

TOWN OF BRIDGEWATER, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2020



Prepared by:

Offices of the Town Manager and Treasurer
P.O. Box 72
Bridgewater, Virginia 22812



ASSURANCE, TAX & ADVISORY SERVICES

TOWN OF BRIDGEWATER, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2020

TABLE OF CONTENTS

| | |
|---|---------|
| <hr/> | |
| INTRODUCTORY SECTION | |
| <hr/> | |
| Organizational Chart | 1 |
| Directory of Principal Officials | 2 |
| <hr/> | |
| FINANCIAL SECTION | |
| <hr/> | |
| INDEPENDENT AUDITOR’S REPORT | 3 – 5 |
| Management’s Discussion and Analysis | 6 – 12 |
| <i>Basic Financial Statements</i> | |
| Statement of net position | 13 |
| Statement of activities | 14 |
| Balance sheet – governmental funds | 15 |
| Reconciliation of the balance sheet of the governmental funds to the statement of net position | 16 |
| Statement of revenues, expenditures and changes in fund balances – governmental funds | 17 |
| Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities | 18 |
| Statement of revenues, expenditures and changes in fund balance – budget and actual – general fund | 19 |
| Statement of net position – proprietary funds | 20 |
| Statement of revenues, expenses and changes in fund net position – proprietary funds | 21 |
| Statement of cash flows – proprietary funds | 22 |
| Notes to financial statements | 23 – 81 |
| <i>Required Supplementary Information</i> | |
| Schedule of changes in the Town’s net pension liability and related ratios – Virginia Retirement System | 82 |
| Schedule of Town contributions – Virginia Retirement System | 83 |
| Notes to required supplementary information – Virginia Retirement System | 84 |
| Schedule of changes in the Town’s total OPEB liability and related ratios – Medical Insurance Program | 85 |
| Schedule of employer’s share of net OPEB liability – Group Life Insurance Program | 86 |
| Schedule of employer contributions – OPEB – Group Life Insurance Program | 87 |
| Schedule of employer’s share of net OPEB liability – Virginia Local Disability Program | 88 |
| Schedule of employer contributions – OPEB – Virginia Local Disability Program | 89 |
| Notes to required supplementary information – other postemployment benefits | 90 – 91 |
| <hr/> | |

Supplementary Schedules

| | |
|--|----------|
| Schedule of revenues, expenditures and changes in fund balance – general fund | 92 |
| Schedule of revenues – budget and actual – general fund | 93 – 94 |
| Schedule of expenditures – budget and actual – general fund | 95 – 98 |
| Schedule of capital outlays | 99 – 100 |
| Schedule of taxes receivable | 101 |
| Schedule of revenues and expenses – proprietary fund type | 102 |
| Schedule of revenues and expenses – actual and rate per 1,000 gallons – proprietary fund type – water and sewer departments | 103 |
| Statement of net position – discretely presented component unit – Industrial Development Authority | 104 |
| Schedule of revenues, expenses and changes in net position – discretely presented component unit – Industrial Development Authority | 105 |
| Statement of cash flows – discretely presented component unit – Industrial Development Authority | 106 |
| Statement of net position – discretely presented component unit – Sipe Center Live | 107 |
| Schedule of revenues, expenses and changes in net position – discretely presented component unit – Sipe Center Live | 108 |
| Statement of cash flows – discretely presented component unit – Sipe Center Live | 109 |

STATISTICAL SECTION

Tables

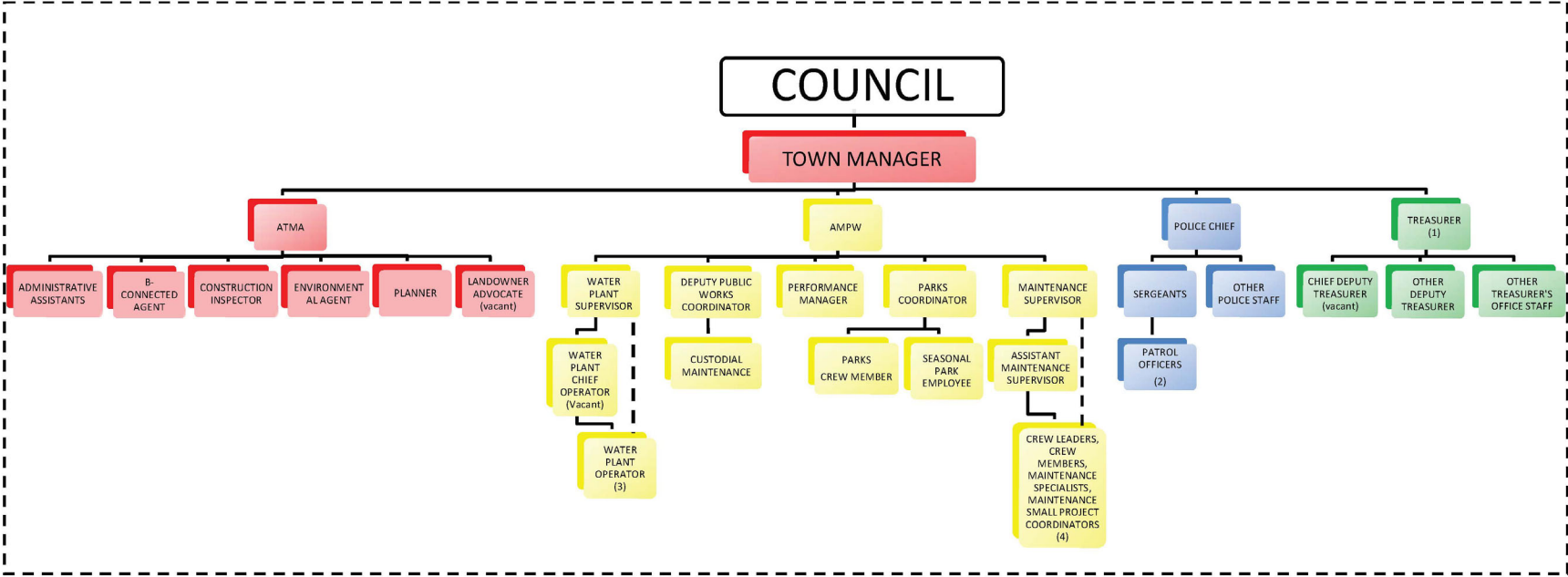
| | | |
|----|--|-----------|
| 1 | Net position/assets by component | 110 |
| 2 | Changes in net position/assets | 111 – 112 |
| 3 | Program revenues by function/program | 113 |
| 4 | Fund balances – governmental funds | 114 |
| 5 | Changes in fund balances – governmental funds | 115 – 116 |
| 6 | Tax revenues by source – governmental funds | 117 |
| 7 | Assessed value and estimated actual value of taxable property | 118 |
| 8 | Direct and overlapping property tax rates | 119 |
| 9 | Principal meals taxpayers | 120 |
| 10 | Other tax rates | 121 |
| 11 | Real property tax levies and collections | 122 |
| 12 | Ratios of outstanding debt by type and general bonded debt outstanding | 123 |
| 13 | Direct and overlapping governmental activities debt | 124 |
| 14 | Legal debt margin information | 125 |
| 15 | Bond coverage | 126 |
| 16 | Demographic and economic statistics | 127 |
| 17 | Full-time equivalent Town government employees by functions/programs | 128 |

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 <i>GOVERNMENT AUDITING STANDARDS</i> | 129 – 130 |
| Schedule of Finding and Response | 131 |

INTRODUCTORY SECTION

ORGANIZATIONAL CHART



- (1) Treasurer reports to the Town Manager, but she has other reporting duties also.
(2) Patrol officers report to the Sergeant depending on the squad.
(3) Water Plant Operators report directly to the Water Plant Supervisor in the absence of the WTP Chief Operator.
(4) Crew leaders, crew members, small project coordinators, and maintenance specialists report to the Maintenance Supervisor in the absence of the Assistant Maintenance Supervisor.

TOWN OF BRIDGEWATER, VIRGINIA

Directory of Principal Officials

OFFICIALS

| | |
|--------------------|---------------|
| Theodore W. Flory | Mayor |
| A. Fontaine Canada | Vice-Mayor |
| J. Jay Litten | Town Manager |
| Robyn Whiting | Treasurer |
| Jason A. Botkins | Town Attorney |
| Betsy Putney | Clerk |

MEMBERS OF COUNCIL

| | |
|--------------------|---------------------|
| Travis Bowman | Steven A. Schofield |
| William D. Miracle | Dillina W. Stickley |
| Jim Tongue | |

INDUSTRIAL DEVELOPMENT AUTHORITY OF THE TOWN OF BRIDGEWATER, VIRGINIA BOARD MEMBERS

| | |
|---------------------|-----------------|
| Jason T. Burkholder | James R. Harper |
| Jane Z. Fulk | Kevin Kunowsky |
| Wesley W. Griffin | Debbie Snider |
| Brant Somma | |

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of Council
Town of Bridgewater, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, the aggregate remaining fund information, and the budgetary comparison of the General Fund of the Town of Bridgewater, Virginia (Town), as of and for the year ended June 30, 2020, 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 and specifications 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 Town'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 Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe 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, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2020, the respective changes in financial position and the budgetary comparison of the General Fund and, where applicable, cash flows thereof 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 the Management's Discussion and Analysis and the required supplementary information on pages 6-12 and 82-91, respectively, 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 accompanying schedules listed in the table of contents as supplementary schedules, introductory section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections, as listed in the table of contents, 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, 2020 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 solely 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 the effectiveness of the Town's 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.

YBMares, LLP

Harrisonburg, Virginia
November 2, 2020

Town of Bridgewater, Virginia Management's Discussion and Analysis

Here in Virginia, the global COVID-19 pandemic first manifested itself in March, 2020. Bridgewater, along with every other government on the planet, was forced to reckon with three overlapping problems:

- i. A steady or increasing demand for services,
- ii. The need to provide those services while maintaining proper public-health precautions, and
- iii. Sharply declining revenues.

In addressing these problems, we followed two complementary policies. First, we tried to trim spending which did not affect our long-term objectives, while continuing to spend on those items which were foundational for the future. Cosmetic issues were thus left for another day, while we continued to spend on things like the Dry River Road drainage project and the Main Street undergrounding. We also instituted a hiring freeze while not furloughing any employees, because we very much believe that they comprise the sum total of our ability to make life better for our citizens.

We hope that history will prove this middle path to be correct, but if we have learned anything, it is that we live in uncertain times.

Given the uncertainty of these present days, it was important for us to complete the first year of our "Fund Balance Policy." As you can see from the reports which follow, our first-year contribution was modest, but the initial step was still important. We will contribute more to this reserve fund in FY21, and more still over the next decade. In establishing the policy, the Council set us on a path which will lead to our grandchildren having less to worry about.

FINANCIAL HIGHLIGHTS

Total assets and deferred outflows of resources of the Town exceeded total liabilities and deferred inflows of resources at June 30, 2020 by approximately \$6 million (net position). Of the total net position, approximately \$50,000 was unrestricted deficit.

The Town's total net position increased approximately \$904,000 from the previous year's total net position.

As of June 30, 2020, the Town's governmental funds had combined ending fund balances of approximately \$531,000, a decrease of approximately \$83,000 in comparison with the prior year.

The Town's total long-term liabilities (excluding compensated absences) decreased approximately \$300,000 during fiscal year 2020 due primarily to new debt issuance of \$186,000 for the Town's portion of a 50/50 revenue sharing VDOT project on Dry River Road coupled with previously scheduled debt repayments.

Overview of the Financial Statements

This Comprehensive Annual Financial Report consists of four sections: introductory, financial, statistical, and compliance. The financial section has four components: management's discussion and analysis (this section), the basic financial statements, the required supplementary information, and supplementary schedules. The basic financial statements include the government-wide financial statements, fund financial statements, and notes to financial statements.

Government-wide Financial Statements

The government-wide financial statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies.

The first government-wide statement, the Statement of Net Position, presents information on all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. This statement provides both long-term and short-term information. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial health of the Town is improving or declining. In addition, nonfinancial factors, such as a change in the Town's tax base or the condition of the Town's facilities and infrastructure, should be considered in assessing the overall financial health of the Town.

The government-wide financial statements include not only the Town of Bridgewater, Virginia (known as the primary government), but also two legally separate entities, the Industrial Development Authority and Sipe Center Live. Financial information for these component units are reported separately from the financial information presented for the primary government.

Statement of Net Position

For the most recently concluded fiscal year, the Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$6 million. Most of this total, approximately 100%, is classified as "net investment in capital assets." This reflects the Town's investment in capital assets (e.g., land, easements, infrastructure, buildings, improvements, machinery and equipment, software, and construction in progress), less any related debt still outstanding on those assets. 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 would not likely be used to liquidate these liabilities.

Of the total net position, \$50,000 is classified as unrestricted deficit.

The following table presents a condensed statement of net position:

Table 1
Summary Statements of Net Position
June 30, 2020 and 2019

| | Governmental Activities | | Business-type Activity | | Total Primary Government | |
|---|----------------------------|---------------------|---------------------------|---------------------|-----------------------------|---------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| ASSETS | | | | | | |
| Current and other assets | \$ 1,511,108 | \$ 1,310,853 | \$ 480,928 | \$ 430,465 | \$ 1,992,036 | \$ 1,741,318 |
| Capital assets, net | 7,662,139 | 7,254,997 | 3,400,645 | 3,605,081 | 11,062,784 | 10,860,078 |
| Total assets | 9,173,247 | 8,565,850 | 3,881,573 | 4,035,546 | 13,054,820 | 12,601,396 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | |
| Other postemployment benefits | 46,899 | 35,587 | 19,095 | 13,616 | 65,994 | 49,203 |
| Pension plan | 293,425 | 170,947 | 135,125 | 75,807 | 428,550 | 246,754 |
| Total deferred outflows of resources | 340,324 | 206,534 | 154,220 | 89,423 | 494,544 | 295,957 |
| LIABILITIES | | | | | | |
| Current and other liabilities | 987,185 | 706,247 | 104,749 | 99,894 | 1,091,934 | 806,141 |
| Long-term liabilities | 3,938,425 | 4,080,459 | 2,104,775 | 2,363,704 | 6,043,200 | 6,444,163 |
| Total liabilities | 4,925,610 | 4,786,706 | 2,209,524 | 2,463,598 | 7,135,134 | 7,250,304 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Other postemployment benefits | 197,465 | 226,819 | 90,603 | 99,703 | 288,068 | 326,522 |
| Pension plan | 73,507 | 142,288 | 33,851 | 63,098 | 107,358 | 205,386 |
| Total deferred inflows of resources | 270,972 | 369,107 | 124,454 | 162,801 | 395,426 | 531,908 |
| NET POSITION | | | | | | |
| Net investment in capital assets | 4,445,390 | 3,971,482 | 1,600,558 | 1,571,093 | 6,045,948 | 5,542,575 |
| Restricted | 22,464 | 22,461 | - | - | 22,464 | 22,461 |
| Unrestricted | (150,865) | (377,372) | 101,257 | (72,523) | (49,608) | (449,895) |
| Total net position | \$ 4,316,989 | \$ 3,616,571 | \$ 1,701,815 | \$ 1,498,570 | \$ 6,018,804 | \$ 5,115,141 |

Statement of Activities

Governmental Activities

Revenues: For the fiscal year ended June 30, 2020, revenue from governmental activities totaled \$4 million. Sources of revenue are comprised of many different types with taxes constituting the largest source of Town revenues in this category. The Town assesses local taxes and fees including, personal property taxes, consumer utility taxes, bank stock taxes, business license (BPOL) fees, meals tax and the Town's share of the local sales tax. In addition to taxes, the Town receives intergovernmental revenues, revenue from renting property such as space on water towers to telecommunications companies; as well as use fees for recreational facilities such as the tennis, golf and skating facilities.

Expenses: Expenses for governmental activities, including interest on debt service, totaled \$4.1 million. As the table below indicates, General Government Administration and Public Works, which together comprise about 51% of expenses, are the Town's two largest functions in the category of governmental activities.

The following table summarizes the changes in net position for the Town for the fiscal year ended June 30, 2020:

Table 2
Changes in Net Position
Years Ended June 30, 2020 and 2019

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---|----------------------------|------------------|-----------------------------|------------------|-----------------------------|------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 323,436 | \$ 223,987 | \$ 3,530,082 | \$ 3,360,168 | \$ 3,853,518 | \$ 3,584,155 |
| Operating grants and contributions | 789,125 | 1,274,773 | - | - | 789,125 | 1,274,773 |
| Capital grants and contributions | 1,321 | - | 143,972 | 151,571 | 145,293 | 151,571 |
| Total program revenues | 1,113,882 | 1,498,760 | 3,674,054 | 3,511,739 | 4,787,936 | 5,010,499 |
| General revenues: | | | | | | |
| General property taxes | 284,099 | 459,608 | - | - | 284,099 | 459,608 |
| Other local taxes | 2,236,256 | 1,942,549 | - | - | 2,236,256 | 1,942,549 |
| Intergovernmental, non-categorical aid | 176,593 | 179,457 | - | - | 176,593 | 179,457 |
| Use of money and property | 105,268 | 118,344 | - | - | 105,268 | 118,344 |
| Miscellaneous | 74,383 | 138,628 | 40,223 | 37,967 | 114,606 | 176,595 |
| Total general revenues | 2,876,599 | 2,838,586 | 40,223 | 37,967 | 2,916,822 | 2,876,553 |
| Total revenues | 3,990,481 | 4,337,346 | 3,714,277 | 3,549,706 | 7,704,758 | 7,887,052 |
| Expenses: | | | | | | |
| General government administration | 846,698 | 879,486 | - | - | 846,698 | 879,486 |
| Public safety | 791,134 | 774,021 | - | - | 791,134 | 774,021 |
| Public works | 1,219,675 | 1,901,366 | - | - | 1,219,675 | 1,901,366 |
| Parks, recreation and cultural | 754,113 | 811,329 | - | - | 754,113 | 811,329 |
| Community and economic development | 185,401 | 194,784 | - | - | 185,401 | 194,784 |
| Sipe Center | 154,004 | - | - | - | 154,004 | - |
| Interest | 98,002 | 95,928 | - | - | 98,002 | 95,928 |
| Water, sewer and sanitation | - | - | 2,585,546 | 2,797,328 | 2,585,546 | 2,797,328 |
| Stormwater management | - | - | 166,522 | 96,227 | 166,522 | 96,227 |
| Total expenses | 4,049,027 | 4,656,914 | 2,752,068 | 2,893,555 | 6,801,095 | 7,550,469 |
| Changes in net position before transfers | (58,546) | (319,568) | 962,209 | 656,151 | 903,663 | 336,583 |
| Transfers | 758,964 | 747,519 | (758,964) | (747,519) | - | - |
| Change in net position | 700,418 | 427,951 | 203,245 | (91,368) | 903,663 | 336,583 |
| Net position, beginning | 3,616,571 | 3,188,620 | 1,498,570 | 1,589,938 | 5,115,141 | 4,778,558 |
| Net position, ending | \$ 4,316,989 | \$ 3,616,571 | \$ 1,701,815 | \$ 1,498,570 | \$ 6,018,804 | \$ 5,115,141 |

Business-Type Activity

The Town has two business-type activities, the *Water, Sewer and Sanitation Fund* and *Stormwater Management Fund*. These are accounted for as enterprise funds. For fiscal year 2020, total operating and non-operating revenues amounted to \$3.7 million, which is an increase of approximately \$165,000 from the prior fiscal year. Approximately 95% of water, sewer, sanitation and stormwater revenues come from charges for service. Approximately 5% of revenues come from capital grants and contributions.

Expenses amounted to \$2.8 million for fiscal year 2020. This is a decrease of 5% from the previous year and is due primarily to decreases in allocations of fringe benefits. Change in net position before transfers was \$962,000 in fiscal year 2020, compared to \$656,000 in fiscal year 2019, an increase of \$306,000.

The business-type activities' net position increased approximately \$203,000 for the year.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

Governmental funds - The *General Fund* is the major governmental fund of the Town. At the end of the current fiscal year, the unassigned fund balance decreased approximately \$132,000 resulting in an unassigned balance of approximately \$460,000. Committed funds, those implemented by the FY19 Fund Balance Policy, increased by approximately \$49,000.

Proprietary funds - The Town's *Enterprise Funds*, which are a type of proprietary fund, provide the same type of information found in the government-wide financial statements, but in greater detail. At June 30, 2020, the unrestricted net position for the enterprise funds totaled about \$101,000, which is an increase of approximately \$174,000 from the previous year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Overall, actual revenues were less than budgeted revenues by \$2.1 million. Expenditures were less than budgeted amounts by \$3.6 million. This was mainly due to VDOT funded projects that did not happen as anticipated in FY20.

CAPITAL ASSETS

Reflected in Table 3, *Changes in Capital Assets*, net capital asset balances have increased from the previous year. Capital asset additions for fiscal year 2020 totaled approximately \$800,000. The increase can be attributed largely to the completion of the Sipe Center Theatre.

Table 3
Changes in Capital Assets
Years Ended June 30, 2020 and 2019

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---|----------------------------|------------------|-----------------------------|------------------|-----------------------------|-------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Capital assets not being depreciated: | | | | | | |
| Land and easements | \$ 2,193,008 | \$ 2,193,008 | \$ 4,600 | \$ 4,600 | \$ 2,197,608 | \$ 2,197,608 |
| Construction in progress | 95,907 | 1,150,252 | 8,779 | - | 104,686 | 1,150,252 |
| Total capital assets not being depreciated | 2,288,915 | 3,343,260 | 13,379 | 4,600 | 2,302,294 | 3,347,860 |
| Capital assets being depreciated or amortized: | | | | | | |
| Buildings and improvements | 5,834,678 | 4,066,019 | 949,488 | 918,918 | 6,784,166 | 4,984,937 |
| Distribution and collection system | - | - | 3,961,726 | 3,961,726 | 3,961,726 | 3,961,726 |
| Equipment | 1,048,537 | 1,041,672 | 2,522,884 | 2,522,950 | 3,571,421 | 3,564,622 |
| Software | 83,570 | 53,970 | - | - | 83,570 | 53,970 |
| Infrastructure | 1,244,706 | 1,244,706 | 104,494 | 104,494 | 1,349,200 | 1,349,200 |
| Vehicles | 494,985 | 508,099 | 1,000,016 | 1,032,555 | 1,495,001 | 1,540,654 |
| Total capital assets being depreciated or amortized | 8,706,476 | 6,914,466 | 8,538,608 | 8,540,643 | 17,245,084 | 15,455,109 |
| Less accumulated depreciation and amortization: | | | | | | |
| Buildings and improvements | 1,690,445 | 1,510,487 | 851,307 | 838,764 | 2,541,752 | 2,349,251 |
| Distribution and collection system | - | - | 1,942,730 | 1,856,635 | 1,942,730 | 1,856,635 |
| Equipment | 851,436 | 804,037 | 1,495,750 | 1,412,953 | 2,347,186 | 2,216,990 |
| Software | 45,194 | 31,121 | - | - | 45,194 | 31,121 |
| Infrastructure | 345,482 | 303,992 | 6,705 | 3,222 | 352,187 | 307,214 |
| Vehicles | 400,695 | 353,092 | 854,850 | 828,588 | 1,255,545 | 1,181,680 |
| Total accumulated depreciation and amortization | 3,333,252 | 3,002,729 | 5,151,342 | 4,940,162 | 8,484,594 | 7,942,891 |
| Total capital assets being depreciated or amortized, net | 5,373,224 | 3,911,737 | 3,387,266 | 3,600,481 | 8,760,490 | 7,512,218 |
| Capital assets, net | \$ 7,662,139 | \$ 7,254,997 | \$ 3,400,645 | \$ 3,605,081 | \$ 11,062,784 | \$ 10,860,078 |

LONG-TERM DEBT

As of June 30, 2020 the Town's long-term liabilities, exclusive of compensated absences, net pension liability and other postemployment benefits, totaled \$3.2 million for governmental activities. Additionally, \$1.8 million of debt, exclusive of compensated absences, net pension liability and other post-employment benefits, is shown in the business-type activity category. The Town's maximum legal debt margin permitted by the Commonwealth of Virginia is approximately \$45 million, which is computed based on 10% of the assessed value of real estate subject to taxation less applicable outstanding bonded debt.

The ratio of net bonded debt to assessed valuation and the amount of bonded debt per capita are useful indicators of the Town's debt position. Data for the Town at June 30, 2020 are shown below:

| Estimated Population | Assessed Valuation of Taxable Real Property | Net Bonded Debt | Ratio of Debt to Assessed Valuation | Net Bonded Debt Per Capita |
|----------------------|---|-----------------|-------------------------------------|----------------------------|
| 6,145 | \$ 454,037,273 | \$ 3,216,749 | 0.0071 | \$ 523 |

The net bonded debt decreased approximately \$67,000, which correlates to a decrease in debt per capita of \$15.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Our FY 2021 finances will continue to be shaped by pandemic-related uncertainty. Thus far, our local economy has been more resilient than we would have projected, but we take little comfort in past performance. It is possible, though unlikely, that we could experience an even greater drop in tax revenues than we have seen thus far.

Accordingly the FY21 budget is rather unambitious. It looks to conclude—or come close to concluding—four large projects: Riverwalk, Phase I, Main Street Undergrounding, DORM, and the Dry River Road Drainage project. It does not, however, undertake anything else on a grand scale.

The FY21 budget does not alter tax rates or service fees, other than by adding the usual inflationary increase to our service fees. The finances of our citizens, these days, are at least as uncertain as our own, so eliminating tax increases was a focal element of our budget process.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Town Manager or the Town Treasurer at 201 Green Street, Bridgewater, Virginia 22812.

BASIC FINANCIAL STATEMENTS

TOWN OF BRIDGEWATER, VIRGINIA

STATEMENT OF NET POSITION

June 30, 2020

| | Primary Government | | | Component Units | |
|---|-------------------------|--------------------------|---------------------|----------------------------------|------------------|
| | Governmental Activities | Business-type Activities | Totals | Industrial Development Authority | Sipe Center Live |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 901,500 | \$ - | \$ 901,500 | \$ 34,500 | \$ 13,213 |
| Receivables, net: | | | | | |
| Property taxes | 1,280 | - | 1,280 | - | - |
| Trade and other accounts | 77,169 | 480,928 | 558,097 | - | - |
| Due from other governments | 46,206 | - | 46,206 | - | - |
| Note receivable | - | - | - | 82,953 | - |
| Restricted investment | 22,464 | - | 22,464 | - | - |
| Restricted cash and cash equivalents | 462,489 | - | 462,489 | - | - |
| Capital assets: | | | | | |
| Land | 2,184,608 | 4,600 | 2,189,208 | 79,747 | - |
| Land easements | 8,400 | - | 8,400 | - | - |
| Buildings and improvements | 5,834,678 | 949,488 | 6,784,166 | 407,886 | - |
| Infrastructure | 1,244,706 | 104,494 | 1,349,200 | - | - |
| Distribution and collection systems | - | 3,961,726 | 3,961,726 | - | - |
| Equipment | 1,048,537 | 2,522,884 | 3,571,421 | 30,105 | - |
| Software | 83,570 | - | 83,570 | - | - |
| Vehicles | 494,985 | 1,000,016 | 1,495,001 | - | - |
| Construction in progress | 95,907 | 8,779 | 104,686 | - | - |
| Less: accumulated depreciation and amortization | (3,333,252) | (5,151,342) | (8,484,594) | (61,873) | - |
| Total assets | 9,173,247 | 3,881,573 | 13,054,820 | 573,318 | 13,213 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Other postemployment benefits | 46,899 | 19,095 | 65,994 | - | - |
| Pension plan | 293,425 | 135,125 | 428,550 | - | - |
| Total deferred outflows of resources | 340,324 | 154,220 | 494,544 | - | - |
| LIABILITIES | | | | | |
| Accounts and deposits payable | 97,314 | 75,761 | 173,075 | - | - |
| Due to other governments | 34,945 | - | 34,945 | - | - |
| Accrued payroll and benefits | 51,790 | 17,544 | 69,334 | - | - |
| Accrued interest | 15,865 | 11,444 | 27,309 | 2,567 | - |
| Unearned revenue | 787,271 | - | 787,271 | 3,000 | - |
| Noncurrent liabilities: | | | | | |
| Due within one year: | | | | | |
| Capital leases | - | 37,490 | 37,490 | - | - |
| Bonds payable | 228,735 | 172,235 | 400,970 | 17,284 | - |
| Compensated absences | 82,699 | 23,963 | 106,662 | - | - |
| Due in more than one year: | | | | | |
| Capital leases | - | 65,654 | 65,654 | - | - |
| Bonds payable | 2,988,014 | 1,524,708 | 4,512,722 | 469,410 | - |
| Compensated absences | 55,133 | 15,975 | 71,108 | - | - |
| Net pension liability | 367,337 | 169,163 | 536,500 | - | - |
| Other postemployment benefits | 216,507 | 95,587 | 312,094 | - | - |
| Total liabilities | 4,925,610 | 2,209,524 | 7,135,134 | 492,261 | - |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Other postemployment benefits | 197,465 | 90,603 | 288,068 | - | - |
| Pension plan | 73,507 | 33,851 | 107,358 | - | - |
| Total deferred inflows of resources | 270,972 | 124,454 | 395,426 | - | - |
| NET POSITION | | | | | |
| Net investment in capital assets | 4,445,390 | 1,600,558 | 6,045,948 | 264,411 | - |
| Restricted: | | | | | |
| Nonexpendable trust principal | 6,000 | - | 6,000 | - | - |
| Cemetery maintenance | 16,464 | - | 16,464 | - | - |
| Unrestricted | (150,865) | 101,257 | (49,608) | (183,354) | 13,213 |
| Total net position | \$ 4,316,989 | \$ 1,701,815 | \$ 6,018,804 | \$ 81,057 | \$ 13,213 |

TOWN OF BRIDGEWATER, VIRGINIA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

| Net (Expense) Revenue and Changes in Net Position | | | | | | | | | |
|---|---------------------|----------------------|------------------------------------|----------------------------------|-------------------------|--------------------------|--------------------|----------------------------------|------------------|
| Entity/Functions/Programs | Expenses | Program Revenues | | | Primary Government | | | Component Units | |
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Totals | Industrial Development Authority | Sipe Center Live |
| Primary government: | | | | | | | | | |
| Governmental activities: | | | | | | | | | |
| General government administration | \$ 846,698 | \$ 17,357 | \$ - | \$ - | \$ (829,341) | \$ - | \$ (829,341) | \$ - | \$ - |
| Public safety | 791,134 | 41,849 | 207,036 | - | (542,249) | - | (542,249) | - | - |
| Public works | 1,219,675 | 12,065 | 582,089 | 1,321 | (624,200) | - | (624,200) | - | - |
| Parks, recreation and cultural | 754,113 | 252,165 | - | - | (501,948) | - | (501,948) | - | - |
| Community and economic development | 185,401 | - | - | - | (185,401) | - | (185,401) | - | - |
| Sipe Center | 154,004 | - | - | - | (154,004) | - | (154,004) | - | - |
| Interest | 98,002 | - | - | - | (98,002) | - | (98,002) | - | - |
| Total governmental activities | 4,049,027 | 323,436 | 789,125 | 1,321 | (2,935,145) | - | (2,935,145) | - | - |
| Business-type activities: | | | | | | | | | |
| Water, sewer and sanitation | 2,585,546 | 3,364,294 | - | 143,972 | - | 922,720 | 922,720 | - | - |
| Stormwater management | 166,522 | 165,788 | - | - | - | (734) | (734) | - | - |
| Total business-type activities | 2,752,068 | 3,530,082 | - | 143,972 | - | 921,986 | 921,986 | - | - |
| Total primary government | \$ 6,801,095 | \$ 3,853,518 | \$ 789,125 | \$ 145,293 | (2,935,145) | 921,986 | (2,013,159) | - | - |
| Component Units: | | | | | | | | | |
| Industrial Development Authority | \$ 79,146 | \$ 6,000 | \$ - | \$ - | - | - | - | (73,146) | - |
| Sipe Center Live | \$ 1,125 | \$ - | \$ - | \$ - | - | - | - | - | (1,125) |
| General revenues: | | | | | | | | | |
| Taxes: | | | | | | | | | |
| General property taxes | | | | | 284,099 | - | 284,099 | - | - |
| Other local taxes: | | | | | | | | | |
| Consumer utility | | | | | 755,307 | - | 755,307 | - | - |
| Meals | | | | | 709,943 | - | 709,943 | - | - |
| Local sales and use | | | | | 235,473 | - | 235,473 | - | - |
| Business license | | | | | 232,684 | - | 232,684 | - | - |
| Bank stock | | | | | 147,837 | - | 147,837 | - | - |
| Other | | | | | 155,012 | - | 155,012 | - | - |
| Intergovernmental, non-categorical aid | | | | | 176,593 | - | 176,593 | - | - |
| Use of money and property | | | | | 105,268 | - | 105,268 | 39,880 | - |
| Miscellaneous | | | | | 74,383 | 40,223 | 114,606 | - | 14,338 |
| Transfers | | | | | 758,964 | (758,964) | - | - | - |
| Total general revenues and transfers, net | | | | | 3,635,563 | (718,741) | 2,916,822 | 39,880 | 14,338 |
| Change in net position | | | | | 700,418 | 203,245 | 903,663 | (33,266) | 13,213 |
| Net position, beginning | | | | | 3,616,571 | 1,498,570 | 5,115,141 | 114,323 | - |
| Net position, ending | \$ | 4,316,989 | \$ | 1,701,815 | \$ | 6,018,804 | \$ | 81,057 | \$ 13,213 |

TOWN OF BRIDGEWATER, VIRGINIA

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2020

| | General | Permanent Fund Greenwood Cemetery Trust Fund | Total Governmental Funds |
|---|---------------------|--|--------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 901,500 | \$ - | \$ 901,500 |
| Receivables, net of allowances for uncollectible amounts: | | | |
| Property taxes | 1,280 | - | 1,280 |
| Trade and other accounts | 77,169 | - | 77,169 |
| Due from other governments | 46,206 | - | 46,206 |
| Restricted investment | - | 22,464 | 22,464 |
| Restricted cash and cash equivalents | 462,489 | - | 462,489 |
| Total assets | \$ 1,488,644 | \$ 22,464 | \$ 1,511,108 |
| LIABILITIES | | | |
| Accounts and deposits payable | \$ 97,314 | \$ - | \$ 97,314 |
| Due to other governments | 34,945 | - | 34,945 |
| Accrued payroll and benefits | 51,790 | - | 51,790 |
| Unearned revenue | 787,271 | - | 787,271 |
| Total liabilities | 971,320 | - | 971,320 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenue - property taxes | 9,000 | - | 9,000 |
| Total deferred inflows of resources | 9,000 | - | 9,000 |
| FUND BALANCES | | | |
| Nonspendable: | | | |
| Permanent fund principal | - | 6,000 | 6,000 |
| Restricted for: | | | |
| Cemetery maintenance | - | 16,464 | 16,464 |
| Committed: | | | |
| Tactical reserve | 16,253 | - | 16,253 |
| Strategic reserve | 32,506 | - | 32,506 |
| Unassigned | 459,565 | - | 459,565 |
| Total fund balances | 508,324 | 22,464 | 530,788 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 1,488,644 | \$ 22,464 | \$ 1,511,108 |

TOWN OF BRIDGEWATER, VIRGINIA

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2020

| | Governmental Funds | |
|--|-----------------------|-------------------------|
| Total fund balances - governmental funds | \$ 530,788 | |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. | | |
| Governmental capital assets | \$ 10,995,391 | |
| Less: accumulated depreciation and amortization | <u>(3,333,252)</u> | |
| Net capital assets | | 7,662,139 |
| Deferred outflows of resources - represent a consumption of net position that applies to a future period and are not recognized as deferred outflows of resources in the governmental funds. | | |
| Pension plan | 293,425 | |
| Other postemployment benefits | <u>46,899</u> | |
| | | 340,324 |
| Other long-term assets are not available to fund current expenditures and, therefore, are reported as unavailable revenue in the governmental funds. | | |
| | | 9,000 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. | | |
| General obligation bonds | (3,216,749) | |
| Compensated absences | (137,832) | |
| Interest payable | (15,865) | |
| Net pension liability | (367,337) | |
| Other postemployment benefits liability | <u>(216,507)</u> | |
| | | (3,954,290) |
| Deferred inflows of resources - represent an acquisition of net position that applies to a future period and are not recognized as deferred inflows of resources in the governmental funds. | | |
| Pension plan | (73,507) | |
| Other postemployment benefits | <u>(197,465)</u> | |
| | | <u>(270,972)</u> |
| Net position of governmental activities | \$ | <u><u>4,316,989</u></u> |

TOWN OF BRIDGEWATER, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

Year Ended June 30, 2020

| | General | Permanent Fund Greenwood Cemetery Trust Fund | Total Governmental Funds |
|--|--------------------|--|--------------------------------|
| Revenues: | | | |
| General property taxes | \$ 282,099 | \$ - | \$ 282,099 |
| Other local taxes | 2,236,256 | - | 2,236,256 |
| Permits and other licenses | 29,422 | - | 29,422 |
| Fines and forfeitures | 41,849 | - | 41,849 |
| Use of money and property | 105,265 | 3 | 105,268 |
| Charges for services | 252,165 | - | 252,165 |
| Miscellaneous | 74,383 | - | 74,383 |
| Intergovernmental | 967,039 | - | 967,039 |
| Total revenues | 3,988,478 | 3 | 3,988,481 |
| Expenditures: | | | |
| Current: | | | |
| General government administration | 896,691 | - | 896,691 |
| Public safety | 827,959 | - | 827,959 |
| Public works | 1,893,947 | - | 1,893,947 |
| Parks, recreation and cultural | 711,094 | - | 711,094 |
| Community and economic development | 181,665 | - | 181,665 |
| Sipe Center | 154,004 | - | 154,004 |
| Debt service: | | | |
| Principal | 252,917 | - | 252,917 |
| Interest | 98,740 | - | 98,740 |
| Total expenditures | 5,017,017 | - | 5,017,017 |
| Excess (deficiency) of revenues over (under) expenditures | (1,028,539) | 3 | (1,028,536) |
| Other financing sources: | | | |
| General obligation bonds issued | 186,151 | - | 186,151 |
| Transfers in | 758,964 | - | 758,964 |
| Total other financing sources | 945,115 | - | 945,115 |
| Net change in fund balances | (83,424) | 3 | (83,421) |
| Fund balances, beginning | 591,748 | 22,461 | 614,209 |
| Fund balances, ending | \$ 508,324 | \$ 22,464 | \$ 530,788 |

TOWN OF BRIDGEWATER, VIRGINIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES Year Ended June 30, 2020

| | Governmental Funds | |
|---|-----------------------|---------|
| Net change in fund balance - total governmental funds | \$ (83,421) | |
| Reconciliation of amounts reported for governmental activities in the Statement of Activities: | | |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period. | | |
| Expenditures for capital assets | \$ 750,779 | |
| Less: depreciation and amortization expense | (343,637) | |
| Excess of capital outlays over depreciation and amortization | | 407,142 |
| Revenues in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the governmental funds. | | 2,000 |
| Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. | | |
| Debt issued: | | |
| General obligation bonds | (186,151) | |
| Principal repayments on general obligation bonds: | | |
| General obligation bonds | 252,917 | |
| | | 66,766 |
| Deferred outflows of resources: | | |
| Pension plan contributions subsequent to measurement date | 145,425 | |
| Other postemployment benefits contributions subsequent to measurement date | 16,967 | |
| | | 162,392 |
| 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. | | |
| Accrued interest | 738 | |
| Compensated absences | (10,834) | |
| Pension expense | (171,038) | |
| Other postemployments benefits | 326,673 | |
| | | 145,539 |
| Change in net position of governmental activities | \$ 700,418 | |

TOWN OF BRIDGEWATER, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND

Year Ended June 30, 2020

| | General Fund | | | Variance with Final Budget Over (Under) |
|--|-----------------------|-----------------------|--------------------|--|
| | Budgeted Amounts | | Actual Amounts | |
| | Original | Final | | |
| Revenues: | | | | |
| General property taxes | \$ 267,500 | \$ 267,500 | \$ 282,099 | \$ 14,599 |
| Other local taxes | 2,203,200 | 2,203,200 | 2,236,256 | 33,056 |
| Permits and other licenses | 25,800 | 25,800 | 29,422 | 3,622 |
| Fines and forfeitures | 40,400 | 40,400 | 41,849 | 1,449 |
| Use of money and property | 100,000 | 100,000 | 105,265 | 5,265 |
| Charges for services | 306,900 | 306,900 | 252,165 | (54,735) |
| Miscellaneous | 22,500 | 22,500 | 74,383 | 51,883 |
| Intergovernmental | 3,103,860 | 3,103,860 | 967,039 | (2,136,821) |
| Total revenues | 6,070,160 | 6,070,160 | 3,988,478 | (2,081,682) |
| Expenditures: | | | | |
| Current: | | | | |
| General government administration | 809,900 | 809,900 | 896,691 | 86,791 |
| Public safety | 859,600 | 859,600 | 827,959 | (31,641) |
| Public works | 5,623,502 | 5,623,502 | 1,893,947 | (3,729,555) |
| Parks, recreation and cultural | 654,133 | 654,133 | 711,094 | 56,961 |
| Community and economic development | 173,500 | 173,500 | 181,665 | 8,165 |
| Sipe Center | 124,200 | 124,200 | 154,004 | 29,804 |
| Debt service: | | | | |
| Principal | 316,900 | 316,900 | 252,917 | (63,983) |
| Interest | 98,900 | 98,900 | 98,740 | (160) |
| Total expenditures | 8,660,635 | 8,660,635 | 5,017,017 | (3,643,618) |
| Deficiency of revenues under expenditures | (2,590,475) | (2,590,475) | (1,028,539) | 1,561,936 |
| Other financing sources: | | | | |
| General obligation bonds issued | - | 1,027,500 | 186,151 | (841,349) |
| Transfers in | - | - | 758,964 | 758,964 |
| Total other financing sources | - | 1,027,500 | 945,115 | (82,385) |
| Net change in fund balance | \$ (2,590,475) | \$ (1,562,975) | (83,424) | \$ 1,479,551 |
| Fund balance, beginning | | | 591,748 | |
| Fund balance, ending | | | \$ 508,324 | |

TOWN OF BRIDGEWATER, VIRGINIA

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

June 30, 2020

| | Business-type Activity - Enterprise Fund Water, Sewer and Sanitation Fund | Non-major Business-type Activity - Stormwater Management Fund | Total Business-type Activities |
|--|--|--|--------------------------------------|
| ASSETS | | | |
| Current assets: | | | |
| Accounts receivable, net of allowances for uncollectible amounts | \$ 457,495 | \$ 23,433 | \$ 480,928 |
| Total current assets | 457,495 | 23,433 | 480,928 |
| Noncurrent assets: | | | |
| Capital assets: | | | |
| Land | 4,600 | - | 4,600 |
| Buildings and improvements | 949,488 | - | 949,488 |
| Infrastructure | - | 104,494 | 104,494 |
| Distribution and collection systems | 3,961,726 | - | 3,961,726 |
| Equipment | 2,522,884 | - | 2,522,884 |
| Vehicles | 1,000,016 | - | 1,000,016 |
| Construction in progress | 8,779 | - | 8,779 |
| Total capital assets | 8,447,493 | 104,494 | 8,551,987 |
| Less: accumulated depreciation | (5,144,637) | (6,705) | (5,151,342) |
| Total noncurrent assets | 3,302,856 | 97,789 | 3,400,645 |
| Total assets | 3,760,351 | 121,222 | 3,881,573 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Other postemployment benefits | 17,829 | 1,266 | 19,095 |
| Pension plan | 124,947 | 10,178 | 135,125 |
| Total deferred outflows of resources | 142,776 | 11,444 | 154,220 |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts and deposits payable | 74,303 | 1,458 | 75,761 |
| Accrued payroll and benefits | 16,527 | 1,017 | 17,544 |
| Accrued interest | 11,444 | - | 11,444 |
| Compensated absences | 23,963 | - | 23,963 |
| Capital leases payable | 37,490 | - | 37,490 |
| Bonds payable | 172,235 | - | 172,235 |
| Total current liabilities | 335,962 | 2,475 | 338,437 |
| Noncurrent liabilities: | | | |
| Capital leases payable | 65,654 | - | 65,654 |
| Bonds payable | 1,524,708 | - | 1,524,708 |
| Net pension liability | 156,421 | 12,742 | 169,163 |
| Compensated absences | 15,975 | - | 15,975 |
| Other postemployment benefits | 88,618 | 6,969 | 95,587 |
| Total noncurrent liabilities | 1,851,376 | 19,711 | 1,871,087 |
| Total liabilities | 2,187,338 | 22,186 | 2,209,524 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Other postemployment benefits | 83,793 | 6,810 | 90,603 |
| Pension plan | 31,301 | 2,550 | 33,851 |
| Total deferred inflows of resources | 115,094 | 9,360 | 124,454 |
| NET POSITION | | | |
| Net investment in capital assets | 1,502,769 | 97,789 | 1,600,558 |
| Unrestricted | 97,926 | 3,331 | 101,257 |
| Total net position | \$ 1,600,695 | \$ 101,120 | \$ 1,701,815 |

See Notes to Financial Statements.

TOWN OF BRIDGEWATER, VIRGINIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY FUNDS

Year Ended June 30, 2020

| | Business-type Activity - Enterprise Fund Water, Sewer and Sanitation Fund | Non-major Business-type Activity - Stormwater Management Fund | Total Business-type Activities |
|--|--|--|--------------------------------------|
| Operating revenues: | | | |
| Charges for services | \$ 3,363,894 | \$ 165,788 | \$ 3,529,682 |
| Penalties | 40,223 | - | 40,223 |
| Other | 400 | - | 400 |
| Total operating revenues | 3,404,517 | 165,788 | 3,570,305 |
| Operating expenses: | | | |
| Personal services | 775,768 | 66,066 | 841,834 |
| Fringe benefits | 116,748 | 18,246 | 134,994 |
| Materials, line repairs and other | 512,399 | 78,727 | 591,126 |
| Regional Sewer Authority assessment: | | | |
| Operations and maintenance | 293,526 | - | 293,526 |
| Debt service | 520,158 | - | 520,158 |
| Construction | 77,222 | - | 77,222 |
| Depreciation | 245,139 | 3,483 | 248,622 |
| Total operating expenses | 2,540,960 | 166,522 | 2,707,482 |
| Operating income (loss) | 863,557 | (734) | 862,823 |
| Nonoperating revenue (expense): | | | |
| Interest expense | (44,523) | - | (44,523) |
| Loss on disposal of assets | (63) | - | (63) |
| Connection availability fees | 143,972 | - | 143,972 |
| Total nonoperating revenue, net | 99,386 | - | 99,386 |
| Income (loss) before transfers | 962,943 | (734) | 962,209 |
| Transfers out | (742,970) | (15,994) | (758,964) |
| Change in net position | 219,973 | (16,728) | 203,245 |
| Net position, beginning | 1,380,722 | 117,848 | 1,498,570 |
| Net position, ending | \$ 1,600,695 | \$ 101,120 | \$ 1,701,815 |

TOWN OF BRIDGEWATER, VIRGINIA

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

Year Ended June 30, 2020

| | Business-type Activity - Enterprise Fund Water, Sewer and Sanitation Fund | Non-major Business-type Activity - Stormwater Management Fund | Total Business-type Activities |
|---|--|--|--------------------------------------|
| Cash flows from operating activities: | | | |
| Receipts from customers | \$ 3,357,513 | \$ 161,379 | \$ 3,518,892 |
| Payments to suppliers for goods and services | (1,394,826) | (60,925) | (1,455,751) |
| Payments to employees for services and benefits | (1,038,917) | (84,460) | (1,123,377) |
| Net cash provided by operating activities | 923,770 | 15,994 | 939,764 |
| Cash flows from noncapital and related financing activities: | | | |
| Transfers in (out) | (742,970) | (15,994) | (758,964) |
| Cash flows from capital and related financing activities: | | | |
| Acquisition and construction of capital assets | (48,783) | - | (48,783) |
| Proceeds from the sale of capital assets | 4,534 | - | 4,534 |
| Connection availability fees | 143,972 | - | 143,972 |
| Principal paid on: | | | |
| General obligation bonds | (171,536) | - | (171,536) |
| Capital leases | (62,365) | - | (62,365) |
| Interest paid on outstanding debt | (46,622) | - | (46,622) |
| Net cash used in capital and related financing activities | (180,800) | - | (180,800) |
| Cash and cash equivalents: | | | |
| Beginning | - | - | - |
| Ending | \$ - | \$ - | \$ - |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | | |
| Operating income (loss) | \$ 863,557 | \$ (734) | \$ 862,823 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation | 245,139 | 3,483 | 248,622 |
| Pension expense | 16,801 | 10,159 | 26,960 |
| Other postemployment benefits expense | (154,842) | 12,896 | (141,946) |
| Changes in operating accounts: | | | |
| Increase in accounts receivable | (46,054) | (4,409) | (50,463) |
| Increase in deferred outflows pension plan | (8,041) | (5,045) | (13,086) |
| Increase (decrease) in deferred outflows other postemployment benefits | 212 | (383) | (171) |
| Increase in accounts payable and accrued expenses | 6,998 | 27 | 7,025 |
| Net cash provided by operating activities | \$ 923,770 | \$ 15,994 | \$ 939,764 |

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies

A. Reporting Entity

The Town of Bridgewater, Virginia (the Town) was incorporated in 1835 and provides a wide range of municipal services contemplated by statute or charter. The Town is governed by an elected mayor and six-member council.

The accounting principles of the Town conform with accounting principles generally accepted in the United States of America as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

In determining how to define the financial reporting entity, management considered all potential component units using the standards prescribed under GASB. Component units include any legally separate organizations for which the Town Council is financially accountable. Financial accountability results where 1) there is fiscal dependence and a financial benefit or burden relationship, 2) there is a voting majority of the organization's governing body appointed by the Town Council and a financial benefit or burden relationship, or 3) there is a voting majority of the organization's governing body appointed by Town Council and the Town Council has the ability to impose its will on the organization. Even if financial accountability is not established, a potential component unit may still need to be reported simply because it would be misleading to exclude it.

Blended component units, although legally separate entities, are, in substance, part of the Town's operations, and functions as an integral part of the primary government, so data from these units would be combined with data of the Town. The Town has no blended component units at June 30, 2020. The Town reports two discretely presented component units in separate columns in the combined financial statements to emphasize they are legally separate from the Town.

Discretely Presented Component Units

The Industrial Development Authority of the Town of Bridgewater, Virginia (Authority) was created as a governmental subdivision of the Commonwealth of Virginia by ordinance of the Town Council of the Town of Bridgewater, Virginia on July 15, 1975 pursuant to the provisions of the Industrial Development and Revenue Bond Act, Title 15.2, Chapter 49, Sections 15.2-4900 et seq. (formerly Title 15.1, Chapter 33, Sections 15.1-1373, et seq.) of the *Code of Virginia* of 1950, as amended. The Authority is governed by seven directors appointed by the Mayor of the Town and there is a financial benefit/burden relationship. A director is appointed to a four-year term and can serve two consecutive terms. The Authority does not issue separate financial statements but is included in the Town's financial statements for fiscal year ended June 30, 2020 as a discretely presented component unit.

The Authority is empowered, among other things, to acquire, own, lease and dispose of any of its facilities and to make loans or grants in furtherance of its purposes as set forth by law, including to promote industry and develop trade by inducing manufacturing, industrial, governmental, nonprofit and commercial enterprises and institutions of higher education to locate in or remain in the Commonwealth and further the use of its agricultural products and natural resources.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

The Authority is specifically authorized to issue bonds for any of its purposes, including the payment of the cost of its facilities and the payment or retirement of bonds previously issued by it. All bonds issued by the Authority are payable solely from the revenues and receipts derived from the leasing or sale by the Authority of its facilities or any part thereof or from the payments received by the Authority in connection with its loans. In addition, depending upon the financing structure, the bonds of the Authority may be further secured by a deed of trust or other collateral documents. No bonds of the Authority shall be deemed to constitute a debt or pledge of the faith and credit of the Commonwealth of Virginia.

The Sipe Center Live was created as a nonstock corporation pursuant to Chapter 10 of Title 13.1 of the *Code of Virginia* and organized exclusively for charitable purposes as specified in § 501(c)(3) of the *Internal Revenue Code*. Sipe Center Live is governed by five directors, including the Mayor of the Town, the Town Manager of the Town, and three directors elected by the board of directors. A financial benefit/burden relationship with the Town exists. The elected directors will serve a three year term. Sipe Center Live does not issue separate financial statements but is included in the Town's financial statements for fiscal year ended June 30, 2020 as a discretely presented component unit.

The specific purpose of the Sipe Center Live is to attract, promote, and provide access to high quality artistic, musical, and theatrical performances in the Town of Bridgewater, and to maintain and improve Sipe Center, a public building and host for such performances, thereby enhancing the artistic and cultural environment and the quality of life of the residents of the Town of Bridgewater.

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

Basis of Presentation

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government (the Town) and its component unit. For the most part, the effect of interfund activity has been removed. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The primary government is reported separately from its legally separate component units.

Fund Financial Statements: The fund financial statements provide information about the Town's funds and separate statements for each fund category - governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

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

The Town reports the following major governmental fund:

General Fund

The General Fund is the general operating fund of the Town. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund.

The Town reports the following major enterprise fund:

Water, Sewer and Sanitation Fund

The Water, Sewer and Sanitation Fund accounts for services to the general public, which are financed primarily by charges to users of those services.

The Town reports the following non-major governmental fund:

Permanent Fund

The purpose of the Greenwood Cemetery Trust Fund is to account for assets of which principal may not be spent.

The Town reports the following non-major enterprise fund:

Stormwater Management Fund

The Stormwater Management Fund accounts for services to the general public, which are financed primarily by charges to users for those services.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

Government-wide and Proprietary Fund Financial Statements: The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

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

The Statement of Activities presents a comparison between direct expenses and program revenues for business-type activities of the Town and for each function of the Town's governmental activities. *Direct expenses* are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. *Program revenues* include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as *general revenues*.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within 75 days after year-end, except property taxes, which are recognized as revenue if they have been collected within 45 days after year-end. All taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as investment earnings, result from nonexchange transactions.

C. Budgetary Data

The Town Council's fiscal control is exercised through budgeting. The Town budget is developed for informative and fiscal planning purposes only and presents an itemized listing of contemplated expenditures and estimated revenues for the ensuing fiscal year. The Town Council approves the budget after a public hearing.

The budget is prepared using the same accounting basis and practices as are used to account for and prepare the financial reports; thus, the budget presented in this report for comparison to actual amounts is presented in accordance with accounting principles generally accepted in the United States of America.

When the budget becomes effective at the beginning of the fiscal year, the Town Council must make appropriations before money may be expended for any budgeted item. Appropriations are made on a monthly basis and may be greater than contemplated in the annual budget. All appropriations lapse at year-end.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position

1) Deposits and Investments

Cash and Cash Equivalents

For purposes of reporting cash flows, the Town considers all cash accounts, including cash on hand, demand deposits, and all short-term investments with a maturity of three months or less when purchased to be cash and cash equivalents.

Investments

The Town participates in a local government external investment pool, which is reported at amortized cost and classified as cash and cash equivalents. The Town reports a certificate of deposit at fair value and is classified as an investment.

2) Property Taxes Receivable

Property taxes are recognized as a receivable when levied and attach as an enforceable lien on the property as of January 1. Beginning calendar year 2019, the Town eliminated a real estate tax. That portion of the taxes receivable, which is not collected within 45 days, is shown as unavailable revenue. A penalty of 10% of the tax is assessed after the applicable payment date. Interest is charged to all unpaid accounts at an annual rate of 10%.

3) Prepaid Items

The Town has elected to follow the purchases method for prepaid items.

Under the purchases method, the Town may recognize the entire amount of a prepayment as an expenditure of the period that payment is made. Therefore, insurance and similar services expenditures are recognized as expenditures in the periods in which payments are made and, therefore, do not appear as prepaid items on the Balance Sheet or Statement of Net Position.

4) Restricted Cash

The General Fund's restricted cash and cash equivalents includes grant proceeds in which cash was received before expenditures have been incurred.

5) Restricted Investment

The Greenwood Cemetery Trust Fund's investment balance is restricted in accordance with the trust agreement.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position (Continued)

6) Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and, therefore, will not be recognized as an outflow of resources (expenditure) until then. The Town has items related to the pension plan and the other postemployment benefit (OPEB) plans that qualify for reporting in this category. These items are reported in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and, therefore, will not be recognized as an inflow of resources (revenue) until that time. The Town has one item, unavailable revenue, which arises under the modified accrual basis of accounting and is reported only in the governmental funds Balance Sheet. The governmental funds report unavailable revenue from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The other items relate to both the pension and OPEB plans. These items are reported in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position.

7) Capital Assets

Capital assets, which include property, equipment, infrastructure, and intangible assets, are reported in the applicable governmental, or business-type activity, or proprietary fund columns in the financial statements. Capital assets and infrastructure are defined by the Town as assets with an initial individual cost of more than \$5,000 and \$15,000, respectively, and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Maintenance, repairs and minor renewals are charged to operations when incurred. Expenditures/expenses which materially increase values or extend useful lives are capitalized.

As allowed by GASB standards, the Town has elected not to capitalize infrastructure already in place as of June 30, 2003. Effective July 1, 2003, the Town began capitalizing infrastructure additions that meet the aforementioned capitalization requirements.

The Town's intangible assets include land easements and software. Land easements have indefinite useful lives and thus are not subject to amortization.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position (Continued)

7) Capital Assets (Continued)

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

| | |
|-------------------------------------|-------------|
| Buildings and improvements | 15-40 years |
| Distribution and collection systems | 20-40 years |
| Equipment | 3-40 years |
| Vehicles | 5-7 years |
| Infrastructure | 30 years |
| Software | 3 years |

8) Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the Town does not have a policy to pay any amounts when employees separate from service with the Town. Employees can earn up to 160 hours of vacation annually depending on their years of service and can accumulate up to 280 hours of vacation. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The General Fund is responsible for paying the liability for compensated absences for general government employees and has been used in prior years to liquidate the governmental funds' liability.

9) Long-Term Obligations

In the government-wide financial statements and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activity 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. Bonds payable are reported net of the applicable 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 are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position (Continued)

10) Pensions

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan (the Town's retirement plan) is a multi-employer, agent plan. 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 net fiduciary position have been determined on the same basis as they were reported by 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.

11) Other Postemployment Benefits

Medical Insurance Program

The Town's Medical Insurance Program is a single-employer defined benefit plan administered by the Town. It provides health insurance coverage to all full-time employees (must be covered by the active plan at time of retirement or disability).

Group Life Insurance Program

The VRS Group Life Insurance Program (GLI) is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI was established pursuant to Section 51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI is a defined benefit plan that provides a basic GLI benefit for employees of participating employers. For purposes of measuring the net GLI OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Virginia Local Disability Program

The VRS Political Subdivision Employee Virginia Local Disability Program (VLDP) is a multiple-employer, cost-sharing plan. For purposes of measuring the net VLDP OPEB liability, deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB, and the VLDP OPEB expense, information about the fiduciary net position of the VLDP; and the additions to/deductions from the VLDP's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position (Continued)

12) Fund Balance

In the fund financial statements, governmental funds report classifications of fund balance as follows:

Nonspendable fund balance – amounts that are not in a spendable form or are required to be maintained intact (such as the principal of a permanent fund that is legally or contractually required to be maintained intact).

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, creditors, or laws and regulations of other governments), or by law through constitutional provisions or enabling legislation.

Committed fund balance – amounts that can be used only for specific purposes determined by a formal action of the Town's highest level of decision-making authority. The Town Council is the highest level of decision-making authority that can, by adoption of an ordinance, prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (adoption of another ordinance) to remove or reverse the limitation.

Assigned fund balance – amounts intended to be used by the Town for specific purposes but do not meet the criteria to be classified as committed. Unlike commitments, assignments generally only exist temporarily.

Unassigned fund balance – residual balance of the General Fund that has not been restricted, committed, or assigned to specific purposes within the General Fund.

Minimum fund balance policy – The Council adopted a resolution establishing a minimum fund balance policy effective for fiscal year 2020 and beyond. The target level of unrestricted General Fund fund balance would be 20% of annual expenditures, with one-third of that total designated as Tactical Reserve and two-thirds designated as Strategic Reserve. The Tactical Reserve will be used in times of fiscal distress, or when the Council determines that an unusual opportunity exists to improve the economy of the Town or to better secure the health, safety, and welfare of its people. The Strategic Reserve will be used only in times of fiscal distress. These reserves are reported in the General Fund committed fund balance and may not be spent without formal action taken by Town Council. The policy will be implemented in five stages, with 20% of sales tax transferred to the reserves in fiscal year 2020, 40% in fiscal year 2021, 60% in fiscal year 2022, 80% in fiscal year 2023 and 100% thereafter until the desired level of unrestricted General Fund fund balance is achieved.

When fund balance resources are available for a specific purpose in more than one classification, it is the Town's policy to use the most restricted funds first in the following order: restricted, committed, assigned, and unassigned, as they are needed.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position (Continued)

13) Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

F. Loans of the Industrial Development Authority and Pass-Through Financing

Generally, the principal financing activity of the Authority reflects either a loan structure or a pass-through financing lease structure. The documentation provides for periodic payments from the borrowers to the Authority in amounts, which mirror, and are equal to, the principal and interest payments that are due to the bondholders of the Authority.

The Authority has assigned all rights to the payments to the trustees or other fiduciaries of the bondholders, and the lessees, purchasers or borrowers have assumed responsibility for all operating costs such as utilities, repairs, and property taxes. In such cases, the Authority neither receives nor disburses funds.

Although title to these properties may rest with the Authority, bargain purchase options or other lease provisions eliminate any equity interest that would otherwise be retained with the transactions. Deeds of trust collateralize outstanding bond obligations and title will pass to the lessee or purchaser when the bonds are fully paid.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

F. Loans of the Industrial Development Authority and Pass-Through Financing (Continued)

Although the Authority provides a conduit to execute such transactions, it does not retain either the benefits of asset ownership or the liability for bond liquidation. Accordingly, the Authority does not recognize associated assets, liabilities, rental income, or interest expense in its financial statements for the pass-through lease.

The Authority issued bonds during fiscal year 2015 for the construction of a building adjacent to Generations Park and added equipment to the building for a restaurant. The Authority leases this facility to a restaurant and the rental income is used to reimburse the Authority for project costs that were incurred prior to the issuance of the bond. The associated liabilities and assets are recognized in the Authority's financial statements.

G. Subsequent Events

The Town has evaluated subsequent events through November 2, 2020, the date on which the financial statements were available to be issued.

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 amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Custodial Credit Risk (Deposits): This is the risk that in the event of a bank failure, the Town's deposits may not be returned to the Town. The Town requires all deposits to comply with the Virginia Security for Public Deposits Act. At year-end, none of the Town's deposits are exposed to custodial credit risk.

Investments: Statutes authorize local governments and other public bodies to invest in obligations of the United States or its 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, bankers' acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

The Town has investments in the LGIP. The LGIP is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The Town's investments in the LGIP, totaling \$511,254, are stated at amortized cost and classified as cash and cash equivalents. The LGIP has been assigned an "AAAm" rating by Standard & Poor's. The maturity of the LGIP is less than one year.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

The Town does not have a formal investment policy.

At year-end, the Town's investment balance was as follows:

| | |
|---|-----------|
| Certificate of deposit (maturing July 20, 2021) | \$ 22,464 |
|---|-----------|

The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Town has the following investment subject to recurring fair value measurement as of June 30, 2020:

- Certificate of deposit of \$22,464 is valued using quoted market prices (Level 1 inputs).

Note 3. Receivables and Unavailable/Unearned Revenue

Receivables at June 30, 2020, including applicable allowances for uncollectible accounts, are as follows:

| | General Fund | Water, Sewer and Sanitation Fund | Stormwater Management Fund | Totals |
|--|------------------|--|----------------------------------|-------------------|
| Property taxes | \$ 12,280 | \$ - | \$ - | \$ 12,280 |
| Trade and other accounts | 77,169 | 464,495 | 23,433 | 565,097 |
| Gross receivables | 89,449 | 464,495 | 23,433 | 577,377 |
| Less allowance for uncollectable accounts | 11,000 | 7,000 | - | 18,000 |
| Net receivables | \$ 78,449 | \$ 457,495 | \$ 23,433 | \$ 559,377 |

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to \$11,000 and \$7,000 at June 30, 2020 for the General Fund and Water, Sewer and Sanitation Fund, respectively.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 3. Receivables and Unavailable/Unearned Revenue (Continued)

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. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of unavailable revenue and unearned revenue reported in the General Fund and Statement of Net Position were as follows:

| | Unavailable | Unearned |
|--------------------------------------|-----------------|-------------------|
| Delinquent property taxes receivable | \$ 9,000 | \$ - |
| Urban Construction Program funds | - | 419,816 |
| VDOT Maintenance funds | - | 336,230 |
| Other | - | 31,225 |
| | <u>\$ 9,000</u> | <u>\$ 787,271</u> |

Component Unit – Industrial Development Authority

The Authority defers revenue recognition in connection with resources that have been received but not yet earned. The amount reported as unearned revenue for the Authority consists of assessments received for the last six months of the calendar year. Unearned revenue was \$3,000 at June 30, 2020.

Note 4. Due From Other Governments

Due from other governments includes the following:

General Fund:

Federal:

Flow-through Virginia Department of Transportation \$ 6,765

Commonwealth of Virginia:

Revenue sharing funds 316

Local sales and communication tax 39,125

Total General Fund \$ 46,206

Note 5. Note Receivable

Note receivable as of June 30, 2020 consisted of the following:

| | Industrial Development Authority |
|--|--|
| 3.47% note, due in monthly installments of \$1,382, including interest through December 2025 | \$ 82,953 |
| Less current maturities | <u>(13,930)</u> |
| Long-term portion | <u><u>\$ 69,023</u></u> |

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets

Capital assets activity for the year ended June 30, 2020 is as follows:

| | Beginning Balance | Increases | (Deletions) / Reclassifications | Ending Balance |
|---|----------------------|----------------|------------------------------------|-------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated or amortized: | | | | |
| Land | \$ 2,184,608 | \$ - | \$ - | \$ 2,184,608 |
| Land easements | 8,400 | - | - | 8,400 |
| Construction in progress | 1,150,252 | 42,819 | (1,097,164) | 95,907 |
| Total capital assets, not being depreciated or amortized | 3,343,260 | 42,819 | (1,097,164) | 2,288,915 |
| Capital assets being depreciated or amortized: | | | | |
| Buildings and improvements | 4,066,019 | 671,495 | 1,097,164 | 5,834,678 |
| Equipment | 1,041,672 | 6,865 | - | 1,048,537 |
| Software | 53,970 | 29,600 | - | 83,570 |
| Infrastructure | 1,244,706 | - | - | 1,244,706 |
| Vehicles | 508,099 | - | (13,114) | 494,985 |
| Total capital assets being depreciated or amortized | 6,914,466 | 707,960 | 1,084,050 | 8,706,476 |
| Less accumulated depreciation and amortization for: | | | | |
| Buildings and improvements | 1,510,487 | 179,958 | - | 1,690,445 |
| Equipment | 804,037 | 47,399 | - | 851,436 |
| Software | 31,121 | 14,073 | - | 45,194 |
| Infrastructure | 303,992 | 41,490 | - | 345,482 |
| Vehicles | 353,092 | 60,717 | (13,114) | 400,695 |
| Total accumulated depreciation and amortization | 3,002,729 | 343,637 | (13,114) | 3,333,252 |
| Total capital assets being depreciated or amortized, net | 3,911,737 | 364,323 | 1,097,164 | 5,373,224 |
| Governmental activities capital assets, net | \$ 7,254,997 | \$ 407,142 | \$ - | \$ 7,662,139 |

Depreciation and amortization expense was charged to functions/programs as follows:

| | |
|--|-------------------|
| Governmental activities: | |
| General government administration | \$ 28,105 |
| Public safety | 49,518 |
| Public works | 136,483 |
| Community development | 3,736 |
| Parks, recreation and cultural | 125,795 |
| Total depreciation and amortization expense - governmental activities | \$ 343,637 |

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets (Continued)

| | Beginning Balance | Increases | (Deletions) / Reclassifications | Ending Balance |
|--|----------------------|------------------|------------------------------------|-------------------|
| Business-type activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 4,600 | \$ - | \$ - | \$ 4,600 |
| Construction in progress | - | 8,779 | - | 8,779 |
| Total capital assets, not being depreciated | 4,600 | 8,779 | - | 13,379 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 918,918 | 30,570 | - | 949,488 |
| Infrastructure | 104,494 | - | - | 104,494 |
| Distribution and collection systems | 3,961,726 | - | - | 3,961,726 |
| Equipment | 2,522,950 | 9,434 | (9,500) | 2,522,884 |
| Vehicles | 1,032,555 | - | (32,539) | 1,000,016 |
| Total capital assets being depreciated | 8,540,643 | 40,004 | (42,039) | 8,538,608 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 838,764 | 12,543 | - | 851,307 |
| Infrastructure | 3,222 | 3,483 | - | 6,705 |
| Distribution and collection systems | 1,856,635 | 86,095 | - | 1,942,730 |
| Equipment | 1,412,953 | 92,297 | (9,500) | 1,495,750 |
| Vehicles | 828,588 | 54,204 | (27,942) | 854,850 |
| Total accumulated depreciation | 4,940,162 | 248,622 | (37,442) | 5,151,342 |
| Total capital assets being depreciated, net | 3,600,481 | (208,618) | (4,597) | 3,387,266 |
| Business-type activities capital assets, net | \$ 3,605,081 | \$ (199,839) | \$ (4,597) | \$ 3,400,645 |

Depreciation expense was charged to functions/programs as follows:

| | |
|--|-------------------|
| Business-type activities: | |
| Water | \$ 111,689 |
| Sewer | 110,846 |
| Sanitation | 22,604 |
| Stormwater | 3,483 |
| Total depreciation expense - business-type activities | \$ 248,622 |

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets (Continued)

| | Beginning Balance | Increases | (Deletions) / Reclassifications | Ending Balance |
|--|----------------------|-----------------|------------------------------------|-------------------|
| Component unit - Authority: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 79,747 | \$ - | \$ - | \$ 79,747 |
| Total capital assets, not being depreciated | 79,747 | - | - | 79,747 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 407,886 | - | - | 407,886 |
| Equipment | 30,105 | - | - | 30,105 |
| Total capital assets being depreciated | 437,991 | - | - | 437,991 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 38,676 | 11,495 | - | 50,171 |
| Equipment | 8,692 | 3,010 | - | 11,702 |
| Total accumulated depreciation | 47,368 | 14,505 | - | 61,873 |
| Total capital assets being depreciated, net | 390,623 | (14,505) | - | 376,118 |
| Component unit - Authority capital assets, net | \$ 470,370 | \$ (14,505) | \$ - | \$ 455,865 |

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt

The following is a summary of long-term debt activity for the Town's governmental activities:

| | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|---|----------------------|-------------------|---------------------|---------------------|------------------------|
| Governmental activities: | | | | | |
| Bonds payable: | | | | | |
| General obligation bonds | \$ 3,283,515 | \$ 186,151 | \$ (252,917) | \$ 3,216,749 | \$ 228,735 |
| Compensated absences | 126,998 | 100,795 | (89,961) | 137,832 | 82,699 |
| Governmental activities long-term activities | \$ 3,410,513 | \$ 286,946 | \$ (342,878) | \$ 3,354,581 | \$ 311,434 |

Annual requirements to amortize long-term debt exclusive of compensated absences are as follows:

| Year(s) Ending June 30, | General Obligation Bonds | |
|-------------------------|--------------------------|-------------------|
| | Principal | Interest |
| 2021 | \$ 228,735 | \$ 92,829 |
| 2022 | 189,443 | 87,422 |
| 2023 | 194,263 | 81,903 |
| 2024 | 199,184 | 76,283 |
| 2025 | 204,351 | 70,420 |
| 2026-2030 | 850,660 | 266,290 |
| 2031-2035 | 760,105 | 164,158 |
| 2036-2040 | 584,106 | 36,664 |
| 2041 | 5,902 | 73 |
| | \$ 3,216,749 | \$ 876,042 |

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

General Obligation Bonds

\$915,000 general obligation bond issued December 2011, due in annual installments of \$62,276 to \$73,670 through December 2026, plus interest payable annually at 2.84%. \$ 478,422

\$1,055,000 general obligation bond, issued December 2014, due in semi-annual installments of \$17,784 to \$27,615 through December 2039, plus interest payable semi-annually at 2.29% for the first ten years then five year adjustable rate mortgage with rate caps for the remainder of the 25 year amortization. 872,060

\$244,000 general obligation public improvement bond issued January 2016, due in annual installments of \$48,800 through January 2021, plus interest payable semi-annually at 2.38%. 48,800

\$300,000 general obligation public improvement bond issued January 2016, due in annual installments of \$15,000 through January 2036, plus interest payable semi-annually at 2.63%. 240,055

\$125,000 general obligation public improvement bond issued August 2017, due in annual installments of \$12,356 through August 2027, plus interest payable semi-annually at 2.48%. 100,288

\$1,400,000 general obligation public improvement bond issued August 2018, due in semi-annual installments of \$25,799 to \$48,169 through June 2038, plus interest payable semi-annually at 3.60%. 1,290,973

\$1,397,000 general obligation public improvement bond issued September 2019 (\$186,151 borrowed through June 30, 2020), due in semi-annual installments beginning April 2021 of \$2,411 to \$5,903 through October 2040, plus interest payable semi-annually at 2.49% through 2030 then adjustable every five years thereafter based on the then current 5-year US Treasury Constant Maturity rate plus 2.37% with a rate adjustment cap of 1.58%. This public improvement bond is available for draws until December 2020. 186,151

Total General Obligation Bonds

\$ 3,216,749

Prior to January 2019, property tax revenues were generally used to pay off long-term debt. Real estate tax revenues were replaced with an increase to consumer utility tax revenues beginning calendar year 2019.

The December 2011 bond was issued to refinance the \$915,000 general obligation bond that was issued in December 2001 for the purchase of real property.

The December 2014 bond was issued for the construction of a facility in Generations Park.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

The January 2016 bonds were issued to provide matching funds for a VDOT Revenue Sharing grant for street maintenance projects.

The August 2017 and June 2018 bonds were issued to purchase real property within the Town.

The August 2018 bond was issued for financing the cost of the Sipe Center.

The September 2019 bond was issued for the construction of improvements to Dry River Road, construction of Phase 1 of the Riverwalk Project and moving approximately 1,000 feet of overhead utilities underground on Main Street.

The August 2018 general obligation public improvement bond contains a clause that prepayment of the principal balance of the bond in whole, but not in part, is permitted on any day with a 1% prepayment premium for the first half of the term, then on or after that date the principal balance may be prepaid in whole, but not in part, on any date at par.

The following is a summary of long-term debt activity for the Town's business-type activities:

| | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|---|----------------------|------------------|---------------------|---------------------|------------------------|
| Business-type activities: | | | | | |
| General obligation bonds | \$ 1,868,479 | \$ - | \$ (171,536) | \$ 1,696,943 | \$ 172,235 |
| Capital leases | 165,509 | - | (62,365) | 103,144 | 37,490 |
| | 2,033,988 | - | (233,901) | 1,800,087 | 209,725 |
| Compensated absences | 39,867 | 43,657 | (43,586) | 39,938 | 23,963 |
| Business-type activities long-term liabilities | \$ 2,073,855 | \$ 43,657 | \$ (277,487) | \$ 1,840,025 | \$ 233,688 |

Annual requirements to amortize long-term debt are as follows:

| Year(s) Ending June 30, | General Obligation Bonds | | Capital Leases | |
|-------------------------|--------------------------|-------------------|-------------------|-----------------|
| | Principal | Interest | Principal | Interest |
| 2021 | \$ 172,235 | \$ 36,879 | \$ 37,490 | \$ 5,045 |
| 2022 | 172,993 | 32,973 | 23,951 | 2,861 |
| 2023 | 173,766 | 30,180 | 23,249 | 1,594 |
| 2024 | 174,555 | 24,104 | 18,454 | 452 |
| 2025 | 120,539 | 21,299 | - | - |
| 2026-2030 | 471,968 | 66,991 | - | - |
| 2031-2035 | 287,038 | 37,924 | - | - |
| 2036-2040 | 123,849 | 3,389 | - | - |
| | \$ 1,696,943 | \$ 253,739 | \$ 103,144 | \$ 9,952 |

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

General Obligation Bonds

| | |
|---|----------------------------|
| \$550,000 general obligation public improvement bond, Series 2014, issued March 2014, due in annual installments of \$55,000 through March 2024, plus interest payable semi-annually at 1.98%. | \$ 220,000 |
| \$190,000 general obligation public improvement bond, issued January 2016, due in annual installments of \$9,500 through January 2036, plus interest payable semi-annually at 2.63%. | 151,835 |
| \$698,750 general obligation public improvement bond, issued August 2017, due in annual installments of \$70,019 through August 2027, plus interest payable semi-annually at 2.48%. | 558,713 |
| \$850,000 general obligation public improvement bond, issued April 2018, due in semi-annual installments of \$11,003 to \$26,057 through November 2038, plus interest payable semi-annually at 2.00%. | <u>766,395</u> |
| Total bonded debt | <u><u>\$ 1,696,943</u></u> |

Series 2014 bond was issued for the purpose of construction of a water tank adjacent to the Bridgewater Treatment Plant.

The January 2016 bond was issued for financing the cost of replacing a sewer line on West Bank Street.

The August 2017 and April 2018 bonds were issued for financing the cost of installing a sewer line on Bruce Street and replacing a sewer line on North Main Street.

Capital Leases

| | |
|--|--------------------------|
| \$151,633 capital lease issued December 2015, secured by equipment with a net book value of \$54,155, monthly maturity from \$2,618 to \$2,753 through December 2020, interest payable monthly at 3.55%. | \$ 16,381 |
| \$110,135 capital lease issued April 2019, secured by equipment with a net book value of \$93,615, monthly maturity from \$1,639 to \$2,062 through April 2024, interest payable annually at 4.84%. | <u>86,763</u> |
| Total capital leases | <u><u>\$ 103,144</u></u> |

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

Capital Leases (Continued)

The December 2015 capital leases were for the purchase of a trash truck and excavator.

The April 2019 capital lease was for the purchase of a backhoe.

At June 30, 2020, the Town had an available legal debt margin of \$42,186,978.

General Obligation Bonds

The following is a summary of long-term debt activity for the Town's component unit – Industrial Development Authority:

| | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|---|----------------------|-------------|--------------------|-------------------|------------------------|
| Component Unit - Authority: | | | | | |
| General obligation bonds | \$ 503,192 | \$ - | \$ (16,498) | \$ 486,694 | \$ 17,284 |
| Component Unit - Authority long-term liabilities | \$ 503,192 | \$ - | \$ (16,498) | \$ 486,694 | \$ 17,284 |

Annual requirements to amortize long-term debt are as follows:

| Year(s) Ending June 30, | General Obligation Bonds | |
|-------------------------|--------------------------|-------------------|
| | Principal | Interest |
| 2021 | \$ 17,284 | \$ 16,889 |
| 2022 | 17,898 | 16,275 |
| 2023 | 18,533 | 15,640 |
| 2024 | 19,150 | 15,023 |
| 2025 | 19,870 | 14,103 |
| 2026-2030 | 110,410 | 60,456 |
| 2031-2035 | 131,452 | 39,414 |
| 2036-2040 | 152,097 | 14,361 |
| | \$ 486,694 | \$ 192,161 |

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

General Obligation Bonds (Continued)

\$225,000 general obligation bond, issued December 2014, due in semi-annual installments of \$3,320 to \$6,688 through December 2039, plus interest payable semi-annually at 3.47% for the first ten years then adjustable rate mortgage with rate caps for the remaining 15 years. The rate cap will not exceed a 2.0% adjustment at each five year period. This debt is guaranteed by the Town.

\$ 191,454

\$340,000 general obligation bond, issued April 2015, due in semi-annual installments of \$4,930 to \$10,107 through April 2040, plus interest payable semi-annually at 3.47% for the first ten years then adjustable rate mortgage with rate caps for the remaining 15 years. The rate cap will not exceed a 2.0% adjustment at each five year period. This debt is guaranteed by the Town.

295,240

\$ 486,694

The December 2014 bond was issued for the purpose of construction of a restaurant shell adjacent to Generations Park.

The April 2015 bond was issued for the purpose of improving and equipping a restaurant facility adjacent to Generations Park.

The Town's and the Town's component unit – Industrial Development Authority's general obligation bonds contain a provision that in the event of default, the timing of repayment of outstanding amounts become immediately due.

Note 8. Line of Credit

The Town obtained an unsecured line of credit on September 15, 2019 in the amount of \$250,000, which bears interest at a variable rate (3.25% at June 30, 2020). There was no outstanding balance at June 30, 2020. The line of credit matures March 2024.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent Multiple-Employer Pension Plan

Administering Entity: Virginia Retirement System (System)

A. Plan Description

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

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

| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
|--|--|--|
| About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula. | About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula. | About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. <ul style="list-style-type: none">• The defined benefit is based on a member's age, service credit 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. |

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

A. Plan Description (Continued)

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

A. Plan Description (Continued)

| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
|---|--|---|
| Retirement Contributions Members contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment. | Retirement Contributions Same as Plan 1. | 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. |
| Service Credit Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit 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. | Service Credit Same as Plan 1. | Service Credit <i>Defined Benefit Component</i> Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit 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. <i>Defined Contribution Component</i> Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan. |

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

A. Plan Description (Continued)

| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
|--|---|--|
| <p>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 service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p> | <p>Vesting Same as Plan 1.</p> | <p>Vesting <i>Defined Benefit Component</i> 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 service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><i>Defined Contribution Component</i> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none">• After two years, a member is 50% vested and may withdraw 50% of employer contributions.• After three years, a member is 75% vested and may withdraw 75% of employer contributions.• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distributions not required, except as governed by law.</p> |

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

A. Plan Description (Continued)

| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
|--|--|---|
| <p>Calculating the Benefit The Basic Benefit is determined using the average final compensation, service credit and plan multiplier.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.</p> | <p>Calculating the Benefit See definition under Plan 1.</p> | <p>Calculating the Benefit <u>Defined Benefit Component</u> See definition under Plan 1.</p> <p><u>Defined Contribution Component</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p> |
| <p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p> | <p>Average Final Compensation A member's average final compensation is the average of the 60 consecutive months of highest compensation as a covered employee.</p> | <p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p> |
| <p>Service Retirement Multiplier <i>VRS:</i> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> | <p>Service Retirement Multiplier <i>VRS:</i> 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 service credit earned, purchased or granted on or after January 1, 2013.</p> | <p>Service Retirement Multiplier <i>Defined Benefit Component</i> <i>VRS:</i> The retirement multiplier for the defined benefit component is 1.0%.</p> <p>For members that opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> |
| <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p> | <p>Political subdivision hazardous duty employees: Same as Plan 1.</p> | <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><i>Defined Contribution Component</i> Not applicable.</p> |

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

A. Plan Description (Continued)

| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
|--|--|--|
| Normal Retirement Age <i>VRS:</i> Age 65. | Normal Retirement Age <i>VRS:</i> Normal Social Security retirement age. | Normal Retirement Age <i>Defined Benefit Component</i> <i>VRS:</i> Same as Plan 2. |
| Political subdivision hazardous duty employees: Age 60. | Political subdivision hazardous duty employees: Same as Plan 1. | Political subdivision hazardous duty employees: Not applicable. <i>Defined Contribution Component</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions. |
| Earliest Unreduced Retirement Eligibility <i>VRS:</i> Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit. | Earliest Unreduced Retirement Eligibility <i>VRS:</i> Normal Social Security retirement age and have at least 5 years (60 months) of service credit or when their age plus service credit equals 90. | Earliest Unreduced Retirement Eligibility <i>Defined Benefit Component</i> <i>VRS:</i> Normal Social Security retirement age and have at least 5 years (60 months) of service credit or when their age plus service credit equals 90. |
| Political subdivision hazardous duty employees: Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit. | Political subdivision hazardous duty employees: Same as Plan 1. | Political subdivision hazardous duty employees: Not applicable. <i>Defined Contribution Component</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions. |
| Earliest Reduced Retirement Eligibility <i>VRS:</i> Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit. | Earliest Reduced Retirement Eligibility <i>VRS:</i> Age 60 with at least five years (60 months) of service credit. | Earliest Reduced Retirement Eligibility <i>Defined Benefit Component</i> <i>VRS:</i> Age 60 with at least five years (60 months) of service credit. |
| Political subdivision hazardous duty employees: Age 50 with at least five years of service credit. | Political subdivision hazardous duty employees: Same as Plan 1. | Political subdivisions hazardous duty employees: Not applicable. <i>Defined Contribution Component</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions. |

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

A. Plan Description (Continued)

| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
|--|--|--|
| Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. | Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%. | Cost-of-Living Adjustment (COLA) in Retirement <i>Defined Benefit Component</i> Same as Plan 2. <i>Defined Contribution Component</i> Not applicable. |
| <i>Eligibility:</i> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, 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 service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date. | <i>Eligibility:</i> Same as Plan 1. | <i>Eligibility:</i> Same as Plan 1 and Plan 2. |
| <i>Exceptions to COLA Effective Dates:</i> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability. | <i>Exceptions to COLA Effective Dates:</i> Same as Plan 1. | <i>Exceptions to COLA Effective Dates:</i> Same as Plan 1 and Plan 2. |

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

A. Plan Description (Continued)

| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
|---|---|--|
| Cost-of-Living Adjustment (COLA) in Retirement (Continued) <i>Exceptions to COLA Effective Dates (continued):</i> <ul style="list-style-type: none">• 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 1.7% on all service, regardless of when it was earned, purchased or granted. | Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service regardless of when it was earned, purchased or granted. | 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. |

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

A. Plan Description (Continued)

| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
|--|---|--|
| 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 service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay. | Purchase of Prior Service Same as Plan 1. | Purchase of Prior Service <i>Defined Benefit Component</i> Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. <i>Defined Contribution Component</i> Not applicable. |

B. Employees Covered by Benefit Terms

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

| | Number |
|--|--------|
| Inactive members or their beneficiaries currently receiving benefits | 30 |
| Inactive members: | |
| Vested | 6 |
| Non-vested | 30 |
| Active elsewhere in VRS | 33 |
| Total inactive members | 69 |
| Active members | 54 |
| Total covered employees | 153 |

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

C. Contributions

The contribution requirement for active employees is governed by Sections 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.

The Town's contractually required contribution rate for the year ended June 30, 2020 was 7.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2018.

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 Town were \$212,394 and \$175,393 for the years ended June 30, 2020 and 2019, respectively.

D. Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For the Town, the net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018 rolled forward to the measurement date of June 30, 2019.

E. Actuarial Assumptions

General Employees

The total pension liability for General Employee's in the Town's retirement plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

| | |
|---------------------------------------|---|
| Inflation | 2.5% |
| Salary increases, including inflation | 3.5% - 5.35% |
| Investment rate of return | 6.75%, net of pension plan investment expense, including inflation* |

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

E. Actuarial Assumptions (Continued)

General Employees (Continued)

Mortality Rates: 15% of deaths are assumed to be service-related.

- Pre-retirement: RP-2014 Employee Rates at age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.
- Post-retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.
- Post-disablement: RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|---|--|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through nine years of service |
| Disability Rates | Lowered rates |
| Salary Scale | No change |
| Line of Duty Disability | Increase rate from 14% to 15% |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

E. Actuarial Assumptions (Continued)

Public Safety Employees

The total pension liability for Public Safety employees in the Town's retirement plan was based on an actuarial valuation as of June 30, 2018, 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 as of June 30, 2019.

Inflation 2.5 %

Salary increases, including inflation 3.5% - 4.75%

Investment rate of return 6.75%, net of pension plan investment expense, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.

Mortality Rates: 45% of deaths are assumed to be service related.

– Pre-retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

– Post-retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

– Post-disablement: RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) Update to a more current mortality table – RP-2014 projected to 2020

Retirement Rates Increased age 50 rates, and lowered rates at older ages

Withdrawal Rates Adjusted rates to better fit experience at each year age and service through nine years of service

Disability Rates Adjusted rates to better fit experience

Salary Scale No change

Line of Duty Disability Decrease rate from 60% to 45%

Discount Rate Decrease rate from 7.00% to 6.75%

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

F. 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 estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class (Strategy) | Target Allocation | Arithmetic Long-Term Expected Rate of Return | Weighted Average Long-Term Expected Rate of Return |
|--------------------------------------|----------------------|---|--|
| Public Equity | 34.00% | 5.61% | 1.91% |
| Fixed Income | 15.00% | 0.88% | 0.13% |
| Credit Strategies | 14.00% | 5.13% | 0.72% |
| Real Assets | 14.00% | 5.27% | 0.74% |
| Private Equity | 14.00% | 8.77% | 1.23% |
| MAPS - Multi-Asset Public Strategies | 6.00% | 3.52% | 0.21% |
| PIP - Private Investment Partnership | 3.00% | 6.29% | 0.19% |
| Total | 100.00% | | 5.13% |
| | | Inflation | 2.50% |
| | | * Expected arithmetic nominal return | 7.63% |

* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

G. Discount Rate

The discount rate used to measure the total pension liability was 6.75%. 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. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2019 on, participating employers are assumed to continue 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.

H. Changes in the Net Pension Liability

| | Increase (Decrease) | | |
|--|----------------------------|--------------------------------|--------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| Balances at June 30, 2018 | \$ 9,768,298 | \$ 9,551,109 | \$ 217,189 |
| Changes for the Year: | | | |
| Service cost | 262,663 | - | 262,663 |
| Interest | 670,404 | - | 670,404 |
| Changes of assumptions | 308,150 | - | 308,150 |
| Difference between expected and actual experience | 3,701 | - | 3,701 |
| Contributions – employer | - | 175,393 | (175,393) |
| Contributions – employee | - | 117,706 | (117,706) |
| Net investment income | - | 639,169 | (639,169) |
| Benefit payments, including refunds of employee contributions | (382,193) | (382,193) | - |
| Administrative expense | - | (6,259) | 6,259 |
| Other | - | (402) | 402 |
| Net changes | 862,725 | 543,414 | 319,311 |
| Balances at June 30, 2019 | \$ 10,631,023 | \$ 10,094,523 | \$ 536,500 |

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

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

The following presents the net pension liability of the Town, using the discount rate of 6.75%, as well as what the Town's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

| | 1% Decrease (5.75%) | Current Discount Rate (6.75%) | 1% Increase (7.75%) |
|--------------------------------------|------------------------|-------------------------------------|------------------------|
| Town's net pension liability (asset) | \$ 1,919,827 | \$ 536,500 | \$ (563,903) |

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

For the year ended June 30, 2020, the Town recognized pension expense of \$251,882. The Town also reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 20,061 | \$ (1,841) |
| Changes of assumptions | 196,095 | (16,888) |
| Net difference between projected and actual earnings on pension plan investments | - | (88,629) |
| Employer contributions subsequent to the measurement date | 212,394 | - |
| Total | \$ 428,550 | \$ (107,358) |

The \$212,394 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. 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, | Amount |
|----------------------|-------------------|
| 2021 | \$ 108,319 |
| 2022 | (2,192) |
| 2023 | (2,539) |
| 2024 | 5,210 |
| | \$ 108,798 |

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

K. Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at varetire.org/Pdf/Publications/2019-annual-report.pdf, or by writing to the VRS Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

Note 10. Other Postemployment Benefits – Medical Insurance Program

A. Plan Description

The Town's Medical Insurance Program is a single-employer defined benefit plan administered by the Town.

Benefits Provided

Eligibility conditions: A retired employee, who has participated in the employer's medical program prior to retirement, is eligible to elect post-retirement health insurance coverage if:

- The employee is a full-time employee who retires directly from the Town who has completed at least 25 years of service with the Town.
- The employee has attained the age of 65 with at least 20 years of service with the Town.
- The employee retires before January 1, 2022.
- Retirees as of January 1, 2022 will be eligible to receive benefits until the earlier of (a) the date when benefits otherwise end under the terms of the Town's "2004" policy, and (b) December 31, 2025. After December 31, 2025, no retirees will have access to the Town's medical plan offerings.

Covered employees: All full-time employees (must be covered by the active plan at time of retirement or disability)

Employer Contributions

The Town does not pre-fund OPEB. Instead, it pays benefits directly from general assets on a pay-as-you-go basis. No assets are accumulated in a trust for OPEB that meets the criteria in paragraph 4 of GASB Statement No. 75.

Employee Contributions

None.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits – Medical Insurance Program (Continued)

B. Employees Covered by Benefit Terms

At July 1, 2018 (the valuation date), the following employees were covered by benefit terms:

| | Number |
|--|-----------|
| Inactive employees or beneficiaries currently receiving benefits | 8 |
| Active | 53 |
| Total | 61 |

C. Total OPEB Liability

The Town's total OPEB liability is reported herein as of June 30, 2020 for the employer fiscal year and reporting period of July 1, 2019 to June 30, 2020. The values shown for this fiscal year and reporting period are based on a measurement date of June 30, 2020. The measurement of the total OPEB liability is based on a valuation date July 1, 2018.

D. Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following key actuarial assumptions, applied to all periods included in the measurement:

| | |
|----------------------------------|---|
| Investment rate of return | 2.50% |
| Discount rate | 2.21%, based on the Bond Buy 20-year Bond GO Index as of June 30, 2020 |
| Inflation rate | 2.50% |
| Salary scale | 4.75%, average, including inflation |
| Healthcare cost trend assumption | Pre-65: 5.00% in 2020 graded to 4.00% in 2073 Post-65: 4.70% in 2020 graded to 4.00% in 2073 |
| Actuarial cost method | Entry Age Normal, Level Percentage of Pay |

Mortality Rates

Pre-Retirement: RP-2014 Employee Mortality Tables projected to 2020 using Scale BB with males 90% of rates and females set forward one year.

Post-Retirement: RP-2014 Combined Healthy Mortality tables projected to 2020 using Scale BB with males set forward one year and females set forward three years.

Post-Disablement: RP-2014 Disabled Life mortality tables with males set forward two years and no provision for future mortality improvement.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits – Medical Insurance Program (Continued)

E. Changes in the Total OPEB Liability

| | Total OPEB Liability |
|---|-------------------------|
| Balance at July 1, 2019 | \$ 540,606 |
| Changes for the year: | |
| Service cost | 563 |
| Interest on total OPEB liability | 4,059 |
| Effect of plan changes | (400,740) |
| Effect of assumptions changes or inputs | 802 |
| Benefit payments | (49,313) |
| Net changes | (444,629) |
| Balance at June 30, 2020 | \$ 95,977 |

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

The following presents the Town's total OPEB liability, calculated using the discount rate of 2.21%. It also presents what the Town's total OPEB liability would be if it were calculated using a discount rate one percentage point lower (1.21%) and one percentage point higher (3.21%) than the current rate.

| | 1% Decrease (1.21%) | Current Discount Rate (2.21%) | 1% Increase (3.21%) |
|----------------------|------------------------|-------------------------------------|------------------------|
| Total OPEB liability | \$ 97,415 | \$ 95,977 | \$ 94,556 |

G. Sensitivity of the Total OPEB Liability and Changes in the Healthcare Cost Trend Rates

The following presents the Town's total OPEB liability, calculated using the current healthcare trend rates. It also presents what the Town's total OPEB liability would be if it were calculated using healthcare trend rates that are one percentage point lower or one percentage point higher than the current rates.

| | 1% Decrease | Current Trend Rate | 1% Increase |
|----------------------|-------------|-----------------------|-------------|
| Total OPEB liability | \$ 92,510 | \$ 95,977 | \$ 99,521 |

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits – Medical Insurance Program (Continued)

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

Components of the Town's Medical OPEB expense for the fiscal year ended June 30, 2020 are as follows:

| Description | Amount |
|---|---------------------|
| Service cost | \$ 563 |
| Interest on total OPEB liability | 4,059 |
| Effect of plan changes | (400,740) |
| Recognition of economic/demographic gains or losses | (11,175) |
| Recognition of assumption changes or inputs | (22,223) |
| | <u>\$ (429,516)</u> |

At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to the Medical OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience | \$ - | \$ (92,756) |
| Changes in assumptions | - | (175,566) |
| | <u>\$ -</u> | <u>\$ (268,322)</u> |

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to the Medical OPEB will be recognized in the Medical OPEB expense in future reporting periods as follows:

| Year Ending June 30, | Amount |
|----------------------|---------------------|
| 2021 | \$ (34,200) |
| 2022 | (34,200) |
| 2023 | (34,200) |
| 2024 | (34,200) |
| 2025 | (32,908) |
| Thereafter | (98,614) |
| | <u>\$ (268,322)</u> |

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Postemployment Benefits – Group Life Insurance Program

A. Plan Description

All full-time, salaried permanent employees of the Town are automatically covered by the VRS Group Life Insurance Program (GLI) upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

The specific information for GLI OPEB, including eligibility, coverage and benefits is set out in the table below:

| GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS | |
|---|--|
| Eligible Employees | |
| The GLI was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program. | |
| Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest. | |
| Benefit Amounts | |
| The benefits payable under the GLI have several components. | |
| <ul style="list-style-type: none">• Natural Death Benefit: The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.• Accidental Death Benefit: The accidental death benefit is double the natural death benefit.• Other Benefit Provisions: In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:<ul style="list-style-type: none">○ Accidental dismemberment benefit○ Safety belt benefit○ Repatriation benefit○ Felonious assault benefit | |
| Accelerated death benefit option | |
| Reduction in Benefit Amounts | |
| The benefit amounts provided to members covered under the GLI are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. | |

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Postemployment Benefits – Group Life Insurance Program (Continued)

A. Plan Description (Continued)

| GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (Continued) |
|--|
| Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) For covered members with at least 30 years of service credit, there is a minimum benefit payable under GLI. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,463 as of June 30, 2020. |

B. Contributions

The contribution requirements for the GLI are governed by Sections 51.1-506 and 51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2018. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI from the Town were \$17,233 and \$17,287 for the years ended June 30, 2020 and June 30, 2019, respectively.

C. GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2020, the Town reported a liability of \$210,731 for its proportionate share of the net GLI OPEB liability. The net GLI OPEB liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the net GLI OPEB liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The covered employer's proportion of the net GLI OPEB liability was based on the covered employer's actuarially determined employer contributions to the GLI for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the participating employer's proportion was 0.01295% as compared to 0.01307% at June 30, 2018.

For the year ended June 30, 2020, the participating employer recognized GLI OPEB expense of \$7,246. Since there was a change in the proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Postemployment Benefits – Group Life Insurance Program (Continued)

C. GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)

At June 30, 2020, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 14,015 | \$ (2,733) |
| Net difference between projected and actual earnings on GLI OPEB program investments | - | (4,329) |
| Change in assumptions | 13,304 | (6,354) |
| Changes in proportionate share | 12,404 | (5,672) |
| Employer contribution subsequent to the measurement date | 17,233 | - |
| Total | \$ 56,956 | \$ (19,088) |

The \$17,233 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net GLI OPEB liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

| Year Ending June 30, | Amount |
|----------------------|------------------|
| 2021 | \$ 3,122 |
| 2022 | 3,122 |
| 2023 | 4,955 |
| 2024 | 4,649 |
| 2025 | 3,681 |
| Thereafter | 1,106 |
| Total | \$ 20,635 |

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Postemployment Benefits – Group Life Insurance Program (Continued)

D. Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019.

| | |
|--|---|
| Inflation | 2.5% |
| Salary increases, including inflation: | |
| Locality – general employees | 3.5% - 5.35% |
| Locality – hazardous duty employees | 3.5% - 4.75% |
| Investment rate of return | 6.75%, net of investment expenses, including inflation* |

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of the OPEB liabilities.

Mortality Rates – Non-Largest 10 Locality Employers – General Employees

Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates

Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward three years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement: RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Postemployment Benefits – Group Life Insurance Program (Continued)

D. Actuarial Assumptions (Continued)

Mortality Rates – Non-Largest 10 Locality Employers – General Employees (Continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Lowered retirement rates at older ages and extended final retirement age from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service year |
| Disability Rates | Lowered disability rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14% to 15% |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

Mortality Rates – Non-Largest 10 Locality Employers – Hazardous Duty Employees

Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward one year.

Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward one year with 1.0% increase compounded from ages 70 to 90; females set forward three years.

Post-Disablement: RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward two years; unisex using 100% male.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Postemployment Benefits – Group Life Insurance Program (Continued)

D. Actuarial Assumptions (Continued)

Mortality Rates – Non-Largest 10 Locality Employers – Hazardous Duty Employees (Continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Increased age 50 rates and lowered rates at older ages |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Line of Duty Disability | Decreased rate from 60% to 45% |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

E. Net GLI OPEB Liability

The net OPEB liability (NOL) for the GLI represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2019, NOL amounts for the GLI are as follows (amounts expressed in thousands):

| | |
|-------------------------------|-----------------------------|
| | GLI OPEB Program |
| Total GLI OPEB liability | \$ 3,390,238 |
| Plan fiduciary net position | (1,762,972) |
| GLI Net OPEB liability | \$ 1,627,266 |

Plan fiduciary net position as a percentage of the total
GLI OPEB liability

52.00%

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Postemployment Benefits – Group Life Insurance Program (Continued)

E. Net GLI OPEB Liability (Continued)

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

F. Long-Term Expected Rate of Return

The long-term expected rate of return on the System's 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 System's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class (Strategy) | Target Allocation | Arithmetic Long-Term Expected Rate of Return | Weighted Average Long-Term Expected Rate of Return |
|--------------------------------------|-------------------|--|--|
| Public Equity | 34.00% | 5.61% | 1.91% |
| Fixed Income | 15.00% | 0.88% | 0.13% |
| Credit Strategies | 14.00% | 5.13% | 0.72% |
| Real Assets | 14.00% | 5.27% | 0.74% |
| Private Equity | 14.00% | 8.77% | 1.23% |
| MAPS - Multi-Asset Public Strategies | 6.00% | 3.52% | 0.21% |
| PIP - Private Investment Partnership | 3.00% | 6.29% | 0.19% |
| Total | 100.00% | | 5.13% |
| | | Inflation | 2.50% |
| | | * Expected arithmetic nominal return | 7.63% |

* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Postemployment Benefits – Group Life Insurance Program (Continued)

G. Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the Town for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

H. Sensitivity of the Town's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Town's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the Town's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

| | 1% Decrease (5.75%) | Current Discount Rate (6.75%) | 1% Increase (7.75%) |
|------------------------|------------------------|-------------------------------------|------------------------|
| Participating Employer | | | |
| Town | \$ 157,117 | \$ 210,731 | \$ 276,842 |

I. Group Life Insurance Program Fiduciary Net Position

Detailed information about the GLI's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at varetire.org/Pdf/Publications/2019-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia, 23218-2500.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Postemployment Benefits – Virginia Local Disability Program

A. Plan Description

All full-time, salaried general employees, including local law enforcement officers, firefighters, or emergency medical technicians of the Town who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Political Subdivision Employee Virginia Local Disability Program (VLDP). This plan is administered by the System, along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia. The Town is required by Title 51.1 of the *Code of Virginia*, as amended, to provide short-term and long-term disability benefits for their hybrid plan employees either through a local plan or through the VLDP.

The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

| POLITICAL SUBDIVISION EMPLOYEE VLDP PLAN PROVISIONS |
|---|
| <p>Eligible Employees</p> <p>The Political Subdivision Employee VLDP was implemented January 1, 2014 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities for employees with hybrid plan retirement benefits.</p> <p>Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include:</p> <ul style="list-style-type: none">• Full-time general employees; including local law enforcement officers, firefighters, or emergency medical technicians who do not have enhanced hazardous duty benefits; of public political subdivisions covered under VRS. |
| <p>Benefit Amounts</p> <p>The VLDP provides the following benefits for eligible employees:</p> <ul style="list-style-type: none">• Short-Term Disability:<ul style="list-style-type: none">○ The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VLDP with their current employer.○ During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work-related or work-related disability.○ Once the eligibility period is satisfied, employees are eligible for higher income replacement levels.• Long-Term Disability:<ul style="list-style-type: none">○ The VLDP program provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week.○ Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit. |

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Postemployment Benefits – Virginia Local Disability Program (Continued)

A. Plan Description (Continued)

| POLITICAL SUBDIVISION EMPLOYEE VLDP PLAN PROVISIONS (Continued) |
|---|
| <p data-bbox="248 478 760 510">Virginia Local Disability Program Notes</p> <ul data-bbox="297 514 1412 646" style="list-style-type: none"><li data-bbox="297 514 1412 577">• Members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible.<li data-bbox="297 581 1412 646">• VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services. |

B. Contributions

The contribution requirement for active hybrid plan employees is governed by Section 51.1-1178(C) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to the Town by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2020 was 0.72% of covered employee compensation for employees in the VLDP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2018. The actuarially determined rate 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 from the Town to the VLDP were \$6,164 and \$5,916 for the years ended June 30, 2020 and June 30, 2019, respectively.

C. VLDP OPEB Liability, VLDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the VLDP OPEB

At June 30, 2020, the Town reported a liability of \$5,386 for its proportionate share of the VLDP net OPEB liability. The VLDP net OPEB liability was measured as of June 30, 2018 and the total VLDP OPEB liability used to calculate the VLDP net OPEB liability was determined by an actuarial valuation as of June 30, 2018, and rolled forward to the measurement date as of June 30, 2019. The Town's proportion of the VLDP net OPEB liability was based on the Town's actuarially determined employer contributions to the VLDP OPEB plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the Town's proportion of the VLDP was 0.26589% as compared to 0.30316% at June 30, 2018.

For the year ended June 30, 2020, the Town recognized VLDP OPEB expense of \$6,272. Since there was a change in proportionate share between measurement dates, a portion of the VLDP net OPEB expense was related to deferred amounts from changes in proportion.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Postemployment Benefits – Virginia Local Disability Program (Continued)

C. VLDP OPEB Liability, VLDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the VLDP OPEB (Continued)

At June 30, 2020, the Town reported deferred outflows of resources related to the VLDP OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 2,702 | \$ (165) |
| Net difference between projected and actual earnings on GLI OPEB program investments | 18 | - |
| Change in assumptions | 154 | (206) |
| Changes in proportionate share | - | (287) |
| Employer contribution subsequent to the measurement date | 6,164 | - |
| Total | \$ 9,038 | \$ (658) |

The \$6,164 reported as deferred outflows of resources related to the VLDP OPEB resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net VLDP OPEB liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Employee VLDP OPEB will be recognized in the Political Subdivision Employee VLDP OPEB expense in future reporting periods as follows:

| Year Ending June 30, | Amount |
|----------------------|-----------------|
| 2021 | \$ 461 |
| 2022 | 457 |
| 2023 | 455 |
| 2024 | 460 |
| 2025 | 445 |
| Thereafter | (62) |
| Total | \$ 2,216 |

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Postemployment Benefits – Virginia Local Disability Program (Continued)

D. Actuarial Assumptions

The total VLDP OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019.

| | |
|--|---|
| Inflation | 2.5% |
| Salary increases, including inflation: | |
| Political subdivision employees | 3.5%-5.95% |
| Investment rate of return | 6.75%, net of investment expenses, 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 assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of the OPEB liabilities.

Mortality Rates – Non-Largest 10 Locality Employers – General and Non-Hazardous Duty Employees

Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward one year.

Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward one year with 1.0% increase compounded from ages 70 to 90; females set forward three years.

Post-Disablement: RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males set forward two years; unisex using 100% male.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Postemployment Benefits – Virginia Local Disability Program (Continued)

E. Actuarial Assumptions

Mortality Rates – Non-Largest 10 Locality Employers – General and Non-Hazardous Duty Employees (Continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Lowered retirement rates at older ages and extended final retirement age from 70 to 75 |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each year, age and service |
| Disability Rates | Lowered disability rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14% to 15% |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

F. VLDP OPEB Liability

The net OPEB liability (NOL) for the Town VLDP represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2019, NOL amounts for the VLDP is as follows (amounts expressed in thousands):

| | |
|---|-------------------|
| | VLDP OPEB Plan |
| Total VLDP OPEB liability | \$ 3,989 |
| Plan fiduciary net position | (1,962) |
| Employers' net VLDP OPEB liability | \$ 2,027 |

| | |
|---|--------|
| Plan fiduciary net position as a percentage of the total VLDP OPEB liability | 49.19% |
|---|--------|

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Postemployment Benefits – Virginia Local Disability Program (Continued)

G. Long-Term Expected Rate of Return

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

| Asset Class (Strategy) | Target Allocation | Arithmetic Long-Term Expected Rate of Return | Weighted Average Long-Term Expected Rate of Return |
|--------------------------------------|-------------------|--|--|
| Public Equity | 34.00% | 5.61% | 1.91% |
| Fixed Income | 15.00% | 0.88% | 0.13% |
| Credit Strategies | 14.00% | 5.13% | 0.72% |
| Real Assets | 14.00% | 5.27% | 0.74% |
| Private Equity | 14.00% | 8.77% | 1.23% |
| MAPS - Multi-Asset Public Strategies | 6.00% | 3.52% | 0.21% |
| PIP - Private Investment Partnership | 3.00% | 6.29% | 0.19% |
| Total | 100.00% | | 5.13% |
| | | Inflation | 2.50% |
| | | * Expected arithmetic nominal return | 7.63% |

* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

H. Discount Rate

The discount rate used to measure the total Political Subdivision Employee VLDP OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by the Town for the VLDP will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Town VLDP OPEB 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 Town VLDP OPEB liability.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Postemployment Benefits – Virginia Local Disability Program (Continued)

I. Sensitivity of the VLDP Net OPEB Liability to Changes in the Discount Rate

The following presents the political subdivision's proportionate share of the Town net VLDP OPEB liability using the discount rate of 6.75%, as well as what the Town's proportionate share of the net VLDP OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

| Participating Employer | Current Discount | | |
|------------------------|------------------------|-----------------|------------------------|
| | 1% Decrease (5.75%) | Rate (6.75%) | 1% Increase (7.75%) |
| Town | \$ 4,680 | \$ 5,386 | \$ 6,194 |

J. VLDP OPEB Fiduciary Net Position

Detailed information about the Town VLDP's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at varetire.org/Pdf/Publications/2019-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 13. Interfund Transfers

The Town transferred \$758,964 from the Water, Sewer and Sanitation Fund to the General Fund for operations and administrative costs.

Note 14. Government Services Provided by Authorities

The City of Harrisonburg, the County of Rockingham, and the Towns of Bridgewater, Mt. Crawford, and Dayton entered into a guaranty agreement with the Harrisonburg-Rockingham Regional Sewer Authority (HRRSA) dated December 15, 1992. Under the terms of this agreement, these municipalities jointly and severally guaranteed the HRRSA's bonds payable, which then qualifies as a nonexchange of financial guarantees. HRRSA's outstanding bonds payable at June 30, 2019 (most recent balances available) consist of the following:

| Series | Amount | Interest |
|--------------|---------------|--------------|
| Series 2007 | \$ 19,547,226 | 2.52% |
| Series 2008 | 21,917,208 | 2.72% |
| Series 2015 | 7,865,577 | 1.20% |
| Series 2017 | 11,157,136 | 2.25% |
| Series 2018C | 3,378,719 | 4.43 - 5.13% |

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 14. Government Services Provided by Authorities (Continued)

The Town is obligated for 7.785% of the debt service.

The HRRSA bills the municipalities a monthly charge, which includes an assessment for their respective share of the HRRSA's debt service, operating, and construction expenditures based on the municipality usage of the sewage treatment facilities. Based on the current average usage, the Town's assessment for the HRRSA's operating, capital outlay and maintenance, construction and debt service expenditures for the ensuing year will approximate \$391,000, \$56,000 and \$561,000, respectively. To obtain a copy of the audited financial statements, contact the HRRSA at 856 North River Road, P.O. Box 8, Mt. Crawford, Virginia 22841.

Note 15. Major Customer

The Town has one major water and sewer customer. For the year ended June 30, 2020, water and sewer revenue from this customer was approximately \$1,005,900. There are accounts receivable from this customer of approximately \$91,000 at June 30, 2020.

Note 16. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and others; and natural disasters. To reduce insurance costs and the need for self-insurance, the Town has joined with other municipalities in the Commonwealth of Virginia in several public entity risk pools that operate as common risk management and insurance programs for member municipalities. The Town is not self-insured.

The Town has coverage with the Virginia Risk Sharing Association (the "Association") for all insurable risks identified by the Town. Each Association member jointly and severally agrees to assume, pay and discharge any liability. The Town pays the Association contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The Town continues to carry commercial insurance for all other risks of losses. Settled claims from these risks have not exceeded commercial coverage in any of the last three fiscal years.

Note 17. Contingency

Federal and State-Assisted Programs

The Town has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 18. Pending GASB Statements

At June 30, 2020, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the Town. The statements which might impact the Town are as follows:

GASB Statement No. 84, *Fiduciary Activities*, will improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Statement No. 84 will be effective for fiscal years beginning after December 15, 2019.

GASB Statement No. 87, *Leases*, will increase the usefulness of the Town's financial statements by requiring reporting of certain lease assets and liabilities and deferred inflows of resources for leases that previously were classified as operating leases. Statement No. 87 will be effective for fiscal years beginning after June 15, 2021.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, will enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. Statement No. 89 will be effective for fiscal years beginning after December 15, 2021.

GASB Statement No. 91, *Conduit Debt Obligation*, will provide a single method of reporting conduit debt obligations by issuer and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Statement No. 91 will be effective for the fiscal years beginning after December 15, 2021.

GASB Statement No. 92, *Omnibus 2020*, will improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics, including intra-entity transfers, the effective date of No. 87, *Leases*, the applicability of Statements 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, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits, the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements, measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition, reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers, reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature, terminology used to refer to derivative instruments. Statement No. 92 will be effective for fiscal years beginning after June 15, 2021.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, will address accounting and financial reporting implications that result from the replacement of an interbank offered rate—most notably, the London Interbank Offered Rate (LIBOR), which is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. Portions of Statement No. 93 will be effective for fiscal years beginning after June 15, 2020, June 15, 2021, and December 31, 2021.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, will improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. Statement No. 94 will be effective for fiscal years beginning after June 15, 2022.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 18. Pending GASB Statements (Continued)

GASB Statement No. 96, *Subscription-Based information Technology Arrangements*, will provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). Statement No. 96 will be effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, will (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Statement No. 97 will be effective for fiscal years beginning after June 15, 2021.

Management has not determined the effect these new Statements may have on prospective financial statements.

Note 19. Subsequent Event

During the October 13, 2020 Town Council meeting, the Town Council approved a resolution for the issuance of a general obligation bank-qualified refunding bond of the \$1,400,000 August 2018 general obligation public improvement bond. The refunding bond was closed on October 16, 2020 with a principal amount of \$1,319,504, 18 year semi-annual repayment terms, and bearing interest at 2.38% per year for the first 15 years and Treasury plus 2.15% for the remaining three years.

Note 20. Risks and Uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Town operates. While it is unknown how long these conditions will last, many Town activities were and continue to be affected.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF BRIDGEWATER, VIRGINIA

SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY AND RELATED RATIOS – VIRGINIA RETIREMENT SYSTEM

| | Fiscal Year June 30, | | | | | |
|--|----------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Total Pension Liability | | | | | | |
| Service cost | \$ 239,778 | \$ 238,817 | \$ 237,721 | \$ 258,759 | \$ 264,137 | \$ 262,663 |
| Interest | 516,842 | 554,431 | 585,551 | 600,059 | 635,351 | 670,404 |
| Changes of assumptions | - | - | - | (170,428) | - | 308,150 |
| Differences between expected and actual experience | - | (59,260) | (277,323) | 178,671 | (5,715) | 3,701 |
| Benefit payments, including refunds of employee contributions | (215,871) | (223,389) | (355,438) | (321,946) | (403,840) | (382,193) |
| Net change in total pension liability | 540,749 | 510,599 | 190,511 | 545,115 | 489,933 | 862,725 |
| Total pension liability - beginning | 7,491,391 | 8,032,140 | 8,542,739 | 8,733,250 | 9,278,365 | 9,768,298 |
| Total pension liability - ending (a) | <u>\$ 8,032,140</u> | <u>\$ 8,542,739</u> | <u>\$ 8,733,250</u> | <u>\$ 9,278,365</u> | <u>\$ 9,768,298</u> | <u>\$ 10,631,023</u> |
| Plan Fiduciary Net Position | | | | | | |
| Contributions - employer | \$ 212,519 | \$ 210,910 | \$ 224,345 | \$ 183,462 | \$ 180,281 | \$ 175,393 |
| Contributions - employee | 100,101 | 100,255 | 106,156 | 117,310 | 115,780 | 117,706 |
| Net investment income | 1,021,390 | 348,875 | 138,422 | 985,528 | 664,791 | 639,169 |
| Benefit payments, including refunds of employee contributions | (215,871) | (223,389) | (355,438) | (321,946) | (403,840) | (382,193) |
| Administrative expense | (5,367) | (4,619) | (4,883) | (5,607) | (5,720) | (6,259) |
| Other | 54 | (75) | (59) | (880) | (593) | (402) |
| Net change in plan fiduciary net position | 1,112,826 | 431,957 | 108,543 | 957,867 | 550,699 | 543,414 |
| Plan fiduciary net position - beginning | 6,389,217 | 7,502,043 | 7,934,000 | 8,042,543 | 9,000,410 | 9,551,109 |
| Plan fiduciary net position - ending (b) | <u>\$ 7,502,043</u> | <u>\$ 7,934,000</u> | <u>\$ 8,042,543</u> | <u>\$ 9,000,410</u> | <u>\$ 9,551,109</u> | <u>\$ 10,094,523</u> |
| Town net pension liability - ending (a)-(b) | <u>\$ 530,097</u> | <u>\$ 608,739</u> | <u>\$ 690,707</u> | <u>\$ 277,955</u> | <u>\$ 217,189</u> | <u>\$ 536,500</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 93.40% | 92.87% | 92.09% | 97.00% | 97.78% | 94.95% |
| Covered payroll | \$ 2,027,853 | \$ 2,012,500 | \$ 2,140,697 | \$ 2,299,022 | \$ 2,259,148 | \$ 2,289,726 |
| Town's net pension liability as a percentage of covered payroll | 26.14% | 30.25% | 32.27% | 12.09% | 9.61% | 23.43% |

Note to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

TOWN OF BRIDGEWATER, VIRGINIA

SCHEDULE OF TOWN CONTRIBUTIONS – VIRGINIA RETIREMENT SYSTEM Last Ten Fiscal Years

| | Fiscal Year June 30, | | | | | | |
|--|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Contractually required contribution (CRC) | \$ 212,519 | \$ 210,910 | \$ 224,345 | \$ 183,462 | \$ 180,281 | \$ 175,393 | \$ 212,394 |
| Contributions in relation to the CRC | 212,519 | 210,910 | 224,345 | 183,462 | 180,281 | 175,393 | 212,394 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered payroll | \$ 2,027,853 | \$ 2,012,500 | \$ 2,140,697 | \$ 2,299,022 | \$ 2,259,148 | \$ 2,289,726 | \$ 2,772,768 |
| Contributions as a percentage of covered payroll | 10.48% | 10.48% | 10.48% | 7.98% | 7.98% | 7.66% | 7.66% |

Note to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

VIRGINIA RETIREMENT SYSTEM

Year Ended June 30, 2020

Note 1. Changes of Benefit Terms

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

Note 2. Changes of Assumptions

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Hazardous Duty

| | |
|---|--|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through nine years of service |
| Disability Rates | Lowered rates |
| Salary Scale | No change |
| Line of Duty Disability | Increase rate from 14% to 15% |
| Discount Rate | Decrease 7.00% to 6.75% |

Hazardous Duty

| | |
|---|--|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Increased age 50 rates, and lowered rates at older ages |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through nine years of service |
| Disability Rates | Adjusted rates to better fit experience |
| Salary Scale | No change |
| Line of Duty Disability | Decrease rate from 60% to 45% |
| Discount Rate | Decrease 7.00% to 6.75% |

TOWN OF BRIDGEWATER, VIRGINIA

SCHEDULE OF CHANGES IN THE TOWN'S TOTAL OPEB LIABILITY AND RELATED RATIOS – MEDICAL INSURANCE PROGRAM

| | Fiscal Year June 30, | | |
|---|----------------------|-------------------|------------------|
| | 2018 | 2019 | 2020 |
| Total OPEB Liability | | | |
| Service cost | \$ 41,527 | \$ 27,214 | \$ 563 |
| Interest on total OPEB liability | 30,892 | 28,469 | 4,059 |
| Effect of plan changes | | | (400,740) |
| Effect of economic/demographic gains or losses | - | (115,106) | - |
| Effect of assumptions changes or inputs | (33,252) | (192,682) | 802 |
| Benefit payments | (52,560) | (61,048) | (49,313) |
| Net change in total OPEB liability | (13,393) | (313,153) | (444,629) |
| Total OPEB liability - beginning | 867,152 | 853,759 | 540,606 |
| Total OPEB liability - ending | <u>\$ 853,759</u> | <u>\$ 540,606</u> | <u>\$ 95,977</u> |
| Covered payroll | 3,254,620 | 3,324,423 | 3,314,038 |
| Total OPEB liability as a percentage of covered payroll | 26.23% | 16.26% | 2.90% |

Note to Schedule:

(1)

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

TOWN OF BRIDGEWATER, VIRGINIA

SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY – GROUP LIFE INSURANCE PROGRAM For the Measurement Dates of June 30, 2019, 2018, and 2017

| | Fiscal Year June 30, | | |
|---|----------------------|--------------|--------------|
| | 2017 | 2018 | 2019 |
| Employer's proportion of the net GLI OPEB liability | 0.0134% | 0.0131% | 0.0130% |
| Employer's proportionate share of the net GLI OPEB liability | \$ 202,000 | \$ 199,000 | \$ 210,731 |
| Employer's covered payroll | \$ 2,468,713 | \$ 3,254,620 | \$ 3,324,423 |
| Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll | 8.18% | 6.11% | 6.34% |
| Plan fiduciary net position as a percentage of the total GLI OPEB liability | 48.86% | 51.22% | 52.00% |

Notes to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

TOWN OF BRIDGEWATER, VIRGINIA

SCHEDULE OF EMPLOYER CONTRIBUTIONS – OPEB – GROUP LIFE INSURANCE PROGRAM Last Ten Fiscal Years

| | Fiscal Year June 30, | | | | | | | | | |
|--|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Contractually required contribution (CRC) | \$ 7,862 | \$ 8,072 | \$ 10,163 | \$ 10,654 | \$ 10,702 | \$ 11,572 | \$ 12,837 | \$ 16,924 | \$ 17,287 | \$ 17,233 |
| Contributions in relation to the CRC | 7,862 | 8,072 | 10,163 | 10,654 | 10,702 | 11,572 | 12,837 | 16,924 | 17,287 | 17,233 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Employer's covered payroll | \$ 2,807,857 | \$ 2,882,857 | \$ 2,117,292 | \$ 2,219,583 | \$ 2,229,583 | \$ 2,410,833 | \$ 2,468,713 | \$ 3,254,620 | \$ 3,324,423 | \$ 3,314,038 |
| Contributions as a percentage of covered payroll | 0.28% | 0.28% | 0.48% | 0.48% | 0.48% | 0.48% | 0.52% | 0.52% | 0.52% | 0.52% |

Note to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years.

TOWN OF BRIDGEWATER, VIRGINIA

SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY – VIRGINIA LOCAL DISABILITY PROGRAM For the Measurement Dates of June 30, 2019, 2018, and 2017

| | Fiscal Year June 30, 2017 | Fiscal Year June 30, 2018 | Fiscal Year June 30, 2019 |
|--|------------------------------|------------------------------|------------------------------|
| Employer's proportion of the net VLDP OPEB liability | 0.3278% | 0.3032% | 0.2659% |
| Employer's proportionate share of the net VLDP OPEB liability | \$ 2,000 | \$ 3,000 | \$ 5,386 |
| Employer's covered payroll | \$ 601,901 | \$ 736,084 | \$ 986,000 |
| Employer's proportionate share of the net VLDP OPEB liability as a percentage of its covered payroll | 0.3323% | 0.4076% | 0.5462% |
| Plan fiduciary net position as a percentage of the total VLDP OPEB liability | 38.40% | 51.39% | 49.19% |

Notes to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

TOWN OF BRIDGEWATER, VIRGINIA

SCHEDULE OF EMPLOYER CONTRIBUTIONS – OPEB – VIRGINIA LOCAL DISABILITY PROGRAM Last Ten Fiscal Years

| | Fiscal Year June 30, | | | | | | | |
|--|----------------------|-----------|------------|------------|------------|------------|--------------|--|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | |
| Contractually required contribution (CRC) | \$ 164 | \$ 424 | \$ 1,809 | \$ 3,611 | \$ 4,416 | \$ 5,916 | \$ 6,164 | |
| Contributions in relation to the CRC | 164 | 424 | 1,809 | 3,611 | 4,416 | 5,916 | 6,164 | |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Employer's covered payroll | \$ 27,333 | \$ 70,710 | \$ 301,552 | \$ 601,901 | \$ 736,084 | \$ 986,000 | \$ 1,030,000 | |
| Contributions as a percentage of covered payroll | 0.60% | 0.60% | 0.60% | 0.60% | 0.60% | 0.60% | 0.60% | |

Note to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OTHER POSTEMPLOYMENT BENEFITS Year Ended June 30, 2020

Note 1. Medical Insurance

A. Changes of Benefit Terms

The Town implemented a change to its retiree health benefits policy. Effective July 1, 2019, participants must retire before January 1, 2022 to be eligible for benefits. Retirees as of January 1, 2022 will be eligible to receive benefits until the earlier of (a) the date when benefits otherwise end under the terms of the Town's "2004" policy, and (b) December 31, 2025. After December 31, 2025, no retirees will have access to the Town's medical plan offerings.

B. Changes of Assumptions

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following is the discount rate used for the period presented:

| | |
|------|-------|
| 2020 | 2.21% |
|------|-------|

Note 2. Group Life Insurance Program

A. Changes of Benefit Terms

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

B. Changes of Assumptions

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumption as a result of the experience study and VRS Board action are as follows:

Non-Largest 10 Locality Employers – General Employees

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Lowered retirement rates at older ages and extended final retirement age from 70 to 75 |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates | Lowered disability rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14% to 15% |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OTHER POSTEMPLOYMENT BENEFITS Year Ended June 30, 2020

Note 2. Group Life Insurance Program (Continued)

B. Changes of Assumptions (Continued)

Non-Largest 10 Locality Employers – Hazardous Duty Employees

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Increased age 50 rates and lowered rates at older ages |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Line of Duty Disability | Decreased rate from 60% to 45% |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

Note 3. Virginia Local Disability Program

A. Changes of Benefit Terms

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

B. Changes of Assumptions

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest 10 Locality Employers – General and Non-Hazardous Duty Employees

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Lowered retirement rates at older ages and extended final retirement age from 70 to 75 |
| Withdrawal Rates | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates | Lowered disability rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14% to 15% |
| Discount Rate | Decrease rate from 7.00 to 6.75% |

SUPPLEMENTARY SCHEDULES

TOWN OF BRIDGEWATER, VIRGINIA**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
GENERAL FUND****Year Ended June 30, 2020****(With Comparative Amounts for 2019)**

| | 2020 | 2019 |
|--|--------------------|--------------------|
| Revenues: | | |
| General property taxes | \$ 282,099 | \$ 462,608 |
| Other local taxes | 2,236,256 | 1,942,549 |
| Permits and other licenses | 29,422 | 27,507 |
| Fines and forfeitures | 41,849 | 53,546 |
| Use of money and property | 105,265 | 118,306 |
| Charges for services | 252,165 | 142,934 |
| Miscellaneous | 74,383 | 138,628 |
| Intergovernmental | 967,039 | 1,454,230 |
| Total revenues | 3,988,478 | 4,340,308 |
| Expenditures: | | |
| Current: | | |
| General government administration | 896,691 | 806,421 |
| Public safety | 827,959 | 817,721 |
| Public works | 1,893,947 | 3,104,722 |
| Parks, recreation and cultural | 711,094 | 943,186 |
| Community and economic development | 181,665 | 191,048 |
| Sipe Center | 154,004 | - |
| Debt service: | | |
| Principal | 252,917 | 340,755 |
| Interest | 98,740 | 94,422 |
| Total expenditures | 5,017,017 | 6,298,275 |
| Deficiency of revenues under expenditures | (1,028,539) | (1,957,967) |
| Other financing sources (uses): | | |
| General obligation bonds issued | 186,151 | 1,400,000 |
| Transfers in | 758,964 | 752,450 |
| Transfers out | - | (4,931) |
| Total other financing sources, net | 945,115 | 2,147,519 |
| Net change in fund balance | (83,424) | 189,552 |
| Fund balance, beginning | 591,748 | 402,196 |
| Fund balance, ending | \$ 508,324 | \$ 591,748 |

TOWN OF BRIDGEWATER, VIRGINIA

Page 1 of 2

SCHEDULE OF REVENUES – BUDGET AND ACTUAL – GENERAL FUND Year Ended June 30, 2020

| Entity, Fund, Major and Minor Revenue Source | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Over (Under) |
|---|------------------|------------------|-------------------|--|
| | Original | Final | | |
| Primary Government: | | | | |
| General Fund: | | | | |
| Revenue from local sources: | | | | |
| General property taxes: | | | | |
| Personal property taxes | \$ 267,000 | \$ 267,000 | \$ 279,532 | \$ 12,532 |
| Interest and penalties on delinquent taxes | 500 | 500 | 2,567 | 2,067 |
| Total general property taxes | 267,500 | 267,500 | 282,099 | 14,599 |
| Other local taxes: | | | | |
| Local sales and use taxes | 213,600 | 213,600 | 235,473 | 21,873 |
| Consumer utility taxes | 785,400 | 785,400 | 755,307 | (30,093) |
| Consumption taxes | 23,300 | 23,300 | 23,544 | 244 |
| Cigarette taxes | 18,800 | 18,800 | 17,097 | (1,703) |
| Business license taxes | 222,300 | 222,300 | 232,684 | 10,384 |
| Vehicle license taxes | 84,000 | 84,000 | 90,800 | 6,800 |
| Bank stock taxes | 174,500 | 174,500 | 147,837 | (26,663) |
| Meals taxes | 666,300 | 666,300 | 709,943 | 43,643 |
| Right-of-way use fee | 10,800 | 10,800 | 21,267 | 10,467 |
| Transient occupancy | 4,200 | 4,200 | 2,304 | (1,896) |
| Total other local taxes | 2,203,200 | 2,203,200 | 2,236,256 | 33,056 |
| Permits and other licenses: | | | | |
| Zoning and building | 12,000 | 12,000 | 9,481 | (2,519) |
| Passport application fee | 13,800 | 13,800 | 17,357 | 3,557 |
| Land disturbing | - | - | 2,584 | 2,584 |
| Total permits and other licenses | 25,800 | 25,800 | 29,422 | 3,622 |
| Fines and forfeitures | 40,400 | 40,400 | 41,849 | 1,449 |
| Use of money and property: | | | | |
| Revenue from use of money | 5,000 | 5,000 | 9,680 | 4,680 |
| Revenue from use of property | 95,000 | 95,000 | 95,585 | 585 |
| Total revenue from use of money and property | 100,000 | 100,000 | 105,265 | 5,265 |
| Charges for services: | | | | |
| Generations park | 101,500 | 101,500 | 106,003 | 4,503 |
| Golf fees | 68,000 | 68,000 | 32,666 | (35,334) |
| Sipe Center | 135,400 | 135,400 | 113,496 | (21,904) |
| Classes and camps | 2,000 | 2,000 | - | (2,000) |
| Total charges for services | 306,900 | 306,900 | 252,165 | (54,735) |
| Miscellaneous | 22,500 | 22,500 | 74,383 | 51,883 |
| Total revenue from local sources | 2,966,300 | 2,966,300 | 3,021,439 | 55,139 |

TOWN OF BRIDGEWATER, VIRGINIA

Page 2 of 2

SCHEDULE OF REVENUES – BUDGET AND ACTUAL – GENERAL FUND Year Ended June 30, 2020

| Entity, Fund, Major and Minor Revenue Source | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Over (Under) |
|--|---------------------|---------------------|---------------------|--|
| | Original | Final | | |
| Primary Government: (continued) | | | | |
| General Fund: (continued) | | | | |
| Intergovernmental: | | | | |
| Local aid: | | | | |
| Town of Mt. Crawford: | | | | |
| Public safety | \$ 61,300 | \$ 61,300 | \$ 61,843 | \$ 543 |
| Town of Dayton: | | | | |
| Public safety | 3,300 | 3,300 | 2,100 | (1,200) |
| Total local aid | 64,600 | 64,600 | 63,943 | (657) |
| Revenue from the Commonwealth: | | | | |
| Non-categorical aid: | | | | |
| Communication sales and use tax | 79,600 | 79,600 | 74,559 | (5,041) |
| Personal property tax relief | 102,000 | 102,000 | 102,034 | 34 |
| Total non-categorical aid | 181,600 | 181,600 | 176,593 | (5,007) |
| Categorical aid: | | | | |
| Litter control | 3,100 | 3,100 | 2,422 | (678) |
| Law enforcement assistance | 135,100 | 135,100 | 140,876 | 5,776 |
| Urban construction | 422,773 | 422,773 | 14,456 | (408,317) |
| Street and highway maintenance | 771,400 | 771,400 | 427,449 | (343,951) |
| Virginia Department of Transportation revenue sharing project | 677,500 | 677,500 | 36,334 | (641,166) |
| Riverwalk grant | 180,000 | 180,000 | 1,321 | (178,679) |
| Asset forfeiture funds | - | - | 2,217 | 2,217 |
| Crosswalk improvement grant | 84,360 | 84,360 | - | (84,360) |
| Gen-Oak Connector grant | 47,500 | 47,500 | 15,268 | (32,232) |
| Other | 300 | 300 | 2,369 | 2,069 |
| Total categorical aid | 2,322,033 | 2,322,033 | 642,712 | (1,679,321) |
| Total intergovernmental revenue from the Commonwealth | 2,503,633 | 2,503,633 | 819,305 | (1,684,328) |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| Urban construction | 535,627 | 535,627 | 57,826 | (477,801) |
| Hotel feasibility study | - | - | 25,965 | 25,965 |
| Total intergovernmental revenue from the federal government | 535,627 | 535,627 | 83,791 | (451,836) |
| Total intergovernmental revenue | 3,103,860 | 3,103,860 | 967,039 | (2,136,821) |
| Total General Fund | \$ 6,070,160 | \$ 6,070,160 | \$ 3,988,478 | \$ (2,081,682) |

TOWN OF BRIDGEWATER, VIRGINIA

Page 1 of 4

**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL –
GENERAL FUND
Year Ended June 30, 2020**

| Entity, Fund, Function, Activity and Elements | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Over (Under) |
|---|------------------|----------------|-------------------|--|
| | Original | Final | | |
| Primary Government: | | | | |
| General Fund: | | | | |
| General government administration: | | | | |
| Legislative: | | | | |
| Town Council: | | | | |
| Personal services | \$ 35,100 | \$ 35,100 | \$ 32,789 | \$ (2,311) |
| Fringe benefits | 2,700 | 2,700 | 2,509 | (191) |
| Other charges | 3,700 | 3,700 | 2,158 | (1,542) |
| Total Town Council | 41,500 | 41,500 | 37,456 | (4,044) |
| Town Manager's office: | | | | |
| Personal services | 262,700 | 262,700 | 283,826 | 21,126 |
| Fringe benefits | 71,700 | 71,700 | 70,784 | (916) |
| Other charges | 10,000 | 10,000 | 12,863 | 2,863 |
| Contractual services | 4,000 | 4,000 | 7,047 | 3,047 |
| Total town manager's office | 348,400 | 348,400 | 374,520 | 26,120 |
| Treasurer's office: | | | | |
| Personal services | 150,100 | 150,100 | 152,068 | 1,968 |
| Fringe benefits | 40,900 | 40,900 | 49,358 | 8,458 |
| Other charges | 9,000 | 9,000 | 2,371 | (6,629) |
| Capital outlay | - | - | 25,600 | 25,600 |
| Contractual services | 15,000 | 15,000 | 22,348 | 7,348 |
| Total treasurer's office | 215,000 | 215,000 | 251,745 | 36,745 |
| Total legislative | 604,900 | 604,900 | 663,721 | 58,821 |
| General and financial administration: | | | | |
| Legal | 34,000 | 34,000 | 32,662 | (1,338) |
| Independent auditor and actuary | 51,000 | 51,000 | 67,150 | 16,150 |
| Insurance and bonding | 120,000 | 120,000 | 133,158 | 13,158 |
| Total general and financial administration | 205,000 | 205,000 | 232,970 | 27,970 |
| Total general government administration | 809,900 | 809,900 | 896,691 | 86,791 |

TOWN OF BRIDGEWATER, VIRGINIA

Page 2 of 4

**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL –
GENERAL FUND
Year Ended June 30, 2020**

| Entity, Fund, Function, Activity and Elements | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Over (Under) |
|--|------------------|----------------|-------------------|--|
| | Original | Final | | |
| Primary Government: (continued) | | | | |
| General Fund: (continued) | | | | |
| Public safety: | | | | |
| Law enforcement and traffic control: | | | | |
| Police department: | | | | |
| Personal services | \$ 558,800 | \$ 558,800 | \$ 543,355 | \$ (15,445) |
| Fringe benefits | 166,700 | 166,700 | 159,010 | (7,690) |
| Vehicle operation | 16,100 | 16,100 | 21,406 | 5,306 |
| Other charges | 28,000 | 28,000 | 40,115 | 12,115 |
| Capital outlay | - | - | 6,865 | 6,865 |
| Contractual services | 60,000 | 60,000 | 27,208 | (32,792) |
| Total law enforcement and traffic control | 829,600 | 829,600 | 797,959 | (31,641) |
| Fire and rescue services: | | | | |
| Fire department and rescue squad | 30,000 | 30,000 | 30,000 | - |
| Total fire and rescue services | 30,000 | 30,000 | 30,000 | - |
| Total public safety | 859,600 | 859,600 | 827,959 | (31,641) |
| Public works: | | | | |
| Public works department: | | | | |
| Personal services | 226,000 | 226,000 | 219,141 | (6,859) |
| Fringe benefits | 65,300 | 65,300 | 60,970 | (4,330) |
| Other charges | 6,000 | 6,000 | 4,501 | (1,499) |
| Contractual services | 6,000 | 6,000 | 21,991 | 15,991 |
| Total public works department | 303,300 | 303,300 | 306,603 | 3,303 |

TOWN OF BRIDGEWATER, VIRGINIA

Page 3 of 4

**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL –
GENERAL FUND
Year Ended June 30, 2020**

| Entity, Fund, Function, Activity and Elements | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Over (Under) |
|--|------------------|------------------|-------------------|--|
| | Original | Final | | |
| Primary Government: (continued) | | | | |
| General Fund: (continued) | | | | |
| Public works: (continued) | | | | |
| Maintenance of highways, streets, bridges, sidewalks, and street lights: | | | | |
| Highways, streets, bridges and sidewalks: | | | | |
| Personal services | \$ 349,000 | \$ 349,000 | \$ 96,078 | \$ (252,922) |
| Fringe benefits | 117,700 | 117,700 | 51,310 | (66,390) |
| Other charges | 159,000 | 159,000 | 36,125 | (122,875) |
| Contractual services | 190,100 | 190,100 | 45,997 | (144,103) |
| Street paving | 225,000 | 225,000 | 138,257 | (86,743) |
| Virginia Department of Transportation revenue sharing project | 1,355,000 | 1,355,000 | 68,694 | (1,286,306) |
| Urban construction program | 958,400 | 958,400 | 77,275 | (881,125) |
| Capital outlay | 503,800 | 503,800 | 43,365 | (460,435) |
| Total highways, streets, bridges, and sidewalks | 3,858,000 | 3,858,000 | 557,101 | (3,300,899) |
| Street lights | 83,100 | 83,100 | 85,610 | 2,510 |
| Total maintenance of highways, streets, bridges, sidewalks, and street lights | 3,941,100 | 3,941,100 | 642,711 | (3,298,389) |
| General properties: | | | | |
| Personal services | 172,800 | 172,800 | 166,184 | (6,616) |
| Fringe benefits | 65,500 | 65,500 | 64,176 | (1,324) |
| Other charges | 38,000 | 38,000 | 18,743 | (19,257) |
| Capital outlay | 1,028,802 | 1,028,802 | 623,285 | (405,517) |
| Contractual services | 74,000 | 74,000 | 72,245 | (1,755) |
| Total general properties | 1,379,102 | 1,379,102 | 944,633 | (434,469) |
| Total public works | 5,623,502 | 5,623,502 | 1,893,947 | (3,729,555) |

TOWN OF BRIDGEWATER, VIRGINIA

Page 4 of 4

**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL –
GENERAL FUND
Year Ended June 30, 2020**

| Entity, Fund, Function, Activity and Elements | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Over (Under) |
|---|---------------------|---------------------|---------------------|--|
| | Original | Final | | |
| Primary Government: (continued) | | | | |
| General Fund: (continued) | | | | |
| Parks, recreation and cultural: | | | | |
| Personal services | \$ 196,368 | \$ 196,368 | \$ 355,713 | \$ 159,345 |
| Fringe benefits | 76,765 | 76,765 | 112,400 | 35,635 |
| Other charges | 47,000 | 47,000 | 62,880 | 15,880 |
| Capital outlay | 265,000 | 265,000 | 31,774 | (233,226) |
| Contractual services | 69,000 | 69,000 | 148,327 | 79,327 |
| Total parks, recreation and cultural | 654,133 | 654,133 | 711,094 | 56,961 |
| Community and economic development: | | | | |
| Community development: | | | | |
| Personal services | 34,700 | 34,700 | 31,924 | (2,776) |
| Fringe benefits | 12,700 | 12,700 | 10,749 | (1,951) |
| Other charges | 92,600 | 92,600 | 80,712 | (11,888) |
| Contractual services | 16,500 | 16,500 | 14,477 | (2,023) |
| Total community development | 156,500 | 156,500 | 137,862 | (18,638) |
| Economic development: | | | | |
| Personal services | 9,400 | 9,400 | 8,263 | (1,137) |
| Fringe benefits | 2,600 | 2,600 | 795 | (1,805) |
| Other charges | 1,000 | 1,000 | 880 | (120) |
| Contractual services | 4,000 | 4,000 | 33,865 | 29,865 |
| Total economic development | 17,000 | 17,000 | 43,803 | 26,803 |
| Total community and economic development | 173,500 | 173,500 | 181,665 | 8,165 |
| Sipe Center: | | | | |
| Personal services | - | - | 25,393 | 25,393 |
| Fringe benefits | - | - | 6,353 | 6,353 |
| Other charges | - | - | 28,731 | 28,731 |
| Vending purchases | - | - | 7,391 | 7,391 |
| Contractual services | - | - | 19,367 | 19,367 |
| Movies | 57,000 | 57,000 | 12,504 | (44,496) |
| Performers | 67,200 | 67,200 | 54,265 | (12,935) |
| Total Sipe Center | 124,200 | 124,200 | 154,004 | 29,804 |
| Debt service: | | | | |
| Principal | 316,900 | 316,900 | 252,917 | (63,983) |
| Interest | 98,900 | 98,900 | 98,740 | (160) |
| Total debt service | 415,800 | 415,800 | 351,657 | (64,143) |
| Total General Fund | \$ 8,660,635 | \$ 8,660,635 | \$ 5,017,017 | \$ (3,643,618) |

TOWN OF BRIDGEWATER, VIRGINIA**Page 1 of 2****SCHEDULE OF CAPITAL OUTLAYS****Year Ended June 30, 2020**

| | |
|------------------------------------|----------------------------------|
| General Fund: | |
| General government administration: | |
| Edmunds GovTech software | <u>\$ 29,600</u> |
| Public works: | |
| Sipe Center | 656,936 |
| Electric line relocation | 16,955 |
| Town Hall improvements | <u>8,650</u> |
| | <u>682,541</u> |
| Parks, recreation and cultural: | |
| Sandy Bottom shelter | 24,542 |
| 96" Alexandria privacy fencing | 5,910 |
| Riverwalk | <u>1,321</u> |
| | <u>31,773</u> |
| Public safety: | |
| KSI 650 trailer | <u>6,865</u> |
| Total General Fund | <u><u>\$ 750,779</u></u> |

TOWN OF BRIDGEWATER, VIRGINIA**Page 2 of 2****SCHEDULE OF CAPITAL OUTLAYS****Year Ended June 30, 2020**

Water, Sewer and Sanitation Fund:**Water treatment:**

| | |
|------------------|--------------|
| Roof replacement | \$ 18,896 |
| Closet | 11,674 |
| Hach PH Meter | 9,434 |
| | <hr/> 40,004 |

Sanitation:

| | |
|----------------|-------------|
| Recycle Center | <hr/> 8,779 |
|----------------|-------------|

| | |
|---|-----------------------|
| Total Water, Sewer and Sanitation Fund | <hr/> <hr/> \$ 48,783 |
|---|-----------------------|

TOWN OF BRIDGEWATER, VIRGINIA

SCHEDULE OF TAXES RECEIVABLE

June 30, 2020

(With Comparative Amounts for 2019)

| | 2020 | 2019 |
|--|------------------------|----------------------|
| Taxes receivable: * | | |
| General Fund: | | |
| Real estate: | | |
| 2008 | \$ 67 | \$ 67 |
| 2009 | 134 | 134 |
| 2010 | 127 | 127 |
| 2011 | 127 | 127 |
| 2012 | 163 | 225 |
| 2013 | 366 | 366 |
| 2014 | 374 | 374 |
| 2015 | 374 | 374 |
| 2016 | 374 | 374 |
| 2017 | 374 | 374 |
| 2018 | 1,600 | 1,829 |
| | <u>4,080</u> | <u>4,371</u> |
| Personal property: | | |
| 2015 | - | 687 |
| 2016 | 1,087 | 1,202 |
| 2017 | 1,079 | 1,276 |
| 2018 | 1,161 | 3,701 |
| 2019 | 4,873 | - |
| | <u>8,200</u> | <u>6,866</u> |
| Less: | | |
| Allowance for uncollectible taxes | <u>11,000</u> | <u>11,000</u> |
| Taxes receivable - General Fund | <u><u>\$ 1,280</u></u> | <u><u>\$ 237</u></u> |

* Includes 10% penalty

TOWN OF BRIDGEWATER, VIRGINIA

SCHEDULE REVENUES AND EXPENSES – PROPRIETARY FUND TYPE Year Ended June 30, 2020

| | Water Department | Sewer Department | Sanitation Department | Totals |
|--|---------------------|---------------------|--------------------------|-------------------|
| Operating revenues: | | | | |
| Charges for services | \$ 1,050,765 | \$ 1,752,663 | \$ 560,466 | \$ 3,363,894 |
| Penalties | 20,890 | 19,333 | - | 40,223 |
| Other | - | 400 | - | 400 |
| Total operating revenues | 1,071,655 | 1,772,396 | 560,466 | 3,404,517 |
| Operating expenses: | | | | |
| Personal services | 453,895 | 105,518 | 216,355 | 775,768 |
| Fringe benefits | 15,205 | 17,719 | 83,824 | 116,748 |
| Materials, line repairs and other | 315,038 | 35,967 | 161,394 | 512,399 |
| Regional Sewer Authority assessment: | | | | |
| Operations and maintenance | - | 293,526 | - | 293,526 |
| Debt service | - | 520,158 | - | 520,158 |
| Construction | - | 77,222 | - | 77,222 |
| Depreciation | 111,689 | 110,846 | 22,604 | 245,139 |
| Total operating expenses | 895,827 | 1,160,956 | 484,177 | 2,540,960 |
| Operating income | 175,828 | 611,440 | 76,289 | 863,557 |
| Nonoperating revenue (expense): | | | | |
| Interest expense | (5,079) | (38,251) | (1,193) | (44,523) |
| Loss on disposal of assets | - | - | (63) | (63) |
| Connection availability fees | 57,918 | 86,054 | - | 143,972 |
| Total nonoperating revenue (expense), net | 52,839 | 47,803 | (1,256) | 99,386 |
| Income before transfers | 228,667 | 659,243 | 75,033 | 962,943 |
| Transfers out | (228,901) | (514,069) | - | (742,970) |
| Change in net position | \$ (234) | \$ 145,174 | \$ 75,033 | \$ 219,973 |

TOWN OF BRIDGEWATER, VIRGINIA

SCHEDULE REVENUES AND EXPENSES – ACTUAL AND RATE PER 1,000 GALLONS – PROPRIETARY FUND TYPE – WATER AND SEWER DEPARTMENTS

Year Ended June 30, 2020

(With Comparative Totals for 2019)

| | Water Department | | Sewer Department | | Totals (Memorandum Only) | | | |
|--|-------------------|------------------------------|-------------------|------------------------------|--------------------------|------------------------------|-------------------|------------------------------|
| | | | | | 2020 | | 2019 | |
| | Amount | Rate Per 1,000 Gallons | Amount | Rate Per 1,000 Gallons | Amount | Rate Per 1,000 Gallons | Amount | Rate Per 1,000 Gallons |
| Operating revenues: | | | | | | | | |
| Charges for services | \$ 1,050,765 | \$ 4.854 | \$ 1,752,663 | \$ 8.097 | \$ 2,803,428 | \$ 12.951 | \$ 2,674,126 | \$ 12.206 |
| Penalties | 20,890 | 0.097 | 19,333 | 0.089 | 40,223 | 0.186 | 37,967 | 0.174 |
| Other | - | - | 400 | 0.002 | 400 | 0.002 | - | - |
| Total operating revenues | 1,071,655 | 4.951 | 1,772,396 | 8.188 | 2,844,051 | 13.139 | 2,712,093 | 12.380 |
| Operating expenses: | | | | | | | | |
| Personal services | 453,895 | 2.097 | 105,518 | 0.487 | 559,413 | 2.584 | 576,777 | 2.632 |
| Fringe benefits | 15,205 | 0.070 | 17,719 | 0.082 | 32,924 | 0.152 | 236,409 | 1.079 |
| Materials, line repairs and other | 315,038 | 1.455 | 35,967 | 0.166 | 351,005 | 1.621 | 371,213 | 1.694 |
| Regional Sewer Authority assessment: | | | | | | | | |
| Operations and maintenance | - | - | 293,526 | 1.356 | 293,526 | 1.356 | 287,005 | 1.310 |
| Debt service | - | - | 520,158 | 2.403 | 520,158 | 2.403 | 526,646 | 2.404 |
| Construction | - | - | 77,222 | 0.357 | 77,222 | 0.357 | 53,001 | 0.242 |
| Depreciation | 111,689 | 0.516 | 110,846 | 0.512 | 222,535 | 1.028 | 213,430 | 0.974 |
| Total operating expenses | 895,827 | 4.138 | 1,160,956 | 5.363 | 2,056,783 | 9.501 | 2,264,481 | 10.335 |
| Operating income | 175,828 | 0.813 | 611,440 | 2.825 | 787,268 | 3.638 | 447,612 | 2.045 |
| Nonoperating revenue (expense): | | | | | | | | |
| Interest expense | (5,079) | (0.023) | (38,251) | (0.177) | (43,330) | (0.200) | (41,060) | (0.187) |
| Connection availability fees | 57,918 | 0.268 | 86,054 | 0.398 | 143,972 | 0.666 | 140,490 | 0.641 |
| Total nonoperating revenue, net | 52,839 | 0.245 | 47,803 | 0.221 | 100,642 | 0.466 | 99,430 | 0.454 |
| Income before transfers | \$ 228,667 | \$ 1.058 | \$ 659,243 | \$ 3.046 | \$ 887,910 | \$ 4.104 | \$ 547,042 | \$ 2.499 |
| Total water consumption: | | | | | | | | |
| Thousands of gallons | <u>216,470</u> | | | | | | <u>219,078</u> | |

**DISCRETELY PRESENTED COMPONENT UNIT –
INDUSTRIAL DEVELOPMENT AUTHORITY**

TOWN OF BRIDGEWATER, VIRGINIA

STATEMENT OF NET POSITION – DISCRETELY PRESENTED COMPONENT UNIT – INDUSTRIAL DEVELOPMENT AUTHORITY June 30, 2020

| ASSETS | |
|-------------------------------------|------------------|
| Current assets: | |
| Cash | \$ 34,500 |
| Note receivable | 13,930 |
| Total current assets | <u>48,430</u> |
| Noncurrent assets: | |
| Note receivable | <u>69,023</u> |
| Capital assets: | |
| Land | 79,747 |
| Buildings and improvements | 407,886 |
| Equipment | 30,105 |
| Less: accumulated depreciation | (61,873) |
| Total capital assets, net | <u>455,865</u> |
| Total noncurrent assets | <u>524,888</u> |
| Total assets | <u>573,318</u> |
| LIABILITIES | |
| Current liabilities: | |
| Accrued interest | 2,567 |
| Unearned revenue | 3,000 |
| Bonds payable | 17,284 |
| Total current liabilities | <u>22,851</u> |
| Noncurrent liabilities: | |
| Bonds payable | <u>469,410</u> |
| Total noncurrent liabilities | <u>469,410</u> |
| Total liabilities | <u>492,261</u> |
| NET POSITION | |
| Net investment in capital assets | 264,411 |
| Unrestricted | <u>(183,354)</u> |
| Total net position | <u>\$ 81,057</u> |

TOWN OF BRIDGEWATER, VIRGINIA

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – DISCRETELY PRESENTED COMPONENT UNIT – INDUSTRIAL DEVELOPMENT AUTHORITY Year Ended June 30, 2020

| | |
|---------------------------------|-------------------------|
| Operating revenues: | |
| Use of money and property | \$ 39,880 |
| Charges for services | <u>6,000</u> |
| Total operating revenues | <u>45,880</u> |
| Operating expenses: | |
| Personal services | 550 |
| Fringe benefits | 42 |
| Other charges | 44,969 |
| Legal services | 1,475 |
| Depreciation | <u>14,505</u> |
| Total operating expenses | <u>61,541</u> |
| Operating loss | (15,661) |
| Nonoperating expense: | |
| Interest | <u>17,605</u> |
| Change in net position | (33,266) |
| Net position, beginning | <u>114,323</u> |
| Net position, ending | <u><u>\$ 81,057</u></u> |

TOWN OF BRIDGEWATER, VIRGINIA

STATEMENT OF CASH FLOWS – DISCRETELY PRESENTED COMPONENT UNIT – INDUSTRIAL DEVELOPMENT AUTHORITY Year Ended June 30, 2020

| | |
|---|--------------------------|
| Cash flows from operating activities: | |
| Receipts from customers | \$ 45,880 |
| Payments to suppliers for goods and services | (46,444) |
| Payments to employees for services and benefits | (592) |
| Net cash used in operating activities | <u>(1,156)</u> |
| Cash flows from capital and related financing activities: | |
| Principal paid on: | |
| General obligation bonds | (16,498) |
| Interest paid on outstanding debt | (17,677) |
| Net cash used in capital and related financing activities | <u>(34,175)</u> |
| Cash flows from investing activities: | |
| Principal from collection of note receivable | 13,457 |
| Net cash provided by investing activities | <u>13,457</u> |
| Net change in cash | (21,874) |
| Cash: | |
| Beginning | <u>56,374</u> |
| Ending | <u><u>\$ 34,500</u></u> |
| Reconciliation of operating loss to net cash provided by operating activities: | |
| Operating loss | \$ (15,661) |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | |
| Depreciation | <u>14,505</u> |
| Net cash used in operating activities | <u><u>\$ (1,156)</u></u> |

**DISCRETELY PRESENTED COMPONENT UNIT –
SIPE CENTER LIVE**

TOWN OF BRIDGEWATER, VIRGINIA

**STATEMENT OF NET POSITION –
DISCRETELY PRESENTED COMPONENT UNIT –
SIPE CENTER LIVE
June 30, 2020**

| ASSETS | |
|-----------------------------|-------------------------|
| Current assets: | |
| Cash | \$ 13,213 |
| Total current assets | <u>13,213</u> |
| | |
| Total assets | <u>13,213</u> |
| | |
| NET POSITION | |
| Unrestricted | <u>13,213</u> |
| | |
| Total net position | <u><u>\$ 13,213</u></u> |

TOWN OF BRIDGEWATER, VIRGINIA

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION –
DISCRETELY PRESENTED COMPONENT UNIT –
SIPE CENTER LIVE
Year Ended June 30, 2020**

| | |
|---------------------------------|-----------|
| <hr/> | |
| Operating revenues: | |
| Other income - donations | \$ 14,338 |
| | <hr/> |
| Total operating revenues | 14,338 |
| | <hr/> |
| Operating expenses: | |
| Other | 1,125 |
| | <hr/> |
| Total operating expenses | 1,125 |
| | <hr/> |
| Change in net position | 13,213 |
| | <hr/> |
| Net position, beginning | - |
| | <hr/> |
| Net position, ending | \$ 13,213 |
| | <hr/> |

TOWN OF BRIDGEWATER, VIRGINIA

STATEMENT OF CASH FLOWS – DISCRETELY PRESENTED COMPONENT UNIT – SIPE CENTER LIVE Year Ended June 30, 2020

| | |
|---|-------------------------|
| Cash flows from operating activities: | |
| Receipts from customers | \$ 14,338 |
| Payments to suppliers for goods and services | <u>(1,125)</u> |
| Net cash provided by operating activities | <u>13,213</u> |
| Net change in cash | 13,213 |
| Cash: | |
| Beginning | <u>-</u> |
| Ending | <u><u>\$ 13,213</u></u> |
| Reconciliation of operating income to net cash provided by operating activities: | |
| Operating income | \$ 13,213 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | <u>-</u> |
| Net cash provided by operating activities | <u><u>\$ 13,213</u></u> |

STATISTICAL SECTION

TOWN OF BRIDGEWATER, VIRGINIA

STATISTICAL SECTION TABLE OF CONTENTS

The statistical section of the Town's comprehensive annual financial report presents detailed information as a context for understanding what the information presented in the financial statements, note disclosures and required supplementary information say about the Town's overall financial health. This information has not been audited by the independent auditor.

| Contents | Tables |
|--|--------|
| Financial Trends These tables contain trend information to help the reader understand how the Town's financial performance and financial well-being have changed over time. | 1-5 |
| Revenue Capacity These tables contain information to help the reader assess the Town's most significant local revenue sources, the property tax, as well as other revenue sources. | 6-11 |
| Debt Capacity These tables present information to help the reader assess the affordability of the Town's current level of outstanding debt and the Town's ability to issue additional debt in the future. | 12-15 |
| Demographic and Economic Information This table offers demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place. | 16 |
| Operating Information This table contains service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs. | 17 |

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

TOWN OF BRIDGEWATER, VIRGINIA

Table 1

NET POSITION / ASSETS BY COMPONENT

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

| | Fiscal Year June 30, | | | | | | | | | |
|--|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Governmental activities: | | | | | | | | | | |
| Net investment in capital assets | \$ 2,409,533 | \$ 2,177,934 | \$ 2,471,324 | \$ 2,599,041 | \$ 2,458,550 | \$ 2,983,582 | \$ 3,736,218 | \$ 3,982,455 | \$ 3,971,482 | \$ 4,445,390 |
| Restricted | 22,774 | 22,884 | 22,884 | 22,884 | 836,130 | 22,382 | 22,403 | 22,423 | 22,461 | 22,464 |
| Unrestricted (deficit) | 247,986 | 274,804 | 243,717 | 478,614 | (567,221) | 97,911 | (657,869) | (816,258) | (377,372) | (150,865) |
| Total governmental activities net assets | <u>\$ 2,680,293</u> | <u>\$ 2,475,622</u> | | | | | | | | |
| Total governmental activities net position | | | <u>\$ 2,737,925</u> | <u>\$ 3,100,539</u> | <u>\$ 2,727,459</u> | <u>\$ 3,103,875</u> | <u>\$ 3,100,752</u> | <u>\$ 3,188,620</u> | <u>\$ 3,616,571</u> | <u>\$ 4,316,989</u> |
| Business-type activities: | | | | | | | | | | |
| Net investment in capital assets | \$ 1,590,879 | \$ 1,682,446 | \$ 1,763,316 | \$ 1,510,862 | \$ 1,908,627 | \$ 2,133,564 | \$ 2,075,168 | \$ 1,633,372 | \$ 1,571,093 | \$ 1,600,558 |
| Unrestricted | 113,563 | 165,764 | 143,719 | 175,474 | 10,321 | 91,676 | 120,839 | (43,434) | (72,523) | 101,257 |
| Total business-type activities net assets | <u>\$ 1,704,442</u> | <u>\$ 1,848,210</u> | | | | | | | | |
| Total business-type activities net position | | | <u>\$ 1,907,035</u> | <u>\$ 1,686,336</u> | <u>\$ 1,918,948</u> | <u>\$ 2,225,240</u> | <u>\$ 2,196,007</u> | <u>\$ 1,589,938</u> | <u>\$ 1,498,570</u> | <u>\$ 1,701,815</u> |
| Primary government: | | | | | | | | | | |
| Net investment in capital assets | \$ 4,000,412 | \$ 3,860,380 | \$ 4,234,640 | \$ 4,109,903 | \$ 4,367,177 | \$ 5,117,146 | \$ 5,811,386 | \$ 5,615,827 | \$ 5,542,575 | \$ 6,045,948 |
| Restricted | 22,774 | 22,884 | 22,884 | 22,884 | 836,130 | 22,382 | 22,403 | 22,423 | 22,461 | 22,464 |
| Unrestricted (deficit) | 361,549 | 440,568 | 387,436 | 654,088 | (556,900) | 189,587 | (537,030) | (859,692) | (449,895) | (49,608) |
| Total primary government net assets | <u>\$ 4,384,735</u> | <u>\$ 4,323,832</u> | | | | | | | | |
| Total primary government net position | | | <u>\$ 4,644,960</u> | <u>\$ 4,786,875</u> | <u>\$ 4,646,407</u> | <u>\$ 5,329,115</u> | <u>\$ 5,296,759</u> | <u>\$ 4,778,558</u> | <u>\$ 5,115,141</u> | <u>\$ 6,018,804</u> |
| | | | (2) | | | (3) | | | | |

Notes:

(1) This table reports financial information based on the accrual basis of accounting. The Town implemented GASB Statement No. 63, the new reporting standard, in fiscal year 2013. This standard eliminated the use of the term 'net assets' and now refers to this measurement as 'net position.'

(2) June 30, 2014 net position was restated for the implementation of GASB Statement No. 68 which reduced net position by \$889,654.

(3) June 30, 2017 net position was restated for the implementation of GASB Statement No. 75 which reduced net position by \$778,140.

TOWN OF BRIDGEWATER, VIRGINIA

Table 2
Page 1

CHANGES IN NET POSITION / ASSETS

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

| | Fiscal Year June 30, | | | | | | | | | |
|---|----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Expenses: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government administration | \$ 687,128 | \$ 715,110 | \$ 709,603 | \$ 765,232 | \$ 786,203 | \$ 1,064,171 | \$ 780,506 | \$ 819,775 | \$ 879,486 | \$ 846,698 |
| Public safety | 796,247 | 861,318 | 826,648 | 833,948 | 812,586 | 815,116 | 784,779 | 845,679 | 774,021 | 791,134 |
| Public works | 1,170,542 | 2,101,001 | 1,302,538 | 1,298,405 | 1,369,850 | 2,012,876 | 1,919,106 | 1,999,370 | 1,901,366 | 1,219,675 |
| Parks, recreation and cultural | 448,454 | 428,657 | 426,733 | 482,013 | 464,969 | 670,901 | 740,707 | 803,811 | 811,329 | 754,113 |
| Community and economic development | 171,500 | 90,496 | 111,075 | 101,847 | 108,566 | 145,009 | 151,255 | 190,969 | 194,784 | 185,401 |
| Sipe Center | - | - | - | - | - | - | - | - | - | 154,004 |
| Interest | 80,004 | 56,092 | 39,946 | 32,738 | 39,846 | 53,294 | 56,345 | 54,211 | 95,928 | 98,002 |
| Total governmental activities | 3,353,875 | 4,252,674 | 3,416,543 | 3,514,183 | 3,582,020 | 4,761,367 | 4,432,698 | 4,713,815 | 4,656,914 | 4,049,027 |
| Business-type activities: | | | | | | | | | | |
| Water, sewer and sanitation | 2,285,051 | 2,474,727 | 2,500,118 | 2,592,145 | 2,478,288 | 2,424,121 | 2,631,063 | 2,780,204 | 2,797,328 | 2,585,546 |
| Stormwater management | - | - | - | 70,626 | 58,743 | 171,900 | 222,050 | 161,253 | 96,227 | 166,522 |
| Total business-type activities | 2,285,051 | 2,474,727 | 2,500,118 | 2,662,771 | 2,537,031 | 2,596,021 | 2,853,113 | 2,941,457 | 2,893,555 | 2,752,068 |
| Total government | 5,638,926 | 6,727,401 | 5,916,661 | 6,176,954 | 6,119,051 | 7,357,388 | 7,285,811 | 7,655,272 | 7,550,469 | 6,801,095 |
| Program revenue: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government administration | - | - | - | - | - | - | 485 | 14,809 | 18,966 | 17,357 |
| Public safety | 55,982 | 40,862 | 45,819 | 42,796 | 45,083 | 45,313 | 25,907 | 39,533 | 53,546 | 41,849 |
| Public works | - | - | - | - | - | - | 6,025 | 11,531 | 8,541 | 12,065 |
| Parks, recreation and cultural | - | - | - | - | - | - | 114,967 | 129,937 | 142,934 | 252,165 |
| Operating grants and contributions: | | | | | | | | | | |
| Public safety | 193,197 | 183,947 | 185,342 | 174,442 | 175,484 | 308,443 | 179,549 | 183,909 | 199,648 | 207,036 |
| Public works | 645,407 | 1,259,493 | 668,965 | 653,460 | 728,114 | 1,057,811 | 819,933 | 1,159,124 | 1,075,125 | 582,089 |
| Capital grants and contributions: | | | | | | | | | | |
| General government administration | 85,000 | - | - | - | - | - | - | - | - | - |
| Public safety | - | 15,390 | - | - | - | - | - | - | - | - |
| Public works | - | 11,653 | 18,544 | - | - | - | - | - | - | 1,321 |
| Parks, recreation and cultural | - | - | - | - | - | - | 7,750 | - | - | - |
| Total governmental activities program revenue | 979,586 | 1,511,345 | 918,670 | 870,698 | 948,681 | 1,411,567 | 1,154,616 | 1,538,843 | 1,498,760 | 1,113,882 |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Water, sewer and sanitation | 2,653,193 | 2,875,705 | 2,944,344 | 2,935,832 | 2,947,948 | 3,087,391 | 3,187,973 | 3,345,715 | 3,211,655 | 3,364,294 |
| Stormwater Management | - | - | - | 78,512 | 79,863 | 71,747 | 100,088 | 132,797 | 148,513 | 165,788 |
| Capital grants and contributions: | | | | | | | | | | |
| Water, sewer and sanitation | 247,277 | 85,796 | 54,000 | 67,500 | 300,141 | 226,982 | 210,119 | 181,169 | 151,571 | 143,972 |
| Total business-type activities program revenue | 2,900,470 | 2,961,501 | 2,998,344 | 3,081,844 | 3,327,952 | 3,386,120 | 3,498,180 | 3,659,681 | 3,511,739 | 3,674,054 |
| Total government program revenue | 3,880,056 | 4,472,846 | 3,917,014 | 3,952,542 | 4,276,633 | 4,797,687 | 4,652,796 | 5,198,524 | 5,010,499 | 4,787,936 |
| Net (expense) revenue: | | | | | | | | | | |
| Governmental activities | (2,374,289) | (2,741,329) | (2,497,873) | (2,643,485) | (2,633,339) | (3,349,800) | (3,278,082) | (3,174,972) | (3,158,154) | (2,935,145) |
| Business-type activities | 615,419 | 486,774 | 498,226 | 419,073 | 790,921 | 790,099 | 645,067 | 718,224 | 618,184 | 921,986 |
| Total government net expense | (1,758,870) | (2,254,555) | (1,999,647) | (2,224,412) | (1,842,418) | (2,559,701) | (2,633,015) | (2,456,748) | (2,539,970) | (2,013,159) |

TOWN OF BRIDGEWATER, VIRGINIA

Table 2
Page 2

CHANGES IN NET POSITION / ASSETS

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

| | Fiscal Year June 30, | | | | | | | | | |
|---|----------------------|--------------------|-------------------|-------------------|-------------------|-------------------|--------------------|--------------------|-------------------|-------------------|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| General revenues and other changes in net assets: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| General property | \$ 560,335 | \$ 538,464 | \$ 506,468 | \$ 554,897 | \$ 576,922 | \$ 590,960 | \$ 611,129 | \$ 632,407 | \$ 459,608 | \$ 284,099 |
| Consumer utility and communications sales and use | 274,780 | 393,629 | 386,397 | 385,779 | 387,647 | 387,969 | 388,104 | 370,722 | 541,858 | 755,307 |
| Meals | 360,040 | 347,099 | 396,659 | 446,307 | 466,633 | 530,632 | 548,988 | 618,979 | 646,425 | 709,943 |
| Local sales and use | 162,442 | 168,211 | 247,769 | 160,076 | 160,706 | 198,749 | 192,639 | 196,399 | 206,402 | 235,473 |
| Bank stock | 108,360 | 95,393 | 101,619 | 107,330 | 146,696 | 150,249 | 154,259 | 171,849 | 185,621 | 147,837 |
| Business license | 172,147 | 199,905 | 206,776 | 217,335 | 223,970 | 224,118 | 220,114 | 218,755 | 222,382 | 232,684 |
| Other | 98,454 | 122,680 | 150,383 | 136,486 | 144,678 | 138,536 | 141,781 | 142,385 | 139,861 | 155,012 |
| Intergovernmental, non-categorical aid | 198,644 | 195,902 | 198,768 | 191,976 | 197,996 | 191,335 | 187,398 | 186,204 | 179,457 | 176,593 |
| Use of money and property | 77,000 | 81,329 | 68,678 | 90,455 | 87,468 | 175,097 | 96,141 | 100,451 | 118,344 | 105,268 |
| Miscellaneous | 52,583 | 17,505 | 20,335 | 32,980 | 160,142 | 621,785 | 26,134 | 42,082 | 138,628 | 74,383 |
| Transfers | 635,497 | 376,541 | 476,324 | 682,478 | 298,487 | 516,786 | 708,272 | 1,136,806 | 747,519 | 758,964 |
| Total governmental activities | 2,700,282 | 2,536,658 | 2,760,176 | 3,006,099 | 2,851,345 | 3,726,216 | 3,274,959 | 3,817,039 | 3,586,105 | 3,635,563 |
| Business-type activities: | | | | | | | | | | |
| Miscellaneous | 29,979 | 33,535 | 36,923 | 42,706 | 38,746 | 32,979 | 33,972 | 36,454 | 37,967 | 40,223 |
| Transfers | (635,497) | (376,541) | (476,324) | (682,478) | (298,487) | (516,786) | (708,272) | (1,136,806) | (747,519) | (758,964) |
| Total business-type activities | (605,518) | (343,006) | (439,401) | (639,772) | (259,741) | (483,807) | (674,300) | (1,100,352) | (709,552) | (718,741) |
| Total primary government | 2,094,764 | 2,193,652 | 2,320,775 | 2,366,327 | 2,591,604 | 3,242,409 | 2,600,659 | 2,716,687 | 2,876,553 | 2,916,822 |
| Changes in net assets: | | | | | | | | | | |
| Governmental activities | 325,993 | (204,671) | | | | | | | | |
| Business-type activities | 9,901 | 143,768 | | | | | | | | |
| Total primary government | \$ 335,894 | \$ (60,903) | | | | | | | | |
| Changes in net position: | | | | | | | | | | |
| Governmental activities | | | 262,303 | 362,614 | 218,006 | 376,416 | (3,123) | 642,067 | 427,951 | 700,418 |
| Business-type activities | | | 58,825 | (220,699) | 531,180 | 306,292 | (29,233) | (382,128) | (91,368) | 203,245 |
| Total primary government | | | \$ 321,128 | \$ 141,915 | \$ 749,186 | \$ 682,708 | \$ (32,356) | \$ 259,939 | \$ 336,583 | \$ 903,663 |

Notes:

- (1) Net (expense) revenue is the difference between the expenses and program revenues. This difference indicates the degree to which a function or program is supported with its own fees and program-specific grants versus its reliance upon funding from taxes and other general revenues. Numbers in a parentheses are net expenses indicating that expenses were greater than program revenues and, therefore, general revenues were needed to finance that function or program. Numbers without parentheses are net revenues, demonstrating that program revenues were more than sufficient to cover expenses.
- (2) This table reports financial information based on the accrual basis of accounting. The Town implemented GASB Statement No. 63, the new reporting standard, in fiscal year 2013. This standard eliminated the use of the term 'net assets' and now refers to this measurement as 'net position.'
- (3) In fiscal year 2016, the Town sold property for \$590,722 and was classified as miscellaneous revenue on the Statement of Activities.
- (4) The Town eliminated the Real Estate tax beginning January 1, 2019 and replaced it with an increase to the Consumer Utility Tax.

PROGRAM REVENUES BY FUNCTION / PROGRAM

Last Ten Fiscal Years

*(accrual basis of accounting)***(Unaudited)**

| Function/Program | Fiscal Year June 30, | | | | | | | | | |
|---------------------------------------|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Governmental activities: | | | | | | | | | | |
| General government administration | \$ 85,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 485 | \$ 14,809 | \$ 18,966 | \$ 17,357 |
| Public safety | 249,179 | 240,199 | 231,161 | 217,238 | 220,567 | 353,756 | 205,456 | 223,442 | 253,194 | 248,885 |
| Public works | 645,407 | 1,271,146 | 687,509 | 653,460 | 728,114 | 1,057,811 | 825,958 | 1,170,655 | 1,083,666 | 595,475 |
| Parks, recreation and cultural | - | - | - | - | - | - | 122,717 | 129,937 | 142,934 | 252,165 |
| Total governmental activities | 979,586 | 1,511,345 | 918,670 | 870,698 | 948,681 | 1,411,567 | 1,154,616 | 1,538,843 | 1,498,760 | 1,113,882 |
| Business-type activities: | | | | | | | | | | |
| Water, sewer and sanitation | 2,900,470 | 2,961,501 | 2,998,344 | 3,003,332 | 3,248,089 | 3,314,373 | 3,398,092 | 3,526,884 | 3,363,226 | 3,508,266 |
| Stormwater management | - | - | - | 78,512 | 79,863 | 71,747 | 100,088 | 132,797 | 148,513 | 165,788 |
| Total business-type activities | 2,900,470 | 2,961,501 | 2,998,344 | 3,081,844 | 3,327,952 | 3,386,120 | 3,498,180 | 3,659,681 | 3,511,739 | 3,674,054 |
| Total government | \$ 3,880,056 | \$ 4,472,846 | \$ 3,917,014 | \$ 3,952,542 | \$ 4,276,633 | \$ 4,797,687 | \$ 4,652,796 | \$ 5,198,524 | \$ 5,010,499 | \$ 4,787,936 |

TOWN OF BRIDGEWATER, VIRGINIA

Table 4

FUND BALANCES – GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

| | Fiscal Year June 30, | | | | | |
|---|----------------------|-------------------|-------------------|-------------------|---------------------|--|
| | 2011 | 2012 | 2013 | 2014 | 2015 | |
| General Fund: | | | | | | |
| Unreserved | \$ - | \$ - | \$ - | \$ - | \$ 813,754 | |
| Nonspendable | - | - | - | - | 82,000 | |
| Committed | 10,000 | 10,000 | 10,000 | 10,000 | - | |
| Unassigned | 427,550 | 483,281 | 485,544 | 731,144 | 168,287 | |
| Total General Fund | \$ 437,550 | \$ 493,281 | \$ 495,544 | \$ 741,144 | \$ 1,064,041 | |
| | | | | | | |
| All other governmental funds: | | | | | | |
| Nonspendable | \$ 6,000 | \$ 6,000 | \$ 6,000 | \$ 6,000 | \$ 6,000 | |
| Restricted | 16,774 | 16,774 | 16,884 | 16,884 | 16,376 | |
| Total all other governmental funds | \$ 22,774 | \$ 22,774 | \$ 22,884 | \$ 22,884 | \$ 22,376 | |
| | | | | | | |
| | Fiscal Year June 30, | | | | | |
| | 2016 | 2017 | 2018 | 2019 | 2020 | |
| General Fund: | | | | | | |
| Restricted | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Assigned | - | 10,000 | 10,000 | - | - | |
| Committed | - | - | - | - | 48,759 | |
| Unassigned | 896,320 | 90,347 | 392,196 | 591,748 | 459,565 | |
| Total General Fund | \$ 896,320 | \$ 100,347 | \$ 402,196 | \$ 591,748 | \$ 508,324 | |
| | | | | | | |
| All other governmental funds: | | | | | | |
| Nonspendable | \$ 6,000 | \$ 6,000 | \$ 6,000 | \$ 6,000 | \$ 6,000 | |
| Restricted | 16,382 | 16,403 | 16,423 | 16,461 | 16,464 | |
| Total all other governmental funds | \$ 22,382 | \$ 22,403 | \$ 22,423 | \$ 22,461 | \$ 22,464 | |

TOWN OF BRIDGEWATER, VIRGINIA

Table 5
Page 1

CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

| | Fiscal Year June 30, | | | | | | | | | |
|---|----------------------|------------------|------------------|-------------------|--------------------|---------------------|---------------------|--------------------|--------------------|--------------------|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Revenues: | | | | | | | | | | |
| General property taxes | \$ 558,335 | \$ 541,464 | \$ 509,468 | \$ 542,897 | \$ 579,922 | \$ 593,960 | \$ 611,129 | \$ 631,407 | \$ 462,608 | \$ 282,099 |
| Other local taxes | 1,176,223 | 1,326,917 | 1,489,603 | 1,453,313 | 1,530,330 | 1,630,253 | 1,645,885 | 1,719,089 | 1,942,549 | 2,236,256 |
| Permits and other licenses | 4,144 | 3,425 | 2,965 | 3,078 | 4,160 | 3,499 | 6,510 | 26,340 | 27,507 | 29,422 |
| Fines and forfeitures | 51,838 | 37,437 | 42,854 | 39,718 | 40,923 | 41,814 | 25,907 | 39,533 | 53,546 | 41,849 |
| Use of money and property | 77,000 | 81,329 | 68,678 | 90,455 | 87,468 | 92,345 | 96,141 | 100,451 | 118,344 | 105,268 |
| Charges for services | - | - | - | - | - | 56,976 | 114,967 | 129,937 | 142,934 | 252,165 |
| Miscellaneous | 52,583 | 17,505 | 20,335 | 32,980 | 160,142 | 56,833 | 26,134 | 42,082 | 138,628 | 74,383 |
| Intergovernmental | 1,037,248 | 1,639,342 | 1,053,075 | 1,019,878 | 1,101,594 | 1,557,589 | 1,186,880 | 1,529,237 | 1,454,230 | 967,039 |
| Total revenues | 2,957,371 | 3,647,419 | 3,186,978 | 3,182,319 | 3,504,539 | 4,033,269 | 3,713,553 | 4,218,076 | 4,340,346 | 3,988,481 |
| Expenditures: | | | | | | | | | | |
| General government administration | 646,078 | 674,207 | 676,800 | 734,129 | 770,265 | 760,492 | 771,999 | 821,438 | 806,421 | 896,691 |
| Public safety | 725,534 | 835,013 | 767,068 | 825,896 | 878,516 | 953,365 | 769,232 | 815,321 | 817,721 | 827,959 |
| Public works | 1,127,277 | 2,090,014 | 1,311,656 | 1,245,008 | 1,418,584 | 2,273,855 | 2,492,724 | 2,285,238 | 3,104,722 | 1,893,947 |
| Parks, recreation and cultural | 400,891 | 389,595 | 461,846 | 445,772 | 1,174,047 | 1,515,081 | 745,407 | 960,286 | 943,186 | 711,094 |
| Community and economic development | 170,291 | 90,406 | 109,124 | 117,737 | 109,003 | 137,385 | 150,315 | 232,991 | 191,048 | 181,665 |
| Sipe Center | - | - | - | - | - | - | - | - | - | 154,004 |
| Debt service: | | | | | | | | | | |
| Principal | 229,965 | 230,266 | 291,996 | 216,520 | 146,785 | 164,155 | 230,147 | 166,847 | 340,755 | 252,917 |
| Interest and fiscal charges | 83,262 | 48,618 | 42,549 | 34,135 | 38,437 | 48,165 | 57,953 | 55,892 | 94,422 | 98,740 |
| Total expenditures | 3,383,298 | 4,358,119 | 3,661,039 | 3,619,197 | 4,535,637 | 5,852,498 | 5,217,777 | 5,338,013 | 6,298,275 | 5,017,017 |
| Revenues under expenditures | (425,927) | (710,700) | (474,061) | (436,878) | (1,031,098) | (1,819,229) | (1,504,224) | (1,119,937) | (1,957,929) | (1,028,536) |
| Other financing sources (uses): | | | | | | | | | | |
| Sale of capital asset | - | - | - | - | - | 590,722 | - | - | - | - |
| Transfers in | 635,497 | 376,541 | 476,324 | 682,478 | 298,487 | 618,780 | 841,971 | 1,211,971 | 752,450 | 758,964 |
| Transfers out | - | - | - | - | - | (101,994) | (133,699) | (75,165) | (4,931) | - |
| Issuance of debt | - | 390,000 | - | - | 1,055,000 | 544,000 | - | 285,000 | 1,400,000 | 186,151 |
| Total other financing sources, net | 635,497 | 766,541 | 476,324 | 682,478 | 1,353,487 | 1,651,508 | 708,272 | 1,421,806 | 2,147,519 | 945,115 |
| Net change in fund balances | \$ 209,570 | \$ 55,841 | \$ 2,263 | \$ 245,600 | \$ 322,389 | \$ (167,721) | \$ (795,952) | \$ 301,869 | \$ 189,590 | \$ (83,421) |

TOWN OF BRIDGEWATER, VIRGINIA

Table 5
Page 2

CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Debt service as a percentage of noncapital expenditures: | | | | | | | | | | |
| Total debt service | \$ 313,227 | \$ 278,884 | \$ 334,545 | \$ 250,655 | \$ 185,222 | \$ 212,320 | \$ 288,100 | \$ 222,739 | \$ 435,177 | \$ 351,657 |
| Total expenditures | \$ 3,383,298 | \$ 4,358,119 | \$ 3,661,039 | \$ 3,619,197 | \$ 4,535,637 | \$ 5,852,498 | \$ 5,217,777 | \$ 5,338,013 | \$ 6,298,275 | \$ 5,017,017 |
| Less: capital outlay | (7,657) | (76,643) | (151,506) | (60,365) | (910,084) | (1,398,661) | (769,033) | (648,256) | (1,453,718) | (750,779) |
| Noncapital expenditures | \$ 3,375,641 | \$ 4,281,476 | \$ 3,509,533 | \$ 3,558,832 | \$ 3,625,553 | \$ 4,453,837 | \$ 4,448,744 | \$ 4,689,757 | \$ 4,844,557 | \$ 4,266,238 |
| Debt service as a percentage of noncapital expenditures | 9.28% | 6.51% | 9.53% | 7.04% | 5.11% | 4.77% | 6.48% | 4.75% | 8.98% | 8.24% |

Note:

(1) The amounts used for capital outlay were obtained from the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.

TOWN OF BRIDGEWATER, VIRGINIA

Table 6

TAX REVENUES BY SOURCE – GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

| Fiscal Year June 30, | General Property Including Interest and Penalty | Consumer Utility | Consumption | Local Sales and Use | Bank Stock | Meals | Right-of-way Use Fee | Business Licenses | Motor Vehicle | Cigarette | Transient Occupancy | Totals |
|-------------------------|---|---------------------|-------------|---------------------------|---------------|------------|-------------------------|----------------------|------------------|-----------|------------------------|--------------|
| 2011 | \$ 558,335 | \$ 274,780 | \$ 25,108 | \$ 162,442 | \$ 108,360 | \$ 360,040 | \$ 15,158 | \$ 172,147 | \$ 58,188 | \$ - | \$ - | \$ 1,734,558 |
| 2012 | 541,464 | 393,629 | 24,594 | 168,211 | 95,393 | 347,099 | 13,171 | 199,905 | 84,915 | - | - | 1,868,381 |
| 2013 | 509,468 | 386,397 | 24,672 | 247,769 | 101,619 | 396,659 | 14,082 | 206,776 | 87,377 | 24,252 | - | 1,999,071 |
| 2014 | 542,897 | 385,779 | 24,893 | 160,076 | 107,330 | 446,307 | 13,978 | 217,335 | 75,473 | 22,142 | - | 1,996,210 |
| 2015 | 579,922 | 387,647 | 24,874 | 160,706 | 146,696 | 466,633 | 14,842 | 223,970 | 82,995 | 21,967 | - | 2,110,252 |
| 2016 | 593,960 | 387,969 | 24,225 | 198,749 | 150,249 | 530,632 | 11,983 | 224,118 | 81,893 | 20,435 | - | 2,224,213 |
| 2017 | 611,129 | 388,104 | 24,186 | 192,639 | 154,259 | 548,988 | 13,324 | 220,114 | 84,417 | 19,854 | - | 2,257,014 |
| 2018 | 631,407 | 370,722 | 24,106 | 196,399 | 171,849 | 618,979 | 10,362 | 218,755 | 86,338 | 18,294 | - | 2,347,211 |
| 2019 | 462,608 | 541,858 | 24,635 | 206,402 | 185,621 | 646,425 | 9,598 | 222,382 | 87,762 | 17,599 | 267 | 2,405,157 |
| 2020 | 282,099 | 755,307 | 23,544 | 235,473 | 147,837 | 709,943 | 21,267 | 232,684 | 90,800 | 17,097 | 2,304 | 2,518,355 |
| Change 2011-2020 | -49.47% | 174.88% | -6.23% | 44.96% | 36.43% | 97.18% | 40.30% | 35.17% | 56.05% | 100.00% | 100.00% | 45.19% |

Note:

(1) The Town eliminated the Real Estate tax beginning January 1, 2019 and replaced it with an increase to the Consumer Utility Tax.

TOWN OF BRIDGEWATER, VIRGINIA

Table 7

**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years
(Unaudited)**

| Fiscal Year June 30, | Residential Property | Public Service Corporation | Nontaxable | Total Assessed Value | Total Taxable Assessed Value | Percent Growth | Total Direct Tax Rate | Actual Taxable Value | Value as a Percentage of Actual Value |
|-------------------------|-------------------------|----------------------------------|----------------|----------------------------|------------------------------------|-------------------|--------------------------|----------------------------|---|
| 2011 | \$ 389,052,878 | \$ 5,795,586 | \$ 189,175,750 | \$ 584,024,214 | \$ 394,848,464 | 1.82% | \$ 0.08 | \$ 394,848,464 | 100.00% |
| 2012 | 392,261,009 | 5,829,251 | 189,573,100 | 587,663,360 | 398,090,260 | 0.82% | 0.08 | 398,090,260 | 100.00% |
| 2013 | 395,914,725 | 5,912,756 | 191,489,150 | 593,316,631 | 401,827,481 | 0.94% | 0.09 | 401,827,481 | 100.00% |
| 2014 | 405,446,028 | 6,131,545 | 197,048,600 | 608,626,173 | 411,577,573 | 2.43% | 0.09 | 411,577,573 | 100.00% |
| 2015 | 409,796,273 | 6,429,834 | 200,667,200 | 616,893,307 | 416,226,107 | 1.13% | 0.09 | 416,226,107 | 100.00% |
| 2016 | 411,823,951 | 7,015,135 | 201,132,900 | 619,971,986 | 418,839,086 | 0.63% | 0.09 | 418,839,086 | 100.00% |
| 2017 | 413,540,334 | 7,256,522 | 201,203,800 | 622,000,656 | 420,796,856 | 0.47% | 0.09 | 420,796,856 | 100.00% |
| 2018 | 422,027,830 | 6,965,994 | 202,041,200 | 631,035,024 | 428,993,824 | 1.95% | 0.085/0.09 | 428,993,824 | 100.00% |
| 2019 | 442,236,400 | 7,342,604 | 203,218,700 | 652,797,704 | 449,579,004 | 4.80% | - | 449,579,004 | 100.00% |
| 2020 | 446,982,200 | 7,055,073 | - | 454,037,273 | 454,037,273 | 0.99% | - | 454,037,273 | 100.00% |

Notes:

- (1) Real and personal property tax assessments are made by the Commissioner of the Revenue for the County of Rockingham, Virginia for current use of the County and Town property. Real and personal property taxes of public service corporations are assessed by the State Corporation Commission.
- (2) Town assesses taxes at 100% of total assessed value.
- (3) Reassessments effective January 1, 2014 and 2018.
- (4) The total direct tax rate is per \$100 of assessed value.

TOWN OF BRIDGEWATER, VIRGINIA

Table 8

**DIRECT AND OVERLAPPING PROPERTY TAX RATES
Last Ten Fiscal Years
(Unaudited)**

| Fiscal Year June 30, | Tax Rates - Town | | | Tax Rates - Rockingham County | | | Tax Rates - Combined | | |
|-------------------------|------------------|----------------------|------------------------|-------------------------------|----------------------|------------------------|----------------------|----------------------|------------------------|
| | Real Property | Personal Property | Machinery and Tools | Real Property | Personal Property | Machinery and Tools | Real Property | Personal Property | Machinery and Tools |
| 2011 | \$ 0.08 | \$ 0.75 | \$ 0.75 | \$ 0.60 | \$ 2.80 | \$ 2.55 | \$ 0.68 | \$ 3.55 | \$ 3.30 |
| 2012 | 0.08 | 0.75 | 0.38 | 0.64 | 2.85 | 2.55 | 0.72 | 3.60 | 2.93 |
| 2013 | 0.09 | 0.75 | - | 0.64 | 2.85 | 2.55 | 0.73 | 3.60 | 2.55 |
| 2014 | 0.09 | 0.75 | - | 0.64 | 2.85 | 2.55 | 0.73 | 3.60 | 2.55 |
| 2015 | 0.09 | 0.75 | - | 0.66 | 2.90 | 2.55 | 0.75 | 3.65 | 2.55 |
| 2016 | 0.09 | 0.75 | - | 0.68/0.70 | 2.90 | 2.55 | 0.77/0.79 | 3.65 | 2.55 |
| 2017 | 0.09 | 0.75 | - | 0.70 | 2.90 | 2.55 | 0.79 | 3.65 | 2.55 |
| 2018 | 0.085/0.09 | 0.75 | - | 0.74 | 3.00 | 2.55 | 0.83 | 3.75 | 2.55 |
| 2019 | - | 0.75 | - | 0.74 | 3.00 | 2.55 | 0.74 | 3.75 | 2.55 |
| 2020 | - | 0.75 | - | 0.74 | 3.00 | 2.55 | 0.74 | 3.75 | 2.55 |

Notes:

- (1) These rates are per \$100 of assessed value for real estate and personal property.
- (2) The Commonwealth of Virginia has no limitations on local tax rates.
- (3) Real property taxes are due in semi-annual installments by June 5 and December 5, and become delinquent thereafter. Beginning January 1, 2019 the Town eliminated the Real Estate Tax and replaced with an increase to the Consumer Utility Tax.
- (4) No discounts are allowed for early payment.
- (5) Residents of incorporated towns in the Commonwealth of Virginia are subject to real property and personal property taxes levied by the town and the county where they reside.

PRINCIPAL MEALS TAXPAYERS
Current Year and Nine Years Ago
(Unaudited)

| Meals Taxpayer | 2020 Rank | 2011 Rank |
|--------------------------|--------------------------|--------------------------|
| McDonald's | 1 | 1 |
| El Charro | 2 | - |
| Dairy Queen | 3 | 2 |
| Cracked Pillar Pub | 4 | - |
| Dominos Pizza | 5 | - |
| NY Flying Pizza | 6 | 3 |
| Francescos | 7 | 6 |
| Subway | 8 | 7 |
| Jalepeno Southwest Grill | 9 | - |
| Bob-A-Rea's | 10 | 8 |
| Total Meals Tax | <u>\$ 709,943</u> | <u>\$ 360,040</u> |

Notes:

- (1) The Town eliminated the Real Estate tax beginning January 1, 2019 and replaced it with an increase to the Consumer Utility Tax. Due to this the elimination of the Real Estate tax, the Town opted to not show principal property taxpayer data for Real Estate for fiscal year 2020.
- (2) The Meals Tax Rate was 5% for fiscal year 2011, 6% for fiscal years 2012 through 2019 and 7% for fiscal year 2020.
- (3) Per State code, meals tax remittances for individual businesses are protected information and, therefore, masked in this report.

OTHER TAX RATES**Current Year and Nine Years Ago
(Unaudited)**

| Fiscal year June 30, | Consumer Utility - Electric | | | Consumer Utility - Natural Gas | | | Meals |
|----------------------|-----------------------------|--------------------------------------|-------------------------------------|--------------------------------|--------------------------------------|-------------------------------------|-------|
| | Residential | Non-Residential (first 6,300 kWh) | Non-Residential (over 6,300 kWh) | Residential | Non-Residential (first 1,225 CCF) | Non-Residential (over 1,225 CCF) | |
| 2011 | 0.0142/kWh | 0.0125/kWh | 0.0041/kWh | .0251/CCF | .0124/CCF | .0057/CCF | 5% |
| 2012 | 0.0142/kWh | 0.0125/kWh | 0.0041/kWh | .0251/CCF | .0124/CCF | .0057/CCF | 6% |
| 2013 | 0.0142/kWh | 0.0125/kWh | 0.0041/kWh | .0251/CCF | .0124/CCF | .0057/CCF | 6% |
| 2014 | 0.0142/kWh | 0.0125/kWh | 0.0041/kWh | .0251/CCF | .0124/CCF | .0057/CCF | 6% |
| 2015 | 0.0142/kWh | 0.0125/kWh | 0.0041/kWh | .0251/CCF | .0124/CCF | .0057/CCF | 6% |
| 2016 | 0.0142/kWh | 0.0125/kWh | 0.0041/kWh | .0251/CCF | .0124/CCF | .0057/CCF | 6% |
| 2017 | 0.0142/kWh | 0.0125/kWh | 0.0041/kWh | .0251/CCF | .0124/CCF | .0057/CCF | 6% |
| 2018 | 0.0142/kWh | 0.0125/kWh | 0.0041/kWh | .0251/CCF | .0124/CCF | .0057/CCF | 6% |
| 2019 | 0.0142/kWh | 0.0125/kWh | 0.0041/kWh | .0251/CCF | .0124/CCF | .0057/CCF | 6% |
| 2020 | 0.0284/kWh | 0.0250/kWh | 0.0085/kWh | .0502/CCF | .0248/CCF | .0114/CCF | 7% |

Notes:

- (1) The 2019 Consumer Utility - Electric and Consumer Utility - Natural Gas rates were effective as of January 1, 2019.
- (2) The 2020 Meals Tax Rate increased to 7% effective November 1, 2019.

REAL PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years
(Unaudited)

| Fiscal Year 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 |
| 2011 | \$ 312,031 | \$ 305,715 | 97.98% | \$ 6,201 | \$ 311,916 | 99.96% |
| 2012 | 314,036 | 309,769 | 98.64% | 4,152 | 313,921 | 99.96% |
| 2013 | 335,295 | 330,693 | 98.63% | 4,378 | 335,071 | 99.93% |
| 2014 | 362,129 | 357,687 | 98.77% | 4,106 | 361,793 | 99.91% |
| 2015 | 367,506 | 363,278 | 98.85% | 3,888 | 367,166 | 99.91% |
| 2016 | 370,491 | 368,206 | 99.38% | 1,945 | 370,151 | 99.91% |
| 2017 | 373,345 | 369,909 | 99.08% | 3,096 | 373,005 | 99.91% |
| 2018 | 371,202 | 367,153 | 98.91% | 3,443 | 370,596 | 99.84% |
| 2019 | 184,881 | 183,511 | 99.26% | 230 | 183,741 | 99.38% |
| 2020 | - | - | N/A | - | - | N/A |

Source: Treasurer

Note:

The Town eliminated the Real Estate tax beginning January 1, 2019 and replaced it with an increase to the Consumer Utility Tax.

RATIOS OF OUTSTANDING DEBT BY TYPE AND GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years
(Unaudited)

| Fiscal Year June 30, | Governmental Activities | | Business-Type Activities | | | Total | Percentage of Personal Income | Debt Per Capita | General Bonded Debt Outstanding | Percentage of Actual Taxable Value of Property | General Bonded Debt Outstanding |
|-------------------------|--------------------------------|-----------|-----------------------------|-----------|-------------------|--------------|-------------------------------------|-----------------------|--|--|--|
| | General Obligation Bonds | Note | Revenue Bonds | Note | Capital Leases | | | | General Obligation Bonds | | Debt Per Capita |
| 2011 | \$ 1,366,075 | \$ 30,911 | \$ 329,025 | \$ 69,858 | \$ 32,380 | \$ 1,828,249 | 1.06% | \$ 324 | \$ 1,366,075 | 0.35% | \$ 242 |
| 2012 | 1,535,800 | 20,920 | 199,200 | 47,279 | - | 1,803,199 | 0.97% | 319 | 1,535,800 | 0.39% | 272 |
| 2013 | 1,264,724 | - | 62,500 | - | 35,200 | 1,362,424 | 0.71% | 241 | 1,264,724 | 0.31% | 224 |
| 2014 | 1,048,204 | - | 550,000 | - | 8,800 | 1,607,004 | 0.81% | 273 | 1,048,204 | 0.25% | 178 |
| 2015 | 1,956,419 | - | 495,000 | - | - | 2,451,419 | 1.17% | 417 | 1,956,419 | 0.47% | 333 |
| 2016 | 2,336,264 | - | 630,000 | - | 198,001 | 3,164,265 | 1.49% | 537 | 2,336,264 | 0.56% | 397 |
| 2017 | 2,106,117 | - | 565,445 | - | 153,123 | 2,824,685 | 1.23% | 467 | 2,106,117 | 0.50% | 348 |
| 2018 | 2,224,270 | - | 1,239,954 | - | 106,675 | 3,570,899 | 1.48% | 589 | 2,224,270 | 0.52% | 367 |
| 2019 | 3,283,515 | - | 1,868,479 | - | 165,509 | 5,317,503 | N/A | 871 | 3,283,515 | 0.73% | 538 |
| 2020 | 3,216,749 | - | 1,696,943 | - | 103,144 | 5,016,836 | N/A | 816 | 3,216,749 | 0.71% | 523 |

Notes:

(1) Details regarding the Town's outstanding debt may be found in the notes to the basic financial statements.

(2) Population and personal income data can be found in table 15.

(3) See table 7 for property value data.

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**Year Ended June 30, 2020****(Unaudited)**

| Governmental Unit | Debt Outstanding | Estimated Percentage Applicable | Estimated Share of Overlapping Debt |
|--|---------------------|---------------------------------------|--|
| Rockingham County, Virginia | \$ 113,692,404 | 5.37% | \$ 6,099,818 |
| Town Direct Debt | | | <u>3,216,749</u> |
| Total direct and overlapping debt | | | <u><u>\$ 9,316,567</u></u> |

Note:

- (1) Overlapping debt is not bonded debt of the Town on either a direct or contingent basis, but represents the share of debt of overlapping governmental entities which the residents of the Town are obligated to pay through direct tax levies and charges for services of these respective governmental entities. The debt of Rockingham County, Virginia is a direct general obligation debt of the County which provides facilities that benefit all County residents including those of incorporated towns.

LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
(Unaudited)

| | Fiscal Year June 30, | | | | | | | | | |
|--|----------------------|---------------|---------------|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Legal debt margin | \$ 39,484,846 | \$ 39,809,026 | \$ 40,182,748 | \$ 41,157,757 | \$ 41,622,611 | \$ 41,883,909 | \$ 42,079,686 | \$ 42,899,382 | \$ 44,957,900 | \$ 45,403,727 |
| Total net debt applicable to limit | 1,396,986 | 1,556,720 | 1,264,724 | 1,048,204 | 1,956,419 | 2,336,264 | 2,106,117 | 2,224,270 | 3,283,515 | 3,216,749 |
| Available legal debt margin | \$ 38,087,860 | \$ 38,252,306 | \$ 38,918,024 | \$ 40,109,553 | \$ 39,666,192 | \$ 39,547,645 | \$ 39,973,569 | \$ 40,675,112 | \$ 41,674,385 | \$ 42,186,978 |
| Total net debt applicable to the limit as a percentage of debt limit | 3.54% | 3.91% | 3.15% | 2.55% | 4.70% | 5.58% | 5.01% | 5.18% | 7.30% | 7.08% |
| Legal debt margin calculation for fiscal year 2020: | | | | | | | | | | |
| Assessed value of real estate | \$ 454,037,273 | | | Summary of outstanding debt: | | | \$ 5,016,836 | | | |
| Debt limit (10% of assessed value) | \$ 45,403,727 | | | Gross bonded debt | | | 1,800,087 | | | |
| Debt applicable to limit: | | | | Less: enterprise debt | | | \$ 3,216,749 | | | |
| Net direct debt outstanding | 3,216,749 | | | | | | | | | |
| Available legal debt margin | \$ 42,186,978 | | | | | | | | | |

Note:

- (1) Section 15.1-176 of 1950 *Code of Virginia*, as amended, limits to 10% the assessed valuation of the real estate subject to taxation as the amount of debt which can be issued by the Town. Debt includes any bonds or other interest bearing obligations including existing indebtedness. Excluded from the debt margin calculation are bonds payable from enterprise funds issued under Article VII Section 10(a)(2) of the Constitution of Virginia.

BOND COVERAGE
Last Ten Fiscal Years
(Unaudited)

| Fiscal Year June 30, | Water, Sewer and Sanitation Fund | | | | | | |
|-------------------------|----------------------------------|--------------|----------------------|--------------|-----------|------------|----------|
| | Utility | Operating | Net | Debt Service | | | Total |
| | Service Charges | Expenses | Available Revenue | Principal | Interest | Totals | Coverage |
| 2011 | \$ 2,930,449 | \$ 2,038,042 | \$ 892,407 | \$ 129,825 | \$ 21,694 | \$ 151,519 | \$ 5.89 |
| 2012 | 2,990,240 | 2,240,339 | 749,901 | 129,825 | 14,975 | 144,800 | 5.18 |
| 2013 | 2,981,267 | 2,267,085 | 714,182 | 136,700 | 7,830 | 144,530 | 4.94 |
| 2014 | 2,978,538 | 2,386,931 | 591,607 | 62,500 | 7,184 | 69,684 | 8.49 |
| 2015 | 2,986,694 | 2,283,122 | 703,572 | 55,000 | 10,920 | 65,920 | 10.67 |
| 2016 | 3,120,370 | 2,179,720 | 940,650 | 55,000 | 15,036 | 70,036 | 13.43 |
| 2017 | 3,221,945 | 2,365,789 | 856,156 | 64,555 | 19,265 | 83,820 | 10.21 |
| 2018 | 3,382,169 | 2,512,231 | 869,938 | 134,574 | 31,986 | 166,560 | 5.22 |
| 2019 | 3,249,622 | 2,517,731 | 731,891 | 64,555 | 43,548 | 108,103 | 6.77 |
| 2020 | 3,404,517 | 2,295,821 | 1,108,696 | 171,536 | 44,523 | 216,059 | 5.13 |

Notes:

- (1) Utility service charges includes all revenues of the fund except gains on sales of capital assets, developer donated assets, capital grants, and transfers in.
- (2) Operating expenses are exclusive of depreciation, amortization, interest expense, losses on sales of capital assets, and transfers out.

DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Calendar Years
(Unaudited)

| Calendar Year | (1) Population | Personal Income | (2) Per Capita Personal Income | (3) Unemployment Rate |
|------------------|-------------------|--------------------|---|-----------------------------|
| 2011 | 5,644 | \$ 173,197,614 | \$ 30,687 | 5.9% |
| 2012 | 5,644 | 186,240,712 | 32,998 | 5.5% |
| 2013 | 5,644 | 192,832,904 | 34,166 | 5.0% |
| 2014 | 5,879 | 198,139,937 | 33,703 | 4.5% |
| 2015 | 5,879 | 209,880,300 | 35,700 | 4.6% |
| 2016 | 5,889 | 212,127,669 | 36,021 | 3.7% |
| 2017 | 6,048 | 230,096,160 | 38,045 | 3.3% |
| 2018 | 6,062 | 240,788,702 | 39,721 | 2.9% |
| 2019 | 6,106 | (4) | (4) | 2.6% |
| 2020 | 6,145 | (4) | (4) | 3.7% |

Notes:

- (1) Population estimates obtained from the United States Bureau of the Census for years 2011 through 2019.
- (2) This information is not maintained for towns. The amounts used are for the County of Rockingham, Virginia, which the Town lies within. The County obtained its information from the Bureau of Economic Analysis.
- (3) This information is not maintained for towns. The amounts used are for the County of Rockingham, Virginia, which the Town lies within. The County obtained its information for the years 2011 through 2019 from the U.S. Bureau of Labor Statistics for Rockingham County.
- (4) Information was not available.

FULL-TIME EQUIVALENT TOWN GOVERNMENT EMPLOYEES BY FUNCTIONS / PROGRAMS

Last Ten Fiscal Years

(Unaudited)

| Function/Program | Fiscal Year June 30, | | | | | | | | | |
|-------------------------------------|----------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| General government administration: | | | | | | | | | | |
| Legislative: | | | | | | | | | | |
| Manager's office | 2 | 2 | 2 | 2 | 2 | 3 | 3 | 3 | 3 | 3 |
| Treasurer's office | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Public safety: | | | | | | | | | | |
| Law enforcement and traffic control | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 |
| Public works: | | | | | | | | | | |
| Public works department | 3 | 3 | 4 | 4 | 3 | 4 | 4 | 4 | 5 | 4 |
| Maintenance | 7 | 6 | 6 | 6 | 5 | 5 | 5 | 5 | 5 | 5 |
| General properties | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 6 | 6 |
| Parks, recreation and cultural | 4 | 4 | 5 | 6 | 5 | 8 | 9 | 8 | 7 | 7 |
| Water, Sewer and Sanitation: | | | | | | | | | | |
| Administration | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Transmission | 6 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Purification | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Sewer maintenance | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Sanitation | 5 | 5 | 5 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Stormwater | - | - | - | - | - | - | - | - | - | 1 |
| Total | 52 | 50 | 52 | 54 | 51 | 56 | 57 | 56 | 57 | 57 |

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 Mayor and Members of Council
Town of Bridgewater, Virginia

We have audited, in accordance with the 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, the discretely presented component units, each major fund, the aggregate remaining fund information, and the budgetary comparison of the General Fund of the Town of Bridgewater, Virginia (Town) as of and for the year ended June 30, 2020, 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, 2020.

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 the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 Town's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, as described in the accompanying Schedule of Finding and Response as item 2020-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

Town's Response to Finding

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

Purpose of this Report

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

YB Marcus, LLP

Harrisonburg, Virginia
November 2, 2020

TOWN OF BRIDGEWATER, VIRGINIA

SCHEDULE OF FINDING AND RESPONSE

Year Ended June 30, 2020

Section I. FINANCIAL STATEMENT FINDING

A. Significant Deficiency in Internal Control

2020-001: Significant Deficiency Due to Significant Audit Adjustments

Criteria: The year-end financial statements obtained from the Town to be audited should be final and free of material misstatements.

Condition: Upon auditing the Town's year-end balances, entries were required to properly record year-end balances including accounts payable, accounts receivable, capital assets, and long-term debt.

Based on the adjustments made during the Town's annual audit, it does not appear the Town's management is able to draft financial statements, including all footnotes and disclosures, in accordance with accounting principles generally accepted in the United States of America (GAAP). Management provides information for year-end adjustments and management is provided all year-end journal entries made during the audit, which are verified by management and posted to the Town's general ledger.

Cause: Year-end adjusting journal entries have historically not been made by the Town.

Effect: The necessary entries above were significant to the financial statements, and were included as adjustments in order to represent the financial position of the Town more accurately.

Recommendation: The Treasurer should consider training courses to enhance technical skills to comply with GAAP.

Views of Responsible Officials: The Town of Bridgewater is not in a position to hire a full-time, in-house Certified Public Accountant at this time, nor will we be able to do so in the near future. It appears this would be required in order to remedy the above noted deficiency.

