

TOWN OF BRIDGEWATER, VIRGINIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

YEAR ENDED JUNE 30, 2023



Prepared by:

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

TOWN OF BRIDGEWATER, VIRGINIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
Year Ended June 30, 2023

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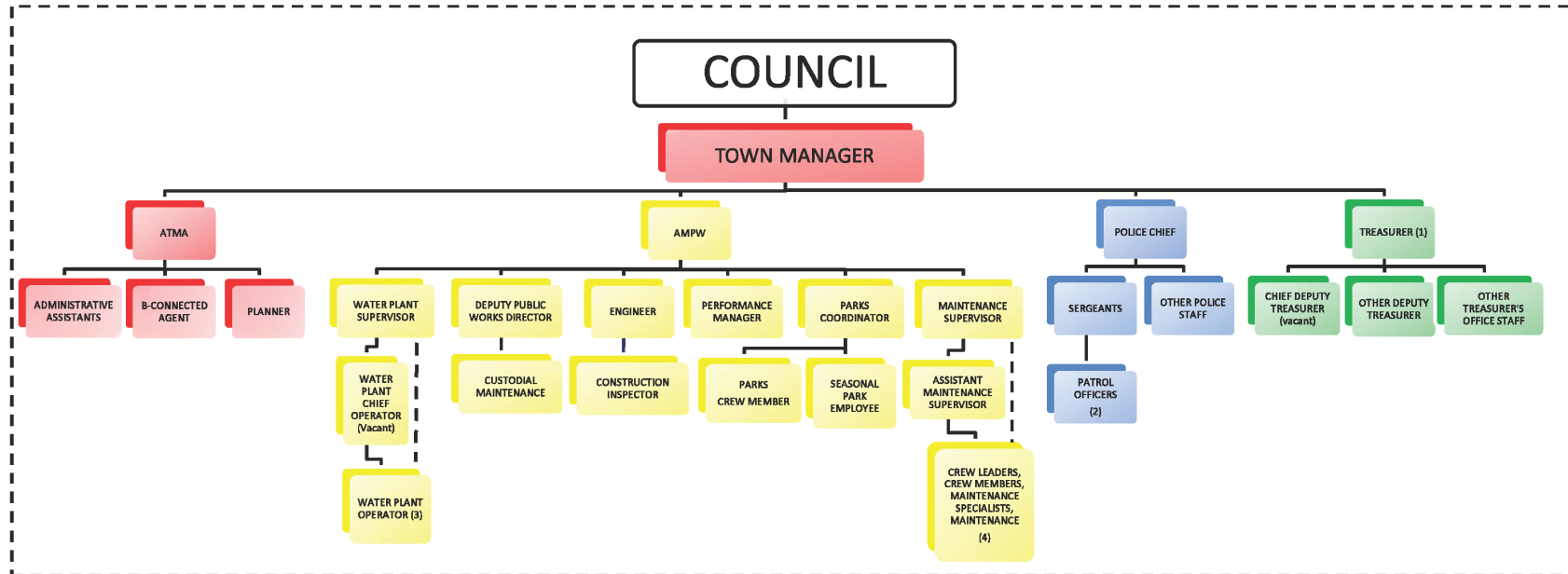
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INTRODUCTORY SECTION

ORGANIZATIONAL CHART



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

TOWN OF BRIDGEWATER, VIRGINIA

Directory of Principal Officials

OFFICIALS

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

MEMBERS OF COUNCIL

Travis Bowman	Steven A. Schofield
William D. Miracle	Stephanie L. Curtis
Jim Tongue	

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

Jason T. Burkholder	James R. Harper
Jane Z. Fulk	Larry A. Elkins
Jeff Carr	Debbie S. Byerly
Nicholas Koger	

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, the 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, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, the remaining fund information, and the budgetary comparison of the General Fund of the Town, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and 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. Our responsibilities under those standards and specifications are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *Specifications for Audits of Counties, Cities and Towns* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *Specifications for Audits of Counties, Cities and Towns*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis of Matter

Changes in Accounting Principles

As discussed in Note 18 to the financial statements, the Town restated beginning net position of the Governmental Activities in accordance with the implementation of Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information on pages 6-12 and 83-92, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2023 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town's internal control over financial reporting and compliance.

PBMares, LLP

Harrisonburg, Virginia
October 23, 2023

Town of Bridgewater, Virginia Management's Discussion and Analysis

Fiscal 2023 challenged our strength, resilience, and agility, and I am pleased to report that we responded admirably to the challenges. After our FY23 budget was adopted, an ambiguity in the state's stormwater regulations was decided against us, leaving us with the need to buy "credits" costing hundreds of thousands of dollars or to build an expensive project—before the end of the fiscal year. It was a daunting task, and lesser organizations would have begun contemplating tax increases or at least bond issues.

Our crew would have none of that. On an expedited schedule, they studied alternatives, designed a project, obtained partial grant funding, amended the budget to reprioritize other things, and constructed the new Oakdale Pond. I am not sure that they are aware of the enormity of what they accomplished. Addressing the situation with purpose and resolve, they met the state mandate without creating burdens for our citizens.

This ability to solve unexpected financial problems is now a core strength of the organization, and it will allow us to handle the vagaries of reality without creating financial (or emotional) stress for our citizens. As we press ahead with our quest to build a two-million-dollar fund balance, our ability to absorb bad news of any kind will only increase. In short, we have grown strong, and we are growing stronger by the day.

FINANCIAL HIGHLIGHTS

Total assets and deferred outflows of resources of the Town exceeded total liabilities and deferred inflows of resources at June 30, 2023 by approximately \$11.3 million (net position). Of the total net position, approximately \$1.5 was unrestricted surplus.

The Town's total net position increased approximately \$2.8 million from the previous year's total net position.

As of June 30, 2023, the Town's governmental funds had combined ending fund balances of approximately \$2.1 million, an increase of approximately \$711,000 in comparison with the prior year.

The Town's total long-term liabilities (excluding compensated absences, lease liabilities, and other postemployment benefits) decreased approximately \$450,000 during fiscal year 2023 due primarily to scheduled debt repayment.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

Statement of Net Position

For the most recently concluded fiscal year, the Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$11.3 million. Most of this total, approximately 86%, 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, right-to-use subscription assets, 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, \$1.5 million is classified as unrestricted surplus.

The following table presents a condensed statement of net position:

Table 1
Summary Statements of Net Position
June 30, 2023 and 2022

	Governmental Activities		Business-type Activity		Total Primary Government	
	2023	2022	2023	2022	2023	2022
ASSETS						
Current and other assets	\$ 6,657,487	\$ 3,478,143	\$ 522,951	\$ 559,219	\$ 7,180,438	\$ 4,037,362
Capital assets, net	9,521,108	8,916,298	4,980,834	4,120,246	14,501,942	13,036,544
Total assets	16,178,595	12,394,441	5,503,785	4,679,465	21,682,380	17,073,906
DEFERRED OUTFLOWS OF RESOURCES						
Other postemployment benefits	34,430	38,220	7,542	12,425	41,972	50,645
Pension plan	210,301	363,569	65,266	156,937	275,567	520,506
Deferred charge on refunding	22,825	24,727	-	-	22,825	24,727
Total deferred outflows of resources	267,556	426,516	72,808	169,362	340,364	595,878
LIABILITIES						
Current and other liabilities	3,259,320	1,210,783	417,067	174,956	3,676,387	1,385,739
Long-term liabilities	3,614,865	3,901,093	1,103,591	1,463,499	4,718,456	5,364,592
Total liabilities	6,874,185	5,111,876	1,520,658	1,638,455	8,394,843	6,750,331
DEFERRED INFLOWS OF RESOURCES						
Other postemployment benefits	167,540	195,357	49,428	79,686	216,968	275,043
Leases related	1,591,908	619,778	-	-	1,591,908	619,778
Pension plan	365,128	1,020,472	113,315	440,494	478,443	1,460,966
Total deferred inflows of resources	2,124,576	1,835,607	162,743	520,180	2,287,319	2,355,787
NET POSITION						
Net investment in capital assets	6,009,467	5,250,343	3,780,609	2,726,028	9,790,076	7,976,371
Restricted	22,490	22,488	-	-	22,490	22,488
Unrestricted	1,415,433	600,643	112,583	(35,836)	1,528,016	564,807
Total net position	\$ 7,447,390	\$ 5,873,474	\$ 3,893,192	\$ 2,690,192	\$ 11,340,582	\$ 8,563,666

Statement of Activities

Governmental Activities

Revenues: For the fiscal year ended June 30, 2023, revenue from governmental activities totaled \$7.6 million. Sources of revenue are comprised of many different types with taxes typically constituting the largest source of Town revenues in this category. The Town assesses local taxes and fees including, personal property, consumer utility, bank stock, and meals taxes, business license (BPOL) fees, 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. For the current fiscal year, a large source of revenue came from grants related to VDOT funded projects and the COVID-19 pandemic, specifically ARPA funding.

Expenses: Expenses for governmental activities, including interest on debt service, totaled \$6.3 million. As the table indicates, General Government Administration and Public Works, which together comprise about 56% 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, 2023:

Table 2
Changes in Net Position
Years Ended June 30, 2023 and 2022

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 415,990	\$ 344,353	\$ 3,866,455	\$ 3,583,670	\$ 4,282,445	\$ 3,928,023
Operating grants and contributions	2,241,492	3,949,555	-	-	2,241,492	3,949,555
Capital grants and contributions	1,160,805	1,127,181	451,986	464,147	1,612,791	1,591,328
Total program revenues	3,818,287	5,421,089	4,318,441	4,047,817	8,136,728	9,468,906
General revenues:						
General property taxes	385,597	309,647	-	-	385,597	309,647
Other local taxes	2,870,792	2,566,997	-	-	2,870,792	2,566,997
Intergovernmental, non-categorical aid	172,021	175,913	-	-	172,021	175,913
Use of money and property	309,471	141,047	-	-	309,471	141,047
Miscellaneous	50,972	114,016	53,815	43,318	104,787	157,334
Total general revenues	3,788,853	3,307,620	53,815	43,318	3,842,668	3,350,938
Total revenues	7,607,140	8,728,709	4,372,256	4,091,135	11,979,396	12,819,844
Expenses:						
General government administration	1,155,740	1,093,517	-	-	1,155,740	1,093,517
Public safety	1,022,073	964,682	-	-	1,022,073	964,682
Public works	2,354,529	3,008,778	-	-	2,354,529	3,008,778
Parks, recreation and cultural	922,723	797,233	-	-	922,723	797,233
Community and economic development	388,125	535,936	-	-	388,125	535,936
Sipe Center	328,567	356,109	-	-	328,567	356,109
Interest	94,419	101,366	-	-	94,419	101,366
Water, sewer and sanitation	-	-	2,833,381	2,815,140	2,833,381	2,815,140
Stormwater management	-	-	162,983	145,559	162,983	145,559
Total expenses	6,266,176	6,857,621	2,996,364	2,960,699	9,262,540	9,818,320
Changes in net position before transfers	1,340,964	1,871,088	1,375,892	1,130,436	2,716,856	3,001,524
Transfers	172,892	33,455	(172,892)	(33,455)	-	-
Change in net position	1,513,856	1,904,543	1,203,000	1,096,981	2,716,856	3,001,524
Net position, beginning as restated	5,933,534	3,968,931	2,690,192	1,593,211	8,623,726	5,562,142
Net position, ending	\$ 7,447,390	\$ 5,873,474	\$ 3,893,192	\$ 2,690,192	\$ 11,340,582	\$ 8,563,666

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 2023, total operating and non-operating revenues amounted to \$4.4 million, which is an increase of approximately \$281,000 from the prior fiscal year. Approximately 88% of water, sewer, sanitation and stormwater revenues come from charges for service. Approximately 12% of revenues come from capital grants and contributions and miscellaneous income.

Expenses amounted to \$3 million for fiscal year 2023. This amount is approximately the same as the previous year. Change in net position before transfers was \$1.4 million in fiscal year 2023, compared to \$1.1 million in fiscal year 2022, an increase of approximately \$245,000.

The business-type activities' net position increased approximately \$1.2 million 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 \$334,000 resulting in an unassigned balance of approximately \$1.4 million. Committed funds, those implemented by the FY19 Fund Balance Policy, increased by approximately \$337,000.

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, 2023, the unrestricted net position for the enterprise funds totaled about \$113,000, which is an increase of approximately \$148,000 from the previous year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Overall, actual revenues were less than budgeted revenues by \$1.1 million. Expenditures were more than budgeted amounts by \$257,000. The shortfall in revenues can be attributed to non-recognized ARPA funding during this fiscal year.

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 2023 totaled approximately \$2.1 million. The additions can be attributed largely to building a stormwater retention pond, purchasing multiple vehicles for the Town fleet, upgrading software at the water treatment plant, and completing multiple projects including a walking path, and traffic cabinet and pedestrian signal upgrades.

Table 3
Changes in Capital Assets
Years Ended June 30, 2023 and 2022

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Capital assets not being depreciated:						
Land and easements	\$ 3,000,383	\$ 3,000,383	\$ 847,542	\$ 4,600	\$ 3,847,925	\$ 3,004,983
Construction in progress	724,835	533,805	-	638,497	724,835	1,172,302
Total capital assets not being depreciated	3,725,218	3,534,188	847,542	643,097	4,572,760	4,177,285
Capital assets being depreciated or amortized:						
Buildings and improvements	6,608,364	6,274,247	1,046,187	1,018,917	7,654,551	7,293,164
Distribution and collection system	-	-	4,174,808	4,170,273	4,174,808	4,170,273
Equipment	1,362,247	1,087,831	3,180,887	2,565,619	4,543,134	3,653,450
Software	53,970	53,970	216,500	-	270,470	53,970
Infrastructure	1,244,706	1,244,706	134,509	134,509	1,379,215	1,379,215
Right-to-use subscription assets	192,429	-	4,081	-	196,510	-
Vehicles	555,458	559,188	899,090	852,370	1,454,548	1,411,558
Total capital assets being depreciated or amortized	10,017,174	9,219,942	9,656,062	8,741,688	19,673,236	17,961,630
Less accumulated depreciation and amortization:						
Buildings and improvements	2,375,245	2,132,735	888,458	880,462	3,263,703	3,013,197
Distribution and collection system	-	-	2,207,894	2,116,703	2,207,894	2,116,703
Equipment	850,061	793,219	1,756,062	1,672,217	2,606,123	2,465,436
Software	53,970	53,970	36,083	-	90,053	53,970
Infrastructure	469,952	428,462	19,406	14,422	489,358	442,884
Vehicles	424,334	429,446	612,827	580,735	1,037,161	1,010,181
Right-to-use subscription assets	47,722	-	2,040	-	49,762	-
Total accumulated depreciation and amortization	4,221,284	3,837,832	5,522,770	5,264,539	9,744,054	9,102,371
Total capital assets being depreciated or amortized, net	5,795,890	5,382,110	4,133,292	3,477,149	9,929,182	8,859,259
Capital assets, net	\$ 9,521,108	\$ 8,916,298	\$ 4,980,834	\$ 4,120,246	\$ 14,501,942	\$ 13,036,544

LONG-TERM DEBT

As of June 30, 2023, the Town's long-term liabilities, exclusive of compensated absences and other postemployment benefits, totaled \$3.5 million for governmental activities. Additionally, \$1.2 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 \$60 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, 2023 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
6,694	\$ 633,570,690	\$ 3,436,532	0.0054	\$ 513

The net bonded debt decreased approximately \$254,000, which correlates to a decrease in debt per capita of \$84.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The national economy continues to spin off mixed signals. Interest rates continue to be above recent historical levels, but we are not yet experiencing any cooling. Indeed, the tight labor market has required us to implement some significant wage increases.

At the outset of this letter, I mentioned our ability to deal with acute, localized disruptions. I also think we are well positioned to address nationwide economic changes. Our “zero-real-estate” tax model is working well, and we should be able to weather any moderate downturn and thrive if the economy remains favorable. We foresee no tax-rate changes.

We will, however, raise our utility rates in accord with inflation, as we have long done. This indexing allows us to keep our infrastructure current, and it offers a measure of predictability for our citizens. They know that their utility services will go up just about as much as the things they buy at the store—and no more.

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, 2023

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Totals	Industrial Development Authority	Sipe Center Live
ASSETS					
Cash and cash equivalents	\$ 2,290,238	\$ -	\$ 2,290,238	\$ 35,095	\$ 71,415
Receivables, net:					
Property taxes	7,389	-	7,389	-	-
Trade and other accounts	83,941	522,951	606,892	-	-
Due from other governments	478,044	-	478,044	-	-
Lease receivables	1,645,076	-	1,645,076	303,567	-
Restricted investment	22,490	-	22,490	-	-
Restricted cash and cash equivalents	2,129,099	-	2,129,099	-	-
Net other post employment benefits	1,210	-	1,210	-	-
Capital assets:					
Land	2,991,983	847,542	3,839,525	79,747	-
Land easements	8,400	-	8,400	-	-
Buildings and improvements	6,608,364	1,046,187	7,654,551	407,886	-
Infrastructure	1,244,706	134,509	1,379,215	-	-
Distribution and collection systems	-	4,174,808	4,174,808	-	-
Equipment	1,362,247	3,180,887	4,543,134	30,105	-
Software	53,970	216,500	270,470	-	-
Vehicles	555,458	899,090	1,454,548	-	-
Construction in progress	724,835	-	724,835	-	-
Right-to-use subscription assets	192,429	4,081	196,510	-	-
Less: accumulated depreciation and amortization	(4,221,284)	(5,522,770)	(9,744,054)	(105,388)	-
Total assets	16,178,595	5,503,785	21,682,380	751,012	71,415
DEFERRED OUTFLOWS OF RESOURCES					
Other postemployment benefits	34,430	7,542	41,972	-	-
Pension plan	210,301	65,266	275,567	-	-
Deferred charge on refunding	22,825	-	22,825	-	-
Total deferred outflows of resources	267,556	72,808	340,364	-	-
LIABILITIES					
Accounts and deposits payable	475,229	174,537	649,766	-	-
Accrued payroll and benefits	102,881	21,961	124,842	-	-
Accrued interest	13,249	7,487	20,736	2,292	-
Unearned revenue	2,352,867	-	2,352,867	3,000	-
Noncurrent liabilities:					
Due within one year:					
Private placement note payable	-	20,265	20,265	-	-
Subscription liabilities	46,207	2,066	48,273	-	-
Bonds payable	215,345	174,555	389,900	19,150	-
Compensated absences	53,542	16,196	69,738	-	-
Due in more than one year:					
Subscription liabilities	51,907	-	51,907	-	-
Bonds payable	3,221,007	1,003,339	4,224,346	414,556	-
Compensated absences	35,695	10,797	46,492	-	-
Net pension liability	199,373	61,873	261,246	-	-
Other postemployment benefits	106,883	27,582	134,465	-	-
Total liabilities	6,874,185	1,520,658	8,394,843	438,998	-
DEFERRED INFLOWS OF RESOURCES					
Other postemployment benefits	167,540	49,428	216,968	-	-
Lease related	1,591,908	-	1,591,908	297,882	-
Pension plan	365,128	113,315	478,443	-	-
Total deferred inflows of resources	2,124,576	162,743	2,287,319	297,882	-
NET POSITION					
Net investment in capital assets	6,009,467	3,780,609	9,790,076	242,288	-
Restricted:					
Nonexpendable trust principal	6,000	-	6,000	-	-
Cemetery maintenance	16,490	-	16,490	-	-
Unrestricted	1,415,433	112,583	1,528,016	(228,156)	71,415
Total net position	\$ 7,447,390	\$ 3,893,192	\$ 11,340,582	\$ 14,132	\$ 71,415

TOWN OF BRIDGEWATER, VIRGINIA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2023

Net (Expense) Revenue and Changes in Net Position									
					Primary Government			Component Units	
		Program Revenues							
Entity/Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	Industrial Development Authority	Sipe Center Live
Primary government:									
Governmental activities:									
General government administration	\$ 1,155,740	\$ 8,718	\$ 52,746	\$ 789,821	\$ (304,455)	\$ -	\$ (304,455)	\$ -	\$ -
Public safety	1,022,073	19,628	294,467	54,317	(653,661)	-	(653,661)	-	-
Public works	2,354,529	11,176	1,894,279	175,772	(273,302)	-	(273,302)	-	-
Parks, recreation and cultural	922,723	174,547	-	-	(748,176)	-	(748,176)	-	-
Community and economic development	388,125	-	-	140,895	(247,230)	-	(247,230)	-	-
Sipe Center	328,567	201,921	-	-	(126,646)	-	(126,646)	-	-
Interest	94,419	-	-	-	(94,419)	-	(94,419)	-	-
Total governmental activities	6,266,176	415,990	2,241,492	1,160,805	(2,447,889)	-	(2,447,889)	-	-
Business-type activities:									
Water, sewer and sanitation	2,833,381	3,692,402	-	451,986	-	1,311,007	1,311,007	-	-
Stormwater management	162,983	174,053	-	-	-	11,070	11,070	-	-
Total business-type activities	2,996,364	3,866,455	-	451,986	-	1,322,077	1,322,077	-	-
Total primary government	\$ 9,262,540	\$ 4,282,445	\$ 2,241,492	\$ 1,612,791	(2,447,889)	1,322,077	(1,125,812)	-	-
Component Units:									
Industrial Development Authority	\$ 287,077	\$ 6,000	\$ -	\$ -	-	-	-	(281,077)	-
Sipe Center Live	\$ 7,326	\$ -	\$ -	\$ -	-	-	-	-	(7,326)
General revenues:									
Taxes:									
General property taxes					385,597	-	385,597	-	-
Other local taxes:									
Consumer utility					752,476	-	752,476	-	-
Meals					1,135,099	-	1,135,099	-	-
Local sales and use					332,276	-	332,276	-	-
Business license					249,221	-	249,221	-	-
Bank stock					211,087	-	211,087	-	-
Other					190,633	-	190,633	-	-
Intergovernmental, non-categorical aid					172,021	-	172,021	-	-
Use of money and property					309,471	-	309,471	42,885	-
Miscellaneous					50,972	53,815	104,787	-	500
Transfers					172,892	(172,892)	-	-	-
Total general revenues and transfers, net					3,961,745	(119,077)	3,842,668	42,885	500
Change in net position									
Net position, beginning as restated					1,513,856	1,203,000	2,716,856	(238,192)	(6,826)
					5,933,534	2,690,192	8,623,726	252,324	78,241
Net position, ending	\$ 7,447,390	\$ 3,893,192	\$ 11,340,582					\$ 14,132	\$ 71,415

TOWN OF BRIDGEWATER, VIRGINIA

BALANCE SHEET – GOVERNMENTAL FUNDS June 30, 2023

	General	Permanent Fund Greenwood Cemetery Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 2,290,238	\$ -	\$ 2,290,238
Receivables, net of allowances for uncollectible amounts:			
Property taxes	7,389	-	7,389
Trade and other accounts	83,941	-	83,941
Due from other governments	478,044	-	478,044
Lease receivables	1,645,076	-	1,645,076
Restricted investment	-	22,490	22,490
Restricted cash and cash equivalents	2,129,099	-	2,129,099
Total assets	\$ 6,633,787	\$ 22,490	\$ 6,656,277
LIABILITIES			
Accounts and deposits payable	\$ 475,229	\$ -	\$ 475,229
Accrued payroll and benefits	102,881	-	102,881
Unearned revenue	2,352,867	-	2,352,867
Total liabilities	2,930,977	-	2,930,977
DEFERRED INFLOWS OF RESOURCES			
Lease related	1,591,908	-	1,591,908
Unavailable revenue - property taxes	17,000	-	17,000
Total deferred inflows of resources	1,608,908	-	1,608,908
FUND BALANCES			
Nonspendable:			
Permanent fund principal	-	6,000	6,000
Restricted for:			
Cemetery maintenance	-	16,490	16,490
Committed:			
Tactical reserve	238,846	-	238,846
Strategic reserve	477,691	-	477,691
Unassigned	1,377,365	-	1,377,365
Total fund balances	2,093,902	22,490	2,116,392
Total liabilities, deferred inflows of resources and fund balances	\$ 6,633,787	\$ 22,490	\$ 6,656,277

TOWN OF BRIDGEWATER, VIRGINIA

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

June 30, 2023

	Governmental Funds	
Total fund balances - governmental funds	\$ 2,116,392	
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	\$ 13,742,392	
Less: accumulated depreciation and amortization	<u>(4,221,284)</u>	
Net capital assets		9,521,108
Net other postemployment benefits asset		1,210
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	210,301	
Other postemployment benefits	34,430	
Deferred charge on refunding	<u>22,825</u>	
		267,556
Other long-term assets are not available to fund current expenditures and, therefore, are reported as unavailable revenue in the governmental funds.		
		17,000
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
General obligation bonds	(3,436,352)	
Compensated absences	(89,237)	
Subscription liabilities	(98,114)	
Interest payable	(13,249)	
Net pension liability	(199,373)	
Other postemployment benefits liability	<u>(106,883)</u>	
		(3,943,208)
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	(365,128)	
Other postemployment benefits	<u>(167,540)</u>	
		<u>(532,668)</u>
Net position of governmental activities		<u>\$ 7,447,390</u>

TOWN OF BRIDGEWATER, VIRGINIA

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

Year Ended June 30, 2023

	General	Permanent Fund Greenwood Cemetery Fund	Total Governmental Funds
Revenues:			
General property taxes	\$ 378,597	\$ -	\$ 378,597
Other local taxes	2,870,792	-	2,870,792
Permits and other licenses	19,894	-	19,894
Fines and forfeitures	19,628	-	19,628
Use of money and property	309,469	2	309,471
Charges for services	376,468	-	376,468
Miscellaneous	50,972	-	50,972
Intergovernmental	3,574,318	-	3,574,318
Total revenues	7,600,138	2	7,600,140
Expenditures:			
Current:			
General government administration	1,136,400	-	1,136,400
Public safety	1,088,201	-	1,088,201
Public works	2,838,535	-	2,838,535
Parks, recreation and cultural	879,018	-	879,018
Community and economic development	424,580	-	424,580
Sipe Center	345,992	-	345,992
Debt service:			
Principal	288,585	-	288,585
Interest	93,594	-	93,594
Total expenditures	7,094,905	-	7,094,905
Excess of revenues over expenditures	505,233	2	505,235
Other financing sources (uses):			
Issuance of subscriptions	33,318	-	33,318
Transfers in	970,924	-	970,924
Transfers out	(798,032)	-	(798,032)
Total other financing sources, net	206,210	-	206,210
Net change in fund balances	711,443	2	711,445
Fund balances, beginning	1,382,459	22,488	1,404,947
Fund balances, ending	\$ 2,093,902	\$ 22,490	\$ 2,116,392

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, 2023

	Governmental Funds	
Net change in fund balance - total governmental funds	\$ 711,445	
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	\$ 917,554	
Less: depreciation and amortization expense	<u>(452,773)</u>	
Excess of capital outlays over depreciation and amortization		464,781
The net effect of transactions involving capital assets (i.e. disposals, donations, and transfers) is to decrease net position		(19,082)
Revenues in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the governmental funds.		7,000
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:		
Subscriptions	(33,318)	
Principal repayments:		
Subscriptions	34,255	
General obligation bonds	<u>254,330</u>	
		255,267
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	1,077	
Amortization of deferred charge on refunding	(1,902)	
Compensated absences	2,722	
Changes in pension liabilities and related deferred outflows and inflows of resources	55,742	
Changes in OPEB asset/liabilities and related deferred outflows and inflows of resources	<u>36,806</u>	
		<u>94,445</u>
Change in net position of governmental activities	\$	<u>1,513,856</u>

TOWN OF BRIDGEWATER, VIRGINIA

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

Year Ended June 30, 2023

	General Fund			Variance with Final Budget Over (Under)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues:				
General property taxes	\$ 299,300	\$ 377,400	\$ 378,597	\$ 1,197
Other local taxes	2,598,091	2,623,691	2,870,792	247,101
Permits and other licenses	9,350	9,350	19,894	10,544
Fines and forfeitures	19,400	19,400	19,628	228
Use of money and property	107,454	107,454	309,469	202,015
Charges for services	330,534	355,716	376,468	20,752
Miscellaneous	48,700	48,700	50,972	2,272
Intergovernmental	7,997,515	5,206,899	3,574,318	(1,632,581)
Total revenues	11,410,344	8,748,610	7,600,138	(1,148,472)
Expenditures:				
Current:				
General government administration	1,063,171	1,077,421	1,136,400	58,979
Public safety	1,033,601	1,009,601	1,088,201	78,600
Public works	2,690,564	2,410,637	2,838,535	427,898
Parks, recreation and cultural	1,115,203	1,148,163	879,018	(269,145)
Community and economic development	515,381	553,981	424,580	(129,401)
Sipe Center	277,759	292,009	345,992	53,983
Debt service:				
Principal	242,956	242,956	288,585	45,629
Interest and fiscal charges	103,122	103,122	93,594	(9,528)
Total expenditures	7,041,757	6,837,890	7,094,905	257,015
Excess of revenues over expenditures	4,368,587	1,910,720	505,233	(1,405,487)
Other financing sources (uses):				
Issuance of subscriptions	-	-	33,318	33,318
Transfers in	-	-	970,924	970,924
Transfers out	-	-	(798,032)	(798,032)
Total other financing sources, net	-	-	206,210	206,210
Net change in fund balance	\$ 4,368,587	\$ 1,910,720	711,443	\$ (1,199,277)
Fund balance, beginning			1,382,459	
Fund balance, ending			\$ 2,093,902	

TOWN OF BRIDGEWATER, VIRGINIA

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

June 30, 2023

	Business-type Activity - Enterprise Fund Water, Sewer and Sanitation Fund	Business-type Activity - Stormwater Management Fund	Total Business-type Activities
ASSETS			
Current assets:			
Accounts receivable, net of allowances for uncollectible amounts	\$ 497,893	\$ 25,058	\$ 522,951
Total current assets	497,893	25,058	522,951
Noncurrent assets:			
Capital assets:			
Land	4,600	842,942	847,542
Buildings and improvements	1,046,187	-	1,046,187
Infrastructure	-	134,509	134,509
Distribution and collection systems	4,174,808	-	4,174,808
Equipment	3,180,887	-	3,180,887
Vehicles	634,766	264,324	899,090
Software	216,500	-	216,500
Right-to-use subscription asset	4,081	-	4,081
	9,261,829	1,241,775	10,503,604
Less: accumulated depreciation and amortization	(5,427,087)	(95,683)	(5,522,770)
Total capital assets	3,834,742	1,146,092	4,980,834
Total noncurrent assets	3,834,742	1,146,092	4,980,834
Total assets	4,332,635	1,171,150	5,503,785
DEFERRED OUTFLOWS OF RESOURCES			
Other postemployment benefits	7,542	-	7,542
Pension plan	59,887	5,379	65,266
Total deferred outflows of resources	67,429	5,379	72,808
LIABILITIES			
Current liabilities:			
Accounts and deposits payable	172,624	1,913	174,537
Accrued payroll and benefits	21,961	-	21,961
Accrued interest	7,487	-	7,487
Compensated absences	16,196	-	16,196
Private placement note payable	20,265	-	20,265
Subscription liability	2,066	-	2,066
Bonds payable	174,555	-	174,555
Total current liabilities	415,154	1,913	417,067
Noncurrent liabilities:			
Bonds payable	1,003,339	-	1,003,339
Net pension liability	56,774	5,099	61,873
Compensated absences	10,797	-	10,797
Other postemployment benefits	27,545	37	27,582
Total noncurrent liabilities	1,098,455	5,136	1,103,591
Total liabilities	1,513,609	7,049	1,520,658
DEFERRED INFLOWS OF RESOURCES			
Other postemployment benefits	46,196	3,232	49,428
Pension plan	103,976	9,339	113,315
Total deferred inflows of resources	150,172	12,571	162,743
NET POSITION			
Net investment in capital assets	2,634,517	1,146,092	3,780,609
Unrestricted (deficit)	101,766	10,817	112,583
Total net position	\$ 2,736,283	\$ 1,156,909	\$ 3,893,192

TOWN OF BRIDGEWATER, VIRGINIA

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

Year Ended June 30, 2023

	Business-type Activity - Enterprise Fund Water, Sewer and Sanitation Fund	Business-type Activity - Stormwater Management Fund	Total Business-type Activities
Operating revenues:			
Charges for services	\$ 3,692,402	\$ 174,053	\$ 3,866,455
Penalties	47,386	-	47,386
Other	1,340	-	1,340
Total operating revenues	3,741,128	174,053	3,915,181
Operating expenses:			
Personal services	589,375	64,507	653,882
Fringe benefits	109,283	19,053	128,336
Materials, line repairs and other	953,551	23,084	976,635
Regional Sewer Authority assessment:			
Operations and maintenance	295,797	-	295,797
Debt service	427,546	-	427,546
Construction	181,911	-	181,911
Depreciation	245,522	56,339	301,861
Total operating expenses	2,802,985	162,983	2,965,968
Operating income	938,143	11,070	949,213
Nonoperating revenue (expense):			
Interest expense	(30,396)	-	(30,396)
Gain on disposal of assets	5,089	-	5,089
Connection availability fees	451,986	-	451,986
Total nonoperating revenue, net	426,679	-	426,679
Income before transfers	1,364,822	11,070	1,375,892
Transfers in	-	798,032	798,032
Transfers out	(970,924)	-	(970,924)
Change in net position	393,898	809,102	1,203,000
Net position, beginning	2,342,385	347,807	2,690,192
Net position, ending	\$ 2,736,283	\$ 1,156,909	\$ 3,893,192

TOWN OF BRIDGEWATER, VIRGINIA

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS Year Ended June 30, 2023

	Business-type Activity - Enterprise Fund Water, Sewer and Sanitation Fund	Business-type Activity - Stormwater Management Fund	Total Business-type Activities
Cash flows from operating activities:			
Receipts from customers	\$ 3,673,985	\$ 170,861	\$ 3,844,846
Payments to suppliers for goods and services	(1,827,081)	(21,472)	(1,848,553)
Payments to employees for services and benefits	(802,937)	(89,380)	(892,317)
Net cash provided by operating activities	1,043,967	60,009	1,103,976
Cash flows from noncapital and related financing activities:			
Transfers in (out)	(970,924)	798,032	(172,892)
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(300,327)	(858,041)	(1,158,368)
Proceeds from the sale of capital assets	5,089	-	5,089
Connection availability fees	451,986	-	451,986
Principal paid on:			
General obligation bonds	(173,767)	-	(173,767)
Private placement note	(22,292)	-	(22,292)
Subscription liability	(2,015)	-	(2,015)
Interest paid on outstanding debt	(31,717)	-	(31,717)
Net cash used in capital and related financing activities	(73,043)	(858,041)	(931,084)
Net change in cash and cash equivalents	-	-	-
Cash and cash equivalents:			
Beginning	-	-	-
Ending	\$ -	\$ -	\$ -
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 938,143	\$ 11,070	\$ 949,213
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	245,522	56,339	301,861
Changes in operating accounts:			
Increase in accounts receivable	(67,143)	(3,192)	(70,335)
Decrease in net pension asset	156,834	11,642	168,476
Decrease in pension related deferred outflows of resources	87,418	4,253	91,671
Decrease in OPEB related deferred outflows of resources	4,883	-	4,883
(Increase) decrease in accounts payable and accrued expenses	34,429	(1,434)	32,995
Decrease in net OPEB liability	(16,846)	(505)	(17,351)
Decrease in pension related deferred inflows of resources	(309,482)	(17,697)	(327,179)
Decrease in OPEB related deferred inflows of resources	(29,791)	(467)	(30,258)
Net cash provided by operating activities	\$ 1,043,967	\$ 60,009	\$ 1,103,976
Supplemental disclosure of noncash capital activities:			
Asset acquired through right-to-use subscription asset	\$ 4,081	\$ -	\$ 4,081
Debt acquired through subscription	(4,081)	-	(4,081)

See Notes to Financial Statements.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies

A. Reporting Entity

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

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. During the current year, the Town adopted GASB Statement No. 91, *Conduit Debt Obligations*, GASB Statement No. 93, *Replacement of Interbank Offered Rates*, GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)* and certain requirements of GASB Statement No. 99, *Omnibus 2022*, that were effective for fiscal year 2023. As required by GAAP, these financial statements present the activities of the Town and its component units.

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

Blended component units, although legally separate entities, are, in substance, part of the Town's operations, and functions as an integral part of the primary government, so data from these units would be combined with data of the Town. The Town has no blended component units at June 30, 2023. The Town reports two discretely presented component units in separate columns in the combined financial statements to emphasize they are legally separate from the Town.

Discretely Presented Component Units

The Industrial Development Authority of the Town of Bridgewater, Virginia (Authority) was created as a governmental subdivision of the Commonwealth of Virginia by ordinance of the Town Council of the Town of Bridgewater, Virginia on July 15, 1975 pursuant to the provisions of the Industrial Development and Revenue Bond Act, Title 15.2, Chapter 49, Sections 15.2-4900 et seq. (formerly Title 15.1, Chapter 33, Sections 15.1-1373, et seq.) of the *Code of Virginia* of 1950, as amended. The Authority is governed by seven directors appointed by the Mayor of the Town and there is a financial benefit/burden relationship. A director is appointed to a four-year term and can serve two consecutive terms. The Authority does not issue separate financial statements but is included in the Town's financial statements for fiscal year ended June 30, 2023 as a discretely presented component unit.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

The Authority is 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.

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

The Sipe Center Live was created as a nonstock corporation pursuant to Chapter 10 of Title 13.1 of the *Code of Virginia* and organized exclusively for charitable purposes as specified in § 501(c)(3) of the *Internal Revenue Code*. Sipe Center Live is governed by five directors, including the Mayor of the Town, the Town Manager of the Town, and three directors elected by the board of directors. A financial benefit/burden relationship with the Town exists. The elected directors serve a three year term. Sipe Center Live does not issue separate financial statements but is included in the Town's financial statements for fiscal year ended June 30, 2023 as a discretely presented component unit.

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

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

Basis of Presentation

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

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

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

The Town reports the following major governmental fund:

General Fund

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

The Town reports the following major enterprise fund:

Water, Sewer and Sanitation Fund

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

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.

The Town reports the following non-major governmental fund:

Permanent Fund – Greenwood Cemetery Fund

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

The Town reports the following non-major enterprise fund:

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

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

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

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

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

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

C. Budgetary Data

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

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

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

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

1) Deposits and Investments

Cash and Cash Equivalents

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

Investments

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

2) Property Taxes Receivable

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

3) Prepaid Items

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

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

4) Restricted Cash

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

5) Restricted Investment

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

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

6) Deferred Outflows/Inflows of Resources

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

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 the Pension and OPEB plans and leases.

7) Capital Assets

Capital assets, which include property, equipment, infrastructure, intangible assets, and subscription software, 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 (except for intangible right-to-use subscription assets, the measurement of which is discussed in Note 1.D.9). Donated capital assets are recorded at estimated acquisition value at the date of donation. The Town does not have any impaired capital assets.

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, right-to-use subscription assets and software. Land easements have indefinite useful lives and thus are not subject to amortization. Right-to-use subscription assets and software are subject to amortization over the subscription term and its useful life, respectively.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

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

7) Capital Assets (Continued)

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

Buildings and improvements	15-40 years
Distribution and collection systems	20-40 years
Equipment	3-40 years
Vehicles	5-7 years
Infrastructure	30 years
Software	3 years
Right-to-use subscription assets	2-5 years

8) Leases

Lessee: The Town recognizes lease liabilities and intangible right-to-use lease assets (lease assets) in the government-wide financial statements. The Town recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of the lease, the Town initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases include how the Town determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Town uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Town uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Town is reasonably certain to exercise.

The Town monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

At June 30, 2023, the Town did not have any lease assets or liabilities.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

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

8) Leases (Continued)

Lessor: The Town is a lessor for a noncancellable lease of a water tower, residential property, and commercial property. The Town recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of the lease, the Town initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow or resources is recognized as revenue over the life of the lease term.

Key estimates and judgements include how the Town determines (1) the discount rate is used to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Town uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

9) Subscription-based information technology arrangements (SBITAs)

The Town adopted GASB Statement No. 96 on July 1, 2022. Beginning adjustments to subscription assets and subscription liabilities resulted in a change in beginning net position in the amount of \$60,060, see Note 18.

For new or modified contracts, the Town determines whether the contract is a SBITA. If a contract is determined to be, or contain, a SBITA with a non-cancellable term in excess of 12 months (including any options to extend or terminate the subscription when exercise is reasonably certain), the Town records a subscription asset and subscription obligation which is calculated based on the value of the discounted future subscription payments over the term of the subscription. If the interest rate implicit in the subscription is not readily determinable, the Town will use the applicable incremental borrowing rate in the calculation of the present value of the subscription payments.

The Town recognizes a subscription liability and subscription asset on the Statements of Net Position. Subscriptions with an initial, non-cancellable term of 12 months or less are not recorded on the Statement of Net Position and expense is recognized as incurred over the subscription term.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

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

9) Subscription based information technology arrangements (SBITAs) (Continued)

At the commencement of a SBITA, the Town measures the subscription liability at the present value of payments expected to be made during the subscription term and then reduces the liability by the principal portion of the subscription payments made. The subscription asset is measured at the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs, then amortized on a straight-line basis over the subscription term.

Subscription payments are apportioned between interest expense and principal based on an amortization schedule calculated using the effective interest method.

10) 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.

11) Long-Term Obligations

In the government-wide financial statements and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activity or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium or discount.

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

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

12) Pensions

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan (the Town's retirement plan) is a multi-employer, agent defined benefit plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Town's Retirement Plan and the additions to/deductions from the Town's Retirement Plan fiduciary net 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.

13) Other Postemployment Benefits

Medical Insurance Program

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

Group Life Insurance Program

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

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

14) Fund Balance

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

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

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

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

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

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

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

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

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

15) 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.

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.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

G. Subsequent Events

The Town has evaluated subsequent events through October 23, 2023, 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 \$2,948,141, 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.

The Town does not have a formal investment policy.

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

Certificate of deposit (maturing March 26, 2024)	\$ 22,490
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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, 2023:

- Certificate of deposit of \$22,490 is valued using quoted market prices (Level 1 inputs).

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 3. Receivables and Unavailable/Unearned Revenue

Receivables at June 30, 2023, including applicable allowances for uncollectible accounts, are as follows:

	General Fund	Water, Sewer and Sanitation Fund	Stormwater Management Fund	Totals
Property taxes	\$ 17,389	\$ -	\$ -	\$ 17,389
Trade and other accounts	83,941	504,893	25,058	613,892
Gross receivables	101,330	504,893	25,058	631,281
Less allowance for uncollectable accounts	10,000	7,000	-	17,000
Net receivables	\$ 91,330	\$ 497,893	\$ 25,058	\$ 614,281

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to \$10,000 and \$7,000 at June 30, 2023 for the General Fund and Water, Sewer and Sanitation Fund, respectively.

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	\$ 17,000	\$ -
VDOT Maintenance funds	-	255,016
ARPA funds	-	2,089,450
Other	-	8,401
	\$ 17,000	\$ 2,352,867

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, 2023.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 4. Due From Other Governments

Due from other governments includes the following:

General Fund:

Federal:

Enhancement grant funds	\$ 394,035
Transportation alternative project	5,000
Edward Byrne memorial justice assistance grant program	14,009

Commonwealth of Virginia:

Local sales and communication tax	65,000
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Total General Fund	\$ 478,044
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Note 5. Leases

Lease Receivable

During the current fiscal year, the Town leased water towers to third parties. The tower leases are being leased for 22 to 25 years ending between August 31, 2023 and September 22, 2033. The Town will receive annual payments ranging from \$1,537 to \$39,048 for the towers. The Town recognized \$108,992 in lease revenue and \$16,286 in interest revenue during the current fiscal year related to these leases. As of June 30, 2023, the Town's receivable for lease payments was \$1,623,567. Also, the Town has deferred inflow of resources associated with these leases that will be recognized as revenue over the lease terms. As of June 30, 2023, the balance of the deferred inflow of resources was \$1,570,717.

During the current fiscal year, the Town leased residential property to a third party. The residential property is being leased for three years ending on February 28, 2025. The Town will receive monthly payments of \$1,100. The Town recognized \$12,714 in lease revenue and \$733 in interest revenue during the current fiscal year related to the lease. As of June 30, 2023, the Town's receivable for lease payments was \$21,509. Also, the Town has deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2023, the balance of the deferred inflow of resources was \$21,191.

During the current fiscal year, the component unit IDA leased commercial property to a third party. The lease is for ten years ending on May 2032. The component unit IDA will receive monthly payments of \$3,000 with an annual 2% increase beginning in fiscal year 2025. The component unit IDA recognized \$33,431 in lease revenue and \$8,253 in interest revenue during the current fiscal year related to the lease. As of June 30, 2023, the component unit IDA's receivable for lease payments was \$303,567. Also, the component unit IDA has deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2023, the balance of the deferred inflow of resources was \$297,882.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets

Capital assets activity for the year ended June 30, 2023 is as follows:

	* Beginning Balance	Increases	(Deletions) / Reclassifications	Ending Balance
Governmental activities:				
Capital assets not being depreciated or amortized:				
Land	\$ 2,991,983	\$ -	\$ -	\$ 2,991,983
Land easements	8,400	-	-	8,400
Construction in progress	533,805	477,739	(286,709)	724,835
Total capital assets, not being depreciated or amortized	3,534,188	477,739	(286,709)	3,725,218
Capital assets being depreciated or amortized:				
Buildings and improvements	6,274,247	66,097	268,020	6,608,364
Equipment	1,087,831	283,545	(9,129)	1,362,247
Software	53,970	-	-	53,970
Infrastructure	1,244,706	-	-	1,244,706
Vehicles	559,188	56,855	(60,585)	555,458
Right-to-use subscription assets	159,111	33,318	-	192,429
Total capital assets being depreciated or amortized	9,379,053	439,815	198,306	10,017,174
Less accumulated depreciation and amortization for:				
Buildings and improvements	2,132,735	242,510	-	2,375,245
Equipment	793,219	75,578	(18,736)	850,061
Software	53,970	-	-	53,970
Infrastructure	428,462	41,490	-	469,952
Vehicles	429,446	45,473	(50,585)	424,334
Right-to-use subscription assets	-	47,722	-	47,722
Total accumulated depreciation and amortization	3,837,832	452,773	(69,321)	4,221,284
Total capital assets being depreciated or amortized, net	5,541,221	(12,958)	267,627	5,795,890
Governmental activities capital assets, net	\$ 9,075,409	\$ 464,781	\$ (19,082)	\$ 9,521,108

*The beginning balance was restated for recording of right-to-use subscription assets as of July 1 in accordance with GASB 96, Subscriptions. See Note 18 for restatement.

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

Governmental activities:	
General government administration	\$ 47,736
Public safety	51,593
Public works	191,996
Community development	5,781
Parks, recreation and cultural	152,196
Sipe Center	3,471
Total depreciation and amortization expense - governmental activities	\$ 452,773

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	\$ 842,942	\$ -	\$ 847,542
Construction in progress	638,497	-	(638,497)	-
Total capital assets, not being depreciated	643,097	842,942	(638,497)	847,542
Capital assets being depreciated:				
Buildings and improvements	1,018,917	27,270	-	1,046,187
Infrastructure	134,509	-	-	134,509
Distribution and collection systems	4,170,273	4,535	-	4,174,808
Equipment	2,565,619	79,621	535,647	3,180,887
Software	-	113,650	102,850	216,500
Vehicles	852,370	90,350	(43,630)	899,090
Right-to-use subscription assets	-	4,081	-	4,081
Total capital assets being depreciated	8,741,688	319,507	594,867	9,656,062
Less accumulated depreciation for:				
Buildings and improvements	880,462	7,996	-	888,458
Infrastructure	14,422	4,984	-	19,406
Distribution and collection systems	2,116,703	91,191	-	2,207,894
Equipment	1,672,217	83,845	-	1,756,062
Software	-	36,083	-	36,083
Vehicles	580,735	75,722	(43,630)	612,827
Right-to-use subscription asset	-	2,040	-	2,040
Total accumulated depreciation	5,264,539	301,861	(43,630)	5,522,770
Total capital assets being depreciated, net	3,477,149	17,646	638,497	4,133,292
Business-type activities capital assets, net	\$ 4,120,246	\$ 860,588	\$ -	\$ 4,980,834

Depreciation expense was charged to functions/programs as follows:

Business-type activities:	
Water	\$ 151,976
Sewer	86,209
Sanitation	7,337
Stormwater	56,339
Total depreciation expense and amortization - business-type activities	\$ 301,861

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets (Continued)

	Beginning Balance	Increases	(Deletions) / Reclassifications	Ending Balance
Component unit - IDA:				
Capital assets not being depreciated:				
Land	\$ 79,747	\$ -	\$ -	\$ 79,747
Total capital assets, not being depreciated	79,747	-	-	79,747
Capital assets being depreciated:				
Buildings and improvements	407,886	-	-	407,886
Equipment	30,105	-	-	30,105
Total capital assets being depreciated	437,991	-	-	437,991
Less accumulated depreciation for:				
Buildings and improvements	73,160	11,495	-	84,655
Equipment	17,723	3,010	-	20,733
Total accumulated depreciation	90,883	14,505	-	105,388
Total capital assets being depreciated, net	347,108	(14,505)	-	332,603
Component unit - IDA capital assets, net	\$ 426,855	\$ (14,505)	\$ -	\$ 412,350

Note 7. Long-Term Debt

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

	* Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 3,690,682	\$ -	\$ (254,330)	\$ 3,436,352	\$ 215,345
Compensated absences	91,959	67,910	(70,632)	89,237	53,542
Subscription liabilities	99,051	33,318	(34,255)	98,114	46,207
Governmental activities long-term activities	\$ 3,881,692	\$ 101,228	\$ (359,217)	\$ 3,623,703	\$ 315,094

*The beginning balance was restated for recording of subscription liability as of July 1 in accordance with GASB 96, *Subscriptions*. See Note 18 for restatement.

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
2024	\$ 215,345	\$ 82,695
2025	191,206	77,368
2026	195,191	72,661
2027	199,295	67,860
2028	204,835	63,052
2029-2033	1,022,256	241,586
2034-2038	1,115,070	110,751
2039-2042	293,154	9,725
	<u>\$ 3,436,352</u>	<u>\$ 725,698</u>

General Obligation Bonds

\$915,000 general obligation bond issued December 2011, due in annual installment in December 2023, plus interest payable annually at 2.84%.	\$ 28,157
\$1,055,000 general obligation bond, issued December 2014, due in semi-annual installments of \$18,628 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.	762,787
\$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%.	195,055
\$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%.	63,220
\$1,319,504 general obligation refunding bond issued October 2020, due in semi-annual installments of \$31,699 to \$44,510 through June 2038, plus interest payable semi-annually at 2.38%.	1,129,649
\$1,397,000 general obligation public improvement bond issued September 2019, due in semi-annual installments beginning April 2021 of \$28,970 to \$48,522 through October 2041, plus interest payable semi-annually at 2.49%.	<u>1,257,484</u>
Total General Obligation Bonds	<u><u>\$ 3,436,352</u></u>

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.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

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 bond was issued to provide matching funds for a VDOT Revenue Sharing grant for street maintenance projects.

The August 2017 bond was issued to purchase real property within the Town.

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

The October 2020 refunding bond was issued to refinance the \$1,400,000 general obligation public improvement bond that was issued in August 2018 for financing the cost of the Sipe Center. The Town may prepay the principal balance of the bond in whole or in part at any time without premium or penalty.

Subscription liability

During the current fiscal year, the Town had multiple subscription agreements as lessee for software ranging from two to five years. In accordance with the implementation of GASB Statement 96, an initial subscription liability was recorded in the amount of \$99,050 during the current fiscal year. During the current fiscal year, the town entered into two additional subscription agreements with an initial subscription liability in the amount of \$33,318. As of June 30, 2023, the value of the subscription liability was \$98,114.

The Town is required to make annual principal and interest payments ranging from \$2,120 to \$15,218. The subscriptions have an interest rate of 2.59%. The value of the right-to-use subscription assets as of the end of the current fiscal year was \$192,429 and had accumulated amortization of \$47,722.

Annual requirements to amortize subscription obligations are as follows:

Year Ending June 30,	Subscriptions	
	Principal	Interest
2024	\$ 46,207	\$ 3,527
2025	28,456	1,344
2026	13,567	607
2027	9,884	256
	<u>\$ 98,114</u>	<u>\$ 5,734</u>

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

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	\$ 1,351,661	\$ -	\$ (173,767)	\$ 1,177,894	\$ 174,555
Private placement note	42,557	-	(22,292)	20,265	20,265
	1,394,218	-	(196,059)	1,198,159	194,820
Compensated absences	24,348	27,370	(24,725)	26,993	16,196
Subscription liability	-	4,081	(2,015)	2,066	2,066
Business-type activities long-term liabilities	\$ 1,418,566	\$ 31,451	\$ (222,799)	\$ 1,227,218	\$ 211,016

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

Year(s) Ending June 30,	General Obligation Bonds		Private Placement Note	
	Principal	Interest	Principal	Interest
2024	\$ 174,555	\$ 25,090	\$ 20,265	\$ 452
2025	120,359	21,204	-	-
2026	121,180	18,352	-	-
2027	122,018	15,504	-	-
2028	121,433	12,637	-	-
2029-2033	277,691	41,625	-	-
2034-2038	240,659	11,665	-	-
	\$ 1,177,895	\$ 146,077	\$ 20,265	\$ 452

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

General Obligation Bonds

\$550,000 general obligation public improvement bond, Series 2014, issued March 2014, due in annual installment in March 2024, plus interest payable semi-annually at 1.98%.	\$ 55,000
\$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%.	123,280
\$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%.	348,656
\$850,000 general obligation public improvement bond, issued April 2018, due in semi-annual installments of \$11,003 to \$26,057 through November 2037, plus interest payable semi-annually at 2.00%.	<u>650,959</u>
Total bonded debt	<u><u>\$ 1,177,895</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.

Private Placement Note

\$110,135 private placement note issued April 2019, secured by equipment with a net book value of \$60,574, monthly maturity from \$1,989 to \$2,062 through April 2024, interest payable annually at 4.84%.	<u>\$ 20,265</u>
Total private placement note	<u><u>\$ 20,265</u></u>

The April 2019 private placement note was for the purchase of a backhoe.

At June 30, 2023, the Town had an available legal debt margin of \$59,920,537.

Subscription liability

During the current fiscal year, the Town entered into a subscription agreement as lessee for software for two years. This agreement entered into by the Town recorded an initial subscription liability in the amount of \$4,081. As of June 30, 2023, the value of the subscription liability was \$2,066. The Town is required to make annual principal and interest payments in the amount of \$2,120. The subscription has an interest rate of 2.59%. The value of the right-to-use subscription asset as of the end of the current fiscal year was \$4,081 and had accumulated amortization of \$2,040.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

Annual requirements to amortize subscription obligations are as follows:

Year Ending June 30,	Subscriptions	
	Principal	Interest
2024	\$ 2,066	\$ 54
	<u>\$ 2,066</u>	<u>\$ 54</u>

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 - IDA:					
General obligation bonds	\$ 451,907	\$ -	\$ (18,201)	\$ 433,706	\$ 19,150
Component Unit - IDA long-term liabilities	<u>\$ 451,907</u>	<u>\$ -</u>	<u>\$ (18,201)</u>	<u>\$ 433,706</u>	<u>\$ 19,150</u>

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

Year(s) Ending June 30,	General Obligation Bonds	
	Principal	Interest
2024	\$ 19,150	\$ 15,023
2025	19,870	14,103
2026	20,576	13,598
2027	21,306	12,867
2028	22,029	12,144
2029-2033	122,596	48,270
2034-2038	145,962	24,904
2039-2040	62,217	2,447
	<u>\$ 433,706</u>	<u>\$ 143,356</u>

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

General Obligation Bonds (Continued)

\$225,000 general obligation bond, issued December 2014, due in semi-annual installments of \$3,820 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.

\$ 170,062

\$340,000 general obligation bond, issued April 2015, due in semi-annual installments of \$5,672 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.

263,644

\$ 433,706

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.

Conduit Debt Obligation

The IDA is empowered by the Commonwealth of Virginia to issue Industrial Revenue Bonds (IRBs) on behalf of businesses relocating to or expanding their operations with the Town. Principal and interest on the IRBs are paid entirely by the businesses. Neither the IDA nor the Town guarantees the repayment of principal or interest to the bondholders. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. The outstanding principal on these IRBs totaled approximately \$41.4 million at December 31, 2022 (most recent balance available).

Note 8. Line of Credit

The Town obtained an unsecured line of credit on September 15, 2019 in the amount of \$250,000, which bears interest at a variable rate (8.25% at June 30, 2023). There was no outstanding balance at June 30, 2023. The line of credit matures March 2024.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent Multiple-Employer Pension Plan

Administering Entity: Virginia Retirement System (System)

A. Plan Description

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

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

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

A. Plan Description (Continued)

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Retirement Contributions Members contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	Retirement Contributions Same as Plan 1.	Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
Service Credit Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	Service Credit Same as Plan 1.	Service Credit <i>Defined Benefit Component</i> Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. <i>Defined Contribution Component</i> Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

A. Plan Description (Continued)

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Calculating the Benefit The Basic Benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.	Calculating the Benefit See definition under Plan 1.	Calculating the Benefit <u>Defined Benefit Component</u> See definition under Plan 1. <u>Defined Contribution Component</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of the 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier <i>VRS:</i> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.	Service Retirement Multiplier <i>VRS:</i> Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.	Service Retirement Multiplier <i>Defined Benefit Component</i> <i>VRS:</i> The retirement multiplier for the defined benefit component is 1.0%. 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.
Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	Political subdivision hazardous duty employees: Same as Plan 1.	Political subdivision hazardous duty employees: Not applicable. <i>Defined Contribution Component</i> Not applicable.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

A. Plan Description (Continued)

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

A. Plan Description (Continued)

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Cost-of-Living Adjustment (COLA) in Retirement (Continued) <i>Exceptions to COLA Effective Dates (continued):</i> <ul style="list-style-type: none">• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.• The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit.• The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.		
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted.	Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service regardless of when it was earned, purchased or granted.	Disability Coverage Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

A. Plan Description (Continued)

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

B. Employees Covered by Benefit Terms

As of the June 30, 2021 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	36
Inactive members:	
Vested	8
Non-vested	46
Active elsewhere in VRS	39
Total inactive members	93
Active members	46
Total covered employees	175

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

C. Contributions

The contribution requirement for active employees is governed by Sections 51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The Town's contractually required contribution rate for the year ended June 30, 2023 was 10.49% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2022.

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 \$240,121 and \$200,475 for the years ended June 30, 2023 and 2022, respectively.

D. Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension asset 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, 2022. The total pension asset used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021 rolled forward to the measurement date of June 30, 2022.

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, 2021, 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, 2022.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

E. Actuarial Assumptions (Continued)

General Employees (Continued)

Mortality Rates:	15% of deaths are assumed to be service-related.
Pre-retirement:	Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.
Post-retirement:	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.
Post-disablement:	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.
Beneficiaries and Survivors	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.
Mortality Improvement	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

E. Actuarial Assumptions (Continued)

Public Safety Employees

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2021, 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, 2022.

Inflation	2.50%
Salary increases, including inflation	3.50% - 4.75%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation
Mortality Rates:	45% of deaths are assumed to be service related.
Pre-retirement:	Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years.
Post-retirement:	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males; 105% of rates for females set forward 3 years.
Post-disablement:	Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.
Beneficiaries and Survivors	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years.
Mortality Improvements	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
		* Expected arithmetic nominal return	7.83%

* The above allocation provides a one-year expected return of 7.83%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

** On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, 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 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2021 actuarial valuations, whichever was greater. From July 1, 2022 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 (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (asset)
Balances at June 30, 2021	\$ 12,255,403	\$ 12,608,967	\$ (353,564)
Changes for the Year:			
Service cost	275,295	-	275,295
Interest	824,274	-	824,274
Difference between expected and actual experience	(192,254)	-	(192,254)
Contributions – employer	-	200,475	(200,475)
Contributions – employee	-	110,065	(110,065)
Net investment income	-	(10,418)	10,418
Benefit payments, including refunds of employee contributions	(638,465)	(638,465)	-
Administrative expense	-	(7,905)	7,905
Other	-	288	(288)
Net changes	268,850	(345,960)	614,810
Balances at June 30, 2022	\$ 12,524,253	\$ 12,263,007	\$ 261,246

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

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

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Town's net pension liability (asset)	\$ 1,934,545	\$ 261,246	\$ (1,103,137)

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

For the year ended June 30, 2023, the Town recognized pension expense of \$117,348. At June 30, 2023, 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	\$ -	\$ 113,072
Changes of assumptions	35,446	-
Net difference between projected and actual earnings on pension plan investments	-	365,371
Employer contributions subsequent to the measurement date	240,121	-
Total	\$ 275,567	\$ 478,443

The \$240,121 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 asset in the year ending June 30, 2024. 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
2024	\$ (211,304)
2025	(157,196)
2026	(244,535)
2027	170,038
	\$ (442,997)

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

K. Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2022-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

The Town contributes to three OPEB plans, the Medical Insurance Program, the Group Life Insurance, and the Virginia Local Disability Program. As of and for the year ended June 30, 2023, the three plans had the following balances reported in the government-wide financial statements:

	Net OPEB Liability	Net OPEB Asset	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
Retiree Healthcare Plan	\$ 1,893	\$ -	\$ -	\$ 165,722	\$ (43,538)
Group Life Insurance Program	132,572	-	30,901	47,653	2,006
Virginia Local Disability Program	-	1,210	11,071	3,593	6,467
	<u>\$ 134,465</u>	<u>\$ 1,210</u>	<u>\$ 41,972</u>	<u>\$ 216,968</u>	<u>\$ (35,065)</u>

Detailed disclosures for each plan follow.

1. Retiree Healthcare Plan

A. Plan Description

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

Benefits Provided

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

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits (Continued)

1. Retiree Healthcare Plan (Continued)

A. Plan Description (Continued)

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, 2020 (the valuation date), the following employees were covered by benefit terms:

	Number
Inactive employees or beneficiaries currently receiving benefits	8
Active	0
Total	8

C. Total OPEB Liability

The Town's total OPEB liability is reported herein as of June 30, 2023 for the employer fiscal year and reporting period of July 1, 2022 to June 30, 2023. The values shown for this fiscal year and reporting period are based on a measurement date of June 30, 2023. The measurement of the total OPEB liability is based on a valuation date July 1, 2022.

D. Actuarial Assumptions

The total OPEB liability in the June 30, 2022 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	3.54%, based on the Bond Buy 20-year Bond GO Index as of June 30, 2022
Inflation rate	2.50%
Salary scale	4.75%, average, including inflation
Healthcare cost trend assumption	Pre-65: 5.90% in 2022 graded to 3.90% in 2072 Post-65: 5.30% in 2022 graded to 3.90% in 2073
Actuarial cost method	Entry Age Normal, Level Percentage of Pay

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits (Continued)

1. Retiree Healthcare Plan (Continued)

D. Actuarial Assumptions (Continued)

Mortality Rates

Post-Retirement: Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates for females. Base rates are projected generationally with a Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

Post-Disablement: Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; males and females set forward 3 years. Base rates are projected generationally with a Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

E. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2022	\$ 29,299
Changes for the year:	
Interest on total OPEB liability	720
Effect of economic/demographic gains or losses	(10,088)
Effect of assumptions changes or inputs	30
Benefit payments	(18,068)
Net changes	(27,406)
Balance at June 30, 2023	\$ 1,893

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 3.65%. It also presents what the Town's total OPEB liability would be if it were calculated using a discount rate one percentage point lower (2.65%) and one percentage point higher (4.65%) than the current rate.

	1% Decrease (2.65%)	Current Discount Rate (3.65%)	1% Increase (4.65%)
Total OPEB liability	\$ 1,919	\$ 1,893	\$ 1,869

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits (Continued)

1. Retiree Healthcare Plan (Continued)

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	\$ 1,860	\$ 1,893	\$ 1,928

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, 2023 follow:

Description	Amount
Interest on total OPEB liability	\$ 720
Recognition of economic/demographic gains or losses	(21,263)
Recognition of assumption changes or inputs	(22,995)
	<u>\$ (43,538)</u>

At June 30, 2023, the Town reported deferred inflows of resources related to the Medical OPEB from the following sources:

	Deferred Inflows of Resources
Difference between expected and actual experience	\$ (59,231)
Changes in assumptions	(106,491)
	<u>\$ (165,722)</u>

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

Year Ending June 30,	Amount
2024	\$ (34,200)
2025	(32,908)
2026	(29,882)
2027	(29,882)
2028	(29,882)
Thereafter	(8,968)
	<u>\$ (165,722)</u>

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits (Continued)

2. Group Life Insurance Program

A. Plan Description

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

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

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

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits (Continued)

2. Group Life Insurance Program (Continued)

A. Plan Description (Continued)

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (Continued)
Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) For covered members with at least 30 years of service credit, there is a minimum benefit payable under GLI. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,984 as of June 30, 2023.

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 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% 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, 2023 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 \$13,842 and \$12,929 for the years ended June 30, 2023 and June 30, 2022, respectively.

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

At June 30, 2023, the Town reported a liability of \$132,572 for its proportionate share of the net GLI OPEB liability. The net GLI OPEB Liability was measured as of June 30, 2022 and the total GLI OPEB liability used to calculate the net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. 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, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the participating employer's proportion was .01101% as compared to 0.01170% at June 30, 2021.

For the year ended June 30, 2023, the participating employer recognized GLI OPEB expense of \$2,006. Since there was a change in the proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits (Continued)

2. Group Life Insurance Program (Continued)

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

At June 30, 2023, 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	\$ 10,498	\$ (5,318)
Net difference between projected and actual earnings on GLI OPEB program investments	-	(8,284)
Change in assumptions	4,945	(12,913)
Changes in proportionate share	1,616	(21,138)
Employer contribution subsequent to the measurement date	13,842	-
Total	\$ 30,901	\$ (47,653)

The \$13,842 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, 2024. 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
2024	\$ (6,532)
2025	(7,510)
2026	(11,480)
2027	(2,482)
2028	(2,590)
Total	\$ (30,594)

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits (Continued)

2. Group Life Insurance Program (Continued)

D. Actuarial Assumptions

The total GLI OPEB Liability was based on an actuarial valuation as of June 30, 2021, 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, 2022.

Inflation	2.50%
Salary increases, including inflation:	
Locality – general employees	3.50% - 5.35%
Locality – hazardous duty employees	3.50% - 4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation

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

Pre-retirement:	Pub-2010 Amount Weighted General Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years.
Post-retirement:	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year.
Post-disablement:	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years.
Beneficiaries and Survivors	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.
Mortality Improvement Scale	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits (Continued)

2. Group Life Insurance Program (Continued)

D. Actuarial Assumptions (Continued)

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

Pre-retirement:	Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.
Post-retirement:	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.
Post-disablement:	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.
Beneficiaries and Survivors	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.
Mortality Improvement Scale	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits (Continued)

2. Group Life Insurance Program (Continued)

D. Actuarial Assumptions (Continued)

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and services to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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, 2022, NOL amounts for the GLI are as follows (amounts expressed in thousands):

	<u>GLI OPEB Program</u>
Total GLI OPEB liability	\$ 3,672,085
Plan fiduciary net position	<u>2,467,989</u>
GLI Net OPEB liability	<u>\$ 1,204,096</u>

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

67.21%

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits (Continued)

2. 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)	Long-Term Target Asset Allocation	Arithmetic Long- Term Expected Rate of Return	Weighted Average Long- Term Expected Rate of Return
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
		* Expected arithmetic nominal return	7.83%

* The above allocation provides a one-year return of 7.83%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

** On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits (Continued)

2. Group Life Insurance Program (Continued)

G. Discount Rate

The discount rate used to measure the total GLI OPEB Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy and at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2022, 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, 2022 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB Liability.

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

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Participating Employer			
Town	\$ 192,906	\$ 132,572	\$ 83,812

I. Group Life Insurance Program Fiduciary Net Position

Detailed information about the GLI's Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2022-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia, 23218-2500.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits (Continued)

3. Virginia Local Disability Program

A. Plan Description

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

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

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits (Continued)

3. Virginia Local Disability Program (Continued)

A. Plan Description (Continued)

POLITICAL SUBDIVISION EMPLOYEE VLDP PLAN PROVISIONS (Continued)	
Virginia Local Disability Program Notes	
<ul style="list-style-type: none">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 plan employees is governed by Section 51.1-1178(C) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to the Town by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2023 was 0.85% 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, 2021. 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 \$9,321 and \$8,004 for the years ended June 30, 2023 and June 30, 2022, respectively.

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

At June 30, 2023, the Town reported an asset of \$1,210 for its proportionate share of the VLDP net OPEB asset. The VLDP net OPEB asset was measured as of June 30, 2022 and the total VLDP OPEB liability used to calculate the VLDP net OPEB asset was determined by an actuarial valuation as of June 30, 2021, and rolled forward to the measurement date as of June 30, 2022. The Town's proportion of the VLDP net OPEB asset was based on the Town's actuarially determined employer contributions to the VLDP OPEB plan for the year ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the Town's proportion of the VLDP was 0.20584% as compared to 0.21066% at June 30, 2021.

For the year ended June 30, 2023, the Town recognized VLDP OPEB expense of \$6,467. Since there was a change in proportionate share between measurement dates, a portion of the VLDP net OPEB expense was related to deferred amounts from changes in proportion.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits (Continued)

3. Virginia Local Disability Program (Continued)

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

At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows 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	\$ 1,702	\$ (2,590)
Net difference between projected and actual earnings on GLI OPEB program investments	-	(5)
Change in assumptions	46	(434)
Changes in proportion	2	(564)
Employer contribution subsequent to the measurement date	9,321	-
Total	\$ 11,071	\$ (3,593)

The \$9,321 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Employee VLDP OPEB will be recognized in the Political Subdivision Employee VLDP OPEB expense in future reporting periods as follows:

Year Ending June 30,	Amount
2024	\$ (240)
2025	(249)
2026	(657)
2027	10
2028	(131)
Thereafter	(576)
Total	\$ (1,843)

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits (Continued)

3. Virginia Local Disability Program (Continued)

D. Actuarial Assumptions

The total VLDP OPEB liability was based on an actuarial valuation as of June 30, 2021, 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, 2022.

Inflation	2.50%
Salary increases, including inflation:	
Political subdivision employees	3.50%-5.35%
Investment rate of return	6.75%, including inflation

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

Pre-retirement:	Pub-2010 Amount Weighted General Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years.
Post-retirement:	Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year.
Post-disablement:	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years.
Beneficiaries and Survivors	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.
Mortality Improvement Scale	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits (Continued)

3. Virginia Local Disability Program (Continued)

E. Actuarial Assumptions

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 65 to 70
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

F. VLDP OPEB Asset

The net OPEB asset (NOA) 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, 2022, NOL amounts for the VLDP is as follows (amounts expressed in thousands):

	VLDP OPEB Plan
Total VLDP OPEB liability	\$ 7,360
Plan fiduciary net position	7,948
Employers' net VLDP OPEB asset	\$ (588)
Plan fiduciary net position as a percentage of the total VLDP OPEB liability	107.99%

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 Asset 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 10. Other Postemployment Benefits (Continued)

3. Virginia Local Disability Program (Continued)

G. Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long- Term Expected Rate of Return	Weighted Average Long- Term Expected Rate of Return
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
		* Expected arithmetic nominal return	7.83%

* The above allocation provides a one-year return of 7.83%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

** On October 10, 2019, the VRS Board elected a long-term rate of 6.75%, which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

H. Discount Rate

The discount rate used to measure the total Political Subdivision Employee VLDP OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2022, 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, 2022 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Town VLDP OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Town VLDP OPEB liability.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits (Continued)

3. Virginia Local Disability Program (Continued)

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

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

Participating Employer	Current Discount		
	1% Decrease (5.75%)	Rate (6.75%)	1% Increase (7.75%)
Town	\$ 128	\$ (1,210)	\$ (2,372)

J. VLDP OPEB Fiduciary Net Position

Detailed information about the Town VLDP's Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2022-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 11. Interfund Transfers

The Town transferred \$970,924 from the Water, Sewer and Sanitation Fund to the General Fund for operations and administrative costs. The General fund transferred \$798,032 to the Stormwater Management Fund for capital projects.

Note 12. Government Services Provided by Authorities

The City of Harrisonburg, the County of Rockingham, and the Towns of Bridgewater, Mt. Crawford, and Dayton entered into a guaranty agreement with the Harrisonburg-Rockingham Regional Sewer Authority (HRRSA) dated December 15, 1992. Under the terms of this agreement, these municipalities jointly and severally guaranteed the HRRSA's bonds payable, which then qualifies as a nonexchange of financial guarantees. HRRSA's outstanding bonds payable at June 30, 2022 (most recent balances available) consist of the following:

Series	Amount	Interest
Series 2007	\$ 14,977,519	2.52%
Series 2008B	16,838,935	2.72%
Series 2015	6,631,162	1.20%
Series 2017	11,939,420	2.25%
Series 2020	6,521,447	1.85%

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. 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 \$358,000, \$89,000, and \$504,000, 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 13. Major Customer

The Town has one major water and sewer customer. For the year ended June 30, 2023, water and sewer revenue from this customer was approximately \$1,071,000. There are accounts receivable from this customer of approximately \$96,000 at June 30, 2023.

Note 14. 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 15. Contingency

Federal and State-Assisted Programs

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 16. Pending GASB Statements

At June 30, 2023, 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. 99, *Omnibus 2022*, will enhance comparability in accounting and financial reporting and improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. Certain requirements of Statement 99 will be effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 100, *Accounting Changes and Error Corrections*, is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Statement 100 will be effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 101, *Compensated Absences*, is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Statement 101 will be effective for fiscal years beginning after December 15, 2023.

Note 17. Subsequent Event

On July 10, the Town approved the sale of 423 North Main Street in the amount of \$552,917 to the IDA.

The Town was awarded a federal grant in the amount of \$127,079 from the Chesapeake Bay Trust for replacement of the pavement at 101 South Main Parking Lot.

The Town completed the project of the new crosswalk project on Route 42 costing approximately \$150,000

Note 18. Change in Accounting Principles

As of July 1, 2022, the Town adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The following adjustments have been made:

Net position, end of year, as previously reported	\$ 5,873,474
To establish beginning balances for SBITA-related items in accordance with GASB No. 96	60,060
Net position, July 1, 2022, as restated	<u><u>\$ 5,933,534</u></u>

SBITA-related items:

Capital asset restatement	\$ 159,111
Subscription liability restatement	(99,051)
Net change in net position	<u><u>\$ 60,060</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF BRIDGEWATER, VIRGINIA

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

	Fiscal Year June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	
Total Pension Liability (Asset)										
Service cost	\$ 239,778	\$ 238,817	\$ 237,721	\$ 258,759	\$ 264,137	\$ 262,663	\$ 272,815	\$ 275,446	\$ 275,295	
Interest	516,842	554,431	585,551	600,059	635,351	670,404	701,383	753,628	824,274	
Changes of assumptions	-	-	-	(170,428)	-	308,150	-	508,048	-	
Differences between expected and actual experience	-	(59,260)	(277,323)	178,671	(5,715)	3,701	309,283	(177,264)	(192,254)	
Benefit payments, including refunds of employee contributions	(215,871)	(223,389)	(355,438)	(321,946)	(403,840)	(382,193)	(480,322)	(538,637)	(638,465)	
Net change in total pension liability	540,749	510,599	190,511	545,115	489,933	862,725	803,159	821,221	268,850	
Total pension liability - beginning	7,491,391	8,032,140	8,542,739	8,733,250	9,278,365	9,768,298	10,631,023	11,434,182	12,255,403	
Total pension liability - ending (a)	\$ 8,032,140	\$ 8,542,739	\$ 8,733,250	\$ 9,278,365	\$ 9,768,298	\$ 10,631,023	\$ 11,434,182	\$ 12,255,403	\$ 12,524,253	
Plan Fiduciary Net Position										
Contributions - employer	\$ 212,519	\$ 210,910	\$ 224,345	\$ 183,462	\$ 180,281	\$ 175,393	\$ 173,090	\$ 205,022	\$ 200,475	
Contributions - employee	100,101	100,255	106,156	117,310	115,780	117,706	117,816	112,318	110,065	
Net investment income	1,021,390	348,875	138,422	985,528	664,791	639,169	192,297	2,746,293	(10,418)	
Benefit payments, including refunds of employee contributions	(215,871)	(223,389)	(355,438)	(321,946)	(403,840)	(382,193)	(480,322)	(538,637)	(638,465)	
Administrative expense	(5,367)	(4,619)	(4,883)	(5,607)	(5,720)	(6,259)	(6,602)	(6,861)	(7,905)	
Other	54	(75)	(59)	(880)	(593)	(402)	(229)	259	288	
Net change in plan fiduciary net position	1,112,826	431,957	108,543	957,867	550,699	543,414	(3,950)	2,518,394	(345,960)	
Plan fiduciary net position - beginning	6,389,217	7,502,043	7,934,000	8,042,543	9,000,410	9,551,109	10,094,523	10,090,573	12,608,967	
Plan fiduciary net position - ending (b)	\$ 7,502,043	\$ 7,934,000	\$ 8,042,543	\$ 9,000,410	\$ 9,551,109	\$ 10,094,523	\$ 10,090,573	\$ 12,608,967	\$ 12,263,007	
Town net pension liability (asset) - ending (a)-(b)	\$ 530,097	\$ 608,739	\$ 690,707	\$ 277,955	\$ 217,189	\$ 536,500	\$ 1,343,609	\$ (353,564)	\$ 261,246	
Plan fiduciary net position as a percentage of the total pension liability	93.40%	92.87%	92.09%	97.00%	97.78%	94.95%	88.25%	102.88%	97.91%	
Covered payroll	\$ 2,027,853	\$ 2,012,500	\$ 2,140,697	\$ 2,299,022	\$ 2,259,148	\$ 2,289,726	\$ 2,259,661	\$ 2,415,623	\$ 2,137,260	
Town's net pension liability (asset) as a percentage of covered payroll	26.14%	30.25%	32.27%	12.09%	9.61%	23.43%	59.46%	-14.64%	12.22%	

Note to Schedule:

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

TOWN OF BRIDGEWATER, VIRGINIA

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

	Fiscal Year June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required contribution (CRC)*	\$ 212,519	\$ 210,910	\$ 224,345	\$ 183,462	\$ 180,281	\$ 175,393	\$ 173,090	\$ 205,022	\$ 200,475	\$ 240,121
Contributions in relation to the CRC*	212,519	210,910	224,345	183,462	180,281	175,393	173,090	205,022	200,475	240,121
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,027,853	\$ 2,012,500	\$ 2,140,697	\$ 2,299,022	\$ 2,259,148	\$ 2,289,726	\$ 2,259,661	\$ 2,415,623	\$ 2,137,260	\$ 2,289,047
Contributions as a percentage of covered payroll	10.48%	10.48%	10.48%	7.98%	7.98%	7.66%	7.66%	8.49%	9.38%	10.49%

* Includes contributions (mandatory and match on voluntary) to the defined contribution portion of the Hybrid plan.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

VIRGINIA RETIREMENT SYSTEM

Year Ended June 30, 2023

Note 1. Changes of Benefit Terms

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

Note 2. Changes of Assumptions

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Hazardous Duty

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through nine years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Hazardous Duty

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changes from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Local's Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

TOWN OF BRIDGEWATER, VIRGINIA

SCHEDULE OF CHANGES IN THE TOWN'S TOTAL OPEB LIABILITY AND RELATED RATIOS – RETIREE HEALTHCARE PLAN

	Fiscal Year June 30,					
	2018	2019	2020	2021	2022	2023
Total OPEB Liability						
Service cost	\$ 41,527	\$ 27,214	\$ 563	\$ 500	\$ 521	\$ -
Interest on total OPEB liability	30,892	28,469	4,059	1,785	940	720
Effect of plan changes	-	-	(400,740)	-	-	-
Effect of economic/demographic gains or losses	-	(115,106)	-	(9,086)	-	(10,088)
Effect of assumptions changes or inputs	(33,252)	(192,682)	802	(11)	(376)	30
Benefit payments	(52,560)	(61,048)	(49,313)	(31,593)	(29,358)	(18,068)
Net change in total OPEB liability	(13,393)	(313,153)	(444,629)	(38,405)	(28,273)	(27,406)
Total OPEB liability - beginning	867,152	853,759	540,606	95,977	57,572	29,299
Total OPEB liability - ending	<u>\$ 853,759</u>	<u>\$ 540,606</u>	<u>\$ 95,977</u>	<u>\$ 57,572</u>	<u>\$ 29,299</u>	<u>\$ 1,893</u>
Covered employee payroll	\$ 2,432,300	\$ 2,549,109	\$ 2,549,109	\$ 2,417,709	\$ 2,417,709	\$ 2,389,118
Total OPEB liability as a percentage of covered employee payroll	35.10%	21.21%	3.77%	2.38%	1.21%	0.08%

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, 2022, 2021, 2020, 2019, 2018, and 2017

	Fiscal Year June 30,					
	2017	2018	2019	2020	2021	2022
Employer's proportion of the net GLI OPEB liability	0.0134%	0.0131%	0.0130%	0.0123%	0.0117%	0.0110%
Employer's proportionate share of the net GLI OPEB liability	\$ 202,000	\$ 199,000	\$ 210,731	\$ 205,100	\$ 136,219	\$ 132,572
Employer's covered payroll	\$ 2,468,713	\$ 3,254,620	\$ 3,324,423	\$ 3,314,038	\$ 2,415,623	\$ 2,394,171
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll	8.18%	6.11%	6.34%	6.19%	5.64%	5.54%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	48.86%	51.22%	52.00%	52.64%	67.45%	67.21%

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 CONTRIBUTIONS – OPEB – GROUP LIFE INSURANCE PROGRAM Last Ten Fiscal Years

	Fiscal Year June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required contribution (CRC)	\$ 10,654	\$ 10,702	\$ 11,572	\$ 12,837	\$ 16,924	\$ 17,287	\$ 17,233	\$ 13,044	\$ 12,929	\$ 13,842
Contributions in relation to the CRC	10,654	10,702	11,572	12,837	16,924	17,287	17,233	13,044	12,929	13,842
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 2,219,583	\$ 2,229,583	\$ 2,410,833	\$ 2,468,713	\$ 3,254,620	\$ 3,324,423	\$ 3,314,038	\$ 2,415,623	\$ 2,394,171	\$ 2,563,423
Contributions as a percentage of covered payroll	0.48%	0.48%	0.48%	0.52%	0.52%	0.52%	0.52%	0.54%	0.54%	0.54%

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 (ASSET) – VIRGINIA LOCAL DISABILITY PROGRAM

For the Measurement Dates of June 30, 2022, 2021, 2020, 2019, 2018, and 2017

	Fiscal Year June 30,					
	2017	2018	2019	2020	2021	2022
Employer's proportion of the net VLDP OPEB liability	0.3278%	0.3032%	0.2659%	0.2297%	0.2107%	0.2058%
Employer's proportionate share of the net VLDP OPEB liability (asset)	\$ 2,000	\$ 3,000	\$ 5,386	\$ 2,293	\$ (2,133)	\$ (1,210)
Employer's covered payroll	\$ 601,901	\$ 736,084	\$ 986,000	\$ 1,030,000	\$ 846,312	\$ 964,395
Employer's proportionate share of the net VLDP OPEB liability (asset) as a percentage of its covered payroll	0.3323%	0.4076%	0.5462%	0.2226%	-0.2520%	-0.1255%
Plan fiduciary net position as a percentage of the total VLDP OPEB liability	38.40%	51.39%	49.19%	76.84%	119.59%	107.99%

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 CONTRIBUTIONS – OPEB – VIRGINIA LOCAL DISABILITY PROGRAM Last Ten Fiscal Years

	Fiscal Year June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required contribution (CRC)	\$ 164	\$ 424	\$ 1,809	\$ 3,611	\$ 4,416	\$ 5,916	\$ 6,164	\$ 7,024	\$ 8,004	\$ 9,321
Contributions in relation to the CRC	164	424	1,809	3,611	4,416	5,916	6,164	7,024	8,004	9,321
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 27,333	\$ 70,710	\$ 301,552	\$ 601,901	\$ 736,084	\$ 986,000	\$ 1,030,000	\$ 846,312	\$ 964,395	\$ 1,096,559
Contributions as a percentage of covered payroll	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%	0.83%	0.83%	0.85%

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OTHER POSTEMPLOYMENT BENEFITS Year Ended June 30, 2023

Note 1. Medical Insurance

A. Changes of Benefit Terms

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

B. Changes of Assumptions

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

2023	3.65%
------	-------

Note 2. Group Life Insurance Program

A. Changes of Benefit Terms

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

B. Changes of Assumptions

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumption as a result of the experience study and VRS Board action are as follows:

Non-Largest 10 Locality Employers – General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through nine years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OTHER POSTEMPLOYMENT BENEFITS Year Ended June 30, 2023

Note 2. Group Life Insurance Program (Continued)

B. Changes of Assumptions (Continued)

Non-Largest 10 Locality Employers – Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Note 3. Virginia Local Disability Program

A. Changes of Benefit Terms

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

B. Changes of Assumptions

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

SUPPLEMENTARY SCHEDULES

TOWN OF BRIDGEWATER, VIRGINIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – GENERAL FUND

Year Ended June 30, 2023

(With Comparative Amounts for 2022)

	2023	2022
Revenues:		
General property taxes	\$ 378,597	\$ 308,647
Other local taxes	2,870,792	2,566,997
Permits and other licenses	19,894	9,603
Fines and forfeitures	19,628	21,328
Use of money and property	309,469	141,045
Charges for services	376,468	313,422
Miscellaneous	50,972	114,015
Intergovernmental	3,574,318	5,252,649
Total revenues	7,600,138	8,727,706
Expenditures:		
Current:		
General government administration	1,136,400	1,058,567
Public safety	1,088,201	1,090,701
Public works	2,838,535	4,191,432
Parks, recreation and cultural	879,018	775,087
Community and economic development	424,580	535,707
Sipe Center	345,992	356,844
Debt service:		
Principal	288,585	245,240
Interest	93,594	101,184
Total expenditures	7,094,905	8,354,762
Excess of revenues over expenditures	505,233	372,944
Other financing sources (uses):		
Issuance of subscriptions	33,318	-
Transfers in	970,924	273,373
Transfers out	(798,032)	(239,918)
Total other financing sources, net	206,210	33,455
Net change in fund balance	711,443	406,399
Fund balance, beginning	1,382,459	976,060
Fund balance, ending	\$ 2,093,902	\$ 1,382,459

TOWN OF BRIDGEWATER, VIRGINIA

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SCHEDULE OF REVENUES – BUDGET AND ACTUAL – GENERAL FUND Year Ended June 30, 2023

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Personal property taxes	\$ 296,900	\$ 375,000	\$ 374,618	\$ (382)
Interest and penalties on delinquent taxes	2,400	2,400	3,979	1,579
Total general property taxes	299,300	377,400	378,597	1,197
Other local taxes:				
Local sales and use taxes	293,300	293,300	332,276	38,976
Consumer utility taxes	751,600	751,600	752,476	876
Consumption taxes	65,400	65,400	24,479	(40,921)
Cigarette taxes	14,400	40,000	45,549	5,549
Business license taxes	242,750	242,750	249,221	6,471
Vehicle license taxes	85,941	85,941	99,222	13,281
Bank stock taxes	198,600	198,600	211,087	12,487
Meals taxes	918,500	918,500	1,135,099	216,599
Right-of-way use fee	25,400	25,400	14,427	(10,973)
Transient occupancy	2,200	2,200	6,956	4,756
Total other local taxes	2,598,091	2,623,691	2,870,792	247,101
Permits and other licenses:				
Zoning and building	8,600	8,600	11,176	2,576
Passport application fee	750	750	8,718	7,968
Total permits and other licenses	9,350	9,350	19,894	10,544
Fines and forfeitures	19,400	19,400	19,628	228
Use of money and property:				
Revenue from use of money	5,500	5,500	173,004	167,504
Revenue from use of property	101,954	101,954	136,465	34,511
Total revenue from use of money and property	107,454	107,454	309,469	202,015
Charges for services:				
Generations park	123,700	123,700	123,825	125
Golf fees	33,700	33,700	42,457	8,757
Sipe Center	165,134	190,316	201,921	11,605
Classes and camps	8,000	8,000	8,265	265
Total charges for services	330,534	355,716	376,468	20,752
Miscellaneous	48,700	48,700	50,972	2,272
Total revenue from local sources	3,412,829	3,541,711	4,025,820	484,109

TOWN OF BRIDGEWATER, VIRGINIA

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SCHEDULE OF REVENUES – BUDGET AND ACTUAL – GENERAL FUND Year Ended June 30, 2023

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government: (continued)				
General Fund: (continued)				
Intergovernmental:				
Local:				
Town of Mt. Crawford:				
Public safety	\$ 68,200	\$ 68,200	\$ 70,065	\$ 1,865
Total local aid	68,200	68,200	70,065	1,865
Revenue from the Commonwealth:				
Non-categorical aid:				
Communication sales and use tax	22,000	22,000	62,674	40,674
Personal property tax relief	102,000	102,000	102,034	34
Vehicle rental tax	-	-	7,313	7,313
Total non-categorical aid	124,000	124,000	172,021	48,021
Categorical aid:				
Litter control	4,000	4,000	4,758	758
Law enforcement assistance	140,400	140,400	154,338	13,938
Urban construction	-	-	378,942	378,942
Street and highway maintenance	797,000	849,684	1,003,512	153,828
Asset forfeiture funds	-	-	1,756	1,756
Other	3,137,700	294,400	62,500	(231,900)
Total categorical aid	4,079,100	1,288,484	1,605,806	317,322
Total intergovernmental revenue from the Commonwealth	4,203,100	1,412,484	1,777,827	365,343
Revenue from the federal government:				
Categorical aid:				
Crosswalk improvement grant	129,223	129,223	101,594	(27,629)
ARPA	3,187,000	3,187,000	1,213,551	(1,973,449)
Urban construction	30,000	30,000	-	(30,000)
Riverwalk grant	177,480	177,480	6,636	(170,844)
JAG Grant	-	-	68,308	68,308
Gen-Oak Connector grant	202,512	202,512	302,329	99,817
Other	-	-	34,008	34,008
Total intergovernmental revenue from the federal government	3,726,215	3,726,215	1,726,426	(1,999,789)
Total intergovernmental revenue	7,997,515	5,206,899	3,574,318	(1,632,581)
Total General Fund	\$ 11,410,344	\$ 8,748,610	\$ 7,600,138	\$ (1,148,472)

TOWN OF BRIDGEWATER, VIRGINIA

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SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL – GENERAL FUND Year Ended June 30, 2023

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	\$ 38,016	\$ 38,016	\$ 37,655	\$ (361)
Fringe benefits	2,910	2,910	2,882	(28)
Other charges	1,000	1,000	7,342	6,342
Total Town Council	41,926	41,926	47,879	5,953
Town Manager's office:				
Personal services	389,597	399,597	438,528	38,931
Fringe benefits	118,840	123,090	115,834	(7,256)
Other charges	15,900	15,900	10,013	(5,887)
Contractual services	11,000	11,000	18,420	7,420
Total town manager's office	535,337	549,587	582,795	33,208
Treasurer's office:				
Personal services	172,648	172,648	175,530	2,882
Fringe benefits	60,610	60,610	62,121	1,511
Other charges	2,000	2,000	5,598	3,598
Contractual services	27,000	27,000	9,268	(17,732)
Total treasurer's office	262,258	262,258	252,517	(9,741)
Total legislative	839,521	853,771	883,191	29,420
General and financial administration:				
Legal	33,000	33,000	51,403	18,403
Independent auditor and actuary	55,650	55,650	55,150	(500)
Insurance and bonding	135,000	135,000	146,656	11,656
Total general and financial administration	223,650	223,650	253,209	29,559
Total general government administration	1,063,171	1,077,421	1,136,400	58,979

TOWN OF BRIDGEWATER, VIRGINIA

Page 2 of 4

**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL –
GENERAL FUND
Year Ended June 30, 2023**

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	\$ 629,867	\$ 629,867	\$ 646,721	\$ 16,854
Fringe benefits	203,734	203,734	207,802	4,068
Vehicle operation	29,000	29,000	33,127	4,127
Other charges	35,000	35,000	48,281	13,281
Capital outlay	66,000	42,000	95,333	53,333
Contractual services	40,000	40,000	26,937	(13,063)
Total law enforcement and traffic control	1,003,601	979,601	1,058,201	78,600
Fire and rescue services:				
Fire department and rescue squad	30,000	30,000	30,000	-
Total fire and rescue services	30,000	30,000	30,000	-
Total public safety	1,033,601	1,009,601	1,088,201	78,600
Public works:				
Public works department:				
Personal services	185,132	185,132	169,566	(15,566)
Fringe benefits	57,488	57,488	62,721	5,233
Other charges	2,000	2,000	7,988	5,988
Contractual services	22,500	22,500	22,479	(21)
Total public works department	267,120	267,120	262,754	(4,366)

**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL –
GENERAL FUND
Year Ended June 30, 2023**

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	\$ 131,932	\$ 131,932	\$ 113,744	\$ (18,188)
Fringe benefits	53,027	53,027	49,894	(3,133)
Other charges	83,000	83,000	51,757	(31,243)
Contractual services	83,000	233,000	96,565	(136,435)
Street paving	375,000	225,000	526,957	301,957
Virginia Department of Transportation revenue sharing project	-	-	380,226	380,226
Urban construction program	100,000	100,000	-	(100,000)
Capital outlay	812,667	679,407	751,849	72,442
Total highways, streets, bridges, and sidewalks	1,638,626	1,505,366	1,970,992	465,626
Street lights	91,359	91,359	89,008	(2,351)
Total maintenance of highways, streets, bridges, sidewalks, and street lights	1,729,985	1,596,725	2,060,000	463,275
General properties:				
Personal services	240,949	240,949	187,411	(53,538)
Fringe benefits	88,567	88,567	83,869	(4,698)
Other charges	31,000	31,000	31,532	532
Capital outlay	197,667	51,000	91,581	40,581
Contractual services	72,000	72,000	121,388	49,388
Contingency	63,276	63,276	-	(63,276)
Total general properties	693,459	546,792	515,781	(31,011)
Total public works	2,690,564	2,410,637	2,838,535	427,898

TOWN OF BRIDGEWATER, VIRGINIA

Page 4 of 4

SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL – GENERAL FUND Year Ended June 30, 2023

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	\$ 313,584	\$ 313,584	\$ 338,940	\$ 25,356
Fringe benefits	113,280	113,280	101,398	(11,882)
Other charges	76,000	76,000	128,929	52,929
Capital outlay	483,339	516,299	98,678	(417,621)
Contractual services	129,000	129,000	211,073	82,073
Total parks, recreation and cultural	1,115,203	1,148,163	879,018	(269,145)
Community and economic development:				
Community development:				
Personal services	40,661	40,661	35,251	(5,410)
Fringe benefits	13,250	13,250	3,147	(10,103)
Other charges	90,100	90,100	203,799	113,699
Capital outlay	249,000	249,000	78,015	(170,985)
Contractual services	36,000	36,000	26,421	(9,579)
Total community development	429,011	429,011	346,633	(82,378)
Economic development:				
Personal services	23,246	23,246	22,257	(989)
Fringe benefits	9,124	9,124	5,733	(3,391)
Other charges	1,000	1,000	583	(417)
Capital outlay	50,000	38,600	-	(38,600)
Contractual services	3,000	53,000	49,374	(3,626)
Total economic development	86,370	124,970	77,947	(47,023)
Total community and economic development	515,381	553,981	424,580	(129,401)
Sipe Center:				
Personal services	54,185	64,185	80,810	16,625
Fringe benefits	19,347	23,597	25,920	2,323
Other charges	15,000	15,000	21,599	6,599
Vending purchases	-	-	20,502	20,502
Contractual services	47,882	47,882	34,392	(13,490)
Capital outlay	9,000	9,000	18,604	9,604
Movies	9,945	9,945	28,371	18,426
Performers	122,400	122,400	115,794	(6,606)
Total Sipe Center	277,759	292,009	345,992	53,983
Debt service:				
Principal	242,956	242,956	288,585	45,629
Interest	103,122	103,122	93,594	(9,528)
Total debt service	346,078	346,078	382,179	36,101
Total General Fund	\$ 7,041,757	\$ 6,837,890	\$ 7,094,905	\$ 257,015

TOWN OF BRIDGEWATER, VIRGINIA**Page 1 of 2****SCHEDULE OF CAPITAL OUTLAYS****Year Ended June 30, 2023**

General Fund:**Public works:**

Ford Maverick	\$ 15,099
Light bridge 2023	11,272
Pedestrian signals	115,785
Arey Hall renovations	22,997
HDX mower	24,080
Gator	13,552
First floor renovations	5,753
Gen-Oak connector	307,741
First floor A/C unit	9,100
Traffic light cabinets	150,063
	<hr/>
	675,442

Parks, recreation and cultural:

Oakdale Park shelter renovations	28,812
Water gator	18,689
Whitelow Park walkway	31,532
Edgebrier Park sign	5,560
Wildwood Park sign	5,560
Riverwalk phase II	8,527
	<hr/>
	98,680

Public safety:

2023 Dodge Durango	51,903
2023 Silverado upgrades	11,417
Right-to-use subscription assets	20,613
	<hr/>
	83,933

Sipe center:

Piano	5,899
Right-to-use subscription asset	12,705
	<hr/>
	18,604

Community and economic development:

Town entrance sign	40,895
	<hr/>

Total General Fund

\$ 917,554

SCHEDULE OF CAPITAL OUTLAYS

Year Ended June 30, 2023

Water, Sewer and Sanitation Fund:

Water distribution:

Asset utility locator	\$ 4,535
Right-to-use subscription asset	4,081
	<u>8,616</u>

Water treatment:

WTP roof	27,270
Swing gate	19,602
SCADA	113,650
	<u>160,522</u>

Sewer

Asset utility locator	4,535
2022 Dodge Ram	55,484
2022 Dodge Ram	37,693
2022 Dodge Ram	37,558
	<u>135,270</u>

Total Water, Sewer and Sanitation Fund**\$ 304,408**

Stormwater Management Fund:

Stormwater:

101 S. Main St	\$ 134,728
Ford Maverick	15,099
Oakdale Park pond	<u>708,214</u>

Total Stormwater Management Fund**\$ 858,041**

TOWN OF BRIDGEWATER, VIRGINIA

SCHEDULE OF TAXES RECEIVABLE

June 30, 2023

(With Comparative Amounts for 2022)

	2023	2022
Taxes receivable: *		
General Fund:		
Real estate:		
2012	\$ 37	\$ 37
2013	223	223
2014	224	224
2015	224	224
2016	224	224
2017	224	224
2018	348	416
	<u>1,504</u>	<u>1,572</u>
Personal property:		
2018	-	529
2019	750	819
2020	1,824	2,158
2021	2,579	5,867
2022	10,732	-
	<u>15,885</u>	<u>9,373</u>
Less:		
Allowance for uncollectible taxes	<u>10,000</u>	<u>10,000</u>
Taxes receivable - General Fund	<u><u>\$ 7,389</u></u>	<u><u>\$ 945</u></u>

* Includes 10% penalty

TOWN OF BRIDGEWATER, VIRGINIA

SCHEDULE OF REVENUES AND EXPENSES – PROPRIETARY FUND TYPE Year Ended June 30, 2023

	Water Department	Sewer Department	Sanitation Department	Totals
Operating revenues:				
Charges for services	\$ 1,150,995	\$ 1,909,423	\$ 631,984	\$ 3,692,402
Penalties	24,965	22,421	-	47,386
Other	-	1,340	-	1,340
Total operating revenues	1,175,960	1,933,184	631,984	3,741,128
Operating expenses:				
Personal services	413,376	97,763	78,236	589,375
Fringe benefits	102,798	8,585	(2,100)	109,283
Materials, line repairs and other	391,422	64,435	497,694	953,551
Regional Sewer Authority assessment:				
Operations and maintenance	-	295,797	-	295,797
Debt service	-	427,546	-	427,546
Construction	-	181,911	-	181,911
Depreciation and amortization	151,976	86,209	7,337	245,522
Total operating expenses	1,059,572	1,162,246	581,167	2,802,985
Operating income	116,388	770,938	50,817	938,143
Nonoperating revenue (expense):				
Interest expense	(2,773)	(27,623)	-	(30,396)
Gain on disposal of assets	-	-	5,089	5,089
Connection availability fees	160,189	291,797	-	451,986
Total nonoperating revenue, net	157,416	264,174	5,089	426,679
Income before transfers	273,804	1,035,112	55,906	1,364,822
Transfers out	(287,603)	(654,280)	(29,041)	(970,924)
Change in net position	\$ (13,799)	\$ 380,832	\$ 26,865	\$ 393,898

TOWN OF BRIDGEWATER, VIRGINIA

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

Year Ended June 30, 2023

(With Comparative Totals for 2022)

	Water Department		Sewer Department		Totals (Memorandum Only)			
					2023		2022	
	Amount	Rate Per 1,000 Gallons	Amount	Rate Per 1,000 Gallons	Amount	Rate Per 1,000 Gallons	Amount	Rate Per 1,000 Gallons
Operating revenues:								
Charges for services	\$ 1,150,995	\$ 5.437	\$ 1,909,423	\$ 9.020	\$ 3,060,418	\$ 14.457	\$ 2,844,764	\$ 13.719
Penalties	24,965	0.118	22,421	0.106	47,386	0.224	43,318	0.209
Other	-	-	1,340	0.006	1,340	0.006	1,300	0.006
Total operating revenues	1,175,960	5.555	1,933,184	9.132	3,109,144	14.687	2,889,382	13.934
Operating expenses:								
Personal services	413,376	1.953	97,763	0.462	511,139	2.415	549,445	2.650
Fringe benefits	102,798	0.486	8,585	0.041	111,383	0.527	208,043	1.004
Materials, line repairs and other	391,422	1.849	64,435	0.304	455,857	2.153	473,651	2.285
Regional Sewer Authority assessment:								
Operations and maintenance	-	-	295,797	1.397	295,797	1.397	268,986	1.297
Debt service	-	-	427,546	2.020	427,546	2.020	442,779	2.135
Construction	-	-	181,911	0.859	181,911	0.859	149,717	0.722
Depreciation	151,976	0.718	86,209	0.407	238,185	1.125	201,076	0.970
Total operating expenses	1,059,572	5.006	1,162,246	5.490	2,221,818	10.496	2,293,697	11.063
Operating income	116,388	0.549	770,938	3.642	887,326	4.191	595,685	2.871
Nonoperating revenue (expense):								
Interest expense	(2,773)	(0.013)	(27,623)	(0.130)	(30,396)	(0.143)	(34,319)	(0.165)
Connection availability fees	160,189	0.757	291,797	1.378	451,986	2.135	464,147	2.238
Total nonoperating revenue, net	157,416	0.744	264,174	1.248	421,590	1.992	429,828	2.073
Income before transfers	\$ 273,804	\$ 1.293	\$ 1,035,112	\$ 4.890	\$ 1,308,916	\$ 6.183	\$ 1,025,513	\$ 4.944
Total water consumption:								
Thousands of gallons	<u>211,699</u>						<u>207,357</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, 2023

ASSETS	
Current assets:	
Cash	\$ 35,095
Lease receivable	28,474
Total current assets	<u>63,569</u>
Noncurrent assets:	
Lease receivable	<u>275,093</u>
Capital assets:	
Land	79,747
Buildings and improvements	407,886
Equipment	30,105
Less: accumulated depreciation	<u>(105,388)</u>
Total capital assets, net	<u>412,350</u>
Total noncurrent assets	<u>687,443</u>
Total assets	<u>751,012</u>
LIABILITIES	
Current liabilities:	
Accrued interest	2,292
Unearned revenue	3,000
Bonds payable	<u>19,150</u>
Total current liabilities	<u>24,442</u>
Noncurrent liabilities:	
Bonds payable	<u>414,556</u>
Total noncurrent liabilities	<u>414,556</u>
Total liabilities	<u>438,998</u>
DEFERRED INFLOWS OF RESOURCES	
Leases related	<u>297,882</u>
Total deferred inflows of resources	<u>297,882</u>
NET POSITION	
Net investment in capital assets	242,288
Unrestricted	<u>(228,156)</u>
Total net position	<u>\$ 14,132</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, 2023**

Operating revenues:	
Use of money and property	\$ 42,885
Charges for services	<u>6,000</u>
Total operating revenues	<u>48,885</u>
Operating expenses:	
Personal services	600
Fringe benefits	69
Contractual services	6,240
Grants to recipients	250,000
Depreciation	<u>14,505</u>
Total operating expenses	<u>271,414</u>
Operating loss	(222,529)
Nonoperating expense:	
Interest	<u>15,663</u>
Change in net position	(238,192)
Net position, beginning	<u>252,324</u>
Net position, ending	<u><u>\$ 14,132</u></u>

TOWN OF BRIDGEWATER, VIRGINIA

STATEMENT OF CASH FLOWS – DISCRETELY PRESENTED COMPONENT UNIT – INDUSTRIAL DEVELOPMENT AUTHORITY Year Ended June 30, 2023

Cash flows from operating activities:	
Receipts from customers	\$ 43,200
Grants to recipients	(250,000)
Payments to suppliers for goods and services	(6,240)
Payments to employees for services and benefits	(669)
Net cash used in operating activities	<u>(213,709)</u>
Cash flows from capital and related financing activities:	
Principal paid on:	
General obligation bonds	(18,201)
Interest paid on outstanding debt	(15,972)
Net cash used in capital and related financing activities	<u>(34,173)</u>
Net change in cash	(247,882)
Cash:	
Beginning	<u>282,977</u>
Ending	<u><u>\$ 35,095</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (222,529)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	14,505
Changes in operating accounts:	
Decrease in lease receivable	27,747
Decrease in deferred inflows	(33,432)
Net cash used in operating activities	<u><u>\$ (213,709)</u></u>

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

TOWN OF BRIDGEWATER, VIRGINIA

**STATEMENT OF NET POSITION –
DISCRETELY PRESENTED COMPONENT UNIT –
SIPE CENTER LIVE
June 30, 2023**

ASSETS	
Current assets:	
Cash	\$ 71,415
Total current assets	<u>71,415</u>
Total assets	<u>71,415</u>
NET POSITION	
Unrestricted	<u>71,415</u>
Total net position	<u>\$ 71,415</u>

TOWN OF BRIDGEWATER, VIRGINIA

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION –
DISCRETELY PRESENTED COMPONENT UNIT –
SIPE CENTER LIVE
Year Ended June 30, 2023**

<hr/>	
Operating revenues:	
Other income - donations	<u>\$ 500</u>
 Total operating revenues	<u> 500</u>
Operating expenses:	
Other	<u> 7,326</u>
 Total operating expenses	<u> 7,326</u>
 Change in net position	<u> (6,826)</u>
Net position, beginning	<u> 78,241</u>
Net position, ending	<u><u> \$ 71,415</u></u>

TOWN OF BRIDGEWATER, VIRGINIA

STATEMENT OF CASH FLOWS – DISCRETELY PRESENTED COMPONENT UNIT – SIPE CENTER LIVE Year Ended June 30, 2023

Cash flows from operating activities:	
Receipts from donations	\$ 500
Payments to suppliers for goods and services	<u>(7,326)</u>
Net cash used in operating activities	<u>(6,826)</u>
 Net change in cash	 (6,826)
Cash:	
Beginning	<u>78,241</u>
Ending	<u>\$ 71,415</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	<u>\$ (6,826)</u>
Net cash used in operating activities	<u>\$ (6,826)</u>

STATISTICAL SECTION

TOWN OF BRIDGEWATER, VIRGINIA

STATISTICAL SECTION TABLE OF CONTENTS

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

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

Sources: Unless otherwise noted, the information in these tables is derived from the annual comprehensive 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,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental activities:										
Net investment in capital assets	\$ 2,599,041	\$ 2,458,550	\$ 2,983,582	\$ 3,736,218	\$ 3,982,455	\$ 3,971,482	\$ 4,445,390	\$ 3,759,420	\$ 5,250,343	\$ 6,009,467
Restricted	22,884	836,130	22,382	22,403	22,423	22,461	22,464	22,486	22,488	22,490
Unrestricted (deficit)	478,614	(567,221)	97,911	(657,869)	(816,258)	(377,372)	(150,865)	187,025	600,643	1,415,433
Total governmental activities net assets										
Total governmental activities net position	<u>\$ 3,100,539</u>	<u>\$ 2,727,459</u>	<u>\$ 3,103,875</u>	<u>\$ 3,100,752</u>	<u>\$ 3,188,620</u>	<u>\$ 3,616,571</u>	<u>\$ 4,316,989</u>	<u>\$ 3,968,931</u>	<u>\$ 5,873,474</u>	<u>\$ 7,447,390</u>
Business-type activities:										
Net investment in capital assets	\$ 1,510,862	\$ 1,908,627	\$ 2,133,564	\$ 2,075,168	\$ 1,633,372	\$ 1,571,093	\$ 1,600,558	\$ 1,604,310	\$ 2,726,028	\$ 3,780,609
Unrestricted	175,474	10,321	91,676	120,839	(43,434)	(72,523)	101,257	(11,099)	(35,836)	112,583
Total business-type activities net assets										
Total business-type activities net position	<u>\$ 1,686,336</u>	<u>\$ 1,918,948</u>	<u>\$ 2,225,240</u>	<u>\$ 2,196,007</u>	<u>\$ 1,589,938</u>	<u>\$ 1,498,570</u>	<u>\$ 1,701,815</u>	<u>\$ 1,593,211</u>	<u>\$ 2,690,192</u>	<u>\$ 3,893,192</u>
Primary government:										
Net investment in capital assets	\$ 4,109,903	\$ 4,367,177	\$ 5,117,146	\$ 5,811,386	\$ 5,615,827	\$ 5,542,575	\$ 6,045,948	\$ 5,363,730	\$ 7,976,371	\$ 9,790,076
Restricted	22,884	836,130	22,382	22,403	22,423	22,461	22,464	22,486	22,488	22,490
Unrestricted (deficit)	654,088	(556,900)	189,587	(537,030)	(859,692)	(449,895)	(49,608)	175,926	564,807	1,528,016
Total primary government net assets										
Total primary government net position	<u>\$ 4,786,875</u>	<u>\$ 4,646,407</u>	<u>\$ 5,329,115</u>	<u>\$ 5,296,759</u>	<u>\$ 4,778,558</u>	<u>\$ 5,115,141</u>	<u>\$ 6,018,804</u>	<u>\$ 5,562,142</u>	<u>\$ 8,563,666</u>	<u>\$ 11,340,582</u>
	(1)			(2)						(3)

Notes:

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

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

(3) June 30, 2023 net position was restated for the implementation of GASB Statement No. 96 which reduced net position by \$60,060.

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,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Expenses:										
Governmental activities:										
General government administration	\$ 765,232	\$ 786,203	\$ 1,064,171	\$ 780,506	\$ 819,775	\$ 879,486	\$ 846,698	\$ 1,067,040	\$ 1,093,517	\$ 1,155,740
Public safety	833,948	812,586	815,116	784,779	845,679	774,021	791,134	893,368	964,682	1,022,073
Public works	1,298,405	1,369,850	2,012,876	1,919,106	1,999,370	1,901,366	1,219,675	3,757,244	3,008,778	2,354,529
Parks, recreation and cultural	482,013	464,969	670,901	740,707	803,811	811,329	754,113	763,500	797,233	922,723
Community and economic development	101,847	108,566	145,009	151,255	190,969	194,784	185,401	189,297	535,936	388,125
Sipe Center	-	-	-	-	-	-	154,004	162,482	356,109	328,567
Interest	32,738	39,846	53,294	56,345	54,211	95,928	98,002	84,328	101,366	94,419
Total governmental activities	3,514,183	3,582,020	4,761,367	4,432,698	4,713,815	4,656,914	4,049,027	6,917,259	6,857,621	6,266,176
Business-type activities:										
Water, sewer and sanitation	2,592,145	2,478,288	2,424,121	2,631,063	2,780,204	2,797,328	2,585,546	2,975,789	2,815,140	2,833,381
Stormwater management	70,626	58,743	171,900	222,050	161,253	96,227	166,522	98,411	145,559	162,983
Total business-type activities	2,662,771	2,537,031	2,596,021	2,853,113	2,941,457	2,893,555	2,752,068	3,074,200	2,960,699	2,996,364
Total government	6,176,954	6,119,051	7,357,388	7,285,811	7,655,272	7,550,469	6,801,095	9,991,459	9,818,320	9,262,540
Program revenue:										
Governmental activities:										
Charges for services:										
General government administration	-	-	-	485	14,809	18,966	17,357	-	-	8,718
Public safety	42,796	45,083	45,313	25,907	39,533	53,546	41,849	24,920	21,328	19,628
Public works	-	-	-	6,025	11,531	8,541	12,065	10,719	9,603	11,176
Parks, recreation and cultural	-	-	-	114,967	129,937	142,934	252,165	124,940	163,051	174,547
Sipe Center	-	-	-	-	-	-	-	45,798	150,371	201,921
Operating grants and contributions:										
General government administration	-	-	-	-	-	-	-	-	1,945,358	52,746
Public safety	174,442	175,484	308,443	179,549	183,909	199,648	207,036	508,142	255,076	294,467
Public works	653,460	728,114	1,057,811	819,933	1,159,124	1,075,125	582,089	1,928,377	1,708,111	1,894,279
Community and economic development	-	-	-	-	-	-	-	90,214	41,010	-
Capital grants and contributions:										
General government administration	-	-	-	-	-	-	-	-	-	789,821
Public safety	-	-	-	-	-	-	-	-	-	54,317
Public works	-	-	-	-	-	-	1,321	-	1,127,181	175,772
Community and economic development	-	-	-	-	-	-	-	-	-	140,895
Parks, recreation and cultural	-	-	-	7,750	-	-	-	-	-	-
Total governmental activities program revenue	870,698	948,681	1,411,567	1,154,616	1,538,843	1,498,760	1,113,882	2,733,110	5,421,089	3,818,287
Business-type activities:										
Charges for services:										
Water, sewer and sanitation	2,935,832	2,947,948	3,087,391	3,187,973	3,345,715	3,211,655	3,364,294	3,236,656	3,418,633	3,692,402
Stormwater Management	78,512	79,863	71,747	100,088	132,797	148,513	165,788	157,961	165,037	174,053
Capital grants and contributions:										
Water, sewer and sanitation	67,500	300,141	226,982	210,119	181,169	151,571	143,972	109,444	464,147	451,986
Total business-type activities program revenue	3,081,844	3,327,952	3,386,120	3,498,180	3,659,681	3,511,739	3,674,054	3,504,061	4,047,817	4,318,441
Total government program revenue	3,952,542	4,276,633	4,797,687	4,652,796	5,198,524	5,010,499	4,787,936	6,237,171	9,468,906	8,136,728
Net (expense) revenue:										
Governmental activities	(2,643,485)	(2,633,339)	(3,349,800)	(3,278,082)	(3,174,972)	(3,158,154)	(2,935,145)	(4,184,149)	(1,436,532)	(2,447,889)
Business-type activities	419,073	790,921	790,099	645,067	718,224	618,184	921,986	429,861	1,087,118	1,322,077
Total government net expense	(2,224,412)	(1,842,418)	(2,559,701)	(2,633,015)	(2,456,748)	(2,539,970)	(2,013,159)	(3,754,288)	(349,414)	(1,125,812)

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,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General revenues and other changes in net assets:										
Governmental activities:										
Taxes:										
General property	\$ 554,897	\$ 576,922	\$ 590,960	\$ 611,129	\$ 632,407	\$ 459,608	\$ 284,099	\$ 290,738	\$ 309,647	\$ 385,597
Consumer utility and communications sales and use	385,779	387,647	387,969	388,104	370,722	541,858	755,307	712,344	735,101	752,476
Meals	446,307	466,633	530,632	548,988	618,979	646,425	709,943	819,144	930,375	1,135,099
Local sales and use	160,076	160,706	198,749	192,639	196,399	206,402	235,473	298,687	298,889	332,276
Bank stock	107,330	146,696	150,249	154,259	171,849	185,621	147,837	194,679	235,246	211,087
Business license	217,335	223,970	224,118	220,114	218,755	222,382	232,684	212,556	189,060	249,221
Other	136,486	144,678	138,536	141,781	142,385	139,861	155,012	150,031	178,326	190,633
Intergovernmental, non-categorical aid	191,976	197,996	191,335	187,398	186,204	179,457	176,593	175,444	175,913	172,021
Use of money and property	90,455	87,468	175,097	96,141	100,451	118,344	105,268	100,597	141,047	309,471
Miscellaneous	32,980	160,142	621,785	26,134	42,082	138,628	74,383	296,476	114,016	50,972
Transfers	682,478	298,487	516,786	708,272	1,136,806	747,519	758,964	585,395	33,455	172,892
Total governmental activities	3,006,099	2,851,345	3,726,216	3,274,959	3,817,039	3,586,105	3,635,563	3,836,091	3,341,075	3,961,745
Business-type activities:										
Miscellaneous	42,706	38,746	32,979	33,972	36,454	37,967	40,223	46,930	43,318	53,815
Transfers	(682,478)	(298,487)	(516,786)	(708,272)	(1,136,806)	(747,519)	(758,964)	(585,395)	(33,455)	(172,892)
Total business-type activities	(639,772)	(259,741)	(483,807)	(674,300)	(1,100,352)	(709,552)	(718,741)	(538,465)	9,863	(119,077)
Total primary government	2,366,327	2,591,604	3,242,409	2,600,659	2,716,687	2,876,553	2,916,822	3,297,626	3,350,938	3,842,668
Changes in net position:										
Governmental activities	362,614	218,006	376,416	(3,123)	642,067	427,951	700,418	(348,058)	1,904,543	1,513,856
Business-type activities	(220,699)	531,180	306,292	(29,233)	(382,128)	(91,368)	203,245	(108,604)	1,096,981	1,203,000
Total primary government	\$ 141,915	\$ 749,186	\$ 682,708	\$ (32,356)	\$ 259,939	\$ 336,583	\$ 903,663	\$ (456,662)	\$ 3,001,524	\$ 2,716,856

Notes:

- (1) Net (expense) revenue is the difference between the expenses and program revenues. This difference indicates the degree to which a function or program is supported with its own fees and program-specific grants versus its reliance upon funding from taxes and other general revenues. Numbers in a parentheses are net expenses indicating that expenses were greater than program revenues and, therefore, general revenues were needed to finance that function or program. Numbers without parentheses are net revenues, demonstrating that program revenues were more than sufficient to cover expenses.
- (2) In fiscal year 2016, the Town sold property for \$590,722 and was classified as miscellaneous revenue on the Statement of Activities.
- (3) 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,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental activities:										
General government administration	\$ -	\$ -	\$ -	\$ 485	\$ 14,809	\$ 18,966	\$ 17,357	\$ -	\$ 1,945,358	\$ 851,285
Public safety	217,238	220,567	353,756	205,456	223,442	253,194	248,885	533,062	276,404	368,412
Public works	653,460	728,114	1,057,811	825,958	1,170,655	1,083,666	595,475	1,939,096	2,844,895	2,081,227
Parks, recreation and cultural	-	-	-	122,717	129,937	142,934	252,165	124,940	163,051	174,547
Community and economic development	-	-	-	-	-	-	-	90,214	41,010	140,895
Sipe Center	-	-	-	-	-	-	-	45,798	150,371	201,921
Total governmental activities	870,698	948,681	1,411,567	1,154,616	1,538,843	1,498,760	1,113,882	2,733,110	5,421,089	3,818,287
Business-type activities:										
Water, sewer and sanitation	3,003,332	3,248,089	3,314,373	3,398,092	3,526,884	3,363,226	3,508,266	3,346,100	3,882,780	4,144,388
Stormwater management	78,512	79,863	71,747	100,088	132,797	148,513	165,788	157,961	165,037	174,053
Total business-type activities	3,081,844	3,327,952	3,386,120	3,498,180	3,659,681	3,511,739	3,674,054	3,504,061	4,047,817	4,318,441
Total government	\$ 3,952,542	\$ 4,276,633	\$ 4,797,687	\$ 4,652,796	\$ 5,198,524	\$ 5,010,499	\$ 4,787,936	\$ 6,237,171	\$ 9,468,906	\$ 8,136,728

TOWN OF BRIDGEWATER, VIRGINIA

Table 4

FUND BALANCES – GOVERNMENTAL FUNDS

Last Ten Fiscal Years

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

		Fiscal Year June 30,				
		2014	2015	2016	2017	2018
General Fund:						
Restricted		\$ -	\$ 813,754	\$ -	\$ -	\$ -
Nonspendable		-	82,000	-	-	-
Committed		10,000	-	-	-	-
Assigned		-	-	-	10,000	10,000
Unassigned		731,144	168,287	896,320	90,347	392,196
Total General Fund		\$ 741,144	\$ 1,064,041	\$ 896,320	\$ 100,347	\$ 402,196
All other governmental funds:						
Nonspendable		\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000
Restricted		16,884	16,376	16,382	16,403	16,423
Total all other governmental funds		\$ 22,884	\$ 22,376	\$ 22,382	\$ 22,403	\$ 22,423
		Fiscal Year June 30,				
		2019	2020	2021	2022	2023
General Fund:						
Restricted		\$ -	\$ -	\$ -	\$ -	\$ -
Assigned		-	-	-	-	-
Committed		-	48,759	159,207	339,276	716,537
Unassigned		591,748	459,565	816,853	1,043,183	1,377,365
Total General Fund		\$ 591,748	\$ 508,324	\$ 976,060	\$ 1,382,459	\$ 2,093,902
All other governmental funds:						
Nonspendable		\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000
Restricted		16,461	16,464	16,486	16,488	16,490
Total all other governmental funds		\$ 22,461	\$ 22,464	\$ 22,486	\$ 22,488	\$ 22,490

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,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues:										
General property taxes	\$ 542,897	\$ 579,922	\$ 593,960	\$ 611,129	\$ 631,407	\$ 462,608	\$ 282,099	\$ 290,738	\$ 308,647	\$ 378,597
Other local taxes	1,453,313	1,530,330	1,630,253	1,645,885	1,719,089	1,942,549	2,236,256	2,387,441	2,566,997	2,870,792
Permits and other licenses	3,078	4,160	3,499	6,510	26,340	27,507	29,422	10,719	9,603	19,894
Fines and forfeitures	39,718	40,923	41,814	25,907	39,533	53,546	41,849	24,920	21,328	19,628
Use of money and property	90,455	87,468	92,345	96,141	100,451	118,344	105,268	100,597	141,047	309,471
Charges for services	-	-	56,976	114,967	129,937	142,934	252,165	170,738	313,422	376,468
Miscellaneous	32,980	160,142	56,833	26,134	42,082	138,628	74,383	296,476	114,015	50,972
Intergovernmental	1,019,878	1,101,594	1,557,589	1,186,880	1,529,237	1,454,230	967,039	2,702,177	5,252,649	3,574,318
Total revenues	3,182,319	3,504,539	4,033,269	3,713,553	4,218,076	4,340,346	3,988,481	5,983,806	8,727,708	7,600,140
Expenditures:										
General government administration	734,129	770,265	760,492	771,999	821,438	806,421	896,691	969,962	1,058,567	1,136,400
Public safety	825,896	878,516	953,365	769,232	815,321	817,721	827,959	832,439	1,090,701	1,088,201
Public works	1,245,008	1,418,584	2,273,855	2,492,724	2,285,238	3,104,722	1,893,947	3,572,196	4,191,432	2,838,535
Parks, recreation and cultural	445,772	1,174,047	1,515,081	745,407	960,286	943,186	711,094	1,016,986	775,087	879,018
Community and economic development	117,737	109,003	137,385	150,315	232,991	191,048	181,665	171,916	535,707	424,580
Sipe Center	-	-	-	-	-	-	154,004	146,341	356,844	345,992
Debt service:										
Principal	216,520	146,785	164,155	230,147	166,847	340,755	252,917	520,207	245,240	288,585
Interest and fiscal charges	34,135	38,437	48,165	57,953	55,892	94,422	98,740	110,776	101,184	93,594
Total expenditures	3,619,197	4,535,637	5,852,498	5,217,777	5,338,013	6,298,275	5,017,017	7,340,823	8,354,762	7,094,905
Revenues under expenditures	(436,878)	(1,031,098)	(1,819,229)	(1,504,224)	(1,119,937)	(1,957,929)	(1,028,536)	(1,357,017)	372,946	505,235
Other financing sources (uses):										
Sale of capital asset	-	-	590,722	-	-	-	-	-	-	-
Issuance of SBITAs	-	-	-	-	-	-	-	-	-	33,318
Transfers in	682,478	298,487	618,780	841,971	1,211,971	752,450	758,964	585,395	273,373	970,924
Transfers out	-	-	(101,994)	(133,699)	(75,165)	(4,931)	-	-	(239,918)	(798,032)
Refunding bonds issued	-	-	-	-	-	-	-	1,319,504	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	(1,290,973)	-	-
Issuance of debt	-	1,055,000	544,000	-	285,000	1,400,000	186,151	1,210,849	-	-
Total other financing sources, net	682,478	1,353,487	1,651,508	708,272	1,421,806	2,147,519	945,115	1,824,775	33,455	206,210
Net change in fund balances	\$ 245,600	\$ 322,389	\$ (167,721)	\$ (795,952)	\$ 301,869	\$ 189,590	\$ (83,421)	\$ 467,758	\$ 406,401	\$ 711,445

CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

Last Ten Fiscal Years

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

	Fiscal Year June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Debt service as a percentage of noncapital expenditures:										
Total debt service	\$ 250,655	\$ 185,222	\$ 212,320	\$ 288,100	\$ 222,739	\$ 435,177	\$ 351,657	\$ 630,983	\$ 346,424	\$ 382,179
Total expenditures	\$ 3,619,197	\$ 4,535,637	\$ 5,852,498	\$ 5,217,777	\$ 5,338,013	\$ 6,298,275	\$ 5,017,017	\$ 7,340,823	\$ 8,354,762	\$ 7,094,905
Less: capital outlay	(60,365)	(910,084)	(1,398,661)	(769,033)	(648,256)	(1,453,718)	(750,779)	(764,586)	(1,607,213)	(917,554)
Noncapital expenditures	\$ 3,558,832	\$ 3,625,553	\$ 4,453,837	\$ 4,448,744	\$ 4,689,757	\$ 4,844,557	\$ 4,266,238	\$ 6,576,237	\$ 6,747,549	\$ 6,177,351
Debt service as a percentage of noncapital expenditures	7.04%	5.11%	4.77%	6.48%	4.75%	8.98%	8.24%	9.59%	5.13%	6.19%

Note:

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

TOWN OF BRIDGEWATER, VIRGINIA

Table 6

TAX REVENUES BY SOURCE – GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

Fiscal Year June 30,	General Property Including Interest and Penalty	Consumer Utility	Consumption	Local Sales and Use	Bank Stock	Meals	Right-of-way Use Fee	Business Licenses	Motor Vehicle	Cigarette	Transient Occupancy	Totals
2014	\$ 542,897	\$ 385,779	\$ 24,893	\$ 160,076	\$ 107,330	\$ 446,307	\$ 13,978	\$ 217,335	\$ 75,473	\$ 22,142	\$ -	\$ 1,996,210
2015	579,922	387,647	24,874	160,706	146,696	466,633	14,842	223,970	82,995	21,967	-	2,110,252
2016	593,960	387,969	24,225	198,749	150,249	530,632	11,983	224,118	81,893	20,435	-	2,224,213
2017	611,129	388,104	24,186	192,639	154,259	548,988	13,324	220,114	84,417	19,854	-	2,257,014
2018	631,407	370,722	24,106	196,399	171,849	618,979	10,362	218,755	86,338	18,294	-	2,347,211
2019	462,608	541,858	24,635	206,402	185,621	646,425	9,598	222,382	87,762	17,599	267	2,405,157
2020	282,099	755,307	23,544	235,473	147,837	709,943	21,267	232,684	90,800	17,097	2,304	2,518,355
2021	290,738	712,344	23,233	298,687	194,679	819,144	18,730	212,556	91,808	15,826	434	2,678,179
2022	308,647	735,101	23,473	298,889	189,060	930,375	31,548	235,246	100,718	20,454	2,133	2,875,644
2023	378,597	752,476	24,479	332,276	211,087	1,135,099	14,427	249,221	99,222	45,549	6,956	3,249,389
Change 2014-2023	-30.26%	95.05%	-1.66%	107.57%	96.67%	154.33%	3.21%	14.67%	31.47%	105.71%	100.00%	62.78%

Note:

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

TOWN OF BRIDGEWATER, VIRGINIA

Table 7

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

Fiscal Year June 30,	Residential Property	Public Service Corporation	Nontaxable	Total Assessed Value	Total Taxable Assessed Value	Percent Growth	Total Direct Tax Rate	Actual Taxable Value	Value as a Percentage of Actual Value
2014	\$ 405,446,028	\$ 6,131,545	\$ 197,048,600	\$ 608,626,173	\$ 411,577,573	2.43%	\$ 0.09	\$ 411,577,573	100.00%
2015	409,796,273	6,429,834	200,667,200	616,893,307	416,226,107	1.13%	0.09	416,226,107	100.00%
2016	411,823,951	7,015,135	201,132,900	619,971,986	418,839,086	0.63%	0.09	418,839,086	100.00%
2017	413,540,334	7,256,522	201,203,800	622,000,656	420,796,856	0.47%	0.09	420,796,856	100.00%
2018	422,027,830	6,965,994	202,041,200	631,035,024	428,993,824	1.95%	0.085/0.09	428,993,824	100.00%
2019	442,236,400	7,342,604	203,218,700	652,797,704	449,579,004	4.80%	-	449,579,004	100.00%
2020	446,982,200	7,055,073	-	454,037,273	454,037,273	0.99%	-	454,037,273	100.00%
2021	461,634,390	7,177,666	-	468,812,056	468,812,056	3.25%	-	468,812,056	100.00%
2022	624,433,990	7,287,366	-	631,721,356	631,721,356	34.75%	-	631,721,356	100.00%
2023	633,570,690	8,720,032	-	642,290,722	642,290,722	37.00%	-	642,290,722	100.00%

Notes:

- (1) Real and personal property tax assessments are made by the Commissioner of the Revenue for the County of Rockingham, Virginia for current use of the County and Town property. Real and personal property taxes of public service corporations are assessed by the State Corporation Commission.
- (2) Town assesses taxes at 100% of total assessed value.
- (3) Reassessments effective January 1, 2014, 2018, and 2022.
- (4) The total direct tax rate is per \$100 of assessed value.
- (5) 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 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
2014	\$ 0.09	\$ 0.75	\$ -	\$ 0.64	\$ 2.85	\$ 2.55	\$ 0.73	\$ 3.60	\$ 2.55
2015	0.09	0.75	-	0.66	2.90	2.55	0.75	3.65	2.55
2016	0.09	0.75	-	0.68/0.70	2.90	2.55	0.77/0.79	3.65	2.55
2017	0.09	0.75	-	0.70	2.90	2.55	0.79	3.65	2.55
2018	0.085/0.09	0.75	-	0.74	3.00	2.55	0.83	3.75	2.55
2019	-	0.75	-	0.74	3.00	2.55	0.74	3.75	2.55
2020	-	0.75	-	0.74	3.00	2.55	0.74	3.75	2.55
2021	-	0.75	-	0.74	3.00	2.55	0.74	3.75	2.55
2022	-	0.75	-	0.68	3.00	2.55	0.68	3.75	2.55
2023	-	0.75	-	0.68	3.00	2.55	0.68	3.75	2.55

Notes:

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

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

Meals Taxpayer	2023 Rank	2014 Rank
McDonalds	1	1
El Charro	2	3
Smiley's	3	-
Dairy Queen	4	2
Domino's	5	4
The Cracked Pillar	6	-
NY Flying Pizza	7	6
Francesco's	8	5
Subway	9	7
Bob-a-Reas	10	10
7-Eleven	-	9
Papa John's	-	8
Total Meals Tax	\$ 846,893	\$ 389,181

Notes:

- (1) The Town eliminated the Real Estate tax beginning January 1, 2019 and replaced it with an increase to the Consumer Utility Tax. Due to this the elimination of the Real Estate tax, the Town opted to not show principal property taxpayer data for Real Estate for fiscal year 2020.
- (2) The Meals Tax Rate was 6% for fiscal years 2014 through 2019 and 7% for fiscal years 2020 through 2023.
- (3) Per State code, meals tax remittances for individual businesses are protected information and, therefore, masked in this report.

OTHER TAX RATES

Current Year and Nine Years Ago
(Unaudited)

Fiscal year June 30,	Consumer Utility - Electric			Consumer Utility - Natural Gas			Meals
	Residential	Non-Residential (first 6,300 kWh)	Non-Residential (over 6,300 kWh)	Residential	Non-Residential (first 1,225 CCF)	Non-Residential (over 1,225 CCF)	
2014	\$ 0.0142/kWh	\$ 0.0125/kWh	\$ 0.0041/kWh	\$.0251/CCF	\$.0124/CCF	\$.0057/CCF	6%
2015	0.0142/kWh	0.0125/kWh	0.0041/kWh	.0251/CCF	.0124/CCF	.0057/CCF	6%
2016	0.0142/kWh	0.0125/kWh	0.0041/kWh	.0251/CCF	.0124/CCF	.0057/CCF	6%
2017	0.0142/kWh	0.0125/kWh	0.0041/kWh	.0251/CCF	.0124/CCF	.0057/CCF	6%
2018	0.0142/kWh	0.0125/kWh	0.0041/kWh	.0251/CCF	.0124/CCF	.0057/CCF	6%
2019	0.0142/kWh	0.0125/kWh	0.0041/kWh	.0251/CCF	.0124/CCF	.0057/CCF	6%
2020	0.0284/kWh	0.0250/kWh	0.0085/kWh	.0502/CCF	.0248/CCF	.0114/CCF	7%
2021	0.0284/kWh	0.0250/kWh	0.0085/kWh	.0502/CCF	.0248/CCF	.0114/CCF	7%
2022	0.0284/kWh	0.0250/kWh	0.0085/kWh	.0502/CCF	.0248/CCF	.0114/CCF	7%
2023	0.0284/kWh	0.0250/kWh	0.0085/kWh	.0502/CCF	.0248/CCF	.0114/CCF	7%

Notes:

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

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

Fiscal Year June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2014	\$ 362,129	\$ 357,687	98.77%	\$ 4,239	\$ 361,926	99.94%
2015	367,506	363,278	98.85%	4,025	367,303	99.94%
2016	370,491	368,206	99.38%	2,082	370,288	99.95%
2017	373,345	369,909	99.08%	3,226	373,135	99.94%
2018	371,202	367,153	98.91%	3,850	371,003	99.95%
2019	184,881	183,511	99.26%	1,157	184,668	99.88%
2020	-	-	N/A	-	-	N/A
2021	-	-	N/A	-	-	N/A
2022	-	-	N/A	-	-	N/A
2023	-	-	N/A	-	-	N/A

Source: Treasurer

Note:

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

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

Fiscal Year June 30,	Governmental Activities		Business-Type Activities			Total	Percentage of Personal Income	Debt Per Capita	General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	General Bonded Debt Outstanding
	General Obligation	SBITAs Liability	General Obligation	SBITA Liability	Private Placement Notes				General Obligation Bonds		Debt Per Capita
2014	\$ 1,048,204	\$ -	\$ 550,000	\$ -	\$ 8,800	\$ 1,607,004	0.81%	\$ 273	\$ 1,048,204	0.25%	\$ 178
2015	1,956,419	-	495,000	-	-	2,451,419	1.17%	417	1,956,419	0.47%	333
2016	2,336,264	-	630,000	-	198,001	3,164,265	1.49%	537	2,336,264	0.56%	397
2017	2,106,117	-	565,445	-	153,123	2,824,685	1.23%	467	2,106,117	0.50%	348
2018	2,224,270	-	1,239,954	-	106,675	3,570,899	1.48%	589	2,224,270	0.52%	367
2019	3,283,515	-	1,868,479	-	165,509	5,317,503	2.11%	871	3,283,515	0.73%	538
2020	3,216,749	-	1,696,943	-	103,144	5,016,836	1.89%	816	3,216,749	0.71%	523
2021	3,935,922	-	1,523,808	-	65,554	5,525,284	1.90%	899	3,935,922	0.84%	641
2022	3,690,682	-	1,351,661	-	42,557	5,084,900	N/A	823	3,690,682	0.58%	597
2023	3,436,352	98,114	1,177,894	2,066	20,265	4,734,691	N/A	707	3,436,352	0.54%	513

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.
- (4) Excludes debt issued by IDA.
- (5) Town adopted GASB 96, Subscription-Based Information Technology Arrangements (SBITAs) in fiscal year 23.

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**June 30, 2023****(Unaudited)**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Rockingham County, Virginia	\$ 82,569,616	4.32%	\$ 3,564,534
Town Direct Debt			<u>3,436,352</u>
Total direct and overlapping debt			<u><u>\$ 7,000,886</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,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Legal debt margin	\$ 41,157,757	\$ 41,622,611	\$ 41,883,909	\$ 42,079,686	\$ 42,899,382	\$ 44,957,900	\$ 45,403,727	\$ 46,881,206	\$ 63,172,136	\$ 59,920,537
Total net debt applicable to limit	1,048,204	1,956,419	2,336,264	2,106,117	2,224,270	3,283,515	3,216,749	3,935,922	3,690,682	3,436,532
Available legal debt margin	\$ 40,109,553	\$ 39,666,192	\$ 39,547,645	\$ 39,973,569	\$ 40,675,112	\$ 41,674,385	\$ 42,186,978	\$ 42,945,284	\$ 59,481,454	\$ 56,484,005
Total net debt applicable to the limit as a percentage of debt limit	2.55%	4.70%	5.58%	5.01%	5.18%	7.30%	7.08%	8.40%	5.84%	5.74%
Legal debt margin calculation for fiscal year 2023:	Summary of outstanding debt:									
Assessed value of real estate	\$ 633,570,690		Gross bonded debt			\$ 4,634,692				
Debt limit (10% of assessed value)	\$ 63,357,069		Less: enterprise debt			1,198,160				
Debt applicable to limit:						\$ 3,436,532				
Net direct debt outstanding	3,436,532									
Available legal debt margin	\$ 59,920,537									

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 Service Charges	Operating Expenses	Net Available Revenue	Debt Service			Total Coverage
				Principal	Interest	Totals	
2014	\$ 2,978,538	\$ 2,386,931	\$ 591,607	\$ 62,500	\$ 7,184	\$ 69,684	8.49
2015	2,986,694	2,283,122	703,572	55,000	10,920	65,920	10.67
2016	3,120,370	2,179,720	940,650	55,000	15,036	70,036	13.43
2017	3,221,945	2,365,789	856,156	64,555	19,265	83,820	10.21
2018	3,382,169	2,512,231	869,938	134,574	31,986	166,560	5.22
2019	3,249,622	2,517,731	731,891	64,555	43,548	108,103	6.77
2020	3,404,517	2,295,821	1,108,696	171,536	44,523	216,059	5.13
2021	3,283,586	2,756,513	527,073	173,135	38,459	211,594	2.49
2022	3,461,951	2,783,321	678,630	195,144	34,319	229,463	2.96
2023	3,741,128	2,557,463	1,183,665	198,074	31,717	229,791	5.15

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 exclude 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
2014	5,879	\$ 198,139,937	33,703	4.5%
2015	5,879	209,880,300	35,700	4.6%
2016	5,889	212,127,669	36,021	3.7%
2017	6,048	230,096,160	38,045	3.3%
2018	6,062	240,788,702	39,721	2.9%
2019	6,106	252,251,072	41,312	2.6%
2020	6,145	265,660,640	43,232	3.7%
2021	6,145	290,148,465	47,217	3.9%
2022	6,177	(4)	(4)	2.6%
2023	6,694	(4)	(4)	3.1%

Notes:

- (1) Population estimates obtained from the United States Bureau of the Census for years 2014 through 2023.
- (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 2014 through 2023 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,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General government administration:										
Legislative:										
Manager's office	2	2	3	3	3	3	3	4	4	4
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	10
Public works:										
Public works department	4	3	4	4	4	5	4	3	4	4
Maintenance	6	5	5	5	5	5	5	5	5	5
General properties	5	5	5	5	5	6	6	5	5	5
Parks, recreation and cultural	6	5	8	9	8	7	7	7	8	8
Water, Sewer and Sanitation:										
Administration	1	1	1	1	1	1	1	1	4	1
Transmission	5	5	5	5	5	5	5	5	4	2
Purification	5	5	5	5	5	5	5	5	4	4
Sewer maintenance	2	2	2	2	2	2	2	2	2	2
Sanitation	6	6	6	6	6	6	6	3	2	2
Stormwater	-	-	-	-	-	-	1	1	1	1
Total	54	51	56	57	56	57	57	53	55	51

COMPLIANCE SECTION

TOWN OF BRIDGEWATER, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2023

Federal Grantor/ Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number) / Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
DEPARTMENT OF AGRICULTURE:				
Direct payments:				
Rural Business Development Grant	10.351	N/A	\$ -	\$ 20,000
Total Department of Agriculture				20,000
DEPARTMENT OF JUSTICE:				
Pass-through payments:				
Virginia Department of Criminal Justice Services:				
COVID-19: Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX-0141	-	28,000
Total Department of Justice, Office of Justice Programs, Bureau of Justice Assistance				28,000
U.S. DEPARTMENT OF TRANSPORTATION:				
Pass-through Payments:				
Virginia Department of Transportation:				
Highway Planning and Construction	20.205	UPC 113896/UPC 116859/UPC 113894	-	410,558
Total U.S. Department of Transportation				410,558
U.S. DEPARTMENT OF THE TREASURY:				
Pass-through Payments:				
Virginia Department of Treasury:				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	Not Provided	-	1,213,551
Virginia Department of Criminal Justice Services:				
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027	508516-LE	-	54,317
Total U.S. Department of the Treasury				1,267,868
Total Expenditures of Federal Awards				\$ 1,726,426

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2023

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Town of Bridgewater, Virginia (Town) under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Town.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The Town has elected to not use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, the 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, 2023, 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 23, 2023.

Report on 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) as a basis for designing 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, as described in the accompanying Schedule of Finding and Response as item 2023-001 that we consider to be a significant deficiency.

Report on 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 financial statements. 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.

The Town's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Town's response to the finding identified in our audit and described in the accompanying Schedule of Finding and Response. The Town's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

PBMarus, LLP

Harrisonburg, Virginia
October 23, 2023



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR THE MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the Town of Bridgewater, Virginia's (Town) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Town's major federal program for the year ended June 30, 2023. The Town's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Town's major federal program for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Town's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Town's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town's compliance with the requirements of the federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Town's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PBMarus, LLP

Harrisonburg, Virginia
October 23, 2023

TOWN OF BRIDGEWATER, VIRGINIA**Page 1 of 2****SCHEDULE OF FINDING AND QUESTIONED COST****Year Ended June 30, 2023**

Section I. SUMMARY OF AUDITOR'S RESULTS*Financial Statements*

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weaknesses identified?

 Yes √ No

Significant deficiencies identified?

 √ Yes None Reported

Noncompliance material to financial statements noted?

 Yes √ No

Federal Awards

Internal control over major federal program:

Material weaknesses identified?

 Yes √ No

Significant deficiencies identified?

 Yes √ None Reported

Type of auditor's report issued on compliance for major federal program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?

 Yes √ No

Identification of major federal program:

Federal Assistance Listing Number	Name of Federal Program or Cluster
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between type A and type B programs \$750,000

Auditee qualified as low-risk auditee?

 Yes √ No

SCHEDULE OF FINDING AND QUESTIONED COST
Year Ended June 30, 2023

Section II. FINANCIAL STATEMENT FINDING

A. Significant Deficiency in Internal Control

2023-001: 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, audit entries were required to properly record year-end balances related to leases, subscriptions, pension, and OPEB.

Management provides information for year-end adjustments and management is provided all year-end audit entries, which are verified by management and posted to the Town's general ledger.

Cause: Certain 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 could consider taking training courses related to pension, OPEB and lease accounting to enhance technical skills to comply with GAAP in these accounting areas.

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.

Section III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None.



CORRECTIVE ACTION PLAN

Year Ended June 30, 2023

FINANCIAL STATEMENT FINDING

A. Significant Deficiency in Internal Control

Identifying Number: 2023-001 Significant Deficiency Due to Significant Audit Adjustments

Finding: Upon auditing the Town's year-end balances, entries were required to properly record year-end balances related to leases, subscriptions, pension, and OPEB.

Corrective Action Taken or Planned: The Treasurer will strive to educate herself more on the necessary auditing principles needed to make entries related to leases, pension, and OPEB. For the record, this deficiency does not represent negligence on the part of the Treasurer. As noted in Section II (A) of the "Schedule of Findings and Questioned Costs," it has been our policy to allow auditors to propose certain closing journal entries, but we acknowledge the need to develop the skillset in house.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDING

Year Ended June 30, 2023

FINANCIAL STATEMENT FINDING

A. Significant Deficiency in Internal Control

Identifying Number: 2022-001 Significant Deficiency Due to Significant Audit Adjustments

Finding: 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.

Corrective Action Taken: The Treasurer began making some year-end entries to help alleviate the auditors required entries.

