

TOWN OF BRIDGEWATER, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2017



Prepared by:

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



ASSURANCE, TAX & ADVISORY SERVICES

TOWN OF BRIDGEWATER, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2017

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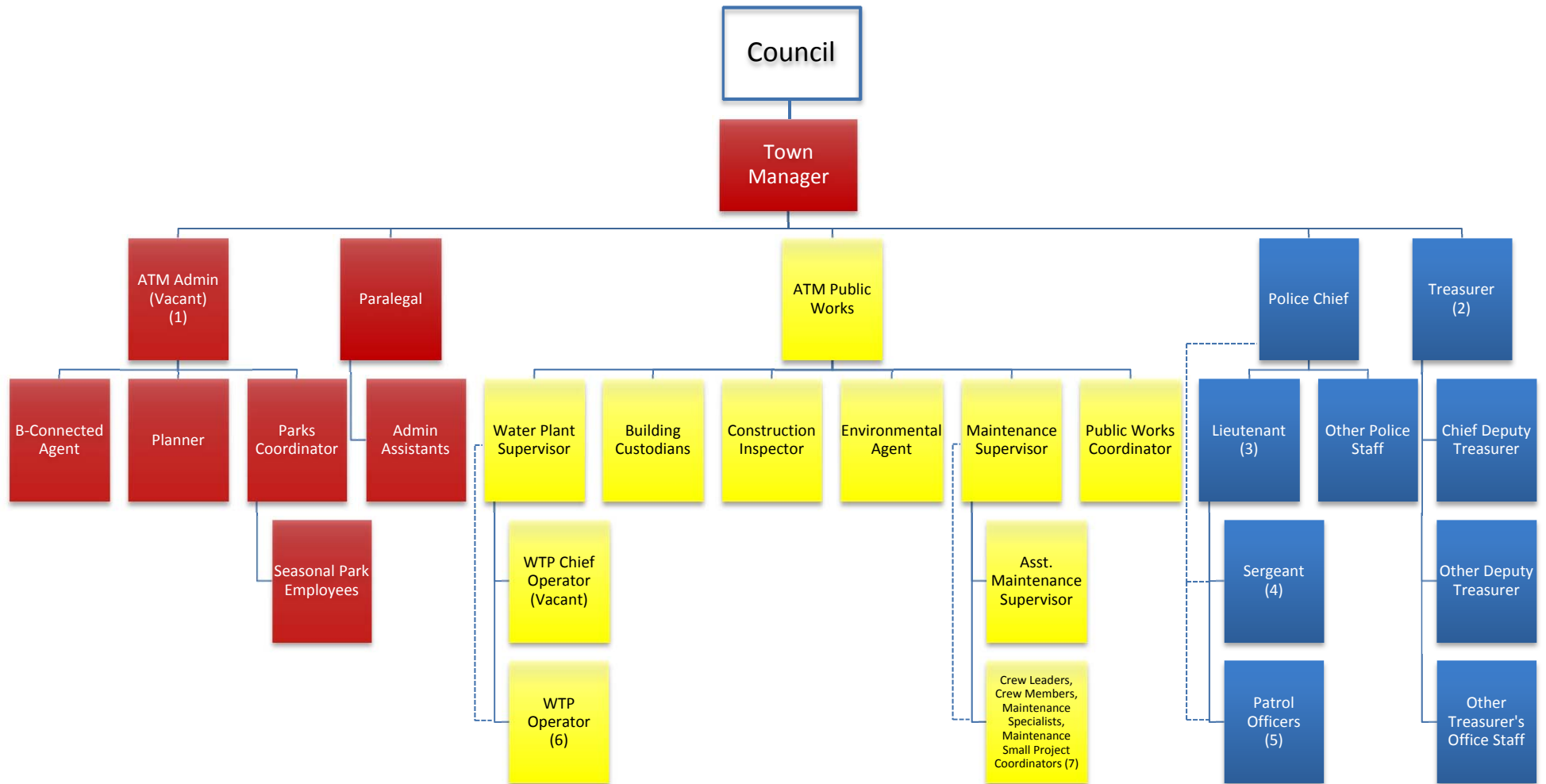
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INTRODUCTORY SECTION

ORGANIZATIONAL CHART



- (1) Where employees are designated to report to a vacant position, they simply report to the next level up the chain.
- (2) Treasurer reports to the Town Manager, but she has other reporting duties also. See Employment Manual.
- (3) Lieutenant is not a position likely to be refilled. After the current occupant leaves, we expect to use two sergeants.
- (4) Police Sergeant reports to Chief only if Lieutenant is not available.
- (5) Patrol officers report to the Sergeant or the Lieutenant depending on the squad.
- (6) Water Plant Operators report directly to the Water Plant Supervisor in the absence of the WTP Chief Operator.
- (7) Crew leaders, crew members, small project coordinators, and maintenance specialists report to the Maintenance Supervisor in the absence of the Assistant Maintenance Supervisor.

TOWN OF BRIDGEWATER, VIRGINIA

Directory of Principal Officials

OFFICIALS

Theodore W. Flory	Mayor
A. Fontaine Canada	Vice-Mayor
J. Jay Litten	Town Manager
Cherie N. Bowen	Treasurer
Jason A. Botkins	Town Attorney
Betsy Putney	Clerk

MEMBERS OF COUNCIL

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

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

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

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparison of the General Fund of the Town of Bridgewater, Virginia (Town), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2017, the respective changes in financial position and the budgetary comparison of the General Fund and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 16 to the financial statements, the Industrial Development Authority Component Unit restated net position to record a note receivable and remove certain capital asset activity.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis and the required supplementary information on pages 6-11 and 61-63, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2017 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

PBmares, LLP

Harrisonburg, Virginia
October 2, 2017

Town of Bridgewater, Virginia Management's Discussion and Analysis

The following discussion and analysis of the Town of Bridgewater, Virginia's (Town) financial statements provides an overview of the Town's financial performance for the fiscal year ended June 30, 2017.

FINANCIAL HIGHLIGHTS

Total assets and deferred outflows of resources of the Town exceeded total liabilities and deferred inflows of resources at June 30, 2017 by approximately \$5.3 million (net position). Of the total net position, approximately \$537,000 was an unrestricted deficit.

The Town's total net position decreased approximately \$32,000 from the previous year's total net position.

As of June 30, 2017, the Town's governmental funds had combined ending fund balances of approximately \$123,000, a decrease of approximately \$796,000 in comparison with the prior year.

The Town's total long-term liabilities decreased approximately \$229,000 during fiscal year 2017 due primarily to scheduled debt repayments.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

The government-wide financial statements include not only the Town of Bridgewater, Virginia (known as the primary government), but also a legally separate Industrial Development Authority. Financial information for the component unit is reported separately from the financial information presented for the primary government.

Statement of Net Position

For the most recently concluded fiscal year, the Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$5.3 million. Most of this total, approximately 100%, is classified as "net investment in capital assets." This reflects the Town's investment in capital assets (e.g., land, easements, infrastructure, buildings, improvements, machinery and equipment, software, and construction in progress), less any related debt still outstanding on those assets. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets would not likely be used to liquidate these liabilities.

Of the total net position, \$537,000 can be classified as an "unrestricted deficit."

The following table presents a condensed statement of net position:

Table 1

Summary Statements of Net Position June 30, 2017 and 2016

	Governmental Activities		Business-type Activity		Total Primary Government	
	2017	2016	2017	2016	2017	2016
ASSETS						
Current and other assets	\$ 1,280,801	\$ 1,759,181	\$ 431,206	\$ 425,395	\$ 1,712,007	\$ 2,651,463
Capital assets, net	5,842,335	5,319,846	2,793,736	2,961,565	8,636,071	8,281,411
Total assets	7,123,136	7,079,027	3,224,942	3,386,960	10,348,078	10,465,987
DEFERRED OUTFLOWS OF RESOURCES						
Pension plan	270,493	155,178	124,825	69,166	395,318	224,344
Total deferred outflows of resources	270,493	155,178	124,825	69,166	395,318	224,344
LIABILITIES						
Current and other liabilities	997,196	674,651	93,870	81,596	1,091,066	756,247
Long-term liabilities	2,970,190	3,112,660	987,504	1,074,496	3,957,694	4,187,156
Total liabilities	3,967,386	3,787,311	1,081,374	1,156,092	5,048,760	4,943,403
DEFERRED INFLOWS OF RESOURCES						
Pension plan	156,858	167,805	72,386	74,794	229,244	242,599
Unavailable revenue - property taxes	168,633	175,214	-	-	168,633	175,214
Total deferred inflows of resources	325,491	343,019	72,386	74,794	397,877	417,813
NET POSITION						
Net investment in capital assets	3,736,218	2,983,582	2,075,168	2,133,564	5,811,386	5,117,146
Restricted	22,403	22,382	-	-	22,403	22,382
Unrestricted	(657,869)	97,911	120,839	91,676	(537,030)	189,587
Total net position	\$ 3,100,752	\$ 3,103,875	\$ 2,196,007	\$ 2,225,240	\$ 5,296,759	\$ 5,329,115

Statement of Activities

Governmental Activities

Revenues: For the fiscal year ended June 30, 2017, revenue from governmental activities totaled \$3.7 million. Sources of revenue are comprised of many different types with taxes constituting the largest source of Town revenues in this category. In addition to real estate taxes, the Town assesses other local taxes and fees including consumer utility taxes, bank stock taxes, business license (BPOL) fees, meals tax and the Town's share of the local sales tax. In addition to taxes, the Town receives intergovernmental revenues, revenue from renting property such as space on water towers to telecommunications companies; as well as use fees for recreational facilities such as the tennis, golf and skating facilities.

Expenses: Expenses for governmental activities, including interest on debt service, totaled \$4.4 million. As the table below indicates, Public Safety and Public Works, which together comprise about 61% 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, 2017:

Table 2
Changes in Net Position
Years Ended June 30, 2017 and 2016

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 147,384	\$ 45,313	\$ 3,288,061	\$ 3,159,138	\$ 3,435,445	\$ 3,204,451
Operating grants and contributions	999,482	1,366,254	-	-	999,482	1,366,254
Capital grants and contributions	7,750	-	210,119	226,982	217,869	226,982
Total program revenues	1,154,616	1,411,567	3,498,180	3,386,120	4,652,796	4,797,687
General revenues:						
General property taxes	611,129	590,960	-	-	611,129	590,960
Other local taxes	1,645,885	1,630,253	-	-	1,645,885	1,630,253
Intergovernmental, non-categorical aid	187,398	191,335	-	-	187,398	191,335
Use of money and property	96,141	175,097	-	-	96,141	175,097
Miscellaneous	26,134	621,785	33,972	32,979	60,106	654,764
Total general revenues	2,566,687	3,209,430	33,972	32,979	2,600,659	3,242,409
Total revenues	3,721,303	4,620,997	3,532,152	3,419,099	7,253,455	8,040,096
Expenses:						
General government administration	780,506	1,064,171	-	-	780,506	1,064,171
Public safety	784,779	815,116	-	-	784,779	815,116
Public works	1,919,106	2,012,876	-	-	1,919,106	2,012,876
Parks, recreation and cultural	740,707	670,901	-	-	740,707	670,901
Community and economic development	151,255	145,009	-	-	151,255	145,009
Interest	56,345	53,294	-	-	56,345	53,294
Water, sewer and sanitation	-	-	2,631,063	2,424,121	2,631,063	2,424,121
Stormwater management	-	-	222,050	171,900	222,050	171,900
Total expenses	4,432,698	4,761,367	2,853,113	2,596,021	7,285,811	7,357,388
Changes in net position before transfers	(711,395)	(140,370)	679,039	823,078	(32,356)	682,708
Transfers	708,272	516,786	(708,272)	(516,786)	-	-
Change in net position	(3,123)	376,416	(29,233)	306,292	(32,356)	682,708
Net position, beginning	3,103,875	2,727,459	2,225,240	1,918,948	5,329,115	4,646,407
Net position, ending	\$ 3,100,752	\$ 3,103,875	\$ 2,196,007	\$ 2,225,240	\$ 5,296,759	\$ 5,329,115

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 2017, total operating and non-operating revenues amounted to \$3.5 million, which is an increase of approximately \$113,000 from the prior fiscal year. Approximately 93% of water, sewer, sanitation and stormwater revenues come from charges for service. Approximately 6% of revenues come from capital grants and contributions.

Expenses amounted to \$2.8 million for fiscal year 2017. This is an increase of 10% from the previous year and is due primarily to increases of materials and other repairs. Change in net position before transfers was \$679,000 in fiscal year 2017 compared to \$823,000 in fiscal year 2016, a decrease of \$144,000.

The business-type activities' net position decreased by approximately \$29,000 for the year.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

Governmental funds - The *General Fund* is the major governmental fund of the Town. At the end of the current fiscal year, the unassigned fund balance decreased approximately \$806,000 resulting in an unassigned balance of approximately \$90,000.

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, 2017, the unrestricted net position for the enterprise funds totaled about \$121,000, which is an increase of approximately \$29,000 from the previous year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Overall, actual revenues were less than budgeted revenues by \$290,000 largely due to transportation enhancement grants that were not received in the current year. Expenditures were less than budgeted amounts by \$7,000 primarily due to transportation projects not commencing, but it should be noted that a concentrated effort was made to reduce expenditures as much as possible without affecting service to Town residents.

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 2017 totaled approximately \$847,000. The increase can be attributed largely to the construction progress on Oakwood Drive and Mt. View Drive.

Table 3

**Changes in Capital Assets
Years Ended June 30, 2017 and 2016**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Capital assets not being depreciated:						
Land and easements	\$ 1,817,982	\$ 1,815,982	\$ 4,600	\$ 4,600	\$ 1,822,582	\$ 1,820,582
Construction in progress	26,641	298,028	-	-	26,641	298,028
Total capital assets not being depreciated	1,844,623	2,114,010	4,600	4,600	1,849,223	2,118,610
Capital assets being depreciated or amortized:						
Buildings and improvements	3,763,996	3,418,653	913,432	889,632	4,677,428	4,308,285
Distribution and collection system	-	-	3,029,646	3,012,426	3,029,646	3,012,426
Equipment	964,723	941,293	2,389,297	2,352,137	3,354,020	3,293,430
Software	26,551	26,551	-	-	26,551	26,551
Infrastructure	1,244,706	631,371	-	-	1,244,706	631,371
Vehicles	424,621	382,069	965,403	965,403	1,390,024	1,347,472
Total capital assets being depreciated or amortized	6,424,597	5,399,937	7,297,778	7,219,598	13,722,375	12,619,535
Less accumulated depreciation and amortization:						
Buildings and improvements	1,235,944	1,116,265	803,387	784,168	2,039,331	1,900,433
Distribution and collection system	-	-	1,715,916	1,650,901	1,715,916	1,650,901
Equipment	707,591	681,769	1,233,332	1,122,840	1,940,923	1,804,609
Software	26,551	26,551	-	-	26,551	26,551
Infrastructure	221,012	189,744	-	-	221,012	189,744
Vehicles	235,787	179,772	756,007	704,724	991,794	884,496
Total accumulated depreciation and amortization	2,426,885	2,194,101	4,508,642	4,262,633	6,935,527	6,456,734
Total capital assets being depreciated or amortized, net	3,997,712	3,205,836	2,789,136	2,956,965	6,786,848	6,162,801
Capital assets, net	\$ 5,842,335	\$ 5,319,846	\$ 2,793,736	\$ 2,961,565	\$ 8,636,071	\$ 8,281,411

LONG-TERM DEBT

As of June 30, 2017, the Town's long-term liabilities, exclusive of compensated absences and other postemployment benefits, totaled \$2.1 million for governmental activities. Additionally, \$719,000 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 \$40 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, 2017 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
6,048	\$420,796,856	\$2,106,117	.0050	\$348

The net bonded debt increased approximately \$230,000, which correlates to an increase in debt per capita of \$49.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Here are some factors to consider in the fiscal year 2018 budget.

- The fiscal year 2018 budget anticipates no tax increases of any kind. We expect moderate increases in tax receipts, based on an increasing number of taxable transactions.
- Likewise, most classes of expenditures should see nominal increases, but in a town of this size, a few large projects can influence totals greatly. For example, because the Oakwood Drive and Mt. View Drive projects have now been completed, there should be a drastic drop in spending for streets in 2018.
- In the enterprise funds, the fiscal year 2018 budget anticipates only minimal, inflationary increases, except for the stormwater fund. Because the stormwater utility continues to operate at a substantial deficit, the stormwater rates were increased significantly. Still, the increase amounts to only about 35 cents per residence per month.
- The fiscal year 2018 budget anticipates the creation of no new positions. The average wage increase should be about 2.8%, with another 0.9% to be applied to awards given employees at the end of the calendar year.

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, 2017

	Primary Government			Component Unit
	Governmental	Business-type	Totals	Industrial Development Authority
	Activities	Activities		
ASSETS				
Cash and cash equivalents	\$ 502,283	\$ -	\$ 502,283	\$ 38,866
Receivables, net:				
Property taxes	170,771	-	170,771	-
Trade and other accounts	55,132	431,206	486,338	-
Due from other governments	46,000	-	46,000	-
Note receivable	-	-	-	121,964
Restricted investment	22,403	-	22,403	-
Restricted cash and cash equivalents	484,212	-	484,212	-
Capital assets:				
Land	1,809,582	4,600	1,814,182	79,747
Land easements	8,400	-	8,400	-
Buildings and improvements	3,763,996	913,432	4,677,428	407,886
Infrastructure	1,244,706	-	1,244,706	-
Distribution and collection systems	-	3,029,646	3,029,646	-
Equipment	964,723	2,389,297	3,354,020	20,880
Software	26,551	-	26,551	-
Vehicles	424,621	965,403	1,390,024	-
Construction in progress	26,641	-	26,641	-
Less: accumulated depreciation and amortization	(2,426,885)	(4,508,642)	(6,935,527)	(18,818)
Total assets	7,123,136	3,224,942	10,348,078	650,525
DEFERRED OUTFLOWS OF RESOURCES				
Pension plan	270,493	124,825	395,318	-
LIABILITIES				
Accounts and deposits payable	49,958	72,425	122,383	-
Retainage payable	44,661	-	44,661	-
Accrued payroll and benefits	37,664	16,612	54,276	-
Accrued interest	16,778	4,833	21,611	2,811
Unearned revenue	848,135	-	848,135	4,375
Noncurrent liabilities:				
Due within one year:				
Capital leases	-	46,434	46,434	-
Bonds payable	154,491	64,500	218,991	15,569
Compensated absences	93,509	30,504	124,013	-
Due in more than one year:				
Capital leases	-	106,689	106,689	-
Bonds payable	1,951,626	500,945	2,452,571	518,017
Compensated absences	62,340	20,335	82,675	-
Net pension liability	472,610	218,097	690,707	-
Other postemployment benefits	235,614	-	235,614	-
Total liabilities	3,967,386	1,081,374	5,048,760	540,772
DEFERRED INFLOWS OF RESOURCES				
Pension plan	156,858	72,386	229,244	-
Unavailable revenue - property taxes	168,633	-	168,633	-
Total deferred inflows of resources	325,491	72,386	397,877	-
NET POSITION				
Net investment in capital assets (deficit)	3,736,218	2,075,168	5,811,386	279,029
Restricted:				
Nonexpendable trust principal	6,000	-	6,000	-
Cemetery maintenance	16,403	-	16,403	-
Unrestricted	(657,869)	120,839	(537,030)	(169,276)
Total net position	\$ 3,100,752	\$ 2,196,007	\$ 5,296,759	\$ 109,753

TOWN OF BRIDGEWATER, VIRGINIA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

					Net (Expense) Revenue and Changes in Net Position				
					Primary Government			Component Unit	
								Industrial Development Authority	
Entity/Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals		
Primary Government:									
Governmental activities:									
General government administration	\$ 780,506	\$ 485	\$ -	\$ -	\$ (780,021)	\$ -	\$ (780,021)	\$ -	
Public safety	784,779	25,907	179,549	-	(579,323)	-	(579,323)	-	
Public works	1,919,106	6,025	819,933	-	(1,093,148)	-	(1,093,148)	-	
Parks, recreation and cultural	740,707	114,967	-	7,750	(617,990)	-	(617,990)	-	
Community and economic development	151,255	-	-	-	(151,255)	-	(151,255)	-	
Interest	56,345	-	-	-	(56,345)	-	(56,345)	-	
Total governmental activities	4,432,698	147,384	999,482	7,750	(3,278,082)	-	(3,278,082)	-	
Business-type activities:									
Water, sewer and sanitation	2,631,063	3,187,973	-	210,119	-	767,029	767,029	-	
Stormwater management	222,050	100,088	-	-	-	(121,962)	(121,962)	-	
Total business-type activities	2,853,113	3,288,061	-	210,119	-	645,067	645,067	-	
Total primary government	\$ 7,285,811	\$ 3,435,445	\$ 999,482	\$ 217,869	(3,278,082)	645,067	(2,633,015)	-	
Component Unit:									
Industrial Development Authority	\$ 35,076	\$ 11,161	\$ -	\$ -	-	-	-	(23,915)	
General Revenues:									
Taxes:									
General property taxes					611,129	-	611,129	-	
Other local taxes:									
Consumer utility					388,104	-	388,104	-	
Meals					548,988	-	548,988	-	
Local sales and use					192,639	-	192,639	-	
Business license					220,114	-	220,114	-	
Bank stock					154,259	-	154,259	-	
Other					141,781	-	141,781	-	
Intergovernmental, non-categorical aid					187,398	-	187,398	-	
Use of money and property					96,141	-	96,141	35,450	
Miscellaneous					26,134	33,972	60,106	-	
Transfers					708,272	(708,272)	-	-	
Total general revenues and transfers, net					3,274,959	(674,300)	2,600,659	35,450	
Change in net position					(3,123)	(29,233)	(32,356)	11,535	
Net position, beginning, as restated					3,103,875	2,225,240	5,329,115	98,218	
Net position, ending					\$ 3,100,752	\$ 2,196,007	\$ 5,296,759	\$ 109,753	

TOWN OF BRIDGEWATER, VIRGINIA

BALANCE SHEET GOVERNMENTAL FUNDS June 30, 2017

	General	Permanent Fund Greenwood Cemetery Trust Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 502,283	\$ -	\$ 502,283
Receivables, net of allowances for uncollectible amounts:			
Property taxes	170,771	-	170,771
Trade and other accounts	55,132	-	55,132
Due from other governments	46,000	-	46,000
Restricted investment	-	22,403	22,403
Restricted cash and cash equivalents	484,212	-	484,212
Total assets	\$ 1,258,398	\$ 22,403	\$ 1,280,801
LIABILITIES			
Accounts and deposits payable	\$ 49,958	\$ -	\$ 49,958
Retainage payable	44,661	-	44,661
Accrued payroll and benefits	37,664	-	37,664
Unearned revenue	848,135	-	848,135
Total liabilities	980,418	-	980,418
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	177,633	-	177,633
Total deferred inflows of resources	177,633	-	177,633
FUND BALANCES			
Nonspendable:			
Permanent fund principal	-	6,000	6,000
Restricted for:			
Cemetery maintenance	-	16,403	16,403
Assigned:			
Key corridors	10,000	-	10,000
Unassigned	90,347	-	90,347
Total fund balances	100,347	22,403	122,750
Total liabilities, deferred inflows of resources and fund balances	\$ 1,258,398	\$ 22,403	\$ 1,280,801

TOWN OF BRIDGEWATER, VIRGINIA

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

June 30, 2017

	Governmental Funds
Total fund balances - governmental funds	\$ 122,750
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	\$ 8,269,220
Less: accumulated depreciation and amortization	(2,426,885)
Net capital assets	5,842,335
Deferred outflows of resources - pension plan 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.	270,493
Other long-term assets are not available to fund current expenditures and, therefore, are reported as unavailable revenue in the governmental funds.	9,000
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	
General obligation bonds	(2,106,117)
Compensated absences	(155,849)
Interest payable	(16,778)
Net pension liability	(472,610)
Other postemployment benefits	(235,614)
	(2,986,968)
Deferred inflows of resources - pension plan 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.	(156,858)
Net position of governmental activities	\$ 3,100,752

TOWN OF BRIDGEWATER, VIRGINIA

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

Year Ended June 30, 2017

	General	Permanent Fund Greenwood Cemetery Trust Fund	Total Governmental Funds
Revenues:			
General property taxes	\$ 611,129	\$ -	\$ 611,129
Other local taxes	1,645,885	-	1,645,885
Permits and other licenses	6,510	-	6,510
Fines and forfeitures	25,907	-	25,907
Use of money and property	96,120	21	96,141
Charges for services	114,967	-	114,967
Miscellaneous	26,134	-	26,134
Intergovernmental	1,186,880	-	1,186,880
Total revenues	3,713,532	21	3,713,553
Expenditures:			
Current:			
General government administration	771,999	-	771,999
Public safety	769,232	-	769,232
Public works	2,492,724	-	2,492,724
Parks, recreation and cultural	745,407	-	745,407
Community and economic development	150,315	-	150,315
Debt service:			
Principal	230,147	-	230,147
Interest	57,953	-	57,953
Total expenditures	5,217,777	-	5,217,777
Excess (deficiency) of revenues over (under) expenditures	(1,504,245)	21	(1,504,224)
Other financing sources (uses):			
Transfers in	841,971	-	841,971
Transfers out	(133,699)	-	(133,699)
Total other financing sources, net	708,272	-	708,272
Net change in fund balances	(795,973)	21	(795,952)
Fund balances, beginning	896,320	22,382	918,702
Fund balances, ending	\$ 100,347	\$ 22,403	\$ 122,750

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, 2017

	Governmental Funds	
Net change in fund balance - total governmental funds	\$ (795,952)	
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	\$ 769,033	
Less: depreciation and amortization expense	<u>(254,294)</u>	
Excess of capital outlays over depreciation and amortization		514,739
The net effect of transactions involving capital assets (i.e. disposals, donations, and transfers) is to increase net position		7,750
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.		
Principal repayments on general obligation bonds		230,147
Deferred outflows of resources		
Pension plan contributions subsequent to measurement date		(29,647)
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	1,608	
Compensated absences	4,816	
Pension expense	104,362	
Other postemployment benefits	<u>(40,946)</u>	
		<u>69,840</u>
Change in net position of governmental activities	\$	<u><u>(3,123)</u></u>

TOWN OF BRIDGEWATER, VIRGINIA

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

Year Ended June 30, 2017

	General Fund			Variance with Final Budget Over (Under)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues:				
General property taxes	\$ 575,500	\$ 575,500	\$ 611,129	\$ 35,629
Other local taxes	1,625,500	1,625,500	1,645,885	20,385
Permits and other licenses	4,200	4,200	6,510	2,310
Fines and forfeitures	41,000	41,000	25,907	(15,093)
Use of money and property	84,900	84,900	96,120	11,220
Charges for services	105,000	105,000	114,967	9,967
Miscellaneous	23,000	23,000	26,134	3,134
Intergovernmental	1,544,200	1,544,200	1,186,880	(357,320)
Total revenues	4,003,300	4,003,300	3,713,532	(289,768)
Expenditures:				
Current:				
General government administration	826,420	826,420	771,999	(54,421)
Public safety	831,150	831,150	769,232	(61,918)
Public works	1,825,960	2,475,960	2,492,724	16,764
Parks, recreation and cultural	675,400	675,400	745,407	70,007
Community and economic development	126,000	126,000	150,315	24,315
Debt service:				
Principal	231,300	231,300	230,147	(1,153)
Interest	59,000	59,000	57,953	(1,047)
Total expenditures	4,575,230	5,225,230	5,217,777	(7,453)
Deficiency of revenues under expenditures	(571,930)	(1,221,930)	(1,504,245)	(282,315)
Other financing sources (uses):				
Transfers in	-	-	841,971	841,971
Transfers out	-	-	(133,699)	(133,699)
Total other financing sources, net	-	-	708,272	708,272
Net change in fund balance	\$ (571,930)	\$ (1,221,930)	(795,973)	\$ 425,957
Fund balance, beginning			896,320	
Fund balance, ending			\$ 100,347	

TOWN OF BRIDGEWATER, VIRGINIA

STATEMENT OF NET POSITION PROPRIETARY FUNDS

June 30, 2017

	Business-type Activity - Enterprise Fund Water, Sewer and Sanitation Fund	Non-major Business-type Activity - Stormwater Management Fund	Total Business-type Activities
ASSETS			
Current assets:			
Accounts receivable, net of allowances for uncollectible amounts	\$ 415,681	\$ 15,525	\$ 431,206
Total current assets	415,681	15,525	431,206
Noncurrent assets:			
Capital assets:			
Land	4,600	-	4,600
Buildings and improvements	913,432	-	913,432
Distribution and collection systems	3,029,646	-	3,029,646
Equipment	2,389,297	-	2,389,297
Vehicles	965,403	-	965,403
Total capital assets	7,302,378	-	7,302,378
Less: accumulated depreciation	(4,508,642)	-	(4,508,642)
Total noncurrent assets	2,793,736	-	2,793,736
Total assets	3,209,417	15,525	3,224,942
DEFERRED OUTFLOWS OF RESOURCES			
Pension plan	124,825	-	124,825
LIABILITIES			
Current liabilities:			
Accounts and deposits payable	72,207	218	72,425
Accrued payroll and benefits	15,227	1,385	16,612
Accrued interest	4,833	-	4,833
Compensated absences	30,504	-	30,504
Capital leases payable	46,434	-	46,434
Bonds payable	64,500	-	64,500
Total current liabilities	233,705	1,603	235,308
Noncurrent liabilities:			
Capital leases payable	106,689	-	106,689
Bonds payable	500,945	-	500,945
Net pension liability	218,097	-	218,097
Compensated absences	20,335	-	20,335
Total noncurrent liabilities	846,066	-	846,066
Total liabilities	1,079,771	1,603	1,081,374
DEFERRED INFLOWS OF RESOURCES			
Pension plan	72,386	-	72,386
NET POSITION			
Net investment in capital assets	2,075,168	-	2,075,168
Unrestricted	106,917	13,922	120,839
Total net position	\$ 2,182,085	\$ 13,922	\$ 2,196,007

TOWN OF BRIDGEWATER, VIRGINIA

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

	Business-type Activity - Enterprise Fund Water, Sewer and Sanitation Fund	Non-major Business-type Activity - Stormwater Management Fund	Total Business-type Activities
Operating revenues:			
Charges for services	\$ 3,182,464	\$ 100,088	\$ 3,282,552
Connection fees	5,509	-	5,509
Penalties	33,972	-	33,972
Total operating revenues	3,221,945	100,088	3,322,033
Operating expenses:			
Personal services	707,523	98,401	805,924
Fringe benefits	250,659	19,505	270,164
Materials, line repairs and other	550,487	104,144	654,631
Regional Sewer Authority assessment:			
Operations and maintenance	305,148	-	305,148
Debt service	499,752	-	499,752
Construction	52,220	-	52,220
Depreciation	246,009	-	246,009
Total operating expenses	2,611,798	222,050	2,833,848
Operating income (loss)	610,147	(121,962)	488,185
Nonoperating revenue (expense):			
Interest expense	(19,265)	-	(19,265)
Connection availability fees	210,119	-	210,119
Total nonoperating revenue, net	190,854	-	190,854
Income (loss) before transfers	801,001	(121,962)	679,039
Transfers in (out)	(841,971)	133,699	(708,272)
Change in net position	(40,970)	11,737	(29,233)
Net position, beginning	2,223,055	2,185	2,225,240
Net position, ending	\$ 2,182,085	\$ 13,922	\$ 2,196,007

TOWN OF BRIDGEWATER, VIRGINIA

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended June 30, 2017

	Business-type Activity - Enterprise Fund Water, Sewer and Sanitation Fund	Non-major Business-type Activity - Stormwater Management Fund	Total Business-type Activities
Cash Flows From Operating Activities:			
Receipts from customers	\$ 3,222,014	\$ 94,558	\$ 3,316,572
Payments to suppliers for goods and services	(1,394,344)	(109,852)	(1,504,196)
Payments to employees for services and benefits	(988,436)	(118,405)	(1,106,841)
Net cash provided by (used in) operating activities	839,234	(133,699)	705,535
Cash Flows From Noncapital and Related Financing Activities:			
Transfers in (out)	(841,971)	133,699	(708,272)
Cash Flows From Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(78,180)	-	(78,180)
Connection availability fees	210,119	-	210,119
Principal paid on:			
General obligation bonds	(64,555)	-	(64,555)
Capital leases	(44,878)	-	(44,878)
Interest paid on outstanding debt	(19,769)	-	(19,769)
Net cash provided by capital and related financing activities	2,737	-	2,737
Cash and Cash Equivalents:			
Beginning	-	-	-
Ending	\$ -	\$ -	\$ -
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Operating income (loss)	\$ 610,147	\$ (121,962)	\$ 488,185
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	246,009	-	246,009
Pension expense	(16,409)	-	(16,409)
Changes in operating accounts:			
Increase in accounts receivable	(281)	(5,530)	(5,811)
Increase in deferred outflows	(11,237)	-	(11,237)
Increase (decrease) in accounts payable and accrued expenses	11,005	(6,207)	4,798
Net cash provided by (used in) operating activities	\$ 839,234	\$ (133,699)	\$ 705,535

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies

A. Reporting Entity

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

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

In determining how to define the financial reporting entity, management considered all potential component units using the standards prescribed under GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an Amendment of GASB Statements No. 14 and 34*. Component units include any legally separate organizations for which the Town Council is financially accountable. Financial accountability results where 1) there is fiscal dependence and a financial benefit or burden relationship, 2) there is a voting majority of the organization's governing body appointed by the Town Council and a financial benefit or burden relationship, or 3) there is a voting majority of the organization's governing body appointed by Town Council and the Town Council has the ability to impose its will on the organization. Even if financial accountability is not established, a potential component unit may still need to be reported simply because it would be misleading to exclude it.

Blended component units, although legally separate entities, are, in substance, part of the Town's operations, and functions as an integral part of the primary government, so data from these units would be combined with data of the Town. The Town has no blended component units at June 30, 2017. The Town reports one discretely presented component unit in a separate column in the combined financial statements to emphasize it is legally separate from the Town.

Discretely Presented Component Unit

The Industrial Development Authority of the Town of Bridgewater, Virginia (Authority) was created as a governmental subdivision of the Commonwealth of Virginia by ordinance of the Town Council of the Town of Bridgewater, Virginia on July 15, 1975 pursuant to the provisions of the Industrial Development and Revenue Bond Act, Title 15.2, Chapter 49, Sections 15.2-4900 et seq. (formerly Title 15.1, Chapter 33, Sections 15.1-1373, et seq.) of the *Code of Virginia* of 1950, as amended. The Authority is governed by seven directors appointed by the Mayor of the Town and there is a financial benefit/burden relationship. A director is appointed to a four year term and can serve two consecutive terms. The Authority does not issue separate financial statements but is included in the Town's financial statements for fiscal year ended June 30, 2017 as a discretely presented component unit.

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Discretely Presented Component Unit (Continued)

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

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

Basis of Presentation

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

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

The Town reports the following major governmental fund:

General Fund

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

The Town reports the following major enterprise fund:

Water, Sewer and Sanitation Fund

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

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

The Town reports the following non-major governmental fund:

Permanent Fund

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

The Town reports the following non-major enterprise fund:

Stormwater Management Fund

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

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

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

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

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

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

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

C. Budgetary Data

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

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

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

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

1) Deposits and Investments

Cash and Cash Equivalents

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

Investments

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

2) Property Taxes Receivable

Property taxes are recognized as a receivable when levied and attach as an enforceable lien on the property as of January 1. Real estate taxes are due and collectible twice a year, by June 5 and December 5. That portion of the taxes receivable which is not collected within 45 days is shown as unavailable revenue. Since the Town has an enforceable lien on the property, the Town records the December 5 levy as property taxes receivable and unavailable revenue at year end. A penalty of 10% of the tax is assessed after the applicable payment date. Interest is charged to all unpaid accounts beginning July 1st and January 1st, as appropriate, at an annual rate of 10%.

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)

3) Prepaid Items

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

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

4) Restricted Cash

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

5) Restricted Investment

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

6) Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until then. The Town has two items that qualify for reporting in this category. They are the employer's fiscal year 2017 Virginia Retirement System contributions plus the net difference between projected and actual earnings on pension plan investments and are reported in the government-wide Statement of Net Position, and the proprietary funds Statement of Net Position.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two types of items that qualify for reporting in this category. Accordingly, one item, unavailable revenue, which arises under the modified accrual basis of accounting, 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 second item, the difference between expected and actual experience, is reported in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

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

7) Capital Assets

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

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

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

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

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

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

8) Compensated Absences

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

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

9) Long-Term Obligations

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

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

10) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Town's Retirement Plan and the additions to/deductions from the Town's Retirement Plan net fiduciary position have been determined on the same basis as they were reported by Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11) Fund Balance

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

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

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

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

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

11) Fund Balance (Continued)

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

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

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

12) Net Position

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

E. Use of Estimates

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

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

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

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

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

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

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

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

G. Subsequent Events

The Town has evaluated subsequent events through October 2, 2017, 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, \$494,834, are stated at amortized cost and classified as cash and cash equivalents. The LGIP has been assigned an "AAAm" rating by Standard & Poor's. The maturity of the LGIP is less than one year.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

The Town does not have a formal investment policy.

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

Certificate of deposit (maturing 10/26/17)	\$ 22,403
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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, 2017:

- Certificate of deposit of \$22,403 is valued using quoted market prices (Level 1 inputs).

Note 3. Receivables and Unavailable/Unearned Revenue

Receivables at June 30, 2017, including applicable allowances for uncollectible accounts, are as follows:

	General Fund	Water, Sewer and Sanitation Fund	Stormwater Management Fund	Totals
Property taxes	\$ 181,771	\$ -	\$ -	\$ 181,771
Trade and other accounts	55,132	422,681	15,525	493,338
Gross receivables	236,903	422,681	15,525	675,109
Less allowance for uncollectable accounts	11,000	7,000	-	18,000
Net receivables	\$ 225,903	\$ 415,681	\$ 15,525	\$ 657,109

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to \$11,000 and \$7,000 at June 30, 2017 for the General Fund and Water, Sewer and Sanitation Fund, respectively.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of unavailable revenue and unearned revenue reported in the General Fund and Statement of Net Position were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable	\$ 9,000	\$ -
Advance collection of 2017-2018 taxes	-	17,144
Assessment due December 5, net of collections	168,633	-
Urban Construction Program funds	-	460,060
VDOT Maintenance funds	-	341,531
Other	-	29,400
	<u>\$ 177,633</u>	<u>\$ 848,135</u>

Component Unit – Industrial Development Authority

The Authority defers revenue recognition in connection with resources that have been received but not yet earned. The amount reported as unearned revenue for the Authority consists of assessments received for the last six months of the calendar year. Unearned revenue was \$4,375 at June 30, 2017.

Note 4. Due From Other Governments

Due from other governments includes the following:

General Fund:

Commonwealth of Virginia:

Local sales and communication tax	\$ 46,000
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Total General Fund	<u><u>\$ 46,000</u></u>
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Note 5. Note Receivable

Note receivable as of June 30, 2017 consisted of the following:

	Industrial Development Authority
3.47% note, due in monthly installments of \$1,382, including interest through December 2025	\$ 121,964
Less current maturities	<u>(12,556)</u>
Long-term portion	<u><u>\$ 109,408</u></u>

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets

Capital assets activity for the year ended June 30, 2017 is as follows:

	Beginning Balance	Increases	(Deletions) / Reclassifications	Ending Balance
Governmental activities:				
Capital assets not being depreciated or amortized:				
Land	\$ 1,809,582	\$ -	\$ -	\$ 1,809,582
Land easements	6,400	2,000	-	8,400
Construction in progress	298,028	26,641	(298,028)	26,641
Total capital assets, not being depreciated or amortized	2,114,010	28,641	(298,028)	1,844,623
Capital assets being depreciated or amortized:				
Buildings and improvements	3,418,653	83,969	261,374	3,763,996
Equipment	941,293	44,940	(21,510)	964,723
Software	26,551	-	-	26,551
Infrastructure	631,371	576,681	36,654	1,244,706
Vehicles	382,069	42,552	-	424,621
Total capital assets being depreciated or amortized	5,399,937	748,142	276,518	6,424,597
Less accumulated depreciation and amortization for:				
Buildings and improvements	1,116,265	119,679	-	1,235,944
Equipment	681,769	47,332	(21,510)	707,591
Software	26,551	-	-	26,551
Infrastructure	189,744	31,268	-	221,012
Vehicles	179,772	56,015	-	235,787
Total accumulated depreciation and amortization	2,194,101	254,294	(21,510)	2,426,885
Total capital assets being depreciated or amortized, net	3,205,836	493,848	298,028	3,997,712
Governmental activities capital assets, net	\$ 5,319,846	\$ 522,489	\$ -	\$ 5,842,335

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

Governmental activities:	
General government administration	\$ 24,168
Public safety	54,416
Public works	77,990
Parks, recreation and cultural	97,720
Total depreciation and amortization expense - governmental activities	\$ 254,294

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets (Continued)

	Beginning Balance	Increases	(Deletions) / Reclassifications	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 4,600	\$ -	\$ -	\$ 4,600
Total capital assets, not being depreciated	4,600	-	-	4,600
Capital assets being depreciated:				
Buildings and improvements	889,632	23,800	-	913,432
Distribution and collection systems	3,012,426	17,220	-	3,029,646
Equipment	2,352,137	37,160	-	2,389,297
Vehicles	965,403	-	-	965,403
Total capital assets being depreciated	7,219,598	78,180	-	7,297,778
Less accumulated depreciation for:				
Buildings and improvements	784,168	19,219	-	803,387
Distribution and collection systems	1,650,901	65,015	-	1,715,916
Equipment	1,122,840	110,492	-	1,233,332
Vehicles	704,724	51,283	-	756,007
Total accumulated depreciation	4,262,633	246,009	-	4,508,642
Total capital assets being depreciated, net	2,956,965	(167,829)	-	2,789,136
Business-type activities capital assets, net	\$ 2,961,565	\$ (167,829)	\$ -	\$ 2,793,736

Depreciation expense was charged to functions/programs as follows:

Business-type activities:	
Water	\$ 140,551
Sewer	80,263
Sanitation	25,195
Total depreciation expense - business-type activities	\$ 246,009

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets (Continued)

	Beginning Balance, as restated	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	384,545	23,341	-	407,886
Equipment	20,880	-	-	20,880
Total capital assets being depreciated	405,425	23,341	-	428,766
Less accumulated depreciation for:				
Buildings and improvements	4,969	10,717	-	15,686
Equipment	1,044	2,088	-	3,132
Total accumulated depreciation	6,013	12,805	-	18,818
Total capital assets being depreciated, net	399,412	10,536	-	409,948
Component unit - IDA capital assets, net	\$ 479,159	\$ 10,536	\$ -	\$ 489,695

See Note 16, Restatement, for more information.

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 and notes payable:					
General obligation bonds	\$ 2,336,264	\$ -	\$ (230,147)	\$ 2,106,117	\$ 154,491
Compensated absences	160,665	116,103	(120,919)	155,849	93,509
Governmental activities long-term activities	\$ 2,496,929	\$ 116,103	\$ (351,066)	\$ 2,261,966	\$ 248,000

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
2018	\$ 154,491	\$ 52,999
2019	156,899	49,037
2020	159,313	45,065
2021	161,905	40,917
2022	115,711	36,755
2023-2027	620,221	136,410
2028-2032	295,563	72,409
2033-2037	307,656	35,653
2038-2040	134,358	4,739
	<u>\$ 2,106,117</u>	<u>\$ 473,984</u>

General Obligation Bonds

\$915,000 general obligation bond issued December 2011, due in annual installments of \$57,257 to \$73,670 through December 2026, plus interest payable annually at 2.84%. \$ 651,575

\$1,055,000 general obligation bond, issued December 2014, due in semi-annual installments of \$16,590 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. 974,342

\$244,000 general obligation public improvement bond issued January 2016, due in annual installments of \$48,800 through January 2021, plus interest payable semi-annually at 2.38%. 195,200

\$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%. 285,000

Total General Obligation Bonds \$ 2,106,117

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

Property tax revenues are generally used to pay off long-term debt.

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

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

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

The 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	\$ 630,000	\$ -	\$ (64,555)	\$ 565,445	\$ 64,500
Capital leases	198,001	-	(44,878)	153,123	46,434
	828,001	-	(109,433)	718,568	110,934
Compensated absences	58,819	40,267	(48,247)	50,839	30,504
Business-type activities long-term liabilities	\$ 886,820	\$ 40,267	\$ (157,680)	\$ 769,407	\$ 141,438

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

Year(s) Ending June 30,	General Obligation Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2018	\$ 64,500	\$ 12,547	\$ 46,434	\$ 4,539
2019	64,500	11,199	48,042	2,930
2020	64,500	9,851	42,251	1,310
2021	64,500	8,503	16,396	170
2022	64,500	7,154	-	-
2023-2027	157,500	18,816	-	-
2028-2032	47,500	9,070	-	-
2033-2036	37,945	2,592	-	-
	\$ 565,445	\$ 79,732	\$ 153,123	\$ 8,949

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 of \$55,000 through March 2024, plus interest payable semi-annually at 1.98%.	\$	385,000
\$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%.		<u>180,445</u>
Total bonded debt	\$	<u><u>565,445</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.

Capital Leases

\$151,633 capital lease issued December 2015, secured by equipment with a net book value of \$119,140, annual maturity from \$2,439 to \$2,753 through December 2020, interest payable annually at 3.55%.	\$	108,923
\$66,900 capital lease issued December 2015, secured by equipment with a net book value of \$52,564, annual maturity from \$1,369 to \$1,483 through December 2019, interest payable annually at 3.20%.		<u>44,200</u>
Total capital leases	\$	<u><u>153,123</u></u>

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

At June 30, 2017, the Town had an available legal debt margin of \$39,973,569.

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:					
Bonds and notes payable:					
General obligation bonds	\$ 547,818	\$ -	\$ (14,232)	\$ 533,586	\$ 15,569
Component Unit - IDA long-term liabilities	\$ 547,818	\$ -	\$ (14,232)	\$ 533,586	\$ 15,569

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

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

Year(s) Ending June 30,	General Obligation Bonds	
	Principal	Interest
2018	\$ 15,569	\$ 18,604
2019	16,121	18,052
2020	16,646	17,527
2021	17,284	16,889
2022	17,898	16,275
2023-2027	99,435	71,431
2028-2032	118,362	52,504
2033-2037	140,959	29,907
2038-2040	91,312	5,355
	<u>\$ 533,586</u>	<u>\$ 246,544</u>

General Obligation Bonds

\$225,000 general obligation bond issued December 2014, due in semi-annual installments of \$3,095 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.

\$ 210,666

\$340,000 general obligation bond, issued April 2015, due in semi-annual installments of \$4,596 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.

322,920

\$ 533,586

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.

Note 8. Line of Credit

The Town renewed an unsecured line of credit on February 15, 2015 in the amount of \$250,000 which bears interest at a variable rate (3.25% at June 30, 2017). There was no outstanding balance at June 30, 2017. The line of credit matures February 2020.

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 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, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	About Plan 2 Plan 2 is a defined plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members") <ul style="list-style-type: none">• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</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>About the Hybrid Retirement Plan (Continued)</p> <ul style="list-style-type: none">• 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. <p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none">• Political subdivision employees.*• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members 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. Some political subdivisions elected to phase in the required 5% member contribution, but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016.	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.
Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	Creditable Service Same as Plan 1.	Creditable Service <u>Defined Benefit Component</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
		<u>Defined Contribution Component</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

A. Plan Description (Continued)

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component</u> See definition under Plan 1.</p> <p><u>Defined Contribution Component</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p>	<p>Service Retirement Multiplier Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component</u> The retirement multiplier for the defined benefit component is 1.0%.</p> <p>For members that opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p>
<p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Political subdivision hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component</u> Not applicable.</p>

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Normal Retirement Age Age 65. Political subdivisions hazardous duty employees: Age 60.	Normal Retirement Age Normal Social Security retirement age. Political subdivisions hazardous duty employees: Same as Plan 1.	Normal Retirement Age <u>Defined Benefit Component</u> Same as Plan 2. Political subdivisions hazardous duty employees: Not applicable. <u>Defined Contribution Component</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	Earliest Unreduced Retirement Eligibility Normal Social Security retirement age and have at least 5 years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employees: Same as Plan 1.	Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component</u> Normal Social Security retirement age and have at least 5 years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employees: Not applicable. <u>Defined Contribution Component</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. Political subdivisions hazardous duty employees: Age 50 with at least five years of creditable service.	Earliest Reduced Retirement Eligibility Age 60 with at least five years (60 months) of creditable service. Political subdivisions hazardous duty employees: Same as Plan 1.	Earliest Reduced Retirement Eligibility <u>Defined Benefit Component</u> Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. Political subdivisions hazardous duty employees: Not applicable. <u>Defined Contribution Component</u> 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%. <u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date. <u>Exceptions to COLA Effective Dates:</u> 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 under the Virginia Sickness and Disability Program (VSDP). 	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%. <u>Eligibility:</u> Same as Plan 1.	Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component</u> Same as Plan 2. <u>Defined Contribution Component</u> Not applicable. <u>Eligibility:</u> Same as Plan 1 and Plan 2.
<u>Exceptions to COLA Effective Dates:</u> 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 under the Virginia Sickness and Disability Program (VSDP). 	<u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.	<u>Exceptions to COLA Effective Dates:</u> 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) <u>Exceptions to COLA Effective Dates (continued):</u> <ul style="list-style-type: none"> • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 		
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	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. Virginia Sickness and Disability Program (VSDP) members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	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 creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service Defined Benefit Component Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one year period, the rate for most categories of service will change to actuarial cost. Defined Contribution Component Not applicable.

Employees Covered by Benefit Terms

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

	Number
Inactive members or their beneficiaries currently receiving benefits	21
Inactive members:	
Vested	9
Non-vested	16
Active elsewhere in VRS	22
Total inactive members	47
Active members	48
Total covered employees	116

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

A. Plan Description (Continued)

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. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The Town's contractually required contribution rate for the year ended June 30, 2017 was 7.98% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$183,460 and \$224,345 for the years ended June 30, 2017 and 2016, respectively.

B. Net Pension Liability

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

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, 2015, using the Entry Age Normal Actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

B. Net Pension Liability (Continued)

Actuarial Assumptions – General Employees (Continued)

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

- Pre-retirement: RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years.
- Post-retirement: RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.
- Post-disablement: RP-2000 Disabled Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

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

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

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the Town's retirement plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date as of June 30, 2016.

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

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

B. Net Pension Liability (Continued)

Actuarial Assumptions – Public Safety Employees (Continued)

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

- Pre-retirement: RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.
- Post-retirement: RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.
- Post-disablement: RP-2000 Disabled Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

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

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

B. Net Pension Liability (Continued)

Long-Term Expected Rate of Return

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

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

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

B. Net Pension Liability (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Town's retirement plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

C. Changes in the Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2015	\$ 8,542,739	\$ 7,934,000	\$ 608,739
Changes for the Year:			
Service cost	237,721	-	237,721
Interest	585,551	-	585,551
Difference between expected and actual experience	(277,323)	-	(277,323)
Contributions – employer	-	224,345	(224,345)
Contributions – employee	-	106,156	(106,156)
Net investment income	-	138,422	(138,422)
Benefit payments, including refunds of employee contributions	(355,438)	(355,438)	-
Administrative expense	-	(4,883)	4,883
Other changes	-	(59)	59
Net changes	190,511	108,543	81,968
Balances at June 30, 2016	\$ 8,733,250	\$ 8,042,543	\$ 690,707

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

C. Changes in the Net Pension Liability (Continued)

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

The following presents the net pension liability of the Town, using the discount rate of 7.00%, as well as what the Town's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Town's net pension liability (asset)	\$ 1,888,441	\$ 690,707	\$ (302,543)

Pension Plan Data

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

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

For the year ended June 30, 2017, the Town recognized pension expense of \$81,100. 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	\$ -	\$ (229,244)
Net difference between projected and actual earnings on pension plan investments	211,858	-
Employer contributions subsequent to the measurement date	183,460	-
Total	\$ 395,318	\$ (229,244)

\$183,460 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

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

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ (86,624)
2019	(82,336)
2020	68,390
2021	<u>83,184</u>
	<u><u>\$ (17,386)</u></u>

Note 10. Other Postemployment Benefits

A. Plan Description

Other postemployment benefits (OPEB) provided by the Town include single-employer defined benefit retiree health insurance premium and disability retirement benefit plan.

A retiree, eligible for the plan, is defined as a full-time employee who retires directly from the Town who has completed at least 25 years of service with the Town, or has attained the age of 65 with at least 20 years of service with the Town. Health benefits include medical, dental, and vision coverage. The Town contributes 50% towards health insurance premiums for retirees only and is dependent on if the retiree is covered under the non-Medicare plan or Medicare plan (age 65 or older). The plan was established by Town Council, and any amendments to the plan must be approved by Town Council.

The plan does not issue a stand-alone financial report.

B. Funding Policy

The Town Council establishes employer contribution rates for their plan participants. The Town Council has chosen to fund the healthcare benefits on a pay-as-you-go basis.

C. Annual OPEB Cost and Net OPEB Obligation

The Town had an actuarial valuation performed of postemployment benefits as of June 30, 2016. The annual cost of OPEB under GASB Statement No. 45 is called the annual required contribution or ARC. The pay-as-you-go cost for OPEB benefits for the Town's plan was \$20,719 and the annual benefit cost was \$61,665. The percentage of OPEB cost contributed was 33.60%.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits (Continued)

C. Annual OPEB Cost and Net OPEB Obligation (Continued)

GASB Statement No. 45 does not require prefunding of OPEB liabilities and the Town has elected not to prefund OPEB liabilities at this time. The difference between the OPEB annual expense and cash payments for OPEB benefits is treated as a liability in the financial statements when the liability is not prefunded. At June 30, 2017, the Town has recorded a liability of \$235,614 on the Statement of Net Position.

The Town is required to contribute the ARC of the employer an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years on an open basis. The following table shows the components of the annual OPEB costs for the year, the estimated amount contributed for the year, and the changes in the net OPEB obligations.

Annual required contribution (ARC)	\$	62,000
Interest on net OPEB obligation		5,914
Adjustment to ARC		(6,249)
Annual OPEB cost		<u>61,665</u>
Contributions made		<u>(20,719)</u>
Increase in net OPEB obligation		40,946
Net OPEB obligation, beginning of year		<u>194,668</u>
Net OPEB obligation, end of year	\$	<u><u>235,614</u></u>

Trend Information

Trend information is as follows:

Fiscal Year Ended	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	\$ 38,886	33.80%	\$ 154,188
June 30, 2016	60,402	33.00%	194,668
June 30, 2017	61,665	33.60%	235,614

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits (Continued)

D. Funding Status and Funding Progress

As of June 30, 2016, the most recent actuarial valuation, the plan was not funded. The actuarial value of assets was \$-0- resulting in an unfunded actuarial liability (UAAL) of \$749,800.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan are compared with past expectations and new estimates are made for the future. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, present trend information that will show whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

An actuarial valuation is required to be obtained every three years.

The following table shows the funding status for the Town.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
June 30, 2010	\$ -	\$ 452,600	\$ 452,600	0.00%	\$ 1,858,400	24.35%
June 30, 2013	-	436,200	436,200	0.00%	1,995,500	21.86%
June 30, 2016	-	749,800	749,800	0.00%	2,432,300	30.83%

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 2016 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 3.5% rate of return and an annual healthcare cost trend rate of 7.0%. The unfunded liability is amortized over a period of 30 years based on a level percent of payroll method on an open basis.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Interfund Transfers

The Town transferred \$841,971 from the Water, Sewer and Sanitation Fund to the General Fund for operations and administrative costs.

The Town transferred \$133,699 from the General Fund to the Stormwater Management Fund for operations and administrative costs.

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 (Authority) dated December 15, 1992. Under the terms of this agreement, these municipalities jointly and severally guaranteed the Authority's 2007 Sewer Revenue Bonds and 2008 Sewer Revenue and Refunding Bonds, which then qualifies as a nonexchange of financial guarantees. In December 2007, the Authority issued \$30,000,000 Sewer Revenue Bonds bearing interest at 2.52% to upgrade and expand its treatment plant, due in semi-annual installments of combined principal and interest of \$984,273 thereafter, with final maturity at September 1, 2030. The bonds currently outstanding total \$22,408,444. In June 2008, the Authority issued \$12,650,000 Sewer Revenue and Refunding Bonds, Series 2008 bearing interest from 2.95% to 4.8% with final maturity at October 1, 2021. The bonds currently outstanding are \$5,433,129. In November 2008, the Authority issued \$33,219,297 Sewer Revenue Bonds, Series 2008 bearing interest at 2.72%, due in semi-annual installments of combined principal and interest of \$1,116,129, with final maturity at September 1, 2030. The bonds currently outstanding are \$25,081,130. In February 2015, with an allonge dated September 2015, the Authority issued \$8,665,505 Sewer Revenue Bonds bearing interest at 1.2%, due in semi-annual installments beginning November 1, 2017 of combined principal and interest of \$249,865 thereafter, with a final maturity at November 1, 2036. The bonds currently outstanding total \$8,174,606.

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

The Authority bills the municipalities a monthly charge which includes an assessment for their respective share of the Authority'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 Authority's operating, capital outlay and maintenance, construction and debt service expenditures for the ensuing year will approximate \$340,000, \$45,000 and \$510,000, respectively. To obtain a copy of the audited financial statements, contact the Authority 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, 2017, water and sewer revenue from this customer was approximately \$1,013,000. There are accounts receivable from this customer of approximately \$88,000 at June 30, 2017.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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 Municipal League Insurance Program (the “Pool”) for all insurable risks identified by the Town. Each Pool member jointly and severally agrees to assume, pay and discharge any liability. The Town pays the Pool contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Pool and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Pool 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.

Note 16. Restatement

Prior period adjustments to beginning net position of the Component Unit – Industrial Development Authority (IDA) are required to correctly state the impact of a note receivable not recorded in the prior fiscal year and to remove capital assets not owned by the IDA. The following adjustments have been made:

	<u>Industrial Development Authority</u>
Net position, as originally reported, July 1, 2016	\$ (1,033)
Adjustment to record a note receivable	134,092
Adjustment to remove capital assets and related accumulated depreciation	<u>(34,841)</u>
Net position, as restated, July 1, 2016	<u><u>\$ 98,218</u></u>

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 17. Pending GASB Statements

At June 30, 2017, 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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will improve accounting and financial reporting by state and local governments for OPEB. It will also require the recognition of the entire OPEB liability and a comprehensive measure of OPEB expense. Statement No. 75 will be effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (ARO's). This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for ARO's. Statement No. 83 will be effective for fiscal years beginning after June 15, 2018.

GASB Statement No. 84, *Fiduciary Activities*, will improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Statement No. 84 will be effective for fiscal years beginning after December 15, 2018.

GASB Statement No. 85, *Omnibus 2017*, will enhance consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements. Statement No. 85 will be effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, will improve accounting and financial reporting for debt extinguishments by establishing uniform guidance for derecognizing debt that is defeased in substance. Statement No. 86 will be effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 87, *Leases*, will increase the usefulness of the Town's financial statements by requiring reporting of certain lease assets and liabilities and deferred inflows of resources for leases that previously were classified as operating leases. Statement No. 87 will be effective for fiscal years beginning after December 15, 2019.

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

Note 18. Subsequent Event

Subsequent to year-end, the Town issued a general obligation bond for the purchase of land and replacement of several sewer lines within the Town. The amount of the bond is \$823,750, with payments beginning February 2018 and a final maturity of August 2027.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF BRIDGEWATER, VIRGINIA

SCHEDULE OF FUNDING PROGRSS – OTHER POSTEMPLOYMENT BENEFITS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
June 30, 2010	\$ -	\$ 452,600	\$ 452,600	0.00%	\$ 1,858,400	24.35%
June 30, 2013	-	436,200	436,200	0.00%	1,995,500	21.86%
June 30, 2016	-	749,800	749,800	0.00%	2,432,300	30.83%

SCHEDULE OF EMPLOYER CONTRIBUTIONS – OTHER POSTEMPLOYMENT BENEFITS

Fiscal Year Ended	Annual Required Contribution	Actual Contribution	Percent Funded
June 30, 2015	\$ 38,800	\$ 13,155	33.90%
June 30, 2016	60,300	19,922	33.04%
June 30, 2017	62,000	20,719	33.42%

TOWN OF BRIDGEWATER, VIRGINIA

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

	Fiscal Year June 30,		
	2014	2015	2016
Total Pension Liability			
Service cost	\$ 239,778	\$ 238,817	\$ 237,721
Interest	516,842	554,431	585,551
Differences between expected and actual experience	-	(59,260)	(277,323)
Benefit payments, including refunds of employee contributions	(215,871)	(223,389)	(355,438)
Net change in total pension liability	540,749	510,599	190,511
Total pension liability - beginning	7,491,391	8,032,140	8,542,739
Total pension liability - ending (a)	<u>\$ 8,032,140</u>	<u>\$ 8,542,739</u>	<u>\$ 8,733,250</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 212,519	\$ 210,910	\$ 224,345
Contributions - employee	100,101	100,255	106,156
Net investment income	1,021,390	348,875	138,422
Benefit payments, including refunds of employee contributions	(215,871)	(223,389)	(355,438)
Administrative expense	(5,367)	(4,619)	(4,883)
Other	54	(75)	(59)
Net change in plan fiduciary net position	1,112,826	431,957	108,543
Plan fiduciary net position - beginning	6,389,217	7,502,043	7,934,000
Plan fiduciary net position - ending (b)	<u>\$ 7,502,043</u>	<u>\$ 7,934,000</u>	<u>\$ 8,042,543</u>
Town net pension liability - ending (a)-(b)	<u>\$ 530,097</u>	<u>\$ 608,739</u>	<u>\$ 690,707</u>
Plan fiduciary net position as a percentage of the total pension liability	93.40%	92.87%	92.09%
Covered-employee payroll	\$ 2,027,853	\$ 2,012,500	\$ 2,140,697
Town's net pension liability as a percentage of covered-employee payroll	26.14%	30.25%	32.27%

Notes to Schedule:

- Changes of benefit terms:** There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 are not material.
- Changes of assumptions:** The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ended June, 2012:

LEOS:	NON-LEOS:
a. Update mortality table	a. Update mortality table
b. Adjustments to rates of service retirement for females	b. Decrease in rates of service retirement
c. Increase in rates of withdrawal	c. Decrease in rates of disability retirement
d. Decrease in male and female rates of disability	d. Reduce rates of salary increases by 0.25% per year
- 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
Contractually required contribution (CRC)	\$ 212,519	\$ 210,910	\$ 224,345
Contributions in relation to the CRC	212,519	210,910	224,345
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 2,027,853	\$ 2,012,500	\$ 2,140,697
Contributions as a percentage of covered - employee payroll	10.48%	10.48%	10.48%

Notes to Schedule:

- (1) Valuation date: June 30, 2014
- (2) Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.
- (3) Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20-29 years
Asset valuation method	5-year smoothed market
Cost-of-living adjustments	2.25%-2.50%
Projected salary increases	3.50%-5.35%, including inflation at 2.50%
Investment rate of return	7.0%, including inflation 2.50%
- (4) 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.

SUPPLEMENTARY SCHEDULES

TOWN OF BRIDGEWATER, VIRGINIA**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND****Year Ended June 30, 2017****(With Comparative Amounts for 2016)**

	2017	2016
Revenues:		
General property taxes	\$ 611,129	\$ 593,960
Other local taxes	1,645,885	1,630,253
Permits and other licenses	6,510	3,499
Fines and forfeitures	25,907	41,814
Use of money and property	96,120	92,345
Charges for services	114,967	56,976
Miscellaneous	26,134	56,833
Intergovernmental	1,186,880	1,557,589
Total revenues	3,713,532	4,033,269
Expenditures:		
Current:		
General government administration	771,999	760,492
Public safety	769,232	953,365
Public works	2,492,724	2,273,855
Parks, recreation and cultural	745,407	1,515,081
Community and economic development	150,315	137,385
Debt service:		
Principal	230,147	164,155
Interest	57,953	48,165
Total expenditures	5,217,777	5,852,498
Deficiency of revenues under expenditures	(1,504,245)	(1,819,229)
Other financing sources (uses):		
Sale of capital asset	-	590,722
General obligation bond issued	-	544,000
Transfers in	841,971	618,780
Transfers out	(133,699)	(101,994)
Total other financing sources, net	708,272	1,651,508
Net change in fund balance	(795,973)	(167,721)
Fund balance, beginning	896,320	1,064,041
Fund balance, ending	\$ 100,347	\$ 896,320

TOWN OF BRIDGEWATER, VIRGINIA

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SCHEDULE OF REVENUES – BUDGET AND ACTUAL GENERAL FUND Year Ended June 30, 2017

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real estate taxes	\$ 365,000	\$ 365,000	\$ 353,780	\$ (11,220)
Personal property taxes	201,100	201,100	248,741	47,641
Public service corporations property taxes	6,400	6,400	6,161	(239)
Interest and penalties on delinquent taxes	3,000	3,000	2,447	(553)
Total general property taxes	575,500	575,500	611,129	35,629
Other local taxes:				
Local sales and use taxes	187,000	187,000	192,639	5,639
Consumer utility taxes	397,600	397,600	388,104	(9,496)
Consumption taxes	23,000	23,000	24,186	1,186
Cigarette taxes	22,100	22,100	19,854	(2,246)
Business license taxes	209,100	209,100	220,114	11,014
Vehicle license taxes	84,000	84,000	84,417	417
Bank stock taxes	148,000	148,000	154,259	6,259
Meals taxes	541,500	541,500	548,988	7,488
Right-of-way use fee	13,200	13,200	13,324	124
Total other local taxes	1,625,500	1,625,500	1,645,885	20,385
Permits and other licenses:				
Zoning and building	4,200	4,200	4,749	549
Passport application fee	-	-	485	485
Land disturbing	-	-	1,276	1,276
Total permits and other licenses	4,200	4,200	6,510	2,310
Fines and forfeitures	41,000	41,000	25,907	(15,093)
Use of money and property:				
Revenue from use of money	1,800	1,800	5,014	3,214
Revenue from use of property	83,100	83,100	91,106	8,006
Total revenue from use of money and property	84,900	84,900	96,120	11,220
Charges for services:				
Generations park	55,000	55,000	70,848	15,848
Golf fees	50,000	50,000	44,119	(5,881)
Total charges for services	105,000	105,000	114,967	9,967
Miscellaneous	23,000	23,000	26,134	3,134
Total revenue from local sources	2,459,100	2,459,100	2,526,652	67,552

TOWN OF BRIDGEWATER, VIRGINIA

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**SCHEDULE OF REVENUES – BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2017**

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
Intergovernmental:				
Local aid:				
Town of Mt. Crawford:				
Public safety	\$ 48,900	\$ 48,900	\$ 46,720	\$ (2,180)
Town of Dayton:				
Public safety	3,300	3,300	1,650	(1,650)
Total local aid	52,200	52,200	48,370	(3,830)
Revenue from the Commonwealth:				
Non-categorical aid:				
Communication sales and use tax	88,000	88,000	85,364	(2,636)
Personal property tax relief	102,000	102,000	102,034	34
Total non-categorical aid	190,000	190,000	187,398	(2,602)
Categorical aid:				
Litter control	3,000	3,000	2,959	(41)
Law enforcement assistance	127,000	127,000	130,945	3,945
Urban construction	-	-	7,235	7,235
Transportation enhancement	475,000	475,000	161,630	(313,370)
Street and highway maintenance	697,000	697,000	377,209	(319,791)
Virginia Department of Transportation revenue sharing project	-	-	6,191	6,191
Asset forfeiture funds	-	-	234	234
Other	-	-	358	358
Total categorical aid	1,302,000	1,302,000	686,761	(615,239)
Total intergovernmental revenue from the Commonwealth	1,492,000	1,492,000	874,159	(617,841)
Revenue from the federal government:				
Categorical aid:				
ISTEA	-	-	233,796	233,796
Urban construction	-	-	30,555	30,555
Total intergovernmental revenue from the federal government	-	-	264,351	264,351
Total intergovernmental revenue	1,544,200	1,544,200	1,186,880	(357,320)
Total General Fund	\$ 4,003,300	\$ 4,003,300	\$ 3,713,532	\$ (289,768)

TOWN OF BRIDGEWATER, VIRGINIA

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SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL GENERAL FUND Year Ended June 30, 2017

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over
	Original	Final		(Under)
Primary Government:				
General Fund:				
General government administration:				
Legislative:				
Town Council:				
Personal services	\$ 32,100	\$ 32,100	\$ 31,578	\$ (522)
Fringe benefits	2,400	2,400	2,417	17
Other charges	4,000	4,000	4,373	373
Total town council	38,500	38,500	38,368	(132)
Town Manager's office:				
Personal services	226,000	226,000	240,303	14,303
Fringe benefits	69,460	69,460	64,269	(5,191)
Other charges	13,000	13,000	6,884	(6,116)
Capital outlay	9,000	9,000	-	(9,000)
Contractual services	2,000	2,000	5,984	3,984
Total town manager's office	319,460	319,460	317,440	(2,020)
Treasurer's office:				
Personal services	188,100	188,100	164,543	(23,557)
Fringe benefits	56,160	56,160	49,817	(6,343)
Other charges	13,000	13,000	4,210	(8,790)
Contractual services	5,000	5,000	14,373	9,373
Total treasurer's office	262,260	262,260	232,943	(29,317)
Total legislative	620,220	620,220	588,751	(31,469)
General and financial administration:				
Legal	41,000	41,000	27,895	(13,105)
Independent auditor	45,200	45,200	50,864	5,664
Insurance and bonding	120,000	120,000	104,489	(15,511)
Total general and financial administration	206,200	206,200	183,248	(22,952)
Total general government administration	826,420	826,420	771,999	(54,421)

TOWN OF BRIDGEWATER, VIRGINIA

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**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2017**

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
Public safety:				
Law enforcement and traffic control:				
Police department:				
Personal services	\$ 547,200	\$ 547,200	\$ 509,259	\$ (37,941)
Fringe benefits	169,050	169,050	164,796	(4,254)
Vehicle operation	24,900	24,900	15,140	(9,760)
Other charges	30,000	30,000	12,626	(17,374)
Contractual services	30,000	30,000	37,411	7,411
Total law enforcement and traffic control	801,150	801,150	739,232	(61,918)
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	831,150	831,150	769,232	(61,918)
Public works:				
Public works department:				
Personal services	206,700	206,700	240,429	33,729
Fringe benefits	62,160	62,160	70,244	8,084
Other charges	13,000	13,000	5,004	(7,996)
Contractual services	2,000	2,000	14,309	12,309
Total public works department	283,860	283,860	329,986	46,126

TOWN OF BRIDGEWATER, VIRGINIA

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SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL GENERAL FUND Year Ended June 30, 2017

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
Public works: (continued)				
Maintenance of highways, streets, bridges, street lights, and sidewalks:				
Highways, streets, bridges and sidewalks:				
Personal services	\$ 181,900	\$ 181,900	\$ 98,193	\$ (83,707)
Fringe benefits	67,600	67,600	55,824	(11,776)
Other charges	70,000	70,000	68,755	(1,245)
Capital outlay	33,300	283,300	598,372	315,072
Contractual services	85,000	85,000	112,769	27,769
Street paving	132,000	132,000	-	(132,000)
Virginia Department of Transportation revenue sharing project	-	-	12,383	12,383
Urban construction program	-	-	40,105	40,105
T-21 project	400,000	800,000	644,522	(155,478)
Total highways, streets, bridges, and sidewalks	969,800	1,619,800	1,630,923	11,123
Street lights	81,000	81,000	82,286	1,286
Total maintenance of highways, streets, bridges, street lights, and sidewalks	1,050,800	1,700,800	1,713,209	12,409
Key corridors:				
Personal services	10,000	10,000	-	(10,000)
Fringe benefits	3,000	3,000	-	(3,000)
Other charges	10,000	10,000	-	(10,000)
Capital outlay	10,000	10,000	-	(10,000)
Contractual services	10,000	10,000	-	(10,000)
Total key corridors	43,000	43,000	-	(43,000)
General properties:				
Personal services	199,400	199,400	175,175	(24,225)
Fringe benefits	76,400	76,400	72,791	(3,609)
Other charges	36,500	36,500	34,977	(1,523)
Capital outlay	56,000	56,000	76,802	20,802
Contractual services	80,000	80,000	89,784	9,784
Total general properties	448,300	448,300	449,529	1,229
Total public works	1,825,960	2,475,960	2,492,724	16,764

TOWN OF BRIDGEWATER, VIRGINIA

Page 4 of 4

**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2017**

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over
	Original	Final		(Under)
Primary Government:				
General Fund:				
Parks, recreation and cultural:				
Personal services	\$ 371,400	\$ 371,400	\$ 356,948	\$ (14,452)
Fringe benefits	98,000	98,000	95,173	(2,827)
Other charges	70,000	70,000	96,030	26,030
Capital outlay	76,000	76,000	93,859	17,859
Contractual services	60,000	60,000	103,397	43,397
Total parks, recreation and cultural	675,400	675,400	745,407	70,007
Community and economic development:				
Community development:				
Personal services	28,000	28,000	38,632	10,632
Fringe benefits	11,000	11,000	11,137	137
Other charges	82,000	82,000	91,608	9,608
Contractual services	-	-	3,780	3,780
Total community development	121,000	121,000	145,157	24,157
Economic development:				
Other charges	3,000	3,000	-	(3,000)
Contractual services	2,000	2,000	5,158	3,158
Total economic development	5,000	5,000	5,158	158
Total community and economic development	126,000	126,000	150,315	24,315
Debt service:				
Principal	231,300	231,300	230,147	(1,153)
Interest	59,000	59,000	57,953	(1,047)
Total debt service	290,300	290,300	288,100	(2,200)
Total General Fund	\$ 4,575,230	\$ 5,225,230	\$ 5,217,777	\$ (7,453)

TOWN OF BRIDGEWATER, VIRGINIA**Page 1 of 2****SCHEDULE OF CAPITAL OUTLAYS****Year Ended June 30, 2017**

General Fund:**Public works:****Capital outlays:**

Shop bay	\$	26,641
Air compressor		15,900
Mt. View Drive sidewalks		282,275
Oakwood Drive improvements		294,406
Land easement		2,000
Parking lot at farmers' market		11,400
Dump truck body		28,740
2500 pickup truck		6,491
V-plow pickup		7,321
		<u>675,174</u>

Parks, recreation and cultural:**Capital outlays:**

Grasshopper mower		7,748
Grasshopper mower		6,662
Security system at golf course		6,880
Playground sets at parks		23,348
Lighting at tennis courts		23,760
Mini golf course		25,461
		<u>93,859</u>

Total General Fund**\$ 769,033**

TOWN OF BRIDGEWATER, VIRGINIA**Page 2 of 2****SCHEDULE OF CAPITAL OUTLAYS****Year Ended June 30, 2017**

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

Water monitoring equipment	\$ 8,530
Chemical feed pumps	28,630
Water treatment plant improvements	23,800
	<u>60,960</u>

Sewer:**Capital outlays:**

Vista Heights sewer line	17,220
	<u>17,220</u>

Total Water, Sewer and Sanitation Fund\$ 78,180

TOWN OF BRIDGEWATER, VIRGINIA

SCHEDULE OF TAXES RECEIVABLE

June 30, 2017

(With Comparative Amounts for 2016)

	2017	2016
Taxes receivable: *		
General Fund:		
Real estate:		
2008	\$ -	\$ 67
2009	134	134
2010	127	127
2011	127	127
2012	225	225
2013	366	366
2014	374	374
2015	374	693
2016	1,118	1,913
2017	2,922	-
December billing for next fiscal year	168,633	175,214
	<u>174,400</u>	<u>179,240</u>
Personal property:		
2012	-	1,852
2013	2,000	2,117
2014	1,279	1,377
2015	822	2,814
2016	3,270	-
	<u>7,371</u>	<u>8,160</u>
Less:		
Allowance for uncollectible taxes	<u>11,000</u>	<u>11,000</u>
Taxes receivable - General Fund	<u>\$ 170,771</u>	<u>\$ 176,400</u>

* Includes 10% penalty

TOWN OF BRIDGEWATER, VIRGINIA

SCHEDULE REVENUES AND EXPENSES

PROPRIETARY FUND TYPE

Year Ended June 30, 2017

	Water Department	Sewer Department	Sanitation Department	Totals
Operating revenues:				
Charges for services	\$ 981,255	\$ 1,699,768	\$ 501,441	\$ 3,182,464
Connection fees	2,975	2,534	-	5,509
Penalties	17,498	16,474	-	33,972
Total operating revenues	1,001,728	1,718,776	501,441	3,221,945
Operating expenses:				
Personal services	410,416	86,616	210,491	707,523
Fringe benefits	145,340	42,670	62,649	250,659
Materials, line repairs and other	330,623	65,514	154,350	550,487
Regional Sewer Authority assessment:				
Operations and maintenance	-	305,148	-	305,148
Debt service	-	499,752	-	499,752
Construction	-	52,220	-	52,220
Depreciation	140,551	80,263	25,195	246,009
Total operating expenses	1,026,930	1,132,183	452,685	2,611,798
Operating income (loss)	(25,202)	586,593	48,756	610,147
Nonoperating revenue (expense):				
Interest expense	(8,334)	(6,538)	(4,393)	(19,265)
Connection availability fees	93,419	116,700	-	210,119
Total nonoperating revenue (expense), net	85,085	110,162	(4,393)	190,854
Income before transfers	59,883	696,755	44,363	801,001
Transfers out	(179,483)	(662,488)	-	(841,971)
Change in net position	\$ (119,600)	\$ 34,267	\$ 44,363	\$ (40,970)

TOWN OF BRIDGEWATER, VIRGINIA

SCHEDULE REVENUES AND EXPENSES – ACTUAL AND RATE PER 1,000 GALLONS

PROPRIETARY FUND TYPE

WATER AND SEWER DEPARTMENTS

Year Ended June 30, 2017

(With Comparative Totals for 2016)

	Water Department		Sewer Department		Totals (Memorandum Only)			
					2017		2016	
	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	\$ 981,255	\$ 4.265	\$ 1,699,768	\$ 7.387	\$ 2,681,023	\$ 11.652	\$ 2,594,493	\$ 11.672
Connection fees	2,975	0.013	2,534	0.011	5,509	0.024	4,960	0.022
Penalties	17,498	0.076	16,474	0.072	33,972	0.148	32,979	0.148
Total operating revenues	1,001,728	4.354	1,718,776	7.470	2,720,504	11.824	2,632,432	11.842
Operating expenses:								
Personal services	410,416	1.784	86,616	0.376	497,032	2.160	415,986	1.871
Fringe benefits	145,340	0.632	42,670	0.185	188,010	0.817	163,480	0.735
Materials, line repairs and other	330,623	1.437	65,514	0.285	396,137	1.722	340,920	1.534
Regional Sewer Authority assessment:								
Operations and maintenance	-	-	305,148	1.326	305,148	1.326	309,731	1.393
Debt service	-	-	499,752	2.172	499,752	2.172	492,178	2.214
Construction	-	-	52,220	0.227	52,220	0.227	42,863	0.193
Depreciation	140,551	0.611	80,263	0.349	220,814	0.960	214,454	0.965
Total operating expenses	1,026,930	4.464	1,132,183	4.920	2,159,113	9.384	1,979,612	8.905
Operating income (loss)	(25,202)	(0.110)	586,593	2.550	561,391	2.440	652,820	2.937
Nonoperating revenue (expense):								
Interest expense	(8,334)	(0.036)	(6,538)	(0.028)	(14,872)	(0.064)	(12,420)	(0.056)
Connection availability fees	93,419	0.406	116,700	0.507	210,119	0.913	226,982	1.021
Total nonoperating revenue, net	85,085	0.370	110,162	0.479	195,247	0.849	214,562	0.965
Income before transfers	\$ 59,883	\$ 0.260	\$ 696,755	\$ 3.029	\$ 756,638	\$ 3.289	\$ 867,382	\$ 3.902
Total water consumption:								
Thousands of gallons	<u>230,091</u>						<u>222,276</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, 2017

ASSETS	
Current Assets:	
Cash	\$ 38,866
Note receivable	12,556
Total current assets	<u>51,422</u>
Noncurrent Assets:	
Note receivable	<u>109,408</u>
Capital assets:	
Land	79,747
Buildings and improvements	407,886
Equipment	20,880
Less: accumulated depreciation	<u>(18,818)</u>
Total capital assets, net	<u>489,695</u>
Total noncurrent assets	<u>599,103</u>
Total assets	<u>650,525</u>
LIABILITIES	
Current Liabilities:	
Accrued interest	2,811
Unearned revenue	4,375
Bonds payable	<u>15,569</u>
Total current liabilities	<u>22,755</u>
Noncurrent Liabilities:	
Bonds payable	<u>518,017</u>
Total noncurrent liabilities	<u>518,017</u>
Total liabilities	<u>540,772</u>
NET POSITION	
Net Investment in Capital Assets	279,029
Unrestricted	<u>(169,276)</u>
Total net position	<u>\$ 109,753</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, 2017

Operating Revenues:	
Use of money and property	\$ 35,450
Charges for services	<u>11,161</u>
Total operating revenues	<u>46,611</u>
Operating Expenses:	
Personal services	300
Fringe benefits	24
Other charges	2,080
Depreciation	<u>12,805</u>
Total operating expenses	<u>15,209</u>
Operating income	31,402
Nonoperating Expense:	
Interest	<u>19,867</u>
Change in net position	11,535
Net Position, beginning, as restated	<u>98,218</u>
Net Position, ending	<u><u>\$ 109,753</u></u>

TOWN OF BRIDGEWATER, VIRGINIA

STATEMENT OF CASH FLOWS DISCRETELY PRESENTED COMPONENT UNIT – INDUSTRIAL DEVELOPMENT AUTHORITY Year Ended June 30, 2017

Cash Flows From Operating Activities:	
Receipts from customers	\$ 44,200
Payments to suppliers for goods and services	(2,080)
Payments to employees for services and benefits	(324)
Net cash provided by operating activities	<u>41,796</u>
Cash Flows From Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(23,341)
Principal paid on:	
General obligation bonds	(14,232)
Interest paid on outstanding debt	(19,941)
Net cash used in capital and related financing activities	<u>(57,514)</u>
Cash Flows From Investing Activities:	
Principal from collection of note receivable	12,128
Net cash provided by investing activities	<u>12,128</u>
Net change in cash	(3,590)
Cash:	
Beginning	<u>42,456</u>
Ending	<u>\$ 38,866</u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:	
Operating income	\$ 31,402
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	12,805
Decrease in unearned revenue	(2,411)
Net cash provided by operating activities	<u>\$ 41,796</u>

TOWN OF BRIDGEWATER, VIRGINIA

**SCHEDULE OF REVENUE BONDS OUTSTANDING
DISCRETELY PRESENTED COMPONENT UNIT –
INDUSTRIAL DEVELOPMENT AUTHORITY
June 30, 2017**

Issued on Behalf of	Amount Issued	Date of Issue	Outstanding June 30, 2017	Stated Interest Rate	Date of Maturity	Name of Trustee
Bridgewater Home - Series 2013 A	\$ 4,053,540	06/05/13	\$ 2,806,297	1.52%	06/05/26	SunTrust Bank
Bridgewater Village - Series 2013 B	3,716,890	06/05/13	2,654,921	1.52%	06/05/27	SunTrust Bank
Bridgewater College - Educational Revenue	3,783,629	11/03/15	<u>3,659,209</u>	2.28%	04/01/31	Bank of the James
			<u>\$ 9,120,427</u>			

TOWN OF BRIDGEWATER, VIRGINIA

SCHEDULE OF CHANGES IN REVENUE BONDS OUTSTANDING DISCRETELY PRESENTED COMPONENT UNIT – INDUSTRIAL DEVELOPMENT AUTHORITY Year Ended June 30, 2017

Issued on Behalf of	Date of Issue	Outstanding July 1, 2016	Outstanding June 30, 2017	Increase (Decrease)
Bridgewater College - 2012	08/24/12	\$ 1,451,486	\$ -	\$ (1,451,486)
Bridgewater Home - Series 2013 A	06/05/13	3,118,108	2,806,297	(311,811)
Bridgewater Village - Series 2013 B	06/05/13	2,920,413	2,654,921	(265,492)
Bridgewater College - Educational Revenue	11/03/15	3,783,629	3,659,209	(124,420)
Totals		\$ 11,273,636	\$ 9,120,427	\$ (2,153,209)

Note: This schedule is based upon statements of the respective fiduciaries.

STATISTICAL SECTION

TOWN OF BRIDGEWATER, VIRGINIA

STATISTICAL SECTION TABLE OF CONTENTS

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

Contents	Tables
Financial Trends These tables contain trend information to help the reader understand how the Town's financial performance and financial well being have changed over time.	1-5
Revenue Capacity These tables contain information to help the reader assess the Town's most significant local revenue sources, the property tax, as well as other revenue sources.	6-10
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.	11-14
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.	15
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.	16

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

TOWN OF BRIDGEWATER, VIRGINIA

Table 1

NET POSITION / ASSETS BY COMPONENT

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
Net investment in capital assets	\$ 1,764,563	\$ 2,144,020	\$ 2,256,573	\$ 2,409,533	\$ 2,177,934	\$ 2,471,324	\$ 2,599,041	\$ 2,458,550	\$ 2,983,582	\$ 3,736,218
Restricted	20,107	20,896	21,640	22,774	22,884	22,884	22,884	836,130	22,382	22,403
Unrestricted (deficit)	255,937	(94,208)	76,087	247,986	274,804	243,717	478,614	(567,221)	97,911	(657,869)
Total governmental activities net assets	<u>\$ 2,040,607</u>	<u>\$ 2,070,708</u>	<u>\$ 2,354,300</u>	<u>\$ 2,680,293</u>	<u>\$ 2,475,622</u>					
Total governmental activities net position						<u>\$ 2,737,925</u>	<u>\$ 3,100,539</u>	<u>\$ 2,727,459</u>	<u>\$ 3,103,875</u>	<u>\$ 3,100,752</u>
Business-type activities:										
Net investment in capital assets	\$ 1,424,292	\$ 1,587,711	\$ 1,578,327	\$ 1,590,879	\$ 1,682,446	\$ 1,763,316	\$ 1,510,862	\$ 1,908,627	\$ 2,133,564	\$ 2,075,168
Unrestricted	8,108	128,309	116,214	113,563	165,764	143,719	175,474	10,321	91,676	120,839
Total business-type activities net assets	<u>\$ 1,432,400</u>	<u>\$ 1,716,020</u>	<u>\$ 1,694,541</u>	<u>\$ 1,704,442</u>	<u>\$ 1,848,210</u>					
Total business-type activities net position						<u>\$ 1,907,035</u>	<u>\$ 1,686,336</u>	<u>\$ 1,918,948</u>	<u>\$ 2,225,240</u>	<u>\$ 2,196,007</u>
Primary government:										
Net investment in capital assets	\$ 3,188,855	\$ 3,731,731	\$ 3,834,900	\$ 4,000,412	\$ 3,860,380	\$ 4,234,640	\$ 4,109,903	\$ 4,367,177	\$ 5,117,146	\$ 5,811,386
Restricted	20,107	20,896	21,640	22,774	22,884	22,884	22,884	836,130	22,382	22,403
Unrestricted (deficit)	264,045	34,101	192,301	361,549	440,568	387,436	654,088	(556,900)	189,587	(537,030)
Total primary government net assets	<u>\$ 3,473,007</u>	<u>\$ 3,786,728</u>	<u>\$ 4,048,841</u>	<u>\$ 4,384,735</u>	<u>\$ 4,323,832</u>					
Total primary government net position						<u>\$ 4,644,960</u>	<u>\$ 4,786,875</u>	<u>\$ 4,646,407</u>	<u>\$ 5,329,115</u>	<u>\$ 5,296,759</u>
							(2)			

Notes:

- (1) This table reports financial information based on the accrual basis of accounting. The Town implemented GASB Statement No. 63, the new reporting standard, in fiscal year 2013. This standard eliminated the use of the term 'net assets' and now refers to this measurement as 'net position.'
- (2) June 30, 2014 net position was restated for the implementation of GASB Statement No. 68 which reduced net position by \$889,654.

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,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses:										
Governmental activities:										
General government administration	\$ 643,634	\$ 623,112	\$ 670,323	\$ 687,128	\$ 715,110	\$ 709,603	\$ 765,232	\$ 786,203	\$ 1,064,171	\$ 780,506
Public safety	723,798	714,959	768,602	796,247	861,318	826,648	833,948	812,586	815,116	784,779
Public works	1,890,305	1,722,205	1,268,346	1,170,542	2,101,001	1,302,538	1,298,405	1,369,850	2,012,876	1,919,106
Parks, recreation and cultural	440,790	426,139	407,530	448,454	428,657	426,733	482,013	464,969	670,901	740,707
Community and economic development	107,656	119,217	99,609	171,500	90,496	111,075	101,847	108,566	145,009	151,255
Interest	115,215	99,525	91,890	80,004	56,092	39,946	32,738	39,846	53,294	56,345
Total governmental activities	3,921,398	3,705,157	3,306,300	3,353,875	4,252,674	3,416,543	3,514,183	3,582,020	4,761,367	4,432,698
Business-type activities:										
Water, sewer and sanitation	1,574,221	2,059,887	2,151,399	2,285,051	2,474,727	2,500,118	2,592,145	2,478,288	2,424,121	2,631,063
Stormwater Management	-	-	-	-	-	-	70,626	58,743	171,900	222,050
Total business-type activities	1,574,221	2,059,887	2,151,399	2,285,051	2,474,727	2,500,118	2,662,771	2,537,031	2,596,021	2,853,113
Total government	5,495,619	5,765,044	5,457,699	5,638,926	6,727,401	5,916,661	6,176,954	6,119,051	7,357,388	7,285,811
Program revenue:										
Governmental activities:										
Charges for services:										
General government administration	-	-	-	-	-	-	-	-	-	485
Public safety	38,623	36,059	50,936	55,982	40,862	45,819	42,796	45,083	45,313	25,907
Public works	356,484	-	-	-	-	-	-	-	-	6,025
Parks, recreation and cultural	-	-	-	-	-	-	-	-	-	114,967
Operating grants and contributions:										
Public safety	157,503	173,053	189,271	193,197	183,947	185,342	174,442	175,484	308,443	179,549
Public works	567,653	908,566	648,682	645,407	1,259,493	668,965	653,460	728,114	1,057,811	819,933
Capital grants and contributions:										
General government administration	-	-	-	85,000	-	-	-	-	-	-
Public safety	-	122,616	-	-	15,390	-	-	-	-	-
Public works	-	-	19,265	-	11,653	18,544	-	-	-	-
Parks, recreation and cultural	-	-	-	-	-	-	-	-	-	7,750
Total governmental activities program revenue	1,120,263	1,240,294	908,154	979,586	1,511,345	918,670	870,698	948,681	1,411,567	1,154,616
Business-type activities:										
Charges for services:										
Water, sewer and sanitation	2,053,454	2,694,112	2,699,253	2,653,193	2,875,705	2,944,344	2,935,832	2,947,948	3,087,391	3,187,973
Stormwater Management	-	-	-	-	-	-	78,512	79,863	71,747	100,088
Capital grants and contributions:										
Water, sewer and sanitation	184,701	91,695	122,500	247,277	85,796	54,000	67,500	300,141	226,982	210,119
Total business-type activities program revenue	2,238,155	2,785,807	2,821,753	2,900,470	2,961,501	2,998,344	3,081,844	3,327,952	3,386,120	3,498,180
Total government program revenue	3,358,418	4,026,101	3,729,907	3,880,056	4,472,846	3,917,014	3,952,542	4,276,633	4,797,687	4,652,796
Net (expense) revenue:										
Governmental activities	(2,801,135)	(2,464,863)	(2,398,146)	(2,374,289)	(2,741,329)	(2,497,873)	(2,643,485)	(2,633,339)	(3,349,800)	(3,278,082)
Business-type activities	663,934	725,920	670,354	615,419	486,774	498,226	419,073	790,921	790,099	645,067
Total government net expense	(2,137,201)	(1,738,943)	(1,727,792)	(1,758,870)	(2,254,555)	(1,999,647)	(2,224,412)	(1,842,418)	(2,559,701)	(2,633,015)

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,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General revenues and other changes in net assets:										
Governmental activities:										
Taxes:										
General property	\$ 598,321	\$ 589,737	\$ 557,891	\$ 560,335	\$ 538,464	\$ 506,468	\$ 554,897	\$ 576,922	\$ 590,960	\$ 611,129
Consumer utility and communications sales and use	426,005	371,762	359,461	274,780	393,629	386,397	385,779	387,647	387,969	388,104
Meals	307,594	311,681	320,339	360,040	347,099	396,659	446,307	466,633	530,632	548,988
Local sales and use	170,441	166,599	131,990	162,442	168,211	247,769	160,076	160,706	198,749	192,639
Bank stock	61,822	71,495	89,615	108,360	95,393	101,619	107,330	146,696	150,249	154,259
Business license	163,835	172,228	180,397	172,147	199,905	206,776	217,335	223,970	224,118	220,114
Other	117,777	117,150	117,351	98,454	122,680	150,383	136,486	144,678	138,536	141,781
Intergovernmental, non-categorical aid	103,602	108,229	98,614	198,644	195,902	198,768	191,976	197,996	191,335	187,398
Use of money and property	96,664	89,428	88,035	77,000	81,329	68,678	90,455	87,468	175,097	96,141
Miscellaneous	36,564	31,159	22,238	52,583	17,505	20,335	32,980	160,142	621,785	26,134
Transfers	712,847	465,496	715,807	635,497	376,541	476,324	682,478	298,487	516,786	708,272
Total governmental activities	2,795,472	2,494,964	2,681,738	2,700,282	2,536,658	2,760,176	3,006,099	2,851,345	3,726,216	3,274,959
Business-type activities:										
Miscellaneous	35,407	23,196	23,974	29,979	33,535	36,923	42,706	38,746	32,979	33,972
Transfers	(712,847)	(465,496)	(715,807)	(635,497)	(376,541)	(476,324)	(682,478)	(298,487)	(516,786)	(708,272)
Total business-type activities	(677,440)	(442,300)	(691,833)	(605,518)	(343,006)	(439,401)	(639,772)	(259,741)	(483,807)	(674,300)
Total primary government	2,118,032	2,052,664	1,989,905	2,094,764	2,193,652	2,320,775	2,366,327	2,591,604	3,242,409	2,600,659
Changes in net assets:										
Governmental activities	(5,663)	30,101	283,592	325,993	(204,671)					
Business-type activities	(13,506)	283,620	(21,479)	9,901	143,768					
Total primary government	\$ (19,169)	\$ 313,721	\$ 262,113	\$ 335,894	\$ (60,903)					
Changes in net position:										
Governmental activities						262,303	362,614	218,006	376,416	(3,123)
Business-type activities						58,825	(220,699)	531,180	306,292	(29,233)
Total primary government						\$ 321,128	\$ 141,915	\$ 749,186	\$ 682,708	\$ (32,356)

Notes:

- (1) Net (expense) revenue is the difference between the expenses and program revenues. This difference indicates the degree to which a function or program is supported with its own fees and program-specific grants versus its reliance upon funding from taxes and other general revenues. Numbers in parentheses are net expenses indicating that expenses were greater than program revenues and, therefore, general revenues were needed to finance that function or program. Numbers without parentheses are net revenues, demonstrating that program revenues were more than sufficient to cover expenses.
- (2) Sanitation activities and accounts were transferred from governmental activities to business-type activities during fiscal year 2009.
- (3) In fiscal year 2011, the Town implemented the Auditor of Public Accounts' requirement that communication sales and use tax be reported as non-categorical state aid instead of other local taxes as previously reported.
- (4) This table reports financial information based on the accrual basis of accounting. The Town implemented GASB Statement No. 63, the new reporting standard, in fiscal year 2013. This standard eliminated the use of the term 'net assets' and now refers to this measurement as 'net position.'
- (5) In fiscal year 2016, the Town sold property for \$590,722 and was classified as miscellaneous revenue on the Statement of Activities.

PROGRAM REVENUES BY FUNCTION / PROGRAM

Last Ten Fiscal Years

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

Function/Program	Fiscal Year June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
General government administration	\$ -	\$ -	\$ -	\$ 85,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 485
Public safety	196,126	331,728	240,207	249,179	240,199	231,161	217,238	220,567	353,756	205,456
Public works	924,137	908,566	667,947	645,407	1,271,146	687,509	653,460	728,114	1,057,811	825,958
Parks, recreation and cultural	-	-	-	-	-	-	-	-	-	122,717
Total governmental activities	1,120,263	1,240,294	908,154	979,586	1,511,345	918,670	870,698	948,681	1,411,567	1,154,616
Business-type activities:										
Water, sewer and sanitation	2,238,155	2,785,807	2,821,753	2,900,470	2,961,501	2,998,344	3,003,332	3,248,089	3,314,373	3,398,092
Stormwater management	-	-	-	-	-	-	78,512	79,863	71,747	100,088
Total business-type activities	2,238,155	2,785,807	2,821,753	2,900,470	2,961,501	2,998,344	3,081,844	3,327,952	3,386,120	3,498,180
Total government	\$ 3,358,418	\$ 4,026,101	\$ 3,729,907	\$ 3,880,056	\$ 4,472,846	\$ 3,917,014	\$ 3,952,542	\$ 4,276,633	\$ 4,797,687	\$ 4,652,796

Notes:

- (1) Sanitation activities and accounts were transferred from governmental activities to business-type activities during fiscal year 2009.
- (2) During fiscal year 2011, the general government received a land donation from the Industrial Development Authority of the Town of Bridgewater for economic development purposes.

TOWN OF BRIDGEWATER, VIRGINIA

Table 4

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

		Fiscal Year June 30,				
		2008	2009	2010	2011	2012
General Fund:						
Reserved		\$ 14,836	\$ 45,305	\$ 11,817	\$ -	\$ -
Unreserved		362,480	(18,849)	217,297	-	-
Committed		-	-	-	10,000	10,000
Unassigned		-	-	-	427,550	483,281
Total General Fund		\$ 377,316	\$ 26,456	\$ 229,114	\$ 437,550	\$ 493,281
All Other Governmental Funds:						
Reserved		\$ 20,107	\$ 20,896	\$ 21,640	\$ -	\$ -
Nonspendable		-	-	-	6,000	6,000
Restricted		-	-	-	16,774	16,774
Total all other governmental funds		\$ 20,107	\$ 20,896	\$ 21,640	\$ 22,774	\$ 22,774

		Fiscal Year June 30,				
		2013	2014	2015	2016	2017
General Fund:						
Restricted		\$ -	\$ -	\$ 813,754	\$ -	\$ -
Assigned		-	-	82,000	-	10,000
Committed		10,000	10,000	-	-	-
Unassigned		485,544	731,144	168,287	896,320	90,347
Total General Fund		\$ 495,544	\$ 741,144	\$ 1,064,041	\$ 896,320	\$ 100,347
All Other Governmental Funds:						
Nonspendable		\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000
Restricted		16,884	16,884	16,376	16,382	16,403
Total all other governmental funds		\$ 22,884	\$ 22,884	\$ 22,376	\$ 22,382	\$ 22,403

Note:

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

TOWN OF BRIDGEWATER, VIRGINIA

Table 5
Page 1

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues:										
General property taxes	\$ 600,321	\$ 585,737	\$ 556,891	\$ 558,335	\$ 541,464	\$ 509,468	\$ 542,897	\$ 579,922	\$ 593,960	\$ 611,129
Other local taxes	1,247,474	1,210,915	1,199,153	1,176,223	1,326,917	1,489,603	1,453,313	1,530,330	1,630,253	1,645,885
Permits and other licenses	3,534	4,021	7,070	4,144	3,425	2,965	3,078	4,160	3,499	6,510
Fines and forfeitures	35,089	32,038	43,866	51,838	37,437	42,854	39,718	40,923	41,814	25,907
Use of money and property	97,698	89,428	88,035	77,000	81,329	68,678	90,455	87,468	92,345	96,141
Charges for services	355,450	-	-	-	-	-	-	-	56,976	114,967
Miscellaneous	36,564	31,159	22,238	52,583	17,505	20,335	32,980	160,142	56,833	26,134
Intergovernmental	828,758	1,189,848	936,567	1,037,248	1,639,342	1,053,075	1,019,878	1,101,594	1,557,589	1,186,880
Total revenues	3,204,888	3,143,146	2,853,820	2,957,371	3,647,419	3,186,978	3,182,319	3,504,539	4,033,269	3,713,553
Expenditures:										
General government administration	627,972	595,075	618,210	646,078	674,207	676,800	734,129	770,265	760,492	771,999
Public safety	763,730	714,718	730,825	725,534	835,013	767,068	825,896	878,516	953,365	769,232
Public works	1,817,252	1,843,837	1,233,689	1,127,277	2,090,014	1,311,656	1,245,008	1,418,584	2,273,855	2,492,724
Parks, recreation and cultural	505,561	429,787	356,422	400,891	389,595	461,846	445,772	1,174,047	1,515,081	745,407
Community and economic development	107,656	119,217	99,236	170,291	90,406	109,124	117,737	109,003	137,385	150,315
Debt service:										
Principal	281,183	220,275	229,674	229,965	230,266	291,996	216,520	146,785	164,155	230,147
Interest and fiscal charges	120,311	100,327	98,169	83,262	48,618	42,549	34,135	38,437	48,165	57,953
Total expenditures	4,223,665	4,023,236	3,366,225	3,383,298	4,358,119	3,661,039	3,619,197	4,535,637	5,852,498	5,217,777
Revenues under expenditures	(1,018,777)	(880,090)	(512,405)	(425,927)	(710,700)	(474,061)	(436,878)	(1,031,098)	(1,819,229)	(1,504,224)
Other financing sources (uses):										
Sale of capital asset	-	-	-	-	-	-	-	-	590,722	-
Transfers in	712,847	480,019	715,807	635,497	376,541	476,324	682,478	298,487	618,780	841,971
Transfers out	-	-	-	-	-	-	-	-	(101,994)	(133,699)
Issuance of debt	-	50,000	-	-	390,000	-	-	1,055,000	544,000	-
Issuance of short-term debt	-	-	295,000	-	-	-	-	-	-	-
Payment of short-term debt	-	-	(295,000)	-	-	-	-	-	-	-
Total other financing sources, net	712,847	530,019	715,807	635,497	766,541	476,324	682,478	1,353,487	1,651,508	708,272
Net change in fund balances	\$ (305,930)	\$ (350,071)	\$ 203,402	\$ 209,570	\$ 55,841	\$ 2,263	\$ 245,600	\$ 322,389	\$ (167,721)	\$ (795,952)

TOWN OF BRIDGEWATER, VIRGINIA

Table 5
Page 2

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt service as a percentage of noncapital expenditures:										
Total debt service	\$ 401,494	\$ 320,602	\$ 327,843	\$ 313,227	\$ 278,884	\$ 334,545	\$ 250,655	\$ 185,222	\$ 212,320	\$ 288,100
Total expenditures	\$ 4,223,665	\$ 4,023,236	\$ 3,366,225	\$ 3,383,298	\$ 4,358,119	\$ 3,661,039	\$ 3,619,197	\$ 4,535,637	\$ 5,852,498	\$ 5,217,777
Less: capital outlay	(215,429)	(389,155)	(68,265)	(7,657)	(76,643)	(151,506)	(60,365)	(910,084)	(1,398,661)	(769,033)
Noncapital expenditures	\$ 4,008,236	\$ 3,634,081	\$ 3,297,960	\$ 3,375,641	\$ 4,281,476	\$ 3,509,533	\$ 3,558,832	\$ 3,625,553	\$ 4,453,837	\$ 4,448,744
Debt service as a percentage of noncapital expenditures	10.02%	8.82%	9.94%	9.28%	6.51%	9.53%	7.04%	5.11%	4.77%	6.48%

Note:

- (1) The amounts used for capital outlay were obtained from the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance 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	Communication Sales and Use	Cigarette	Totals
2008	\$ 600,321	\$ 327,288	\$ 25,649	\$ 170,441	\$ 61,822	\$ 307,594	\$ 15,047	\$ 163,835	\$ 77,081	\$ 98,717	\$ -	\$ 1,847,795
2009	585,737	275,634	25,298	166,599	71,495	311,681	15,032	172,228	76,820	96,128	-	1,796,652
2010	556,891	266,268	24,493	131,990	89,615	320,339	17,404	180,397	75,454	93,193	-	1,756,044
2011	558,335	274,780	25,108	162,442	108,360	360,040	15,158	172,147	58,188	-	-	1,734,558
2012	541,464	393,629	24,594	168,211	95,393	347,099	13,171	199,905	84,915	-	-	1,868,381
2013	509,468	386,397	24,672	247,769	101,619	396,659	14,082	206,776	87,377	-	24,252	1,999,071
2014	542,897	385,779	24,893	160,076	107,330	446,307	13,978	217,335	75,473	-	22,142	1,996,210
2015	579,922	387,647	24,874	160,706	146,696	466,633	14,842	223,970	82,995	-	21,967	2,110,252
2016	593,960	387,969	24,225	198,749	150,249	530,632	11,983	224,118	81,893	-	20,435	2,224,213
2017	611,129	388,104	24,186	192,639	154,259	548,988	13,324	220,114	84,417	-	19,854	2,257,014
Change 2008-2017	1.80%	18.58%	-5.70%	13.02%	149.52%	78.48%	-11.45%	34.35%	9.52%	-100.00%	100.00%	22.15%

Notes:

- (1) Beginning January 1, 2007, the Commonwealth of Virginia began collecting Consumer Utility and Cable Franchise taxes on behalf of the Town. This revenue is shown as Communication Sales and Use through June 30, 2010.
- (2) In fiscal year 2011, the Town implemented the Auditor of Public Accounts' requirement that Communication Sales and Use Tax be reported as non-categorical state aid instead of other local taxes as described in Note 1.

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
2008	\$ 373,604,271	\$ 5,261,795	\$ 162,528,650	\$ 541,394,716	\$ 378,866,066	0.66%	\$ 0.08	\$ 378,866,066	100.00%
2009	375,779,954	4,870,702	162,774,050	543,424,706	380,650,656	0.47%	0.08	380,650,656	100.00%
2010	382,695,690	5,088,222	175,783,800	563,567,712	387,783,912	1.87%	0.08	387,783,912	100.00%
2011	389,052,878	5,795,586	189,175,750	584,024,214	394,848,464	1.82%	0.08	394,848,464	100.00%
2012	392,261,009	5,829,251	189,573,100	587,663,360	398,090,260	0.82%	0.08	398,090,260	100.00%
2013	395,914,725	5,912,756	191,489,150	593,316,631	401,827,481	0.94%	0.09	401,827,481	100.00%
2014	405,446,028	6,131,545	197,048,600	608,626,173	411,577,573	2.43%	0.09	411,577,573	100.00%
2015	409,796,273	6,429,834	200,667,200	616,893,307	416,226,107	1.13%	0.09	416,226,107	100.00%
2016	411,823,951	7,015,135	201,132,900	619,971,986	418,839,086	0.63%	0.09	418,839,086	100.00%
2017	413,540,334	7,256,522	201,203,800	622,000,656	420,796,856	0.47%	0.09	420,796,856	100.00%

Notes:

- (1) Real and personal property tax assessments are made by the Commissioner of the Revenue for the County of Rockingham, Virginia for current use of the County and Town property. Real and personal property taxes of public service corporations are assessed by the State Corporation Commission.
- (2) Town assesses taxes at 100% of total assessed value.
- (3) Reassessments effective January 1, 2010 and 2014.
- (4) The total direct tax rate is per \$100 of assessed value.

TOWN OF BRIDGEWATER, VIRGINIA

Table 8

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last Ten Fiscal Years

(Unaudited)

Fiscal Year June 30,	Tax Rates - Town			Tax Rates - Rockingham County			Tax Rates - Combined		
	Real Property	Personal Property	Machinery and Tools	Real Property	Personal Property	Machinery and Tools	Real Property	Personal Property	Machinery and Tools
2008	\$ 0.08	\$ 0.75	\$ 0.75	\$ 0.60	\$ 2.80	\$ 2.55	\$ 0.68	\$ 3.55	\$ 3.30
2009	0.08	0.75	0.75	0.60	2.80	2.55	0.68	3.55	3.30
2010	0.08	0.75	0.75	0.60	2.80	2.55	0.68	3.55	3.30
2011	0.08	0.75	0.75	0.60	2.80	2.55	0.68	3.55	3.30
2012	0.08	0.75	0.38	0.64	2.85	2.55	0.72	3.60	2.93
2013	0.09	0.75	-	0.64	2.85	2.55	0.73	3.60	2.55
2014	0.09	0.75	-	0.64	2.85	2.55	0.73	3.60	2.55
2015	0.09	0.75	-	0.66	2.90	2.55	0.75	3.65	2.55
2016	0.09	0.75	-	0.68/0.70	2.90	2.55	0.77/0.79	3.65	2.55
2017	0.09	0.75	-	0.70	2.90	2.55	0.79	3.65	2.55

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.
- (4) No discounts are allowed for early payment.
- (5) Residents of incorporated towns in the Commonwealth of Virginia are subject to real property and personal property taxes levied by the town and the county where they reside.

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

(Unaudited)

Taxpayer	2017			2008		
	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value
Bridgewater Retirement Village	\$ 45,881,600	1	11.13%	\$ 39,622,000	1	10.56%
Tiben Limited Company (Marshall's)	14,593,400	2	3.54%	18,928,900	2	5.05%
French, Larry B and Pamela	5,366,400	3	1.30%	2,931,600	4	0.78%
Perdue Farms, Inc.	5,133,900	4	1.25%	10,034,800	3	2.68%
North Grove Rentals, LLC	2,119,000	5	0.51%	-		-
Heatwole Construction	2,002,500	6	0.49%	2,636,800	5	0.70%
Ashby 28, LLC	1,833,100	7	0.44%	1,356,000	8	0.36%
A Bird in Hand Land, LLC	1,598,900	8	0.39%	1,541,300	6	0.41%
Newland Enterprises	1,594,300	9	0.39%	-		-
Good Printers, Inc.	1,568,500	10	0.38%	1,540,900	7	0.41%
Long, William J. Revocable Trust	-		-	1,265,200	9	0.34%
Shickel Machine Shop, Inc.	-		-	1,260,700	10	0.34%
Total	\$ 81,691,600		19.82%	\$ 81,118,200		21.63%

Source: Treasurer

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
2008	\$ 299,908	\$ 293,160	97.75%	\$ 6,748	\$ 299,908	100.00%
2009	303,025	298,634	98.55%	4,269	302,903	99.96%
2010	307,056	302,094	98.38%	4,844	306,938	99.96%
2011	312,031	305,715	97.98%	6,201	311,916	99.96%
2012	314,036	309,769	98.64%	4,152	313,921	99.96%
2013	335,295	330,693	98.63%	4,288	334,981	99.91%
2014	362,129	357,687	98.77%	4,106	361,793	99.91%
2015	367,506	363,278	98.85%	3,888	367,166	99.91%
2016	370,491	368,206	99.38%	1,695	369,901	99.84%
2017	373,345	369,909	99.08%	-	369,909	99.08%

Source: Treasurer

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				Percentage of Per Capita Personal Income	Debt Per Capita	General Bonded Debt	Percentage	General Bonded Debt
									Outstanding	of Actual	Outstanding
									General	Taxable	Debt
	Obligation Bonds	Note	Revenue Bonds	Note	Capital Leases	Total			Obligation Bonds	Value of Property	Per Capita
2008	\$ 2,205,300	\$ 53,022	\$ 540,100	\$ -	\$ 171,177	\$ 2,969,599	1.76%	\$ 547	\$ 2,205,300	0.58%	\$ 407
2009	1,806,625	50,000	588,675	149,049	129,295	2,723,644	1.64%	502	1,806,625	0.47%	333
2010	1,586,350	40,601	458,850	110,143	85,092	2,281,036	1.38%	421	1,586,350	0.41%	293
2011	1,366,075	30,911	329,025	69,858	32,380	1,828,249	1.06%	324	1,366,075	0.35%	242
2012	1,535,800	20,920	199,200	47,279	-	1,803,199	0.97%	319	1,535,800	0.39%	272
2013	1,264,724	-	62,500	-	35,200	1,362,424	0.71%	241	1,264,724	0.31%	224
2014	1,048,204	-	550,000	-	8,800	1,607,004	0.81%	273	1,048,204	0.25%	178
2015	1,956,419	-	495,000	-	-	2,451,419	N/A	417	1,956,419	0.47%	333
2016	2,336,264	-	630,000	-	198,001	3,164,265	N/A	537	2,336,264	0.56%	397
2017	2,106,117	-	565,445	-	153,123	2,824,685	N/A	467	2,106,117	0.50%	348

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.

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**Year Ended June 30, 2017****(Unaudited)**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Rockingham County, Virginia	\$ 84,370,318	5.44%	\$ 4,589,745
Town Direct Debt			<u>2,106,117</u>
Total direct and overlapping debt			<u><u>\$ 6,695,862</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,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Legal debt margin	\$ 46,013,039	\$ 46,203,768	\$ 38,778,391	\$ 39,484,846	\$ 39,809,026	\$ 40,182,748	\$ 41,157,757	\$ 41,622,611	\$ 41,883,909	\$ 42,079,686
Total net debt applicable to limit	2,258,322	1,856,625	1,626,951	1,396,986	1,556,720	1,264,724	1,048,204	1,956,419	2,336,264	2,106,117
Available legal debt margin	\$ 43,754,717	\$ 44,347,143	\$ 37,151,440	\$ 38,087,860	\$ 38,252,306	\$ 38,918,024	\$ 40,109,553	\$ 39,666,192	\$ 39,547,645	\$ 39,973,569
Total net debt applicable to the limit as a percentage of debt limit	4.91%	4.02%	4.20%	3.54%	3.91%	3.15%	2.55%	4.70%	5.58%	5.01%

Legal debt margin calculation for fiscal year 2017:

Assessed value of real estate	<u>\$ 420,796,856</u>
Debt limit (10% of assessed value)	\$ 42,079,686
Debt applicable to limit:	
Net direct debt outstanding	<u>2,106,117</u>
Available legal debt margin	<u>\$ 39,973,569</u>

Summary of outstanding debt:

Gross bonded debt	\$ 2,824,685
Less: enterprise debt	<u>718,568</u>
	<u>\$ 2,106,117</u>

Note:

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

BOND COVERAGE
Last Ten Fiscal Years
(Unaudited)

Fiscal Year June 30,	Water, Sewer and Sanitation Fund						
	Utility	Operating	Net	Debt Service			Total
	Service Charges	Expenses	Available Revenue	Principal	Interest	Totals	Coverage
2008	\$ 2,273,562	\$ 1,369,202	\$ 904,360	\$ 85,225	\$ 33,825	\$ 119,050	\$ 7.60
2009	2,802,941	1,787,157	1,015,784	129,825	44,556	174,381	5.83
2010	2,845,727	1,890,241	955,486	129,825	30,362	160,187	5.96
2011	2,930,449	2,038,042	892,407	129,825	21,694	151,519	5.89
2012	2,990,240	2,240,339	749,901	129,825	14,975	144,800	5.18
2013	2,981,267	2,267,085	714,182	136,700	7,830	144,530	4.94
2014	2,978,538	2,386,931	591,607	62,500	7,184	69,684	8.49
2015	2,986,694	2,283,122	703,572	55,000	10,920	65,920	10.67
2016	3,120,370	2,179,720	940,650	55,000	15,036	70,036	13.43
2017	3,221,945	2,365,789	856,156	64,555	19,265	83,820	10.21

Notes:

- (1) Utility service charges includes all revenues of the fund except gains on sales of capital assets, developer donated assets, capital grants, and transfers in.
- (2) Operating expenses are exclusive of depreciation, amortization, interest expense, losses on sales of capital assets, and transfers out.
- (3) Sanitation accounts were transferred from the general government to the proprietary fund during fiscal year 2009.

DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Calendar Years
(Unaudited)

Calendar Year	(1) Population	Personal Income	(2) Per Capita Personal Income	(3) Unemployment Rate
2008	5,424	\$ 168,442,320	\$ 31,055	3.5%
2009	5,424	166,370,352	30,673	6.4%
2010	5,420	165,044,420	30,451	6.3%
2011	5,644	173,197,428	30,687	5.9%
2012	5,644	186,240,712	32,998	5.5%
2013	5,644	192,832,904	34,166	5.0%
2014	5,879	198,139,937	33,703	4.5%
2015	5,879	209,880,300	35,700	4.6%
2016	5,889	(4)	(4)	3.7%
2017	6,048	(4)	(4)	3.4%

Notes:

- (1) Population estimates obtained from the United States Bureau of the Census for years 2008 through 2017.
- (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 years 2008 through 2009 from the Virginia Employment Commission - Harrisonburg/Rockingham County Branch; 2010 through 2017 information was obtained 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,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government administration:										
Legislative:										
Superintendent's office	2	2	2	2	2	2	2	2	3	3
Treasurer's office	3	3	3	3	3	3	3	3	3	3
Public safety:										
Law enforcement and traffic control	9	9	9	9	9	9	9	9	9	9
Public works:										
Public works department	4	4	3	3	3	4	4	3	4	4
Maintenance	6	6	6	7	6	6	6	5	5	5
General properties	6	5	5	5	5	5	5	5	5	5
Parks, recreation and cultural	4	4	4	4	4	5	6	5	8	9
Water, Sewer and Sanitation:										
Administration	1	1	1	1	1	1	1	1	1	1
Transmission	6	6	6	6	5	5	5	5	5	5
Purification	5	5	5	5	5	5	5	5	5	5
Sewer maintenance	2	2	2	2	2	2	2	2	2	2
Sanitation	5	5	5	5	5	5	6	6	6	6
Total	53	52	51	52	50	52	54	51	56	57

Note:

(1) Sanitation activities and accounts were transferred from governmental activities to business-type activities during fiscal year 2009.

COMPLIANCE SECTION



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparison of the General Fund of the Town of Bridgewater, Virginia (Town) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 2, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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. We did identify a deficiency in internal control as described in the accompanying Schedule of Finding and Response as 2017-001 that we consider to be a material weakness.

Compliance and Other Matters

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

Town's Response to Finding

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

Purpose of this Report

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

P. B. Mares, LLP

Harrisonburg, Virginia
October 2, 2017

TOWN OF BRIDGWATER, VIRGINIA

SCHEDULE OF FINDING AND RESPONSE

Year Ended June 30, 2017

FINDING RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

A. Material Weakness in Internal Control

2017-001 Material Weakness Due to Material Audit Adjustments

Criteria: The year-end financial statements obtained from the Town and Industrial Development Authority (IDA) to be audited should be final and free of material misstatements.

Condition: Upon auditing the IDA's year-end balances, entries were required to restate prior periods to record a note receivable not previously recorded and remove capital assets not owned by the IDA.

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

Cause: There was a lack of review to ensure the items noted above regarding the IDA were accurately recorded.

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

Management's Response

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.

