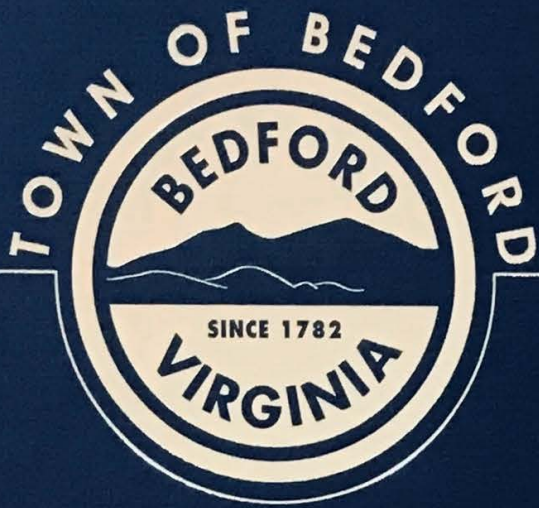




TOWN OF BEDFORD, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2017

DEPARTMENT OF FINANCE AND ADMINISTRATION

215 East Main Street
Bedford, Virginia 24523
540.587.6001
www.bedfordva.gov

TOWN OF BEDFORD, VIRGINIA

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INTRODUCTORY SECTION



Town of Bedford, Virginia

Office of the Town Manager

215 East Main Street ● Bedford, VA 24523 ● (p) 540.587.6001 ● (f) 540.587.6143

November 2, 2017

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, 2017. 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. 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.

The Honorable Mayor, Members of Town Council
And the Citizens of Bedford, Virginia
November 2, 2017

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 furniture manufacturing, lithographed labels, plastics, weaving, polyurethane products, steel abrasives, closed-cell rubber products and steel cutting dies. Since the independent City of Bedford was changed to town status and was added to Bedford County, town demographics and economic statistics are now reported in conjunction with Bedford County. During 2016/2017 the Town's unemployment rate was reported as a percentage of Bedford County's which was 4.0%. There was a slight increase in employment by select principal employers located within the Town. 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 residential property, while approximately 38 percent is commercial and industrial.

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 continues to experience a higher than normal vacancy rate due to several issues such as the shifting economy, however, there has been renewed interest in that area by several new start-up businesses. A significant downtown improvement program is currently underway and business owners continue to reinvest in their facilities. In addition, there has been a revitalization effort in the Town's vacant industrial properties introducing new residential and commercial opportunities.

The 100-acre business park located in the Town that was developed through collaboration between the Town and Bedford County -- The Bedford Center for Business -- continues to be a successful economic development attraction and provides opportunities to compete for industrial relocations and expansions. This premier GigaPark resides in a Virginia Enterprise Zone designated location and houses a 50,000 square foot building currently occupied by 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. In addition, A Schulman, Inc., a developer, manufacturer and distributor of thermoplastic materials, operates in a 37,000 sq. ft. facility in the Bedford Center for Business. The Mid-Atlantic Broadband Cooperative, in conjunction with the Virginia Tobacco Commission and U.S. Department of Commerce's Economic Development Administration, provides reasonably low-cost access to high-speed broadband from facilities in the park.

The Town of Bedford continues to maintain a 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. The State recently approved a significant expansion of the area for the Zone to include additional commercial and industrial areas. 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.

The Honorable Mayor, Members of Town Council
And the Citizens of Bedford, Virginia
November 2, 2017

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 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:

- Economic Development continues to be a top priority for Town Council as evidenced by the approval of a one-half cent meals tax increase. The revenue generated by this increase is earmarked for economic development initiatives only. Town Council continues to collaborate with the Bedford County Economic Development Authority and the Town of Bedford Economic Development Authority to attract new economic development opportunities through various block grants and performance-based incentive programs.
- To promote Economic Development, Town Council continues to have a major focus on community planning and the level of service required for accommodating growth and providing resources for a sustainable future.
- The Town continues to explore the feasibility of a passenger rail stop within Town limits. New standards for passenger rail station development are expected to be published by the Virginia Department of Rail and Public Transportation by December 2017.
- Town Council approved the creation and funding of a new position, Economic Development Coordinator, in order to stimulate the Town's economy via strategic planning, promotion, and outreach.
- 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 a very real short-term threat to the financial stability of the Town.
- The Town continues to focus on areas where physical improvements should be made related to pedestrian safety and to promote accessibility at a level defined by the Americans with Disabilities Act. 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 Honorable Mayor, Members of Town Council
And the Citizens of Bedford, Virginia
November 2, 2017

- 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 with the goal of increasing that to 15%. A solar power generation facility, managed by a private company who will sell the electricity to the Town, is expected to be operational as of January 2018 on Town-owned property. The Town has also addressed other revenue sources such as pole attachment agreements and right-of-way fees to ensure that competitiveness and maximization of 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. Examples are current participation in regional marketing and economic development initiatives, as well as provision of police and emergency services. The Town also participates 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 it. The Town's MD&A can be found immediately following the report of the independent auditors.

The Honorable Mayor, Members of Town Council
And the Citizens of Bedford, Virginia
November 2, 2017

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 June 13, 2017, Town Council re-adopted the 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, 2016. This was the seventeenth 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 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,



Bart F. Warner
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, 2016



Executive Director/CEO

TOWN OF BEDFORD, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2017

MEMBERS OF TOWN COUNCIL

Robert Wandrei, Mayor
Tim Black, Vice Mayor

James Vest
Steve Rush
Stacey Hailey

Bryan Schley
Bruce Johannessen

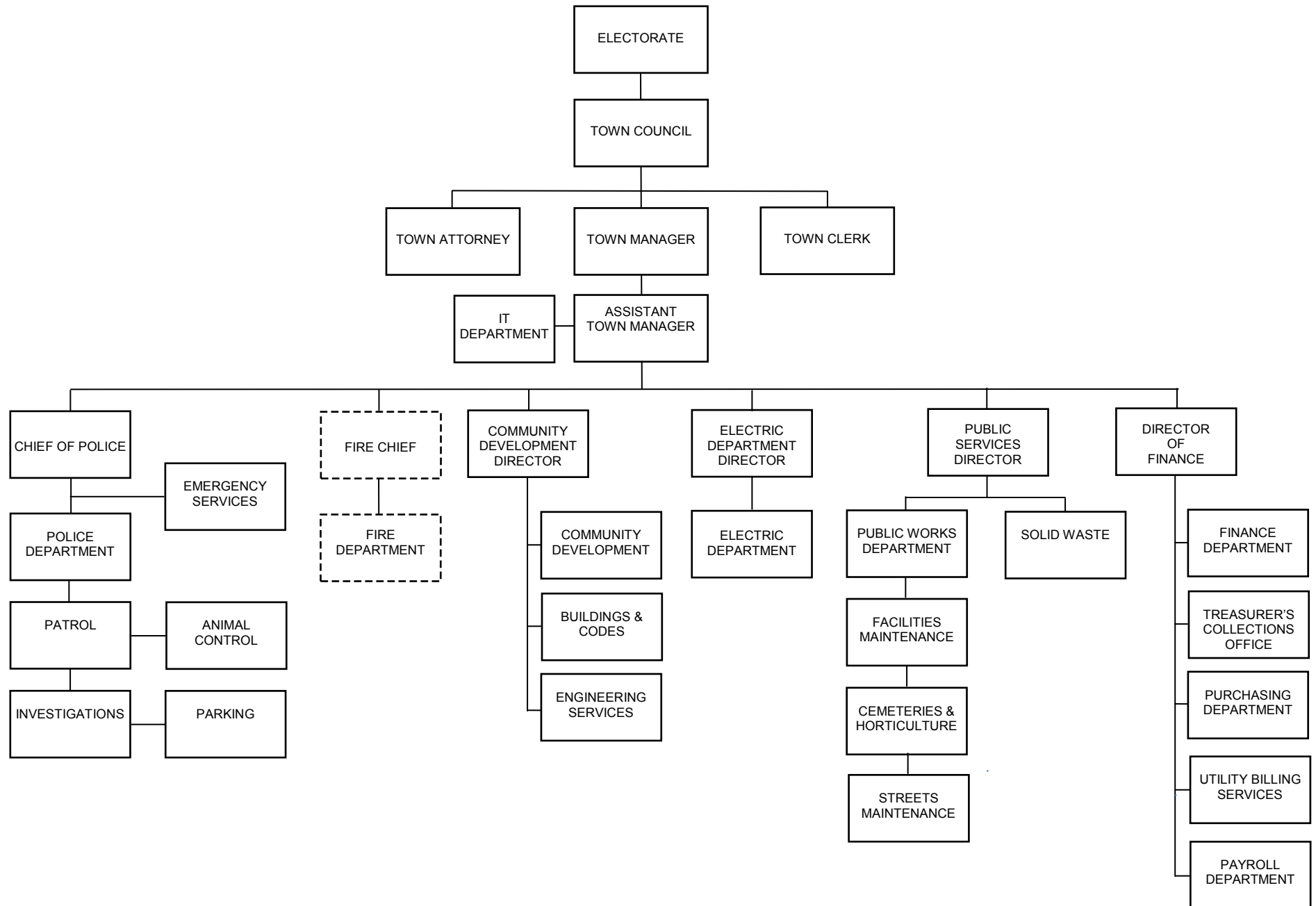
OTHER OFFICIALS

Barrett (Bart) Warner
Sonia Jammes

Teresa Hatcher
William Berry, IV
Debbie Roberts
Todd Foreman
Brad Creasy
D.W. Lawhorne
John Wagner

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

TOWN OF BEDFORD ORGANIZATIONAL CHART



FINANCIAL SECTION

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, 2017, 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.

Report on the Financial Statements (Continued)

Auditor's Responsibility (Continued)

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

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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 November 2, 2017 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
November 2, 2017

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, 2017 and 2016. Please consider the information presented here in conjunction with information that we have furnished in our letter of transmittal found on pages i through v.

Financial Highlights

- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of current fiscal year by \$31,317,972 (net position). Of this amount, \$4,344,430 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$5,290,473 which is primarily attributable to the operations of the enterprise funds.
- At the end of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$6,411,825, an increase of \$569,024 in comparison with the prior year. Approximately 9% of this total amount, \$578,288 is available for spending at the Town's discretion (unassigned fund balance).
- The Town's total debt decreased by \$2,212,786 or 8.4% 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, deferred outflows, liabilities, and deferred inflows, with the difference 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 includes 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, 2017, the Town’s governmental fund reported an ending fund balance of \$6,411,825, an increase of \$569,024 in comparison with the prior year. Of that amount, \$971,460 was nonspendable, \$4,292,609 was restricted, \$569,468 was assigned, and \$578,288 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 7.0% of total general fund expenditures, while total fund balance represents 77.8% 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 \$31,317,972 at the close of the most recent fiscal year.

A portion of the Town's net position (71.0%) 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 (15.1%) represents 2010 GO Bond funds, cemetery perpetual care funds, and other grant funds. The remaining balance of *unrestricted net position* (13.9%) may be used to meet the government's ongoing obligations to citizens and creditors.

The Town's Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 12,407,647	\$ 12,389,347	\$ 17,513,257	\$ 16,133,303	\$ 29,920,904	\$ 28,522,650
Capital assets	14,586,698	14,857,769	18,482,349	16,682,398	33,069,047	31,540,167
Total assets	26,994,345	27,247,116	35,995,606	32,815,701	62,989,951	60,062,817
Deferred outflow of resources	816,556	362,185	1,135,423	872,426	1,951,979	1,234,611
Long-term liabilities	8,932,585	9,995,322	15,065,928	16,215,977	23,998,513	26,211,299
Net pension liability	4,333,911	3,663,981	3,080,661	2,409,158	7,414,572	6,073,139
Other liabilities	349,887	274,182	1,842,235	1,771,208	2,192,122	2,045,390
Total liabilities	13,616,383	13,933,485	19,988,824	20,396,343	33,605,207	34,329,828
Deferred inflows of resources	10,960	567,171	7,791	372,930	18,751	940,101
Net position						
Net investment in capital assets	14,271,330	14,454,095	7,958,527	4,981,528	22,229,857	19,435,623
Restricted	4,743,685	1,531,889	-	-	4,743,685	1,531,889
Unrestricted	(4,831,457)	(2,877,339)	9,175,887	7,937,326	4,344,430	5,059,987
Total net position	<u>\$ 14,183,558</u>	<u>\$ 13,108,645</u>	<u>\$ 17,134,414</u>	<u>\$ 12,918,854</u>	<u>\$ 31,317,972</u>	<u>\$ 26,027,499</u>

At June 30, 2017, the Town was able to report positive balances in Governmental Activities and Business-type Activities.

The Town's net position for primary government increased by \$5,290,473 or 20.3%, during the current fiscal year. One element of this change was attributed to increased receipts in all funds, as well as, increases in operating grants and contributions. Lean decision making was adhered to for all of the Town's funds – including General Fund, Electric Fund, and Solid Waste Fund – in an effort to be good stewards of public resources.

Governmental Activities – Governmental activities increased the Town's net position by \$1,074,913. This increase was more than the prior year of \$964,857 which was mainly due to increased collections of meals tax designated for economic development purposes and increased collections of lease payments. There was also additional revenue generated from sales tax than in the prior year.

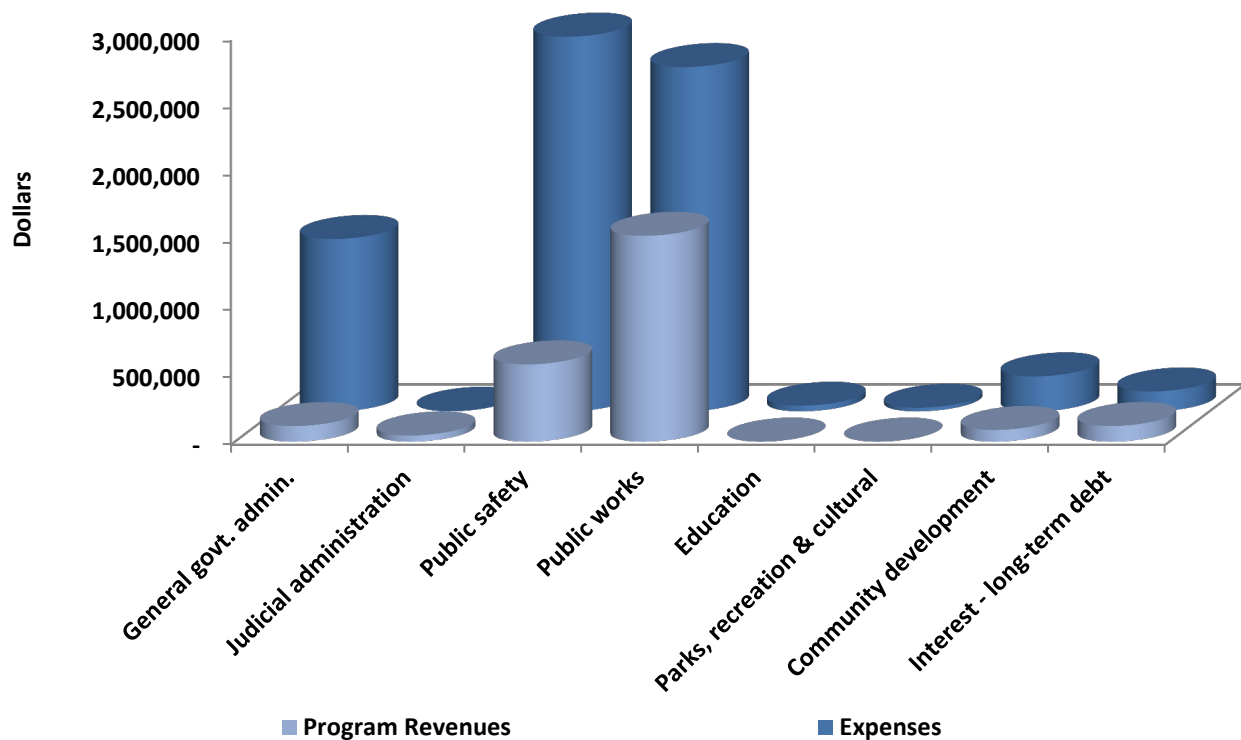
Business-type Activities – Business-type activities increased the Town's net position by \$4,215,560. This increase was more than the prior year increase of \$3,090,338, which was mainly due to higher than expected power sales and debt service savings related to refinancing of Electric revenue bonds. In addition, there was no electric transfer to the general fund executed in this fiscal year. There was also an increase in unrestricted investment earnings of \$100,330 more than the previous fiscal year.

(Continued)

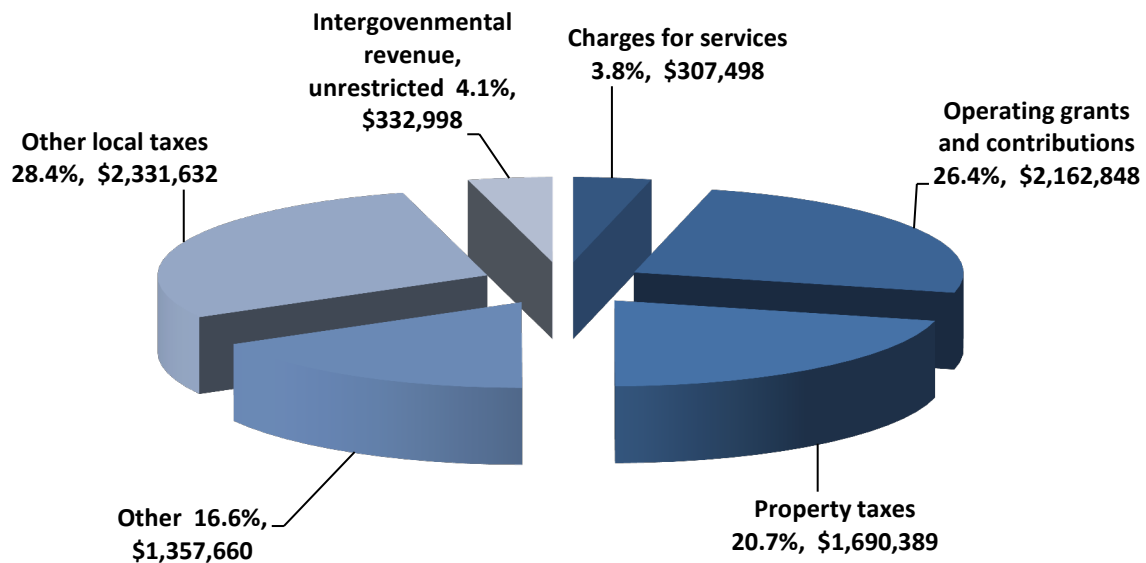
The Town's Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues						
Charges for services	\$ 307,498	\$ 282,128	\$ 25,077,288	\$ 23,801,909	\$ 25,384,786	\$ 24,084,037
Operating grants and contributions	2,162,848	2,008,857	-	72,006	2,162,848	2,080,863
Capital grants and contributions	-	234,800	-	-	-	234,800
General revenues						
Property taxes	1,690,389	1,701,705	-	-	1,690,389	1,701,705
Other taxes	2,331,632	2,093,098	-	-	2,331,632	2,093,098
Intergovernmental revenue unrestricted	332,998	394,822	-	-	332,998	394,822
Investment earnings	57,179	68,596	357,135	256,805	414,314	325,401
Other	512,414	241,564	-	21,925	512,414	263,489
County reversion payments	750,000	750,000	-	-	750,000	750,000
Gain from sale of capital assets	38,067	28,405	-	-	38,067	28,405
Total revenues	8,183,025	7,803,975	25,434,423	24,152,645	33,617,448	31,956,620
Expenses						
General government	1,282,152	979,299	-	-	1,282,152	979,299
Judicial administration	3,999	3,956	-	-	3,999	3,956
Public safety	2,785,159	2,538,917	-	-	2,785,159	2,538,917
Public works	2,558,911	2,989,966	-	-	2,558,911	2,989,966
Education	42,468	19,535	-	-	42,468	19,535
Parks, recreation, and cultural	27,089	25,695	-	-	27,089	25,695
Community development	260,404	98,840	-	-	260,404	98,840
Interest on long-term debt	147,930	182,910	-	-	147,930	182,910
Solid waste	-	-	972,846	773,583	972,846	773,583
Electric	-	-	20,246,017	20,288,724	20,246,017	20,288,724
Total expenses	7,108,112	6,839,118	21,218,863	21,062,307	28,326,975	27,901,425
Excess before transfers	1,074,913	964,857	4,215,560	3,090,338	5,290,473	4,055,195
Change in net position	1,074,913	964,857	4,215,560	3,090,338	5,290,473	4,055,195
Net position – July 1	13,108,645	12,143,788	12,918,854	9,828,516	26,027,499	21,972,304
Net position – June 30	\$ 14,183,558	\$ 13,108,645	\$ 17,134,414	\$ 12,918,854	\$ 31,317,972	\$ 26,027,499

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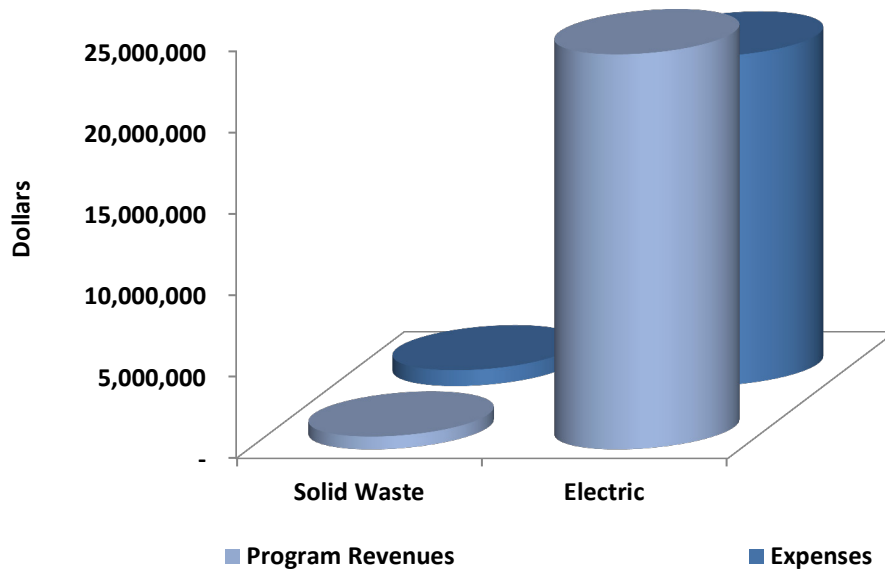
Expenses and Program Revenues – Governmental Activities



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 \$6,411,825, an increase of \$569,024 in comparison with the prior year. The primary factor contributing to this fund balance increase was a growth of receipts in other taxes and fees. Approximately 9.0% of this total amount – that is, \$578,288 constitutes *unassigned fund balance*, which is available for spending at the Town's discretion. Approximately 8.9%, \$569,468, constitutes *assigned fund balance*, which the government intends to use for specific purposes. Approximately 66.9%, \$4,292,609, constitutes *restricted fund balance*, which have been constrained by their providers.

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 had a deficit of \$(2,081,911); and the unrestricted net position for the electric fund amounted to \$11,257,798. The total fiscal year increase in net position for enterprise funds was \$4,215,560. 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 \$1,160,870. Highlights include the following:

- \$390,099 was re-appropriated for community and economic development purposes.
- \$238,120 was re-appropriated for Centertown improvement/D-Day Memorial Connector.
- \$254,649 was re-appropriated for paving and various highway maintenance projects.
- \$111,390 was re-appropriated for I.T. infrastructure.
- \$74,354 was re-appropriated for engineering projects.
- \$39,774 was re-appropriated for public safety purposes.

Differences between the final amended budget and actual results amounted to \$1,888,477. Highlights are as follows:

- The budget for four Community Development projects: Economic Development Fund, Community Development Fund, Centertown Improvement Projects, and Enterprise Zone Maintenance totaled \$731,963. As of June 30, 2017, \$163,877 was expended which resulted in a positive variance of \$568,086. This variance is the result of funding for projects that were not completed during the current fiscal year.
- The budget included funding for software upgrades whose project implementation dates were moved to fiscal year 2018. This resulted in a positive variance of \$82,413.
- As of June 30, 2017 there was \$244,666 in highway and street maintenance projects that were unable to be completed and \$240,504 of purchase orders not yet invoiced but encumbered within the current fiscal year.
- The budget included funding for engineering projects whose project implementation dates were moved to fiscal year 2017. This resulted in a positive variance of \$29,645.
- Public Safety underspent their budgeted amount by \$177,868 mainly due to salary lapse.
- Debt Service was underspent by \$86,829 due to the early pay-off of the Literary Loan.

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, 2017, amounts to \$33,069,047 (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 4.8% (a -0.01% decrease for governmental activities and a 10.8% increase for business-type activities).

The Town's investment in capital assets as of June 30 amounts to \$33,069,047, as summarized below:

	The Town's Capital Assets					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 1,877,702	\$ 1,877,702	\$ 710,517	\$ 710,517	\$ 2,588,219	\$ 2,588,219
Buildings and improvements	7,668,682	7,502,676	14,786,924	14,786,924	22,455,606	22,289,600
Distribution and transmission systems	-	-	17,194,579	17,004,023	17,194,579	17,004,023
Landfill development costs	-	-	3,315,945	3,315,945	3,315,945	3,315,945
Machinery and equipment	10,215,183	9,738,039	6,993,144	4,391,898	17,208,327	14,129,937
Infrastructure	14,565,559	14,532,659	-	-	14,565,559	14,532,659
Less accumulated depreciation	(19,740,428)	(18,793,307)	(24,518,760)	(23,526,909)	(44,259,188)	(42,320,216)
Total	\$ 14,586,698	\$ 14,857,769	\$ 18,482,349	\$ 16,682,398	\$ 33,069,047	\$ 31,540,167

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

Long-term Debt and Liabilities – At June 30, 2017, the Town had total debt and liabilities outstanding of \$23,998,513. Of this amount, \$8,309,469 comprises debt backed by the full faith and credit of the government and \$9,138,942 is related to pledged revenue bonds and bond anticipation notes.

The Town's Outstanding Debt and Liabilities						
General Obligation Bonds, Capital Leases, and Liabilities						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 6,270,893	\$ 7,227,076	\$ 2,038,576	\$ 2,309,441	\$ 8,309,469	\$ 9,536,517
Revenue bonds	-	-	1,450,000	1,560,000	1,450,000	1,560,000
Payable to AMP:						
Contract	-	-	896,697	956,697	896,697	956,697
Promissory note	-	-	-	-	-	-
Bond anticipation notes	-	-	7,688,942	8,561,743	7,688,942	8,561,743
Adjust for deferred amounts:						
Issuance premiums	-	7,315	-	-	-	7,315
Issuance discounts	-	-	-	-	-	-
Compensated absences	161,692	189,931	104,472	100,715	266,164	290,646
Landfill liability:						
Closed landfill	2,500,000	2,571,000	-	-	2,500,000	2,571,000
Region 2000	-	-	46,394	30,920	46,394	30,920
Transfer station	-	-	23,740	23,226	23,740	23,226
Active landfill	-	-	2,817,107	2,673,235	2,817,107	2,673,235
Total	\$ 8,932,585	\$ 9,995,322	\$ 15,065,928	\$ 16,215,977	\$ 23,998,513	\$ 26,211,299

The Town's total debt decreased by \$2,212,786 or 8.4% during the current fiscal year due to regular debt payments and refinancing electric revenue bonds with bond anticipation notes.

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

Economic Factors and Next Year's Budgets and Rates

- The Town faces many challenges in the upcoming year, including continuing issues with our aging infrastructure in our enterprise funds as well as general fund. Capital outlay expense is directed to providing more efficient core services to Town residents on a general basis, as well as maintaining hydro generation operations, system extensions, and circuit reliability maintenance as part of the electric utility operation. An apparent increase in energy and energy transmission costs is expected to continue to be passed through the energy market to distributors. This makes it imperative that the Town continue to evaluate all options in energy production in order to stabilize costs for our customers.
- After many years of monitoring its active landfill, the Town is proceeding with closure of the facility as it is nearing capacity. This will carry with it significant closure and post-closure costs. 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. In addition, the Town continues to meet DEQ testing and monitoring requirements on its current closed landfill with additional expenses resulting from those standards.

- The Town continues to promote community and economic development in a time of uncertainty. Apparent patterns include a volatile job market and the unknown effects that the amendment or implementation of the Affordable Care Act will have on employers. The Town has renewed efforts to provide fertile opportunities for new businesses and expansions of existing businesses within its limits. However, with that will come an associated infrastructure, planning, and service costs.
- Public safety continues to be challenged by unfunded mandates enacted into Virginia state code. One example is the regulation that requires all law enforcement agencies 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 is placing extra demand on law enforcement officers in terms of providing dedicated transportation and patrol officer time from normal shift duties.

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.

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BASIC FINANCIAL STATEMENTS

TOWN OF BEDFORD, VIRGINIA

STATEMENT OF NET POSITION

June 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents (Note 2)	\$ 1,379,469	\$ 10,864,962	\$ 12,244,431
Investments (Note 2)	755,480	88,110	843,590
Receivables, net (Note 3)	860,911	2,380,961	3,241,872
Internal balances (Note 4)	5,246	(5,246)	-
Due from other governmental units (Note 5)	103,283	-	103,283
Inventories	-	928,408	928,408
Cash and cash equivalents, restricted (Note 2)	4,292,609	1,019,392	5,312,001
BRWA debt service receivable (Note 6)	5,010,649	-	5,010,649
Net investment in direct financing lease (Note 16)	-	2,236,670	2,236,670
Capital assets: (Note 7)			
Nondepreciable	1,877,702	710,517	2,588,219
Depreciable, net	12,708,996	17,771,832	30,480,828
Total assets	26,994,345	35,995,606	62,989,951
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions subsequent to measurement date (Note 11)	444,145	315,710	759,855
Differences between expected and actual experience (Note 11)	82,016	58,299	140,315
Net difference between projected and actual earnings on pension plan investments (Note 11)	290,395	206,420	496,815
Deferred charge on refunding	-	554,994	554,994
Total deferred outflows of resources	816,556	1,135,423	1,951,979
LIABILITIES			
Accounts payable and accrued liabilities	53,775	1,382,165	1,435,940
Accrued payroll and related liabilities	143,690	80,914	224,604
Accrued interest payable	53,810	34,928	88,738
Due to other governmental units (Note 5)	98,612	-	98,612
Customer security deposits	-	344,228	344,228
Noncurrent liabilities:			
Net pension liability (Note 11)	4,333,911	3,080,661	7,414,572
Due within one year (Note 8)	1,200,629	559,758	1,760,387
Due in more than one year (Note 8)	7,731,956	14,506,170	22,238,126
Total liabilities	13,616,383	19,988,824	33,605,207
DEFERRED INFLOWS OF RESOURCES			
Differences between expected and actual experience (Note 11)	10,960	7,791	18,751
Total deferred inflows of resources	10,960	7,791	18,751
NET POSITION			
Net investment in capital assets	14,271,330	7,958,527	22,229,857
Restricted for:			
Purpose – cemetery	971,459	-	971,459
Other grants	322,844	-	322,844
Debt collateral	3,378,124	-	3,378,124
2010 GO Bond restriction	71,258	-	71,258
Unrestricted	(4,831,457)	9,175,887	4,344,430
Total net position	\$ 14,183,558	\$ 17,134,414	\$ 31,317,972

TOWN OF BEDFORD, VIRGINIA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

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	\$ 1,282,152	\$ 115,804	\$ -	\$ -	\$ (1,166,348)		\$ (1,166,348)
Judicial administration	3,999	45,837	-	-	41,838		41,838
Public safety	2,785,159	145,857	428,820	-	(2,210,482)		(2,210,482)
Public works	2,558,911	-	1,530,985	-	(1,027,926)		(1,027,926)
Education	42,468	-	-	-	(42,468)		(42,468)
Parks, recreation, and cultural	27,089	-	-	-	(27,089)		(27,089)
Community development	260,404	-	86,572	-	(173,832)		(173,832)
Interest on long-term debt	147,930	-	116,471	-	(31,459)		(31,459)
Total governmental activities	7,108,112	307,498	2,162,848	-	(4,637,766)		(4,637,766)
Business-type activities:							
Solid waste	972,846	791,828	-	-		\$ (181,018)	(181,018)
Electric	20,246,017	24,285,460	-	-		4,039,443	4,039,443
Total business-type activities	21,218,863	25,077,288	-	-		3,858,425	3,858,425
Total primary government	\$ 28,326,975	\$ 25,384,786	\$ 2,162,848	\$ -	(4,637,766)	3,858,425	(779,341)
General revenues:							
Property taxes					1,690,389	-	1,690,389
Sales tax					233,412	-	233,412
Communication tax					132,652	-	132,652
Meals tax					1,345,430	-	1,345,430
Other local taxes					620,138	-	620,138
Intergovernmental revenue, unrestricted					332,998	-	332,998
Unrestricted investment earnings					57,179	357,135	414,314
Other					512,414	-	512,414
County reversion payments (Note 20)					750,000	-	750,000
Gain on sale of assets					38,067	-	38,067
Total general revenues and special items					5,712,679	357,135	6,069,814
Change in net position					1,074,913	4,215,560	5,290,473
NET POSITION AT JULY 1					13,108,645	12,918,854	26,027,499
NET POSITION AT JUNE 30					\$ 14,183,558	\$ 17,134,414	\$ 31,317,972

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

EXHIBIT 3**TOWN OF BEDFORD, VIRGINIA****BALANCE SHEET –
GOVERNMENTAL FUND****June 30, 2017**

	<u>General</u>
ASSETS	
Cash and cash equivalents (Note 2)	\$ 1,379,469
Investments (Note 2)	755,480
Receivables, net (Note 3)	860,911
Due from other funds (Note 4)	5,246
Due from other governmental units (Note 5)	103,283
Cash and cash equivalents, restricted (Note 2)	4,292,609
BRWA debt service receivable (Note 6)	<u>5,010,649</u>
Total assets	<u><u>\$ 12,407,647</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	
Liabilities:	
Accounts payable and accrued liabilities	\$ 53,775
Accrued payroll and related liabilities	143,690
Due to other governmental units (Note 5)	<u>98,612</u>
Total liabilities	<u>296,077</u>
Deferred inflows of resources:	
Unavailable revenue (Note 3)	<u>5,699,745</u>
Fund balance: (Note 10)	
Nonspendable	971,460
Restricted	4,292,609
Assigned	569,468
Unassigned	<u>578,288</u>
Total fund balance	<u>6,411,825</u>
Total liabilities, deferred inflows of resources, and fund balance	<u><u>\$ 12,407,647</u></u>

TOWN OF BEDFORD, VIRGINIA

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2017**

Total Fund Balance – Governmental Fund \$ 6,411,825

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	\$ 1,877,702	
Depreciable capital assets, net	12,708,996	
		14,586,698

Certain receivables are not available to pay for current-period expenditures and therefore are deferred in the funds.		5,699,745
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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 2017 employer contributions	444,145	
Deferred outflows of resources for the differences between expected and actual experience	82,016	
Deferred outflows of resources for the net difference between projected and actual earnings on pension plan investments	290,395	
Deferred inflows of resources for the differences between expected and actual experience	(10,960)	
Net pension liability	(4,333,911)	(3,528,315)

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

General obligation bonds	(6,270,893)	
Accrued interest payable	(53,810)	
Compensated absences	(161,692)	
Landfill postclosure liability	(2,500,000)	(8,986,395)

Total Net Position – Governmental Activities \$ 14,183,558

TOWN OF BEDFORD, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – GOVERNMENTAL FUND
Year Ended June 30, 2017**

	<u>General</u>
REVENUES	
General property taxes	\$ 1,688,287
Other local taxes	2,331,632
Permits, privilege fees, and regulatory licenses	8,357
Fines and forfeitures	45,837
Investment earnings	57,179
Charges for services	115,804
County reversion payments (Note 20)	750,000
Other	512,414
Intergovernmental	2,379,375
BRWA debt service payments (Note 6)	750,951
Recovered costs	137,500
Total revenues	<u>8,777,336</u>
EXPENDITURES	
Current:	
General government administration	1,213,200
Judicial administration	4,200
Public safety	2,624,603
Public works	2,935,528
Education	44,599
Parks, recreation, and cultural	28,448
Community development	278,424
Debt service:	
Principal retirement	956,183
Interest and fiscal charges	161,194
Total expenditures	<u>8,246,379</u>
Excess of revenues over expenditures	<u>530,957</u>
OTHER FINANCING SOURCES	
Proceeds from sale of capital assets	<u>38,067</u>
Net change in fund balance	569,024
FUND BALANCE AT JULY 1	<u>5,842,801</u>
FUND BALANCE AT JUNE 30	<u><u>\$ 6,411,825</u></u>

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, 2017**

Net Change in Fund Balance – Governmental Fund \$ 569,024

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	\$ 777,630	
Depreciation expense	(1,048,701)	
		(271,071)

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.

(634,480)

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

2,102

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	956,183	
Landfill postclosure (net change)	71,000	
		1,027,183

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	444,145	
Net pension liability	(670,001)	
Cost of benefits earned net of employee contributions	566,508	
		340,652

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	7,315	
Interest expense	5,949	
		13,264

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.

28,239

Change in Net Position – Governmental Activities

\$ 1,074,913

TOWN OF BEDFORD, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 1,562,811	\$ 1,562,811	\$ 1,688,287	\$ 125,476
Other local taxes	2,219,670	2,219,670	2,331,632	111,962
Permits, privilege fees, and regulatory licenses	9,950	9,950	8,357	(1,593)
Fines and forfeitures	82,400	82,400	45,837	(36,563)
Investment earnings	26,294	26,294	57,179	30,885
Charges for services	81,100	81,100	115,804	34,704
Other	1,278,200	1,278,200	1,262,414	(15,786)
Intergovernmental	2,517,605	2,778,484	2,379,375	(399,109)
BRWA debt service payments	750,952	750,952	750,951	(1)
Recovered costs	134,604	134,604	137,500	2,896
Total revenues	8,663,586	8,924,465	8,777,336	(147,129)
EXPENDITURES				
Current:				
General government administration	1,035,427	1,134,377	1,213,200	(78,823)
Judicial administration	4,200	4,200	4,200	-
Public safety	2,708,908	2,802,472	2,624,603	177,869
Public works	3,403,093	3,837,373	2,935,528	901,845
Education	366,000	366,000	44,599	321,401
Parks, recreation, and cultural	36,102	36,102	28,448	7,654
Community development	216,050	750,126	278,424	471,702
Debt service:				
Principal retirement	1,031,183	1,031,183	956,183	75,000
Interest and fiscal charges	173,023	173,023	161,194	11,829
Total expenditures	8,973,986	10,134,856	8,246,379	1,888,477
Excess (deficiency) of revenue over expenditures	(310,400)	(1,210,391)	530,957	1,741,348
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	10,400	10,400	38,067	27,667
Transfers in	2,435,200	5,049,980	-	(5,049,980)
Transfers out	(815,200)	(815,200)	-	815,200
Total other financing sources	1,630,400	4,245,180	38,067	(4,207,113)
Net change in fund balance	\$ 1,320,000	\$ 3,034,789	\$ 569,024	\$ (2,465,765)

TOWN OF BEDFORD, VIRGINIA

STATEMENT OF NET POSITION –
PROPRIETARY FUNDS

June 30, 2017

	Business-Type Activities – Enterprise Funds		
	Solid Waste	Electric	Total
ASSETS			
Current assets:			
Cash and cash equivalents (Note 2)	\$ 542,267	\$ 10,322,695	\$ 10,864,962
Investments (Note 2)	-	88,110	88,110
Receivables, net (Note 3)	107,277	2,273,684	2,380,961
Inventories	-	928,408	928,408
Total current assets	649,544	13,612,897	14,262,441
Noncurrent assets:			
Cash and cash equivalents, restricted (Note 2)	488,091	531,301	1,019,392
Net investment in direct financing lease (Note 16)	-	2,236,670	2,236,670
Capital assets: (Note 7)			
Nondepreciable	506,831	203,686	710,517
Depreciable, net	610,347	17,161,485	17,771,832
Total noncurrent assets	1,605,269	20,133,142	21,738,411
Total assets	2,254,813	33,746,039	36,000,852
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions subsequent to measurement date (Note 11)	36,213	279,497	315,710
Differences between expected and actual experience (Note 11)	6,687	51,612	58,299
Net difference between projected and actual earnings on pension plan investments (Note 11)	23,677	182,743	206,420
Deferred charges on refunding	-	554,994	554,994
Total deferred outflows of resources	66,577	1,068,846	1,135,423
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	8,493	1,373,672	1,382,165
Accrued payroll and related liabilities	9,613	71,301	80,914
Accrued interest payable	7,258	27,670	34,928
Due to other funds (Note 4)	5,246	-	5,246
Customer security deposits	-	344,228	344,228
Noncurrent liabilities due within one year (Note 8)	72,410	487,348	559,758
Total current liabilities	103,020	2,304,219	2,407,239
Noncurrent liabilities:			
Net pension liability (Note 11)	353,359	2,727,302	3,080,661
Due in more than one year (Note 8)	3,409,524	11,096,646	14,506,170
Total noncurrent liabilities	3,762,883	13,823,948	17,586,831
Total liabilities	3,865,903	16,128,167	19,994,070
DEFERRED INFLOWS OF RESOURCES			
Differences between expected and actual experience (Note 11)	894	6,897	7,791
Total deferred inflows of resources	894	6,897	7,791
NET POSITION (DEFICIT)			
Net investment in capital assets	536,504	7,422,023	7,958,527
Unrestricted	(2,081,911)	11,257,798	9,175,887
Total net position (deficit)	\$ (1,545,407)	\$ 18,679,821	\$ 17,134,414

TOWN OF BEDFORD, VIRGINIA

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION –
PROPRIETARY FUNDS
Year Ended June 30, 2017**

	Business-Type Activities – Enterprise Funds		
	Solid Waste	Electric	Total
OPERATING REVENUES			
Charges for services	\$ 791,828	\$ 24,285,460	\$ 25,077,288
OPERATING EXPENSES			
Refuse collection	190,491	-	190,491
Refuse disposal	342,508	-	342,508
Transmission and distribution	-	1,211,041	1,211,041
Power generation	-	317,163	317,163
Purchased power	-	15,626,249	15,626,249
Meter reading	-	61,531	61,531
Landfill closure and postclosure care	144,386	-	144,386
Administration	95,398	1,604,086	1,699,484
Maintenance and repair	-	199,041	199,041
Depreciation	181,668	825,103	1,006,771
Total operating expenses	954,451	19,844,214	20,798,665
Operating income (loss)	(162,623)	4,441,246	4,278,623
NONOPERATING REVENUES (EXPENSES)			
Interest income	8,941	348,194	357,135
Interest expense	(18,395)	(401,803)	(420,198)
Net nonoperating revenues (expenses)	(9,454)	(53,609)	(63,063)
Change in net position	(172,077)	4,387,637	4,215,560
NET POSITION (DEFICIT) AT JULY 1,	(1,373,330)	14,292,184	12,918,854
NET POSITION (DEFICIT) AT JUNE 30	\$ (1,545,407)	\$ 18,679,821	\$ 17,134,414

TOWN OF BEDFORD, VIRGINIA

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
Year Ended June 30, 2017

	Business-Type Activities – Enterprise Funds		
	Solid Waste	Electric	Total
OPERATING ACTIVITIES			
Receipts from customers	\$ 787,506	\$ 24,335,911	\$ 25,123,417
Payments to suppliers	(348,366)	(16,806,722)	(17,155,088)
Payments to employees	(300,756)	(2,075,321)	(2,376,077)
Net cash provided by operating activities	<u>138,384</u>	<u>5,453,868</u>	<u>5,592,252</u>
NONCAPITAL FINANCING ACTIVITIES			
Interfund borrowing	<u>(3,319)</u>	<u>3,319</u>	<u>-</u>
Net cash provided by (used in) noncapital financing activities	<u>(3,319)</u>	<u>3,319</u>	<u>-</u>
CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(159,396)	(2,647,326)	(2,806,722)
Principal paid on capital debt	(56,712)	(1,256,954)	(1,313,666)
Interest paid on capital debt	<u>(19,092)</u>	<u>(332,651)</u>	<u>(351,743)</u>
Net cash used in capital and related financing activities	<u>(235,200)</u>	<u>(4,236,931)</u>	<u>(4,472,131)</u>
INVESTING ACTIVITIES			
Net activity in investment securities	-	4,632	4,632
Interest received	<u>8,941</u>	<u>348,194</u>	<u>357,135</u>
Net cash provided by investing activities	<u>8,941</u>	<u>352,826</u>	<u>361,767</u>
Net increase (decrease) in cash and cash equivalents	(91,194)	1,573,082	1,481,888
CASH AND CASH EQUIVALENTS			
Beginning at July 1	<u>1,121,552</u>	<u>9,280,914</u>	<u>10,402,466</u>
Ending at June 30	<u><u>\$ 1,030,358</u></u>	<u><u>\$ 10,853,996</u></u>	<u><u>\$ 11,884,354</u></u>
RECONCILIATION TO EXHIBIT 8			
Cash and cash equivalents	\$ 542,267	\$ 10,322,695	\$ 10,864,962
Cash and cash equivalents, restricted	<u>488,091</u>	<u>531,301</u>	<u>1,019,392</u>
	<u><u>\$ 1,030,358</u></u>	<u><u>\$ 10,853,996</u></u>	<u><u>\$ 11,884,354</u></u>

(Continued)

TOWN OF BEDFORD, VIRGINIA

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
Year Ended June 30, 2017

	Business-Type Activities – Enterprise Funds		
	Solid Waste	Electric	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (162,623)	\$ 4,441,246	\$ 4,278,623
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	181,668	825,103	1,006,771
Landfill closure and postclosure care	144,386	-	144,386
Pension expense less pension contributions, net	(24,372)	(11,546)	(35,918)
Change in assets and liabilities:			
(Increase) decrease in:			
Receivables, net	(4,322)	41,478	37,156
Inventories	-	60,146	60,146
(Decrease) increase in:			
Accounts payable and accrued liabilities	5,329	98,829	104,158
Accrued payroll and related liabilities	(1,725)	(14,075)	(15,800)
Customer security deposits	-	8,973	8,973
Compensated absences	43	3,714	3,757
Net cash provided by operating activities	<u>\$ 138,384</u>	<u>\$ 5,453,868</u>	<u>\$ 5,592,252</u>

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

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 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.

Economic Development Authority of the Town of Bedford

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

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

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, 2017

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, 2017

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 \$1,161,000 during the current fiscal year primarily for unanticipated expenditures in general governmental administration, 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 and Fair Value Measurement

Investments are stated at fair value.

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and are described as follows.

- Level 1 inputs are quoted prices in active markets for identical assets;
- Level 2 inputs are significant other observable inputs;
- Level 3 inputs are significant unobservable inputs.

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

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value.

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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statements that presents net position reports a separate section for deferred outflows of resources. These items represent a consumption of net position that applies to future periods and so will *not* be recognized as an outflow of resources (expense) until then. The Town has the following items that qualify for reporting in this category:

- Deferred loss on refunding. A deferred loss 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. Due to the relationship with outstanding debt, these deferred outflows are included in the calculation of net position, net investment in capital assets.
- Contributions subsequent to the measurement date for pensions; this will be applied to the net pension liability in the next fiscal year.
- Differences between expected and actual experience for economic/demographic factors in the measurement of the total pension liability. This difference will be recognized in pension expense over the closed five year period.
- Net difference between projected and actual earnings on pension plan investments. This difference will be recognized in pension expense over the closed five year period.

In addition to liabilities, the statements that presents financial position reports a separate section for deferred inflows of resources. These items represent an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town has the following items that qualifies for reporting in this category:

- 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.
- Differences between expected and actual experience for economic/demographic factors in the measurement of the total pension liability. This difference will be recognized in pension expense over the 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 Town's Retirement Plan and the additions to/deductions from the Town'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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

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, 2017

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 \$569,468 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, 2017

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 (a 2a-7 like pool) 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 (a 2a-7 like pool), 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 & 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, 2017

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:

Investment Type	Fair Value	Standard & Poor's Credit Rating	Percentage of Portfolio	Weighted Average Maturity*
LGIP	\$ 47	AAAm	- %	-
SNAP	619,086	AAAm	42.15	-
Federated Treasury Obligations Fund	88,110	AAAm	6.00	.06
Scott & Stringfellow Money Market Trust	6,011	AAAm	0.41	.08
Government National Mortgage Association	755,480	AAA	51.44	.002
	<u>\$ 1,468,734</u>		<u>100%</u>	

*Weighted average maturity in years

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

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	\$ 16,931,288
Investments	<u>1,468,734</u>
Total deposits and investments	<u><u>\$ 18,400,022</u></u>
Reconciliation of deposits and investments to Exhibit 1:	
Cash and cash equivalents	\$ 12,244,431
Investments	843,590
Cash and cash equivalents, restricted	<u>5,312,001</u>
Total deposits and investments	<u><u>\$ 18,400,022</u></u>

Restricted Cash and Cash Equivalents:

Restricted cash and cash equivalents consists of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Unspent bond proceeds	\$ 520,383	\$ 98,702	\$ 619,085
Maintained as a condition of certain bond instruments	3,378,124	88,371	3,466,495
Utility deposits	-	344,228	344,228
Amounts to be applied to 2010 GO Bond	71,258	-	71,258
Landfill closure	-	488,091	488,091
Grant restrictions	<u>322,844</u>	<u>-</u>	<u>322,844</u>
	<u><u>\$ 4,292,609</u></u>	<u><u>\$ 1,019,392</u></u>	<u><u>\$ 5,312,001</u></u>

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

Note 2. Deposits and Investments (Continued)

Restricted Cash and Cash Equivalents: (Continued)

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Town has the following recurring fair value measurements as of June 30, 2017:

	<u>Level 1</u>
Debt securities	
Federated Treasury Obligations Fund	\$ 88,110
Government and Agency Bonds	<u>755,480</u>
Total	<u><u>\$ 843,590</u></u>

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

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	\$ 877,092	\$ -	\$ -	\$ 877,092
Accounts	<u>-</u>	<u>158,078</u>	<u>2,644,652</u>	<u>2,802,730</u>
Gross receivables	877,092	158,078	2,644,652	3,679,822
Less allowance for uncollectibles	<u>(16,181)</u>	<u>(50,801)</u>	<u>(370,968)</u>	<u>(437,950)</u>
Net receivables	<u><u>\$ 860,911</u></u>	<u><u>\$ 107,277</u></u>	<u><u>\$ 2,273,684</u></u>	<u><u>\$ 3,241,872</u></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 \$689,096 and the BRWA debt service receivable was \$5,010,649.

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

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>
General	Solid Waste	\$ 5,246
		<u>\$ 5,246</u>

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

Note 5. Due From/(To) Other Governmental Units

Amounts due from/(to) other governmental units is as follows:

	<u>Governmental Activities</u>	
	<u>Due From</u>	<u>Due To</u>
Bedford County		
Local sales tax	\$ 35,832	\$ -
State of Virginia		
Communications tax	21,872	-
Rental tax	-	(98,612)
Other	45,579	-
	<u>\$ 103,283</u>	<u>\$ (98,612)</u>

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:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 642,643	\$ 105,950
2019	651,014	95,218
2020	470,611	84,273
2021	475,027	80,070
2022	482,343	72,881
2023-2026	<u>2,289,011</u>	<u>172,648</u>
	<u>\$ 5,010,649</u>	<u>\$ 611,040</u>

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

Note 7. Capital Assets

Capital asset activity for the year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated				
Land	\$ 1,877,702	\$ -	\$ -	\$ 1,877,702
Construction in progress	-	-	-	-
Total capital assets, not depreciated	1,877,702	-	-	1,877,702
Capital assets, depreciated				
Buildings and improvements	7,502,676	166,006	-	7,668,682
Machinery and equipment	9,738,039	578,724	(101,580)	10,215,183
Infrastructure	14,532,659	32,900	-	14,565,559
Total capital assets, depreciated	31,773,374	777,630	(101,580)	32,449,424
Less accumulated depreciation	(18,793,307)	(1,048,701)	101,580	(19,740,428)
Total capital assets, depreciated, net	12,980,067	(271,071)	-	12,708,996
Governmental activities capital assets, net	<u>\$ 14,857,769</u>	<u>\$ (271,071)</u>	<u>\$ -</u>	<u>\$ 14,586,698</u>
Business-Type Activities				
Capital assets, not depreciated				
Land	\$ 710,517	\$ -	\$ -	\$ 710,517
Total capital assets, not depreciated	710,517	-	-	710,517
Capital assets, depreciated				
Buildings and improvements	14,786,924	-	-	14,786,924
Machinery and equipment	4,391,898	2,616,166	(14,920)	6,993,144
Landfill development costs	3,315,945	-	-	3,315,945
Distribution and transmission systems	17,004,023	190,556	-	17,194,579
Total capital assets, depreciated	39,498,790	2,806,722	(14,920)	42,290,592
Less accumulated depreciation	(23,526,909)	(1,006,771)	14,920	(24,518,760)
Total capital assets, depreciated, net	15,971,881	1,799,951	-	17,771,832
Business-type activities capital assets, net	<u>\$ 16,682,398</u>	<u>\$ 1,799,951</u>	<u>\$ -</u>	<u>\$ 18,482,349</u>

(Continued)

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

Note 7. Capital Assets (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities	
General government administration	\$ 181,635
Public safety	423,465
Public works	282,310
Community development	<u>161,291</u>
	<u>\$ 1,048,701</u>
Business-type activities	
Solid waste	\$ 181,668
Electric	<u>825,103</u>
	<u>\$ 1,006,771</u>

Note 8. Long-Term Liabilities

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

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
General obligation bonds	\$ 7,227,076	\$ -	\$ 956,183	\$ 6,270,893	\$ 788,937
Adjust for deferred amounts:					
Issuance premiums	7,315	-	7,315	-	-
Compensated absences	189,931	174,179	202,418	161,692	161,692
Landfill liability:					
Closed landfill	<u>2,571,000</u>	<u>-</u>	<u>71,000</u>	<u>2,500,000</u>	<u>250,000</u>
Governmental activities long-term liabilities	<u>\$ 9,995,322</u>	<u>\$ 174,179</u>	<u>\$ 1,236,916</u>	<u>\$ 8,932,585</u>	<u>\$ 1,200,629</u>

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

Note 8. Long-Term Liabilities (Continued)

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
General obligation bonds	\$ 2,309,441	\$ -	\$ 270,865	\$ 2,038,576	\$ 280,286
Revenue bonds	1,560,000	-	110,000	1,450,000	115,000
Payable to AMP:					
Contract (Note 13)	956,697	-	60,000	896,697	60,000
Bond anticipation notes	8,561,743	-	872,801	7,688,942	-
Compensated absences	100,715	90,892	87,135	104,472	104,472
Landfill liability:					
Region 2000	30,920	15,474	-	46,394	-
Transfer station	23,226	514	-	23,740	-
Active landfill	2,673,235	143,872	-	2,817,107	-
Business-type activities long-term liabilities	<u>\$ 16,215,977</u>	<u>\$ 250,752</u>	<u>\$ 1,400,801</u>	<u>\$ 15,065,928</u>	<u>\$ 559,758</u>

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

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

Note 8. Long-Term Liabilities (Continued)

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

Year Ending June 30,	Governmental Activities		Business-Type Activities					
	General Obligation		General Obligation				AMP Obligations	
	Bonds		Bonds		Revenue Bonds		Contract	Notes
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Principal
2018	\$ 788,937	\$ 145,683	\$ 280,286	\$ 70,195	\$ 115,000	\$ 111,097	\$ 60,000	\$ -
2019	801,982	130,203	289,986	60,440	125,000	101,921	60,000	-
2020	626,337	114,357	299,978	50,344	135,000	91,963	60,000	-
2021	635,599	105,095	310,271	39,899	145,000	81,224	60,000	-
2022	648,434	92,686	321,293	29,092	160,000	69,509	60,000	-
2023-2027	2,769,604	204,871	536,762	30,643	770,000	141,361	300,000	-
2028-2032	-	-	-	-	-	-	296,697	-
2033-2037	-	-	-	-	-	-	-	7,688,942
	<u>\$ 6,270,893</u>	<u>\$ 792,895</u>	<u>\$ 2,038,576</u>	<u>\$ 280,613</u>	<u>\$ 1,450,000</u>	<u>\$ 597,075</u>	<u>\$ 896,697</u>	<u>\$ 7,688,942</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	\$ 818,970	\$ -
Virginia Revolving Loan Fund:						
Water and sewer	0.0	04/2002	2022	2,866,300	788,232	-
Water and sewer	0.0	09/2001	2022	1,800,000	450,000	-
Public improvement	2.8-3.6	04/2008	2023	5,472,438	476,355	1,457,902
Public improvement	2.9	03/2011	2026	5,485,000	3,737,336	580,674
					<u>\$ 6,270,893</u>	<u>\$ 2,038,576</u>

Revenue Bonds:

Virginia Resources Authority:						
Taxable lease	7.8	06/1996	2026	2,630,000	-	1,450,000
					<u>\$ -</u>	<u>\$ 1,450,000</u>

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

Note 8. Long-Term Liabilities (Continued)

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
<u>Obligations Payable – AMP:</u>						
Generating station contract	0.8%	N/A	2029	\$ 1,081,697	\$ -	\$ 896,697
Bond anticipation notes	1.25	03/2017	See note	8,770,000	-	7,688,942
					<u>\$ -</u>	<u>\$ 8,585,639</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.

AMP Electric System Improvement Bond Anticipation Note:

During March 2016, the Town entered into bond anticipation notes with AMP that would refund certain of the Town’s general obligation bonds and the AMP promissory note. Principal amounts of \$69,419, starting April 2016 are currently being made on these notes. This note is renewable annually through 2036 or until final financing is in place. The obligations bear interest at 1.25% per annum, and is evaluated each year to determine if the rate should change.

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

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 \$2,500,000. 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 \$2,817,107 reported as landfill closure and postclosure liability as of June 30 represents the cumulative amount reported to date based on use of approximately 99.09% of estimated capacity. The remaining estimated cost of closure and post closure care of \$26,600 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, 2017

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 for:	
Corpus of permanent fund	\$ 971,460
Restricted for:	
General governmental administration (grant funding)	230,431
Public safety (grant funding)	19,916
Community development (grant funding & cemetery)	72,497
2010 GO Bond	71,258
Debt service reserves	3,898,507
	<u>4,292,609</u>
Assigned to:	
General governmental administration (encumbrances)	163,414
Public safety (encumbrances)	6,517
Public works (encumbrances)	274,936
Community development (encumbrances)	124,601
	<u>569,468</u>
Unassigned	<u>578,288</u>
Total fund balance	<u><u>\$ 6,411,825</u></u>

Deficit Net Position

At June 30, the solid waste fund had a deficit net position of \$1,545,407 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, (the "Political Subdivision") are automatically covered by VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

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

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 as follows:

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

- **Hybrid Opt-In Election** – VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.
- **Retirement Contributions** – Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
- **Creditable Service** – Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

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

Note 11. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 1 (Continued)

- **Vesting** – Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.
- **Calculating the Benefit** – The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier, and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.
- **Average Final Compensation** – A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
- **Service Retirement Multiplier** – The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.
- **Normal Retirement Age** – Age 65 or age 60 for hazardous duty employees.
- **Earliest Unreduced Retirement Eligibility** – Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service for hazardous duty employees.
- **Earliest Reduced Retirement Eligibility** – Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. Age 50 with at least five years of creditable service for hazardous duty employees.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.

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

Note 11. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 1 (Continued)

- **Cost-of-Living Adjustment (COLA) in Retirement (Continued)**
 - **Eligibility** – For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.
 - **Exceptions to COLA Effective Dates** – The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:
 - The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
 - The member retires on disability.
 - The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
 - The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
 - The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.
- **Disability Coverage** – Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
- **Purchase of Prior Service** – Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

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

Note 11. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

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

- **Hybrid Opt-In Election** – Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.
- **Retirement Contributions** – Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016.
- **Creditable Service** – Same as Plan 1.
- **Vesting** – Same as Plan 1.
- **Calculating the Benefit** – See definition under Plan 1.
- **Average Final Compensation** – A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
- **Service Retirement Multiplier** – Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013. Sheriffs, regional jail superintendents, and hazardous duty employees are same as Plan 1.
- **Normal Retirement Age** – Normal Social Security retirement age. Hazardous duty employees are the same as Plan 1.
- **Earliest Unreduced Retirement Eligibility** – Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Hazardous duty employees are the same as Plan 1.
- **Earliest Reduced Retirement Eligibility** – Age 60 with at least five years (60 months) of creditable service. Hazardous duty employees are the same as Plan 1.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 2.00% increase in the CPI-U and half of any additional increase (up to 2.00%), for a maximum COLA of 3.00%.
 - **Eligibility** – Same as Plan 1.

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

Note 11. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 2 (Continued)

- **Cost-of-Living Adjustment (COLA) in Retirement (Continued)**
 - **Exceptions to COLA Effective Dates** – Same as Plan 1.
- **Disability Coverage** – Same as Plan 1 except that the retirement multiplier is 1.65%.
- **Purchase of Prior Service** – Same as Plan 1.

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

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

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

Note 11. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

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

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

Note 11. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Service Retirement Multiplier** – The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. This is not applicable to sheriffs, regional jail superintendents, or hazardous duty employees.
- **Normal Retirement Age** –
 - **Defined Benefit Component** – Same as Plan 2, however, not applicable for hazardous duty employees.
 - **Defined Contribution Component** – Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Earliest Unreduced Retirement Eligibility** –
 - **Defined Benefit Component** – Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. This is not applicable to hazardous duty employees.
 - **Defined Contribution Component** – Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Earliest Reduced Retirement Eligibility** –
 - **Defined Benefit Component** – Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. This is not applicable to hazardous duty employees.
 - **Defined Contribution Component** – Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Cost-of-Living Adjustment (COLA) in Retirement** –
 - **Defined Benefit Component** – Same as Plan 2.
 - **Defined Contribution Component** – Not Applicable.
 - **Eligibility** – Same as Plan 1 and 2.
 - **Exceptions to COLA Effective Dates** – Same as Plan 1 and 2.

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

Note 11. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Disability Coverage** – Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
- **Purchase of Prior Service** –
 - **Defined Benefit Component** – Same as Plan 1, with the following exceptions:
 - Hybrid Retirement Plan members are ineligible for ported service.
 - The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.
 - Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.
 - **Defined Contribution Component** – Not Applicable.

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>108</u>
Inactive members:	
Vested inactive members	19
Non-vested inactive members	29
Inactive members active elsewhere in VRS	<u>71</u>
Total inactive members	119
Active members	<u>70</u>
Total covered employees	<u><u>297</u></u>

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

Note 11. Defined Benefit Pension Plan (Continued)

Contributions

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

The political subdivision's contractually required contribution rate for the year ended June 30, 2017 was 20.93% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$759,855 and \$600,332 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability

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

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

Note 11. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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

- * Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

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

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

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

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

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

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:

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

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

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

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2015	\$ 25,970,944	\$ 19,897,805	\$ 6,073,139
Changes for the year:			
Service cost	372,848	-	372,848
Interest	1,767,235	-	1,767,235
Differences between expected and actual experience	297,975	-	297,975
Contributions – employer	-	600,332	(600,332)
Contributions – employee	-	177,475	(177,475)
Net investment income	-	331,602	(331,602)
Benefit payments, including refunds of employee contributions	(1,449,454)	(1,449,454)	-
Administrative expenses	-	(12,640)	12,640
Other changes	-	(144)	144
Net changes	988,604	(352,829)	1,341,433
Balances at June 30, 2016	\$ 26,959,548	\$ 19,544,976	\$ 7,414,572

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

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:

	<u>1.00% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1.00% Increase (8.00%)</u>
Political subdivision's net pension liability	\$ 10,603,878	\$ 7,414,572	\$ 4,738,761

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

For the year ended June 30, 2017, the political subdivision recognized pension expense of \$383,284. At June 30, 2017, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 140,315	\$ 18,751
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	496,815	-
Employer contributions subsequent to the measurement date	<u>759,855</u>	<u>-</u>
Total	<u>\$ 1,396,985</u>	<u>\$ 18,751</u>

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

Note 11. Defined Benefit Pension Plan (Continued)

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

The \$759,855 reported as deferred outflows of resources related to pensions resulting from the Political Subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2018	\$ 115,718
2019	(5,846)
2020	301,051
2021	207,456
2022	-
Thereafter	-

Pension Plan Data

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

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.

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

Note 12. Other Post-Employment Benefits (Continued)

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.

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	2
Active employees	75
Total	<u>77</u>

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 2017 the Town's OPEB costs were equal to the Annual Required Contribution (ARC).

Annual required contribution	\$ 18,940
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	18,940
Contributions made	<u>(18,940)</u>
Change in net OPEB obligation	-
Net OPEB obligation – beginning of year	-
Net OPEB obligation – end of year	<u>\$ -</u>

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

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.

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	\$ 18,940	100%	\$ -
June 30, 2016	\$ 19,364	100%	\$ -
June 30, 2015	\$ 19,556	100%	\$ -

Funded Status and Funding Progress

The funded status of the plan as of January 1, 2017 was as follows:

Actuarial Accrued Liability (AAL)	\$ 165,313
Actuarial Value of Plan Assets	\$ -
Unfunded Actuarial Accrued Liability (UAAL)	\$ 165,313
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.00%
Covered Payroll (Active Plan Members)	\$ 3,253,522
UAAL as a Percentage of Covered Payroll	5.08%

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, 2017

Note 12. Other Post-Employment Benefits (Continued)

Actuarial Methods and Assumptions (Continued)

In the 2017 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 8.00% 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 2017 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. See Note 8 for repayment terms remaining on the AMP contract related to this project.

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

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 \$0.32 per \$100 of assessed value for years 2017 and 2016, respectively.

Personal property taxes are payable on December 5. The personal property tax rate was \$1.06 per \$100 for 2017 and 2016, respectively. A penalty of 10% for late payment and interest at the rate of 10% per annum, 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 2017 were \$86,000.

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 coverages, with a \$1,000,000 limit for each, are provided through a policy with the Commonwealth of Virginia. Total premiums for fiscal year 2017 were \$154,189.

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

Note 15. Risk Management (Continued)

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 paid by the Town for fiscal year 2017 were \$488,510.

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	\$ 3,119,235
Guaranteed residual value	1,369,086
Unearned income	<u>(2,251,651)</u>
Net investment in direct financing lease	<u><u>\$ 2,236,670</u></u>

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

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.

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

Note 18. Major Customer/Taxpayer

During fiscal year 2017, approximately 6.84% of the Town's business-type revenues were generated by one industrial customer.

Note 19. New Accounting Standards

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

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

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

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

Note 19. New Accounting Standards (Continued)

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

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

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

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

Note 19. New Accounting Standards (Continued)

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

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

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

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

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

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

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

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, 2017 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>		
2018	\$	450,000
2019	\$	750,000

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF BEDFORD, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
June 30, 2017

	Plan Year		
	2016	2015	2014
Total Pension Liability			
Service cost	\$ 372,848	\$ 447,703	\$ 535,089
Interest on total pension liability	1,767,235	1,770,097	1,709,653
Difference between expected and actual experience	297,975	(768,809)	-
Benefit payments, including refunds of employee contributions	(1,449,454)	(1,530,307)	(1,232,204)
Net change in total pension liability	988,604	(81,316)	1,012,538
Total pension liability – beginning	25,970,944	26,052,260	25,039,722
Total pension liability – ending	26,959,548	25,970,944	26,052,260
Plan Fiduciary Net Position			
Contributions – employer	600,332	561,937	470,434
Contributions – employee	177,475	167,446	177,122
Net investment income	331,602	891,005	2,750,390
Benefit payments, including refunds of employee contributions	(1,449,454)	(1,530,307)	(1,232,204)
Administrative expenses	(12,640)	(12,793)	(15,177)
Other	(144)	(186)	145
Net change in plan fiduciary net position	(352,829)	77,102	2,150,710
Plan fiduciary net position – beginning	19,897,805	19,820,703	17,669,993
Plan fiduciary net position – ending	19,544,976	19,897,805	19,820,703
Net pension liability – ending	\$ 7,414,572	\$ 6,073,139	\$ 6,231,557
Plan fiduciary net position as a percentage of total pension liability	72.50%	76.62%	76.08%
Covered employee payroll	\$ 3,958,630	\$ 3,124,628	\$ 3,899,256
Net pension liability as a percentage of covered employee payroll	187.30%	194.36%	159.81%

The plan years above are reported in the Town's financial statements in the fiscal year following the plan year – i.e., plan year 2016 information was presented in the Town's fiscal year 2017 financial report.

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

TOWN OF BEDFORD, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2017

Town Fiscal Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2017	\$ 759,855	\$ 759,855	\$ -	\$ 4,095,552	18.55 %
2016	600,332	600,332	-	3,958,630	15.17
2015	693,716	693,716	-	3,124,628	22.20

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, only three years of data is available. However, additional years will be included as they become available.

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

TOWN OF BEDFORD, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR
OTHER POST-EMPLOYMENT BENEFITS
June 30, 2017

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as of Percentage of Covered Payroll
January 1, 2017	\$ -	\$ 165,313	\$ 165,313	0.00%	\$ 3,253,522	5.08%
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%

TOWN OF BEDFORD, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2017

Note 1. Changes of Benefit Terms

There have been no actuarially material changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 are not material.

Note 2. Changes of Assumptions

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

Largest 10 – Non-LEOS:

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

Largest 10 –LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) – LEOS:

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

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STATISTICAL SECTION

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.

<u>Contents</u>	<u>Table</u>
Financial Trends These tables contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.	1-4
Revenue Capacity These tables contain information to help the reader assess the factors affecting the Town's ability to generate its property and sales taxes.	5-7
Debt Capacity 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.	8-10
Demographic and Economic Information 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.	11-12
Operating Information 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.	13-15

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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental activities										
Net investment in capital assets	\$ 14,271,330	\$ 14,454,095	\$ 13,173,900	\$ 11,818,082	\$ 12,802,057	\$ 13,580,468	\$ 13,928,863	\$ 15,167,250	\$ 15,362,995	\$ 15,245,441
Restricted	4,743,685	583,892	764,318	1,257,885	893,641	905,566	1,275,857	-	-	-
Unrestricted	(4,831,457)	(1,929,342)	(1,794,430)	1,349,711	574,787	967,285	202,484	(539,263)	(1,517,998)	(1,934,063)
Total governmental activities net position	<u>\$ 14,183,558</u>	<u>\$ 13,108,645</u>	<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>
Business-type activities										
Net investment in capital assets	\$ 7,958,527	\$ 4,981,528	\$ 4,390,762	\$ 3,769,941	\$ 17,821,614	\$ 19,684,925	\$ 16,310,638	\$ 14,469,590	\$ 13,809,254	\$ 13,137,264
Restricted	-	-	-	-	806,525	422,208	-	-	-	-
Unrestricted	9,178,887	7,937,326	5,437,754	7,126,700	8,589,819	5,537,133	5,972,814	8,114,890	10,062,241	10,469,136
Total business-type activities net position	<u>\$ 17,137,414</u>	<u>\$ 12,918,854</u>	<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>
Primary government										
Net investment in capital assets	\$ 22,229,857	\$ 19,435,623	\$ 17,564,662	\$ 15,588,023	\$ 30,623,671	\$ 33,265,393	\$ 30,239,501	\$ 29,636,840	\$ 29,172,249	\$ 28,382,705
Restricted	4,743,685	583,892	764,318	1,257,885	1,700,166	1,327,774	1,275,857	-	-	-
Unrestricted	4,347,430	6,007,984	3,643,324	8,476,411	9,164,606	6,504,418	6,175,298	7,575,627	8,544,243	8,535,073
Total primary government net position	<u>\$ 31,320,972</u>	<u>\$ 26,027,499</u>	<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>

Note: Overall change in fiscal year 2014 compared to fiscal year 2013 is due to reversion to Town status on July 1, 2013.

Note: GASB Statement No. 68 was adopted in fiscal year 2015. Prior years were not restated for the impact of this statement.

TABLE 2

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses										
Governmental activities:										
General government administration	\$ 1,282,152	\$ 979,299	\$ 985,262	\$ 1,087,365	\$ 1,486,378	\$ 1,372,155	\$ 1,243,932	\$ 1,263,022	\$ 1,285,276	\$ 1,157,362
Judicial administration	3,999	3,956	4,143	4,200	66,994	64,599	69,749	73,925	54,638	45,844
Public safety	2,785,159	2,538,917	2,480,298	2,690,606	3,328,885	3,268,702	3,221,404	3,234,418	3,531,246	3,551,640
Public works	2,558,911	2,989,966	2,320,701	2,734,693	3,510,226	2,783,359	2,381,402	2,238,273	2,002,857	1,800,835
Health and welfare	-	-	-	-	611,757	661,680	684,699	615,447	679,222	859,833
Education	42,468	19,535	1,480	2,048	7,027,650	6,329,561	6,637,708	6,312,843	7,400,863	7,521,071
Parks, recreation, and cultural	27,089	25,695	38,914	86,971	375,631	414,045	443,092	505,520	732,067	968,399
Community development	260,404	98,840	271,475	604,569	258,210	320,829	312,424	419,959	521,281	525,207
Nondepartmental	-	-	-	-	-	-	-	-	3,578	10,923
Interest on long-term debt	147,930	182,910	208,103	295,433	100,817	97,101	120,140	150,360	167,716	224,815
Total governmental activities	7,108,112	6,839,118	6,310,376	7,505,885	16,766,548	15,312,031	15,114,550	14,813,767	16,378,744	16,665,929
Business-type activities:										
Water and sewer	-	-	-	-	3,514,595	3,288,441	3,008,301	3,057,530	3,012,009	2,889,286
Solid waste	972,846	773,583	812,685	1,041,820	864,030	1,011,584	1,114,103	979,974	1,141,850	1,225,962
Electric	20,246,017	20,288,724	20,878,587	21,764,439	19,710,177	19,557,948	23,366,909	22,855,580	23,372,403	19,353,950
Total business-type activities expense	21,218,863	21,062,307	21,691,272	22,806,259	24,088,802	23,857,973	27,489,313	26,893,084	27,526,262	23,469,198
Total primary government expenses	28,326,975	27,901,425	28,001,648	30,312,144	40,855,350	39,170,004	42,603,863	41,706,851	43,905,006	40,135,127
Program Revenues										
Governmental activities:										
Charges for services:										
General government	115,804	115,851	170,154	238,114	240,274	191,469	267,863	346,196	299,493	265,733
Judicial administration	45,837	31,077	-	-	-	-	-	-	-	-
Public safety	145,857	135,200	94,300	86,785	99,357	170,578	129,156	94,192	117,681	125,533
Public works	-	-	23,691	-	-	-	-	-	-	-
Parks, recreation, and cultural	-	-	-	5,410	16,357	19,142	20,962	28,133	89,320	105,913
Operating grants and contributions	2,162,848	2,008,857	1,930,366	1,713,909	5,840,890	5,675,008	5,728,339	5,542,630	6,493,199	6,036,954
Capital grants and contributions	-	234,800	-	5,753	32,474	38,022	216,354	68,807	258,533	610,115
Total governmental activities										
program revenues	2,470,346	2,525,785	2,218,511	2,049,971	6,229,352	6,094,219	6,362,674	6,079,958	7,258,226	7,144,248
Business-type activities:										
Charges for services:										
Water and sewer	-	-	-	-	3,304,287	3,140,016	3,108,582	3,249,909	3,131,495	3,316,832
Solid waste	791,828	745,762	740,127	903,966	913,436	999,851	1,010,196	1,000,078	1,032,705	1,091,627
Electric	24,285,460	23,056,147	22,108,184	22,162,487	21,534,257	20,431,813	22,615,629	21,620,435	24,188,620	20,393,092
Operating grants and contributions	-	72,006	99,440	-	410,416	383,853	397,679	389,336	381,015	333,872
Capital grants and contributions	-	-	-	-	61,303	2,699,315	840,092	136,236	57,500	102,100
Total business-type activities										
program revenues	25,077,288	23,873,915	22,947,751	23,066,453	26,223,699	27,654,848	27,972,178	26,395,994	28,791,335	25,237,523
Total primary government										
program revenues	27,547,634	26,399,700	25,166,262	25,116,424	32,453,051	33,749,067	34,334,852	32,475,952	36,049,561	32,381,771
Net (expense) revenue										
Governmental activities	(4,637,766)	(4,313,333)	(4,091,865)	(5,455,914)	(10,537,196)	(9,217,812)	(8,751,876)	(8,733,809)	(9,120,518)	(9,521,681)
Business-type activities	3,858,425	2,811,608	1,256,479	260,194	2,134,897	3,796,875	482,865	(497,090)	1,265,073	1,768,325
Total primary government net expense	(779,341)	(1,501,725)	(2,835,386)	(5,195,720)	(8,402,299)	(5,420,937)	(8,269,011)	(9,230,899)	(7,855,445)	(7,753,356)

(Continued)

TABLE 2

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 1,690,389	\$ 1,701,705	\$ 1,641,132	\$ 3,246,201	\$ 5,001,731	\$ 4,941,170	\$ 4,866,945	\$ 4,863,006	\$ 4,492,230	\$ 4,300,745
Sales taxes	233,412	184,345	181,294	181,660	842,139	830,064	857,218	854,574	894,826	998,680
Meals tax	1,345,430	1,176,022	1,143,412	1,080,127	680,651	671,404	655,365	643,868	663,141	681,216
Communication tax	132,652	136,256	-	-	-	-	-	-	-	-
Other local taxes	620,138	596,475	730,442	698,508	1,064,445	1,039,171	1,065,882	989,365	1,038,472	1,196,396
Intergovernmental revenue, unrestricted	332,998	394,822	394,764	467,240	741,161	771,718	707,804	955,354	924,651	939,102
Unrestricted investment earnings	57,179	68,596	27,419	-	10,887	56,106	55,553	23,447	143,365	247,573
Gain (loss) on disposition of assets	38,067	28,405	11,952	10,850	88,641	4,102	24,224	10,544	3,078	-
County reversion payments	750,000	750,000	750,000	821,050	-	-	-	-	-	-
Other	512,414	241,564	245,244	191,492	24,707	77,768	21,963	37,692	27,374	25,457
Transfers	-	-	-	722,153	900,000	872,424	1,300,000	1,138,949	1,467,000	(2,343,761)
Special Items:										
Annexation of state roads	-	-	1,036,341	-	-	-	-	-	-	-
Transfer of assets to other governments	-	-	-	(2,138,673)	-	-	-	-	-	-
Total governmental activities	5,712,679	5,278,190	6,162,000	5,280,608	9,355,587	9,263,927	9,554,954	9,516,799	9,654,137	6,045,408
Business-type activities:										
Investment earnings	357,135	256,805	219,365	323,709	338,795	342,248	340,479	349,024	467,022	631,292
Gain on sale of capital assets	-	-	-	-	-	-	-	-	-	168,323
Other	-	21,925	3,300	-	-	-	-	-	-	-
Transfers	-	-	-	(722,153)	(900,000)	(872,424)	(1,300,000)	(1,138,949)	(1,467,000)	2,343,761
Special Items:										
Transfer of assets to other governments	-	-	-	(15,923,758)	-	-	-	-	-	-
Total business-type activities	357,135	278,730	222,665	(16,322,202)	(561,205)	(530,176)	(959,521)	(789,925)	(999,978)	3,143,376
Total primary government	6,069,814	5,556,920	6,384,665	(11,041,594)	8,794,382	8,733,751	8,595,433	8,726,874	8,654,159	9,188,784
Changes in Net Position										
Governmental activities	1,074,913	964,857	2,070,135	(175,306)	(1,181,609)	46,115	803,078	782,990	533,619	(3,476,273)
Business-type activities	4,215,560	3,090,338	1,479,144	(16,062,008)	1,573,692	3,266,699	(476,656)	(1,287,015)	265,095	4,911,701
Total primary government	\$ 5,290,473	\$ 4,055,195	\$ 3,549,279	\$ (16,237,314)	\$ 392,083	\$ 3,312,814	\$ 326,422	\$ (504,025)	\$ 798,714	\$ 1,435,428

Note: Overall change in fiscal year 2014 compared to fiscal year 2013 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)**

	2017	2016	2015	Post-GASB 54 2014	2013	2012	2011
General Fund							
Nonspendable	\$ 971,460	\$ 947,997	\$ 930,648	\$ 887,603	\$ 880,907	\$ 881,387	\$ 828,714
Restricted	4,292,609	3,106,537	1,680,974	2,173,623	893,642	905,566	904,160
Assigned	569,468	271,663	14,235	192,464	27,245	565,787	354,146
Unassigned	578,288	1,516,604	3,748,577	2,880,569	2,573,798	2,368,680	1,916,649
Total general fund	<u>\$ 6,411,825</u>	<u>\$ 5,842,801</u>	<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>
	Pre-GASB 54						
	2010	2009	2008				
General Fund							
Reserved	\$ 1,966,581	\$ 1,840,352	\$ 2,352,425				
Unreserved	1,719,613	1,000,010	453,160				
Total general fund	<u>\$ 3,686,194</u>	<u>\$ 2,840,362</u>	<u>\$ 2,805,585</u>				

Note: GASB 54 was adopted in fiscal year 2011.

Note: Overall change in fiscal year 2014 compared to fiscal year 2013 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)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues										
Taxes	\$ 4,019,919	\$ 3,777,727	\$ 3,686,479	\$ 4,696,712	\$ 7,592,582	\$ 7,555,727	\$ 7,416,138	\$ 7,258,677	\$ 7,097,542	\$ 7,189,990
Permits, privilege fees, and licenses	8,357	7,677	6,880	7,005	12,321	26,166	23,359	23,261	38,843	36,827
Fines and forfeitures	45,837	35,152	64,535	79,780	87,035	94,468	77,935	65,813	65,802	88,201
Revenue from use of money and property	57,179	113,523	27,420	-	10,887	56,106	55,553	23,447	143,365	247,573
Charges for services	115,804	104,099	98,739	108,920	122,028	125,951	155,067	175,270	212,939	260,756
County reversion payments	750,000	750,000	750,000	821,050	-	-	-	-	-	-
BRWA debt service payments	750,951	753,311	755,671	758,051	-	-	-	-	-	-
Other	649,914	376,764	363,235	134,604	88,640	77,768	183,583	241,868	216,284	137,233
Intergovernmental	2,379,375	2,231,962	2,188,217	2,932,695	6,749,129	6,619,353	6,577,499	6,566,791	7,676,383	7,492,240
Total revenues	8,777,336	8,150,215	7,941,176	9,538,817	14,662,622	14,555,539	14,489,134	14,355,127	15,451,158	15,452,820
Expenditures										
General government	1,213,200	866,920	855,383	1,057,256	1,456,493	1,289,938	1,151,035	1,156,296	1,176,391	1,095,027
Judicial administration	4,200	4,200	4,200	4,200	66,994	64,599	69,749	73,925	54,638	45,844
Public safety	2,624,603	2,396,478	2,465,921	3,081,246	3,187,608	3,130,237	3,021,780	3,034,104	3,374,816	4,529,012
Public works	2,935,528	3,288,539	2,862,241	3,300,643	2,856,280	2,567,995	2,900,284	2,273,460	2,313,259	2,186,661
Parks, recreation, and cultural	44,599	27,279	39,452	90,672	318,399	348,542	381,331	436,653	663,122	906,368
Health and welfare	-	-	-	-	611,757	661,680	684,699	615,447	679,222	859,833
Education	28,448	20,740	1,500	14,046	6,617,245	5,888,862	6,189,655	5,923,094	6,950,962	7,142,290
Community development	278,424	612,355	131,622	484,855	178,769	203,823	260,011	330,515	617,783	443,771
Nondepartmental	-	-	-	-	-	-	-	-	3,578	10,923
Debt service:										
Bond issuance costs	-	-	-	-	-	-	12,533	-	-	7,178
Principal	956,183	1,313,711	1,129,041	1,273,225	539,491	469,185	681,164	664,029	879,780	736,949
Interest	161,194	199,940	223,593	248,384	100,121	89,453	132,314	153,843	173,994	185,569
Total expenditures	8,246,379	8,730,162	7,712,953	9,554,527	15,933,157	14,714,314	15,484,555	14,661,366	16,887,545	18,149,425
Excess of revenues under expenditures	530,957	(579,947)	228,223	(15,710)	(1,270,535)	(158,775)	(995,421)	(306,239)	(1,436,387)	(2,696,605)
Other Financing Sources										
Proceeds from borrowing	-	-	-	-	-	-	1,282,911	-	-	946,774
Payment to refunded bond escrow agent	-	-	-	-	-	-	(1,270,378)	-	-	-
Proceeds from sale of assets	38,067	48,314	11,952	10,850	24,707	4,102	24,224	13,122	4,164	45,562
Transfers in	-	-	-	1,992,266	900,000	872,424	1,300,000	1,138,949	1,467,000	1,467,000
Total other financing sources	38,067	48,314	11,952	2,003,116	924,707	876,526	1,336,757	1,152,071	1,471,164	2,459,336
Net change in fund balances	\$ 569,024	\$ (531,633)	\$ 240,175	\$ 1,987,406	\$ (345,828)	\$ 717,751	\$ 341,336	\$ 845,832	\$ 34,777	\$ (237,269)
Debt service as a percentage of noncapital expenditures	14.96%	19.76%	20.06%	19.02%	4.06%	3.86%	5.60%	5.74%	6.24%	5.08%

Note: Overall change in fiscal year 2014 compared to fiscal year 2013 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**

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Public Service Corporation	Mobile Homes	Total Assessed Value	Total Direct Tax Rate⁽¹⁾	Overlapping Government County⁽²⁾	Total Direct and Overlapping
2017	\$ 492,589,599	\$ 8,645,280	\$ -	\$ 8,731,400	\$ 1,098,888	\$ 511,065,167	0.34	0.52	0.86
2016	490,197,300	8,262,777	-	8,646,890	1,125,788	508,232,755	0.34	0.52	0.86
2015	485,471,900	-	8,646,890	8,028,090	1,338,172	557,382,276	0.34	0.52	1.05
2014	474,911,700	49,928,570	32,422,960	8,406,570	365,500	566,035,300	0.53	0.52	1.04
2013	427,414,000	32,422,960	8,286,200	9,270,300	353,000	521,534,880	1.04	NA	1.03
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	0.97
2010	406,184,200	45,604,044	36,509,350	8,502,100	415,000	497,214,694	0.97	NA	0.93
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	0.96

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

⁽¹⁾ Per \$1,000 of assessed value.

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

Note: Overall change in fiscal year 2014 compared to fiscal year 2013 is due to reversion to Town status on July 1, 2013. As a result of the reversion from City to Town status Machinery and Tools were assessed in fiscal year 2015 but were not billed.

TABLE 6

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

Customer	Fiscal Year 2017			Fiscal Year 2008		
	Revenue	Rank	Percentage of Total Town Electrical Revenue	Revenue	Rank	Percentage of Total Town Electrical Revenue
Wheelabrator Abrasives	\$ 1,288,924	1	6.84 %	\$ 1,986,383	1	9.74 %
Bedford Weaving	1,002,487	2	5.32	751,093	2	3.68
The Matrix Group	594,077	3	3.15	-		0.00
Smyth Companies	483,805	4	2.57	371,232	4	1.82
Centra Bedford Memorial Hospital	449,571	5	2.39	238,445	10	1.17
Wal-Mart	417,350	6	2.21	293,836	7	1.44
Bedford Regional Water Authority	408,046	7	2.17	-		0.00
Town of Bedford	397,165	8	2.11	315,197	6	1.55
Valley Processing Virginia	370,624	9	1.97	-		0.00
Bedford Storage Investment LLC	322,554	10	1.71	-		0.00
Liberty High School	261,269	11	1.39	272,862	8	1.34
Trident (Formerly Golden West)	-		0.00	622,685	3	3.05
Rubatex International	-		0.00	363,835	5	1.78
Frank Chervan	-		0.00	259,447	9	1.27
	<u>\$ 5,995,872</u>		<u>31.83 %</u>	<u>\$ 5,475,015</u>		<u>26.84 %</u>

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

TABLE 7

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2017	\$ 1,670,455	\$ 1,279,351	76.59 %	\$ -	\$ 1,279,351	76.59 %
2016	1,657,705	1,243,844	75.03	396,953	1,640,797	98.98
2015	1,625,391	1,201,076	73.89	419,604	1,620,680	99.71
2014	3,599,653	2,964,106	82.34	628,041	3,592,147	99.79
2013	5,261,090	5,149,132	97.87	107,555	5,256,687	99.92
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

Source: Tax Records of the Town.

Note: Overall change in fiscal year 2014 compared to fiscal year 2013 is due to reversion to Town status on July 1, 2013.

Note: The lower “Collected within the Fiscal Year of the Levy” collection rate as a Town is attributed to timing. The City of Bedford billed quarterly or 4 times a year (September, December, March, June). There was a higher levy so those quarterly payments brought in a higher yield on a shorter timeframe. The Town of Bedford bills twice a year (June and December). Those two months of billings fall into 2 different fiscal years – June would be in prior year and December would be in current year based on a calendar year levy. So collection rates appear to be lower because of billing fewer times on a smaller levy. However “Collections in Subsequent Years” trend upwards as a Town because of the 2 different fiscal year collection methodology.

TABLE 8

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Debt limit	\$ 50,132,100	\$ 49,884,419	\$ 49,349,999	\$ 48,331,827	\$ 43,668,430	\$ 43,530,538	\$ 43,465,850	\$ 41,468,630	\$ 41,225,930	\$ 40,615,340
Total net debt applicable to limit	8,309,469	9,536,517	11,111,943	12,550,533	14,123,033	16,111,135	17,718,481	16,502,823	18,036,255	20,213,861
Legal debt margin	<u>\$ 41,822,631</u>	<u>\$ 40,347,902</u>	<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>
Total net debt applicable to the limit as a percentage of debt limit	<u>16.58%</u>	<u>19.12%</u>	<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>

Legal Debt Margin Calculation for Fiscal Year 2017

Assessed value	<u>\$ 501,320,999</u>
Debt limit (10% of assessed value)	\$ 50,132,100
Less debt applicable to limit:	
General obligation bonds	<u>(8,309,469)</u>
Legal debt margin	<u>\$ 41,822,631</u>

Note: Overall change in fiscal year 2014 compared to fiscal year 2013 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 Capital	Other Governmental Activities Debt	
	General Obligation Bonds	Business Type General Obligation Bonds	Total General Bonded Debt			Capital Leases	Other Debt
2017	\$ 6,270,893	\$ 2,038,576	\$ 8,309,469	1.63 %	*	\$ -	\$ -
2016	7,234,391	2,309,441	9,543,832	1.88	*	-	-
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

Fiscal Year	Business-Type Activities			Per Capital ⁽¹⁾	Percentage of Personal Income ⁽¹⁾
	Revenue Bonds	Other Debt	Total Primary Government		
2017	\$ 1,450,000	\$ 8,585,639	\$ 18,345,108	*	*
2016	1,560,000	9,518,440	20,622,272	*	*
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

NA – Not Available

⁽¹⁾ See Table 11 for population and per capita personal income information. For fiscal year 2012 - fiscal year 2009 amount for per capita personal income of \$38,937 was utilized to calculate the Percentage of Personal Income.

* Unavailable

Note: Overall change in fiscal year 2014 compared to fiscal year 2013 is due to reversion to Town status on July 1, 2013.

TABLE 10

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

Fiscal Year	Gross Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2017	\$ 24,285,460	\$ 19,019,111	\$ 5,266,349	\$ 982,801	\$ 226,328	4.36
2016	23,056,147	19,548,380	3,507,767	814,133	481,401	2.71
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

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 fiscal year 2014 compared to fiscal year 2013 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**

Fiscal Year Ended ⁽¹⁾	Population ⁽²⁾	Total Personal Income ⁽³⁾	Per Capita Personal Income ⁽⁴⁾	Public School Enrollment ⁽⁵⁾	Unemployment Rate ⁽⁶⁾
2017	(7)	\$ (7)	\$ (7)	(7)	4.20 %
2016	(7)	(7)	(7)	(7)	5.30
2015	(7)	(7)	(7)	(7)	5.90
2014	(7)	(7)	(7)	(7)	7.80
2013	5,948	2,832,788	35,863	825	7.90
2012	6,593	2,797,077	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

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

⁽²⁾ Source: Weldon Cooper Center for Public Service, Demographics Research Group
As of July 1, 2014

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

⁽⁴⁾ Median Household Income, 2008-2012, U.S. Census Bureau

⁽⁵⁾ Source: Weldon Cooper Center for Public Service, Demographics Research Group, July 2016

⁽⁶⁾ Source: VEC, Local Area Unemployment Statistics

⁽⁷⁾ Independent City of Bedford, Virginia (51515) changed to Town status and was added to Bedford County (51019) effective July 1, 2013. Town of Bedford demographics and economic statistics are now reported via Bedford County, Virginia.

TABLE 12

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

Employer	Fiscal Year 2017			Fiscal Year 2008		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Bedford Public Schools	440	1	6.27 %	323	2	8.50 %
Centra Bedford Memorial Hospital	416	2	5.93	360	1	9.50
Wal-Mart	256	3	3.65	-	NA	0.00
Sam Moore Furniture LLC	247	4	3.52	258	3	6.80
Cintas	135	5	1.92	131	6	3.40
Bedford Weaving Mills	127	6	1.81	130	7	3.40
Smyth Companies Bedford	115	7	1.64	138	5	3.60
Lowe's	105	8	1.50	-	NA	0.00
English Meadows aka Elks National Home	96	9	1.37	85	9	2.20
Food Lion	59	10	0.84	-	NA	0.00
Trident Seafood Inc (Brooks Foods/Golden West)	-	NA	-	165	4	4.40
Frank Chervan	-	NA	-	130	8	3.40
Longwood Industries	-	NA	-	80	10	2.10
Parkway Steel Rule Cutting Dies	-	NA	-	22	NA	0.60
	<u>1,996</u>		<u>28.45 %</u>	<u>1,822</u>		<u>47.90 %</u>

Source: HR Departments of Employers.

TABLE 13

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

Function/Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General government										
Executive	3	2	2	2	2	2	2	2	2	2
Treasurer	5	5	5	2	2	2	1	1	1	1
Personnel	-	-	-	3	-	-	-	-	-	-
Finance	5	5	5	5	5	5	5	5	5	6
Information Technology	1	1	2	2	2	2	2	2	2	2
Planning	2	3	3	2	2	3	3	3	3	5
Schools	-	-	-	-	9	9	9	9	8	6
Police										
Officers	20	23	24	24	23	24	24	24	21	25
Civilians	2	3	3	3	3	3	5	3	2	3
Fire	1	1	1	1	1	1	1	1	1	1
Public works	20	18	17	18	20	19	20	18	21	15
Engineering	1	1	1	2	2	2	2	2	2	2
Cemetery	1	1	1	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	1	2	2	3	3	9
Solid waste	2	3	3	3	2	2	2	3	4	4
Water	-	-	-	-	6	6	6	6	6	6
Wastewater	-	-	-	-	10	10	11	11	11	11
Electric	22	19	18	17	*17	*14	*14	*13	*15	*18
Total	<u>85</u>	<u>85</u>	<u>85</u>	<u>84</u>	<u>107</u>	<u>106</u>	<u>109</u>	<u>106</u>	<u>107</u>	<u>116</u>

Source: Town of Bedford's Finance Department.

Note: Overall change in fiscal year 2014 compared to fiscal year 2013 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**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Function/Program										
General Government:										
Fleet:										
Pieces of equipment maintained	140	131	127	124	132	132	130	127	129	129
Public safety:										
Police:										
Physical arrests	829	801	777	964	964	1,137	902	943	1,116	1,129
Parking violations	225	298	1,040	1,321	1,093	1,128	1,937	1,235	1,381	1,359
Traffic violations	1,338	992	1,045	985	1,762	2,135	1,319	1,334	1,535	1,579
Fire:										
Emergency responses – per calendar year	1,098	1,041	808	721	741	NA	821	919	913	886
Public works:										
Refuse collection:										
Refuse collected (tons per day)	25	25	25	40	40	40	40	27	25	30
Recyclables collected (tons per day)	0.4	0.4	-	1	1	1	2	1	2	2
Other public works:										
Street resurfacing (miles)	1.13	2.74	2	6	6	6	4	4	2	-
Parks, recreation, and cultural:										
Parks and recreation:										
Tournaments hosted	-	-	-	-	-	2	3	2	2	1
Electric:										
Number of customer accounts	6,623	6,643	6,614	6,574	6,531	6,519	6,499	7,091	6,986	6,937
Miles of distribution lines	353	353	353	353	353	353	353	353	352	350
Miles of transmission lines	29	29	29	29	29	29	29	29	29	28
Water:										
Number of customer accounts	-	-	-	-	3,328	3,306	3,289	3,583	3,509	3,466
Miles of distribution lines	-	-	-	-	65	65	65	65	65	65
Volume pumped (million gallons per day average)	-	-	-	-	1	1	1	1	1	1
Sewer:										
Number of customer accounts	-	-	-	-	2,698	2,679	2,664	2,929	2,856	2,836
Waste/Water treated (million gallons per day)	-	-	-	-	1	1	1	1	1	1

Source:

In 2014, the City reverted to a Town and the water and sewer operations were transferred to the Bedford Regional Water Authority.

TABLE 15

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

<u>Function/Program</u>	<u>2017</u>	<u>2016</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>
Public safety:										
Law enforcement vehicles	20	20	20	20	18	18	19	18	19	19
Fire stations	1	1	1	1	1	1	1	1	1	1
Public works:										
Primary streets (lane miles)	21.59	24.61	24.61	24	24.11	24.11	24.11	24.11	24.11	24.11
Secondary streets (lane miles)	76.65	73.63	73.63	72	71.51	71.51	71.51	71.51	66.47	66.47
Streetlights	982	982	979	974	974	974	897	897	875	875
Parks, recreation, and cultural:										
Community centers	-	-	-	-	1	1	1	1	1	1
Parks/athletic fields	-	-	-	-	12	12	12	12	12	12
Electric:										
Substations	10	10	10	10	10	10	10	10	11	11
Transformers	3,582	3,582	3,582	3,475	3,340	3,340	3,340	3,340	3,340	3,340
Water and sewage:										
Water treatment plants	-	-	-	-	1	1	1	1	1	1
Water mains (miles)	-	-	-	-	65	65	65	65	65	65
Storm sewers (miles)	-	-	-	-	5	5	5	5	5	5
Sanitary sewers (miles)	-	-	-	-	47	47	47	47	47	47

Source: Information was obtained from prior year audit reports.

Note: Overall change in fiscal year 2014 compared to fiscal year 2013 is due to reversion to Town status on July 1, 2013.

In 2014, the City reverted to a Town and water and sewer operations were transferred to the Bedford Regional Water Authority.

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COMPLIANCE SECTION

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

To the Honorable Members of 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, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 2, 2017.

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. However, material weaknesses may exist that have not been identified.**

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 instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.**

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
November 2, 2017

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

As more fully described in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the 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