

# TOWN OF BRIDGEWATER, VIRGINIA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2019



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, 2019**

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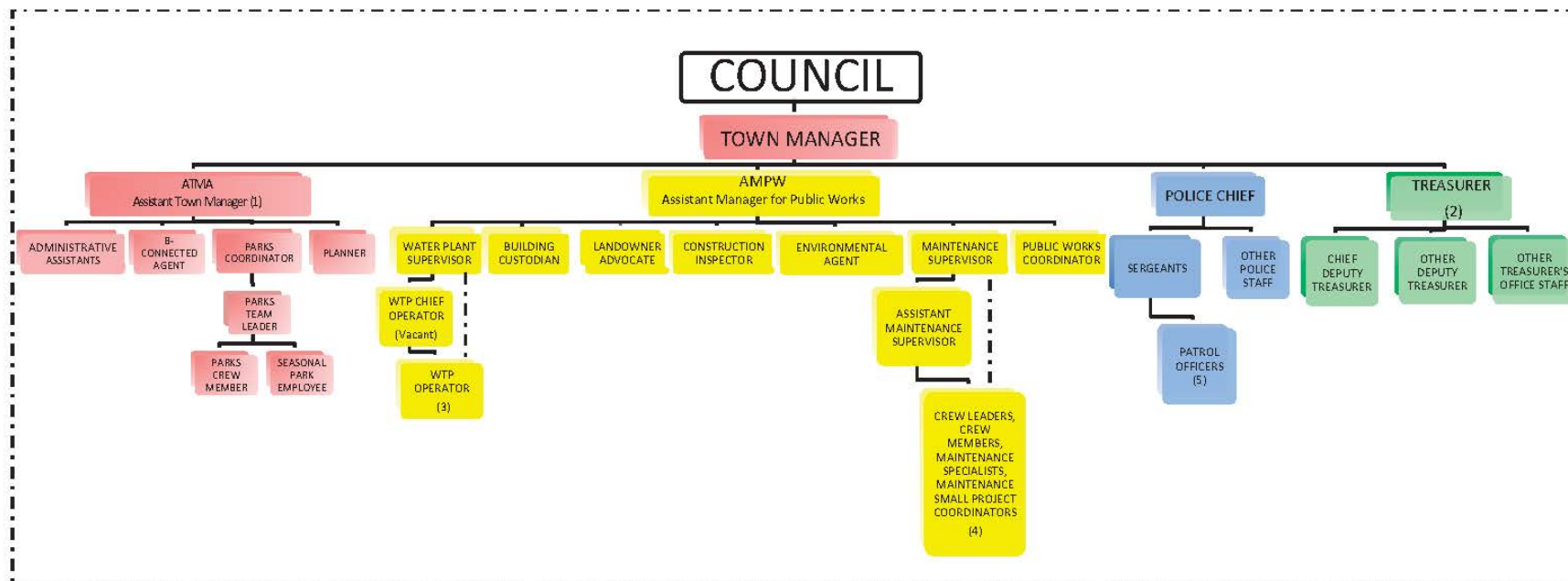
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## **INTRODUCTORY SECTION**

# ORGANIZATIONAL CHART



- (1) Where employees are designated to report to a vacant position, they simply report to the next level up the chain.
- (2) Treasurer reports to the Town Manager, but she has other reporting duties also. See Employment Manual.
- (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.
- (5) Patrol officers report to one of the two Sergeants depending on the squad.

# **TOWN OF BRIDGEWATER, VIRGINIA**

## ***Directory of Principal Officials***

### ***OFFICIALS***

Theodore W. Flory	Mayor
A. Fontaine Canada	Vice-Mayor
J. Jay Litten	Town Manager
Robyn Weekley	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 unit, 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, 2019, 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 unit, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2019, 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 76-86, 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 October 25, 2019 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 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.

*YB Mares, LLP*

Harrisonburg, Virginia  
October 25, 2019

## **Town of Bridgewater, Virginia Management's Discussion and Analysis**

In fiscal 2019, the Town Council boldly altered its revenue mix, creating a tax structure which is both fairer and simpler. The Council abolished its real estate tax—or more technically, it set the real estate rate to zero—and replaced the revenue through an increase in the consumer utility tax. Doing so redistributed the tax burden to reach certain entities which consumed copious town services, and it also eliminated our need to participate in the arcane and uncertain process of real estate assessment. The change created two primary difficulties for the staff:

- i. We had to rethink the timing of our expenditures, as the new tax structure delivers revenue on a much different schedule than we had been accustomed to, and
- ii. We had to explain to people—repeatedly—that there really is *no* real estate tax in Bridgewater.

The Council also established a “fund balance” policy in FY19 which will require us to build substantial financial reserves over time. Beginning in FY20, the Treasurer will deposit an increasing share of the Town’s sales tax revenues into an account to be held for bold tactical and strategic reserves. One of our frequently quoted goals is to build a town worthy of our grandchildren, and the fund balance policy will help protect those grandchildren from any downturn in town revenues.

Overall, we are pleased with the Town’s financial position set out below.

### **FINANCIAL HIGHLIGHTS**

Total assets and deferred outflows of resources of the Town exceeded total liabilities and deferred inflows of resources at June 30, 2019 by approximately \$5.1 million (net position). Of the total net position, approximately \$450,000 was unrestricted deficit.

The Town’s total net position increased approximately \$337,000 from the previous year’s total net position.

As of June 30, 2019, the Town’s governmental funds had combined ending fund balances of approximately \$614,000, an increase of approximately \$190,000 in comparison with the prior year.

The Town’s total long-term liabilities (excluding compensated absences) increased approximately \$1.4 million during fiscal year 2019 due primarily to new debt issuance for the construction of a multi-use theatre (Sipe Center) of \$1.4 million and sewer projects of \$693,000 coupled with previously scheduled debt repayments and a prepayment of \$65,000.

## 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 a legally separate Industrial Development Authority. Financial information for the component unit is 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 \$5.1 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, \$450,000 is classified as unrestricted deficit.

The following table presents a condensed statement of net position:

**Table 1**  
**Summary Statements of Net Position**  
**June 30, 2019 and 2018**

	Governmental Activities		Business-type Activity		Total Primary Government	
	2019	2018	2019	2018	2019	2018
<b>ASSETS</b>						
Current and other assets	\$ 1,310,853	\$ 1,342,359	\$ 430,465	\$ 474,776	\$ 1,741,318	\$ 1,817,135
Capital assets, net	7,254,997	6,206,725	3,605,081	2,980,001	10,860,078	9,186,726
<b>Total assets</b>	<b>8,565,850</b>	<b>7,549,084</b>	<b>4,035,546</b>	<b>3,454,777</b>	<b>12,601,396</b>	<b>11,003,861</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Other postemployment benefits	35,587	29,327	13,616	11,013	49,203	40,340
Pension plan	170,947	216,802	75,807	88,494	246,754	305,296
<b>Total deferred outflows of resources</b>	<b>206,534</b>	<b>246,129</b>	<b>89,423</b>	<b>99,507</b>	<b>295,957</b>	<b>345,636</b>
<b>LIABILITIES</b>						
Current and other liabilities	706,247	754,237	99,894	129,982	806,141	884,219
Long-term liabilities	4,080,459	3,371,276	2,363,704	1,707,086	6,444,163	5,078,362
<b>Total liabilities</b>	<b>4,786,706</b>	<b>4,125,513</b>	<b>2,463,598</b>	<b>1,837,068</b>	<b>7,250,304</b>	<b>5,962,581</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Other postemployment benefits	226,819	36,361	99,703	14,573	326,522	50,934
Pension plan	142,288	276,119	63,098	112,705	205,386	388,824
Unavailable revenue - property taxes	-	168,600	-	-	-	168,600
<b>Total deferred inflows of resources</b>	<b>369,107</b>	<b>481,080</b>	<b>162,801</b>	<b>127,278</b>	<b>531,908</b>	<b>608,358</b>
<b>NET POSITION</b>						
Net investment in capital assets	3,971,482	3,982,455	1,571,093	1,633,372	5,542,575	5,615,827
Restricted	22,461	22,423	-	-	22,461	22,423
Unrestricted	(377,372)	(816,258)	(72,523)	(43,434)	(449,895)	(859,692)
<b>Total net position</b>	<b>\$ 3,616,571</b>	<b>\$ 3,188,620</b>	<b>\$ 1,498,570</b>	<b>\$ 1,589,938</b>	<b>\$ 5,115,141</b>	<b>\$ 4,778,558</b>

## Statement of Activities

### Governmental Activities

**Revenues:** For the fiscal year ended June 30, 2019, revenue from governmental activities totaled \$4.3 million. Sources of revenue are comprised of many different types with taxes constituting the largest source of Town revenues in this category. In addition to real estate taxes, the Town assesses other local taxes and fees including 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 \$4.7 million. As the table below indicates, General Government Administration and Public Works, which together comprise about 60% 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, 2019:

**Table 2**  
**Changes in Net Position**  
**Years Ended June 30, 2019 and 2018**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 223,987	\$ 195,810	\$ 3,360,168	\$ 3,478,512	\$ 3,584,155	\$ 3,674,322
Operating grants and contributions	1,274,773	1,343,033	-	-	1,274,773	1,343,033
Capital grants and contributions	-	-	151,571	181,169	151,571	181,169
<b>Total program revenues</b>	<b>1,498,760</b>	<b>1,538,843</b>	<b>3,511,739</b>	<b>3,659,681</b>	<b>5,010,499</b>	<b>5,198,524</b>
General revenues:						
General property taxes	459,608	632,407	-	-	459,608	632,407
Other local taxes	1,942,549	1,719,089	-	-	1,942,549	1,719,089
Intergovernmental, non-categorical aid	179,457	186,204	-	-	179,457	186,204
Use of money and property	118,344	100,451	-	-	118,344	100,451
Miscellaneous	138,628	42,082	37,967	36,454	176,595	78,536
<b>Total general revenues</b>	<b>2,838,586</b>	<b>2,680,233</b>	<b>37,967</b>	<b>36,454</b>	<b>2,876,553</b>	<b>2,716,687</b>
<b>Total revenues</b>	<b>4,337,346</b>	<b>4,219,076</b>	<b>3,549,706</b>	<b>3,696,135</b>	<b>7,887,052</b>	<b>7,915,211</b>
Expenses:						
General government administration	879,486	819,775	-	-	879,486	819,775
Public safety	774,021	845,679	-	-	774,021	845,679
Public works	1,901,366	1,999,370	-	-	1,901,366	1,999,370
Parks, recreation and cultural	811,329	803,811	-	-	811,329	803,811
Community and economic development	194,784	190,969	-	-	194,784	190,969
Interest	95,928	54,211	-	-	95,928	54,211
Water, sewer and sanitation	-	-	2,797,328	2,780,204	2,797,328	2,780,204
Stormwater management	-	-	96,227	161,253	96,227	161,253
<b>Total expenses</b>	<b>4,656,914</b>	<b>4,713,815</b>	<b>2,893,555</b>	<b>2,941,457</b>	<b>7,550,469</b>	<b>7,655,272</b>
<b>Changes in net position before transfers</b>	<b>(319,568)</b>	<b>(494,739)</b>	<b>656,151</b>	<b>754,678</b>	<b>336,583</b>	<b>259,939</b>
Transfers	747,519	1,136,806	(747,519)	(1,136,806)	-	-
<b>Change in net position</b>	<b>427,951</b>	<b>642,067</b>	<b>(91,368)</b>	<b>(382,128)</b>	<b>336,583</b>	<b>259,939</b>
Net position, beginning, as restated*	3,188,620	2,546,553	1,589,938	1,972,066	4,778,558	4,518,619
Net position, ending	\$ 3,616,571	\$ 3,188,620	\$ 1,498,570	\$ 1,589,938	\$ 5,115,141	\$ 4,778,558

\* Beginning net position in fiscal year 2018 was restated for the implementation of GASB Statement No. 75.

### ***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 2019, total operating and non-operating revenues amounted to \$3.5 million, which is a decrease of approximately \$156,000 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 \$2.9 million for fiscal year 2019. This is a decrease of 2% from the previous year and is due primarily to decreases in capital expenditures. Change in net position before transfers was \$656,000 in fiscal year 2019 compared to \$755,000 in fiscal year 2018, a decrease of \$99,000.

The business-type activities' net position decreased by approximately \$91,000 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 increased approximately \$200,000 resulting in an unassigned balance of approximately \$592,000.

**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, 2019, the unrestricted net position for the enterprise funds totaled about \$(73,000), which is a decrease of approximately \$29,000 from the previous year.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Overall, actual revenues were less than budgeted revenues by \$663,000. Expenditures were less than budgeted amounts by \$1 million.

### **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 2019 totaled approximately \$2,309,000. The increase can be attributed largely to the construction of a multi-use theatre, replacement of sewer lines, and installation of stormwater infrastructure.

**Table 3**  
**Changes in Capital Assets**  
**Years Ended June 30, 2019 and 2018**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Capital assets not being depreciated:						
Land and easements	\$ 2,193,008	\$ 2,225,980	\$ 4,600	\$ 4,600	\$ 2,197,608	\$ 2,230,580
Construction in progress	1,150,252	19,830	-	285,452	1,150,252	305,282
<b>Total capital assets not being depreciated</b>	<b>3,343,260</b>	<b>2,245,810</b>	<b>4,600</b>	<b>290,052</b>	<b>3,347,860</b>	<b>2,535,862</b>
Capital assets being depreciated or amortized:						
Buildings and improvements	4,066,019	3,908,948	918,918	918,918	4,984,937	4,827,866
Distribution and collection system	-	-	3,961,726	3,055,623	3,961,726	3,055,623
Equipment	1,041,672	1,024,640	2,522,950	2,403,186	3,564,622	3,427,826
Software	53,970	26,551	-	-	53,970	26,551
Infrastructure	1,244,706	1,244,706	104,494	44,408	1,349,200	1,289,114
Vehicles	508,099	458,099	1,032,555	980,766	1,540,654	1,438,865
<b>Total capital assets being depreciated or amortized</b>	<b>6,914,466</b>	<b>6,662,944</b>	<b>8,540,643</b>	<b>7,402,901</b>	<b>15,455,109</b>	<b>14,065,845</b>
Less accumulated depreciation and amortization:						
Buildings and improvements	1,510,487	1,369,563	838,764	823,017	2,349,251	2,192,580
Distribution and collection system	-	-	1,856,635	1,781,471	1,856,635	1,781,471
Equipment	804,037	755,203	1,412,953	1,320,428	2,216,990	2,075,631
Software	31,121	26,551	-	-	31,121	26,551
Infrastructure	303,992	262,502	3,222	740	307,214	263,242
Vehicles	353,092	288,210	828,588	787,296	1,181,680	1,075,506
<b>Total accumulated depreciation and amortization</b>	<b>3,002,729</b>	<b>2,702,029</b>	<b>4,940,162</b>	<b>4,712,952</b>	<b>7,942,891</b>	<b>7,414,981</b>
<b>Total capital assets being depreciated or amortized, net</b>	<b>3,911,737</b>	<b>3,960,915</b>	<b>3,600,481</b>	<b>2,689,949</b>	<b>7,512,218</b>	<b>6,650,864</b>
Capital assets, net	\$ 7,254,997	\$ 6,206,725	\$ 3,605,081	\$ 2,980,001	\$ 10,860,078	\$ 9,186,726

## LONG-TERM DEBT

As of June 30, 2019, the Town's long-term liabilities, exclusive of compensated absences, net pension liability and other postemployment benefits, totaled \$3.3 million for governmental activities. Additionally, \$2.0 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, 2019 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
6,106	\$ 449,579,004	\$ 3,283,515	0.0073	\$ 538

The net bonded debt increased approximately \$1,059,000, which correlates to an increase in debt per capita of \$171.



## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Here are some factors to consider in the FY 2020 budget.

- FY2020, we hope, will mark the completion of four large, ongoing projects, all of which will have an impact on our financial reports:
  - i. Riverwalk Phase I (largely state funded),
  - ii. The DORM intersection (Dylan/Old River/Main, again largely state funded),
  - iii. The Dry River Road widening (largely state funded), and
  - iv. The first phase of the Main Street utility-undergrounding project we are undertaking with Dominion Energy.

These are all long-term projects in which we must answer to—or work with—some unwieldy bureaucracy. Therefore, although we have hope and optimism that these projects will be completed in FY2020, we have no certainty.

All of these projects rely heavily on state funds, borrowed funds, or both, but all have potential to demand local funds should construction costs exceed estimates.

- The FY20 budget anticipates the creation of no new positions. The average wage increase should be about 2.4%.

## **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, 2019

	Primary Government			Component Unit
	Governmental	Business-type	Totals	Industrial Development Authority
	Activities	Activities		
<b>ASSETS</b>				
Cash and cash equivalents	\$ 660,191	\$ -	\$ 660,191	\$ 56,374
Receivables, net:				
Property taxes	237	-	237	-
Trade and other accounts	58,224	430,465	488,689	-
Due from other governments	100,191	-	100,191	-
Note receivable	-	-	-	96,410
Restricted investment	22,461	-	22,461	-
Restricted cash and cash equivalents	469,549	-	469,549	-
Capital assets:				
Land	2,184,608	4,600	2,189,208	79,747
Land easements	8,400	-	8,400	-
Buildings and improvements	4,066,019	918,918	4,984,937	407,886
Infrastructure	1,244,706	104,494	1,349,200	-
Distribution and collection systems	-	3,961,726	3,961,726	-
Equipment	1,041,672	2,522,950	3,564,622	30,105
Software	53,970	-	53,970	-
Vehicles	508,099	1,032,555	1,540,654	-
Construction in progress	1,150,252	-	1,150,252	-
Less: accumulated depreciation and amortization	(3,002,729)	(4,940,162)	(7,942,891)	(47,368)
<b>Total assets</b>	<b>8,565,850</b>	<b>4,035,546</b>	<b>12,601,396</b>	<b>623,154</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Other postemployment benefits	35,587	13,616	49,203	-
Pension plan	170,947	75,807	246,754	-
<b>Total deferred outflows of resources</b>	<b>206,534</b>	<b>89,423</b>	<b>295,957</b>	<b>-</b>
<b>LIABILITIES</b>				
Accounts and deposits payable	90,335	68,057	158,392	-
Retainage payable	47,837	-	47,837	-
Due to other governments	46,593	-	46,593	-
Accrued payroll and benefits	39,421	18,294	57,715	-
Accrued interest	16,603	13,543	30,146	2,639
Unearned revenue	465,458	-	465,458	3,000
Noncurrent liabilities:				
Due within one year:				
Capital leases	-	62,365	62,365	-
Bonds payable	252,996	171,537	424,533	16,646
Compensated absences	76,199	23,920	100,119	-
Due in more than one year:				
Capital leases	-	103,144	103,144	-
Bonds payable	3,030,519	1,696,942	4,727,461	486,546
Compensated absences	50,799	15,947	66,746	-
Net pension liability	150,465	66,724	217,189	-
Other postemployment benefits	519,481	223,125	742,606	-
<b>Total liabilities</b>	<b>4,786,706</b>	<b>2,463,598</b>	<b>7,250,304</b>	<b>508,831</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Other postemployment benefits	226,819	99,703	326,522	-
Pension plan	142,288	63,098	205,386	-
<b>Total deferred inflows of resources</b>	<b>369,107</b>	<b>162,801</b>	<b>531,908</b>	<b>-</b>
<b>NET POSITION</b>				
Net investment in capital assets	3,971,482	1,571,093	5,542,575	272,470
Restricted:				
Nonexpendable trust principal	6,000	-	6,000	-
Cemetery maintenance	16,461	-	16,461	-
Unrestricted	(377,372)	(72,523)	(449,895)	(158,147)
<b>Total net position</b>	<b>\$ 3,616,571</b>	<b>\$ 1,498,570</b>	<b>\$ 5,115,141</b>	<b>\$ 114,323</b>

# TOWN OF BRIDGEWATER, VIRGINIA

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

Entity/Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Industrial Development Authority
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
Primary government:								
Governmental activities:								
General government administration	\$ 879,486	\$ 18,966	\$ -	\$ -	\$ (860,520)	\$ -	\$ (860,520)	\$ -
Public safety	774,021	53,546	199,648	-	(520,827)	-	(520,827)	-
Public works	1,901,366	8,541	1,075,125	-	(817,700)	-	(817,700)	-
Parks, recreation and cultural	811,329	142,934	-	-	(668,395)	-	(668,395)	-
Community and economic development	194,784	-	-	-	(194,784)	-	(194,784)	-
Interest	95,928	-	-	-	(95,928)	-	(95,928)	-
<b>Total governmental activities</b>	<b>4,656,914</b>	<b>223,987</b>	<b>1,274,773</b>	<b>-</b>	<b>(3,158,154)</b>	<b>-</b>	<b>(3,158,154)</b>	<b>-</b>
Business-type activities:								
Water, sewer and sanitation	2,797,328	3,211,655	-	151,571	-	565,898	565,898	-
Stormwater management	96,227	148,513	-	-	-	52,286	52,286	-
<b>Total business-type activities</b>	<b>2,893,555</b>	<b>3,360,168</b>	<b>-</b>	<b>151,571</b>	<b>-</b>	<b>618,184</b>	<b>618,184</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 7,550,469</b>	<b>\$ 3,584,155</b>	<b>\$ 1,274,773</b>	<b>\$ 151,571</b>	<b>(3,158,154)</b>	<b>618,184</b>	<b>(2,539,970)</b>	<b>-</b>
Component Unit:								
Industrial Development Authority	\$ 51,981	\$ 6,000	\$ -	\$ -	-	-	-	(45,981)
General revenues:								
Taxes:								
General property taxes					459,608	-	459,608	-
Other local taxes:								
Consumer utility					541,858	-	541,858	-
Meals					646,425	-	646,425	-
Local sales and use					206,402	-	206,402	-
Business license					222,382	-	222,382	-
Bank stock					185,621	-	185,621	-
Other					139,861	-	139,861	-
Intergovernmental, non-categorical aid					179,457	-	179,457	-
Use of money and property					118,344	-	118,344	39,105
Miscellaneous					138,628	37,967	176,595	-
Transfers					747,519	(747,519)	-	-
<b>Total general revenues and transfers, net</b>					<b>3,586,105</b>	<b>(709,552)</b>	<b>2,876,553</b>	<b>39,105</b>
<b>Change in net position</b>					<b>427,951</b>	<b>(91,368)</b>	<b>336,583</b>	<b>(6,876)</b>
Net position, beginning					3,188,620	1,589,938	4,778,558	121,199
Net position, ending					<b>\$ 3,616,571</b>	<b>\$ 1,498,570</b>	<b>\$ 5,115,141</b>	<b>\$ 114,323</b>

# TOWN OF BRIDGEWATER, VIRGINIA

## BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2019

	General	Permanent Fund Greenwood Cemetery Trust Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 660,191	\$ -	\$ 660,191
Receivables, net of allowances for uncollectible amounts:			
Property taxes	237	-	237
Trade and other accounts	58,224	-	58,224
Due from other governments	100,191	-	100,191
Restricted investment	-	22,461	22,461
Restricted cash and cash equivalents	469,549	-	469,549
<b>Total assets</b>	<b>\$ 1,288,392</b>	<b>\$ 22,461</b>	<b>\$ 1,310,853</b>
<b>LIABILITIES</b>			
Accounts and deposits payable	\$ 90,335	\$ -	\$ 90,335
Retainage payable	47,837	-	47,837
Due to other governments	46,593	-	46,593
Accrued payroll and benefits	39,421	-	39,421
Unearned revenue	465,458	-	465,458
<b>Total liabilities</b>	<b>689,644</b>	<b>-</b>	<b>689,644</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	7,000	-	7,000
<b>Total deferred inflows of resources</b>	<b>7,000</b>	<b>-</b>	<b>7,000</b>
<b>FUND BALANCES</b>			
Nonspendable:			
Permanent fund principal	-	6,000	6,000
Restricted for:			
Cemetery maintenance	-	16,461	16,461
Unassigned	591,748	-	591,748
<b>Total fund balances</b>	<b>591,748</b>	<b>22,461</b>	<b>614,209</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,288,392</b>	<b>\$ 22,461</b>	<b>\$ 1,310,853</b>

## TOWN OF BRIDGEWATER, VIRGINIA

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

June 30, 2019

	Governmental Funds	
Total fund balances - governmental funds	\$ 614,209	
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	\$ 10,257,726	
Less: accumulated depreciation and amortization	<u>(3,002,729)</u>	
Net capital assets		7,254,997
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	170,947	
Total other postemployment benefits	<u>35,587</u>	
		206,534
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	(3,283,515)	
Compensated absences	(126,998)	
Interest payable	(16,603)	
Net pension liability	(150,465)	
Total other postemployment benefits liability	<u>(519,481)</u>	
		(4,097,062)
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	(142,288)	
Other postemployment benefits	<u>(226,819)</u>	
		<u>(369,107)</u>
Net position of governmental activities		<u>\$ 3,616,571</u>

# TOWN OF BRIDGEWATER, VIRGINIA

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

Year Ended June 30, 2019

	General	Permanent Fund Greenwood Cemetery Trust Fund	Total Governmental Funds
Revenues:			
General property taxes	\$ 462,608	\$ -	\$ 462,608
Other local taxes	1,942,549	-	1,942,549
Permits and other licenses	27,507	-	27,507
Fines and forfeitures	53,546	-	53,546
Use of money and property	118,306	38	118,344
Charges for services	142,934	-	142,934
Miscellaneous	138,628	-	138,628
Intergovernmental	1,454,230	-	1,454,230
<b>Total revenues</b>	<b>4,340,308</b>	<b>38</b>	<b>4,340,346</b>
Expenditures:			
Current:			
General government administration	806,421	-	806,421
Public safety	817,721	-	817,721
Public works	3,104,722	-	3,104,722
Parks, recreation and cultural	943,186	-	943,186
Community and economic development	191,048	-	191,048
Debt service:			
Principal	340,755	-	340,755
Interest	94,422	-	94,422
<b>Total expenditures</b>	<b>6,298,275</b>	<b>-</b>	<b>6,298,275</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(1,957,967)</b>	<b>38</b>	<b>(1,957,929)</b>
Other financing sources (uses):			
General obligation bonds issued	1,400,000	-	1,400,000
Transfers in	752,450	-	752,450
Transfers out	(4,931)	-	(4,931)
<b>Total other financing sources, net</b>	<b>2,147,519</b>	<b>-</b>	<b>2,147,519</b>
<b>Net change in fund balances</b>	<b>189,552</b>	<b>38</b>	<b>189,590</b>
Fund balances, beginning	402,196	22,423	424,619
Fund balances, ending	\$ 591,748	\$ 22,461	\$ 614,209

# 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, 2019

	Governmental Funds	
Net change in fund balance - total governmental funds	\$	189,590
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	\$	1,453,718
Less: depreciation and amortization expense		(300,700)
Excess of capital outlays over depreciation and amortization		1,153,018
The net effect of transactions involving capital assets (i.e. disposals, donations, and transfers) is to decrease net position		(104,746)
Revenues in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the governmental funds.		(3,000)
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		(1,400,000)
Principal repayments on general obligation bonds:		
General obligation bonds		340,755
		(1,059,245)
Deferred outflows of resources:		
Pension plan contributions subsequent to measurement date		121,509
Other postemployment benefits contributions subsequent to measurement date		16,944
		138,453
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		(1,506)
Compensated absences		1,303
Pension expense		13,388
Other postemployments benefits		100,696
		113,881
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>427,951</b>

See Notes to Financial Statements.



# TOWN OF BRIDGEWATER, VIRGINIA

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

Year Ended June 30, 2019

	General Fund			Variance with Final Budget Over (Under)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues:				
General property taxes	\$ 431,200	\$ 431,200	\$ 462,608	\$ 31,408
Other local taxes	1,914,599	1,927,599	1,942,549	14,950
Permits and other licenses	17,000	17,000	27,507	10,507
Fines and forfeitures	30,000	30,000	53,546	23,546
Use of money and property	88,200	88,200	118,306	30,106
Charges for services	133,900	124,000	142,934	18,934
Miscellaneous	20,500	20,500	138,628	118,128
Intergovernmental	2,322,700	2,364,700	1,454,230	(910,470)
<b>Total revenues</b>	<b>4,958,099</b>	<b>5,003,199</b>	<b>4,340,308</b>	<b>(662,891)</b>
Expenditures:				
Current:				
General government administration	813,700	810,700	806,421	(4,279)
Public safety	868,800	868,800	817,721	(51,079)
Public works	2,675,650	4,141,737	3,104,722	(1,037,015)
Parks, recreation and cultural	969,600	1,132,200	943,186	(189,014)
Community and economic development	187,500	165,500	191,048	25,548
Debt service:				
Principal	169,344	169,344	340,755	171,411
Interest	57,375	57,375	94,422	37,047
<b>Total expenditures</b>	<b>5,741,969</b>	<b>7,345,656</b>	<b>6,298,275</b>	<b>(1,047,381)</b>
<b>Deficiency of revenues under expenditures</b>	<b>(783,870)</b>	<b>(2,342,457)</b>	<b>(1,957,967)</b>	<b>384,490</b>
Other financing sources (uses):				
General obligation bonds issued	-	1,400,000	1,400,000	-
Transfers in	-	-	752,450	752,450
Transfers out	-	-	(4,931)	(4,931)
<b>Total other financing sources, net</b>	<b>-</b>	<b>1,400,000</b>	<b>2,147,519</b>	<b>747,519</b>
<b>Net change in fund balance</b>	<b>\$ (783,870)</b>	<b>\$ (942,457)</b>	<b>189,552</b>	<b>\$ 1,132,009</b>
Fund balance, beginning			402,196	
Fund balance, ending			\$ 591,748	

# TOWN OF BRIDGEWATER, VIRGINIA

## STATEMENT OF NET POSITION – PROPRIETARY FUNDS

June 30, 2019

	Business-type Activity - Enterprise Fund Water, Sewer and Sanitation Fund	Non-major Business-type Activity - Stormwater Management Fund	Total Business-type Activities
<b>ASSETS</b>			
Current assets:			
Accounts receivable, net of allowances for uncollectible amounts	\$ 411,441	\$ 19,024	\$ 430,465
<b>Total current assets</b>	<b>411,441</b>	<b>19,024</b>	<b>430,465</b>
Noncurrent assets:			
Capital assets:			
Land	4,600	-	4,600
Buildings and improvements	918,918	-	918,918
Infrastructure	-	104,494	104,494
Distribution and collection systems	3,961,726	-	3,961,726
Equipment	2,522,950	-	2,522,950
Vehicles	1,032,555	-	1,032,555
<b>Total capital assets</b>	<b>8,440,749</b>	<b>104,494</b>	<b>8,545,243</b>
Less: accumulated depreciation	(4,936,940)	(3,222)	(4,940,162)
<b>Total noncurrent assets</b>	<b>3,503,809</b>	<b>101,272</b>	<b>3,605,081</b>
<b>Total assets</b>	<b>3,915,250</b>	<b>120,296</b>	<b>4,035,546</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Other postemployment benefits	13,616	-	13,616
Pension plan	75,807	-	75,807
<b>Total deferred outflows of resources</b>	<b>89,423</b>	<b>-</b>	<b>89,423</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts and deposits payable	66,774	1,283	68,057
Accrued payroll and benefits	17,129	1,165	18,294
Accrued interest	13,543	-	13,543
Compensated absences	23,920	-	23,920
Capital leases payable	62,365	-	62,365
Bonds payable	171,537	-	171,537
<b>Total current liabilities</b>	<b>355,268</b>	<b>2,448</b>	<b>357,716</b>
Noncurrent liabilities:			
Capital leases payable	103,144	-	103,144
Bonds payable	1,696,942	-	1,696,942
Net pension liability	66,724	-	66,724
Compensated absences	15,947	-	15,947
Other postemployment benefits	223,125	-	223,125
<b>Total noncurrent liabilities</b>	<b>2,105,882</b>	<b>-</b>	<b>2,105,882</b>
<b>Total liabilities</b>	<b>2,461,150</b>	<b>2,448</b>	<b>2,463,598</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Other postemployment benefits	99,703	-	99,703
Pension plan	63,098	-	63,098
<b>Total deferred inflows of resources</b>	<b>162,801</b>	<b>-</b>	<b>162,801</b>
<b>NET POSITION</b>			
Net investment in capital assets	1,469,821	101,272	1,571,093
Unrestricted	(89,099)	16,576	(72,523)
<b>Total net position</b>	<b>\$ 1,380,722</b>	<b>\$ 117,848</b>	<b>\$ 1,498,570</b>

# TOWN OF BRIDGEWATER, VIRGINIA

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY FUNDS Year Ended June 30, 2019

	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	\$ 3,211,655	\$ 148,513	\$ 3,360,168
Penalties	37,967	-	37,967
<b>Total operating revenues</b>	<b>3,249,622</b>	<b>148,513</b>	<b>3,398,135</b>
Operating expenses:			
Personal services	793,741	66,676	860,417
Fringe benefits	301,472	14,696	316,168
Materials, line repairs and other	555,866	12,373	568,239
Regional Sewer Authority assessment:			
Operations and maintenance	287,005	-	287,005
Debt service	526,646	-	526,646
Construction	53,001	-	53,001
Depreciation	237,527	2,482	240,009
<b>Total operating expenses</b>	<b>2,755,258</b>	<b>96,227</b>	<b>2,851,485</b>
<b>Operating income</b>	<b>494,364</b>	<b>52,286</b>	<b>546,650</b>
Nonoperating revenue (expense):			
Interest expense	(43,548)	-	(43,548)
Gain on disposal of assets	1,478	-	1,478
Connection availability fees	140,490	-	140,490
<b>Total nonoperating revenue, net</b>	<b>98,420</b>	<b>-</b>	<b>98,420</b>
<b>Income before transfers and capital contributions</b>	<b>592,784</b>	<b>52,286</b>	<b>645,070</b>
Transfers and capital contributions:			
Transfers in (out)	(752,450)	4,931	(747,519)
Capital contributions	11,081	-	11,081
<b>Total transfers and capital contributions, net</b>	<b>(741,369)</b>	<b>4,931</b>	<b>(736,438)</b>
<b>Change in net position</b>	<b>(148,585)</b>	<b>57,217</b>	<b>(91,368)</b>
Net position, beginning	1,529,307	60,631	1,589,938
Net position, ending	\$ 1,380,722	\$ 117,848	\$ 1,498,570

# TOWN OF BRIDGEWATER, VIRGINIA

## STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS Year Ended June 30, 2019

	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	\$ 3,292,649	\$ 150,739	\$ 3,443,388
Payments to suppliers for goods and services	(1,441,184)	(14,239)	(1,455,423)
Payments to employees for services and benefits	(1,077,420)	(81,345)	(1,158,765)
<b>Net cash provided by operating activities</b>	<b>774,045</b>	<b>55,155</b>	<b>829,200</b>
Cash flows from noncapital and related financing activities:			
Transfers in (out)	(752,450)	4,931	(747,519)
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(707,572)	(60,086)	(767,658)
Proceeds from the sale of capital assets	2,578	-	2,578
Connection availability fees	140,490	-	140,490
Proceeds from bond	693,080	-	693,080
Principal paid on:			
General obligation bonds	(64,555)	-	(64,555)
Capital leases	(51,301)	-	(51,301)
Interest paid on outstanding debt	(34,315)	-	(34,315)
<b>Net cash used in capital and related financing activities</b>	<b>(21,595)</b>	<b>(60,086)</b>	<b>(81,681)</b>
Cash and cash equivalents:			
Beginning	-	-	-
Ending	\$ -	\$ -	\$ -
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 494,364	\$ 52,286	\$ 546,650
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	237,527	2,482	240,009
Pension expense (benefit)	(49,137)	-	(49,137)
Other postemployment benefits expense	69,798	-	69,798
Changes in operating accounts:			
Decrease in accounts receivable	42,085	2,226	44,311
Increase in deferred outflows pension plan	(1,628)	-	(1,628)
Increase in deferred outflows other postemployment benefits	(586)	-	(586)
Decrease in accounts payable and accrued expenses	(18,378)	(1,839)	(20,217)
<b>Net cash provided by operating activities</b>	<b>\$ 774,045</b>	<b>\$ 55,155</b>	<b>\$ 829,200</b>
Supplemental disclosure of noncash capital activities:			
Assets acquired through capital contributions	\$ 11,081	\$ -	\$ 11,081
Capital assets acquired through the issuance of debt	110,135	-	110,135

# TOWN OF BRIDGEWATER, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

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### 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 Statement No. 61, *The Financial Reporting Entity: Omnibus, an Amendment of GASB Statements No. 14 and 34*. 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, 2019. The Town reports one discretely presented component unit in a separate column in the combined financial statements to emphasize it is legally separate from the Town.

#### Discretely Presented Component Unit

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, 2019 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

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### Note 1. Significant Accounting Policies (Continued)

#### A. Reporting Entity (Continued)

##### Discretely Presented Component Unit (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.

#### 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 unit for which the primary government is fiscally responsible.

*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.

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.

# TOWN OF BRIDGEWATER, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Significant Accounting Policies (Continued)

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

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.

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.

# TOWN OF BRIDGEWATER, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Significant Accounting Policies (Continued)

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

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.

#### 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. Second half calendar year 2018 real estate taxes were due and collectible by December 5. 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%.



# TOWN OF BRIDGEWATER, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Significant Accounting Policies (Continued)

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

##### 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.

##### 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.

# TOWN OF BRIDGEWATER, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

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### 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

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.

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.

# TOWN OF BRIDGEWATER, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Significant Accounting Policies (Continued)

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

##### 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.

##### 10) Pensions

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

# TOWN OF BRIDGEWATER, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Significant Accounting Policies (Continued)

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

##### 11) Other Postemployment Benefits (Continued)

###### *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.

##### 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.

# TOWN OF BRIDGEWATER, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

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### 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 (Continued)

*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.

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.

##### 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

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### 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 October 25, 2019, 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, \$469,560, 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

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#### 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, 2020)	\$ 22,461
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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, 2019:

- Certificate of deposit of \$22,461 is valued using quoted market prices (Level 1 inputs).

#### Note 3. Receivables and Unavailable/Unearned Revenue

Receivables at June 30, 2019, including applicable allowances for uncollectible accounts, are as follows:

	General Fund	Water, Sewer and Sanitation Fund	Stormwater Management Fund	Totals
Property taxes	\$ 11,237	\$ -	\$ -	\$ 11,237
Trade and other accounts	58,224	418,441	19,024	495,689
<b>Gross receivables</b>	<b>69,461</b>	<b>418,441</b>	<b>19,024</b>	<b>506,926</b>
Less allowance for uncollectable accounts	11,000	7,000	-	18,000
<b>Net receivables</b>	<b>\$ 58,461</b>	<b>\$ 411,441</b>	<b>\$ 19,024</b>	<b>\$ 488,926</b>

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, 2019 for the General Fund and Water, Sewer and Sanitation Fund, respectively.

# TOWN OF BRIDGEWATER, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

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### 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	\$ 7,000	\$ -
Urban Construction Program funds	-	434,273
Other	-	31,185
	<u>\$ 7,000</u>	<u>\$ 465,458</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, 2019.

### Note 4. Due From Other Governments

Due from other governments includes the following:

General Fund:

Federal:

Flow-through Virginia Department of Transportation \$ 1,023

Commonwealth of Virginia:

Revenue sharing funds 52,168

Local sales and communication tax 47,000

**Total General Fund** \$ 100,191

### Note 5. Note Receivable

Note receivable as of June 30, 2019 consisted of the following:

	Industrial Development Authority
3.47% note, due in monthly installments of \$1,382, including interest through December 2025	\$ 96,410
Less current maturities	<u>(13,456)</u>
<b>Long-term portion</b>	<u><u>\$ 82,954</u></u>



# TOWN OF BRIDGEWATER, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

### Note 6. Capital Assets

Capital assets activity for the year ended June 30, 2019 is as follows:

	Beginning Balance	Increases	(Deletions) / Reclassifications	Ending Balance
Governmental activities:				
Capital assets not being depreciated or amortized:				
Land	\$ 2,217,580	\$ 60,694	\$ (93,666)	\$ 2,184,608
Land easements	8,400	-	-	8,400
Construction in progress	19,830	1,141,502	(11,080)	1,150,252
<b>Total capital assets, not being depreciated or amortized</b>	<b>2,245,810</b>	<b>1,202,196</b>	<b>(104,746)</b>	<b>3,343,260</b>
Capital assets being depreciated or amortized:				
Buildings and improvements	3,908,948	157,071	-	4,066,019
Equipment	1,024,640	17,032	-	1,041,672
Software	26,551	27,419	-	53,970
Infrastructure	1,244,706	-	-	1,244,706
Vehicles	458,099	50,000	-	508,099
<b>Total capital assets being depreciated or amortized</b>	<b>6,662,944</b>	<b>251,522</b>	<b>-</b>	<b>6,914,466</b>
Less accumulated depreciation and amortization for:				
Buildings and improvements	1,369,563	140,924	-	1,510,487
Equipment	755,203	48,834	-	804,037
Software	26,551	4,570	-	31,121
Infrastructure	262,502	41,490	-	303,992
Vehicles	288,210	64,882	-	353,092
<b>Total accumulated depreciation and amortization</b>	<b>2,702,029</b>	<b>300,700</b>	<b>-</b>	<b>3,002,729</b>
<b>Total capital assets being depreciated or amortized, net</b>	<b>3,960,915</b>	<b>(49,178)</b>	<b>-</b>	<b>3,911,737</b>
Governmental activities capital assets, net	\$ 6,206,725	\$ 1,153,018	\$ (104,746)	\$ 7,254,997

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

Governmental activities:	
General government administration	\$ 23,929
Public safety	52,301
Public works	95,713
Community development	3,736
Parks, recreation and cultural	125,021
<b>Total depreciation and amortization expense - governmental activities</b>	<b>\$ 300,700</b>

# 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	285,452	-	(285,452)	-
<b>Total capital assets, not being depreciated</b>	<b>290,052</b>	<b>-</b>	<b>(285,452)</b>	<b>4,600</b>
Capital assets being depreciated:				
Buildings and improvements	918,918	-	-	918,918
Infrastructure	44,408	60,086	-	104,494
Distribution and collection systems	3,055,623	620,651	285,452	3,961,726
Equipment	2,403,186	119,764	-	2,522,950
Vehicles	980,766	65,688	(13,899)	1,032,555
<b>Total capital assets being depreciated</b>	<b>7,402,901</b>	<b>866,189</b>	<b>271,553</b>	<b>8,540,643</b>
Less accumulated depreciation for:				
Buildings and improvements	823,017	15,747	-	838,764
Infrastructure	740	2,482	-	3,222
Distribution and collection systems	1,781,471	75,164	-	1,856,635
Equipment	1,320,428	92,525	-	1,412,953
Vehicles	787,296	54,091	(12,799)	828,588
<b>Total accumulated depreciation</b>	<b>4,712,952</b>	<b>240,009</b>	<b>(12,799)</b>	<b>4,940,162</b>
<b>Total capital assets being depreciated, net</b>	<b>2,689,949</b>	<b>626,180</b>	<b>284,352</b>	<b>3,600,481</b>
Business-type activities capital assets, net	\$ 2,980,001	\$ 626,180	\$ (1,100)	\$ 3,605,081

Depreciation expense was charged to functions/programs as follows:

Business-type activities:	
Water	\$ 119,177
Sewer	94,253
Sanitation	24,097
Stormwater	2,482
<b>Total depreciation expense - business-type activities</b>	<b>\$ 240,009</b>

# 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
<b>Total capital assets, not being depreciated</b>	<b>79,747</b>	<b>-</b>	<b>-</b>	<b>79,747</b>
Capital assets being depreciated:				
Buildings and improvements	407,886	-	-	407,886
Equipment	30,105	-	-	30,105
<b>Total capital assets being depreciated</b>	<b>437,991</b>	<b>-</b>	<b>-</b>	<b>437,991</b>
Less accumulated depreciation for:				
Buildings and improvements	27,181	11,495	-	38,676
Equipment	5,681	3,011	-	8,692
<b>Total accumulated depreciation</b>	<b>32,862</b>	<b>14,506</b>	<b>-</b>	<b>47,368</b>
<b>Total capital assets being depreciated, net</b>	<b>405,129</b>	<b>(14,506)</b>	<b>-</b>	<b>390,623</b>
Component unit - Authority capital assets, net	\$ 484,876	\$ (14,506)	\$ -	\$ 470,370

### 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	\$ 2,224,270	\$ 1,400,000	\$ (340,755)	\$ 3,283,515	\$ 252,996
Compensated absences	128,301	81,038	(82,341)	126,998	76,199
<b>Governmental activities long-term activities</b>	<b>\$ 2,352,571</b>	<b>\$ 1,481,038</b>	<b>\$ (423,096)</b>	<b>\$ 3,410,513</b>	<b>\$ 329,195</b>

# TOWN OF BRIDGEWATER, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Long-Term Debt (Continued)

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

Year(s) Ending June 30,	General Obligation Bonds	
	Principal	Interest
2020	\$ 252,996	\$ 98,767
2021	227,324	89,264
2022	182,020	82,893
2023	186,654	77,559
2024	191,385	72,130
2025-2029	871,340	275,284
2030-2034	692,205	162,509
2035-2039	652,327	51,192
2040	27,264	321
	<u>\$ 3,283,515</u>	<u>\$ 909,919</u>

### General Obligation Bonds

\$915,000 general obligation bond issued December 2011, due in annual installments of \$60,556 to \$73,670 through December 2026, plus interest payable annually at 2.84%.	\$ 537,262
\$1,055,000 general obligation bond, issued December 2014, due in semi-annual installments of \$17,377 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.	906,744
\$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%.	97,600
\$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%.	255,055
\$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%.	112,644
\$160,000 general obligation public improvement bond issued June 2018, final installment of \$33,000 due in June 2020, plus interest payable semi-annually at 2.48%.	33,000
\$1,400,000 general obligation public improvement bond issued August 2018, due in semi-annual installments of \$24,894 to \$48,169 through June 2038, plus interest payable semi-annually at 3.60%.	1,341,210
<b>Total General Obligation Bonds</b>	<u><u>\$ 3,283,515</u></u>

# TOWN OF BRIDGEWATER, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Long-Term Debt (Continued)

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.

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 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	\$ 1,239,954	\$ 693,080	\$ (64,555)	\$ 1,868,479	\$ 171,537
Capital leases	106,675	110,135	(51,301)	165,509	62,365
	1,346,629	803,215	(115,856)	2,033,988	233,902
Compensated absences	43,448	43,698	(47,279)	39,867	23,920
<b>Business-type activities long-term liabilities</b>	<b>\$ 1,390,077</b>	<b>\$ 846,913</b>	<b>\$ (163,135)</b>	<b>\$ 2,073,855</b>	<b>\$ 257,822</b>

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

Year(s) Ending June 30,	General Obligation Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2020	\$ 171,537	\$ 40,647	\$ 62,365	\$ 7,661
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
2025-2029	538,715	78,734	-	-
2030-2034	282,318	35,939	-	-
2035-2039	182,360	6,930	-	-
	<b>\$ 1,868,479</b>	<b>\$ 286,386</b>	<b>\$ 165,509</b>	<b>\$ 17,613</b>

# TOWN OF BRIDGEWATER, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

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### 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%.	\$ 275,000
\$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%.	161,335
\$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%.	628,731
\$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%.	803,413
<b>Total bonded debt</b>	<u><u>\$ 1,868,479</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.

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.

#### Capital Leases

\$151,633 capital lease issued December 2015, secured by equipment with a net book value of \$75,816, monthly maturity from \$2,618 to \$2,753 through December 2020, interest payable monthly at 3.55%.	\$ 48,313
\$66,900 capital lease issued December 2015, secured by equipment with a net book value of \$33,450, monthly maturity from \$1,459 to \$1,483 through December 2019, interest payable monthly at 3.20%.	10,319
\$110,135 capital lease issued April 2019, secured by equipment with a net book value of \$104,628, monthly maturity from \$1,639 to \$2,062 through April 2024, interest payable annually at 4.84%.	106,877
<b>Total capital leases</b>	<u><u>\$ 165,509</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, 2019, the Town had an available legal debt margin of \$41,674,385.

#### 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	\$ 518,832	\$ -	\$ (15,640)	\$ 503,192	\$ 16,646
<b>Component Unit - Authority long-term liabilities</b>	<b>\$ 518,832</b>	<b>\$ -</b>	<b>\$ (15,640)</b>	<b>\$ 503,192</b>	<b>\$ 16,646</b>

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

Year(s) Ending June 30,	General Obligation Bonds	
	Principal	Interest
2020	\$ 16,646	\$ 17,527
2021	17,284	16,889
2022	17,898	16,275
2023	18,533	15,640
2024	19,150	15,023
2025-2029	106,625	64,241
2030-2034	126,947	43,919
2035-2039	151,142	19,724
2040	28,967	650
	<b>\$ 503,192</b>	<b>\$ 209,888</b>

# TOWN OF BRIDGEWATER, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

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### 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. \$ 197,900

\$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. 305,292

\$ 503,192

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 February 15, 2015 in the amount of \$250,000, which bears interest at a variable rate (3.25% at June 30, 2019). There was no outstanding balance at June 30, 2019. The line of credit matures February 2020.



# TOWN OF BRIDGEWATER, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

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### 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
<b>About Plan 1</b> Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	<b>About Plan 2</b> Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	<b>About the Hybrid Retirement Plan</b> The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. <ul style="list-style-type: none"><li>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</li><li>• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.</li><li>• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</li></ul>

# TOWN OF BRIDGEWATER, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

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### Note 9. Pension Plan (Continued)

#### A. Plan Description (Continued)

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

# TOWN OF BRIDGEWATER, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

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### Note 9. Pension Plan (Continued)

#### A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<b>Retirement Contributions</b> 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.	<b>Retirement Contributions</b> Same as Plan 1.	<b>Retirement Contributions</b> 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.
<b>Creditable Service</b> Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	<b>Creditable Service</b> Same as Plan 1.	<b>Creditable Service</b> <b><u>Defined Benefit Component</u></b> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.  <b><u>Defined Contribution Component</u></b> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

# TOWN OF BRIDGEWATER, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

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### Note 9. Pension Plan (Continued)

#### A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<p><b>Vesting</b> Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p><b>Vesting</b> Same as Plan 1.</p>	<p><b>Vesting</b> <b><u>Defined Benefit Component</u></b> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><b><u>Defined Contribution Component</u></b> 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"><li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li><li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li><li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li></ul> <p>Distribution is not required by law until age 70½.</p>

# 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><b>Calculating the Benefit</b> The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p><b>Calculating the Benefit</b> See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b> <b><u>Defined Benefit Component</u></b> See definition under Plan 1.</p> <p><b><u>Defined Contribution Component</u></b> 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><b>Average Final Compensation</b> A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><b>Service Retirement Multiplier</b> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p>	<p><b>Service Retirement Multiplier</b> Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p>	<p><b>Service Retirement Multiplier</b> <b><u>Defined Benefit Component</u></b> 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><b>Political subdivision hazardous duty employees:</b> The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p><b>Political subdivision hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Political subdivision hazardous duty employees:</b> Not applicable.</p> <p><b><u>Defined Contribution Component</u></b> 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
<b>Normal Retirement Age</b> Age 65.  <b>Political subdivisions hazardous duty employees:</b> Age 60.	<b>Normal Retirement Age</b> Normal Social Security retirement age.  <b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.	<b>Normal Retirement Age</b> <b><u>Defined Benefit Component</u></b> Same as Plan 2.  <b>Political subdivisions hazardous duty employees:</b> Not applicable.  <b><u>Defined Contribution Component</u></b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
<b>Earliest Unreduced Retirement Eligibility</b> Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.	<b>Earliest Unreduced Retirement Eligibility</b> Normal Social Security retirement age and have at least 5 years (60 months) of creditable service or when their age and service equal 90.	<b>Earliest Unreduced Retirement Eligibility</b> <b><u>Defined Benefit Component</u></b> Normal Social Security retirement age and have at least 5 years (60 months) of creditable service or when their age and service equal 90.
<b>Political subdivisions hazardous duty employees:</b> Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	<b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.	<b>Political subdivisions hazardous duty employees:</b> Not applicable.  <b><u>Defined Contribution Component</u></b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
<b>Earliest Reduced Retirement Eligibility</b> Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.	<b>Earliest Reduced Retirement Eligibility</b> Age 60 with at least five years (60 months) of creditable service.	<b>Earliest Reduced Retirement Eligibility</b> <b><u>Defined Benefit Component</u></b> Age 60 with at least five years (60 months) of creditable service.
<b>Political subdivisions hazardous duty employees:</b> Age 50 with at least five years of creditable service.	<b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.	<b>Political subdivisions hazardous duty employees:</b> Not applicable.  <b><u>Defined Contribution Component</u></b> 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
<b>Cost-of-Living Adjustment (COLA) in Retirement</b> 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%. <b><u>Eligibility:</u></b> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.  For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date. <b><u>Exceptions to COLA Effective Dates:</u></b> 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"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> </ul>	<b>Cost-of-Living Adjustment (COLA) in Retirement</b> 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%. <b><u>Eligibility:</u></b> Same as Plan 1.	<b>Cost-of-Living Adjustment (COLA) in Retirement</b> <b><u>Defined Benefit Component</u></b> Same as Plan 2.  <b><u>Defined Contribution Component</u></b> Not applicable.  <b><u>Eligibility:</u></b> Same as Plan 1 and Plan 2.
<b><u>Exceptions to COLA Effective Dates:</u></b> Same as Plan 1.	<b><u>Exceptions to COLA Effective Dates:</u></b> Same as Plan 1.	<b><u>Exceptions to COLA Effective Dates:</u></b> 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
<b>Cost-of-Living Adjustment (COLA) in Retirement (Continued)</b> <b><u>Exceptions to COLA Effective Dates (continued):</u></b> <ul style="list-style-type: none"> <li>• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.</li> <li>• The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</li> </ul>		
<b>Disability Coverage</b> 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.	<b>Disability Coverage</b> 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.	<b>Disability Coverage</b> 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
<b>Purchase of Prior Service</b> Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	<b>Purchase of Prior Service</b> Same as Plan 1.	<b>Purchase of Prior Service</b> <b><u>Defined Benefit Component</u></b> Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> </ul> <b><u>Defined Contribution Component</u></b> Not applicable.

#### B. Employees Covered by Benefit Terms

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	28
Inactive members:	
Vested	6
Non-vested	22
Active elsewhere in VRS	33
<b>Total inactive members</b>	61
Active members	52
<b>Total covered employees</b>	141

# TOWN OF BRIDGEWATER, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

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### 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, 2019 was 7.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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 \$175,393 and \$180,281 for the years ended June 30, 2019 and 2018, 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, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017 rolled forward to the measurement date of June 30, 2018.

#### 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, 2017, 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, 2018.

Inflation	2.5 %
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

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

# TOWN OF BRIDGEWATER, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

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### 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, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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%

##### 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, 2017, 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, 2018.

Inflation	2.5 %
Salary increases, including inflation	3.5% - 4.75%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

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

# TOWN OF BRIDGEWATER, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

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### Note 9. Pension Plan (Continued)

#### E. Actuarial Assumptions (Continued)

##### Public Safety Employees (Continued)

- 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, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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%

# 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	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
<b>Total</b>	<b>100.00%</b>		<b>4.80%</b>
		Inflation	<b>2.50%</b>
		* Expected arithmetic nominal return	<b>7.30%</b>

\* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

# 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 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. 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, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. From July 1, 2018 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

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2017	\$ 9,278,365	\$ 9,000,410	\$ 277,955
Changes for the Year:			
Service cost	264,137	-	264,137
Interest	635,351	-	635,351
Difference between expected and actual experience	(5,715)	-	(5,715)
Contributions – employer	-	180,281	(180,281)
Contributions – employee	-	115,780	(115,780)
Net investment income	-	664,791	(664,791)
Benefit payments, including refunds of employee contributions	(403,840)	(403,840)	-
Administrative expense	-	(5,720)	5,720
Other changes	-	(593)	593
<b>Net changes</b>	<b>489,933</b>	<b>550,699</b>	<b>(60,766)</b>
Balances at June 30, 2018	\$ 9,768,298	\$ 9,551,109	\$ 217,189

# 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 7.00%, 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 (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Town's net pension liability (asset)	\$ 1,503,851	\$ 217,189	\$ (851,574)

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

For the year ended June 30, 2019, the Town recognized pension expense (benefit) of \$(10,268). 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	\$ 71,361	\$ (54,406)
Changes of assumptions	-	(68,068)
Net difference between projected and actual earnings on pension plan investments	-	(82,912)
Employer contributions subsequent to the measurement date	175,393	-
<b>Total</b>	<b>\$ 246,754</b>	<b>\$ (205,386)</b>

The \$175,393 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, 2020. 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
2020	\$ (23,527)
2021	(10,294)
2022	(92,453)
2023	(7,751)
	<b>\$ (134,025)</b>

# TOWN OF BRIDGEWATER, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

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### 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 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-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.

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.

#### 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
<b>Total</b>	<b>61</b>



# TOWN OF BRIDGEWATER, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

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

#### C. Total OPEB Liability

The Town's total OPEB liability is reported herein as of June 30, 2019 for the employer fiscal year and reporting period of July 1, 2018 to June 30, 2019. The values shown for this fiscal year and reporting period are based on a measurement date of June 30, 2019. 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	3.50%, based on the Bond Buy 20-year Bond GO Index as of June 30, 2019
Salary scale	4.75%, average, including inflation
Healthcare cost trend assumption	Pre-65: 5.30% in 2019 graded to 4.10% in 2078 Post-65: 5.40% in 2019 graded to 4.60% in 2097
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.

#### E. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2018	<u>\$ 853,759</u>
Changes for the year:	
Service cost	27,214
Interest on total OPEB liability	28,469
Effect of liability gains and losses	(115,106)
Effect of assumptions changes or inputs	(192,682)
Benefit payments	<u>(61,048)</u>
<b>Net changes</b>	<u>(313,153)</u>
Balance at June 30, 2019	<u><u>\$ 540,606</u></u>

# TOWN OF BRIDGEWATER, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

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

#### 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 3.5%. It also presents what the Town's total OPEB liability would be if it were calculated using a discount rate one percentage point lower (2.5%) and one percentage point higher (4.5%) than the current rate.

	1% Decrease (2.5%)	Current Discount Rate (3.5%)	1% Increase (4.5%)
Total OPEB liability	\$ 592,222	\$ 540,606	\$ 493,814

#### 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	\$ 477,668	\$ 540,606	\$ 615,334

#### 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, 2019 are as follows:

Description	Amount
Service cost	\$ 27,214
Interest on total OPEB liability	28,469
Recognition of economic/demographic gains or losses	(11,175)
Recognition of assumption changes or inputs	(23,025)
	<u>\$ 21,483</u>

At June 30, 2019, 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	\$ -	\$ (103,931)
Changes in assumptions	-	(198,591)
	<u>\$ -</u>	<u>\$ (302,522)</u>

# TOWN OF BRIDGEWATER, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

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### 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 (Continued)

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
2020	\$ (34,200)
2021	(34,200)
2022	(34,200)
2023	(34,200)
2024	(34,200)
Thereafter	(131,522)
	<u>\$ (302,522)</u>

### 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
<b>Eligible Employees</b> 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.

## TOWN OF BRIDGEWATER, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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

##### A. Plan Description (Continued)

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (Continued)
<p><b>Benefit Amounts</b></p> <p>The benefits payable under the GLI have several components.</p> <ul style="list-style-type: none"><li>• Natural Death Benefit – The natural death benefit is equal to the employee’s covered compensation rounded to the next highest thousand and then doubled.</li><li>• Accidental Death Benefit – The accidental death benefit is double the natural death benefit.</li><li>• 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"><li>○ Accidental dismemberment benefit</li><li>○ Safety belt benefit</li><li>○ Repatriation benefit</li><li>○ Felonious assault benefit</li><li>○ Accelerated death benefit option</li></ul></li></ul>
<p><b>Reduction in Benefit Amounts</b></p> <p>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.</p>
<p><b>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</b></p> <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under GLI. The minimum benefit was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 COLA and was increased to \$8,279 effective July 1, 2018.</p>

##### 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, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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 \$17,287 and \$16,924 for the years ended June 30, 2019 and June 30, 2018, respectively.

# 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

At June 30, 2019, the Town reported a liability of \$199,000 for its proportionate share of the net GLI OPEB liability. The net GLI OPEB liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the net GLI OPEB liability was determined by an actuarial valuation as of that date. 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, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was 0.01307% as compared to 0.01338% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of \$3,000. 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.

At June 30, 2019, 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	\$ 10,000	\$ (4,000)
Net difference between projected and actual earnings on GLI OPEB program investments	-	(6,000)
Change in assumptions	-	(8,000)
Changes in proportionate share	16,000	(5,000)
Employer contributions subsequent to the measurement date	17,287	-
<b>Total</b>	<b>\$ 43,287</b>	<b>\$ (23,000)</b>

The \$17,287 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, 2020. 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
2020	\$ (1,000)
2021	(1,000)
2022	(1,000)
2023	1,000
2024	4,000
Thereafter	1,000
<b>Total</b>	<b>\$ 3,000</b>

# TOWN OF BRIDGEWATER, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

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### 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, 2017, 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, 2018.

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	7.0%, 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of the OPEB liabilities.

#### **Mortality Rates – Non-Largest Ten 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 two years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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%

# 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 Ten 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.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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%

#### 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, 2018, NOL amounts for the GLI are as follows (amounts expressed in thousands):

	<b>GLI OPEB Program</b>
Total GLI OPEB liability	\$ 3,113,508
Plan fiduciary net position	(1,594,773)
<b>Employers' net GLI OPEB liability</b>	<b>\$ 1,518,735</b>

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

51.22%

# 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	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
<b>Total</b>	<b>100.00%</b>		<b>4.80%</b>
		Inflation	<b>2.50%</b>
		* Expected arithmetic nominal return	<b>7.30%</b>

\* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.



# TOWN OF BRIDGEWATER, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

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### 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 7.00%. 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, 2018, 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, 2018 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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Participating Employer			
Town	\$ 260,000	\$ 199,000	\$ 149,000

#### I. Group Life Insurance Program Fiduciary Net Position

Detailed information about the GLI's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-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

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### 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 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><b>Eligible Employees</b></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 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"><li>• 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.</li></ul>
<p><b>Benefit Amounts</b></p> <p>The VLDP provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"><li>• Short-Term Disability:<ul style="list-style-type: none"><li>○ 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.</li><li>○ 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.</li><li>○ Once the eligibility period is satisfied, employees are eligible for higher income replacement levels.</li></ul></li><li>• Long-Term Disability:<ul style="list-style-type: none"><li>○ 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.</li><li>○ 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.</li></ul></li></ul>

# TOWN OF BRIDGEWATER, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

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

#### A. Plan Description (Continued)

<b>POLITICAL SUBDIVISION EMPLOYEE VLDP PLAN PROVISIONS (Continued)</b>	
<b>Virginia Local Disability Program Notes</b>	
•	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.
•	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 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, 2019 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, 2017. 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 \$5,916 and \$4,416 for the years ended June 30, 2019 and June 30, 2018, 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, 2019, the Town reported a liability of \$3,000 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 that date. 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, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the Town's proportion of the VLDP was 0.30316% as compared to 0.32778% at June 30, 2017.

For the year ended June 30, 2019, the Town recognized VLDP OPEB expense of \$5,000. 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.

At June 30, 2019, 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	\$ -	\$ (1,000)
Employer contributions subsequent to the measurement date	5,916	-
<b>Total</b>	<b>\$ 5,916</b>	<b>\$ (1,000)</b>

The \$5,916 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, 2020.

# TOWN OF BRIDGEWATER, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

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### 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, 2017, 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, 2018.

Inflation	2.5%
Salary increases, including inflation:	
Political subdivision employees	3.5%-5.35%
Investment rate of return	7.0%, 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of the OPEB liabilities.

#### **Mortality Rates – Non-Largest Ten 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.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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%

# TOWN OF BRIDGEWATER, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

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

#### E. 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, 2018, NOL amounts for the VLDP is as follows (amounts expressed in thousands):

	VLDP OPEB Plan
Total VLDP OPEB liability	\$ 1,588,000
Plan fiduciary net position	<u>(816,000)</u>
<b>Employers' net VLDP OPEB liability</b>	<b><u>\$ 772,000</u></b>
Plan fiduciary net position as a percentage of the total VLDP OPEB liability	51.39%

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)

#### F. 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	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
<b>Total</b>	<b>100.00%</b>		<b>4.80%</b>
		Inflation	2.50%
		* Expected arithmetic nominal return	<b>7.30%</b>

\* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

#### G. Discount Rate

The discount rate used to measure the total Political Subdivision Employee VLDP OPEB was 7.00%. 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, 2018, 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, 2018 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

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

#### H. 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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

Participating Employer	1% Decrease	Current Discount	1% Increase
	(6.00%)	Rate (7.00%)	(8.00%)
Town	\$ 3,000	\$ 3,000	\$ 2,000

#### I. VLDP OPEB Fiduciary Net Position

Detailed information about the Town VLDP's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-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 \$752,450 from the Water, Sewer and Sanitation Fund to the General Fund for operations and administrative costs.

The Town transferred \$4,931 from the General Fund to the Stormwater Management 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 consist of the following:

Series	Amount	Interest
Series 2007	\$ 30,000,000	2.52%
Series 2008	12,650,000	2.95 - 4.80%
Series 2008	33,219,297	2.72%
Series 2015	8,665,505	1.20%
Series 2017	12,740,000	2.25%

# **TOWN OF BRIDGEWATER, VIRGINIA**

## **NOTES TO FINANCIAL STATEMENTS**

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### **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 \$308,000, \$46,000 and \$550,000, 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, 2019, water and sewer revenue from this customer was approximately \$931,000. There are accounts receivable from this customer of approximately \$79,000 at June 30, 2019.

### **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

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#### **Note 18. Pending GASB Statements**

At June 30, 2019, 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, 2018.

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 December 15, 2019.

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, 2019.

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, 2020.

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

#### **Note 19. Subsequent Event**

Subsequent to year-end, the Town issued a general obligation bond 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 amount of the bond is up to \$1,397,000, with payments beginning January 1, 2021.

## **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
Total Pension Liability					
Service cost	\$ 239,778	\$ 238,817	\$ 237,721	\$ 258,759	\$ 264,137
Interest	516,842	554,431	585,551	600,059	635,351
Changes of assumptions	-	-	-	(170,428)	-
Differences between expected and actual experience	-	(59,260)	(277,323)	178,671	(5,715)
Benefit payments, including refunds of employee contributions	(215,871)	(223,389)	(355,438)	(321,946)	(403,840)
<b>Net change in total pension liability</b>	<b>540,749</b>	<b>510,599</b>	<b>190,511</b>	<b>545,115</b>	<b>489,933</b>
Total pension liability - beginning	7,491,391	8,032,140	8,542,739	8,733,250	9,278,365
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>
Plan Fiduciary Net Position					
Contributions - employer	\$ 212,519	\$ 210,910	\$ 224,345	\$ 183,462	\$ 180,281
Contributions - employee	100,101	100,255	106,156	117,310	115,780
Net investment income	1,021,390	348,875	138,422	985,528	664,791
Benefit payments, including refunds of employee contributions	(215,871)	(223,389)	(355,438)	(321,946)	(403,840)
Administrative expense	(5,367)	(4,619)	(4,883)	(5,607)	(5,720)
Other	54	(75)	(59)	(880)	(593)
<b>Net change in plan fiduciary net position</b>	<b>1,112,826</b>	<b>431,957</b>	<b>108,543</b>	<b>957,867</b>	<b>550,699</b>
Plan fiduciary net position - beginning	6,389,217	7,502,043	7,934,000	8,042,543	9,000,410
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>
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>
Plan fiduciary net position as a percentage of the total pension liability	93.40%	92.87%	92.09%	97.00%	97.78%
Covered payroll	\$ 2,027,853	\$ 2,012,500	\$ 2,140,697	\$ 2,299,022	\$ 2,259,148
Town's net pension liability as a percentage of covered payroll	26.14%	30.25%	32.27%	12.09%	9.61%

### 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
Contractually required contribution (CRC)	\$ 212,519	\$ 210,910	\$ 224,345	\$ 183,462	\$ 180,280	\$ 175,393
Contributions in relation to the CRC	212,519	210,910	224,345	183,462	180,280	175,393
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,027,853	\$ 2,012,500	\$ 2,140,697	\$ 2,299,022	\$ 2,259,148	\$ 2,289,726
Contributions as a percentage of covered payroll	10.48%	10.48%	10.48%	7.98%	7.98%	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, 2019

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

##### 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%

##### 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%

## TOWN OF BRIDGEWATER, VIRGINIA

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION VIRGINIA RETIREMENT SYSTEM Year Ended June 30, 2019

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#### Note 3. Contractually Required Contributions

The actuarially determined contribution rates are calculated as of June 30, one year prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

##### Non-Hazardous Duty

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.

##### Hazardous Duty

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.

# 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
Total OPEB Liability		
Service cost	\$ 41,527	\$ 27,214
Interest on total OPEB liability	30,892	28,469
Effect of economic/demographic gains or losses	-	(115,106)
Effect of assumptions changes or inputs	(33,252)	(192,682)
Benefit payments	(52,560)	(61,048)
<b>Net change in total OPEB liability</b>	<b>(13,393)</b>	<b>(313,153)</b>
Total OPEB liability - beginning	867,152	853,759
Total OPEB liability - ending	<u>\$ 853,759</u>	<u>\$ 540,606</u>
Covered payroll	3,254,620	3,324,423
Total OPEB liability as a percentage of covered payroll	26.23%	16.26%

### 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, 2018 and 2017

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

#### 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,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Contractually required contribution (CRC)	\$ 6,682	\$ 7,862	\$ 8,072	\$ 10,163	\$ 10,654	\$ 10,702	\$ 11,572	\$ 12,837	\$ 16,924	\$ 17,287
Contributions in relation to the CRC	6,682	7,862	8,072	10,163	10,654	10,702	11,572	12,837	16,924	17,287
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 2,474,815	\$ 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
Contributions as a percentage of covered payroll	0.27%	0.28%	0.28%	0.48%	0.48%	0.48%	0.48%	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, 2018 and 2017

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

#### 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**

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

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#### Note 1. Medical Insurance

##### A. Changes of Benefit Terms

There have been no changes to the benefit terms since the prior actuarial valuation.

##### 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:

2019	3.50%
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#### 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 following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the Virginia Retirement System for the four-year period ended June 30, 2016:

#### Non-Largest Ten 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%

## TOWN OF BRIDGEWATER, VIRGINIA

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OTHER POSTEMPLOYMENT BENEFITS Year Ended June 30, 2019

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#### Note 2. Group Life Insurance Program (Continued)

##### B. Changes of Assumptions (Continued)

###### Non-Largest Ten 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%

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

###### Non-Largest Ten 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%

## **SUPPLEMENTARY SCHEDULES**

**TOWN OF BRIDGEWATER, VIRGINIA****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
GENERAL FUND****Year Ended June 30, 2019****(With Comparative Amounts for 2018)**

	2019	2018
Revenues:		
General property taxes	\$ 462,608	\$ 631,407
Other local taxes	1,942,549	1,719,089
Permits and other licenses	27,507	26,340
Fines and forfeitures	53,546	39,533
Use of money and property	118,306	100,431
Charges for services	142,934	129,937
Miscellaneous	138,628	42,082
Intergovernmental	1,454,230	1,529,237
<b>Total revenues</b>	<b>4,340,308</b>	<b>4,218,056</b>
Expenditures:		
Current:		
General government administration	806,421	821,438
Public safety	817,721	815,321
Public works	3,104,722	2,285,238
Parks, recreation and cultural	943,186	960,286
Community and economic development	191,048	232,991
Debt service:		
Principal	340,755	166,847
Interest	94,422	55,892
<b>Total expenditures</b>	<b>6,298,275</b>	<b>5,338,013</b>
<b>Deficiency of revenues under expenditures</b>	<b>(1,957,967)</b>	<b>(1,119,957)</b>
Other financing sources (uses):		
General obligation bonds issued	1,400,000	285,000
Transfers in	752,450	1,211,971
Transfers out	(4,931)	(75,165)
<b>Total other financing sources, net</b>	<b>2,147,519</b>	<b>1,421,806</b>
<b>Net change in fund balance</b>	<b>189,552</b>	<b>301,849</b>
Fund balance, beginning	402,196	100,347
Fund balance, ending	\$ 591,748	\$ 402,196

# TOWN OF BRIDGEWATER, VIRGINIA

Page 1 of 2

## SCHEDULE OF REVENUES – BUDGET AND ACTUAL – GENERAL FUND Year Ended June 30, 2019

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:				
Real estate taxes	\$ 185,000	\$ 185,000	\$ 188,236	\$ 3,236
Personal property taxes	241,000	241,000	268,369	27,369
Public service corporations property taxes	3,200	3,200	3,318	118
Interest and penalties on delinquent taxes	2,000	2,000	2,685	685
<b>Total general property taxes</b>	<b>431,200</b>	<b>431,200</b>	<b>462,608</b>	<b>31,408</b>
Other local taxes:				
Local sales and use taxes	210,900	210,900	206,402	(4,498)
Consumer utility taxes	573,299	573,299	541,858	(31,441)
Consumption taxes	22,500	22,500	24,635	2,135
Cigarette taxes	19,900	18,900	17,599	(1,301)
Business license taxes	220,600	220,600	222,382	1,782
Vehicle license taxes	72,800	72,800	87,762	14,962
Bank stock taxes	154,000	154,000	185,621	31,621
Meals taxes	628,900	642,900	646,425	3,525
Right-of-way use fee	11,700	11,700	9,598	(2,102)
Transient occupancy	-	-	267	267
<b>Total other local taxes</b>	<b>1,914,599</b>	<b>1,927,599</b>	<b>1,942,549</b>	<b>14,950</b>
Permits and other licenses:				
Zoning and building	7,000	7,000	8,404	1,404
Passport application fee	10,000	10,000	18,966	8,966
Land disturbing	-	-	137	137
<b>Total permits and other licenses</b>	<b>17,000</b>	<b>17,000</b>	<b>27,507</b>	<b>10,507</b>
Fines and forfeitures	30,000	30,000	53,546	23,546
Use of money and property:				
Revenue from use of money	4,000	4,000	18,256	14,256
Revenue from use of property	84,200	84,200	100,050	15,850
<b>Total revenue from use of money and property</b>	<b>88,200</b>	<b>88,200</b>	<b>118,306</b>	<b>30,106</b>
Charges for services:				
Generations park	80,000	80,000	101,485	21,485
Golf fees	53,900	44,000	36,287	(7,713)
Classes and camps	-	-	3,162	3,162
Other	-	-	2,000	2,000
<b>Total charges for services</b>	<b>133,900</b>	<b>124,000</b>	<b>142,934</b>	<b>18,934</b>
Miscellaneous	20,500	20,500	138,628	118,128



**TOWN OF BRIDGEWATER, VIRGINIA**

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**SCHEDULE OF REVENUES – BUDGET AND ACTUAL –  
GENERAL FUND  
Year Ended June 30, 2019**

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over
	Original	Final		(Under)
Primary Government: (continued)				
General Fund: (continued)				
Intergovernmental:				
Local aid:				
Town of Mt. Crawford:				
Public safety	\$ 60,000	\$ 60,000	\$ 60,570	\$ 570
Town of Dayton:				
Public safety	3,300	3,300	3,150	(150)
<b>Total local aid</b>	<b>63,300</b>	<b>63,300</b>	<b>63,720</b>	<b>420</b>
Revenue from the Commonwealth:				
Non-categorical aid:				
Communication sales and use tax	84,400	84,400	77,423	(6,977)
Personal property tax relief	102,000	102,000	102,034	34
<b>Total non-categorical aid</b>	<b>186,400</b>	<b>186,400</b>	<b>179,457</b>	<b>(6,943)</b>
Categorical aid:				
Litter control	3,000	3,000	3,072	72
Law enforcement assistance	131,000	131,000	135,108	4,108
Urban construction	-	-	11,803	11,803
Street and highway maintenance	748,000	748,000	830,785	82,785
Virginia Department of Transportation revenue sharing project	100,000	100,000	147,442	47,442
Riverwalk grant	191,000	233,000	33,135	(199,865)
Asset forfeiture funds	-	-	820	820
Other	-	-	1,675	1,675
<b>Total categorical aid</b>	<b>1,173,000</b>	<b>1,215,000</b>	<b>1,163,840</b>	<b>(51,160)</b>
<b>Total intergovernmental revenue from the Commonwealth</b>	<b>1,359,400</b>	<b>1,401,400</b>	<b>1,343,297</b>	<b>(58,103)</b>
Revenue from the federal government:				
Categorical aid:				
Urban construction	900,000	900,000	47,213	(852,787)
<b>Total intergovernmental revenue from the federal government</b>	<b>900,000</b>	<b>900,000</b>	<b>47,213</b>	<b>(852,787)</b>
<b>Total intergovernmental revenue</b>	<b>2,322,700</b>	<b>2,364,700</b>	<b>1,454,230</b>	<b>(910,470)</b>
<b>Total General Fund</b>	<b>\$ 4,958,099</b>	<b>\$ 5,003,199</b>	<b>\$ 4,340,308</b>	<b>\$ (662,891)</b>

**TOWN OF BRIDGEWATER, VIRGINIA**

**Page 1 of 4**

**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL –  
GENERAL FUND  
Year Ended June 30, 2019**

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	\$ 34,100	\$ 34,100	\$ 34,297	\$ 197
Fringe benefits	2,600	2,600	2,624	24
Other charges	4,000	4,000	6,316	2,316
Capital outlay	3,000	-	-	-
<b>Total Town Council</b>	<b>43,700</b>	<b>40,700</b>	<b>43,237</b>	<b>2,537</b>
Town Manager's office:				
Personal services	269,000	269,000	268,543	(457)
Fringe benefits	70,100	70,100	71,441	1,341
Other charges	12,000	12,000	11,136	(864)
Contractual services	2,000	2,000	10,981	8,981
<b>Total town manager's office</b>	<b>353,100</b>	<b>353,100</b>	<b>362,101</b>	<b>9,001</b>
Treasurer's office:				
Personal services	147,500	147,500	148,292	792
Fringe benefits	45,400	45,400	51,646	6,246
Other charges	10,000	10,000	5,522	(4,478)
Contractual services	13,000	13,000	14,254	1,254
<b>Total treasurer's office</b>	<b>215,900</b>	<b>215,900</b>	<b>219,714</b>	<b>3,814</b>
<b>Total legislative</b>	<b>612,700</b>	<b>609,700</b>	<b>625,052</b>	<b>15,352</b>
General and financial administration:				
Legal	35,000	35,000	19,118	(15,882)
Independent auditor	51,000	51,000	50,300	(700)
Insurance and bonding	115,000	115,000	111,951	(3,049)
<b>Total general and financial administration</b>	<b>201,000</b>	<b>201,000</b>	<b>181,369</b>	<b>(19,631)</b>
<b>Total general government administration</b>	<b>813,700</b>	<b>810,700</b>	<b>806,421</b>	<b>(4,279)</b>

**TOWN OF BRIDGEWATER, VIRGINIA**

**Page 2 of 4**

**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL –  
GENERAL FUND  
Year Ended June 30, 2019**

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	\$ 528,000	\$ 528,000	\$ 509,408	\$ (18,592)
Fringe benefits	158,600	158,600	157,720	(880)
Vehicle operation	20,200	20,200	29,182	8,982
Other charges	32,000	32,000	25,496	(6,504)
Capital outlay	52,000	52,000	33,677	(18,323)
Contractual services	48,000	48,000	32,238	(15,762)
<b>Total law enforcement and traffic control</b>	<b>838,800</b>	<b>838,800</b>	<b>787,721</b>	<b>(51,079)</b>
Fire and rescue services:				
Fire department and rescue squad	30,000	30,000	30,000	-
<b>Total fire and rescue services</b>	<b>30,000</b>	<b>30,000</b>	<b>30,000</b>	<b>-</b>
<b>Total public safety</b>	<b>868,800</b>	<b>868,800</b>	<b>817,721</b>	<b>(51,079)</b>
Public works:				
Public works department:				
Personal services	267,400	267,400	224,104	(43,296)
Fringe benefits	80,400	80,400	82,962	2,562
Other charges	10,000	10,000	4,689	(5,311)
Contractual services	2,000	2,000	14,171	12,171
<b>Total public works department</b>	<b>359,800</b>	<b>359,800</b>	<b>325,926</b>	<b>(33,874)</b>

**TOWN OF BRIDGEWATER, VIRGINIA**

**Page 3 of 4**

**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL –  
GENERAL FUND  
Year Ended June 30, 2019**

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	\$ 91,600	\$ 91,600	\$ 126,039	\$ 34,439
Fringe benefits	52,300	52,300	45,744	(6,556)
Other charges	75,000	75,000	91,605	16,605
Contractual services	120,000	120,000	158,713	38,713
Street paving	250,000	250,000	352,905	102,905
Virginia Department of Transportation revenue sharing project	100,000	100,000	270,423	170,423
Urban construction program	901,800	901,800	64,426	(837,374)
Capital outlay	62,000	60,000	60,942	942
<b>Total highways, streets, bridges, and sidewalks</b>	<b>1,652,700</b>	<b>1,650,700</b>	<b>1,170,797</b>	<b>(479,903)</b>
Street lights	83,100	83,100	84,384	1,284
<b>Total maintenance of highways, streets, bridges, sidewalks, and street lights</b>	<b>1,735,800</b>	<b>1,733,800</b>	<b>1,255,181</b>	<b>(478,619)</b>
Key corridors:				
Personal services	10,000	10,000	-	(10,000)
Fringe benefits	3,000	3,000	-	(3,000)
Other charges	10,000	10,000	-	(10,000)
Capital outlay	15,000	15,000	-	(15,000)
Contractual services	15,000	15,000	-	(15,000)
<b>Total key corridors</b>	<b>53,000</b>	<b>53,000</b>	<b>-</b>	<b>(53,000)</b>
General properties:				
Personal services	215,300	215,300	189,104	(26,196)
Fringe benefits	83,000	83,000	75,760	(7,240)
Other charges	41,500	41,500	33,754	(7,746)
Capital outlay	87,250	1,555,337	1,148,889	(406,448)
Contractual services	100,000	100,000	76,108	(23,892)
<b>Total general properties</b>	<b>527,050</b>	<b>1,995,137</b>	<b>1,523,615</b>	<b>(471,522)</b>
<b>Total public works</b>	<b>2,675,650</b>	<b>4,141,737</b>	<b>3,104,722</b>	<b>(1,037,015)</b>

**TOWN OF BRIDGEWATER, VIRGINIA**

**Page 4 of 4**

**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL –  
GENERAL FUND  
Year Ended June 30, 2019**

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	\$ 387,400	\$ 387,400	\$ 361,208	\$ (26,192)
Fringe benefits	116,300	116,300	135,102	18,802
Other charges	105,000	105,000	81,242	(23,758)
Capital outlay	232,000	394,600	204,074	(190,526)
Contractual services	128,900	128,900	161,560	32,660
<b>Total parks, recreation and cultural</b>	<b>969,600</b>	<b>1,132,200</b>	<b>943,186</b>	<b>(189,014)</b>
Community and economic development:				
Community development:				
Personal services	46,000	46,000	32,776	(13,224)
Fringe benefits	9,500	9,500	11,662	2,162
Other charges	98,000	98,000	116,782	18,782
Capital outlay	22,000	-	-	-
Contractual services	8,000	8,000	23,475	15,475
<b>Total community development</b>	<b>183,500</b>	<b>161,500</b>	<b>184,695</b>	<b>23,195</b>
Economic development:				
Personal services	-	-	167	167
Other charges	2,000	2,000	104	(1,896)
Contractual services	2,000	2,000	6,082	4,082
<b>Total economic development</b>	<b>4,000</b>	<b>4,000</b>	<b>6,353</b>	<b>2,353</b>
<b>Total community and economic development</b>	<b>187,500</b>	<b>165,500</b>	<b>191,048</b>	<b>25,548</b>
Debt service:				
Principal	169,344	169,344	340,755	171,411
Interest	57,375	57,375	94,422	37,047
<b>Total debt service</b>	<b>226,719</b>	<b>226,719</b>	<b>435,177</b>	<b>208,458</b>
<b>Total General Fund</b>	<b>\$ 5,741,969</b>	<b>\$ 7,345,656</b>	<b>\$ 6,298,275</b>	<b>\$ (1,047,381)</b>

**TOWN OF BRIDGEWATER, VIRGINIA****Page 1 of 2****SCHEDULE OF CAPITAL OUTLAYS****Year Ended June 30, 2019**

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**General Fund:****Public works:**

Sipe Center	\$ 1,088,414
104 N. Main Street	60,694
Razor tooth pavement saw	10,942
Hawk Security System equipment	6,090
406 Main St parking lot	6,086
Line Painting Truck	50,000
	<hr/>
	1,222,226

**Parks, recreation and cultural:**

Riverwalk	53,088
Millview Park playground	20,000
Rubber Matting 4ft X 50 ft - Generations Park	10,718
Wildwood River Walk	30,325
North River outlook	73,680
Wildwood Park export silt	8,263
Wildwood dredging project	8,000
	<hr/>
	204,074

**Public safety:**

Police document management system project	<hr/>
	27,418

**Total General Fund**

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**\$ 1,453,718**

**TOWN OF BRIDGEWATER, VIRGINIA****Page 2 of 2****SCHEDULE OF CAPITAL OUTLAYS****Year Ended June 30, 2019**

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

West View Street water line	\$ 53,823
	<u>53,823</u>

**Water treatment:**

Hach TU 5300 Turbidity sensors and controller	9,629
	<u>9,629</u>

**Sewer:**

Bruce Street sewer line	73,884
North Main Street sewer line	481,863
CAT Backhoe	110,135
2005 GMC truck T8500	9,010
2009 Chevrolet Sierra	10,000
2007 GMC Sierra 2500HD	11,448
2005 GMC Sierra 2500HD	13,568
2004 GMC Sierra 2500HD	6,610
2005 GMC truck 7500	15,052
	<u>731,570</u>

**Total Water, Sewer and Sanitation Fund**\$ 795,022**Stormwater Management Fund:****Stormwater:**

Holly Hill infrastructure	\$ 60,086
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**Total Stormwater Management Fund**\$ 60,086

# TOWN OF BRIDGEWATER, VIRGINIA

## SCHEDULE OF TAXES RECEIVABLE

June 30, 2019

(With Comparative Amounts for 2018)

	2019	2018
Taxes receivable: *		
General Fund:		
Real estate:		
2008	\$ 67	\$ 67
2009	134	134
2010	127	127
2011	127	127
2012	225	225
2013	366	366
2014	374	374
2015	374	374
2016	374	526
2017	374	2,347
2018	1,829	2,956
December billing for next fiscal year	-	168,600
	<u>4,371</u>	<u>176,223</u>
Personal property:		
2014	-	1,265
2015	687	754
2016	1,202	1,305
2017	1,276	2,874
2018	3,701	-
	<u>6,866</u>	<u>6,198</u>
Less:		
Allowance for uncollectible taxes	<u>11,000</u>	<u>11,000</u>
<b>Taxes receivable - General Fund</b>	<u><u>\$ 237</u></u>	<u><u>\$ 171,421</u></u>

\* Includes 10% penalty



# TOWN OF BRIDGEWATER, VIRGINIA

## SCHEDULE REVENUES AND EXPENSES – PROPRIETARY FUND TYPE Year Ended June 30, 2019

	Water Department	Sewer Department	Sanitation Department	Totals
Operating revenues:				
Charges for services	\$ 981,264	\$ 1,692,862	\$ 537,529	\$ 3,211,655
Penalties	19,844	18,123	-	37,967
<b>Total operating revenues</b>	<b>1,001,108</b>	<b>1,710,985</b>	<b>537,529</b>	<b>3,249,622</b>
Operating expenses:				
Personal services	476,799	99,978	216,964	793,741
Fringe benefits	189,497	46,912	65,063	301,472
Materials, line repairs and other	310,887	60,326	184,653	555,866
Regional Sewer Authority assessment:				
Operations and maintenance	-	287,005	-	287,005
Debt service	-	526,646	-	526,646
Construction	-	53,001	-	53,001
Depreciation	119,177	94,253	24,097	237,527
<b>Total operating expenses</b>	<b>1,096,360</b>	<b>1,168,121</b>	<b>490,777</b>	<b>2,755,258</b>
<b>Operating income (loss)</b>	<b>(95,252)</b>	<b>542,864</b>	<b>46,752</b>	<b>494,364</b>
Nonoperating revenue (expense):				
Interest expense	(6,172)	(34,888)	(2,488)	(43,548)
Gain on disposal of assets	-	-	1,478	1,478
Connection availability fees	53,200	87,290	-	140,490
<b>Total nonoperating revenue (expense), net</b>	<b>47,028</b>	<b>52,402</b>	<b>(1,010)</b>	<b>98,420</b>
<b>Income (loss) before transfers and capital contributions</b>	<b>(48,224)</b>	<b>595,266</b>	<b>45,742</b>	<b>592,784</b>
Transfers and capital contributions:				
Transfers out	(76,012)	(676,438)	-	(752,450)
Capital contributions	-	11,081	-	11,081
<b>Total transfers and capital contributions</b>	<b>(76,012)</b>	<b>(665,357)</b>	<b>-</b>	<b>(741,369)</b>
<b>Change in net position</b>	<b>\$ (124,236)</b>	<b>\$ (70,091)</b>	<b>\$ 45,742</b>	<b>\$ (148,585)</b>

# 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, 2019

(With Comparative Totals for 2018)

	Water Department		Sewer Department		Totals (Memorandum Only)			
	Amount	Rate Per 1,000 Gallons	Amount	Rate Per 1,000 Gallons	2019 Amount	Rate Per 1,000 Gallons	2018 Amount	Rate Per 1,000 Gallons
Operating revenues:								
Charges for services	\$ 981,264	\$ 4.479	\$ 1,692,862	\$ 7.727	\$ 2,674,126	\$ 12.206	\$ 2,822,765	\$ 11.817
Connection fees	-	-	-	-	-	-	4,855	0.021
Penalties	19,844	0.091	18,123	0.083	37,967	0.174	36,454	0.152
<b>Total operating revenues</b>	<b>1,001,108</b>	<b>4.570</b>	<b>1,710,985</b>	<b>7.810</b>	<b>2,712,093</b>	<b>12.380</b>	<b>2,864,074</b>	<b>11.990</b>
Operating expenses:								
Personal services	476,799	2.176	99,978	0.456	576,777	2.632	553,860	2.319
Fringe benefits	189,497	0.865	46,912	0.214	236,409	1.079	153,697	0.643
Materials, line repairs and other	310,887	1.419	60,326	0.275	371,213	1.694	472,633	1.978
Regional Sewer Authority assessment:								
Operations and maintenance	-	-	287,005	1.310	287,005	1.310	333,267	1.395
Debt service	-	-	526,646	2.404	526,646	2.404	507,855	2.126
Construction	-	-	53,001	0.242	53,001	0.242	42,241	0.177
Depreciation	119,177	0.544	94,253	0.430	213,430	0.974	207,292	0.868
<b>Total operating expenses</b>	<b>1,096,360</b>	<b>5.004</b>	<b>1,168,121</b>	<b>5.331</b>	<b>2,264,481</b>	<b>10.335</b>	<b>2,270,845</b>	<b>9.506</b>
<b>Operating income (loss)</b>	<b>(95,252)</b>	<b>(0.434)</b>	<b>542,864</b>	<b>2.479</b>	<b>447,612</b>	<b>2.045</b>	<b>593,229</b>	<b>2.484</b>
Nonoperating revenue (expense):								
Interest expense	(6,172)	(0.028)	(34,888)	(0.159)	(41,060)	(0.187)	(28,638)	(0.120)
Connection availability fees	53,200	0.243	87,290	0.398	140,490	0.641	181,169	0.759
<b>Total nonoperating revenue, net</b>	<b>47,028</b>	<b>0.215</b>	<b>52,402</b>	<b>0.239</b>	<b>99,430</b>	<b>0.454</b>	<b>152,531</b>	<b>0.639</b>
<b>Income (loss) before transfers</b>	<b>\$ (48,224)</b>	<b>\$ (0.219)</b>	<b>\$ 595,266</b>	<b>\$ 2.718</b>	<b>\$ 547,042</b>	<b>\$ 2.499</b>	<b>\$ 745,760</b>	<b>\$ 3.123</b>
Total water consumption:								
Thousands of gallons	<u>219,078</u>						<u>238,890</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, 2019

<b>ASSETS</b>	
Current assets:	
Cash	\$ 56,374
Note receivable	13,456
<b>Total current assets</b>	<u>69,830</u>
Noncurrent assets:	
Note receivable	<u>82,954</u>
Capital assets:	
Land	79,747
Buildings and improvements	407,886
Equipment	30,105
Less: accumulated depreciation	(47,368)
<b>Total capital assets, net</b>	<u>470,370</u>
<b>Total noncurrent assets</b>	<u>553,324</u>
<b>Total assets</b>	<u>623,154</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accrued interest	2,639
Unearned revenue	3,000
Bonds payable	16,646
<b>Total current liabilities</b>	<u>22,285</u>
Noncurrent liabilities:	
Bonds payable	<u>486,546</u>
<b>Total noncurrent liabilities</b>	<u>486,546</u>
<b>Total liabilities</b>	<u>508,831</u>
<b>NET POSITION</b>	
Net investment in capital assets	272,470
Unrestricted	<u>(158,147)</u>
<b>Total net position</b>	<u>\$ 114,323</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, 2019

Operating revenues:	
Use of money and property	\$ 39,105
Charges for services	6,000
	<hr/>
<b>Total operating revenues</b>	<b>45,105</b>
	<hr/>
Operating expenses:	
Personal services	600
Fringe benefits	46
Other charges	14,890
Contractual services	3,500
Depreciation	14,506
	<hr/>
<b>Total operating expenses</b>	<b>33,542</b>
	<hr/>
<b>Operating income</b>	<b>11,563</b>
Nonoperating expense:	
Interest	18,439
	<hr/>
<b>Change in net position</b>	<b>(6,876)</b>
Net position, beginning	121,199
	<hr/>
Net position, ending	\$ 114,323
	<hr/>

## TOWN OF BRIDGEWATER, VIRGINIA

### STATEMENT OF CASH FLOWS – DISCRETELY PRESENTED COMPONENT UNIT – INDUSTRIAL DEVELOPMENT AUTHORITY Year Ended June 30, 2019

Cash flows from operating activities:	
Receipts from customers	\$ 45,105
Payments to suppliers for goods and services	(18,390)
Payments to employees for services and benefits	(646)
<b>Net cash provided by operating activities</b>	<u>26,069</u>
Cash flows from capital and related financing activities:	
Principal paid on:	
General obligation bonds	(15,640)
Interest paid on outstanding debt	(18,535)
<b>Net cash used in capital and related financing activities</b>	<u>(34,175)</u>
Cash flows from investing activities:	
Principal from collection of note receivable	12,998
<b>Net cash provided by investing activities</b>	<u>12,998</u>
<b>Net change in cash</b>	4,892
Cash:	
Beginning	<u>51,482</u>
Ending	<u><u>\$ 56,374</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 11,563
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	<u>14,506</u>
<b>Net cash provided by operating activities</b>	<u><u>\$ 26,069</u></u>

## **STATISTICAL SECTION**

# TOWN OF BRIDGEWATER, VIRGINIA

## STATISTICAL SECTION TABLE OF CONTENTS

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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
<b>Financial Trends</b> 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
<b>Revenue Capacity</b> 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.	6-10
<b>Debt Capacity</b> 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.	11-14
<b>Demographic and Economic Information</b> This table offers demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.	15
<b>Operating Information</b> 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.	16

**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,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities:										
Net investment in capital assets	\$ 2,256,573	\$ 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
Restricted	21,640	22,774	22,884	22,884	22,884	836,130	22,382	22,403	22,423	22,461
Unrestricted (deficit)	76,087	247,986	274,804	243,717	478,614	(567,221)	97,911	(657,869)	(816,258)	(377,372)
<b>Total governmental activities net assets</b>	<b>\$ 2,354,300</b>	<b>\$ 2,680,293</b>	<b>\$ 2,475,622</b>							
<b>Total governmental activities net position</b>				<b>\$ 2,737,925</b>	<b>\$ 3,100,539</b>	<b>\$ 2,727,459</b>	<b>\$ 3,103,875</b>	<b>\$ 3,100,752</b>	<b>\$ 3,188,620</b>	<b>\$ 3,616,571</b>
Business-type activities:										
Net investment in capital assets	\$ 1,578,327	\$ 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
Unrestricted	116,214	113,563	165,764	143,719	175,474	10,321	91,676	120,839	(43,434)	(72,523)
<b>Total business-type activities net assets</b>	<b>\$ 1,694,541</b>	<b>\$ 1,704,442</b>	<b>\$ 1,848,210</b>							
<b>Total business-type activities net position</b>				<b>\$ 1,907,035</b>	<b>\$ 1,686,336</b>	<b>\$ 1,918,948</b>	<b>\$ 2,225,240</b>	<b>\$ 2,196,007</b>	<b>\$ 1,589,938</b>	<b>\$ 1,498,570</b>
Primary government:										
Net investment in capital assets	\$ 3,834,900	\$ 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
Restricted	21,640	22,774	22,884	22,884	22,884	836,130	22,382	22,403	22,423	22,461
Unrestricted (deficit)	192,301	361,549	440,568	387,436	654,088	(556,900)	189,587	(537,030)	(859,692)	(449,895)
<b>Total primary government net assets</b>	<b>\$ 4,048,841</b>	<b>\$ 4,384,735</b>	<b>\$ 4,323,832</b>							
<b>Total primary government net position</b>				<b>\$ 4,644,960</b>	<b>\$ 4,786,875</b>	<b>\$ 4,646,407</b>	<b>\$ 5,329,115</b>	<b>\$ 5,296,759</b>	<b>\$ 4,778,558</b>	<b>\$ 5,115,141</b>
				(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,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses:										
Governmental activities:										
General government administration	\$ 670,323	\$ 687,128	\$ 715,110	\$ 709,603	\$ 765,232	\$ 786,203	\$ 1,064,171	\$ 780,506	\$ 819,775	\$ 879,486
Public safety	768,602	796,247	861,318	826,648	833,948	812,586	815,116	784,779	845,679	774,021
Public works	1,268,346	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
Parks, recreation and cultural	407,530	448,454	428,657	426,733	482,013	464,969	670,901	740,707	803,811	811,329
Community and economic development	99,609	171,500	90,496	111,075	101,847	108,566	145,009	151,255	190,969	194,784
Interest	91,890	80,004	56,092	39,946	32,738	39,846	53,294	56,345	54,211	95,928
<b>Total governmental activities</b>	<b>3,306,300</b>	<b>3,353,875</b>	<b>4,252,674</b>	<b>3,416,543</b>	<b>3,514,183</b>	<b>3,582,020</b>	<b>4,761,367</b>	<b>4,432,698</b>	<b>4,713,815</b>	<b>4,656,914</b>
Business-type activities:										
Water, sewer and sanitation	2,151,399	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
Stormwater management	-	-	-	-	70,626	58,743	171,900	222,050	161,253	96,227
<b>Total business-type activities</b>	<b>2,151,399</b>	<b>2,285,051</b>	<b>2,474,727</b>	<b>2,500,118</b>	<b>2,662,771</b>	<b>2,537,031</b>	<b>2,596,021</b>	<b>2,853,113</b>	<b>2,941,457</b>	<b>2,893,555</b>
<b>Total government</b>	<b>5,457,699</b>	<b>5,638,926</b>	<b>6,727,401</b>	<b>5,916,661</b>	<b>6,176,954</b>	<b>6,119,051</b>	<b>7,357,388</b>	<b>7,285,811</b>	<b>7,655,272</b>	<b>7,550,469</b>
Program revenue:										
Governmental activities:										
Charges for services:										
General government administration	-	-	-	-	-	-	-	485	14,809	18,966
Public safety	50,936	55,982	40,862	45,819	42,796	45,083	45,313	25,907	39,533	53,546
Public works	-	-	-	-	-	-	-	6,025	11,531	8,541
Parks, recreation and cultural	-	-	-	-	-	-	-	114,967	129,937	142,934
Operating grants and contributions:										
Public safety	189,271	193,197	183,947	185,342	174,442	175,484	308,443	179,549	183,909	199,648
Public works	648,682	645,407	1,259,493	668,965	653,460	728,114	1,057,811	819,933	1,159,124	1,075,125
Capital grants and contributions:										
General government administration	-	85,000	-	-	-	-	-	-	-	-
Public safety	-	-	15,390	-	-	-	-	-	-	-
Public works	19,265	-	11,653	18,544	-	-	-	-	-	-
Parks, recreation and cultural	-	-	-	-	-	-	-	7,750	-	-
<b>Total governmental activities program revenue</b>	<b>908,154</b>	<b>979,586</b>	<b>1,511,345</b>	<b>918,670</b>	<b>870,698</b>	<b>948,681</b>	<b>1,411,567</b>	<b>1,154,616</b>	<b>1,538,843</b>	<b>1,498,760</b>
Business-type activities:										
Charges for services:										
Water, sewer and sanitation	2,699,253	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
Stormwater Management	-	-	-	-	78,512	79,863	71,747	100,088	132,797	148,513
Capital grants and contributions:										
Water, sewer and sanitation	122,500	247,277	85,796	54,000	67,500	300,141	226,982	210,119	181,169	151,571
<b>Total business-type activities program revenue</b>	<b>2,821,753</b>	<b>2,900,470</b>	<b>2,961,501</b>	<b>2,998,344</b>	<b>3,081,844</b>	<b>3,327,952</b>	<b>3,386,120</b>	<b>3,498,180</b>	<b>3,659,681</b>	<b>3,511,739</b>
<b>Total government program revenue</b>	<b>3,729,907</b>	<b>3,880,056</b>	<b>4,472,846</b>	<b>3,917,014</b>	<b>3,952,542</b>	<b>4,276,633</b>	<b>4,797,687</b>	<b>4,652,796</b>	<b>5,198,524</b>	<b>5,010,499</b>
Net (expense) revenue:										
Governmental activities	(2,398,146)	(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)
Business-type activities	670,354	615,419	486,774	498,226	419,073	790,921	790,099	645,067	718,224	618,184
<b>Total government net expense</b>	<b>(1,727,792)</b>	<b>(1,758,870)</b>	<b>(2,254,555)</b>	<b>(1,999,647)</b>	<b>(2,224,412)</b>	<b>(1,842,418)</b>	<b>(2,559,701)</b>	<b>(2,633,015)</b>	<b>(2,456,748)</b>	<b>(2,539,970)</b>

# 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,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General revenues and other changes in net assets:										
Governmental activities:										
Taxes:										
General property	\$ 557,891	\$ 560,335	\$ 538,464	\$ 506,468	\$ 554,897	\$ 576,922	\$ 590,960	\$ 611,129	\$ 632,407	\$ 459,608
Consumer utility and communications sales and use	359,461	274,780	393,629	386,397	385,779	387,647	387,969	388,104	370,722	541,858
Meals	320,339	360,040	347,099	396,659	446,307	466,633	530,632	548,988	618,979	646,425
Local sales and use	131,990	162,442	168,211	247,769	160,076	160,706	198,749	192,639	196,399	206,402
Bank stock	89,615	108,360	95,393	101,619	107,330	146,696	150,249	154,259	171,849	185,621
Business license	180,397	172,147	199,905	206,776	217,335	223,970	224,118	220,114	218,755	222,382
Other	117,351	98,454	122,680	150,383	136,486	144,678	138,536	141,781	142,385	139,861
Intergovernmental, non-categorical aid	98,614	198,644	195,902	198,768	191,976	197,996	191,335	187,398	186,204	179,457
Use of money and property	88,035	77,000	81,329	68,678	90,455	87,468	175,097	96,141	100,451	118,344
Miscellaneous	22,238	52,583	17,505	20,335	32,980	160,142	621,785	26,134	42,082	138,628
Transfers	715,807	635,497	376,541	476,324	682,478	298,487	516,786	708,272	1,136,806	747,519
<b>Total governmental activities</b>	<b>2,681,738</b>	<b>2,700,282</b>	<b>2,536,658</b>	<b>2,760,176</b>	<b>3,006,099</b>	<b>2,851,345</b>	<b>3,726,216</b>	<b>3,274,959</b>	<b>3,817,039</b>	<b>3,586,105</b>
Business-type activities:										
Miscellaneous	23,974	29,979	33,535	36,923	42,706	38,746	32,979	33,972	36,454	37,967
Transfers	(715,807)	(635,497)	(376,541)	(476,324)	(682,478)	(298,487)	(516,786)	(708,272)	(1,136,806)	(747,519)
<b>Total business-type activities</b>	<b>(691,833)</b>	<b>(605,518)</b>	<b>(343,006)</b>	<b>(439,401)</b>	<b>(639,772)</b>	<b>(259,741)</b>	<b>(483,807)</b>	<b>(674,300)</b>	<b>(1,100,352)</b>	<b>(709,552)</b>
<b>Total primary government</b>	<b>1,989,905</b>	<b>2,094,764</b>	<b>2,193,652</b>	<b>2,320,775</b>	<b>2,366,327</b>	<b>2,591,604</b>	<b>3,242,409</b>	<b>2,600,659</b>	<b>2,716,687</b>	<b>2,876,553</b>
Changes in net assets:										
Governmental activities	283,592	325,993	(204,671)							
Business-type activities	(21,479)	9,901	143,768							
<b>Total primary government</b>	<b>\$ 262,113</b>	<b>\$ 335,894</b>	<b>\$ (60,903)</b>							
Changes in net position:										
Governmental activities				262,303	362,614	218,006	376,416	(3,123)	642,067	427,951
Business-type activities				58,825	(220,699)	531,180	306,292	(29,233)	(382,128)	(91,368)
<b>Total primary government</b>				<b>\$ 321,128</b>	<b>\$ 141,915</b>	<b>\$ 749,186</b>	<b>\$ 682,708</b>	<b>\$ (32,356)</b>	<b>\$ 259,939</b>	<b>\$ 336,583</b>

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 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) In fiscal year 2011, the Town implemented the Auditor of Public Accounts' requirement that communication sales and use tax be reported as non-categorical state aid instead of other local taxes as previously reported.
- (3) 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.'
- (5) In fiscal year 2016, the Town sold property for \$590,722 and was classified as miscellaneous revenue on the Statement of Activities.
- (6) 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,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities:										
General government administration	\$ -	\$ 85,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 485	\$ 14,809	\$ 18,966
Public safety	240,207	249,179	240,199	231,161	217,238	220,567	353,756	205,456	223,442	253,194
Public works	667,947	645,407	1,271,146	687,509	653,460	728,114	1,057,811	825,958	1,170,655	1,083,666
Parks, recreation and cultural	-	-	-	-	-	-	-	122,717	129,937	142,934
<b>Total governmental activities</b>	<b>908,154</b>	<b>979,586</b>	<b>1,511,345</b>	<b>918,670</b>	<b>870,698</b>	<b>948,681</b>	<b>1,411,567</b>	<b>1,154,616</b>	<b>1,538,843</b>	<b>1,498,760</b>
Business-type activities:										
Water, sewer and sanitation	2,821,753	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
Stormwater management	-	-	-	-	78,512	79,863	71,747	100,088	132,797	148,513
<b>Total business-type activities</b>	<b>2,821,753</b>	<b>2,900,470</b>	<b>2,961,501</b>	<b>2,998,344</b>	<b>3,081,844</b>	<b>3,327,952</b>	<b>3,386,120</b>	<b>3,498,180</b>	<b>3,659,681</b>	<b>3,511,739</b>
<b>Total government</b>	<b>\$ 3,729,907</b>	<b>\$ 3,880,056</b>	<b>\$ 4,472,846</b>	<b>\$ 3,917,014</b>	<b>\$ 3,952,542</b>	<b>\$ 4,276,633</b>	<b>\$ 4,797,687</b>	<b>\$ 4,652,796</b>	<b>\$ 5,198,524</b>	<b>\$ 5,010,499</b>

Notes:

(1) During fiscal year 2011, the general government received a land donation from the Industrial Development Authority of the Town of Bridgewater for economic development purposes.

TOWN OF BRIDGEWATER, VIRGINIA

Table 4

FUND BALANCES – GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

		Fiscal Year June 30,				
		2010	2011	2012	2013	2014
General Fund:						
Reserved	\$	11,817	\$ -	\$ -	\$ -	\$ -
Unreserved		217,297	-	-	-	-
Committed		-	10,000	10,000	10,000	10,000
Unassigned		-	427,550	483,281	485,544	731,144
<b>Total General Fund</b>	<b>\$</b>	<b>229,114</b>	<b>\$ 437,550</b>	<b>\$ 493,281</b>	<b>\$ 495,544</b>	<b>\$ 741,144</b>
All other governmental funds:						
Reserved	\$	21,640	\$ -	\$ -	\$ -	\$ -
Nonspendable		-	6,000	6,000	6,000	6,000
Restricted		-	16,774	16,774	16,884	16,884
<b>Total all other governmental funds</b>	<b>\$</b>	<b>21,640</b>	<b>\$ 22,774</b>	<b>\$ 22,774</b>	<b>\$ 22,884</b>	<b>\$ 22,884</b>
		Fiscal Year June 30,				
		2015	2016	2017	2018	2019
General Fund:						
Restricted	\$	813,754	\$ -	\$ -	\$ -	\$ -
Assigned		82,000	-	10,000	10,000	-
Unassigned		168,287	896,320	90,347	392,196	591,748
<b>Total General Fund</b>	<b>\$</b>	<b>1,064,041</b>	<b>\$ 896,320</b>	<b>\$ 100,347</b>	<b>\$ 402,196</b>	<b>\$ 591,748</b>
All other governmental funds:						
Nonspendable	\$	6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000
Restricted		16,376	16,382	16,403	16,423	16,461
<b>Total all other governmental funds</b>	<b>\$</b>	<b>22,376</b>	<b>\$ 22,382</b>	<b>\$ 22,403</b>	<b>\$ 22,423</b>	<b>\$ 22,461</b>

Note:

- (1) In fiscal year 2011, the Town implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which effectively changed the classifications used to report fund balances. The terms reserved and unreserved are no longer used to describe fund balance. Fund balance is now classified as nonspendable, restricted, committed, assigned, or unassigned.

**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,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Revenues:</b>										
General property taxes	\$ 556,891	\$ 558,335	\$ 541,464	\$ 509,468	\$ 542,897	\$ 579,922	\$ 593,960	\$ 611,129	\$ 631,407	\$ 462,608
Other local taxes	1,199,153	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
Permits and other licenses	7,070	4,144	3,425	2,965	3,078	4,160	3,499	6,510	26,340	27,507
Fines and forfeitures	43,866	51,838	37,437	42,854	39,718	40,923	41,814	25,907	39,533	53,546
Use of money and property	88,035	77,000	81,329	68,678	90,455	87,468	92,345	96,141	100,451	118,344
Charges for services	-	-	-	-	-	-	56,976	114,967	129,937	142,934
Miscellaneous	22,238	52,583	17,505	20,335	32,980	160,142	56,833	26,134	42,082	138,628
Intergovernmental	936,567	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
<b>Total revenues</b>	<b>2,853,820</b>	<b>2,957,371</b>	<b>3,647,419</b>	<b>3,186,978</b>	<b>3,182,319</b>	<b>3,504,539</b>	<b>4,033,269</b>	<b>3,713,553</b>	<b>4,218,076</b>	<b>4,340,346</b>
<b>Expenditures:</b>										
General government administration	618,210	646,078	674,207	676,800	734,129	770,265	760,492	771,999	821,438	806,421
Public safety	730,825	725,534	835,013	767,068	825,896	878,516	953,365	769,232	815,321	817,721
Public works	1,233,689	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
Parks, recreation and cultural	356,422	400,891	389,595	461,846	445,772	1,174,047	1,515,081	745,407	960,286	943,186
Community and economic development	99,236	170,291	90,406	109,124	117,737	109,003	137,385	150,315	232,991	191,048
<b>Debt service:</b>										
Principal	229,674	229,965	230,266	291,996	216,520	146,785	164,155	230,147	166,847	340,755
Interest and fiscal charges	98,169	83,262	48,618	42,549	34,135	38,437	48,165	57,953	55,892	94,422
<b>Total expenditures</b>	<b>3,366,225</b>	<b>3,383,298</b>	<b>4,358,119</b>	<b>3,661,039</b>	<b>3,619,197</b>	<b>4,535,637</b>	<b>5,852,498</b>	<b>5,217,777</b>	<b>5,338,013</b>	<b>6,298,275</b>
<b>Revenues under expenditures</b>	<b>(512,405)</b>	<b>(425,927)</b>	<b>(710,700)</b>	<b>(474,061)</b>	<b>(436,878)</b>	<b>(1,031,098)</b>	<b>(1,819,229)</b>	<b>(1,504,224)</b>	<b>(1,119,937)</b>	<b>(1,957,929)</b>
<b>Other financing sources (uses):</b>										
Sale of capital asset	-	-	-	-	-	-	590,722	-	-	-
Transfers in	715,807	635,497	376,541	476,324	682,478	298,487	618,780	841,971	1,211,971	752,450
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
Issuance of short-term debt	295,000	-	-	-	-	-	-	-	-	-
Payment of short-term debt	(295,000)	-	-	-	-	-	-	-	-	-
<b>Total other financing sources, net</b>	<b>715,807</b>	<b>635,497</b>	<b>766,541</b>	<b>476,324</b>	<b>682,478</b>	<b>1,353,487</b>	<b>1,651,508</b>	<b>708,272</b>	<b>1,421,806</b>	<b>2,147,519</b>
<b>Net change in fund balances</b>	<b>\$ 203,402</b>	<b>\$ 209,570</b>	<b>\$ 55,841</b>	<b>\$ 2,263</b>	<b>\$ 245,600</b>	<b>\$ 322,389</b>	<b>\$ (167,721)</b>	<b>\$ (795,952)</b>	<b>\$ 301,869</b>	<b>\$ 189,590</b>

**TOWN OF BRIDGEWATER, VIRGINIA**

**Table 5**  
**Page 2**

**CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**

**Last Ten Fiscal Years**

*(modified accrual basis of accounting)*

**(Unaudited)**

	Fiscal Year June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt service as a percentage of noncapital expenditures:										
<b>Total debt service</b>	\$ 327,843	\$ 313,227	\$ 278,884	\$ 334,545	\$ 250,655	\$ 185,222	\$ 212,320	\$ 288,100	\$ 222,739	\$ 435,177
Total expenditures	\$ 3,366,225	\$ 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
Less: capital outlay	(68,265)	(7,657)	(76,643)	(151,506)	(60,365)	(910,084)	(1,398,661)	(769,033)	(648,256)	(1,453,718)
<b>Noncapital expenditures</b>	\$ 3,297,960	\$ 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
<b>Debt service as a percentage of noncapital expenditures</b>	9.94%	9.28%	6.51%	9.53%	7.04%	5.11%	4.77%	6.48%	4.75%	8.98%

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.

## 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	Communication Sales and Use	Cigarette	Transient Occupancy	Totals
2010	\$ 556,891	\$ 266,268	\$ 24,493	\$ 131,990	\$ 89,615	\$ 320,339	\$ 17,404	\$ 180,397	\$ 75,454	\$ 93,193	\$ -	\$ -	\$ 1,756,044
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
Change 2010-2019	-16.93%	103.50%	0.58%	56.38%	107.13%	101.79%	-44.85%	23.27%	16.31%	-100.00%	100.00%	100.00%	36.96%

Notes:

- (1) In fiscal year 2011, the Town implemented the Auditor of Public Accounts' requirement that Communication Sales and Use Tax be reported as non-categorical state aid instead of other local taxes as described in Note 1.
- (2) 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
2010	\$ 382,695,690	\$ 5,088,222	\$ 175,783,800	\$ 563,567,712	\$ 387,783,912	1.87%	\$ 0.08	\$ 387,783,912	100.00%
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%

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, 2010, 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
2010	\$ 0.08	\$ 0.75	\$ 0.75	\$ 0.60	\$ 2.80	\$ 2.55	\$ 0.68	\$ 3.55	\$ 3.30
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

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 PROPERTY TAXPAYERS**  
**Current Year and Nine Years Ago**  
**(Unaudited)**

Taxpayer	2019			2010		
	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value
Bridgewater Retirement Village	\$ 46,953,300	1	10.62%	\$ 42,053,500	1	10.87%
Tiben Limited Company(Marshall's)	14,593,400	2	3.30%	19,607,300	2	5.07%
French, Larry B. & Pamela S.	5,771,200	3	1.30%	4,038,900	4	1.04%
Perdue Farms, Inc.	4,912,500	4	1.11%	9,578,200	3	2.48%
Sentara RMH Medical Center	3,336,300	5	0.75%	-		0.00%
North Grove Rentals LLC	2,365,100	6	0.53%	2,082,600	6	0.54%
Heatwole Construction	2,149,400	7	0.49%	2,774,000	5	0.72%
Ashby 28 LLC (Ashby Apartments)	1,833,100	8	0.41%	1,833,100	7	0.47%
Newland Enterprises	1,655,800	9	0.37%	-		0.00%
A Bird In Hand Land LLC	1,590,900	10	0.36%	1,550,588	8	0.40%
Good Printers, Inc.	-		0.00%	1,548,400	9	0.40%
Shickel Machine Shop, Inc	-		0.00%	1,508,500	10	0.39%
<b>Total</b>	<b>\$ 85,161,000</b>		<b>19.24%</b>	<b>\$ 86,575,088</b>		<b>22.38%</b>

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.

**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
2010	\$ 307,056	\$ 302,094	98.38%	\$ 4,844	\$ 306,938	99.96%
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%	-	183,511	99.26%

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
2010	\$ 1,586,350	\$ 40,601	\$ 458,850	\$ 110,143	\$ 85,092	\$ 2,281,036	1.38%	\$ 421	\$ 1,586,350	0.41%	\$ 293
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	N/A	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

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, 2019****(Unaudited)**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Rockingham County, Virginia	\$ 94,051,609	5.23%	\$ 4,918,899
Town Direct Debt			<u>3,283,515</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 8,202,414</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,										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
Legal debt margin	\$ 38,778,391	\$ 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	
Total net debt applicable to limit	1,626,951	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	
<b>Available legal debt margin</b>	<b>\$ 37,151,440</b>	<b>\$ 38,087,860</b>	<b>\$ 38,252,306</b>	<b>\$ 38,918,024</b>	<b>\$ 40,109,553</b>	<b>\$ 39,666,192</b>	<b>\$ 39,547,645</b>	<b>\$ 39,973,569</b>	<b>\$ 40,675,112</b>	<b>\$ 41,674,385</b>	
Total net debt applicable to the limit as a percentage of debt limit	4.20%	3.54%	3.91%	3.15%	2.55%	4.70%	5.58%	5.01%	5.18%	7.30%	

## Legal debt margin calculation for fiscal year 2019:

Assessed value of real estate	<u>\$ 449,579,004</u>
Debt limit (10% of assessed value)	\$ 44,957,900
Debt applicable to limit:	
Net direct debt outstanding	<u>3,283,515</u>
<b>Available legal debt margin</b>	<b><u>\$ 41,674,385</u></b>

## Summary of outstanding debt:

Gross bonded debt	\$ 5,317,503
Less: enterprise debt	<u>2,033,988</u>
	<u>\$ 3,283,515</u>

## 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
2010	\$ 2,845,727	\$ 1,890,241	\$ 955,486	\$ 129,825	\$ 30,362	\$ 160,187	\$ 5.96
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

## 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
2010	5,420	\$ 165,044,420	\$ 30,451	6.3%
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	(4)	(4)	2.9%
2019	6,106	(4)	(4)	2.6%

## Notes:

- (1) Population estimates obtained from the United States Bureau of the Census for years 2010 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 2010 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,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General government administration:										
Legislative:										
Manager's office	2	2	2	2	2	2	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	3	4	4	3	4	4	4	5
Maintenance	6	7	6	6	6	5	5	5	5	5
General properties	5	5	5	5	5	5	5	5	5	6
Parks, recreation and cultural	4	4	4	5	6	5	8	9	8	7
Water, Sewer and Sanitation:										
Administration	1	1	1	1	1	1	1	1	1	1
Transmission	6	6	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	5	6	6	6	6	6	6
<b>Total</b>	<b>51</b>	<b>52</b>	<b>50</b>	<b>52</b>	<b>54</b>	<b>51</b>	<b>56</b>	<b>57</b>	<b>56</b>	<b>57</b>

## **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 unit, 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, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 25, 2019.

**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 2019-001 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.

*PBMares, LLP*

Harrisonburg, Virginia  
October 25, 2019

# **TOWN OF BRIDGEWATER, VIRGINIA**

## **SCHEDULE OF FINDING AND RESPONSE**

**Year Ended June 30, 2019**

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### **Section I. FINANCIAL STATEMENT FINDING**

#### **A. Significant Deficiency in Internal Control**

##### **2019-001: 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.

