively. A penalty of 10% for late payment and interest at the rate of 10% is charged on unpaid balances. The Town bills and collects its own property taxes.

**Note 15. Risk Management**

The Risk Management programs of the Town are as follows:

**Workers’ Compensation**

The Town is a member of the Virginia Municipal League Insurance Programs for workers’ compensation insurance. Benefits are provided by the Commonwealth of Virginia. Premiums are based on covered payroll, job rates, and claims experience. Total premiums for fiscal year 2015 were \$88,350.

**TOWN OF BEDFORD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 15. Risk Management (Continued)**

**General Liability and Other**

The Town purchases insurance coverage for exposure related to property, general, boiler and machinery, flood, accident and automobile liability from Virginia Municipal League Insurance Programs. The Town's property and contents are insured up to a limit of approximately \$63 million. The Town maintains an additional \$5,000,000 umbrella policy over all forms of liability insurance. The Town's Public Officials and Law Enforcement Liability and the School Board Legal Liability coverages, with a \$1,000,000 limit for each, are provided through a policy with the Commonwealth of Virginia. Total premiums for fiscal year 2015 were \$241,104.

**Healthcare**

The Town provides healthcare coverage for employees through a policy with Anthem. The Town contributes towards the premium for each employee that elects to be covered. Dependents are also covered provided they pay the additional premium to the Town. Total premiums for fiscal year 2015 were \$385,836.

**Other**

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

**Note 16. Direct Financing Lease**

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

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

|  |                     |
|--|---------------------|
| Total minimum lease payments             | \$ 3,818,877        |
| Guaranteed residual value                | 1,369,086           |
| Unearned income                          | <u>(2,863,164)</u>  |
| Net investment in direct financing lease | <u>\$ 2,324,799</u> |

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

**TOWN OF BEDFORD, VIRGINIA**

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

**Note 17. Commitments and Contingencies**

Grants:

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

Construction contract:

The Town has one construction contract in progress at June 30. The uncompleted portion of the contract represents a financial commitment that is not yet a liability at June 30, 2015, and consist of the following:

|                                       |                   |
|---------------------------------------|-------------------|
| Contract in progress                  | \$ 542,500        |
| Less: paid or recorded as liabilities | <u>18,240</u>     |
| Remaining commitment                  | <u>\$ 524,260</u> |

**Note 18. Major Customer/Taxpayer**

During fiscal year 2015, approximately 7.36% of the Town's business-type revenues were generated by one industrial customer.

**Note 19. New Accounting Standards**

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

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

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

**TOWN OF BEDFORD, VIRGINIA**

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

**Note 19. New Accounting Standards (Continued)**

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

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

**Note 20. Reversion to Town Status**

On July 1, 2013 the City of Bedford reverted to town status. Certain governmental activities capital assets in the amount of \$2,132,737 were transferred to Bedford County, including the library and elementary school. Due to the reversion, the County receives an increase in state education funding for 15 years (“Incentive Payments”). In consideration for assets transferred, the County agreed to pay the Town \$500,000 annually for a period of 15 years. In any year in which the Incentive Payment is greater than \$4 million, the County shall pay the Town an additional \$250,000. If the Incentive Payment is less than \$4 million, the payment to the Town will be reduced by a formula described in the reversion agreement. For the year ended June 30, 2015 the Town received \$750,000 from the County related to Incentive Payments.

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

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

**TOWN OF BEDFORD, VIRGINIA**

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

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

In the current year the Town adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, as amended by GASB Statement No. 71*. This standard replaces the requirements of GASB Statements No. 27 and No. 50 as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. The new Statement requires governments providing defined benefit pensions to recognize the long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information, including disclosing descriptive information about the types of benefits provided, how contributions to the pension plan are determined, and assumptions and methods used to calculate the pension liability. Comparative prior year information, to the extent presented, has not been restated because the necessary information is not available.

The following is a summary of the restatements to fund balance and net position, as applicable, resulting from the adoption of GASB Statement No. 68:

|  | <b>Governmental<br/>Activities</b> | <b>Solid Waste<br/>Fund</b> | <b>Electric<br/>Fund</b> |
|--|------------------------------------|-----------------------------|--------------------------|
| Fund balance/net position,<br>July 1, 2014, as previously reported | \$ 14,425,678                      | \$ (983,136)                | \$ 11,879,775            |
| To implement GASB No. 68   | (4,352,025)                        | (302,646)                   | (2,244,621)              |
| Fund balance/net position<br>July 1, 2014, as restated             | \$ 10,073,653                      | \$ (1,285,782)              | \$ 9,635,154             |

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# **REQUIRED SUPPLEMENTARY INFORMATION**

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## TOWN OF BEDFORD, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**June 30, 2015**

|  | <u>Primary<br/>Government</u> |
|--|-------------------------------|
| <b>Total Pension Liability</b>   |                               |
| Service cost   | \$ 535,089                    |
| Interest on total pension liability                                    | 1,709,653                     |
| Benefit payments, including refunds of employee contributions          | <u>(1,232,204)</u>            |
| Net change in total pension liability                                  | 1,012,538                     |
| <b>Total pension liability – beginning</b>                             | <u>25,039,722</u>             |
| <b>Total pension liability – ending</b>                                | <u>26,052,260</u>             |
| <b>Plan Fiduciary Net Position</b>                                     |                               |
| Contributions – employer   | 470,434                       |
| Contributions – employee   | 177,122                       |
| Net investment income  | 2,750,390                     |
| Benefit payments, including refunds of employee contributions          | (1,232,204)                   |
| Administrative expenses  | (15,177)                      |
| Other  | <u>145</u>                    |
| Net change in plan fiduciary net position                              | 2,150,710                     |
| <b>Plan fiduciary net position – beginning</b>                         | <u>17,669,993</u>             |
| <b>Plan fiduciary net position – ending</b>                            | <u>19,820,703</u>             |
| <b>Net pension liability – ending</b>                                  | <u>\$ 6,231,557</u>           |
| Plan fiduciary net position as a percentage of total pension liability | <u>76.08%</u>                 |
| Covered employee payroll   | <u>\$ 3,899,256</u>           |
| Net pension liability as a percentage of covered employee payroll      | <u>159.81%</u>                |

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

## TOWN OF BEDFORD, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PENSION CONTRIBUTIONS**

**June 30, 2015**

| <b>Year Ended<br/>June 30</b> | <b>Actuarially<br/>Determined<br/>Contribution</b> | <b>Contributions<br/>in Relation<br/>to Actuarially<br/>Determined<br/>Contribution</b> | <b>Contribution<br/>Deficiency<br/>(Excess) (3)</b> | <b>Covered<br/>Employee<br/>Payroll (4)</b> | <b>Contributions<br/>as a<br/>percentage of<br/>Covered<br/>Payroll (5)</b> |
|-------------------------------|--|---|---|---|---|
| 2015                          | \$ 693,716   | \$ 693,716  | \$ -  | \$ 3,899,256                                | 17.79%  |

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

## TOWN OF BEDFORD, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS FOR**  
**OTHER POST-EMPLOYMENT BENEFITS**  
**June 30, 2015**

| <b>Actuarial<br/>Valuation<br/>Date</b> | <b>(a)<br/>Actuarial<br/>Value of<br/>Assets</b> | <b>(b)<br/>Actuarial<br/>Accrued<br/>Liability (AAL)</b> | <b>(b-a)<br/>Unfunded<br/>Actuarial<br/>Accrued<br/>Liability<br/>(UAAL)</b> | <b>(a/b)<br/>Funded<br/>Ratio</b> | <b>(c)<br/>Annual<br/>Covered<br/>Payroll</b> | <b>(b-a)/c<br/>UAAL as of<br/>Percentage of<br/>Covered<br/>Payroll</b> |
|---|--|--|--|-----------------------------------|---|---|
| January 1, 2014                         | \$ -   | \$ 142,911   | \$ 142,911   | 0.00%                             | \$ 3,427,270                                  | 4.17%   |
| January 1, 2012                         | \$ -   | \$ 171,800   | \$ 171,800   | 0.00%                             | \$ 4,582,100                                  | 3.75%   |
| January 1, 2009                         | \$ -   | \$ 162,500   | \$ 162,500   | 0.00%                             | \$ 4,727,100                                  | 3.44%   |

**TOWN OF BEDFORD, VIRGINIA**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2015**

**Note 1. Changes of Benefit Terms**

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

**Note 2. Changes of Assumptions**

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

Largest 10 – Non-LEOS:

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

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) – LEOS:

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

# STATISTICAL SECTION

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

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

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

**TABLE 1**

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

|   | Fiscal Year          |                      |                      |                      |                      |                      |                      |                      |                      |                      |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|   | 2015                 | 2014                 | 2013                 | 2012                 | 2011                 | 2010                 | 2009                 | 2008                 | 2007                 | 2006                 |
| <b>Governmental activities</b>              |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Net investment in capital assets            | \$ 13,173,900        | \$ 11,818,082        | \$ 12,802,057        | \$ 13,580,468        | \$ 13,928,863        | \$ 15,167,250        | \$ 15,362,995        | \$ 15,245,441        | \$ 14,745,115        | \$ 14,470,547        |
| Restricted                                  | 764,318              | 1,257,885            | 893,641              | 905,566              | 1,275,857            | -                    | -                    | -                    | -                    | -                    |
| Unrestricted                                | (1,794,430)          | 1,349,711            | 574,787              | 967,285              | 202,484              | (539,263)            | (1,517,998)          | (1,934,063)          | 2,042,536            | 1,965,046            |
| Total governmental activities net position  | <u>\$ 12,143,788</u> | <u>\$ 14,425,678</u> | <u>\$ 14,270,485</u> | <u>\$ 15,453,319</u> | <u>\$ 15,407,204</u> | <u>\$ 14,627,987</u> | <u>\$ 13,844,997</u> | <u>\$ 13,311,378</u> | <u>\$ 16,787,651</u> | <u>\$ 16,435,593</u> |
| <b>Business-type activities</b>             |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Net investment in capital assets            | \$ 4,390,762         | \$ 3,769,941         | \$ 17,821,614        | \$ 19,684,925        | \$ 16,310,638        | \$ 14,469,590        | \$ 13,809,254        | \$ 13,137,264        | \$ 11,813,722        | \$ 8,371,842         |
| Restricted                                  | -                    | -                    | 806,525              | 422,208              | -                    | -                    | -                    | -                    | -                    | -                    |
| Unrestricted                                | 5,437,754            | 7,126,700            | 8,589,819            | 5,537,133            | 5,972,814            | 8,114,890            | 10,062,241           | 10,469,136           | 6,880,977            | 10,518,305           |
| Total business-type activities net position | <u>\$ 9,828,516</u>  | <u>\$ 10,896,641</u> | <u>\$ 27,217,958</u> | <u>\$ 25,644,266</u> | <u>\$ 22,283,452</u> | <u>\$ 22,584,480</u> | <u>\$ 23,871,495</u> | <u>\$ 23,606,400</u> | <u>\$ 18,694,699</u> | <u>\$ 18,890,147</u> |
| <b>Primary government</b>                   |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Net investment in capital assets            | \$ 17,564,662        | \$ 15,588,023        | \$ 30,623,671        | \$ 33,265,393        | \$ 30,239,501        | \$ 29,636,840        | \$ 29,172,249        | \$ 28,382,705        | \$ 26,558,837        | \$ 22,842,389        |
| Restricted                                  | 764,318              | 1,257,885            | 1,700,166            | 1,327,774            | 1,275,857            | -                    | -                    | -                    | -                    | -                    |
| Unrestricted                                | 3,643,324            | 8,476,411            | 9,164,606            | 6,504,418            | 6,175,298            | 7,575,627            | 8,544,243            | 8,535,073            | 8,923,513            | 12,483,351           |
| Total primary government net position       | <u>\$ 21,972,304</u> | <u>\$ 25,322,319</u> | <u>\$ 41,488,443</u> | <u>\$ 41,097,585</u> | <u>\$ 37,690,656</u> | <u>\$ 37,212,467</u> | <u>\$ 37,716,492</u> | <u>\$ 36,917,778</u> | <u>\$ 35,482,350</u> | <u>\$ 35,325,740</u> |

Note: Overall change in FY14 compared to FY13 is due to reversion to Town status on July 1, 2013.

Note: GASB Statement No. 68. was adopted in FY15.

**TABLE 2**

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

|   | Fiscal Year |              |              |              |              |              |              |              |              |              |
|---|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|   | 2015        | 2014         | 2013         | 2012         | 2011         | 2010         | 2009         | 2008         | 2007         | 2006         |
| <b>Expenses</b>                                 |             |              |              |              |              |              |              |              |              |              |
| <b>Governmental activities:</b>                 |             |              |              |              |              |              |              |              |              |              |
| General government administration               | \$ 985,262  | \$ 1,087,365 | \$ 1,486,378 | \$ 1,372,155 | \$ 1,243,932 | \$ 1,263,022 | \$ 1,285,276 | \$ 1,157,362 | \$ 1,108,975 | \$ 1,255,082 |
| Judicial administration                         | 4,143       | 4,200        | 66,994       | 64,599       | 69,749       | 73,925       | 54,638       | 45,844       | 20,269       | 22,108       |
| Public safety                                   | 2,480,298   | 2,690,606    | 3,328,885    | 3,268,702    | 3,221,404    | 3,234,418    | 3,531,246    | 3,551,640    | 3,491,536    | 3,147,207    |
| Public works                                    | 2,320,701   | 2,734,693    | 3,510,226    | 2,783,359    | 2,381,402    | 2,238,273    | 2,002,857    | 1,800,835    | 1,870,534    | 1,734,423    |
| Health and welfare                              | -           | -            | 611,757      | 661,680      | 684,699      | 615,447      | 679,222      | 859,833      | 675,828      | 558,469      |
| Education                                       | 1,480       | 2,048        | 7,027,650    | 6,329,561    | 6,637,708    | 6,312,843    | 7,400,863    | 7,521,071    | 7,280,991    | 6,924,063    |
| Parks, recreation, and cultural                 | 38,914      | 86,971       | 375,631      | 414,045      | 443,092      | 505,520      | 732,067      | 968,399      | 990,201      | 947,889      |
| Community development                           | 271,475     | 604,569      | 258,210      | 320,829      | 312,424      | 419,959      | 521,281      | 525,207      | 464,080      | 518,251      |
| Nondepartmental                                 | -           | -            | -            | -            | -            | -            | 3,578        | 10,923       | 1,208        | 7,829        |
| Interest on long-term debt                      | 208,103     | 295,433      | 100,817      | 97,101       | 120,140      | 150,360      | 167,716      | 224,815      | 137,765      | 112,811      |
| Total governmental activities                   | 6,310,376   | 7,505,885    | 16,766,548   | 15,312,031   | 15,114,550   | 14,813,767   | 16,378,744   | 16,665,929   | 16,041,387   | 15,228,132   |
| <b>Business-type activities:</b>                |             |              |              |              |              |              |              |              |              |              |
| Water and sewer                                 | -           | -            | 3,514,595    | 3,288,441    | 3,008,301    | 3,057,530    | 3,012,009    | 2,889,286    | 3,074,722    | 3,046,030    |
| Solid waste                                     | 812,685     | 1,041,820    | 864,030      | 1,011,584    | 1,114,103    | 979,974      | 1,141,850    | 1,225,962    | 1,789,163    | 2,097,695    |
| Electric  | 20,878,587  | 21,764,439   | 19,710,177   | 19,557,948   | 23,366,909   | 22,855,580   | 23,372,403   | 19,353,950   | 18,798,435   | 15,305,400   |
| Total business-type activities expense          | 21,691,272  | 22,806,259   | 24,088,802   | 23,857,973   | 27,489,313   | 26,893,084   | 27,526,262   | 23,469,198   | 23,662,320   | 20,449,125   |
| Total primary government expenses               | 28,001,648  | 30,312,144   | 40,855,350   | 39,170,004   | 42,603,863   | 41,706,851   | 43,905,006   | 40,135,127   | 39,703,707   | 35,677,257   |
| <b>Program Revenues</b>                         |             |              |              |              |              |              |              |              |              |              |
| <b>Governmental activities:</b>                 |             |              |              |              |              |              |              |              |              |              |
| Charges for services:                           |             |              |              |              |              |              |              |              |              |              |
| General government                              | 170,154     | 238,114      | 240,274      | 191,469      | 267,863      | 346,196      | 299,493      | 265,733      | 276,964      | 259,823      |
| Public safety                                   | 94,300      | 86,785       | 99,357       | 170,578      | 129,156      | 94,192       | 117,681      | 125,533      | 125,411      | 111,122      |
| Public works                                    | 23,691      | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| Parks, recreation, and cultural                 | -           | 5,410        | 16,357       | 19,142       | 20,962       | 28,133       | 89,320       | 105,913      | 105,283      | 91,610       |
| Operating grants and contributions              | 1,930,366   | 1,713,909    | 5,840,890    | 5,675,008    | 5,728,339    | 5,542,630    | 6,493,199    | 6,036,954    | 5,916,844    | 5,403,786    |
| Capital grants and contributions                | -           | 5,753        | 32,474       | 38,022       | 216,354      | 68,807       | 258,533      | 610,115      | 229,931      | 171,077      |
| Total governmental activities program revenues  | 2,218,511   | 2,049,971    | 6,229,352    | 6,094,219    | 6,362,674    | 6,079,958    | 7,258,226    | 7,144,248    | 6,654,433    | 6,037,418    |
| <b>Business-type activities:</b>                |             |              |              |              |              |              |              |              |              |              |
| Charges for services:                           |             |              |              |              |              |              |              |              |              |              |
| Water and sewer                                 | -           | -            | 3,304,287    | 3,140,016    | 3,108,582    | 3,249,909    | 3,131,495    | 3,316,832    | 2,823,034    | 2,736,581    |
| Solid waste                                     | 740,127     | 903,966      | 913,436      | 999,851      | 1,010,196    | 1,000,078    | 1,032,705    | 1,091,627    | 1,130,918    | 1,045,479    |
| Electric  | 22,108,184  | 22,162,487   | 21,534,257   | 20,431,813   | 22,615,629   | 21,620,435   | 24,188,620   | 20,393,092   | 19,686,578   | 15,600,264   |
| Operating grants and contributions              | 99,440      | -            | 410,416      | 383,853      | 397,679      | 389,336      | 381,015      | 333,872      | 330,314      | 371,778      |
| Capital grants and contributions                | -           | -            | 61,303       | 2,699,315    | 840,092      | 136,236      | 57,500       | 102,100      | -            | -            |
| Total business-type activities program revenues | 22,947,751  | 23,066,453   | 26,223,699   | 27,654,848   | 27,972,178   | 26,395,994   | 28,791,335   | 25,237,523   | 23,970,844   | 19,754,102   |
| Total primary government program revenues       | 25,166,262  | 25,116,424   | 32,453,051   | 33,749,067   | 34,334,852   | 32,475,952   | 36,049,561   | 32,381,771   | 30,625,277   | 25,791,520   |
| <b>Net (expense) revenue</b>                    |             |              |              |              |              |              |              |              |              |              |
| Governmental activities                         | (4,091,865) | (5,455,914)  | (10,537,196) | (9,217,812)  | (8,751,876)  | (8,733,809)  | (9,120,518)  | (9,521,681)  | (9,386,954)  | (9,190,714)  |
| Business-type activities                        | 1,256,479   | 260,194      | 2,134,897    | 3,796,875    | 482,865      | (497,090)    | 1,265,073    | 1,768,325    | 308,524      | (695,023)    |
| Total primary government net expense            | (2,835,386) | (5,195,720)  | (8,402,299)  | (5,420,937)  | (8,269,011)  | (9,230,899)  | (7,855,445)  | (7,753,356)  | (9,078,430)  | (9,885,737)  |

(Continued)

**TABLE 2**

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

|   | Fiscal Year         |                        |                   |                     |                   |                     |                   |                     |                   |                       |
|---|---------------------|------------------------|-------------------|---------------------|-------------------|---------------------|-------------------|---------------------|-------------------|-----------------------|
|   | 2015                | 2014                   | 2013              | 2012                | 2011              | 2010                | 2009              | 2008                | 2007              | 2006                  |
| <b>General Revenues and Other Changes in Net Position</b> |                     |                        |                   |                     |                   |                     |                   |                     |                   |                       |
| <b>Governmental activities:</b>                           |                     |                        |                   |                     |                   |                     |                   |                     |                   |                       |
| <b>Taxes</b>  |                     |                        |                   |                     |                   |                     |                   |                     |                   |                       |
| Property taxes  | \$ 1,641,132        | \$ 3,246,201           | \$ 5,001,731      | \$ 4,941,170        | \$ 4,866,945      | \$ 4,863,006        | \$ 4,492,230      | \$ 4,300,745        | \$ 4,269,862      | \$ 3,615,417          |
| Sales taxes   | 181,294             | 181,660                | 842,139           | 830,064             | 857,218           | 854,574             | 894,826           | 998,680             | 1,017,547         | 927,493               |
| Business license tax                                      | 223,522             | 223,802                | 674,058           | 663,146             | 657,475           | 599,269             | 637,671           | 656,230             | 671,322           | 617,347               |
| Meals tax   | 1,143,412           | 1,080,127              | 680,651           | 671,404             | 655,365           | 643,868             | 663,141           | 681,216             | 650,068           | 557,659               |
| Other local taxes   | 506,920             | 474,706                | 390,387           | 376,025             | 408,407           | 390,096             | 400,801           | 540,166             | 537,283           | 495,420               |
| Intergovernmental revenue, unrestricted                   | 394,764             | 467,240                | 741,161           | 771,718             | 707,804           | 955,354             | 924,651           | 939,102             | 971,695           | 982,103               |
| Unrestricted investment earnings                          | 27,419              | -                      | 9,662             | 56,106              | 55,553            | 23,447              | 143,365           | 247,573             | 404,158           | 343,308               |
| Gain (loss) on disposition of assets                      | 11,952              | 10,850                 | 88,641            | 4,102               | 24,224            | 10,544              | 3,078             | -                   | 4,621             | 26,212                |
| County reversion payments                                 | 750,000             | 821,050                | -                 | -                   | -                 | -                   | -                 | -                   | -                 | -                     |
| Other   | 245,244             | 191,492                | 24,707            | 77,768              | 21,963            | 37,692              | 27,374            | 25,457              | 22,720            | 57,037                |
| Transfers   | -                   | 722,153                | 900,000           | 872,424             | 1,300,000         | 1,138,949           | 1,467,000         | (2,343,761)         | 1,189,736         | 1,954,023             |
| <b>Special Items:</b>                                     |                     |                        |                   |                     |                   |                     |                   |                     |                   |                       |
| Annexation of state roads                                 | 1,036,341           | -                      | -                 | -                   | -                 | -                   | -                 | -                   | -                 | -                     |
| Transfer of assets to other governments                   | -                   | (2,138,673)            | -                 | -                   | -                 | -                   | -                 | -                   | -                 | -                     |
| <b>Total governmental activities</b>                      | <b>6,162,000</b>    | <b>5,280,608</b>       | <b>9,354,362</b>  | <b>9,263,927</b>    | <b>9,554,954</b>  | <b>9,516,799</b>    | <b>9,654,137</b>  | <b>6,045,408</b>    | <b>9,739,012</b>  | <b>9,576,019</b>      |
| <b>Business-type activities:</b>                          |                     |                        |                   |                     |                   |                     |                   |                     |                   |                       |
| Investment earnings                                       | 219,365             | 323,709                | 338,795           | 342,248             | 340,479           | 349,024             | 467,022           | 631,292             | 685,764           | 663,538               |
| Gain on sale of capital assets                            | -                   | -                      | -                 | -                   | -                 | -                   | -                 | 168,323             | -                 | -                     |
| (Other  | 3,300               | -                      | -                 | -                   | -                 | -                   | -                 | -                   | -                 | -                     |
| Transfers   | -                   | (722,153)              | (900,000)         | (872,424)           | (1,300,000)       | (1,138,949)         | (1,467,000)       | 2,343,761           | (1,189,736)       | (1,954,023)           |
| <b>Special Items:</b>                                     |                     |                        |                   |                     |                   |                     |                   |                     |                   |                       |
| Transfer of assets to other governments                   | -                   | (15,923,758)           | -                 | -                   | -                 | -                   | -                 | -                   | -                 | -                     |
| <b>Total business-type activities</b>                     | <b>222,665</b>      | <b>(16,322,202)</b>    | <b>(561,205)</b>  | <b>(530,176)</b>    | <b>(959,521)</b>  | <b>(789,925)</b>    | <b>(999,978)</b>  | <b>3,143,376</b>    | <b>(503,972)</b>  | <b>(1,290,485)</b>    |
| <b>Total primary government</b>                           | <b>6,384,665</b>    | <b>(11,041,594)</b>    | <b>8,793,157</b>  | <b>8,733,751</b>    | <b>8,595,433</b>  | <b>8,726,874</b>    | <b>8,654,159</b>  | <b>9,188,784</b>    | <b>9,235,040</b>  | <b>8,285,534</b>      |
| <b>Changes in Net Position</b>                            |                     |                        |                   |                     |                   |                     |                   |                     |                   |                       |
| Governmental activities                                   | 2,070,135           | (175,306)              | (1,182,834)       | 46,115              | 803,078           | 782,990             | 533,619           | (3,476,273)         | 352,058           | 385,305               |
| Business-type activities                                  | 1,479,144           | (16,062,008)           | 1,573,692         | 3,266,699           | (476,656)         | (1,287,015)         | 265,095           | 4,911,701           | (195,448)         | (1,985,508)           |
| <b>Total primary government</b>                           | <b>\$ 3,549,279</b> | <b>\$ (16,237,314)</b> | <b>\$ 390,858</b> | <b>\$ 3,312,814</b> | <b>\$ 326,422</b> | <b>\$ (504,025)</b> | <b>\$ 798,714</b> | <b>\$ 1,435,428</b> | <b>\$ 156,610</b> | <b>\$ (1,600,203)</b> |

Note: Overall change in FY14 compared to FY13 is due to reversion to Town status on July 1, 2013.

**TABLE 3**

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

|                                    | <b>Post-GASB 54</b> |                     |                     |                     |                     |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|                                    | <b>2015</b>         | <b>2014</b>         | <b>2013</b>         | <b>2012</b>         | <b>2011</b>         |
| General Fund                       |                     |                     |                     |                     |                     |
| Nonspendable                       | \$ 930,648          | \$ 887,603          | \$ 880,907          | \$ 881,387          | \$ 828,714          |
| Restricted                         | 1,680,974           | 2,173,623           | 893,642             | 905,566             | 904,160             |
| Assigned                           | 14,235              | 192,464             | 27,245              | 565,787             | 354,146             |
| Unassigned                         | 3,748,577           | 2,880,569           | 2,573,798           | 2,368,680           | 1,916,649           |
| Total general fund                 | <u>\$ 6,374,434</u> | <u>\$ 6,134,259</u> | <u>\$ 4,375,592</u> | <u>\$ 4,721,420</u> | <u>\$ 4,003,669</u> |
|                                    |                     |                     |                     |                     |                     |
|                                    | <b>Pre-GASB 54</b>  |                     |                     |                     |                     |
|                                    | <b>2010</b>         | <b>2009</b>         | <b>2008</b>         | <b>2007</b>         | <b>2006</b>         |
| General Fund                       |                     |                     |                     |                     |                     |
| Reserved                           | \$ 1,966,581        | \$ 1,840,352        | \$ 2,352,425        | \$ 2,431,433        | \$ 1,625,713        |
| Unreserved                         | 1,719,613           | 1,000,010           | 453,160             | 611,421             | 759,917             |
| Total general fund                 | <u>\$ 3,686,194</u> | <u>\$ 2,840,362</u> | <u>\$ 2,805,585</u> | <u>\$ 3,042,854</u> | <u>\$ 2,385,630</u> |
| All Other Governmental Funds       |                     |                     |                     |                     |                     |
| Unreserved, reported in:           |                     |                     |                     |                     |                     |
| Special revenue funds              | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                |
| Total all other governmental funds | <u>\$ -</u>         |

Note: GASB 54 was adopted in FY 2011.

Note: Overall change in FY14 compared to FY13 is due to reversion to Town status on July 1, 2013.

**TABLE 4**

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

|   | <b>2015</b>       | <b>2014</b>         | <b>2013</b>         | <b>2012</b>       | <b>2011</b>       | <b>2010</b>       | <b>2009</b>       | <b>2008</b>         | <b>2007</b>       | <b>2006</b>       |
|---|-------------------|---------------------|---------------------|-------------------|-------------------|-------------------|-------------------|---------------------|-------------------|-------------------|
| <b>Revenues</b>   |                   |                     |                     |                   |                   |                   |                   |                     |                   |                   |
| Taxes   | \$ 3,686,479      | \$ 4,696,712        | \$ 7,592,582        | \$ 7,555,727      | \$ 7,416,138      | \$ 7,258,677      | \$ 7,097,542      | \$ 7,189,990        | \$ 7,107,098      | \$ 6,205,510      |
| Permits, privilege fees, and licenses                   | 6,880             | 7,005               | 12,321              | 26,166            | 23,359            | 23,261            | 38,843            | 36,827              | 33,833            | 25,491            |
| Fines and forfeitures                                   | 64,535            | 79,780              | 87,035              | 94,468            | 77,935            | 65,813            | 65,802            | 88,201              | 91,148            | 84,687            |
| Revenue from use of money and property                  | 27,420            | -                   | 10,887              | 56,106            | 55,553            | 23,447            | 143,365           | 247,573             | 404,157           | 343,308           |
| Charges for services                                    | 98,739            | 108,920             | 122,028             | 125,951           | 155,067           | 175,270           | 212,939           | 260,756             | 278,926           | 275,364           |
| County reversion payments                               | 750,000           | 821,050             | -                   | -                 | -                 | -                 | -                 | -                   | -                 | -                 |
| BRWA debt service payments                              | 755,671           | 758,051             | -                   | -                 | -                 | -                 | -                 | -                   | -                 | -                 |
| Other   | 363,235           | 134,604             | 88,640              | 77,768            | 183,583           | 241,868           | 216,284           | 137,233             | 8,832             | 140,076           |
| Intergovernmental                                       | 2,188,217         | 2,932,695           | 6,749,129           | 6,619,353         | 6,577,499         | 6,566,791         | 7,676,383         | 7,492,240           | 7,257,145         | 6,517,543         |
| <b>Total revenues</b>                                   | <b>7,941,176</b>  | <b>9,538,817</b>    | <b>14,662,622</b>   | <b>14,555,539</b> | <b>14,489,134</b> | <b>14,355,127</b> | <b>15,451,158</b> | <b>15,452,820</b>   | <b>15,181,139</b> | <b>13,591,979</b> |
| <b>Expenditures</b>                                     |                   |                     |                     |                   |                   |                   |                   |                     |                   |                   |
| General government                                      | 855,383           | 1,057,256           | 1,456,493           | 1,289,938         | 1,151,035         | 1,156,296         | 1,176,391         | 1,095,027           | 1,041,035         | 1,415,552         |
| Judicial administration                                 | 4,200             | 4,200               | 66,994              | 64,599            | 69,749            | 73,925            | 54,638            | 45,844              | 20,269            | 22,108            |
| Public safety   | 2,465,921         | 3,081,246           | 3,187,608           | 3,130,237         | 3,021,780         | 3,034,104         | 3,374,816         | 4,529,012           | 3,305,259         | 3,120,698         |
| Public works  | 2,862,241         | 3,300,643           | 2,856,280           | 2,567,995         | 2,900,284         | 2,273,460         | 2,313,259         | 2,186,661           | 2,039,525         | 2,063,237         |
| Parks, recreation, and cultural                         | 39,452            | 90,672              | 318,399             | 348,542           | 381,331           | 436,653           | 663,122           | 906,368             | 980,295           | 908,539           |
| Health and welfare                                      | -                 | -                   | 611,757             | 661,680           | 684,699           | 615,447           | 679,222           | 859,833             | 675,828           | 558,469           |
| Education   | 1,500             | 14,046              | 6,617,245           | 5,888,862         | 6,189,655         | 5,923,094         | 6,950,962         | 7,142,290           | 6,849,211         | 6,583,537         |
| Community development                                   | 131,622           | 484,855             | 178,769             | 203,823           | 260,011           | 330,515           | 617,783           | 443,771             | 381,138           | 472,557           |
| Nondepartmental   | -                 | -                   | -                   | -                 | -                 | -                 | 3,578             | 10,923              | 1,208             | 7,829             |
| Debt service:   |                   |                     |                     |                   |                   |                   |                   |                     |                   |                   |
| Bond issuance costs                                     | -                 | -                   | -                   | -                 | 12,533            | -                 | -                 | 7,178               | -                 | 24,570            |
| Principal   | 1,129,041         | 1,273,225           | 539,491             | 469,185           | 681,164           | 664,029           | 879,780           | 736,949             | 762,152           | 626,979           |
| Interest  | 223,593           | 248,384             | 100,121             | 89,453            | 132,314           | 153,843           | 173,994           | 185,569             | 132,055           | 132,589           |
| <b>Total expenditures</b>                               | <b>7,712,953</b>  | <b>9,554,527</b>    | <b>15,933,157</b>   | <b>14,714,314</b> | <b>15,484,555</b> | <b>14,661,366</b> | <b>16,887,545</b> | <b>18,149,425</b>   | <b>16,187,975</b> | <b>15,936,664</b> |
| Excess of revenues under expenditures                   | 228,223           | (15,710)            | (1,270,535)         | (158,775)         | (995,421)         | (306,239)         | (1,436,387)       | (2,696,605)         | (1,006,836)       | (2,344,685)       |
| <b>Other Financing Sources</b>                          |                   |                     |                     |                   |                   |                   |                   |                     |                   |                   |
| Proceeds from borrowing                                 | -                 | -                   | -                   | -                 | 1,282,911         | -                 | -                 | 946,774             | -                 | 717,885           |
| Payment to refunded bond escrow agent                   | -                 | -                   | -                   | -                 | (1,270,378)       | -                 | -                 | -                   | -                 | -                 |
| Proceeds from sale of assets                            | 11,952            | 10,850              | 24,707              | 4,102             | 24,224            | 13,122            | 4,164             | 45,562              | 4,621             | 26,212            |
| Principal payment of capital lease                      | -                 | -                   | -                   | -                 | -                 | -                 | -                 | -                   | -                 | -                 |
| Transfers in  | -                 | 1,992,266           | 900,000             | 872,424           | 1,300,000         | 1,138,949         | 1,467,000         | 1,467,000           | 1,904,366         | 2,162,023         |
| Transfers out   | -                 | -                   | -                   | -                 | -                 | -                 | -                 | -                   | (714,630)         | (208,000)         |
| <b>Total other financing sources</b>                    | <b>11,952</b>     | <b>2,003,116</b>    | <b>924,707</b>      | <b>876,526</b>    | <b>1,336,757</b>  | <b>1,152,071</b>  | <b>1,471,164</b>  | <b>2,459,336</b>    | <b>1,194,357</b>  | <b>2,698,120</b>  |
| <b>Net change in fund balances</b>                      | <b>\$ 240,175</b> | <b>\$ 1,987,406</b> | <b>\$ (345,828)</b> | <b>\$ 717,751</b> | <b>\$ 341,336</b> | <b>\$ 845,832</b> | <b>\$ 34,777</b>  | <b>\$ (237,269)</b> | <b>\$ 187,521</b> | <b>\$ 353,435</b> |
| Debt service as a percentage of noncapital expenditures | 20.06%            | 19.02%              | 4.06%               | 3.86%             | 5.60%             | 5.74%             | 6.24%             | 5.08%               | 5.52%             | 4.77%             |

Note: Overall change in FY14 compared to FY13 is due to reversion to Town status on July 1, 2013.

**TABLE 5**

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

| <b>Fiscal Year</b> | <b>Real Estate</b> | <b>Personal Property</b> | <b>Machinery and Tools</b> | <b>Public Service Corporation</b> | <b>Mobile Homes</b> | <b>Total Assessed Value</b> | <b>Total Direct Tax Rate<sup>(1)</sup></b> | <b>Overlapping Government County<sup>(2)</sup></b> | <b>Total Direct and Overlapping</b> |
|--------------------|--------------------|--------------------------|----------------------------|-----------------------------------|---------------------|-----------------------------|--|--|-------------------------------------|
| 2015               | \$ 485,471,900     | \$ 30,676,919            | \$ 31,867,195              | \$ 8,028,090                      | \$ 1,338,172        | \$ 557,382,276              | 0.34                                       | 0.52   | 0.86                                |
| 2014               | 474,911,700        | 49,928,570               | 32,422,960                 | 8,406,570                         | 365,500             | 566,035,300                 | 0.53                                       | 0.52   | 1.05                                |
| 2013               | 427,414,000        | 48,740,600               | 35,756,980                 | 9,270,300                         | 353,000             | 521,534,880                 | 1.04                                       | NA   | 1.04                                |
| 2012               | 426,408,500        | 46,608,260               | 34,809,690                 | 8,896,880                         | 407,900             | 517,131,230                 | 1.03                                       | NA   | 1.03                                |
| 2011               | 426,484,700        | 45,780,775               | 35,757,860                 | 8,173,800                         | 420,700             | 516,617,835                 | 1.03                                       | NA   | 1.03                                |
| 2010               | 406,184,200        | 45,604,044               | 36,509,350                 | 8,502,100                         | 415,000             | 497,214,694                 | 0.97                                       | NA   | 0.97                                |
| 2009               | 403,819,100        | 48,686,689               | 31,436,013                 | 8,440,200                         | 421,600             | 492,803,602                 | 0.93                                       | NA   | 0.93                                |
| 2008               | 396,308,300        | 47,144,412               | 33,851,260                 | 9,845,100                         | 416,600             | 487,565,672                 | 0.93                                       | NA   | 0.93                                |
| 2007               | 395,464,300        | 46,294,050               | 31,804,750                 | 7,716,900                         | 425,900             | 481,705,900                 | 0.96                                       | NA   | 0.96                                |
| 2006               | 318,993,200        | 43,796,730               | 30,216,970                 | 8,913,570                         | 478,800             | 402,399,270                 | 0.95                                       | NA   | 0.95                                |

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

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

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

Note: Overall change in FY14 compared to FY13 is due to reversion to Town status on July 1, 2013.

**TABLE 6**

**TOWN OF BEDFORD, VIRGINIA  
PRINCIPAL ELECTRICAL CUSTOMERS  
CURRENT YEAR AND LAST YEAR**

| <b>Customer</b>                  | <b>Fiscal Year 2015</b> |             |  | <b>Fiscal Year 2014</b> |             |  |
|----------------------------------|-------------------------|-------------|--|-------------------------|-------------|--|
|                                  | <b>Revenue</b>          | <b>Rank</b> | <b>Percentage of<br/>Total City<br/>Electrical<br/>Revenue</b> | <b>Revenue</b>          | <b>Rank</b> | <b>Percentage of<br/>Total City<br/>Electrical<br/>Revenue</b> |
| Wheelabrator Abrasives           | \$ 1,627,608            | 1           | 7.36 %   | \$ 1,579,548            | 1           | 9.12 %   |
| Bedford Weaving                  | 865,815                 | 2           | 3.92   | 777,645                 | 2           | 4.49   |
| Trident (Formerly Golden West)   | 587,849                 | 3           | 2.66   | 619,767                 | 3           | 3.58   |
| The Matrix Group                 | 449,557                 | 4           | 2.03   | 418,672                 | 4           | 2.42   |
| Smyth Companies                  | 406,443                 | 5           | 1.84   | 389,859                 | 5           | 2.25   |
| Town of Bedford                  | 377,136                 | 6           | 1.71   | 363,883                 | 6           | 2.10   |
| Bedford Regional Water Authority | 358,430                 | 7           | 1.62   | 336,466                 | 7           | 1.94   |
| Wal-Mart                         | 310,347                 | 8           | 1.40   | 291,952                 | 8           | 1.68   |
| Bedford Memorial Hospital        | 288,875                 | 9           | 1.31   | 243,356                 | 9           | 1.40   |
| Bedford Storage Investment LLC   | 271,119                 | 10          | 1.23   | 233,144                 | 11          | 1.35   |
| Liberty High School              | 241,299                 | 11          | 1.09   | 233,379                 | 10          | 1.35   |
|                                  | <u>\$ 5,784,478</u>     |             | <u>26.17 %</u>   | <u>\$ 5,487,671</u>     |             | <u>31.68 %</u>   |

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

TABLE 7

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

| <b>Fiscal<br/>Year<br/>Ended<br/>June 30</b> | <b>Taxes Levied<br/>for the<br/>Fiscal Year</b> | <b>Collected within the</b>               |                               | <b>Collections<br/>in Subsequent<br/>Years</b> | <b>Total Collections to Date</b> |                               |
|--|---|---|-------------------------------|--|----------------------------------|-------------------------------|
|  |   | <b>Fiscal Year of the Levy<br/>Amount</b> | <b>Percentage<br/>of Levy</b> |  | <b>Amount</b>                    | <b>Percentage<br/>of Levy</b> |
| 2015   | \$ 1,625,391                                    | \$ 1,201,076                              | 73.89%                        | \$ -   | \$ 1,201,076                     | 73.89%                        |
| 2014   | 3,599,653                                       | 2,964,106                                 | 82.34                         | 2,722  | 2,966,828                        | 82.42                         |
| 2013   | 5,261,090                                       | 5,149,132                                 | 97.87                         | 13,192   | 5,162,324                        | 98.12                         |
| 2012   | 5,181,486                                       | 5,059,795                                 | 97.65                         | 78,143   | 5,137,938                        | 99.16                         |
| 2011   | 5,095,003                                       | 5,051,869                                 | 99.15                         | 43,134   | 5,095,003                        | 100.00                        |
| 2010   | 5,002,964                                       | 4,934,386                                 | 98.63                         | 67,112   | 5,001,498                        | 99.97                         |
| 2009   | 4,723,553                                       | 4,665,545                                 | 98.77                         | 50,572   | 4,716,117                        | 99.84                         |
| 2008   | 4,555,494                                       | 4,540,584                                 | 99.67                         | 14,910   | 4,555,494                        | 100.00                        |
| 2007   | 4,416,965                                       | 4,251,913                                 | 96.26                         | 55,856   | 4,307,769                        | 97.53                         |
| 2006   | 3,860,961                                       | 3,552,698                                 | 92.02                         | 78,446   | 3,631,144                        | 94.05                         |

Source: Tax Records of the City.

Note: Overall change in FY14 compared to FY13 is due to reversion to Town status on July 1, 2013.

**TABLE 8**

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

|   | <u>2015</u>          | <u>2014</u>          | <u>2013</u>          | <u>2012</u>          | <u>2011</u>          | <u>2010</u>          | <u>2009</u>          | <u>2008</u>          | <u>2007</u>          | <u>2006</u>          |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Debt limit  | \$ 49,349,999        | \$ 48,331,827        | \$ 43,668,430        | \$ 43,530,538        | \$ 43,465,850        | \$ 41,468,630        | \$ 41,225,930        | \$ 40,615,340        | \$ 40,289,520        | \$ 32,757,867        |
| Total net debt applicable to limit                                      | <u>11,111,943</u>    | <u>12,550,533</u>    | <u>14,123,033</u>    | <u>16,111,135</u>    | <u>17,718,481</u>    | <u>16,502,823</u>    | <u>18,036,255</u>    | <u>20,213,861</u>    | <u>15,377,542</u>    | <u>16,664,323</u>    |
| Legal debt margin   | <u>\$ 38,238,056</u> | <u>\$ 35,781,294</u> | <u>\$ 29,545,397</u> | <u>\$ 27,419,403</u> | <u>\$ 25,747,369</u> | <u>\$ 24,965,807</u> | <u>\$ 23,189,675</u> | <u>\$ 20,401,479</u> | <u>\$ 24,911,978</u> | <u>\$ 16,093,544</u> |
| Total net debt applicable to the limit<br>as a percentage of debt limit | <u>22.52%</u>        | <u>25.97%</u>        | <u>32.34%</u>        | <u>37.01%</u>        | <u>40.76%</u>        | <u>39.80%</u>        | <u>43.75%</u>        | <u>49.77%</u>        | <u>38.17%</u>        | <u>50.87%</u>        |

**Legal Debt Margin Calculation for Fiscal Year 2015**

|                                    |                       |
|------------------------------------|-----------------------|
| Assessed value                     | <u>\$ 493,499,990</u> |
| Debt limit (10% of assessed value) | \$ 49,349,999         |
| Less debt applicable to limit:     |                       |
| General obligation bonds           | (10,736,943)          |
| Other long-term obligations        | <u>(375,000)</u>      |
| Legal debt margin                  | <u>\$ 38,238,056</u>  |

Note: Overall change in FY14 compared to FY13 is due to reversion to Town status on July 1, 2013.

**TABLE 9**

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

| Fiscal Year | General Bonded Debt      |  |  |                           | Percentage of Actual Value of Taxable Property | Per Capita | Other Governmental Activities Debt |            |
|-------------|--------------------------|--|--|---------------------------|--|------------|------------------------------------|------------|
|             | General Obligation Bonds | Business Type General Obligation Bonds | Less: Amounts Restricted to Repaying Principal | Total General Bonded Debt |  |            | Capital Leases                     | Other Debt |
| 2015        | \$ 8,165,787             | \$ 2,571,156                           | \$ -   | \$ 10,736,943             | 1.93 %   | \$ 1,661   | \$ -                               | \$ 375,000 |
| 2014        | 9,219,828                | 2,880,705                              | -  | 12,100,533                | 2.14   | 1,850      | -                                  | 450,000    |
| 2013        | 1,570,080                | 11,125,529                             | -  | 12,695,609                | 2.43   | 2,134      | -                                  | 525,000    |
| 2012        | 2,034,572                | 13,476,563                             | -  | 15,511,135                | 3.00   | 2,353      | -                                  | 600,000    |
| 2011        | 2,428,757                | 14,614,724                             | -  | 17,043,481                | 3.30   | 2,757      | -                                  | 675,000    |
| 2010        | 2,819,927                | 12,932,896                             | -  | 15,752,823                | 3.17   | 2,504      | 184,882                            | 750,000    |
| 2009        | 3,230,546                | 14,020,836                             | -  | 17,251,382                | 3.50   | 2,717      | 363,292                            | 825,000    |
| 2008        | 3,932,140                | 15,381,721                             | -  | 19,313,861                | 3.96   | 3,060      | 674,209                            | 900,000    |
| 2007        | 1,520,600                | 13,856,942                             | -  | 15,377,542                | 3.19   | 2,446      | 715,927                            | 975,000    |
| 2006        | 2,047,200                | 14,617,123                             | -  | 16,664,323                | 4.14   | 2,667      | 576,479                            | 1,050,000  |

| Fiscal Year | Business-Type Activities |              |                          | Per Capita <sup>(1)</sup> | Percentage of Personal Income <sup>(1)</sup> |
|-------------|--------------------------|--------------|--------------------------|---------------------------|--|
|             | Revenue Bonds            | Other Debt   | Total Primary Government |                           |  |
| 2015        | \$ 10,387,719            | \$ 1,677,094 | \$ 23,176,756            | \$ 3,584                  | * %  |
| 2014        | 11,163,283               | 1,076,697    | 24,790,513               | 3,791                     | *  |
| 2013        | 11,910,422               | 1,126,157    | 26,257,188               | 4,414                     | 12.31  |
| 2012        | 12,634,273               | 2,179,318    | 30,924,726               | 4,691                     | 12.05  |
| 2011        | 13,431,282               | 2,570,674    | 33,720,437               | 5,455                     | 14.01  |
| 2010        | 14,343,108               | -            | 31,030,813               | 4,933                     | 12.67  |
| 2009        | 15,215,652               | -            | 33,655,326               | 5,300                     | 13.61  |
| 2008        | 19,074,075               | -            | 39,962,145               | 6,331                     | 16.19  |
| 2007        | 16,903,533               | -            | 33,972,002               | 5,404                     | 15.04  |
| 2006        | 17,714,178               | -            | 36,004,980               | 5,762                     | 17.11  |

NA – Not Available

<sup>(1)</sup> See Table 11 for population and per capita personal income information. For FY2012 - FY2009 amount for per capita personal income of \$38,937 was utilized to calculate the Percentage of Personal Income.

\* Unavailable

Note: Overall change in FY14 compared to FY13 is due to reversion to Town status on July 1, 2013.

**TABLE 10**

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

| <b>Fiscal<br/>Year</b> | <b>Gross<br/>Revenue</b> | <b>Less:<br/>Operating<br/>Expenses</b> | <b>Net<br/>Available<br/>Revenue</b> | <b>Debt Service</b> |                 | <b>Coverage</b> |
|------------------------|--------------------------|---|--------------------------------------|---------------------|-----------------|-----------------|
|                        |                          |   |                                      | <b>Principal</b>    | <b>Interest</b> |                 |
| 2015                   | \$ 22,108,184            | \$ 20,204,054                           | \$ 1,904,130                         | \$ 775,564          | \$ 519,193      | 1.47            |
| 2014                   | 22,162,487               | 21,026,163                              | 1,136,324                            | 747,139             | 549,753         | 0.88            |
| 2013                   | 21,534,257               | 18,973,898                              | 2,560,359                            | 723,851             | 578,499         | 1.97            |
| 2012                   | 20,431,813               | 18,789,808                              | 1,642,005                            | 797,009             | 606,101         | 1.17            |
| 2011                   | 22,615,629               | 21,508,360                              | 1,107,269                            | 911,826             | 633,082         | 0.72            |
| 2010                   | 21,620,435               | 22,157,031                              | (536,596)                            | 872,544             | 663,496         | (0.35)          |
| 2009                   | 24,188,620               | 22,511,926                              | 1,676,694                            | 858,423             | 689,452         | 1.08            |
| 2008                   | 20,393,092               | 18,509,559                              | 1,883,533                            | 829,459             | 712,007         | 1.22            |
| 2007                   | 19,686,578               | 17,949,108                              | 1,737,470                            | 810,645             | 733,527         | 1.13            |
| 2006                   | 15,600,264               | 14,464,519                              | 1,135,745                            | 562,631             | 577,968         | 1.00            |

Notes: Details regarding the Town’s outstanding debt can be found in the Notes to Financial Statements.  
 Operating expenses do not include depreciation, interest, or amortization expenses.

Note: Overall change in FY14 compared to FY13 is due to reversion to Town status on July 1, 2013.

TABLE 11

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

| <b>Fiscal<br/>Year<br/>Ended</b> <sup>(1)</sup> | <b>Population</b> <sup>(2)</sup> | <b>Total<br/>Personal<br/>Income</b> <sup>(3)</sup> | <b>Per Capita<br/>Personal<br/>Income</b> | <b>Public<br/>School<br/>Enrollment</b> | <b>Unemployment<br/>Rate</b> <sup>(4)</sup> |
|---|----------------------------------|---|---|---|---|
| 2015  | 6,466                            | \$ *  | \$ *                                      | 1,068                                   | 5.90 %                                      |
| 2014  | 6,540                            | *   | *   | NA                                      | 7.80  |
| 2013  | 5,948                            | 3,206,247   | 35,863                                    | NA                                      | 7.90  |
| 2012  | 6,593                            | 3,157,757   | 32,167                                    | 809                                     | 8.30  |
| 2011  | 6,181                            | 2,911,097   | 33,040                                    | 784                                     | 8.10  |
| 2010  | 6,291                            | 2,836,787   | 37,827                                    | 830                                     | 9.70  |
| 2009  | 6,350                            | 2,772,227   | 38,937                                    | 827                                     | 6.90  |
| 2008  | 6,312                            | 2,846,751   | 39,114                                    | 813                                     | 5.30  |
| 2007  | 6,286                            | 2,618,524   | 35,934                                    | 888                                     | 4.10  |
| 2006  | 6,249                            | 2,421,037   | 33,674                                    | 902                                     | 3.70  |

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

<sup>(2)</sup> Source: Population Division, U.S. Census Bureau

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

<sup>(4)</sup> Source: LAUS Unit and Bureau of Labor Statistics

\* Unavailable

**TABLE 12**

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

| Employer                                       | Fiscal Year 2015 |      |                                     | Fiscal Year 2006 |      |                                     |
|--|------------------|------|-------------------------------------|------------------|------|-------------------------------------|
|  | Employees        | Rank | Percentage of Total City Employment | Employees        | Rank | Percentage of Total City Employment |
| Centra Bedford Memorial Hospital               | 395              | 1    | 6.55 %                              | 357              | 1    | 7.81 %                              |
| Sam Moore Furniture LLC                        | 275              | 2    | 4.56                                | 305              | 3    | 6.67                                |
| Wal-Mart                                       | 240              | 3    | 3.98                                | NA               | NA   | 0.00                                |
| Bedford Public Schools                         | 225              | 4    | 3.73                                | 321              | 2    | 7.02                                |
| Cintas   | 125              | 5    | 2.07                                | 136              | 8    | 2.98                                |
| Bedford Weaving Mills                          | 121              | 6    | 2.01                                | 139              | 7    | 3.04                                |
| Lowes  | 105              | 7    | 1.74                                | NA               | NA   | 0.00                                |
| Smyth Companies Bedford                        | 102              | 8    | 1.69                                | 116              | 9    | 2.54                                |
| English Meadows aka Elks                       |                  |      |                                     |                  |      |                                     |
| National Home                                  | 75               | 9    | 1.24                                | NA               | NA   | 0.00                                |
| Winoa (Wheelevator)                            | 54               | 10   | 0.90                                | 43               | NA   | 0.00                                |
| Frank Chervan                                  | NA               | NA   | 0.00                                | 167              | 5    | 3.65                                |
| Holbrook Enterprises                           | NA               | NA   | 0.00                                | 150              | 6    | 3.28                                |
| Longwood Industries                            | NA               | NA   | 0.00                                | 96               | 10   | 2.10                                |
| Trident Seafood Inc (Brooks Foods/Golden West) | NA               | NA   | 0.00                                | 185              | 4    | 4.05                                |
|  | <u>1,717</u>     |      | <u>28.47 %</u>                      | <u>2,015</u>     |      | <u>43.14 %</u>                      |

Source: HR Departments of Employers.

TABLE 13

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

| <u>Function/Program</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|-------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| General government      |             |             |             |             |             |             |             |             |             |             |
| Executive               | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           |
| Treasurer               | 5           | 2           | 2           | 2           | 1           | 1           | 1           | 1           | 1           | 1           |
| Personnel               | -           | 3           | -           | -           | -           | -           | -           | -           | -           | 2           |
| Finance                 | 5           | 5           | 5           | 5           | 5           | 5           | 5           | 6           | 6           | 5           |
| Information Technology  | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 1           | 2           |
| Planning                | 3           | 2           | 2           | 3           | 3           | 3           | 3           | 5           | 5           | 5           |
| Schools                 | -           | -           | 9           | 9           | 9           | 9           | 8           | 6           | 8           | 8           |
| Police                  |             |             |             |             |             |             |             |             |             |             |
| Officers                | 24          | 24          | 23          | 24          | 24          | 24          | 21          | 25          | 28          | 29          |
| Civilians               | 3           | 3           | 3           | 3           | 5           | 3           | 2           | 3           | 3           | 3           |
| Fire                    | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |
| Public works            | 17          | 18          | 20          | 19          | 20          | 18          | 21          | 15          | 18          | 20          |
| Engineering             | 1           | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           |
| Cemetery                | 1           |             |             |             |             |             |             |             |             | 10          |
| Parks and recreation    | -           | -           | 1           | 2           | 2           | 3           | 3           | 9           | 10          | 10          |
| Solid waste             | 3           | 3           | 2           | 2           | 2           | 3           | 4           | 4           | 5           | 5           |
| Water                   | -           | -           | 6           | 6           | 6           | 6           | 6           | 6           | 6           | 6           |
| Wastewater              | -           | -           | 10          | 10          | 11          | 11          | 11          | 11          | 11          | 11          |
| Electric                | 18          | 17          | *17         | *14         | *14         | *13         | *15         | *18         | 19          | 19          |
| Total                   | <u>85</u>   | <u>84</u>   | <u>107</u>  | <u>106</u>  | <u>109</u>  | <u>106</u>  | <u>107</u>  | <u>116</u>  | <u>126</u>  | <u>141</u>  |

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

Source: City of Bedford's Finance Department.

Note: Overall change in FY14 compared to FY13 is due to reversion to Town status on July 1, 2013.

**TABLE 14**

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

| <u>Function/Program</u>                         | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| General Government:                             |             |             |             |             |             |             |             |             |             |             |
| Fleet:  |             |             |             |             |             |             |             |             |             |             |
| Pieces of equipment maintained                  | 127         | 124         | 132         | 132         | 130         | 127         | 129         | 129         | 135         | *           |
| Public safety:                                  |             |             |             |             |             |             |             |             |             |             |
| Police:   |             |             |             |             |             |             |             |             |             |             |
| Physical arrests                                | 777         | 964         | 964         | 1,137       | 902         | 943         | 1,116       | 1,129       | 1,124       | 1,269       |
| Parking violations                              | 1,040       | 1,321       | 1,093       | 1,128       | 1,937       | 1,235       | 1,381       | 1,359       | 2,432       | 2,601       |
| Traffic violations                              | 1,045       | 985         | 1,762       | 2,135       | 1,319       | 1,334       | 1,535       | 1,579       | 1,842       | 2,288       |
| Fire:   |             |             |             |             |             |             |             |             |             |             |
| Emergency responses – per calendar year         | 808         | 721         | 741         | NA          | 821         | 919         | 913         | 886         | 948         | 853         |
| Public works:                                   |             |             |             |             |             |             |             |             |             |             |
| Refuse collection:                              |             |             |             |             |             |             |             |             |             |             |
| Refuse collected (tons per day)                 | 25          | 40          | 40          | 40          | 40          | 27          | 25          | 30          | 43          | *           |
| Recyclables collected (tons per day)            | -           | 1           | 1           | 1           | 2           | 1           | 2           | 2           | 1           | *           |
| Other public works:                             |             |             |             |             |             |             |             |             |             |             |
| Street resurfacing (miles)                      | 2           | 6           | 6           | 6           | 4           | 4           | 2           | -           | 5           | *           |
| Parks, recreation, and cultural:                |             |             |             |             |             |             |             |             |             |             |
| Parks and recreation:                           |             |             |             |             |             |             |             |             |             |             |
| Tournaments hosted                              | -           | -           | -           | 2           | 3           | 2           | 2           | 1           | 1           | 1           |
| Electric:                                       |             |             |             |             |             |             |             |             |             |             |
| Number of customer accounts                     | 6,614       | 6,574       | 6,531       | 6,519       | 6,499       | 7,091       | 6,986       | 6,937       | 6,919       | 6,340       |
| Miles of distribution lines                     | 353         | 353         | 353         | 353         | 353         | 353         | 352         | 350         | 350         | 350         |
| Miles of transmission lines                     | 29          | 29          | 29          | 29          | 29          | 29          | 29          | 28          | 28          | 28          |
| Water:  |             |             |             |             |             |             |             |             |             |             |
| Number of customer accounts                     | -           | -           | 3,328       | 3,306       | 3,289       | 3,583       | 3,509       | 3,466       | 3,468       | 3,215       |
| Miles of distribution lines                     | -           | -           | 65          | 65          | 65          | 65          | 65          | 65          | 65          | 65          |
| Volume pumped (million gallons per day average) | -           | -           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |
| Sewer:  |             |             |             |             |             |             |             |             |             |             |
| Number of customer accounts                     | -           | -           | 2,698       | 2,679       | 2,664       | 2,929       | 2,856       | 2,836       | 2,842       | 2,568       |
| Waste/Water treated (million gallons per day)   | -           | -           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |

Source:

\* Information was not accumulated for these years and is not available at this time

NA – Information not available at this time

TABLE 15

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

| <b><u>Function/Program</u></b>   | <b><u>2015</u></b> | <b><u>2014</u></b> | <b><u>2013</u></b> | <b><u>2012</u></b> | <b><u>2011</u></b> | <b><u>2010</u></b> | <b><u>2009</u></b> | <b><u>2008</u></b> | <b><u>2007</u></b> | <b><u>2006</u></b> |
|----------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Public safety:                   |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| Law enforcement vehicles         | 20                 | 20                 | 18                 | 18                 | 19                 | 18                 | 19                 | 19                 | 19                 | 19                 |
| Fire stations                    | 1                  | 1                  | 1                  | 1                  | 1                  | 1                  | 1                  | 1                  | 1                  | 1                  |
| Public works:                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| Primary streets (lane miles)     | 24.61              | 24                 | 24.11              | 24.11              | 24.11              | 24.11              | 24.11              | 24.11              | 24.11              | 24.11              |
| Secondary streets (lane miles)   | 73.63              | 72                 | 71.51              | 71.51              | 71.51              | 71.51              | 66.47              | 66.47              | 66.47              | 66.47              |
| Streetlights                     | 979                | 974                | 974                | 974                | 897                | 897                | 875                | 875                | 875                | 875                |
| Parks, recreation, and cultural: |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| Community centers                | -                  | -                  | 1                  | 1                  | 1                  | 1                  | 1                  | 1                  | 1                  | 1                  |
| Parks/athletic fields            | -                  | -                  | 12                 | 12                 | 12                 | 12                 | 12                 | 12                 | 12                 | 12                 |
| Electric:                        |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| Substations                      | 10                 | 10                 | 10                 | 10                 | 10                 | 10                 | 11                 | 11                 | 11                 | 11                 |
| Transformers                     | 3,582              | 3,475              | 3,340              | 3,340              | 3,340              | 3,340              | 3,340              | 3,340              | 3,210              | 3,210              |
| Water and sewage:                |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| Water treatment plants           | -                  | -                  | 1                  | 1                  | 1                  | 1                  | 1                  | 1                  | 1                  | 1                  |
| Water mains (miles)              | -                  | -                  | 65                 | 65                 | 65                 | 65                 | 65                 | 65                 | 65                 | 65                 |
| Storm sewers (miles)             | -                  | -                  | 5                  | 5                  | 5                  | 5                  | 5                  | 5                  | 5                  | 5                  |
| Sanitary sewers (miles)          | -                  | -                  | 47                 | 47                 | 47                 | 47                 | 47                 | 47                 | 47                 | 47                 |

Source: Information was obtained from prior year audit reports.

\* Information was not accumulated for these years and is not available.

Note: Overall change in FY14 compared to FY13 is due to reversion to Town status on July 1, 2013.

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# COMPLIANCE SECTION

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Bedford, Virginia (the “Town”), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements, and have issued our report thereon dated October 20, 2015.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. **Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as Item 15-1 to be a significant deficiency.**

## Compliance and Other Matters

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

## Town of Bedford, Virginia's Response to Findings

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

## Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
October 20, 2015

**TOWN OF BEDFORD, VIRGINIA**

**SUMMARY OF COMPLIANCE MATTERS**

**June 30, 2015**

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

**STATE COMPLIANCE MATTERS**

Code of Virginia:

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

**LOCAL COMPLIANCE MATTERS**

- Town Charter
- Town Code

**TOWN OF BEDFORD, VIRGINIA**

**SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2015**

**A. FINDING – FINANCIAL STATEMENT AUDIT**

**15-1: Electric Fund Inventory (Significant Deficiency)**

*Condition:*

The inventory listing for the electric fund was inaccurate; certain inventory items did not have the correct unit values assigned.

*Recommendation:*

Steps should be taken to ensure the inventory listing is materially accurate and the correct unit cost is used when creating the inventory report.

*Management's Response:*

The Munis Financial Package has a convert to Excel feature in all of its modules except for the Inventory module. Reports in that module can only be downloaded into PDF or printed to the screen. The auditors require inventory in the Excel format resulting in the need to manually convert that data into Excel from the database tables. Usually when that one-time-per-year conversion happens the criteria selected is the Average Cost Per Unit, i.e. the Total Value/Number of Units. This is historically how that report has been pulled. This past June 30, 2015 when the criteria were selected it was converted as Actual First In/First Out Cost. These criteria look at the items sitting in that inventory number in the system and select the oldest item that was purchased in the system under that inventory number. This is why there was a discrepancy this year. On inventory numbers that only contain one item there was not an issue because the average and the oldest item equate to the same amount. But on inventory numbers that have multiple units within that number then the criteria pulled the first item that was bought and placed in there, hence not matching the Average Cost Per Unit as it was pulled on June 30, 2014. The inventory count was correct, the criteria on the report as it was pulled was incorrect when compared to last year's report. Staff will institute corrective measures by approaching Munis for programming assistance to circumvent not being able to download/convert to Excel in the Inventory module. In addition, staff has created a standard operating procedure to pull that report 3 working days prior to June 30th to check the consistency of the data with the previous audited inventory.

**B. FINDINGS – COMMONWEALTH OF VIRGINIA**

**None.**