

TOWN OF BRIDGEWATER, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2018



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, 2018

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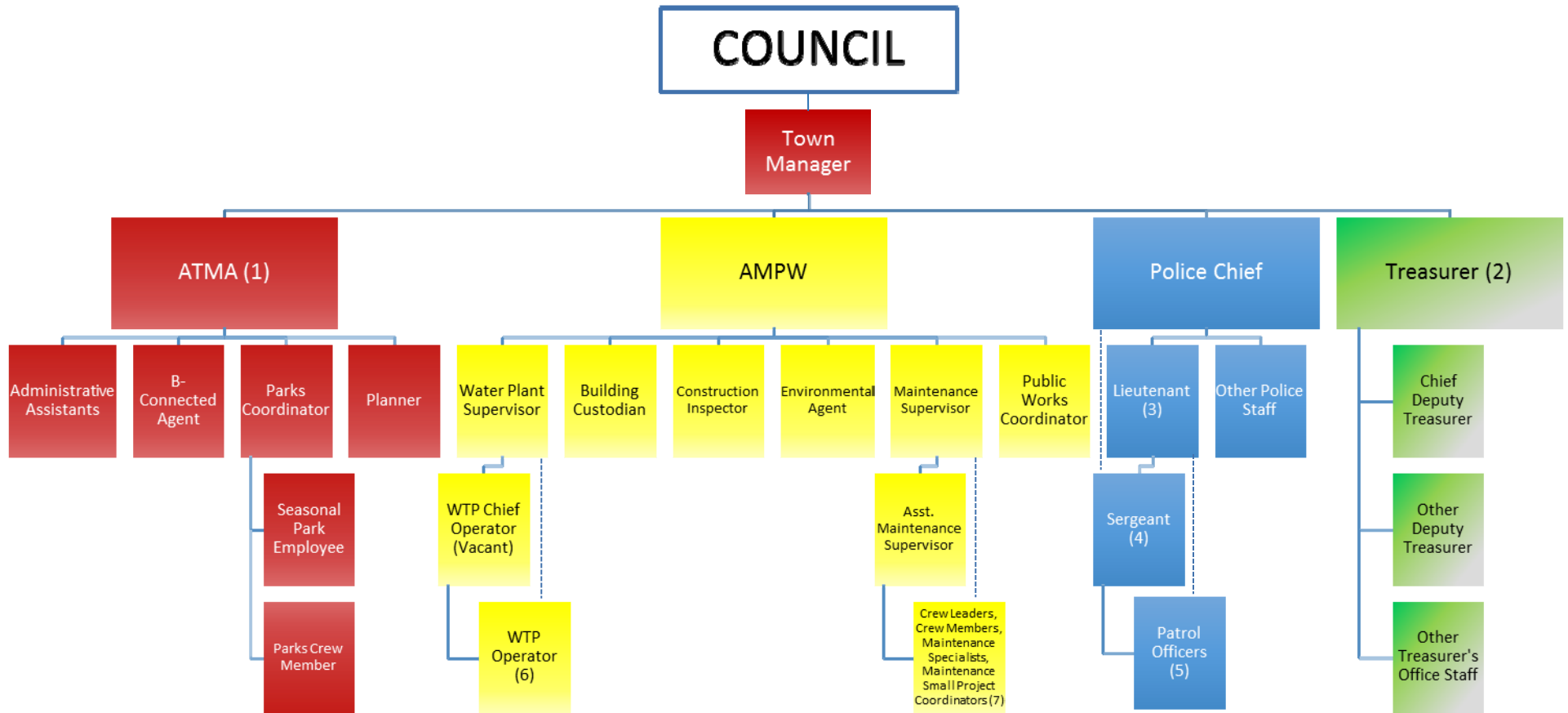
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INTRODUCTORY SECTION

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
Robyn Weekley	Treasurer
Jason A. Botkins	Town Attorney
Betsy Putney	Clerk

MEMBERS OF COUNCIL

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

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

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

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparison of the General Fund of the Town of Bridgewater, Virginia (Town), as of and for the year ended June 30, 2018, 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, 2018, 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 18 to the financial statements, the Town restated beginning net position for governmental activities, business-type activities and the Water, Sewer and Sanitation Fund, in order to record the liability for other postemployment benefits and related components in accordance with the implementation of GASB Statement No. 75.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis and the required supplementary information on pages 6-12 and 77-87, 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 29, 2018 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

PB Mares, LLP

Harrisonburg, Virginia
October 29, 2018

Town of Bridgewater, Virginia Management's Discussion and Analysis

Fiscal year 2018 was a good year for the Town, with our biggest challenge being the accommodation of unexpected opportunities. Most of those opportunities focused on the acquisition of real estate. When real property comes on the market, and it would advance the Town's long-term objectives, we try to acquire it if three additional criteria are met:

- i. The price is not inequitable;
- ii. There are no competing private uses of the property, and
- iii. Debt service on the property is easily affordable.

These criteria are somewhat different from those which a person or private business would employ. We stand more ready to buy permanent assets which are on the market unexpectedly, because "permanent" has a different meaning to us. This shared endeavor we call "Bridgewater" has been operating for 183 years, and we fully expect it to be operating 183 years from now. To us, then, the value of property should not be measured over the span of one or two lifetimes but over the lifespans of all who will walk in our shoes.

In FY18, we were presented with two unexpected opportunities to purchase land:

- i. 602 West Bank Street, which could constitute a useful extension of Wildwood Park, and
- ii. 406 North Main Street, which will become a restaurant and additional parking in the Generations Park Neighborhood District.

Additionally, the Town purchased 100 North Main Street, which presented itself more as a public hazard than an opportunity. The building was at risk of falling, and our tools for dealing with unsafe structure are costly and cumbersome. Accordingly, we purchased the property in the interest of public safety. (That said, the land has become something of an opportunity, as it will soon host the new Sipe Center.)

For these reasons, FY18 presented some challenges for us as we continued to build a town worthy of our grandchildren. Still, as set out below, the financial position of the Town is quite strong.

FINANCIAL HIGHLIGHTS

Total assets and deferred outflows of resources of the Town exceeded total liabilities and deferred inflows of resources at June 30, 2018 by approximately \$4.8 million (net position). Of the total net position, approximately \$860,000 was unrestricted deficit.

The Town's total net position increased approximately \$260,000 from the previous year's total net position.

As of June 30, 2018, the Town's governmental funds had combined ending fund balances of approximately \$425,000, an increase of approximately \$302,000 in comparison with the prior year.

The Town's total long-term liabilities (excluding compensated absences) increased approximately \$731,000 during fiscal year 2018 due primarily to new debt issuance for purchase of real property of \$160,000, for combined purchase of real property and sewer projects of \$823,750, and for sewer projects of \$110,333, coupled with previously scheduled debt repayments and a prepayment of \$82,375.

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 \$4.8 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, \$860,000 is classified as unrestricted deficit.

The following table presents a condensed statement of net position:

Table 1
Summary Statements of Net Position
June 30, 2018 and 2017

	Governmental Activities		Business-type Activity		Total Primary Government	
	2018	2017	2018	2017	2018	2017
ASSETS						
Current and other assets	\$ 1,342,359	\$ 1,280,801	\$ 474,776	\$ 431,206	\$ 1,817,135	\$ 1,712,007
Capital assets, net	6,206,725	5,842,335	2,980,001	2,793,736	9,186,726	8,636,071
Total assets	7,549,084	7,123,136	3,454,777	3,224,942	11,003,861	10,348,078
DEFERRED OUTFLOWS OF RESOURCES						
Other postemployment benefits	29,327	-	11,013	-	40,340	-
Pension plan	216,802	270,493	88,494	124,825	305,296	395,318
Total deferred outflows of resources	246,129	270,493	99,507	124,825	345,636	395,318
LIABILITIES						
Current and other liabilities	754,237	997,196	129,982	93,870	884,219	1,091,066
Long-term liabilities	3,371,276	2,970,190	1,707,086	987,504	5,078,362	3,957,694
Total liabilities	4,125,513	3,967,386	1,837,068	1,081,374	5,962,581	5,048,760
DEFERRED INFLOWS OF RESOURCES						
Other postemployment benefits	36,361	-	14,573	-	50,934	-
Pension plan	276,119	156,858	112,705	72,386	388,824	229,244
Unavailable revenue - property taxes	168,600	168,633	-	-	168,600	168,633
Total deferred inflows of resources	481,080	325,491	127,278	72,386	608,358	397,877
NET POSITION						
Net investment in capital assets	3,982,455	3,736,218	1,633,372	2,075,168	5,615,827	5,811,386
Restricted	22,423	22,403	-	-	22,423	22,403
Unrestricted	(816,258)	(657,869)	(43,434)	120,839	(859,692)	(537,030)
Total net position	\$ 3,188,620	\$ 3,100,752	\$ 1,589,938	\$ 2,196,007	\$ 4,778,558	\$ 5,296,759

Statement of Activities

Governmental Activities

Revenues: For the fiscal year ended June 30, 2018, revenue from governmental activities totaled \$4.2 million. Sources of revenue are comprised of many different types with taxes constituting the largest source of Town revenues in this category. In addition to real estate taxes, the Town assesses other local taxes and fees including consumer utility taxes, bank stock taxes, business license (BPOL) fees, meals tax and the Town's share of the local sales tax. In addition to taxes, the Town receives intergovernmental revenues, revenue from renting property such as space on water towers to telecommunications companies; as well as use fees for recreational facilities such as the tennis, golf and skating facilities.

Expenses: Expenses for governmental activities, including interest on debt service, totaled \$4.7 million. As the table below indicates, Public Safety and Public Works, which together comprise about 60% of expenses, are the Town's two largest functions in the category of governmental activities.

The following table summarizes the changes in net position for the Town for the fiscal year ended June 30, 2018:

Table 2
Changes in Net Position
Years Ended June 30, 2018 and 2017

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 195,810	\$ 147,384	\$ 3,478,512	\$ 3,288,061	\$ 3,674,322	\$ 3,435,445
Operating grants and contributions	1,343,033	999,482	-	-	1,343,033	999,482
Capital grants and contributions	-	7,750	181,169	210,119	181,169	217,869
Total program revenues	1,538,843	1,154,616	3,659,681	3,498,180	5,198,524	4,652,796
General revenues:						
General property taxes	632,407	611,129	-	-	632,407	611,129
Other local taxes	1,719,089	1,645,885	-	-	1,719,089	1,645,885
Intergovernmental, non-categorical aid	186,204	187,398	-	-	186,204	187,398
Use of money and property	100,451	96,141	-	-	100,451	96,141
Miscellaneous	42,082	26,134	36,454	33,972	78,536	60,106
Total general revenues	2,680,233	2,566,687	36,454	33,972	2,716,687	2,600,659
Total revenues	4,219,076	3,721,303	3,696,135	3,532,152	7,915,211	7,253,455
Expenses:						
General government administration	819,775	780,506	-	-	819,775	780,506
Public safety	845,679	784,779	-	-	845,679	784,779
Public works	1,999,370	1,919,106	-	-	1,999,370	1,919,106
Parks, recreation and cultural	803,811	740,707	-	-	803,811	740,707
Community and economic development	190,969	151,255	-	-	190,969	151,255
Interest	54,211	56,345	-	-	54,211	56,345
Water, sewer and sanitation	-	-	2,780,204	2,631,063	2,780,204	2,631,063
Stormwater management	-	-	161,253	222,050	161,253	222,050
Total expenses	4,713,815	4,432,698	2,941,457	2,853,113	7,655,272	7,285,811
Changes in net position before transfers	(494,739)	(711,395)	754,678	679,039	259,939	(32,356)
Transfers	1,136,806	708,272	(1,136,806)	(708,272)	-	-
Change in net position	642,067	(3,123)	(382,128)	(29,233)	259,939	(32,356)
Net position, beginning, as restated*	2,546,553	3,103,875	1,972,066	2,225,240	4,518,619	5,329,115
Net position, ending	\$ 3,188,620	\$ 3,100,752	\$ 1,589,938	\$ 2,196,007	\$ 4,778,558	\$ 5,296,759

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

Business-Type Activity

The Town has two business-type activities, the *Water, Sewer and Sanitation Fund* and *Stormwater Management Fund*. These are accounted for as enterprise funds. For fiscal year 2018, total operating and non-operating revenues amounted to \$3.7 million, which is an increase of approximately \$164,000 from the prior fiscal year. Approximately 94% of water, sewer, sanitation and stormwater revenues come from charges for service. Approximately 5% of revenues come from capital grants and contributions.

Expenses amounted to \$2.9 million for fiscal year 2018. This is an increase of 3% from the previous year and is due primarily to increases of materials and other repairs. Change in net position before transfers was \$755,000 in fiscal year 2018 compared to \$679,000 in fiscal year 2017, an increase of \$76,000.

The business-type activities' net position decreased by approximately \$382,000 for the year.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

Governmental funds - The *General Fund* is the major governmental fund of the Town. At the end of the current fiscal year, the unassigned fund balance increased approximately \$302,000 resulting in an unassigned balance of approximately \$392,000.

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, 2018, the unrestricted net position for the enterprise funds totaled about \$(43,000), which is a decrease of approximately \$164,000 from the previous year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Overall, actual revenues were more than budgeted revenues by \$400,000. Expenditures were more than budgeted amounts by \$234,000.

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 2018 totaled approximately \$1,071,000. The increase can be attributed largely to the acquisition of real property and the addition and replacement of sewer lines.

Table 3

**Changes in Capital Assets
Years Ended June 30, 2018 and 2017**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Capital assets not being depreciated:						
Land and easements	\$ 2,225,980	\$ 1,817,982	\$ 4,600	\$ 4,600	\$ 2,230,580	\$ 1,822,582
Construction in progress	19,830	26,641	285,452	-	305,282	26,641
Total capital assets not being depreciated	2,245,810	1,844,623	290,052	4,600	2,535,862	1,849,223
Capital assets being depreciated or amortized:						
Buildings and improvements	3,908,948	3,763,996	918,918	913,432	4,827,866	4,677,428
Distribution and collection system	-	-	3,055,623	3,029,646	3,055,623	3,029,646
Equipment	1,024,640	964,723	2,403,186	2,389,297	3,427,826	3,354,020
Software	26,551	26,551	-	-	26,551	26,551
Infrastructure	1,244,706	1,244,706	44,408	-	1,289,114	1,244,706
Vehicles	458,099	424,621	980,766	965,403	1,438,865	1,390,024
Total capital assets being depreciated or amortized	6,662,944	6,424,597	7,402,901	7,297,778	14,065,845	13,722,375
Less accumulated depreciation and amortization:						
Buildings and improvements	1,369,563	1,235,944	823,017	803,387	2,192,580	2,039,331
Distribution and collection system	-	-	1,781,471	1,715,916	1,781,471	1,715,916
Equipment	755,203	707,591	1,320,428	1,233,332	2,075,631	1,940,923
Software	26,551	26,551	-	-	26,551	26,551
Infrastructure	262,502	221,012	740	-	263,242	221,012
Vehicles	288,210	235,787	787,296	756,007	1,075,506	991,794
Total accumulated depreciation and amortization	2,702,029	2,426,885	4,712,952	4,508,642	7,414,981	6,935,527
Total capital assets being depreciated or amortized, net	3,960,915	3,997,712	2,689,949	2,789,136	6,650,864	6,786,848
Capital assets, net	\$ 6,206,725	\$ 5,842,335	\$ 2,980,001	\$ 2,793,736	\$ 9,186,726	\$ 8,636,071

LONG-TERM DEBT

As of June 30, 2018, the Town's long-term liabilities, exclusive of compensated absences and other postemployment benefits, totaled \$2.2 million for governmental activities. Additionally, \$1.3 million of debt, exclusive of compensated absences, net pension liability and other post-employment benefits, is shown in the business-type activity category. The Town's maximum legal debt margin permitted by the Commonwealth of Virginia is approximately \$43 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, 2018 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
6,062	\$428,993,824	\$2,224,270	0.0052	\$367

The net bonded debt increased approximately \$118,000, which correlates to an increase in debt per capita of \$19.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Here are some factors to consider in the fiscal year 2019 budget.

- The FY 2019 budget creates a significant paradigm shift in local taxation. With the elimination of the real estate tax beginning January 1, 2019, and its replacement with a Consumer Utility Tax (“CUT”) increase, the focus shifts from the property itself to the activities on the property. Who owns land or how much the land is worth will become less important than what happens on the land. The CUT is obviously an imperfect tool to measure activity, but we believe it is manifestly more appropriate than taxation based on assessed value.
- We will be undertaking quite a few projects in FY 2019, all of which will have an impact on our financial reports:
 - i. Riverwalk Phase I (largely state funded),
 - ii. Sipe Center,
 - iii. The DORM intersection (Dylan/Old River/Main, again largely state funded),
 - iv. Downrush Vista,
 - v. The Dry River Road widening (preliminary work only; largely state funded).
- In the enterprise funds, the FY 2019 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 is about half what we projected last year.
- The FY19 budget anticipates the creation of no new positions. The average wage increase should be about 3.1%, with another 1% 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, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Totals	Industrial Development Authority
ASSETS				
Cash and cash equivalents	\$ 518,964	\$ -	\$ 518,964	\$ 51,482
Receivables, net:				
Property taxes	171,421	-	171,421	-
Trade and other accounts	43,324	474,776	518,100	-
Due from other governments	94,820	-	94,820	-
Note receivable	-	-	-	109,408
Restricted investment	22,423	-	22,423	-
Restricted cash and cash equivalents	491,407	-	491,407	-
Capital assets:				
Land	2,217,580	4,600	2,222,180	79,747
Land easements	8,400	-	8,400	-
Buildings and improvements	3,908,948	918,918	4,827,866	407,886
Infrastructure	1,244,706	44,408	1,289,114	-
Distribution and collection systems	-	3,055,623	3,055,623	-
Equipment	1,024,640	2,403,186	3,427,826	30,105
Software	26,551	-	26,551	-
Vehicles	458,099	980,766	1,438,865	-
Construction in progress	19,830	285,452	305,282	-
Less: accumulated depreciation and amortization	(2,702,029)	(4,712,952)	(7,414,981)	(32,862)
Total assets	7,549,084	3,454,777	11,003,861	645,766
DEFERRED OUTFLOWS OF RESOURCES				
Other postemployment benefits	29,327	11,013	40,340	-
Pension plan	216,802	88,494	305,296	-
Total deferred outflows of resources	246,129	99,507	345,636	-
LIABILITIES				
Accounts and deposits payable	94,961	110,332	205,293	-
Due to other governments	46,593	-	46,593	-
Accrued payroll and benefits	39,893	15,340	55,233	-
Accrued interest	15,097	4,310	19,407	2,735
Unearned revenue	557,693	-	557,693	3,000
Noncurrent liabilities:				
Due within one year:				
Capital leases	-	48,042	48,042	-
Bonds payable	201,255	134,519	335,774	16,121
Compensated absences	76,981	26,069	103,050	-
Due in more than one year:				
Capital leases	-	58,633	58,633	-
Bonds payable	2,023,015	1,105,435	3,128,450	502,711
Compensated absences	51,320	17,379	68,699	-
Net pension liability	197,386	80,569	277,955	-
Other postemployment benefits	821,319	236,440	1,057,759	-
Total liabilities	4,125,513	1,837,068	5,962,581	524,567
DEFERRED INFLOWS OF RESOURCES				
Other postemployment benefits	36,361	14,573	50,934	-
Pension plan	276,119	112,705	388,824	-
Unavailable revenue - property taxes	168,600	-	168,600	-
Total deferred inflows of resources	481,080	127,278	608,358	-
NET POSITION				
Net investment in capital assets	3,982,455	1,633,372	5,615,827	280,321
Restricted:				
Nonexpendable trust principal	6,000	-	6,000	-
Cemetery maintenance	16,423	-	16,423	-
Unrestricted	(816,258)	(43,434)	(859,692)	(159,122)
Total net position	\$ 3,188,620	\$ 1,589,938	\$ 4,778,558	\$ 121,199

See Notes to Financial Statements.

TOWN OF BRIDGEWATER, VIRGINIA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

Entity/Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Industrial Development Authority
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Totals	
Primary government:								
Governmental activities:								
General government administration	\$ 819,775	\$ 14,809	\$ -	\$ -	\$ (804,966)	\$ -	\$ (804,966)	\$ -
Public safety	845,679	39,533	183,909	-	(622,237)	-	(622,237)	-
Public works	1,999,370	11,531	1,159,124	-	(828,715)	-	(828,715)	-
Parks, recreation and cultural	803,811	129,937	-	-	(673,874)	-	(673,874)	-
Community and economic development	190,969	-	-	-	(190,969)	-	(190,969)	-
Interest	54,211	-	-	-	(54,211)	-	(54,211)	-
Total governmental activities	4,713,815	195,810	1,343,033	-	(3,174,972)	-	(3,174,972)	-
Business-type activities:								
Water, sewer and sanitation	2,780,204	3,345,715	-	181,169	-	746,680	746,680	-
Stormwater management	161,253	132,797	-	-	-	(28,456)	(28,456)	-
Total business-type activities	2,941,457	3,478,512	-	181,169	-	718,224	718,224	-
Total primary government	\$ 7,655,272	\$ 3,674,322	\$ 1,343,033	\$ 181,169	(3,174,972)	718,224	(2,456,748)	-
Component Unit:								
Industrial Development Authority	\$ 37,091	\$ 11,375	\$ -	\$ -	-	-	-	(25,716)
General revenues:								
Taxes:								
General property taxes					632,407	-	632,407	-
Other local taxes:								
Consumer utility					370,722	-	370,722	-
Meals					618,979	-	618,979	-
Local sales and use					196,399	-	196,399	-
Business license					218,755	-	218,755	-
Bank stock					171,849	-	171,849	-
Other					142,385	-	142,385	-
Intergovernmental, non-categorical aid					186,204	-	186,204	-
Use of money and property					100,451	-	100,451	37,162
Miscellaneous					42,082	36,454	78,536	-
Transfers					1,136,806	(1,136,806)	-	-
Total general revenues and transfers, net					3,817,039	(1,100,352)	2,716,687	37,162
Change in net position					642,067	(382,128)	259,939	11,446
Net position, beginning, as restated					2,546,553	1,972,066	4,518,619	109,753
Net position, ending					\$ 3,188,620	\$ 1,589,938	\$ 4,778,558	\$ 121,199

TOWN OF BRIDGEWATER, VIRGINIA

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2018

	General	Permanent Fund Greenwood Cemetery Trust Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 518,964	\$ -	\$ 518,964
Receivables, net of allowances for uncollectible amounts:			
Property taxes	171,421	-	171,421
Trade and other accounts	43,324	-	43,324
Due from other governments	94,820	-	94,820
Restricted investment	-	22,423	22,423
Restricted cash and cash equivalents	491,407	-	491,407
Total assets	\$ 1,319,936	\$ 22,423	\$ 1,342,359
LIABILITIES			
Accounts and deposits payable	\$ 94,961	\$ -	\$ 94,961
Due to other governments	46,593	-	46,593
Accrued payroll and benefits	39,893	-	39,893
Unearned revenue	557,693	-	557,693
Total liabilities	739,140	-	739,140
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	178,600	-	178,600
Total deferred inflows of resources	178,600	-	178,600
FUND BALANCES			
Nonspendable:			
Permanent fund principal	-	6,000	6,000
Restricted for:			
Cemetery maintenance	-	16,423	16,423
Assigned:			
Key corridors	10,000	-	10,000
Unassigned	392,196	-	392,196
Total fund balances	402,196	22,423	424,619
Total liabilities, deferred inflows of resources and fund balances	\$ 1,319,936	\$ 22,423	\$ 1,342,359

TOWN OF BRIDGEWATER, VIRGINIA

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

June 30, 2018

	Governmental Funds	
Total fund balances - governmental funds	\$	424,619
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	\$	8,908,754
Less: accumulated depreciation and amortization		(2,702,029)
Net capital assets		6,206,725
Deferred outflows of resources - represent a consumption of net position that applies to a future period and are not recognized as deferred outflows of resources in the governmental funds.		
Pension plan	216,802	
Total other postemployment benefits	29,327	
		246,129
Other long-term assets are not available to fund current expenditures and, therefore, are reported as unavailable revenue in the governmental funds.		
		10,000
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	(2,224,270)	
Compensated absences	(128,301)	
Interest payable	(15,097)	
Net pension liability	(197,386)	
Total other postemployment benefits liability	(821,319)	
		(3,386,373)
Deferred inflows of resources - represent an acquisition of net position that applies to a future period and are not recognized as deferred inflows of resources in the governmental funds.		
Pension plan	(276,119)	
Other postemployment benefits	(36,361)	
		(312,480)
Net position of governmental activities	\$	3,188,620

TOWN OF BRIDGEWATER, VIRGINIA

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

Year Ended June 30, 2018

	General	Permanent Fund Greenwood Cemetery Trust Fund	Total Governmental Funds
Revenues:			
General property taxes	\$ 631,407	\$ -	\$ 631,407
Other local taxes	1,719,089	-	1,719,089
Permits and other licenses	26,340	-	26,340
Fines and forfeitures	39,533	-	39,533
Use of money and property	100,431	20	100,451
Charges for services	129,937	-	129,937
Miscellaneous	42,082	-	42,082
Intergovernmental	1,529,237	-	1,529,237
Total revenues	4,218,056	20	4,218,076
Expenditures:			
Current:			
General government administration	821,438	-	821,438
Public safety	815,321	-	815,321
Public works	2,285,238	-	2,285,238
Parks, recreation and cultural	960,286	-	960,286
Community and economic development	232,991	-	232,991
Debt service:			
Principal	166,847	-	166,847
Interest	55,892	-	55,892
Total expenditures	5,338,013	-	5,338,013
Excess (deficiency) of revenues over (under) expenditures	(1,119,957)	20	(1,119,937)
Other financing sources (uses):			
General obligation bonds issued	285,000	-	285,000
Transfers in	1,211,971	-	1,211,971
Transfers out	(75,165)	-	(75,165)
Total other financing sources, net	1,421,806	-	1,421,806
Net change in fund balances	301,849	20	301,869
Fund balances, beginning	100,347	22,403	122,750
Fund balances, ending	\$ 402,196	\$ 22,423	\$ 424,619

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, 2018

	Governmental Funds	
Net change in fund balance - total governmental funds	\$ 301,869	
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	\$ 648,256	
Less: depreciation and amortization expense	<u>(283,866)</u>	
Excess of capital outlays over depreciation and amortization		364,390
Revenues in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the governmental funds.		1,000
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Debt issued:		
General obligation bonds	(285,000)	
Principal repayments on general obligation bonds:		
General obligation bonds	<u>166,847</u>	
		(118,153)
Deferred outflows of resources:		
Pension plan contributions subsequent to measurement date	2,493	
Other postemployment benefits contributions subsequent to measurement date	<u>(15,666)</u>	
		(13,173)
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	1,681	
Compensated absences	27,548	
Pension expense	99,779	
Other postemployments benefits	<u>(22,874)</u>	
		<u>106,134</u>
Change in net position of governmental activities	\$ 642,067	

TOWN OF BRIDGEWATER, VIRGINIA

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

Year Ended June 30, 2018

	General Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Over (Under)
Revenues:				
General property taxes	\$ 613,400	\$ 613,400	\$ 631,407	\$ 18,007
Other local taxes	1,677,540	1,677,540	1,719,089	41,549
Permits and other licenses	3,000	3,000	26,340	23,340
Fines and forfeitures	33,400	33,400	39,533	6,133
Use of money and property	80,200	80,200	100,431	20,231
Charges for services	115,205	115,205	129,937	14,732
Miscellaneous	20,500	20,500	42,082	21,582
Intergovernmental	1,267,200	1,274,800	1,529,237	254,437
Total revenues	3,810,445	3,818,045	4,218,056	400,011
Expenditures:				
Current:				
General government administration	801,872	801,872	821,438	19,566
Public safety	830,350	830,350	815,321	(15,029)
Public works	1,557,520	2,003,130	2,285,238	282,108
Parks, recreation and cultural	960,668	1,085,668	960,286	(125,382)
Community and economic development	174,603	174,603	232,991	58,388
Debt service:				
Principal	155,000	155,000	166,847	11,847
Interest	53,500	53,500	55,892	2,392
Total expenditures	4,533,513	5,104,123	5,338,013	233,890
Deficiency of revenues under expenditures	(723,068)	(1,286,078)	(1,119,957)	166,121
Other financing sources (uses):				
General obligation bonds issued	-	125,000	285,000	160,000
Transfers in	-	-	1,211,971	1,211,971
Transfers out	-	-	(75,165)	(75,165)
Total other financing sources, net	-	125,000	1,421,806	1,296,806
Net change in fund balance	\$ (723,068)	\$ (1,161,078)	301,849	\$ 1,462,927
Fund balance, beginning			100,347	
Fund balance, ending			\$ 402,196	

TOWN OF BRIDGEWATER, VIRGINIA

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

June 30, 2018

	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	\$ 453,526	\$ 21,250	\$ 474,776
Total current assets	453,526	21,250	474,776
Noncurrent assets:			
Capital assets:			
Land	4,600	-	4,600
Buildings and improvements	918,918	-	918,918
Infrastructure	-	44,408	44,408
Distribution and collection systems	3,055,623	-	3,055,623
Equipment	2,403,186	-	2,403,186
Vehicles	980,766	-	980,766
Construction in progress	285,452	-	285,452
Total capital assets	7,648,545	44,408	7,692,953
Less: accumulated depreciation	(4,712,212)	(740)	(4,712,952)
Total noncurrent assets	2,936,333	43,668	2,980,001
Total assets	3,389,859	64,918	3,454,777
DEFERRED OUTFLOWS OF RESOURCES			
Other postemployment benefits	11,013	-	11,013
Pension plan	88,494	-	88,494
Total deferred outflows of resources	99,507	-	99,507
LIABILITIES			
Current liabilities:			
Accounts and deposits payable	107,183	3,149	110,332
Accrued payroll and benefits	14,202	1,138	15,340
Accrued interest	4,310	-	4,310
Compensated absences	26,069	-	26,069
Capital leases payable	48,042	-	48,042
Bonds payable	134,519	-	134,519
Total current liabilities	334,325	4,287	338,612
Noncurrent liabilities:			
Capital leases payable	58,633	-	58,633
Bonds payable	1,105,435	-	1,105,435
Net pension liability	80,569	-	80,569
Compensated absences	17,379	-	17,379
Other postemployment benefits	236,440	-	236,440
Total noncurrent liabilities	1,498,456	-	1,498,456
Total liabilities	1,832,781	4,287	1,837,068
DEFERRED INFLOWS OF RESOURCES			
Other postemployment benefits	14,573	-	14,573
Pension plan	112,705	-	112,705
Total deferred inflows of resources	127,278	-	127,278
NET POSITION			
Net investment in capital assets	1,589,704	43,668	1,633,372
Unrestricted	(60,397)	16,963	(43,434)
Total net position	\$ 1,529,307	\$ 60,631	\$ 1,589,938

See Notes to Financial Statements.

TOWN OF BRIDGEWATER, VIRGINIA

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

Year Ended June 30, 2018

	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	\$ 3,340,860	\$ 132,797	\$ 3,473,657
Connection fees	4,855	-	4,855
Penalties	36,454	-	36,454
Total operating revenues	3,382,169	132,797	3,514,966
Operating expenses:			
Personal services	772,136	71,277	843,413
Fringe benefits	207,752	13,194	220,946
Materials, line repairs and other	648,980	76,042	725,022
Regional Sewer Authority assessment:			
Operations and maintenance	333,267	-	333,267
Debt service	507,855	-	507,855
Construction	42,241	-	42,241
Depreciation	231,940	740	232,680
Total operating expenses	2,744,171	161,253	2,905,424
Operating income (loss)	637,998	(28,456)	609,542
Nonoperating revenue (expense):			
Interest expense	(31,986)	-	(31,986)
Loss on disposal of assets	(4,047)	-	(4,047)
Connection availability fees	181,169	-	181,169
Total nonoperating revenue, net	145,136	-	145,136
Income (loss) before transfers	783,134	(28,456)	754,678
Transfers in (out)	(1,211,971)	75,165	(1,136,806)
Change in net position	(428,837)	46,709	(382,128)
Net position, beginning, as restated	1,958,144	13,922	1,972,066
Net position, ending	\$ 1,529,307	\$ 60,631	\$ 1,589,938

TOWN OF BRIDGEWATER, VIRGINIA

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

Year Ended June 30, 2018

	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	\$ 3,344,307	\$ 127,072	\$ 3,471,379
Payments to suppliers for goods and services	(1,520,034)	(73,111)	(1,593,145)
Payments to employees for services and benefits	(1,033,124)	(84,718)	(1,117,842)
Net cash provided by (used in) operating activities	791,149	(30,757)	760,392
Cash flows from noncapital and related financing activities:			
Transfers in (out)	(1,211,971)	75,165	(1,136,806)
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(355,898)	(44,408)	(400,306)
Connection availability fees	181,169	-	181,169
Proceeds from bond	809,083	-	809,083
Principal paid on:			
General obligation bonds	(134,574)	-	(134,574)
Capital leases	(46,448)	-	(46,448)
Interest paid on outstanding debt	(32,510)	-	(32,510)
Net cash provided by (used in) capital and related financing activities	420,822	(44,408)	376,414
Cash and cash equivalents:			
Beginning	-	-	-
Ending	\$ -	\$ -	\$ -
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 637,998	\$ (28,456)	\$ 609,542
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	231,940	740	232,680
Pension expense	(66,551)	-	(66,551)
Other postemployment benefits expense	21,733	-	21,733
Changes in operating accounts:			
Increase in accounts receivable	(37,845)	(5,725)	(43,570)
Decrease in deferred outflows pension plan	12,261	-	12,261
Increase in deferred outflows other postemployment benefits	(12,262)	-	(12,262)
Increase in accounts payable and accrued expenses	3,875	2,684	6,559
Net cash provided by (used in) operating activities	\$ 791,149	\$ (30,757)	\$ 760,392
Supplemental disclosure of noncash capital activities:			
Capital assets in accounts payable	\$ 22,686	\$ -	\$ 22,686

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, 2018. 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, 2018 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 1 and January 1, 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, therefore, will not be recognized as an outflow of resources (expenditure) until then. The Town has two items related to the pension plan that qualify for reporting in this category. They are the employer contributions subsequent to the measurement date and the differences between expected and actual experience. The Town also has two items related to other postemployment benefits (OPEB) that qualify for reporting in this category. They are the employer contributions subsequent to the measurement date and changes in proportionate share. These items are reported in the government-wide Statement of Net Position, and the proprietary funds Statement of Net Position.

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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) Other Postemployment Benefits

Medical Insurance Program

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

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

11) Other Postemployment Benefits (Continued)

Group Life Insurance Program

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

Virginia Local Disability Program

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

12) Fund Balance

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

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

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

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

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

12) Fund Balance (Continued)

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

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

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

13) Net Position

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

E. Use of Estimates

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

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

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

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

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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 29, 2018, 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, \$502,187, 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 8/26/19)	\$ 22,423
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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, 2018:

- Certificate of deposit of \$22,423 is valued using quoted market prices (Level 1 inputs).

Note 3. Receivables and Unavailable/Unearned Revenue

Receivables at June 30, 2018, including applicable allowances for uncollectible accounts, are as follows:

	General Fund	Water, Sewer and Sanitation Fund	Stormwater Management Fund	Totals
Property taxes	\$ 182,421	\$ -	\$ -	\$ 182,421
Trade and other accounts	43,324	460,526	21,250	525,100
Gross receivables	225,745	460,526	21,250	707,521
Less allowance for uncollectable accounts	11,000	7,000	-	18,000
Net receivables	\$ 214,745	\$ 453,526	\$ 21,250	\$ 689,521

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, 2018 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	\$ 10,000	\$ -
Advance collection of 2018-2019 taxes	-	15,112
Assessment due December 5, net of collections	168,600	-
Urban Construction Program funds	-	446,076
VDOT Maintenance funds	-	67,105
Other	-	29,400
	<u>\$ 178,600</u>	<u>\$ 557,693</u>

Component Unit – Industrial Development Authority

The Authority defers revenue recognition in connection with resources that have been received but not yet earned. The amount reported as unearned revenue for the Authority consists of assessments received for the last six months of the calendar year. Unearned revenue was \$3,000 at June 30, 2018.

Note 4. Due From Other Governments

Due from other governments includes the following:

General Fund:

Federal:

Flow-through Virginia Department of Transportation \$ 22,561

Commonwealth of Virginia:

Revenue sharing funds 25,259

Local sales and communication tax 47,000

Total General Fund

\$ 94,820

Note 5. Note Receivable

Note receivable as of June 30, 2018 consisted of the following:

	Industrial Development Authority
3.47% note, due in monthly installments of \$1,382, including interest through December 2025	\$ 109,408
Less current maturities	<u>(12,998)</u>
Long-term portion	<u><u>\$ 96,410</u></u>

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets

Capital assets activity for the year ended June 30, 2018 is as follows:

	Beginning Balance	Increases	(Deletions) / Reclassifications	Ending Balance
Governmental activities:				
Capital assets not being depreciated or amortized:				
Land	\$ 1,809,582	\$ 407,998	\$ -	\$ 2,217,580
Land easements	8,400	-	-	8,400
Construction in progress	26,641	19,830	(26,641)	19,830
Total capital assets, not being depreciated or amortized	1,844,623	427,828	(26,641)	2,245,810
Capital assets being depreciated or amortized:				
Buildings and improvements	3,763,996	118,311	26,641	3,908,948
Equipment	964,723	59,917	-	1,024,640
Software	26,551	-	-	26,551
Infrastructure	1,244,706	-	-	1,244,706
Vehicles	424,621	42,200	(8,722)	458,099
Total capital assets being depreciated or amortized	6,424,597	220,428	17,919	6,662,944
Less accumulated depreciation and amortization for:				
Buildings and improvements	1,235,944	133,619	-	1,369,563
Equipment	707,591	47,612	-	755,203
Software	26,551	-	-	26,551
Infrastructure	221,012	41,490	-	262,502
Vehicles	235,787	61,145	(8,722)	288,210
Total accumulated depreciation and amortization	2,426,885	283,866	(8,722)	2,702,029
Total capital assets being depreciated or amortized, net	3,997,712	(63,438)	26,641	3,960,915
Governmental activities capital assets, net	\$ 5,842,335	\$ 364,390	\$ -	\$ 6,206,725

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

Governmental activities:	
General government administration	\$ 24,063
Public safety	52,028
Public works	90,602
Parks, recreation and cultural	117,173
Total depreciation and amortization expense - governmental activities	\$ 283,866

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets (Continued)

	Beginning Balance	Increases	(Deletions) / Reclassifications	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 4,600	\$ -	\$ -	\$ 4,600
Construction in progress	-	285,452	-	285,452
Total capital assets, not being depreciated	4,600	285,452	-	290,052
Capital assets being depreciated:				
Buildings and improvements	913,432	5,486	-	918,918
Infrastructure	-	44,408	-	44,408
Distribution and collection systems	3,029,646	25,977	-	3,055,623
Equipment	2,389,297	28,861	(14,972)	2,403,186
Vehicles	965,403	32,808	(17,445)	980,766
Total capital assets being depreciated	7,297,778	137,540	(32,417)	7,402,901
Less accumulated depreciation for:				
Buildings and improvements	803,387	19,630	-	823,017
Infrastructure	-	740	-	740
Distribution and collection systems	1,715,916	65,555	-	1,781,471
Equipment	1,233,332	98,021	(10,925)	1,320,428
Vehicles	756,007	48,734	(17,445)	787,296
Total accumulated depreciation	4,508,642	232,680	(28,370)	4,712,952
Total capital assets being depreciated, net	2,789,136	(95,140)	(4,047)	2,689,949
Business-type activities capital assets, net	\$ 2,793,736	\$ 190,312	\$ (4,047)	\$ 2,980,001

Depreciation expense was charged to functions/programs as follows:

Business-type activities:	
Water	\$ 130,479
Sewer	76,813
Sanitation	24,648
Stormwater	740
Total depreciation expense - business-type activities	\$ 232,680

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets (Continued)

	Beginning Balance	Increases	(Deletions) / Reclassifications	Ending Balance
Component unit - Authority:				
Capital assets not being depreciated:				
Land	\$ 79,747	\$ -	\$ -	\$ 79,747
Total capital assets, not being depreciated	79,747	-	-	79,747
Capital assets being depreciated:				
Buildings and improvements	407,886	-	-	407,886
Equipment	20,880	9,225	-	30,105
Total capital assets being depreciated	428,766	9,225	-	437,991
Less accumulated depreciation for:				
Buildings and improvements	15,686	11,495	-	27,181
Equipment	3,132	2,549	-	5,681
Total accumulated depreciation	18,818	14,044	-	32,862
Total capital assets being depreciated, net	409,948	(4,819)	-	405,129
Component unit - Authority capital assets, net	\$ 489,695	\$ (4,819)	\$ -	\$ 484,876

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	\$ 2,106,117	\$ 285,000	\$ (166,847)	\$ 2,224,270	\$ 201,255
Compensated absences	155,849	80,699	(108,247)	128,301	76,981
Governmental activities long-term activities	\$ 2,261,966	\$ 365,699	\$ (275,094)	\$ 2,352,571	\$ 278,236

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
2019	\$ 201,255	\$ 55,674
2020	203,669	50,932
2021	206,262	45,668
2022	160,067	40,382
2023	162,742	36,204
2024-2028	609,759	123,895
2029-2033	300,751	65,278
2034-2038	298,493	28,316
2039-2040	81,272	1,911
	<u>\$ 2,224,270</u>	<u>\$ 448,260</u>

General Obligation Bonds

\$915,000 general obligation bond issued December 2011, due in annual installments of \$58,884 to \$73,670 through December 2026, plus interest payable annually at 2.84%. \$ 594,318

\$1,055,000 general obligation bond, issued December 2014, due in semi-annual installments of \$16,979 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. 940,908

\$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%. 146,400

\$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%. 270,000

\$125,000 general obligation public improvement bond issued August 2017, due in annual installments of \$12,356 through August 2027, plus interest payable semi-annually at 2.48%. 112,644

\$160,000 general obligation public improvement bond issued June 2018, due in annual installments of \$32,000 through June 2023, plus interest payable semi-annually at 2.48%. 160,000

Total General Obligation Bonds \$ 2,224,270

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

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	\$ 565,445	\$ 809,083	\$ (134,574)	\$ 1,239,954	\$ 134,519
Capital leases	153,123	-	(46,448)	106,675	48,042
	718,568	809,083	(181,022)	1,346,629	182,561
Compensated absences	50,839	38,021	(45,412)	43,448	26,069
Business-type activities long-term liabilities	\$ 769,407	\$ 847,104	\$ (226,434)	\$ 1,390,077	\$ 208,630

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

Year(s) Ending June 30,	General Obligation Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2019	\$ 134,519	\$ 25,891	\$ 48,042	\$ 2,930
2020	170,554	41,630	42,251	1,310
2021	171,278	37,835	16,382	170
2022	172,017	33,949	-	-
2023	134,560	16,571	-	-
2024-2028	381,138	36,244	-	-
2029-2033	47,500	7,775	-	-
2034-2038	28,388	1,555	-	-
	\$ 1,239,954	\$ 201,450	\$ 106,675	\$ 4,410

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

General Obligation Bonds

\$550,000 general obligation public improvement bond, Series 2014, issued March 2014, due in annual installments of \$55,000 through March 2024, plus interest payable semi-annually at 1.98%.	\$ 330,000
\$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%.	170,890
\$698,750 general obligation public improvement bond, issued August 2017, due in annual installments of \$70,019 through August 2027, plus interest payable semi-annually at 2.48%.	628,731
\$850,000 general obligation public improvement bond, issued April 2018, due in semi-annual installments of \$17,928 to \$26,166 through November 2038, plus interest payable semi-annually at 2.00%.	<u>110,333</u>
Total bonded debt	<u><u>\$ 1,239,954</u></u>

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

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

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

Capital Leases

\$151,633 capital lease issued December 2015, secured by equipment with a net book value of \$97,478, annual maturity from \$2,527 to \$2,753 through December 2020, interest payable annually at 3.55%.	\$ 79,145
\$66,900 capital lease issued December 2015, secured by equipment with a net book value of \$43,007, annual maturity from \$1,414 to \$1,483 through December 2019, interest payable annually at 3.20%.	<u>27,530</u>
Total capital leases	<u><u>\$ 106,675</u></u>

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

At June 30, 2018, the Town had an available legal debt margin of \$40,675,112.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

Capital Leases (Continued)

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Component Unit - Authority:					
Bonds and notes payable:					
General obligation bonds	\$ 533,586	\$ -	\$ (14,754)	\$ 518,832	\$ 16,121
Component Unit - Authority long-term liabilities	\$ 533,586	\$ -	\$ (14,754)	\$ 518,832	\$ 16,121

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

Year(s) Ending June 30,	General Obligation Bonds	
	Principal	Interest
2019	\$ 16,121	\$ 18,052
2020	16,646	17,527
2021	17,284	16,889
2022	17,898	16,275
2023	18,533	15,640
2024-2028	102,931	67,934
2029-2033	122,596	48,270
2034-2038	145,962	24,904
2039-2040	60,861	2,447
	\$ 518,832	\$ 227,938

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

General Obligation Bonds

\$225,000 general obligation bond, issued December 2014, due in semi-annual installments of \$3,205 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.

\$ 204,555

\$340,000 general obligation bond, issued April 2015, due in semi-annual installments of \$4,760 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.

314,277

\$ 518,832

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, 2018). There was no outstanding balance at June 30, 2018. 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 a VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

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

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> <p>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>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. 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.	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
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>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.</p> <p><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.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none">• After two years, a member is 50% vested and may withdraw 50% of employer contributions.• After three years, a member is 75% vested and may withdraw 75% of employer contributions.• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<p>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.	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.	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: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	Political subdivisions hazardous duty employees: Same as Plan 1.	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.	Earliest Reduced Retirement Eligibility Age 60 with at least five years (60 months) of creditable service.	Earliest Reduced Retirement Eligibility <u>Defined Benefit Component</u> Age 60 with at least five years (60 months) of creditable service.
Political subdivisions hazardous duty employees: Age 50 with at least five years of creditable service.	Political subdivisions hazardous duty employees: Same as Plan 1.	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> Same as Plan 1.	<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.	Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service regardless of when it was earned, purchased or granted.	Disability Coverage Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

A. Plan Description (Continued)

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

B. Employees Covered by Benefit Terms

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	25
Inactive members:	
Vested	9
Non-vested	20
Active elsewhere in VRS	26
Total inactive members	55
Active members	55
Total covered employees	135

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

C. Contributions

The contribution requirement for active employees is governed by Sections 51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. 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, 2018 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 \$180,280 and \$183,462 for the years ended June 30, 2018 and 2017, respectively.

D. Net Pension Liability

The Town's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

E. Actuarial Assumptions

General Employees

The total pension liability for General Employee's in the Town's retirement plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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)

E. Actuarial Assumptions (Continued)

General Employees (Continued)

- Mortality Rates: 15% of deaths are assumed to be service related.
- Pre-retirement: RP-2014 Employee Rates at age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.
 - Post-retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.
 - Post-disablement: RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

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

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

Public Safety Employees

The total pension liability for Public Safety employees in the Town's retirement plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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)

E. Actuarial Assumptions (Continued)

Public Safety Employees (Continued)

- Mortality Rates: 45% of deaths are assumed to be service related.
- Pre-retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.
 - Post-retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.
 - Post-disablement: RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

F. Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		* Expected arithmetic nominal return	7.30%

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

G. Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, 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, 2019 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.

H. Changes in the Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2016	\$ 8,733,250	\$ 8,042,543	\$ 690,707
Changes for the Year:			
Service cost	258,759	-	258,759
Interest	600,059	-	600,059
Changes in assumptions	(170,428)	-	(170,428)
Difference between expected and actual experience	178,671	-	178,671
Contributions – employer	-	183,462	(183,462)
Contributions – employee	-	117,310	(117,310)
Net investment income	-	985,528	(985,528)
Benefit payments, including refunds of employee contributions	(321,946)	(321,946)	-
Administrative expense	-	(5,607)	5,607
Other changes	-	(880)	880
Net changes	545,115	957,867	(412,752)
Balances at June 30, 2017	\$ 9,278,365	\$ 9,000,410	\$ 277,955

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Town's net pension liability (asset)	\$ 1,527,385	\$ 277,955	\$ (756,771)

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

For the year ended June 30, 2018, the Town recognized pension expense of \$17,132. 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	\$ 125,016	\$ (137,792)
Changes of assumptions	-	(119,248)
Net difference between projected and actual earnings on pension plan investments	-	(131,784)
Employer contributions subsequent to the measurement date	180,280	-
Total	\$ 305,296	\$ (388,824)

The \$180,280 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2019	\$ (164,565)
2020	(13,839)
2021	(702)
2022	(84,702)
	\$ (263,808)

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

K. Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the VRS Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

Note 10. Other Postemployment Benefits – Medical Insurance Program

A. Plan Description

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

Benefits Provided

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

- The employee is a full-time employee who retires directly from the Town who has completed at least 25 years of service with the Town.
- The employee has attained the age of 65 with at least 20 years of service with the Town.

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

Employer Contributions

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

Employee Contributions

None.

B. Employees Covered by Benefit Terms

At July 1, 2016 (the valuation date), the following employees were covered by benefit terms:

	Number
Inactive employees or beneficiaries currently receiving benefits	5
Active	53
Total	58

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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

C. Total OPEB Liability

The Town's total OPEB liability is reported herein as of June 30, 2018 for the employer fiscal year and reporting period of July 1, 2017 to June 30, 2018. The values shown for this fiscal year and reporting period are based on a measurement date of June 30, 2016. The measurement of the total OPEB liability is based on a valuation date June 30, 2016.

D. Actuarial Assumptions

The total OPEB liability in the June 30, 2016 actuarial valuation was determined using the following key actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	2.50%
Discount rate	3.87%, based on the Bond Buy 20-year Bond GO Index as of June 30, 2018
Salary scale	4.75%, average, including inflation
Healthcare cost trend assumption	Pre-65: 5.30% in 2018 graded to 4.10% in 2077 Post-65: 5.40% in 2018 graded to 4.50% in 2093
Actuarial cost method	Entry Age Normal, Level Percentage of Pay

Mortality Rates

Pre-Retirement: RP-2000 Employee Mortality Tables projected to 2020 using Scale AA with males set forward two years and females set back three years.

Post-Retirement: RP-2000 Combined Healthy Mortality tables projected to 2020 using Scale AA with females set back one year.

Post-Disablement: RP-2000 Disabled Life mortality tables with males set back three years and no provision for future mortality improvement.

E. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2017	<u>\$ 867,152</u>
Changes for the year:	
Service cost	41,527
Interest on total OPEB liability	30,892
Effect of assumptions changes or inputs	(33,252)
Benefit payments	<u>(52,560)</u>
Net changes	<u>(13,393)</u>
Balance at June 30, 2018	<u><u>\$ 853,759</u></u>

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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

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

The following presents the Town's total OPEB liability, calculated using the discount rate of 3.87%. It also presents what the Town's total OPEB liability would be if it were calculated using a discount rate one percentage point lower (2.87%) and one percentage point higher (4.87%) than the current rate.

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB liability	\$ 946,757	\$ 853,759	\$ 770,284

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

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

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	\$ 733,441	\$ 853,759	\$ 999,836

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

Components of the Town's Medical OPEB expense for the fiscal year ended June 30, 2018 are as follows:

Description	Amount
Service cost	\$ 41,527
Interest on total OPEB liability	30,892
Recognition of assumption changes or inputs	(4,318)
	<u>\$ 68,101</u>

At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to the Medical OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ (28,934)

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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

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

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

Year Ending June 30,	Amount
2019	\$ (4,318)
2020	(4,318)
2021	(4,318)
2022	(4,318)
2023	(4,318)
Thereafter	(7,344)
	<u>\$ (28,934)</u>

Note 11. Other Postemployment Benefits – Group Life Insurance Program

A. Plan Description

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

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

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
Eligible Employees The GLI was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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

A. Plan Description (Continued)

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (Continued)
<p>Benefit Amounts</p> <p>The benefits payable under the GLI have several components.</p> <ul style="list-style-type: none">• Natural Death Benefit – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.• Accidental Death Benefit – The accidental death benefit is double the natural death benefit.• Other Benefit Provisions – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:<ul style="list-style-type: none">○ Accidental dismemberment benefit○ Safety belt benefit○ Repatriation benefit○ Felonious assault benefit○ Accelerated death benefit option
<p>Reduction in Benefit Amounts</p> <p>The benefit amounts provided to members covered under the GLI are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
<p>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</p> <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under GLI. The minimum benefit was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 COLA and is currently \$8,111.</p>

B. Contributions

The contribution requirements for the GLI are governed by Sections 51.1-506 and 51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2016. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI from the Town were \$16,924 and \$12,837 for the years ended June 30, 2018 and June 30, 2017, respectively.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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

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

At June 30, 2018, the Town reported a liability of \$202,000 for its proportionate share of the net GLI OPEB liability. The net GLI OPEB liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the net GLI OPEB liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the net GLI OPEB liability was based on the covered employer's actuarially determined employer contributions to the GLI for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was 0.01338% as compared to 0.01215% at June 30, 2016.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of \$5,000. Since there was a change in the proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (4,000)
Net difference between projected and actual earnings on GLI OPEB program investments	-	(8,000)
Change in assumptions	-	(10,000)
Changes in proportionate share	19,000	-
Employer contributions subsequent to the measurement date	16,924	-
Total	\$ 35,924	\$ (22,000)

The \$16,924 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net GLI OPEB liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ending June 30,	Amount
2019	\$ (2,000)
2020	(1,000)
Total	\$ (3,000)

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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

D. Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation:	
Locality – general employees	3.5%-5.35%
Locality – hazardous duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

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

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

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

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

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

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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

D. Actuarial Assumptions (Continued)

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

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

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

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

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

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

E. Net GLI OPEB Liability

The net OPEB liability (NOL) for the GLI represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the GLI is as follows (amounts expressed in thousands):

	GLI OPEB Program
Total GLI OPEB liability	\$ 2,942,426
Plan fiduciary net position	(1,437,583)
Employers' net GLI OPEB liability	\$ 1,504,843

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

48.86%

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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

E. Net GLI OPEB Liability (Continued)

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

F. Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		* Expected arithmetic nominal return	7.30%

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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

G. Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the Town for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Participating Employer			
Town	\$ 261,000	\$ 202,000	\$ 154,000

I. Group Life Insurance Program Fiduciary Net Position

Detailed information about the GLI's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia, 23218-2500.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Postemployment Benefits – Virginia Local Disability Program

A. Plan Description

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

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

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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

A. Plan Description (Continued)

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

B. Contributions

The contribution requirement for active Hybrid employees is governed by Section 51.1-1178(C) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to the Town by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2018 was 0.60% of covered employee compensation for employees in the VLDP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2016. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Town to the VLDP were \$4,416 and \$2,000 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the Town reported a liability of \$2,000 for its proportionate share of the VLDP net OPEB liability. The VLDP net OPEB liability was measured as of June 30, 2017 and the total VLDP OPEB liability used to calculate the VLDP net OPEB liability was determined by an actuarial valuation as of that date. The Town's proportion of the VLDP net OPEB liability was based on the Town's actuarially determined employer contributions to the VLDP OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the Town's proportion of the VLDP was 0.24415% as compared to 0.32778% at June 30, 2016.

For the year ended June 30, 2018, the Town recognized VLDP OPEB expense of \$3,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017, a portion of the VLDP net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the Town reported deferred outflows of resources related to the VLDP OPEB from the following sources:

	Deferred Outflows of Resources
Employer contributions subsequent to the measurement date	\$ 4,416

The \$4,416 reported as deferred outflows of resources related to the VLDP OPEB resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net VLDP OPEB liability in the fiscal year ending June 30, 2019.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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

D. Actuarial Assumptions

The total VLDP OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation:	
Political subdivision employees	3.5%-5.35%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

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

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

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

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

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

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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

E. VLDP OPEB Liability

The net OPEB liability (NOL) for the Town VLDP represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the VLDP is as follows (amounts expressed in thousands):

	VLDP OPEB Plan
Total VLDP OPEB liability	\$ 914
Plan fiduciary net position	(351)
Employers' net VLDP OPEB liability	\$ 563

Plan fiduciary net position as a percentage of the total VLDP OPEB liability	38.40%
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The total VLDP OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net VLDP OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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

F. Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		* Expected arithmetic nominal return	7.30%

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

G. Discount Rate

The discount rate used to measure the total Political Subdivision Employee VLDP OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by the Town for the VLDP will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Town VLDP OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Town VLDP OPEB liability.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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

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

The following presents the political subdivision's proportionate share of the Town net VLDP OPEB liability using the discount rate of 7.00%, as well as what the Town's proportionate share of the net VLDP OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

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

I. VLDP OPEB Fiduciary Net Position

Detailed information about the Town VLDP's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 13. Interfund Transfers

The Town transferred \$1,211,971 from the Water, Sewer and Sanitation Fund to the General Fund for operations and administrative costs.

The Town transferred \$75,165 from the General Fund to the Stormwater Management Fund for operations and administrative costs.

Note 14. Government Services Provided by Authorities

The City of Harrisonburg, the County of Rockingham, and the Towns of Bridgewater, Mt. Crawford, and Dayton entered into a guaranty agreement with the Harrisonburg-Rockingham Regional Sewer Authority (HRRSA) dated December 15, 1992. Under the terms of this agreement, these municipalities jointly and severally guaranteed the HRRSA's 2007 Sewer Revenue Bonds and 2008 Sewer Revenue and Refunding Bonds, which then qualifies as a nonexchange of financial guarantees. In February 2015, with an allonge dated September 2015, the HRRSA 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.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 14. Government Services Provided by Authorities (Continued)

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

The HRRSA bills the municipalities a monthly charge, which includes an assessment for their respective share of the HRRSA's debt service, operating, and construction expenditures based on the municipality usage of the sewage treatment facilities. Based on the current average usage, the Town's assessment for the HRRSA's operating, capital outlay and maintenance, construction and debt service expenditures for the ensuing year will approximate \$447,000, \$54,000 and \$510,000, respectively. To obtain a copy of the audited financial statements, contact the HRRSA at 856 North River Road, P.O. Box 8, Mt. Crawford, Virginia 22841.

Note 15. Major Customer

The Town has one major water and sewer customer. For the year ended June 30, 2018, water and sewer revenue from this customer was approximately \$1,054,000. There are accounts receivable from this customer of approximately \$97,000 at June 30, 2018.

Note 16. Risk Management

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

The Town has coverage with the Virginia 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 17. Contingency

Federal and State-Assisted Programs

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 18. Restatement

As of June 30, 2018, the Town adopted the applicable GASB guidance for OPEB. GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as amended, as well as the requirements of GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, as they relate to OPEB. The requirements of GASB Statement No. 75 are effective for fiscal year 2017. The following adjustments have been made:

	Governmental Activities	Business-type Activities	Water, Sewer and Sanitation Fund
Net position, as originally reported, July 1, 2017	\$ 3,100,752	\$ 2,196,007	\$ 2,182,085
Net adjustment as a result of the implementation of GASB Statement No. 75	(554,199)	(223,941)	(223,941)
Net position, as restated, July 1, 2017	<u>\$ 2,546,553</u>	<u>\$ 1,972,066</u>	<u>\$ 1,958,144</u>

Note 19. Pending GASB Statements

At June 30, 2018, 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. 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. 87, *Leases*, will increase the usefulness of the Town's financial statements by requiring reporting of certain lease assets and liabilities and deferred inflows of resources for leases that previously were classified as operating leases. Statement No. 87 will be effective for fiscal years beginning after December 15, 2019.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, will improve the information disclosed in the notes to the financial statements related to debt. Statement No. 88 will be effective for fiscal years beginning after June 15, 2018.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, will enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. Statement No. 89 will be effective for fiscal years beginning after December 15, 2019.

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 20. Subsequent Event

Subsequent to year-end, the Town issued a general obligation bond for the construction, design, engineering, and other costs of a community center that will include a theater, to be known as the Sipe Center. The amount of the bond is \$1,400,000, with payments beginning December 2018 and a final maturity of August 2038.

Subsequent to year-end, the Town purchased a piece of property for \$60,000.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF BRIDGEWATER, VIRGINIA

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

	Fiscal Year June 30,			
	2014	2015	2016	2017
Total Pension Liability				
Service cost	\$ 239,778	\$ 238,817	\$ 237,721	\$ 258,759
Interest	516,842	554,431	585,551	600,059
Changes of assumptions	-	-	-	(170,428)
Differences between expected and actual experience	-	(59,260)	(277,323)	178,671
Benefit payments, including refunds of employee contributions	(215,871)	(223,389)	(355,438)	(321,946)
Net change in total pension liability	540,749	510,599	190,511	545,115
Total pension liability - beginning	7,491,391	8,032,140	8,542,739	8,733,250
Total pension liability - ending (a)	<u>\$ 8,032,140</u>	<u>\$ 8,542,739</u>	<u>\$ 8,733,250</u>	<u>\$ 9,278,365</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 212,519	\$ 210,910	\$ 224,345	\$ 183,462
Contributions - employee	100,101	100,255	106,156	117,310
Net investment income	1,021,390	348,875	138,422	985,528
Benefit payments, including refunds of employee contributions	(215,871)	(223,389)	(355,438)	(321,946)
Administrative expense	(5,367)	(4,619)	(4,883)	(5,607)
Other	54	(75)	(59)	(880)
Net change in plan fiduciary net position	1,112,826	431,957	108,543	957,867
Plan fiduciary net position - beginning	6,389,217	7,502,043	7,934,000	8,042,543
Plan fiduciary net position - ending (b)	<u>\$ 7,502,043</u>	<u>\$ 7,934,000</u>	<u>\$ 8,042,543</u>	<u>\$ 9,000,410</u>
Town net pension liability - ending (a)-(b)	<u>\$ 530,097</u>	<u>\$ 608,739</u>	<u>\$ 690,707</u>	<u>\$ 277,955</u>
Plan fiduciary net position as a percentage of the total pension liability	93.40%	92.87%	92.09%	97.00%
Covered payroll	\$ 2,027,853	\$ 2,012,500	\$ 2,140,697	\$ 2,299,022
Town's net pension liability as a percentage of covered payroll	26.14%	30.25%	32.27%	12.09%

Note to Schedule:

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

TOWN OF BRIDGEWATER, VIRGINIA

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

	Fiscal Year June 30,				
	2014	2015	2016	2017	2018
Contractually required contribution (CRC)	\$ 212,519	\$ 210,910	\$ 224,345	\$ 183,462	\$ 180,280
Contributions in relation to the CRC	212,519	210,910	224,345	183,462	180,280
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,027,853	\$ 2,012,500	\$ 2,140,697	\$ 2,299,022	\$ 2,259,148
Contributions as a percentage of covered payroll	10.48%	10.48%	10.48%	7.98%	7.98%

Note to Schedule:

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

VIRGINIA RETIREMENT SYSTEM

Year Ended June 30, 2018

Note 1. 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 is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

Note 2. Changes of Assumptions

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

Non-Hazardous Duty

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

Hazardous Duty

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION VIRGINIA RETIREMENT SYSTEM Year Ended June 30, 2018

Note 3. Contractually Required Contributions

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

Methods and assumptions used to determine contribution rates:

Non-Hazardous Duty

Mortality Rates:	15% of deaths are assumed to be service related.
Pre-retirement:	RP-2014 Employee Rates at age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.
Post-retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.
Post-disablement:	RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

Hazardous Duty

Mortality Rates:	45% of deaths are assumed to be service related.
Pre-retirement:	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.
Post-retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.
Post-disablement:	RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

TOWN OF BRIDGEWATER, VIRGINIA

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

	<u>Fiscal Year June 30,</u> <u>2018</u>
Total OPEB Liability	
Service cost	\$ 41,527
Interest on total OPEB liability	30,892
Effect of assumptions changes or inputs	(33,252)
Benefit payments	<u>(52,560)</u>
Net change in total OPEB liability	(13,393)
Total OPEB liability - beginning	<u>867,152</u>
Total OPEB liability - ending	<u><u>\$ 853,759</u></u>
 Covered payroll	 2,432,300
Total OPEB liability as a percentage of covered payroll	35.10%

Note to Schedule:

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

TOWN OF BRIDGEWATER, VIRGINIA

SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY – GROUP LIFE INSURANCE PROGRAM Year Ended June 30, 2018⁽²⁾

	Fiscal Year June 30, 2018
Employer's proportion of the net GLI OPEB liability	0.0134%
Employer's proportionate share of the net GLI OPEB liability	\$ 202,000
Employer's covered payroll	\$ 1,291,908
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll	15.64%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	48.86%

Notes to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.
- (2) The amounts presented have a measurement date of the previous fiscal year.

TOWN OF BRIDGEWATER, VIRGINIA**SCHEDULE OF EMPLOYER CONTRIBUTIONS – OPEB –
GROUP LIFE INSURANCE PROGRAM
Years Ended June 30, 2018 and 2017**

	Fiscal Year June 30,	
	2017	2018
Contractually required contribution (CRC)	\$ 12,837	\$ 16,924
Contributions in relation to the CRC	12,837	16,924
Contribution deficiency (excess)	\$ -	\$ -
Employer's covered payroll	\$ 979,924	\$ 1,291,908
Contributions as a percentage of covered payroll	1.31%	1.31%

Note to Schedule:

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

TOWN OF BRIDGEWATER, VIRGINIA

SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY – VIRGINIA LOCAL DISABILITY PROGRAM Year Ended June 30, 2018⁽²⁾

	Fiscal Year June 30, 2017
Employer's proportion of the net VLDP OPEB liability	0.3278%
Employer's proportionate share of the net VLDP OPEB liability	\$ 2,000
Employer's covered payroll	\$ 736,000
Employer's proportionate share of the net VLDP OPEB liability as a percentage of its covered payroll	0.2717%
Plan fiduciary net position as a percentage of the total VLDP OPEB liability	38.40%

Notes to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.
- (2) The amounts presented have a measurement date of the previous fiscal year.

TOWN OF BRIDGEWATER, VIRGINIA**SCHEDULE OF EMPLOYER CONTRIBUTIONS – OPEB –
VIRGINIA LOCAL DISABILITY PROGRAM
Years Ended June 30, 2018 and 2017**

	Fiscal Year June 30,	
	2017	2018
Contractually required contribution (CRC)	\$ 2,000	\$ 4,416
Contributions in relation to the CRC	2,000	4,416
Contribution deficiency (excess)	\$ -	\$ -
Employer's covered payroll	\$ 333,000	\$ 736,000
Contributions as a percentage of covered payroll	0.60%	0.60%

Note to Schedule:

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OTHER POSTEMPLOYMENT BENEFITS Year Ended June 30, 2018

Note 1. Medical Insurance

A. Changes of Benefit Terms

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

B. Changes of Assumptions

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

2018	3.87%
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Note 2. Group Life Insurance Program

A. Changes of Benefit Terms

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

B. Changes of Assumptions

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

Non-Largest Ten Locality Employers – General Employees

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OTHER POSTEMPLOYMENT BENEFITS Year Ended June 30, 2018

Note 2. Group Life Insurance Program (Continued)

B. Changes of Assumptions (Continued)

Non-Largest Ten Locality Employers – Hazardous Duty Employees

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

Note 3. Virginia Local Disability Program

A. Changes of Benefit Terms

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

B. Changes of Assumptions

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

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

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

SUPPLEMENTARY SCHEDULES

TOWN OF BRIDGEWATER, VIRGINIA**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
GENERAL FUND****Year Ended June 30, 2018****(With Comparative Amounts for 2017)**

	2018	2017
Revenues:		
General property taxes	\$ 631,407	\$ 611,129
Other local taxes	1,719,089	1,645,885
Permits and other licenses	26,340	6,510
Fines and forfeitures	39,533	25,907
Use of money and property	100,431	96,120
Charges for services	129,937	114,967
Miscellaneous	42,082	26,134
Intergovernmental	1,529,237	1,186,880
Total revenues	4,218,056	3,713,532
Expenditures:		
Current:		
General government administration	821,438	771,999
Public safety	815,321	769,232
Public works	2,285,238	2,492,724
Parks, recreation and cultural	960,286	745,407
Community and economic development	232,991	150,315
Debt service:		
Principal	166,847	230,147
Interest	55,892	57,953
Total expenditures	5,338,013	5,217,777
Deficiency of revenues under expenditures	(1,119,957)	(1,504,245)
Other financing sources (uses):		
General obligation bonds issued	285,000	-
Transfers in	1,211,971	841,971
Transfers out	(75,165)	(133,699)
Total other financing sources, net	1,421,806	708,272
Net change in fund balance	301,849	(795,973)
Fund balance, beginning	100,347	896,320
Fund balance, ending	\$ 402,196	\$ 100,347

TOWN OF BRIDGEWATER, VIRGINIA

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SCHEDULE OF REVENUES – BUDGET AND ACTUAL – GENERAL FUND Year Ended June 30, 2018

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	\$ 370,000	\$ 370,000	\$ 370,388	\$ 388
Personal property taxes	235,000	235,000	252,163	17,163
Public service corporations property taxes	6,400	6,400	5,941	(459)
Interest and penalties on delinquent taxes	2,000	2,000	2,915	915
Total general property taxes	613,400	613,400	631,407	18,007
Other local taxes:				
Local sales and use taxes	194,000	194,000	196,399	2,399
Consumer utility taxes	400,200	400,200	370,722	(29,478)
Consumption taxes	23,000	23,000	24,106	1,106
Cigarette taxes	21,140	21,140	18,294	(2,846)
Business license taxes	212,200	212,200	218,755	6,555
Vehicle license taxes	71,000	71,000	86,338	15,338
Bank stock taxes	148,000	148,000	171,849	23,849
Meals taxes	595,600	595,600	618,979	23,379
Right-of-way use fee	12,400	12,400	10,362	(2,038)
Other	-	-	3,285	3,285
Total other local taxes	1,677,540	1,677,540	1,719,089	41,549
Permits and other licenses:				
Zoning and building	3,000	3,000	9,989	6,989
Passport application fee	-	-	14,809	14,809
Land disturbing	-	-	1,542	1,542
Total permits and other licenses	3,000	3,000	26,340	23,340
Fines and forfeitures	33,400	33,400	39,533	6,133
Use of money and property:				
Revenue from use of money	4,000	4,000	10,207	6,207
Revenue from use of property	76,200	76,200	90,224	14,024
Total revenue from use of money and property	80,200	80,200	100,431	20,231
Charges for services:				
Generations park	61,745	61,745	86,623	24,878
Golf fees	53,460	53,460	40,664	(12,796)
Classes and camps	-	-	2,650	2,650
Total charges for services	115,205	115,205	129,937	14,732
Miscellaneous	20,500	20,500	42,082	21,582
Total revenue from local sources	2,543,245	2,543,245	2,688,819	145,574

TOWN OF BRIDGEWATER, VIRGINIA

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**SCHEDULE OF REVENUES – BUDGET AND ACTUAL –
GENERAL FUND
Year Ended June 30, 2018**

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government: (continued)				
General Fund: (continued)				
Intergovernmental:				
Local aid:				
Town of Mt. Crawford:				
Public safety	\$ 48,900	\$ 48,900	\$ 50,040	\$ 1,140
Town of Dayton:				
Public safety	3,300	3,300	3,000	(300)
Total local aid	52,200	52,200	53,040	840
Revenue from the Commonwealth:				
Non-categorical aid:				
Communication sales and use tax	87,000	87,000	84,170	(2,830)
Personal property tax relief	102,000	102,000	102,034	34
Total non-categorical aid	189,000	189,000	186,204	(2,796)
Categorical aid:				
Litter control	3,000	3,000	2,886	(114)
Law enforcement assistance	128,000	128,000	130,869	2,869
Urban construction	-	-	13,984	13,984
Transportation enhancement	-	-	52,650	52,650
Street and highway maintenance	718,000	718,000	1,005,191	287,191
Virginia Department of Transportation revenue sharing project	-	-	25,258	25,258
Riverwalk grant	177,000	177,000	-	(177,000)
Other	-	-	3,219	3,219
Total categorical aid	1,026,000	1,026,000	1,234,057	208,057
Total intergovernmental revenue from the Commonwealth	1,215,000	1,215,000	1,420,261	205,261
Revenue from the federal government:				
Categorical aid:				
Urban construction	-	7,600	55,936	48,336
Total intergovernmental revenue from the federal government	-	7,600	55,936	48,336
Total intergovernmental revenue	1,267,200	1,274,800	1,529,237	254,437
Total General Fund	\$ 3,810,445	\$ 3,818,045	\$ 4,218,056	\$ 400,011

TOWN OF BRIDGEWATER, VIRGINIA

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SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL – GENERAL FUND Year Ended June 30, 2018

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
General government administration:				
Legislative:				
Town Council:				
Personal services	\$ 32,800	\$ 32,800	\$ 32,874	\$ 74
Fringe benefits	2,500	2,500	2,515	15
Other charges	4,000	4,000	4,556	556
Total Town Council	39,300	39,300	39,945	645
Town Manager's office:				
Personal services	247,971	247,971	255,729	7,758
Fringe benefits	64,847	64,847	63,245	(1,602)
Other charges	12,000	12,000	8,256	(3,744)
Capital outlay	2,025	2,025	-	(2,025)
Contractual services	2,000	2,000	10,178	8,178
Total town manager's office	328,843	328,843	337,408	8,565
Treasurer's office:				
Personal services	153,010	153,010	175,857	22,847
Fringe benefits	46,100	46,100	49,811	3,711
Other charges	10,000	10,000	7,365	(2,635)
Capital outlay	1,575	1,575	-	(1,575)
Contractual services	17,044	17,044	10,819	(6,225)
Total treasurer's office	227,729	227,729	243,852	16,123
Total legislative	595,872	595,872	621,205	25,333
General and financial administration:				
Legal	35,000	35,000	46,042	11,042
Independent auditor	51,000	51,000	47,800	(3,200)
Insurance and bonding	120,000	120,000	106,391	(13,609)
Total general and financial administration	206,000	206,000	200,233	(5,767)
Total general government administration	801,872	801,872	821,438	19,566

TOWN OF BRIDGEWATER, VIRGINIA

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**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL –
GENERAL FUND
Year Ended June 30, 2018**

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Over (Under)
Primary Government: (continued)				
General Fund: (continued)				
Public safety:				
Law enforcement and traffic control:				
Police department:				
Personal services	\$ 542,249	\$ 542,249	\$ 492,722	\$ (49,527)
Fringe benefits	158,956	158,956	139,274	(19,682)
Vehicle operation	19,145	19,145	29,929	10,784
Other charges	32,000	32,000	92,586	60,586
Contractual services	48,000	48,000	30,810	(17,190)
Total law enforcement and traffic control	800,350	800,350	785,321	(15,029)
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	830,350	830,350	815,321	(15,029)
Public works:				
Public works department:				
Personal services	259,939	259,939	235,868	(24,071)
Fringe benefits	77,225	77,225	76,651	(574)
Other charges	10,000	10,000	6,645	(3,355)
Capital outlay	2,100	2,100	-	(2,100)
Contractual services	2,000	2,000	12,552	10,552
Total public works department	351,264	351,264	331,716	(19,548)

TOWN OF BRIDGEWATER, VIRGINIA

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SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL – GENERAL FUND Year Ended June 30, 2018

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over
	Original	Final		(Under)
Primary Government: (continued)				
General Fund: (continued)				
Public works: (continued)				
Maintenance of highways, streets, bridges, sidewalks, and street lights:				
Highways, streets, bridges and sidewalks:				
Personal services	\$ 129,148	\$ 129,148	\$ 104,958	\$ (24,190)
Fringe benefits	56,700	56,700	45,124	(11,576)
Other charges	70,000	70,000	93,407	23,407
Contractual services	120,000	120,000	120,191	191
Street paving	250,000	580,250	645,914	65,664
Virginia Department of Transportation revenue sharing project	-	-	78,952	78,952
Urban construction program	1,800	9,400	69,920	60,520
T-21 project	-	-	18,500	18,500
Total highways, streets, bridges, and sidewalks	627,648	965,498	1,176,966	211,468
Street lights	81,000	81,000	82,342	1,342
Total maintenance of highways, streets, bridges, sidewalks, and street lights	708,648	1,046,498	1,259,308	212,810
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	25,000	25,000	-	(25,000)
Contractual services	15,000	15,000	25,385	10,385
Total key corridors	63,000	63,000	25,385	(37,615)
General properties:				
Personal services	207,808	207,808	182,087	(25,721)
Fringe benefits	87,300	87,300	72,672	(14,628)
Other charges	41,500	41,500	33,355	(8,145)
Capital outlay	13,000	53,000	342,954	289,954
Contractual services	85,000	152,760	37,761	(114,999)
Total general properties	434,608	542,368	668,829	126,461
Total public works	1,557,520	2,003,130	2,285,238	282,108

TOWN OF BRIDGEWATER, VIRGINIA

Page 4 of 4

**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL –
GENERAL FUND
Year Ended June 30, 2018**

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government: (continued)				
General Fund: (continued)				
Parks, recreation and cultural:				
Personal services	\$ 390,701	\$ 390,701	\$ 346,293	\$ (44,408)
Fringe benefits	103,867	103,867	109,233	5,366
Other charges	65,000	65,000	112,247	47,247
Capital outlay	300,000	425,000	263,280	(161,720)
Contractual services	101,100	101,100	129,233	28,133
Total parks, recreation and cultural	960,668	1,085,668	960,286	(125,382)
Community and economic development:				
Community development:				
Personal services	35,000	35,000	42,767	7,767
Fringe benefits	9,603	9,603	10,730	1,127
Other charges	89,500	89,500	89,490	(10)
Capital outlay	34,500	34,500	33,272	(1,228)
Contractual services	2,000	2,000	18,596	16,596
Total community development	170,603	170,603	194,855	24,252
Economic development:				
Other charges	2,000	2,000	1,094	(906)
Capital outlay	-	-	8,750	8,750
Contractual services	2,000	2,000	28,292	26,292
Total economic development	4,000	4,000	38,136	34,136
Total community and economic development	174,603	174,603	232,991	58,388
Debt service:				
Principal	155,000	155,000	166,847	11,847
Interest	53,500	53,500	55,892	2,392
Total debt service	208,500	208,500	222,739	14,239
Total General Fund	\$ 4,533,513	\$ 5,104,123	\$ 5,338,013	\$ 233,890

TOWN OF BRIDGEWATER, VIRGINIA**Page 1 of 2****SCHEDULE OF CAPITAL OUTLAYS****Year Ended June 30, 2018**

General Fund:	
Public works:	
Shop bay	\$ 26,589
Propane heaters	17,865
Street project	11,080
Real property	281,920
Mt. View retaining wall	5,500
	<u>342,954</u>
Parks, recreation and cultural:	
Ford Escape	21,100
Ford Escape	21,100
Oakdale stage	20,462
Basketball court	35,324
Real property	156,531
Fire pits	8,763
	<u>263,280</u>
Community development:	
Panel tree at Generations Park	<u>33,272</u>
Economic development:	
Sipe Center	<u>8,750</u>
Total General Fund	<u><u>\$ 648,256</u></u>

SCHEDULE OF CAPITAL OUTLAYS

Year Ended June 30, 2018

Water, Sewer and Sanitation Fund:

Water distribution:

Water line replacement	\$ 25,977
Handheld computer	11,000
	<u>36,977</u>

Water treatment:

Air conditioner	5,486
Water treatment pump	17,861
	<u>23,347</u>

Sewer:

North Main sewer line	93,045
Bruce Street sewer line	192,407
Ford F-250	5,560
GMC C7500	11,448
Chevrolet pickup truck	15,800
	<u>318,260</u>

Total Water, Sewer and Sanitation Fund**\$ 378,584**

Stormwater Management Fund:

Stormwater:

Holly Hill infrastructure	\$ 23,258
Windsor ditch	21,150

Total Stormwater Management Fund**\$ 44,408**

TOWN OF BRIDGEWATER, VIRGINIA

SCHEDULE OF TAXES RECEIVABLE

June 30, 2018

(With Comparative Amounts for 2017)

	2018	2017
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	374
2016	526	1,118
2017	2,347	2,922
2018	2,956	-
December billing for next fiscal year	168,600	168,633
	<u>176,223</u>	<u>174,400</u>
Personal property:		
2013	-	2,000
2014	1,265	1,279
2015	754	822
2016	1,305	3,270
2017	2,874	-
	<u>6,198</u>	<u>7,371</u>
Less:		
Allowance for uncollectible taxes	<u>11,000</u>	<u>11,000</u>
Taxes receivable - General Fund	<u><u>\$ 171,421</u></u>	<u><u>\$ 170,771</u></u>

* Includes 10% penalty

TOWN OF BRIDGEWATER, VIRGINIA

SCHEDULE REVENUES AND EXPENSES – PROPRIETARY FUND TYPE Year Ended June 30, 2018

	Water Department	Sewer Department	Sanitation Department	Totals
Operating revenues:				
Charges for services	\$ 1,047,892	\$ 1,774,873	\$ 518,095	\$ 3,340,860
Connection fees	2,321	2,534	-	4,855
Penalties	19,157	17,297	-	36,454
Total operating revenues	1,069,370	1,794,704	518,095	3,382,169
Operating expenses:				
Personal services	454,283	99,577	218,276	772,136
Fringe benefits	124,965	28,732	54,055	207,752
Materials, line repairs and other	407,144	65,489	176,347	648,980
Regional Sewer Authority assessment:				
Operations and maintenance	-	333,267	-	333,267
Debt service	-	507,855	-	507,855
Construction	-	42,241	-	42,241
Depreciation	130,479	76,813	24,648	231,940
Total operating expenses	1,116,871	1,153,974	473,326	2,744,171
Operating income (loss)	(47,501)	640,730	44,769	637,998
Nonoperating revenue (expense):				
Interest expense	(7,257)	(21,381)	(3,348)	(31,986)
Loss on disposal of assets	-	-	(4,047)	(4,047)
Connection availability fees	84,516	96,653	-	181,169
Total nonoperating revenue (expense), net	77,259	75,272	(7,395)	145,136
Income before transfers	29,758	716,002	37,374	783,134
Transfers out	(208,669)	(1,003,302)	-	(1,211,971)
Change in net position	\$ (178,911)	\$ (287,300)	\$ 37,374	\$ (428,837)

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, 2018

(With Comparative Totals for 2017)

	Water Department		Sewer Department		Totals (Memorandum Only)			
					2018		2017	
	Amount	Rate Per 1,000 Gallons	Amount	Rate Per 1,000 Gallons	Amount	Rate Per 1,000 Gallons	Amount	Rate Per 1,000 Gallons
Operating revenues:								
Charges for services	\$ 1,047,892	\$ 4.387	\$ 1,774,873	\$ 7.430	\$ 2,822,765	\$ 11.817	\$ 2,681,023	\$ 11.652
Connection fees	2,321	0.010	2,534	0.011	4,855	0.021	5,509	0.024
Penalties	19,157	0.080	17,297	0.072	36,454	0.152	33,972	0.148
Total operating revenues	1,069,370	4.477	1,794,704	7.513	2,864,074	11.990	2,720,504	11.824
Operating expenses:								
Personal services	454,283	1.902	99,577	0.417	553,860	2.319	497,032	2.160
Fringe benefits	124,965	0.523	28,732	0.120	153,697	0.643	188,010	0.817
Materials, line repairs and other	407,144	1.704	65,489	0.274	472,633	1.978	396,137	1.722
Regional Sewer Authority assessment:								
Operations and maintenance	-	-	333,267	1.395	333,267	1.395	305,148	1.326
Debt service	-	-	507,855	2.126	507,855	2.126	499,752	2.172
Construction	-	-	42,241	0.177	42,241	0.177	52,220	0.227
Depreciation	130,479	0.546	76,813	0.322	207,292	0.868	220,814	0.960
Total operating expenses	1,116,871	4.675	1,153,974	4.831	2,270,845	9.506	2,159,113	9.384
Operating income (loss)	(47,501)	(0.198)	640,730	2.682	593,229	2.484	561,391	2.440
Nonoperating revenue (expense):								
Interest expense	(7,257)	(0.030)	(21,381)	(0.090)	(28,638)	(0.120)	(14,872)	(0.064)
Connection availability fees	84,516	0.354	96,653	0.405	181,169	0.759	210,119	0.913
Total nonoperating revenue, net	77,259	0.324	75,272	0.315	152,531	0.639	195,247	0.849
Income before transfers	\$ 29,758	\$ 0.126	\$ 716,002	\$ 2.997	\$ 745,760	\$ 3.123	\$ 756,638	\$ 3.289
Total water consumption:								
Thousands of gallons	<u>238,890</u>						<u>230,091</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, 2018

ASSETS	
Current assets:	
Cash	\$ 51,482
Note receivable	12,998
Total current assets	<u>64,480</u>
Noncurrent assets:	
Note receivable	<u>96,410</u>
Capital assets:	
Land	79,747
Buildings and improvements	407,886
Equipment	30,105
Less: accumulated depreciation	<u>(32,862)</u>
Total capital assets, net	<u>484,876</u>
Total noncurrent assets	<u>581,286</u>
Total assets	<u>645,766</u>
LIABILITIES	
Current liabilities:	
Accrued interest	2,735
Unearned revenue	3,000
Bonds payable	<u>16,121</u>
Total current liabilities	<u>21,856</u>
Noncurrent liabilities:	
Bonds payable	<u>502,711</u>
Total noncurrent liabilities	<u>502,711</u>
Total liabilities	<u>524,567</u>
NET POSITION	
Net investment in capital assets	280,321
Unrestricted	<u>(159,122)</u>
Total net position	<u>\$ 121,199</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, 2018

Operating revenues:	
Use of money and property	\$ 37,162
Charges for services	<u>11,375</u>
Total operating revenues	<u>48,537</u>
Operating expenses:	
Personal services	950
Fringe benefits	73
Other charges	2,681
Depreciation	<u>14,044</u>
Total operating expenses	<u>17,748</u>
Operating income	30,789
Nonoperating expense:	
Interest	<u>19,343</u>
Change in net position	11,446
Net position, beginning	<u>109,753</u>
Net position, ending	<u><u>\$ 121,199</u></u>

TOWN OF BRIDGEWATER, VIRGINIA

STATEMENT OF CASH FLOWS – DISCRETELY PRESENTED COMPONENT UNIT – INDUSTRIAL DEVELOPMENT AUTHORITY Year Ended June 30, 2018

Cash flows from operating activities:	
Receipts from customers	\$ 47,162
Payments to suppliers for goods and services	(2,048)
Payments to employees for services and benefits	(1,656)
Net cash provided by operating activities	<u>43,458</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(9,225)
Principal paid on:	
General obligation bonds	(14,754)
Interest paid on outstanding debt	(19,419)
Net cash used in capital and related financing activities	<u>(43,398)</u>
Cash flows from investing activities:	
Principal from collection of note receivable	<u>12,556</u>
Net cash provided by investing activities	<u>12,556</u>
Net change in cash	12,616
Cash:	
Beginning	<u>38,866</u>
Ending	<u>\$ 51,482</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 30,789
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	14,044
Decrease in unearned revenue	(1,375)
Net cash provided by operating activities	<u>\$ 43,458</u>

TOWN OF BRIDGEWATER, VIRGINIA

**SCHEDULE OF REVENUE BONDS OUTSTANDING –
DISCRETELY PRESENTED COMPONENT UNIT –
INDUSTRIAL DEVELOPMENT AUTHORITY
June 30, 2018**

Issued on Behalf of	Amount Issued	Date of Issue	Outstanding June 30, 2018	Stated Interest Rate	Date of Maturity	Name of Trustee
Bridgewater College - Educational Revenue	\$ 3,783,629	11/03/15	\$ 3,526,084	2.28%	04/01/31	Bank of the James
Bridgewater Home - Series 2017A	26,000,000	12/28/17	25,665,000	2.50%	12/15/29	BB&T
Bridgewater Home - Series 2017B	18,000,000	12/28/17	17,880,000	2.50%	12/15/29	BB&T
Bridgewater Home - Series 2017C	4,500,000	12/28/17	4,500,000	2.35%	12/15/22	BB&T
Bridgewater Home - Series 2017D	7,500,000	12/28/17	<u>7,500,000</u>	2.35%	12/15/22	BB&T
			<u><u>\$ 59,071,084</u></u>			

TOWN OF BRIDGEWATER, VIRGINIA

SCHEDULE OF CHANGES IN REVENUE BONDS OUTSTANDING – DISCRETELY PRESENTED COMPONENT UNIT – INDUSTRIAL DEVELOPMENT AUTHORITY Year Ended June 30, 2018

Issued on Behalf of	Date of Issue	Outstanding July 1, 2017	Outstanding June 30, 2018	Increase (Decrease)
Bridgewater Home - Series 2013A	06/05/13	\$ 2,806,297	\$ -	\$ (2,806,297)
Bridgewater Village - Series 2013B	06/05/13	2,654,921	-	(2,654,921)
Bridgewater College - Educational Revenue	11/03/15	3,659,209	3,526,084	(133,125)
Bridgewater Home - Series 2017A	12/28/17	-	25,665,000	25,665,000
Bridgewater Home - Series 2017B	12/28/17	-	17,880,000	17,880,000
Bridgewater Home - Series 2017C	12/28/17	-	4,500,000	4,500,000
Bridgewater Home - Series 2017D	12/28/17	-	7,500,000	7,500,000
Totals		<u>\$ 9,120,427</u>	<u>\$ 59,071,084</u>	<u>\$ 49,950,657</u>

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.

NET POSITION / ASSETS BY COMPONENT

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities:										
Net investment in capital assets	\$ 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	\$ 3,982,455
Restricted	20,896	21,640	22,774	22,884	22,884	22,884	836,130	22,382	22,403	22,423
Unrestricted (deficit)	(94,208)	76,087	247,986	274,804	243,717	478,614	(567,221)	97,911	(657,869)	(816,258)
Total governmental activities net assets	\$ 2,070,708	\$ 2,354,300	\$ 2,680,293	\$ 2,475,622						
Total governmental activities net position					\$ 2,737,925	\$ 3,100,539	\$ 2,727,459	\$ 3,103,875	\$ 3,100,752	\$ 3,188,620
Business-type activities:										
Net investment in capital assets	\$ 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	\$ 1,633,372
Unrestricted	128,309	116,214	113,563	165,764	143,719	175,474	10,321	91,676	120,839	(43,434)
Total business-type activities net assets	\$ 1,716,020	\$ 1,694,541	\$ 1,704,442	\$ 1,848,210						
Total business-type activities net position					\$ 1,907,035	\$ 1,686,336	\$ 1,918,948	\$ 2,225,240	\$ 2,196,007	\$ 1,589,938
Primary government:										
Net investment in capital assets	\$ 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	\$ 5,615,827
Restricted	20,896	21,640	22,774	22,884	22,884	22,884	836,130	22,382	22,403	22,423
Unrestricted (deficit)	34,101	192,301	361,549	440,568	387,436	654,088	(556,900)	189,587	(537,030)	(859,692)
Total primary government net assets	\$ 3,786,728	\$ 4,048,841	\$ 4,384,735	\$ 4,323,832						
Total primary government net position					\$ 4,644,960	\$ 4,786,875	\$ 4,646,407	\$ 5,329,115	\$ 5,296,759	\$ 4,778,558
					(2)				(3)	

Notes:

- (1) This table reports financial information based on the accrual basis of accounting. The Town implemented GASB Statement No. 63, the new reporting standard, in fiscal year 2013. This standard eliminated the use of the term 'net assets' and now refers to this measurement as 'net position.'
- (2) June 30, 2014 net position was restated for the implementation of GASB Statement No. 68 which reduced net position by \$889,654.
- (3) June 30, 2017 net position was restated for the implementation of GASB Statement No. 75 which reduced net position by \$778,140.

TOWN OF BRIDGEWATER, VIRGINIA

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CHANGES IN NET POSITION / ASSETS

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses:										
Governmental activities:										
General government administration	\$ 623,112	\$ 670,323	\$ 687,128	\$ 715,110	\$ 709,603	\$ 765,232	\$ 786,203	\$ 1,064,171	\$ 780,506	\$ 819,775
Public safety	714,959	768,602	796,247	861,318	826,648	833,948	812,586	815,116	784,779	845,679
Public works	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	1,999,370
Parks, recreation and cultural	426,139	407,530	448,454	428,657	426,733	482,013	464,969	670,901	740,707	803,811
Community and economic development	119,217	99,609	171,500	90,496	111,075	101,847	108,566	145,009	151,255	190,969
Interest	99,525	91,890	80,004	56,092	39,946	32,738	39,846	53,294	56,345	54,211
Total governmental activities	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	4,713,815
Business-type activities:										
Water, sewer and sanitation	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	2,780,204
Stormwater management	-	-	-	-	-	70,626	58,743	171,900	222,050	161,253
Total business-type activities	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	2,941,457
Total government	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	7,655,272
Program revenue:										
Governmental activities:										
Charges for services:										
General government administration	-	-	-	-	-	-	-	-	485	14,809
Public safety	36,059	50,936	55,982	40,862	45,819	42,796	45,083	45,313	25,907	39,533
Public works	-	-	-	-	-	-	-	-	6,025	11,531
Parks, recreation and cultural	-	-	-	-	-	-	-	-	114,967	129,937
Operating grants and contributions:										
Public safety	173,053	189,271	193,197	183,947	185,342	174,442	175,484	308,443	179,549	183,909
Public works	908,566	648,682	645,407	1,259,493	668,965	653,460	728,114	1,057,811	819,933	1,159,124
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	1,240,294	908,154	979,586	1,511,345	918,670	870,698	948,681	1,411,567	1,154,616	1,538,843
Business-type activities:										
Charges for services:										
Water, sewer and sanitation	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	3,345,715
Stormwater Management	-	-	-	-	-	78,512	79,863	71,747	100,088	132,797
Capital grants and contributions:										
Water, sewer and sanitation	91,695	122,500	247,277	85,796	54,000	67,500	300,141	226,982	210,119	181,169
Total business-type activities program revenue	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	3,659,681
Total government program revenue	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	5,198,524
Net (expense) revenue:										
Governmental activities	(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)	(3,174,972)
Business-type activities	725,920	670,354	615,419	486,774	498,226	419,073	790,921	790,099	645,067	718,224
Total government net expense	(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)	(2,456,748)

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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General revenues and other changes in net assets:										
Governmental activities:										
Taxes:										
General property	\$ 589,737	\$ 557,891	\$ 560,335	\$ 538,464	\$ 506,468	\$ 554,897	\$ 576,922	\$ 590,960	\$ 611,129	\$ 632,407
Consumer utility and communications sales and use	371,762	359,461	274,780	393,629	386,397	385,779	387,647	387,969	388,104	370,722
Meals	311,681	320,339	360,040	347,099	396,659	446,307	466,633	530,632	548,988	618,979
Local sales and use	166,599	131,990	162,442	168,211	247,769	160,076	160,706	198,749	192,639	196,399
Bank stock	71,495	89,615	108,360	95,393	101,619	107,330	146,696	150,249	154,259	171,849
Business license	172,228	180,397	172,147	199,905	206,776	217,335	223,970	224,118	220,114	218,755
Other	117,150	117,351	98,454	122,680	150,383	136,486	144,678	138,536	141,781	142,385
Intergovernmental, non-categorical aid	108,229	98,614	198,644	195,902	198,768	191,976	197,996	191,335	187,398	186,204
Use of money and property	89,428	88,035	77,000	81,329	68,678	90,455	87,468	175,097	96,141	100,451
Miscellaneous	31,159	22,238	52,583	17,505	20,335	32,980	160,142	621,785	26,134	42,082
Transfers	465,496	715,807	635,497	376,541	476,324	682,478	298,487	516,786	708,272	1,136,806
Total governmental activities	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	3,817,039
Business-type activities:										
Miscellaneous	23,196	23,974	29,979	33,535	36,923	42,706	38,746	32,979	33,972	36,454
Transfers	(465,496)	(715,807)	(635,497)	(376,541)	(476,324)	(682,478)	(298,487)	(516,786)	(708,272)	(1,136,806)
Total business-type activities	(442,300)	(691,833)	(605,518)	(343,006)	(439,401)	(639,772)	(259,741)	(483,807)	(674,300)	(1,100,352)
Total primary government	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	2,716,687
Changes in net assets:										
Governmental activities	30,101	283,592	325,993	(204,671)						
Business-type activities	283,620	(21,479)	9,901	143,768						
Total primary government	\$ 313,721	\$ 262,113	\$ 335,894	\$ (60,903)						
Changes in net position:										
Governmental activities					262,303	362,614	218,006	376,416	(3,123)	642,067
Business-type activities					58,825	(220,699)	531,180	306,292	(29,233)	(382,128)
Total primary government					\$ 321,128	\$ 141,915	\$ 749,186	\$ 682,708	\$ (32,356)	\$ 259,939

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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities:										
General government administration	\$ -	\$ -	\$ 85,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 485	\$ 14,809
Public safety	331,728	240,207	249,179	240,199	231,161	217,238	220,567	353,756	205,456	223,442
Public works	908,566	667,947	645,407	1,271,146	687,509	653,460	728,114	1,057,811	825,958	1,170,655
Parks, recreation and cultural	-	-	-	-	-	-	-	-	122,717	129,937
Total governmental activities	1,240,294	908,154	979,586	1,511,345	918,670	870,698	948,681	1,411,567	1,154,616	1,538,843
Business-type activities:										
Water, sewer and sanitation	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	3,526,884
Stormwater management	-	-	-	-	-	78,512	79,863	71,747	100,088	132,797
Total business-type activities	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	3,659,681
Total government	\$ 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	\$ 5,198,524

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.

FUND BALANCES – GOVERNMENTAL FUNDS

Last Ten Fiscal Years

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

		Fiscal Year June 30,				
		2009	2010	2011	2012	2013
General Fund:						
Reserved	\$	45,305	\$ 11,817	\$ -	\$ -	\$ -
Unreserved		(18,849)	217,297	-	-	-
Committed		-	-	10,000	10,000	10,000
Unassigned		-	-	427,550	483,281	485,544
Total General Fund	\$	26,456	\$ 229,114	\$ 437,550	\$ 493,281	\$ 495,544
All other governmental funds:						
Reserved	\$	20,896	\$ 21,640	\$ -	\$ -	\$ -
Nonspendable		-	-	6,000	6,000	6,000
Restricted		-	-	16,774	16,774	16,884
Total all other governmental funds	\$	20,896	\$ 21,640	\$ 22,774	\$ 22,774	\$ 22,884
		Fiscal Year June 30,				
		2014	2015	2016	2017	2018
General Fund:						
Restricted	\$	-	\$ 813,754	\$ -	\$ -	\$ -
Assigned		-	82,000	-	10,000	10,000
Committed		10,000	-	-	-	-
Unassigned		731,144	168,287	896,320	90,347	392,196
Total General Fund	\$	741,144	\$ 1,064,041	\$ 896,320	\$ 100,347	\$ 402,196
All other governmental funds:						
Nonspendable	\$	6,000	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000
Restricted		16,884	16,376	16,382	16,403	16,423
Total all other governmental funds	\$	22,884	\$ 22,376	\$ 22,382	\$ 22,403	\$ 22,423

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
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CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues:										
General property taxes	\$ 585,737	\$ 556,891	\$ 558,335	\$ 541,464	\$ 509,468	\$ 542,897	\$ 579,922	\$ 593,960	\$ 611,129	\$ 631,407
Other local taxes	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	1,719,089
Permits and other licenses	4,021	7,070	4,144	3,425	2,965	3,078	4,160	3,499	6,510	26,340
Fines and forfeitures	32,038	43,866	51,838	37,437	42,854	39,718	40,923	41,814	25,907	39,533
Use of money and property	89,428	88,035	77,000	81,329	68,678	90,455	87,468	92,345	96,141	100,451
Charges for services	-	-	-	-	-	-	-	56,976	114,967	129,937
Miscellaneous	31,159	22,238	52,583	17,505	20,335	32,980	160,142	56,833	26,134	42,082
Intergovernmental	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	1,529,237
Total revenues	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	4,218,076
Expenditures:										
General government administration	595,075	618,210	646,078	674,207	676,800	734,129	770,265	760,492	771,999	821,438
Public safety	714,718	730,825	725,534	835,013	767,068	825,896	878,516	953,365	769,232	815,321
Public works	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	2,285,238
Parks, recreation and cultural	429,787	356,422	400,891	389,595	461,846	445,772	1,174,047	1,515,081	745,407	960,286
Community and economic development	119,217	99,236	170,291	90,406	109,124	117,737	109,003	137,385	150,315	232,991
Debt service:										
Principal	220,275	229,674	229,965	230,266	291,996	216,520	146,785	164,155	230,147	166,847
Interest and fiscal charges	100,327	98,169	83,262	48,618	42,549	34,135	38,437	48,165	57,953	55,892
Total expenditures	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	5,338,013
Revenues under expenditures	(880,090)	(512,405)	(425,927)	(710,700)	(474,061)	(436,878)	(1,031,098)	(1,819,229)	(1,504,224)	(1,119,937)
Other financing sources (uses):										
Sale of capital asset	-	-	-	-	-	-	-	590,722	-	-
Transfers in	480,019	715,807	635,497	376,541	476,324	682,478	298,487	618,780	841,971	1,211,971
Transfers out	-	-	-	-	-	-	-	(101,994)	(133,699)	(75,165)
Issuance of debt	50,000	-	-	390,000	-	-	1,055,000	544,000	-	285,000
Issuance of short-term debt	-	295,000	-	-	-	-	-	-	-	-
Payment of short-term debt	-	(295,000)	-	-	-	-	-	-	-	-
Total other financing sources, net	530,019	715,807	635,497	766,541	476,324	682,478	1,353,487	1,651,508	708,272	1,421,806
Net change in fund balances	\$ (350,071)	\$ 203,402	\$ 209,570	\$ 55,841	\$ 2,263	\$ 245,600	\$ 322,389	\$ (167,721)	\$ (795,952)	\$ 301,869

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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt service as a percentage of noncapital expenditures:										
Total debt service	\$ 320,602	\$ 327,843	\$ 313,227	\$ 278,884	\$ 334,545	\$ 250,655	\$ 185,222	\$ 212,320	\$ 288,100	\$ 222,739
Total expenditures	\$ 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	\$ 5,338,013
Less: capital outlay	(389,155)	(68,265)	(7,657)	(76,643)	(151,506)	(60,365)	(910,084)	(1,398,661)	(769,033)	(648,256)
Noncapital expenditures	\$ 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	\$ 4,689,757
Debt service as a percentage of noncapital expenditures	8.82%	9.94%	9.28%	6.51%	9.53%	7.04%	5.11%	4.77%	6.48%	4.75%

Note:

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

TAX REVENUES BY SOURCE – GOVERNMENTAL FUNDS

Last Ten Fiscal Years

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

Fiscal Year June 30,	General Property Including Interest and Penalty	Consumer Utility	Consumption	Local Sales and Use	Bank Stock	Meals	Right-of-way Use Fee	Business Licenses	Motor Vehicle	Communication Sales and Use	Cigarette	Totals
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
2018	631,407	370,722	24,106	196,399	171,849	618,979	10,362	218,755	86,338	-	18,294	2,347,211
Change 2009-2018	7.80%	34.50%	-4.71%	17.89%	140.37%	98.59%	-31.07%	27.01%	12.39%	-100.00%	100.00%	30.64%

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
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%
2018	422,027,830	6,965,994	202,041,200	631,035,024	428,993,824	1.95%	0.085/0.09	428,993,824	100.00%

Notes:

- (1) Real and personal property tax assessments are made by the Commissioner of the Revenue for the County of Rockingham, Virginia for current use of the County and Town property. Real and personal property taxes of public service corporations are assessed by the State Corporation Commission.
- (2) Town assesses taxes at 100% of total assessed value.
- (3) Reassessments effective January 1, 2010, 2014 and 2018.
- (4) The total direct tax rate is per \$100 of assessed value.

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
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
2018	0.085/0.09	0.75	-	0.74	3.00	2.55	0.83	3.75	2.55

Notes:

- (1) These rates are per \$100 of assessed value for real estate and personal property.
- (2) The Commonwealth of Virginia has no limitations on local tax rates.
- (3) Real property taxes are due in semi-annual installments by June 5 and December 5, and become delinquent thereafter.
- (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	2018			2009		
	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	\$ 47,072,800	1	10.89%	\$ 39,965,300	1	10.56%
Tiben Limited Company (Marshall's)	14,593,400	2	3.38%	18,928,900	2	5.00%
French, Larry B. and Pamela S.	5,498,600	3	1.27%	3,201,000	4	0.85%
Perdue Farms, Inc.	4,912,500	4	1.14%	10,034,800	3	2.65%
North Grove Rentals, LLC	2,260,500	5	0.52%	-	-	-
Heatwole Construction	1,883,900	6	0.44%	2,479,800	5	0.66%
Ashby 28, LLC (Ashby Apartments)	1,833,100	7	0.42%	1,356,000	9	0.36%
Heatwole, Dale & Gale	1,717,900	8	0.40%	-	-	-
Newland Enterprises	1,655,800	9	0.38%	1,320,500	10	0.35%
Good Printers, Inc.	1,568,500	10	0.36%	1,540,900	7	0.41%
A Bird in Hand Land, LLC	-		-	1,541,300	6	0.41%
Shickel Machine Shop, Inc.	-		-	1,389,400	8	0.37%
Total	\$ 82,997,000		19.20%	\$ 81,757,900		21.62%

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
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%	1,881	370,087	99.89%
2017	373,345	369,909	99.08%	2,161	372,070	99.66%
2018	371,202	367,153	98.91%	-	367,153	98.91%

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 Outstanding	Percentage of Actual Taxable Value of Property	General Bonded Debt Outstanding
	General		Revenue Bonds	Note	Capital Leases	Total			General		Debt
	Obligation Bonds	Note							Obligation		Per
									Bonds		Capita
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	1.17%	417	1,956,419	0.47%	333
2016	2,336,264	-	630,000	-	198,001	3,164,265	1.49%	537	2,336,264	0.56%	397
2017	2,106,117	-	565,445	-	153,123	2,824,685	N/A	467	2,106,117	0.50%	348
2018	2,224,270	-	1,239,954	-	106,675	3,570,899	N/A	589	2,224,270	0.52%	367

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, 2018****(Unaudited)**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Rockingham County, Virginia	\$ 103,637,624	5.38%	\$ 5,575,704
Town Direct Debt			<u>2,224,270</u>
Total direct and overlapping debt			<u><u>\$ 7,799,974</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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Legal debt margin	\$ 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	\$ 42,899,382
Total net debt applicable to limit	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	2,224,270
Available legal debt margin	\$ 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	\$ 40,675,112
Total net debt applicable to the limit as a percentage of debt limit	4.02%	4.20%	3.54%	3.91%	3.15%	2.55%	4.70%	5.58%	5.01%	5.18%

Legal debt margin calculation for fiscal year 2018:

Assessed value of real estate	<u>\$ 428,993,824</u>
Debt limit (10% of assessed value)	\$ 42,899,382
Debt applicable to limit:	
Net direct debt outstanding	<u>2,224,270</u>
Available legal debt margin	<u>\$ 40,675,112</u>

Summary of outstanding debt:

Gross bonded debt	\$ 3,570,899
Less: enterprise debt	<u>1,346,629</u>
	<u>\$ 2,224,270</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 Service Charges	Operating Expenses	Net Available Revenue	Debt Service			Total Coverage
				Principal	Interest	Totals	
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
2018	3,382,169	2,512,231	869,938	134,574	31,986	166,560	5.22

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
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	212,127,669	36,021	3.7%
2017	6,048	(4)	(4)	3.4%
2018	6,062	(4)	(4)	2.9%

Notes:

- (1) Population estimates obtained from the United States Bureau of the Census for years 2009 through 2018.
- (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 2009 from the Virginia Employment Commission - Harrisonburg/Rockingham County Branch; for the years 2010 through 2018 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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government administration:										
Legislative:										
Superintendent's office	2	2	2	2	2	2	2	3	3	3
Treasurer's office	3	3	3	3	3	3	3	3	3	3
Public safety:										
Law enforcement and traffic control	9	9	9	9	9	9	9	9	9	9
Public works:										
Public works department	4	3	3	3	4	4	3	4	4	4
Maintenance	6	6	7	6	6	6	5	5	5	5
General properties	5	5	5	5	5	5	5	5	5	5
Parks, recreation and cultural	4	4	4	4	5	6	5	8	9	8
Water, Sewer and Sanitation:										
Administration	1	1	1	1	1	1	1	1	1	1
Transmission	6	6	6	5	5	5	5	5	5	5
Purification	5	5	5	5	5	5	5	5	5	5
Sewer maintenance	2	2	2	2	2	2	2	2	2	2
Sanitation	5	5	5	5	5	6	6	6	6	6
Total	52	51	52	50	52	54	51	56	57	56

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

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, 2018, 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 29, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, as described in the accompanying Schedule of Finding and Response as item 2018-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

Town's Response to Finding

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

Purpose of this Report

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

PB Mares, LLP

Harrisonburg, Virginia
October 29, 2018

TOWN OF BRIDGEWATER, VIRGINIA

SCHEDULE OF FINDING AND RESPONSE

Year Ended June 30, 2018

Section I. FINANCIAL STATEMENT FINDING

A. Significant Deficiency in Internal Control

2018-001: Significant Deficiency Due to Significant Audit Adjustments

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

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

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

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

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

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

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

