

TOWN OF BRIDGEWATER, VIRGINIA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

YEAR ENDED JUNE 30, 2013

Prepared by:

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

TOWN OF BRIDGEWATER, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2013

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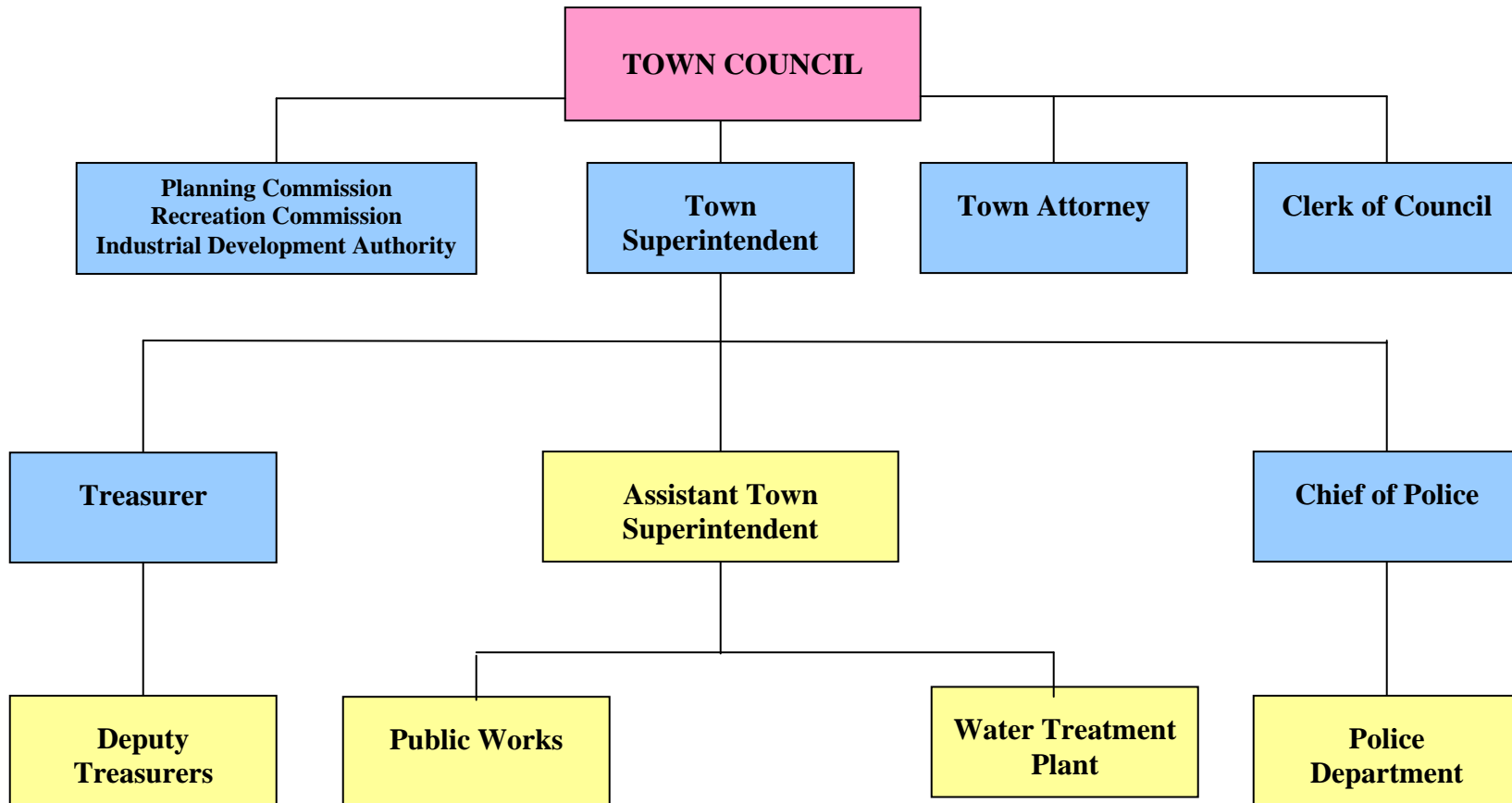
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INTRODUCTORY SECTION

TABLE OF ORGANIZATION

Town of Bridgewater, Virginia



COLOR LEGEND

Elected

Appointed by Council

Hired by Superintendent

TOWN OF BRIDGEWATER, VIRGINIA

Directory of Principal Officials

OFFICIALS

| | |
|-------------------|----------------|
| Hallie D. Dinkel | Mayor |
| Rosetta W. Harris | Vice-Mayor |
| Bob F. Holton | Superintendent |
| Cherie N. Bowen | Treasurer |
| J. Jay Litten | Town Attorney |
| Betsy Putney | Clerk |

MEMBERS OF COUNCIL

| | |
|------------------------|---------------------|
| Roscoe E. Burgess, Sr. | William D. Miracle |
| A. Fontaine Canada | Steven A Schofield |
| Theodore W. Flory | Dillina W. Stickley |
| Rosetta W. Harris | |

***INDUSTRIAL DEVELOPMENT AUTHORITY
BOARD MEMBERS***

| | |
|-------------------------------|-------------------|
| Patrick "Red" Haile (Chair) | Laura Evick |
| Joseph S. Harter (Vice Chair) | Myron D. Rummel |
| Betsy Putney (Secretary) | Anne H. Smallwood |
| Donna Barber | Debbie Snider |

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the remaining fund information of the Town of Bridgewater, Virginia (Town), as of and for the year ended June 30, 2013, 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 that 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 remaining fund information of the Town, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information on pages 6–11 and 45, 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 supplementary schedules of the Town as of June 30, 2012 were subjected to auditing procedures applied in the audit of the basic financial statements in accordance with auditing standards generally accepted in the United States of America by PBGH, LLP, who merged with Witt Mares, PLC to form PBMares, LLP as of January 1, 2013, and whose reported dated October 16, 2012, expressed an unmodified opinion on the Town's basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2013 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

PBMares, LLP

Harrisonburg, Virginia
November 4, 2013

Town of Bridgewater, Virginia Management's Discussion and Analysis

The following discussion and analysis of the Town of Bridgewater, Virginia's (Town) financial statements provides an overview of the Town's financial performance for the fiscal year ended June 30, 2013.

FINANCIAL HIGHLIGHTS

Total assets of the Town exceeded total liabilities at June 30, 2013 by approximately \$4.6 million (net position). Of the total net position, approximately \$387,000 was unrestricted.

The Town's total net position increased approximately \$321,000 from the previous year.

As of June 30, 2013, the Town's governmental funds had combined ending fund balances of approximately \$518,000, an increase of approximately \$2,000 in comparison with the prior year.

The Town's total long-term liabilities decreased approximately \$404,000 during fiscal year 2013.

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 and liabilities, with the difference between the two 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 for which the Town is financially accountable. 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 exceeded its liabilities by \$4.6 million. Most of this total, approximately 91.2%, is classified as "in 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 that is 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, 8.3% can be classified as "unrestricted" and available to meet the Town's ongoing obligations to citizens and creditors. In the prior year, the Town had 10.2% of total net position classified as "unrestricted." This is a decrease of \$53,000 over last year.

The following table presents the condensed statement of net position:

Table 1
Summary of Statement of Net Position
June 30, 2013 and 2012

| | Governmental Activities | | Business-type Activity | | Total Primary Government | |
|----------------------------------|----------------------------|---------------------|---------------------------|---------------------|-----------------------------|---------------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Current and other assets | \$ 1,352,745 | \$ 1,336,093 | \$ 398,364 | \$ 414,596 | \$ 1,751,109 | \$ 1,750,689 |
| Capital assets | 3,736,048 | 3,734,654 | 1,861,016 | 1,928,925 | 5,597,064 | 5,663,579 |
| Total assets | 5,088,793 | 5,070,747 | 2,259,380 | 2,343,521 | 7,348,173 | 7,414,268 |
| Current and other liabilities | 844,562 | 829,776 | 201,814 | 199,871 | 1,046,376 | 1,029,647 |
| Long-term liabilities | 1,506,306 | 1,765,349 | 150,531 | 295,440 | 1,656,837 | 2,060,789 |
| Total liabilities | 2,350,868 | 2,595,125 | 352,345 | 495,311 | 2,703,213 | 3,090,436 |
| Net investment in capital assets | 2,471,324 | 2,177,934 | 1,763,316 | 1,682,446 | 4,234,640 | 3,860,380 |
| Restricted net assets | 22,884 | 22,884 | - | - | 22,884 | 22,884 |
| Unrestricted net assets | 243,717 | 274,804 | 143,719 | 165,764 | 387,436 | 440,568 |
| Total net position | \$ 2,737,925 | \$ 2,475,622 | \$ 1,907,035 | \$ 1,848,210 | \$ 4,644,960 | \$ 4,323,832 |

STATEMENT OF ACTIVITIES

Governmental Activities

Revenues: For the fiscal year ended June 30, 2013, revenue from governmental activities totaled \$3.2 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, cigarette tax and the Town's share of the local sales tax. In addition to taxes, the Town receives intergovernmental revenues, donations from private citizens and some revenue from renting property, such as the Doug Will Tennis Courts, and space on water towers to telecommunications companies.

Expenses: Expenses for governmental activities, including interest on debt service, totaled \$3.4 million. As the table on the next page indicates, Public Works and Public Safety, which together comprise about 62% of expenses, continue to be 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, 2013:

Table 2
Changes in Net Position
Years Ended June 30, 2013 and 2012

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---|----------------------------|------------------|-----------------------------|------------------|-----------------------------|------------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Revenues: | | | | | | |
| Program Revenues | | | | | | |
| Charges for services | \$ 45,819 | \$ 40,862 | \$ 2,944,344 | \$ 2,875,705 | \$ 2,990,163 | \$ 2,916,567 |
| Operating grants and contributions | 854,307 | 1,443,440 | - | - | 854,307 | 1,443,440 |
| Capital grants and contributions | 18,544 | 27,043 | 54,000 | 85,796 | 72,544 | 112,839 |
| Total program revenues | 918,670 | 1,511,345 | 2,998,344 | 2,961,501 | 3,917,014 | 4,472,846 |
| General revenues: | | | | | | |
| General property taxes | 506,468 | 538,464 | - | - | 506,468 | 538,464 |
| Other local taxes | 1,489,603 | 1,326,917 | - | - | 1,489,603 | 1,326,917 |
| Intergovernmental, non-categorical aid | 198,768 | 195,902 | - | - | 198,768 | 195,902 |
| Use of money and property | 68,678 | 81,329 | - | - | 68,678 | 81,329 |
| Miscellaneous | 20,335 | 17,505 | 36,923 | 33,535 | 57,258 | 51,040 |
| Total general revenues | 2,283,852 | 2,160,117 | 36,923 | 33,535 | 2,320,775 | 2,193,652 |
| Total revenues | 3,202,522 | 3,671,462 | 3,035,267 | 2,995,036 | 6,237,789 | 6,666,498 |
| Expenses: | | | | | | |
| General government administration | 709,603 | 715,110 | - | - | 709,603 | 715,110 |
| Public safety | 826,648 | 861,318 | - | - | 826,648 | 861,318 |
| Public works | 1,302,538 | 2,101,001 | - | - | 1,302,538 | 2,101,001 |
| Parks, recreation and cultural | 426,733 | 428,657 | - | - | 426,733 | 428,657 |
| Community and economic development | 111,075 | 90,496 | - | - | 111,075 | 90,496 |
| Interest | 39,946 | 56,092 | - | - | 39,946 | 56,092 |
| Water and sewer | - | - | 2,500,118 | 2,474,727 | 2,500,118 | 2,474,727 |
| Total expenses | 3,416,543 | 4,252,674 | 2,500,118 | 2,474,727 | 5,916,661 | 6,727,401 |
| Changes in net position before transfers | (214,021) | (581,212) | 535,149 | 520,309 | 321,128 | (60,903) |
| Transfers | 476,324 | 376,541 | (476,324) | (376,541) | - | - |
| Change in net position | 262,303 | (204,671) | 58,825 | 143,768 | 321,128 | (60,903) |
| Net position, beginning | 2,475,622 | 2,680,293 | 1,848,210 | 1,704,442 | 4,323,832 | 4,384,735 |
| Net position, ending | \$ 2,737,925 | \$ 2,475,622 | \$ 1,907,035 | \$ 1,848,210 | \$ 4,644,960 | \$ 4,323,832 |

Business-Type Activity

The Town has one business-type activity, the *Water, Sewer and Sanitation Fund*, which is accounted for as an enterprise fund. For fiscal year 2013, total operating and non-operating revenues amounted to a little over \$3.0 million, or an increase of approximately \$40,000 from the prior fiscal year. Approximately 97.0% of water, sewer, and sanitation revenues come from monthly charges for service. Approximately 1.8% of revenues come from capital grants and contributions (connection fees). The remaining 1.2% comes from penalties (miscellaneous).

Expenses amounted to \$2.5 million for fiscal year 2013. This is an increase of 1.0% from the previous year and is due to increases by the regional sewer authority as well as upgrades to the water and sewer lines in the Sandstone area. Change in net position before transfers was \$535,000 in fiscal year 2013 compared to \$520,000 in fiscal year 2012, an increase of \$15,000.

The water and sewer fund's net position increased by approximately \$59,000 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 \$2,000 resulting in a balance of approximately \$485,000.

Proprietary fund - The Town's *Enterprise Fund*, which is a type of proprietary fund, provides the same type of information found in the government-wide financial statements, but in greater detail. At June 30, 2013, the unrestricted net position for the enterprise fund totaled about \$144,000, which is a decrease of approximately \$22,000 from the previous year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Overall, actual revenues were less than budgeted revenue by \$412,000 and expenditures were less than budgeted amounts by \$598,000, largely due to grant related projects that did not commence in the current year.

Capital Assets

Reflected in Table 3, *Changes in Capital Assets*, net capital asset balances have declined from the previous year. Capital asset additions for fiscal year 2013 totaled approximately \$327,000. Overall, net capital assets decreased in fiscal year 2013 for two reasons. First, a relatively small amount of money was devoted to capital improvements in 2013. Second, depreciation and amortization is subtracted from the overall total.

Table 3
Changes in Capital Assets
Years Ended June 30, 2013 and 2012

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---|----------------------------|------------------|-----------------------------|------------------|-----------------------------|------------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Capital assets not being depreciated or amortized: | | | | | | |
| Land and easements | \$ 1,961,169 | \$ 1,885,435 | \$ 4,600 | \$ 4,600 | \$ 1,965,769 | \$ 1,890,035 |
| Construction in progress | - | 5,530 | 7,882 | - | 7,882 | 5,530 |
| Total capital assets not being depreciated | 1,961,169 | 1,890,965 | 12,482 | 4,600 | 1,973,651 | 1,895,565 |
| Capital assets being depreciated or amortized: | | | | | | |
| Buildings and improvements | 2,072,839 | 2,013,640 | 889,632 | 889,632 | 2,962,471 | 2,903,272 |
| Distribution and collection system | - | - | 2,485,740 | 2,447,770 | 2,485,740 | 2,447,770 |
| Equipment | 872,062 | 843,791 | 1,434,772 | 1,363,104 | 2,306,834 | 2,206,895 |
| Software | 43,137 | 43,137 | - | - | 43,137 | 43,137 |
| Infrastructure | 523,050 | 523,050 | - | - | 523,050 | 523,050 |
| Vehicles | 395,571 | 389,186 | 700,133 | 672,341 | 1,095,704 | 1,061,527 |
| Total capital assets being depreciated or amortized | 3,906,659 | 3,812,804 | 5,510,277 | 5,372,847 | 9,416,936 | 9,185,651 |
| Less accumulated depreciation and amortization: | | | | | | |
| Buildings and improvements | 896,762 | 826,539 | 727,938 | 709,194 | 1,624,700 | 1,535,733 |
| Distribution and collection system | - | - | 1,479,763 | 1,422,962 | 1,479,763 | 1,422,962 |
| Equipment | 711,380 | 665,540 | 846,091 | 786,677 | 1,557,471 | 1,452,217 |
| Software | 43,137 | 43,137 | - | - | 43,137 | 43,137 |
| Infrastructure | 135,131 | 117,696 | - | - | 135,131 | 117,696 |
| Vehicles | 345,370 | 316,203 | 607,951 | 529,689 | 953,321 | 845,892 |
| Total accumulated depreciation or amortization | 2,131,780 | 1,969,115 | 3,661,743 | 3,448,522 | 5,793,523 | 5,417,637 |
| Total capital assets being depreciated or amortized, net | 1,774,879 | 1,843,689 | 1,848,534 | 1,924,325 | 3,623,413 | 3,768,014 |
| Capital assets, net | \$ 3,736,048 | \$ 3,734,654 | \$ 1,861,016 | \$ 1,928,925 | \$ 5,597,064 | \$ 5,663,579 |

Long-Term Debt

As of June 30, 2013, the Town's long-term liabilities, exclusive of compensated absences and other postemployment benefits, totaled \$1.3 million for governmental activities. Additionally, \$98,000 of debt, exclusive of compensated absences and other post-employment benefits, is shown in the business-type activity category. The Town's maximum legal debt margin permitted by the Commonwealth of Virginia is approximately \$40.2 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, 2013 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 |
|----------------------|---|-----------------|-------------------------------------|----------------------------|
| 5,644 | \$ 401,827,481 | \$ 1,264,724 | 0.0031 | \$ 224 |

The net bonded debt decreased approximately \$271,000 which works out to a decrease in debt per capita of \$48.

The 2003 series refunding general obligation bond, which was scheduled to mature in August 2013, was retired early in the current year. The 2008 note payable, which was scheduled to mature in October 2013, was retired in the current year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Here are some factors to consider in the fiscal year 2014 budget.

- General real estate reassessment will go into effect in the coming year.
- Real Estate Tax rates have increased from eight to nine cents per \$100 of assessed value.
- Utilities (Water/Sewer/Refuse/Recycling) increased 1.7%.
- Stormwater Management Fee implemented.
- Water Storage Tank expense.
- Oakwood Drive improvements.

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 Superintendent or the Town Treasurer at 201 Green Street, Bridgewater, Virginia 22812.

BASIC FINANCIAL STATEMENTS

TOWN OF BRIDGEWATER, VIRGINIA

STATEMENT OF NET POSITION

June 30, 2013

| | Primary Government | | | Component Unit |
|---|-------------------------|------------------------|---------------------|----------------------------------|
| | Governmental Activities | Business-type Activity | Totals | Industrial Development Authority |
| ASSETS | | | | |
| Cash, cash equivalents and temporary cash investments | \$ 537,058 | \$ - | \$ 537,058 | \$ 97,840 |
| Receivables, net: | | | | |
| Property taxes | 166,522 | - | 166,522 | - |
| Trade and other accounts | 69,790 | 398,364 | 468,154 | - |
| Interest | 110 | - | 110 | - |
| Due from other governments | 78,483 | - | 78,483 | - |
| Restricted cash | 500,782 | - | 500,782 | - |
| Capital assets: | | | | |
| Land | 1,954,769 | 4,600 | 1,959,369 | - |
| Land easements | 6,400 | - | 6,400 | - |
| Buildings and improvements | 2,072,839 | 889,632 | 2,962,471 | - |
| Infrastructure | 523,050 | - | 523,050 | - |
| Distribution and collection systems | - | 2,485,740 | 2,485,740 | - |
| Equipment | 872,062 | 1,434,772 | 2,306,834 | - |
| Software | 43,137 | - | 43,137 | - |
| Vehicles | 395,571 | 700,133 | 1,095,704 | - |
| Construction in progress | - | 7,882 | 7,882 | - |
| Less: accumulated depreciation and amortization | (2,131,780) | (3,661,743) | (5,793,523) | - |
| Total assets | 5,088,793 | 2,259,380 | 7,348,173 | 97,840 |
| LIABILITIES | | | | |
| Accounts payable | 59,055 | 39,840 | 98,895 | - |
| Accrued payroll and benefits | 63,018 | 28,512 | 91,530 | - |
| Accrued interest | 13,245 | 462 | 13,707 | - |
| Unearned revenue | 709,244 | - | 709,244 | - |
| Deferred revenue | - | 104,000 | 104,000 | 7,056 |
| Customer deposits | - | 29,000 | 29,000 | - |
| Noncurrent liabilities: | | | | |
| Due within one year: | | | | |
| Capital lease | - | 26,400 | 26,400 | - |
| Bonds payable | 170,440 | 33,750 | 204,190 | - |
| Compensated absences | 82,974 | 31,699 | 114,673 | - |
| Due in more than one year: | | | | |
| Capital lease | - | 8,800 | 8,800 | - |
| Bonds payable | 1,094,284 | 28,750 | 1,123,034 | - |
| Compensated absences | 55,315 | 21,132 | 76,447 | - |
| Other postemployment benefits | 103,293 | - | 103,293 | - |
| Total liabilities | 2,350,868 | 352,345 | 2,703,213 | 7,056 |
| NET POSITION | | | | |
| Net investment in capital assets | 2,471,324 | 1,763,316 | 4,234,640 | - |
| Restricted: | | | | |
| Nonexpendable trust principal | 6,000 | - | 6,000 | - |
| Cemetery maintenance | 16,884 | - | 16,884 | - |
| Unrestricted | 243,717 | 143,719 | 387,436 | 90,784 |
| Total net position | \$ 2,737,925 | \$ 1,907,035 | \$ 4,644,960 | \$ 90,784 |

TOWN OF BRIDGEWATER, VIRGINIA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

| Entity/Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | | Component Unit Industrial Development Authority |
|---|---------------------|-------------------------|--|--|---|---------------------------|--------------------|--|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activity | Totals | |
| Primary Government: | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General government administration | \$ 709,603 | \$ - | \$ - | \$ - | \$ (709,603) | \$ - | \$ (709,603) | \$ - |
| Public safety | 826,648 | 45,819 | 185,342 | - | (595,487) | - | (595,487) | - |
| Public works | 1,302,538 | - | 668,965 | 18,544 | (615,029) | - | (615,029) | - |
| Parks, recreation and cultural | 426,733 | - | - | - | (426,733) | - | (426,733) | - |
| Community and economic development | 111,075 | - | - | - | (111,075) | - | (111,075) | - |
| Interest | 39,946 | - | - | - | (39,946) | - | (39,946) | - |
| Total governmental activities | 3,416,543 | 45,819 | 854,307 | 18,544 | (2,497,873) | - | (2,497,873) | - |
| Business-type activity: | | | | | | | | |
| Water, sewer and sanitation | 2,500,118 | 2,944,344 | - | 54,000 | - | 498,226 | 498,226 | - |
| Total business-type activity | 2,500,118 | 2,944,344 | - | 54,000 | - | 498,226 | 498,226 | - |
| Total primary government | \$ 5,916,661 | \$ 2,990,163 | \$ 854,307 | \$ 72,544 | (2,497,873) | 498,226 | (1,999,647) | - |
| Component Unit: | | | | | | | | |
| Industrial Development Authority | \$ 8,544 | \$ 18,621 | \$ - | \$ - | - | - | - | 10,077 |
| General Revenues: | | | | | | | | |
| Taxes: | | | | | | | | |
| General property taxes | | | | | 506,468 | - | 506,468 | - |
| Other local taxes: | | | | | | | | |
| Consumer utility | | | | | 386,397 | - | 386,397 | - |
| Meals | | | | | 396,659 | - | 396,659 | - |
| Local sales and use | | | | | 247,769 | - | 247,769 | - |
| Business license | | | | | 206,776 | - | 206,776 | - |
| Other | | | | | 252,002 | - | 252,002 | - |
| Intergovernmental, non-categorical aid | | | | | 198,768 | - | 198,768 | - |
| Use of money and property | | | | | 68,678 | - | 68,678 | 1,954 |
| Miscellaneous | | | | | 20,335 | 36,923 | 57,258 | - |
| Transfers | | | | | 476,324 | (476,324) | - | - |
| Total general revenues and transfers, net | | | | | 2,760,176 | (439,401) | 2,320,775 | 1,954 |
| Change in net position | | | | | 262,303 | 58,825 | 321,128 | 12,031 |
| Net position, beginning | | | | | 2,475,622 | 1,848,210 | 4,323,832 | 78,753 |
| Net position, ending | \$ 2,737,925 | \$ 1,907,035 | \$ 4,644,960 | | | | | \$ 90,784 |

TOWN OF BRIDGEWATER, VIRGINIA

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2013

| | General | Permanent Fund Greenwood Cemetery Trust Fund | Total Governmental Funds |
|--|---------------------|--|--------------------------------|
| ASSETS | | | |
| Cash, cash equivalents and temporary cash investments | \$ 537,058 | \$ - | \$ 537,058 |
| Receivables, net of allowances for uncollectible amounts | | | |
| Property taxes | 166,522 | - | 166,522 |
| Trade and other accounts | 69,790 | - | 69,790 |
| Interest | - | 110 | 110 |
| Due from other governments | 78,483 | - | 78,483 |
| Restricted cash | 478,008 | 22,774 | 500,782 |
| Total assets | \$ 1,329,861 | \$ 22,884 | \$ 1,352,745 |
| LIABILITIES | | | |
| Accounts payable | \$ 59,055 | \$ - | \$ 59,055 |
| Accrued payroll and benefits | 63,018 | - | 63,018 |
| Deferred revenue | 712,244 | - | 712,244 |
| Total liabilities | 834,317 | - | 834,317 |
| FUND BALANCES | | | |
| Nonspendable: Permanent fund principal | - | 6,000 | 6,000 |
| Restricted: Cemetery maintenance | - | 16,884 | 16,884 |
| Committed: Parking agreement | 10,000 | - | 10,000 |
| Unassigned | 485,544 | - | 485,544 |
| Total fund balances | 495,544 | 22,884 | 518,428 |
| Total liabilities and fund balances | \$ 1,329,861 | \$ 22,884 | \$ 1,352,745 |

TOWN OF BRIDGEWATER, VIRGINIA

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

June 30, 2013

| | Governmental Funds |
|---|-----------------------|
| Total fund balances - governmental funds | \$ 518,428 |
| 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 | \$ 5,867,828 |
| Less: accumulated depreciation and amortization | <u>(2,131,780)</u> |
| Net capital assets | 3,736,048 |
| Deferred revenue represents amounts that were not available to fund current expenditures and, therefore, is not reported as revenue in the governmental funds. | 3,000 |
| 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 | (1,264,724) |
| Compensated absences | (138,289) |
| Interest payable | (13,245) |
| Other postemployment benefits | <u>(103,293)</u> |
| | <u>(1,519,551)</u> |
| Net position of governmental activities | \$ 2,737,925 |

TOWN OF BRIDGEWATER, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year Ended June 30, 2013**

| | General | Permanent Fund Greenwood Cemetery Trust Fund | Total Governmental Funds |
|--------------------------------------|------------------|--|--------------------------------|
| Revenues: | | | |
| General property taxes | \$ 509,468 | \$ - | \$ 509,468 |
| Other local taxes | 1,489,603 | - | 1,489,603 |
| Permits | 2,965 | - | 2,965 |
| Fines and forfeitures | 42,854 | - | 42,854 |
| Use of money and property | 68,678 | - | 68,678 |
| Miscellaneous | 20,335 | - | 20,335 |
| Intergovernmental | 1,053,075 | - | 1,053,075 |
| Total revenues | 3,186,978 | - | 3,186,978 |
| Expenditures: | | | |
| Current: | | | |
| General government administration | 676,800 | - | 676,800 |
| Public safety | 767,068 | - | 767,068 |
| Public works | 1,311,656 | - | 1,311,656 |
| Parks, recreation and cultural | 461,846 | - | 461,846 |
| Community and economic development | 109,124 | - | 109,124 |
| Debt service: | | | |
| Principal | 291,996 | - | 291,996 |
| Interest | 42,549 | - | 42,549 |
| Total expenditures | 3,661,039 | - | 3,661,039 |
| Revenues under expenditures | (474,061) | - | (474,061) |
| Other financing sources: | | | |
| Transfers in | 476,324 | - | 476,324 |
| Total other financing sources | 476,324 | - | 476,324 |
| Net change in fund balances | 2,263 | - | 2,263 |
| Fund balances, beginning | 493,281 | 22,884 | 516,165 |
| Fund balances, ending | \$ 495,544 | \$ 22,884 | \$ 518,428 |

TOWN OF BRIDGEWATER, VIRGINIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES Year Ended June 30, 2013

| | Governmental Funds | |
|---|-----------------------|-----------------------|
| Net change in fund balance - total governmental funds | \$ 2,263 | |
| 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 depreciation and amortization exceeded capital outlays in the current period. | | |
| Expenditures for capital assets | \$ 151,506 | |
| Less: depreciation and amortization expense | <u>(168,656)</u> | |
| Excess of depreciation and amortization over capital outlays | | (17,150) |
| The net effect of transactions involving capital assets (i.e. disposals, donations, and transfers) is to increase net position | | 18,544 |
| Revenues in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the governmental funds. | | |
| Change in deferred revenue | | (3,000) |
| Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. | | |
| Principal repayments: | | |
| General obligation bonds and note payable | | 291,996 |
| 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. | | |
| Change in accrued interest | 2,603 | |
| Change in compensated absences | (11,754) | |
| Change in postemployment benefits | <u>(21,199)</u> | |
| | | <u>(30,350)</u> |
| Change in net position of governmental activities | \$ | <u>262,303</u> |

TOWN OF BRIDGEWATER, VIRGINIA

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

Year Ended June 30, 2013

| | General Fund | | | Variance with Final Budget Over (Under) |
|--------------------------------------|---------------------|---------------------|-------------------|--|
| | Budgeted Amounts | | Actual Amounts | |
| | Original | Final | | |
| Revenues: | | | | |
| General property taxes | \$ 488,000 | \$ 488,000 | \$ 509,468 | \$ 21,468 |
| Other local taxes | 1,268,000 | 1,268,000 | 1,489,603 | 221,603 |
| Permits | 5,000 | 5,000 | 2,965 | (2,035) |
| Fines and forfeitures | 43,000 | 43,000 | 42,854 | (146) |
| Use of money and property | 91,000 | 91,000 | 68,678 | (22,322) |
| Miscellaneous | 8,000 | 8,000 | 20,335 | 12,335 |
| Intergovernmental | 1,696,000 | 1,696,000 | 1,053,075 | (642,925) |
| Total revenues | 3,599,000 | 3,599,000 | 3,186,978 | (412,022) |
| Expenditures: | | | | |
| Current: | | | | |
| General government administration | 676,000 | 676,000 | 676,800 | 800 |
| Public safety | 767,000 | 767,000 | 767,068 | 68 |
| Public works | 2,072,000 | 2,072,000 | 1,311,656 | (760,344) |
| Parks, recreation and cultural | 415,000 | 415,000 | 461,846 | 46,846 |
| Community and economic development | 116,000 | 116,000 | 109,124 | (6,876) |
| Debt service: | | | | |
| Principal | 183,000 | 183,000 | 291,996 | 108,996 |
| Interest | 30,000 | 30,000 | 42,549 | 12,549 |
| Total expenditures | 4,259,000 | 4,259,000 | 3,661,039 | (597,961) |
| Revenues under expenditures | (660,000) | (660,000) | (474,061) | 185,939 |
| Other financing sources: | | | | |
| Issuance of debt | 325,000 | 325,000 | - | (325,000) |
| Transfers in | - | - | 476,324 | 476,324 |
| Total other financing sources | 325,000 | 325,000 | 476,324 | 151,324 |
| Net change in fund balance | \$ (335,000) | \$ (335,000) | 2,263 | \$ 337,263 |
| Fund balance, beginning | | | 493,281 | |
| Fund balance, ending | | | \$ 495,544 | |

TOWN OF BRIDGEWATER, VIRGINIA

STATEMENT OF NET POSITION PROPRIETARY FUND

June 30, 2013

Business-type
Activity -
Enterprise Fund
Water, Sewer
and Sanitation
Fund

| ASSETS | |
|--|---------------------|
| Current Assets: | |
| Accounts receivable, net of allowances for uncollectible amounts | \$ 398,364 |
| Total current assets | 398,364 |
| Noncurrent Assets: | |
| Capital assets: | |
| Land | 4,600 |
| Buildings and improvements | 889,632 |
| Distribution and collection systems | 2,485,740 |
| Equipment | 1,434,772 |
| Vehicles | 700,133 |
| Construction in progress | 7,882 |
| Total capital assets | 5,522,759 |
| Less: accumulated depreciation | (3,661,743) |
| Total noncurrent assets | 1,861,016 |
| Total assets | 2,259,380 |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable | 39,840 |
| Accrued payroll and benefits | 28,512 |
| Accrued interest | 462 |
| Compensated absences | 31,699 |
| Customer deposits | 29,000 |
| Deferred revenue | 104,000 |
| Capital lease payable | 26,400 |
| Bonds payable | 33,750 |
| Total current liabilities | 293,663 |
| Noncurrent Liabilities: | |
| Capital lease payable | 8,800 |
| Bonds payable | 28,750 |
| Compensated absences | 21,132 |
| Total noncurrent liabilities | 58,682 |
| Total liabilities | 352,345 |
| NET POSITION | |
| Net investment in capital assets | 1,763,316 |
| Unrestricted | 143,719 |
| Total net position | \$ 1,907,035 |

TOWN OF BRIDGEWATER, VIRGINIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION PROPRIETARY FUND Year Ended June 30, 2013

| | Business-type Activity - Enterprise Fund Water, Sewer and Sanitation Fund |
|--|--|
| Operating revenues: | |
| Charges for services | \$ 2,943,715 |
| Connection fees | 629 |
| Penalties | 36,923 |
| Total operating revenues | 2,981,267 |
| Operating expenses: | |
| Personal services | 644,552 |
| Fringe benefits | 222,149 |
| Materials, line repairs and other | 548,013 |
| Regional Sewer Authority assessment: | |
| Operations and maintenance | 311,312 |
| Debt service | 502,961 |
| Construction | 38,098 |
| Depreciation | 225,203 |
| Total operating expenses | 2,492,288 |
| Operating income | 488,979 |
| Nonoperating revenue (expense): | |
| Interest expense | (7,830) |
| Connection availability fees | 54,000 |
| Total nonoperating revenue, net | 46,170 |
| Income before transfers | 535,149 |
| Transfers out | (476,324) |
| Change in net position | 58,825 |
| Net position, beginning | 1,848,210 |
| Net position, ending | \$ 1,907,035 |

TOWN OF BRIDGEWATER, VIRGINIA

STATEMENT OF CASH FLOWS PROPRIETARY FUND Year Ended June 30, 2013

| | Business-type Activity - Enterprise Fund Water, Sewer and Sanitation Fund |
|--|--|
| Cash Flows From Operating Activities: | |
| Receipts from customers | \$ 2,989,349 |
| Payments to suppliers for goods and services | (1,390,270) |
| Payments to employees for services | (860,415) |
| Net cash provided by operating activities | <u>738,664</u> |
| Cash Flows From Noncapital and Related Financing Activities: | |
| Transfers out | <u>(476,324)</u> |
| Cash Flows From Capital and Related Financing Activities: | |
| Acquisition and construction of capital assets | (157,294) |
| Connection availability fees | 54,000 |
| Proceeds from capital lease | 52,800 |
| Principal paid on: | |
| General obligation bonds | (136,700) |
| Capital lease | (17,600) |
| Note | (47,279) |
| Interest paid on outstanding debt | <u>(10,267)</u> |
| Net cash used in capital and related financing activities | <u>(262,340)</u> |
| Net change in cash and cash equivalents | - |
| Cash and cash equivalents: | |
| Beginning | <u>-</u> |
| Ending | <u>\$ -</u> |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | |
| Operating income | \$ 488,979 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 225,203 |
| Changes in operating accounts: | |
| Decrease in accounts receivable | 16,232 |
| Decrease in deferred revenue | (8,000) |
| Increase in accounts payable and accrued expenses | 16,250 |
| Net cash provided by operating activities | <u>\$ 738,664</u> |

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 in the United States. 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, 2013. Each discretely presented component unit, on the other hand, is reported 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, 2013 as a discretely presented component unit.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Discretely Presented Component Unit (Continued)

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

The Authority is specifically authorized to issue revenue 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 or any political subdivision thereof, including the Town of Bridgewater, 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 government 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.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

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

The Town reports the following major governmental fund:

General Fund

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

The Town reports the following major enterprise fund:

Water, Sewer and Sanitation Fund

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

Additionally, the Town reports the following nonmajor governmental fund:

Permanent Fund

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

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*.

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)

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

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

C. Budgetary Data

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

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

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

D. Assets, Liabilities and Equity

1) Deposits and Investments

For purposes of reporting cash flows, the Town considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The Town participates in a local government investment pool which is reported at the pool's share price as the investment pool is a 2a7-like pool.

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 deferred revenue. Since the Town has an enforceable lien on the property, the Town records the December 5 levy as property taxes receivable and deferred revenue at year end. A penalty of 10% of the tax is assessed after the applicable payment date. Interest is charged to all unpaid accounts beginning July 1st and January 1st, as appropriate, at an annual rate of 10%.

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 an expenditure in the period in which payment is made and therefore does not appear as a prepaid item on the balance sheet.

4) Restricted Cash

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

The General Fund's restricted cash includes grants in which cash was received before expenditures have been incurred.

5) 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 fair market value at the date of donation.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

D. Assets, Liabilities and Equity (Continued)

5) Capital Assets (Continued)

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 is capitalizing all 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 | 20-40 years |
| Distribution and collection systems | 20-40 years |
| Equipment | 3-25 years |
| Vehicles | 5 years |
| Infrastructure | 20-30 years |
| Software | 3 years |

6) 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 320 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.

7) 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, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

D. Assets, Liabilities and Equity (Continued)

7) Long-Term Obligations (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as 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 debt service expenditures.

8) Fund Equity

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 constrained to specific purposes by Town Council, the highest level of authority in the Town. To be reported as committed, amounts cannot be used for any other purpose unless Town Council takes the action by majority vote to remove or change the constraint.

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, and unassigned, as they are needed.

9) Net Position

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

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

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

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

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

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

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.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

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 fair value of the LGIP is the same as the value of the pool shares, i.e., the LGIP maintains a stable net asset value of \$1 per share. The LGIP has been assigned an "AAAm" rating by Standard & Poor's. All of the investments made by the Town are in LGIP and the maturity of the LGIP is less than one year.

The Town does not have a formal investment policy.

At year-end, the Town's investment balances were as follows:

| | Fair Value |
|---|---------------|
| Investment in State Treasurer's Local Government Investment Pool (LGIP) | \$ 488,494 |

Note 3. Receivables and Deferred Revenue

Receivables at June 30, 2013, including applicable allowances for uncollectible accounts, are as follows:

| | General Fund | Permanent Fund | Enterprise Fund | Totals |
|---|-----------------|-------------------|--------------------|------------|
| Property taxes | \$ 177,522 | \$ - | \$ - | \$ 177,522 |
| Trade and other accounts | 69,790 | - | 403,364 | 473,154 |
| Interest | - | 110 | - | 110 |
| Gross receivables | 247,312 | 110 | 403,364 | 650,786 |
| Less allowance for uncollectible accounts | 11,000 | - | 5,000 | 16,000 |
| Net receivables | \$ 236,312 | \$ 110 | \$ 398,364 | \$ 634,786 |

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 \$5,000 at June 30, 2013 for the General Fund and Enterprise Fund, respectively.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 3. Receivables and Deferred Revenue (Continued)

Governmental funds report deferred 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 deferred revenue and unearned revenue reported in the General Fund were as follows:

| | Unavailable | Unearned |
|---|-----------------|-------------------|
| Delinquent property taxes receivable | \$ 3,000 | \$ - |
| Advance collection of 2013-2014 taxes | - | 16,820 |
| Assessment due December 5, net of collections | - | 161,638 |
| Urban Construction Program funds | - | 468,636 |
| State Personal Property Tax Relief | - | 3,393 |
| Street and Highway Maintenance Funds | - | 37,626 |
| Other | - | 21,131 |
| | <u>\$ 3,000</u> | <u>\$ 709,244</u> |

In 2008, the Town's Water, Sewer and Sanitation Fund received \$124,000 payment from a local developer for sewer connection fees associated with the development of a subdivision. Through the current fiscal year, connections in the amount of \$16,000 have been made and refunds in the amount of \$4,000 have been issued, thereby reducing the balance to \$104,000. The balance is fully refundable to the developer if the project isn't completed. Therefore, the payment has been classified as deferred revenue.

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. Deferred revenue was \$7,056 at June 30, 2013.

Note 4. Due From Other Governments

Due from other governments includes the following:

| | |
|---|------------------|
| General Fund: | |
| Federal: | |
| 1 st Cities | \$ 352 |
| Federal Emergency Management Agency: Straight Line Winds and Severe Storm Grant | 14,196 |
| Local Law Enforcement Block grant | 500 |
| Commonwealth of Virginia: | |
| Local sales and communication tax | 57,000 |
| Federal Emergency Management Agency: Straight Line Winds and Severe Storm Grant | 6,435 |
| | <u>\$ 78,483</u> |

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2013 is as follows:

| | Beginning Balance | Increases | (Deletions)/ Reclassifications | Ending Balance |
|---|----------------------|-----------------|-----------------------------------|---------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated or amortized: | | | | |
| Land | \$ 1,879,035 | \$ 75,734 | \$ - | \$ 1,954,769 |
| Land easements | 6,400 | - | - | 6,400 |
| Construction in progress | 5,530 | - | (5,530) | - |
| Total capital assets, not being depreciated or amortized | 1,890,965 | 75,734 | (5,530) | 1,961,169 |
| Capital assets being depreciated or amortized: | | | | |
| Buildings and improvements | 2,013,640 | 59,199 | - | 2,072,839 |
| Equipment | 843,791 | 28,732 | (461) | 872,062 |
| Software | 43,137 | - | - | 43,137 |
| Infrastructure | 523,050 | - | - | 523,050 |
| Vehicles | 389,186 | 6,385 | - | 395,571 |
| Total capital assets being depreciated or amortized | 3,812,804 | 94,316 | (461) | 3,906,659 |
| Less accumulated depreciation or amortization for: | | | | |
| Buildings and improvements | 826,539 | 70,223 | - | 896,762 |
| Equipment | 665,540 | 51,831 | (5,991) | 711,380 |
| Software | 43,137 | - | - | 43,137 |
| Infrastructure | 117,696 | 17,435 | - | 135,131 |
| Vehicles | 316,203 | 29,167 | - | 345,370 |
| Total accumulated depreciation or amortization | 1,969,115 | 168,656 | (5,991) | 2,131,780 |
| Total capital assets being depreciated or amortized, net | 1,843,689 | (74,340) | 5,530 | 1,774,879 |
| Governmental activities capital assets, net | <u>\$ 3,734,654</u> | <u>\$ 1,394</u> | <u>\$ -</u> | <u>\$ 3,736,048</u> |

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

| | |
|--|--------------------------|
| Governmental activities: | |
| General government administration | \$ 25,952 |
| Public safety | 50,621 |
| Public works | 47,999 |
| Parks, recreation and cultural | <u>44,084</u> |
| Total depreciation and amortization expense – governmental activities | <u>\$ 168,656</u> |

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (Continued)

| | Beginning Balance | Increases | Deletions | Ending Balance |
|--|----------------------|-----------------|-----------------|-------------------|
| Business-type activity: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 4,600 | \$ - | \$ - | \$ 4,600 |
| Construction in progress | - | 7,882 | - | 7,882 |
| Total capital assets, not being depreciated | 4,600 | 7,882 | - | 12,482 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 889,632 | - | - | 889,632 |
| Distribution and collection systems | 2,447,770 | 37,970 | - | 2,485,740 |
| Equipment | 1,363,104 | 83,650 | (11,982) | 1,434,772 |
| Vehicles | 672,341 | 27,792 | - | 700,133 |
| Total capital assets being depreciated | 5,372,847 | 149,412 | (11,982) | 5,510,277 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 709,194 | 18,744 | - | 727,938 |
| Distribution and collection systems | 1,422,962 | 56,801 | - | 1,479,763 |
| Equipment | 786,677 | 71,396 | (11,982) | 846,091 |
| Vehicles | 529,689 | 78,262 | - | 607,951 |
| Total accumulated depreciation | 3,448,522 | 225,203 | (11,982) | 3,661,743 |
| Total capital assets being depreciated, net | 1,924,325 | (75,791) | - | 1,848,534 |
| Business-type activity capital assets, net | \$ 1,928,925 | \$ (67,909) | \$ - | \$ 1,861,016 |

Depreciation expense was charged to functions/programs as follows:

| | |
|--|-------------------|
| Business-type activity: | |
| Water | \$ 120,115 |
| Sewer | 64,066 |
| Sanitation | 41,022 |
| Total depreciation expense – business-type activity | \$ 225,203 |

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. 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 | \$ 1,535,800 | \$ - | \$ (271,076) | \$ 1,264,724 | \$ 170,440 |
| Note | 20,920 | - | (20,920) | - | - |
| | <u>1,556,720</u> | <u>-</u> | <u>(291,996)</u> | <u>1,264,724</u> | <u>170,440</u> |
| Compensated absences | 126,535 | 104,741 | (92,987) | 138,289 | 82,974 |
| Governmental activities long-term liabilities | <u>\$ 1,683,255</u> | <u>\$ 104,741</u> | <u>\$ (384,983)</u> | <u>\$ 1,403,013</u> | <u>\$ 253,414</u> |

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

| Year Ending June 30, | General Obligation Bonds | |
|-------------------------|--------------------------|-------------------|
| | Principal | Interest |
| 2014 | \$ 170,440 | \$ 34,961 |
| 2015 | 176,894 | 29,834 |
| 2016 | 132,139 | 23,986 |
| 2017 | 133,676 | 21,265 |
| 2018 | 57,257 | 18,505 |
| 2019-2023 | 311,622 | 67,189 |
| 2024-2027 | <u>282,696</u> | <u>20,352</u> |
| | <u>\$ 1,264,724</u> | <u>\$ 216,092</u> |

General Obligation Bonds

\$825,000 general obligation bond, series 1995, issued May 1995, due in annual installments of \$41,250 to \$46,250 through May 2015, plus interest payable quarterly at 6.05% \$ 87,500

\$915,000 general obligation bond issued December 2011, due in annual installments of \$51,190 to \$73,670 through December 2026, plus interest payable annually at 2.84% 865,224

\$390,000 general obligation bond, issued June 2012, due in annual installments of \$78,000 through June 2017, plus interest payable semi-annually at 1.49% 312,000

Total General Obligation Bonds \$ 1,264,724

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (Continued)

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

The series 1995 bond was issued for the purpose of construction of a municipal building and community center.

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

The June 2012 bond was issued to provide matching funds for a VDOT Revenue Sharing grant for street maintenance projects.

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

| | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|---|----------------------|------------|--------------|-------------------|---------------------------|
| Business-type activity: | | | | | |
| General obligation bonds | \$ 199,200 | \$ - | \$ (136,700) | \$ 62,500 | \$ 33,750 |
| Capital lease | - | 52,800 | (17,600) | 35,200 | 26,400 |
| Note | 47,279 | - | (47,279) | - | - |
| | 246,479 | 52,800 | (201,579) | 97,700 | 60,150 |
| Compensated absences | 48,961 | 47,321 | (43,451) | 52,831 | 31,699 |
| Business-type activity long-term liabilities | \$ 295,440 | \$ 100,121 | \$ (245,030) | \$ 150,531 | \$ 91,849 |

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

| Year Ending June 30, | General Obligation Bonds | | Capital Lease | |
|-------------------------|--------------------------|-----------|---------------|----------|
| | Principal | Interest | Principal | Interest |
| 2014 | \$ 33,750 | \$ 3,781 | \$ 26,400 | \$ - |
| 2015 | 28,750 | 6,739 | 8,800 | - |
| | \$ 62,500 | \$ 10,520 | \$ 35,200 | \$ - |

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (Continued)

General Obligation Bonds

\$675,000 general obligation bond, series 1995, issued May 1995, due in annual installment of \$28,750 to \$33,750 through May 2015, plus interest payable quarterly at 6.05%

| | |
|--|------------------|
| | <u>\$ 62,500</u> |
|--|------------------|

Capital Lease

Capital lease payable due in monthly installments of \$2,200, due October 2014 including interest at 0%, collateralized by equipment with a carrying value of approximately \$50,160

| | |
|--|------------------|
| | <u>\$ 35,200</u> |
|--|------------------|

At June 30, 2013, the Town had a legal debt margin of \$40,182,748.

Series 1995 bond was issued for the purpose of construction of a 500,000 gallon water storage tank.

Note 7. Line of Credit

The Town obtained an unsecured line of credit on September 15, 2010 in the amount of \$250,000 which bears interest at a variable rate (3.25% at June 30, 2013). There was no outstanding balance as of June 30, 2013. The line of credit matures September 2015.

Note 8. Defined Benefit Pension Plan

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Pension Plan (Continued)

A. Plan Description (Continued)

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least five years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70 %. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS web site at <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Pension Plan (Continued)

B. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to five 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 elected to not phase in the increase, but rather provided a 5% salary increase to all employees on July 1, 2012. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2013 was 10.60%, exclusive of the employees' share, of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2013, the Town's annual pension cost of \$297,437 was equal to the Town's required and actual contributions.

Three-Year Trend Information for the Town

| Fiscal Year Ended | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|----------------------|------------------------------|----------------------------------|---------------------------|
| June 30, 2011 | \$ 218,159 | 100% | \$ - |
| June 30, 2012 | 223,988 | 100% | - |
| June 30, 2013 | 297,437 | 100% | - |

The fiscal year 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Pension Plan (Continued)

D. Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was 78.64% funded. The actuarial accrued liability for benefits was \$7,305,880, and the actuarial value of assets was \$5,745,162, resulting in a UAAL of \$1,560,718. The covered payroll (annual payroll of active employees covered by the plan) was \$1,848,466, and ratio of the UAAL to the covered payroll was 84.43%.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

Note 9. Other Postemployment Benefits

A. Plan Description

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

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

The plans do not issue stand-alone financial reports.

B. Funding Policy

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Other Postemployment Benefits (Continued)

C. Annual OPEB Cost and Net OPEB Obligation

In June 2013, the Town had an actuarial valuation performed of postemployment benefits. The annual cost of OPEB under GASB Statement No. 45 is called the annual required contribution or ARC. The estimated pay-as-you-go cost for OPEB benefits for the Town's plan was \$15,138 and the annual benefit cost was \$36,337. The percentage of OPEB cost contributed was 41.7%.

GASB Statement No. 45 does not require prefunding of OPEB liabilities and the Town has elected not to prefund OPEB liabilities at this time. The difference between the OPEB annual expense and cash payments for OPEB benefits is treated as a liability in the financial statements when the liability is not prefunded. At June 30, 2013, the Town has recorded a liability of \$103,293 on the Statement of Net Position.

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

| | | |
|--|----|-----------------------|
| Annual required contribution (ARC) | \$ | 36,500 |
| Interest on net OPEB obligation | | 2,873 |
| Adjustment to ARC | | (3,036) |
| Annual OPEB cost | | <u>36,337</u> |
| Estimated contributions made | | <u>(15,138)</u> |
| Increase in net OPEB | | 21,199 |
| Net OPEB obligation, beginning of year | | 82,094 |
| Net OPEB obligation, end of year | \$ | <u><u>103,293</u></u> |

Trend Information

Trend information is as follows:

| Fiscal Year Ended | | Annual OPEB Costs | Percentage of Annual OPEB Cost Contributed | | Net OPEB Obligation |
|-------------------------|----|-------------------------|--|----|---------------------------|
| June 30, 2011 | \$ | 39,667 | 31.5% | \$ | 58,079 |
| June 30, 2012 | | 41,315 | 41.9% | | 82,094 |
| June 30, 2013 | | 36,337 | 41.7% | | 103,293 |

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Other Postemployment Benefits (Continued)

D. Funding Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation, the plan was not funded. The actuarial value of assets was \$-0- resulting in an unfunded actuarial liability (UAAL) of \$436,200.

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

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

The following table shows the funding status for the Town.

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

E. Actuarial Methods and Assumptions

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

In the June 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 3.5% rate of return and an annual healthcare cost trend rate of 7.0%. The unfunded liability is amortized over a period of 30 years based on a level percent of payroll method on an open basis.

Note 10. Interfund Transfers

The Town transferred \$476,324 from the Water, Sewer and Sanitation Fund to the General Fund for administrative costs.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Government Services Provided by Authorities

The City of Harrisonburg, the County of Rockingham, and the Towns of Bridgewater, Mt. Crawford, and Dayton entered into a guaranty agreement with the Harrisonburg-Rockingham Regional Sewer Authority (Authority) dated December 15, 1992. Under the terms of this agreement, these municipalities jointly and severally guaranteed the Authority's 2007 Sewer Revenue Bonds and 2008 Sewer Revenue and Refunding Bonds. In December 2007, the Authority issued \$30,000,000 Sewer Revenue Bonds to upgrade and expand its treatment plant, due in semi-annual installments of combined principal and interest of \$1,021,639 for September 1, 2013 and \$1,003,131 thereafter, with final maturity at September 1, 2030. The bonds currently outstanding total \$27,661,480. In June 2008, the Authority issued \$12,650,000 Sewer Revenue and Refunding Bonds, Series 2008 bearing interest from 2.95% to 4.8% with final maturity at October 1, 2021. The bonds currently outstanding are \$8,860,000. In November 2008, the Authority issued \$33,219,297 Sewer Revenue Bonds, series 2008, bearing interest at 3.55%, due in semi-annual installments of combined principal and interest of \$1,187,590, with final maturity at September 1, 2030. The bonds currently outstanding are \$30,762,095.

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

The Authority bills the municipalities a monthly charge which includes an assessment for their respective share of the Authority's debt service, operating, and construction expenditures based on the municipality usage of the sewage treatment facilities. Based on the current average usage, the Town's assessment for the Authority's operating, construction and capital outlay expenditures, and debt service expenditures for the ensuing year will approximate \$359,500 and \$503,700, respectively. To obtain a copy of the audited financial statements, contact the Authority at 856 North River Road, P. O. Box 8, Mt. Crawford, Virginia, 22841.

Note 12. Major Customers

The Town has two major water and sewer customers. For the year ended June 30, 2013, water and sewer revenue from these customers was approximately \$1,195,000. There are accounts receivable from these customers of approximately \$81,000 at June 30, 2013.

Note 13. 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.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 14. Contingency

Federal and State-Assisted Programs

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

Note 15. Allonge

On August 14, 2012, the Industrial Development Authority issued an allonge to amend the interest rate of the \$3 million Bridgewater College tax-exempt bond from 3.56% to 2.76% and the maturity date from December 1, 2022 to August 1, 2022.

Note 16. Pending GASB Statements

At June 30, 2013, 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. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. Statement No. 65 will be effective for periods beginning after December 15, 2012.

GASB Statement No. 66, *Technical Corrections – 2012*, will improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Statement No. 66 will be effective for periods beginning after December 15, 2012.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, will improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. Statement No. 68 will be effective for fiscal years beginning after June 15, 2014.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 16. Pending GASB Statements (Continued)

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013.

Note 17. Subsequent Event

On October 30, 2013, the Industrial Development Authority purchased land at 418 North Main Street costing approximately \$80,000 for “Generations Park.”

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF BRIDGEWATER, VIRGINIA

SCHEDULE OF FUNDING PROGRESS - VIRGINIA RETIREMENT SYSTEM

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability | Unfunded Actuarial Accrued Liability | Funded Ratio | Covered Payroll | Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll |
|--------------------------------|---------------------------------|-----------------------------------|---|-----------------|--------------------|---|
| June 30, 2010 | \$ 5,549,858 | \$ 6,436,850 | \$ 886,992 | 86.22% | \$ 1,811,835 | 48.96% |
| June 30, 2011 | 5,787,478 | 6,849,360 | 1,061,882 | 84.50% | 1,774,399 | 59.84% |
| June 30, 2012 | 5,745,162 | 7,305,880 | 1,560,718 | 78.64% | 1,848,466 | 84.43% |

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS - OTHER POSTEMPLOYMENT BENEFITS

| Fiscal Year Ended | Annual Required Contribution | Actual Contribution | Percent Funded |
|----------------------|------------------------------------|------------------------|-------------------|
| June 30, 2011 | \$ 39,500 | \$ 12,480 | 31.59% |
| June 30, 2012 | 41,000 | 17,300 | 42.20% |
| June 30, 2013 | 36,500 | 15,138 | 41.47% |

SUPPLEMENTARY SCHEDULES

TOWN OF BRIDGEWATER, VIRGINIA**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****GENERAL FUND****Year Ended June 30, 2013****(With Comparative Amounts for 2012)**

| | 2013 | 2012 |
|--------------------------------------|------------------|------------------|
| Revenues: | | |
| General property taxes | \$ 509,468 | \$ 541,464 |
| Other local taxes | 1,489,603 | 1,326,917 |
| Permits | 2,965 | 3,425 |
| Fines and forfeitures | 42,854 | 37,437 |
| Use of money and property | 68,678 | 81,219 |
| Miscellaneous | 20,335 | 17,505 |
| Intergovernmental | 1,053,075 | 1,639,342 |
| Total revenues | 3,186,978 | 3,647,309 |
| Expenditures: | | |
| Current: | | |
| General government administration | 676,800 | 674,207 |
| Public safety | 767,068 | 835,013 |
| Public works | 1,311,656 | 2,090,014 |
| Parks, recreation and cultural | 461,846 | 389,595 |
| Community and economic development | 109,124 | 90,406 |
| Debt service: | | |
| Principal | 291,996 | 230,266 |
| Interest | 42,549 | 48,618 |
| Total expenditures | 3,661,039 | 4,358,119 |
| Revenues under expenditures | (474,061) | (710,810) |
| Other financing sources: | | |
| Issuance of debt | - | 390,000 |
| Transfers in | 476,324 | 376,541 |
| Total other financing sources | 476,324 | 766,541 |
| Net change in fund balance | 2,263 | 55,731 |
| Fund balance, beginning | 493,281 | 437,550 |
| Fund balance, ending | \$ 495,544 | \$ 493,281 |

**SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2013**

| 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 | \$ 338,000 | \$ 338,000 | \$ 338,295 | \$ 295 |
| Personal property taxes | 142,000 | 142,000 | 162,629 | 20,629 |
| Public service corporations property taxes | 5,000 | 5,000 | 5,105 | 105 |
| Interest and penalties on delinquent taxes | 3,000 | 3,000 | 3,439 | 439 |
| Total general property taxes | 488,000 | 488,000 | 509,468 | 21,468 |
| Other local taxes: | | | | |
| Local sales and use taxes | 27,000 | 27,000 | 247,769 | 220,769 |
| Consumer utility taxes | 395,000 | 395,000 | 386,397 | (8,603) |
| Consumption taxes | 25,000 | 25,000 | 24,672 | (328) |
| Cigarette Tax | 20,000 | 20,000 | 24,252 | 4,252 |
| Business license taxes | 180,000 | 180,000 | 206,776 | 26,776 |
| Motor vehicle taxes | 85,000 | 85,000 | 87,377 | 2,377 |
| Bank stock taxes | 100,000 | 100,000 | 101,619 | 1,619 |
| Meals taxes | 420,000 | 420,000 | 396,659 | (23,341) |
| Right-of-way use fee | 16,000 | 16,000 | 14,082 | (1,918) |
| Total other local taxes | 1,268,000 | 1,268,000 | 1,489,603 | 221,603 |
| Permits: | | | | |
| Zoning, building and erosion | 5,000 | 5,000 | 2,965 | (2,035) |
| Fines and forfeitures | 43,000 | 43,000 | 42,854 | (146) |
| Use of money and property: | | | | |
| Revenue from use of money | 2,000 | 2,000 | 795 | (1,205) |
| Revenue from use of property | 89,000 | 89,000 | 67,883 | (21,117) |
| Total revenue from use of money and property | 91,000 | 91,000 | 68,678 | (22,322) |
| Miscellaneous | 8,000 | 8,000 | 20,335 | 12,335 |
| Total revenue from local sources | 1,903,000 | 1,903,000 | 2,133,903 | 230,903 |

**SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2013**

| Entity, Fund, Major and Minor Revenue Source | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Over (Under) |
|---|------------------|--------------|-------------------|--|
| | Original | Final | | |
| Primary Government: | | | | |
| General Fund: | | | | |
| Intergovernmental: | | | | |
| Town of Mt. Crawford: | | | | |
| Public safety | \$ 47,000 | \$ 47,000 | \$ 46,720 | \$ (280) |
| Total local aid | 47,000 | 47,000 | 46,720 | (280) |
| Revenue from the Commonwealth: | | | | |
| Non-categorical aid: | | | | |
| Communication sales and use tax | 96,000 | 96,000 | 94,494 | (1,506) |
| Personal property tax relief | 102,000 | 102,000 | 104,264 | 2,264 |
| Rolling stock tax | - | - | 10 | 10 |
| Total non-categorical aid | 198,000 | 198,000 | 198,768 | 768 |
| Categorical aid: | | | | |
| Litter control | - | - | 3,448 | 3,448 |
| Law enforcement assistance | 144,000 | 144,000 | 126,224 | (17,776) |
| Urban construction | 63,000 | 63,000 | 158 | (62,842) |
| Virginia Department of Transportation revenue sharing project | 20,000 | 20,000 | 3,322 | (16,678) |
| Transportation enhancement | 645,000 | 645,000 | - | (645,000) |
| Street and highway maintenance | 579,000 | 579,000 | 624,245 | 45,245 |
| Asset forfeiture funds | - | - | 4,401 | 4,401 |
| Federal Emergency Management Agency straight line winds and severe storm grant | - | - | 6,435 | 6,435 |
| Other | - | - | 2,000 | 2,000 |
| Total categorical aid | 1,451,000 | 1,451,000 | 770,233 | (680,767) |
| Total intergovernmental revenue from the Commonwealth | 1,649,000 | 1,649,000 | 969,001 | (679,999) |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| Local law enforcement block grant | - | - | 500 | 500 |
| Highway safety | - | - | 5,497 | 5,497 |
| ISTEA | - | - | 2,333 | 2,333 |
| Urban construction | - | - | 632 | 632 |
| Federal Emergency Management Agency straight line winds and severe storm grant | - | - | 28,392 | 28,392 |
| Total intergovernmental revenue from the federal government | - | - | 37,354 | 37,354 |
| Total intergovernmental revenue | 1,696,000 | 1,696,000 | 1,053,075 | (642,925) |
| Total General Fund | \$ 3,599,000 | \$ 3,599,000 | \$ 3,186,978 | \$ (412,022) |

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2013

| 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 | \$ 28,000 | \$ 28,000 | \$ 28,460 | \$ 460 |
| Fringe benefits | 2,000 | 2,000 | 2,177 | 177 |
| Other charges | 3,000 | 3,000 | 2,991 | (9) |
| Total town council | 33,000 | 33,000 | 33,628 | 628 |
| Superintendent's office: | | | | |
| Personal services | 147,000 | 147,000 | 143,500 | (3,500) |
| Fringe benefits | 51,000 | 51,000 | 45,271 | (5,729) |
| Other charges | 15,000 | 15,000 | 4,244 | (10,756) |
| Capital outlay | 3,000 | 3,000 | - | (3,000) |
| Contractual services | - | - | 8,974 | 8,974 |
| Total superintendent's office | 216,000 | 216,000 | 201,989 | (14,011) |
| Treasurer's office: | | | | |
| Personal services | 155,000 | 155,000 | 164,757 | 9,757 |
| Fringe benefits | 55,000 | 55,000 | 47,220 | (7,780) |
| Other charges | 16,000 | 16,000 | 3,563 | (12,437) |
| Capital outlay | 5,000 | 5,000 | - | (5,000) |
| Contractual services | - | - | 13,850 | 13,850 |
| Total treasurer's office | 231,000 | 231,000 | 229,390 | (1,610) |
| Total legislative | 480,000 | 480,000 | 465,007 | (14,993) |
| General and financial administration: | | | | |
| Legal | 48,000 | 48,000 | 37,808 | (10,192) |
| Independent auditor | 38,000 | 38,000 | 39,375 | 1,375 |
| Insurance and bonding | 110,000 | 110,000 | 134,610 | 24,610 |
| Total general and financial administration | 196,000 | 196,000 | 211,793 | 15,793 |
| Total general government administration | 676,000 | 676,000 | 676,800 | 800 |

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2013

| Entity, Fund, Function, Activity and Elements | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Over (Under) |
|--|------------------|----------------|-------------------|--|
| | Original | Final | | |
| Primary Government: | | | | |
| General Fund: | | | | |
| Public safety: | | | | |
| Law enforcement and traffic control: | | | | |
| Police department: | | | | |
| Personal services | \$ 480,000 | \$ 480,000 | \$ 499,194 | \$ 19,194 |
| Fringe benefits | 160,000 | 160,000 | 145,613 | (14,387) |
| Vehicle operation | 32,000 | 32,000 | 34,709 | 2,709 |
| Other charges | 60,000 | 60,000 | 25,763 | (34,237) |
| Capital outlay | 5,000 | 5,000 | - | (5,000) |
| Contractual services | - | - | 31,789 | 31,789 |
| Total law enforcement and traffic control | 737,000 | 737,000 | 737,068 | 68 |
| 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 | 767,000 | 767,000 | 767,068 | 68 |
| Public works: | | | | |
| Public works department: | | | | |
| Personal services | 145,000 | 145,000 | 153,034 | 8,034 |
| Fringe benefits | 46,000 | 46,000 | 38,568 | (7,432) |
| Other charges | 20,000 | 20,000 | 7,859 | (12,141) |
| Capital outlay | 2,000 | 2,000 | - | (2,000) |
| Contractual services | - | - | 17,221 | 17,221 |
| Total public works department | 213,000 | 213,000 | 216,682 | 3,682 |

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2013

| Entity, Fund, Function, Activity and Elements | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Over (Under) |
|--|------------------|------------------|-------------------|--|
| | Original | Final | | |
| Primary Government: | | | | |
| General Fund: | | | | |
| Public works: (Continued) | | | | |
| Maintenance of highways, streets, bridges and sidewalks: | | | | |
| Highways, streets, bridges and sidewalks: | | | | |
| Personal services | \$ 170,000 | \$ 170,000 | \$ 132,030 | \$ (37,970) |
| Fringe benefits | 55,000 | 55,000 | 48,254 | (6,746) |
| Other charges | 80,000 | 80,000 | 44,791 | (35,209) |
| Capital outlay | 35,000 | 35,000 | 18,544 | (16,456) |
| Contractual services | 60,000 | 60,000 | 123,007 | 63,007 |
| Street paving | 175,000 | 175,000 | 233,620 | 58,620 |
| Virginia Department of Transportation revenue sharing project | 20,000 | 20,000 | 6,644 | (13,356) |
| Urban construction program | 20,000 | 20,000 | 790 | (19,210) |
| T-21 project | 806,000 | 806,000 | - | (806,000) |
| Main street beautification | 5,000 | 5,000 | 9,581 | 4,581 |
| Total highways, streets, bridges and sidewalks | 1,426,000 | 1,426,000 | 617,261 | (808,739) |
| Street lights | 78,000 | 78,000 | 78,660 | 660 |
| Total maintenance of highways, streets, bridges and sidewalks | 1,504,000 | 1,504,000 | 695,921 | (808,079) |
| General properties: | | | | |
| Personal services | 180,000 | 180,000 | 199,400 | 19,400 |
| Fringe benefits | 63,000 | 63,000 | 61,885 | (1,115) |
| Other charges | 32,000 | 32,000 | 36,949 | 4,949 |
| Capital outlay | 15,000 | 15,000 | 43,497 | 28,497 |
| Contractual services | 65,000 | 65,000 | 57,322 | (7,678) |
| Total general properties | 355,000 | 355,000 | 399,053 | 44,053 |
| Total public works | 2,072,000 | 2,072,000 | 1,311,656 | (760,344) |

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2013

| Entity, Fund, Function, Activity and Elements | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Over (Under) |
|---|---------------------|---------------------|---------------------|--|
| | Original | Final | | |
| Primary Government: | | | | |
| General Fund: | | | | |
| Parks, recreation and cultural: | | | | |
| Personal services | \$ 225,000 | \$ 225,000 | \$ 196,425 | \$ (28,575) |
| Fringe benefits | 80,000 | 80,000 | 69,810 | (10,190) |
| Other charges | 45,000 | 45,000 | 66,066 | 21,066 |
| Capital outlay | 25,000 | 25,000 | 82,119 | 57,119 |
| Contractual services | 40,000 | 40,000 | 47,426 | 7,426 |
| Total parks, recreation and cultural | 415,000 | 415,000 | 461,846 | 46,846 |
| Community and economic development: | | | | |
| Community development: | | | | |
| Personal services | 25,000 | 25,000 | 20,095 | (4,905) |
| Fringe benefits | 10,000 | 10,000 | 8,524 | (1,476) |
| Other charges | 65,000 | 65,000 | 77,887 | 12,887 |
| Contractual services | - | - | 341 | 341 |
| Total community development | 100,000 | 100,000 | 106,847 | 6,847 |
| Economic development: | | | | |
| Personal services | 2,000 | 2,000 | 75 | (1,925) |
| Fringe benefits | 1,000 | 1,000 | 6 | (994) |
| Other charges | 2,000 | 2,000 | - | (2,000) |
| Capital outlay | 10,000 | 10,000 | - | (10,000) |
| Contractual services | 1,000 | 1,000 | 2,196 | 1,196 |
| Total economic development | 16,000 | 16,000 | 2,277 | (13,723) |
| Total community and economic development | 116,000 | 116,000 | 109,124 | (6,876) |
| Debt service: | | | | |
| Principal | 183,000 | 183,000 | 291,996 | 108,996 |
| Interest | 30,000 | 30,000 | 42,549 | 12,549 |
| Total debt service | 213,000 | 213,000 | 334,545 | 121,545 |
| Total General Fund | \$ 4,259,000 | \$ 4,259,000 | \$ 3,661,039 | \$ (597,961) |

TOWN OF BRIDGEWATER, VIRGINIA

SCHEDULE OF CAPITAL OUTLAYS

Year Ended June 30, 2013

| | |
|---|--------------------------|
| General Fund: | |
| Public works: | |
| Capital outlay: | |
| Server | \$ 5,529 |
| Diesel tractor | 23,203 |
| Land improvements | 18,544 |
| Shop bay enclosure | 14,765 |
| | <u>62,041</u> |
| Capitalized labor: | |
| Shop bay enclosure | 7,346 |
| | <u>7,346</u> |
| Parks, recreation and cultural: | |
| Capital outlay: | |
| GMC truck | 6,385 |
| Land | 75,734 |
| | <u>82,119</u> |
| Total General Fund | <u><u>\$ 151,506</u></u> |
| Water, Sewer and Sanitation Fund: | |
| Water distribution: | |
| Capital outlay: | |
| Water line improvements | \$ 21,314 |
| Water line improvements | 16,656 |
| Dump truck | 2,835 |
| Dump truck | 2,667 |
| | <u>43,472</u> |
| Water treatment: | |
| Capital outlay: | |
| Engineering costs for water tank | 7,882 |
| Backwash flow system | 30,850 |
| | <u>38,732</u> |
| Sewer: | |
| Capital outlay: | |
| Wheel loader | 52,800 |
| Dump truck | 2,835 |
| Dump truck | 2,667 |
| GMC truck | 5,537 |
| GMC truck | 5,749 |
| | <u>69,588</u> |
| Sanitation: | |
| Capital outlay: | |
| Dump truck | 2,835 |
| Dump truck | 2,667 |
| | <u>5,502</u> |
| Total Water, Sewer and Sanitation Fund | <u><u>\$ 157,294</u></u> |

TOWN OF BRIDGEWATER, VIRGINIA

SCHEDULE OF TAXES RECEIVABLE

June 30, 2013

(With Comparative Amounts for 2012)

| | 2013 | 2012 |
|--|--------------------------|--------------------------|
| Taxes receivable: * | | |
| General Fund: | | |
| Real estate: | | |
| 2003 | \$ - | \$ 211 |
| 2004 | - | 211 |
| 2005 | 211 | 211 |
| 2006 | 268 | 268 |
| 2007 | 268 | 499 |
| 2008 | 334 | 566 |
| 2009 | 402 | 633 |
| 2010 | 1,123 | 1,337 |
| 2011 | 1,528 | 3,450 |
| 2012 | 3,236 | 4,267 |
| 2013 | 2,705 | - |
| December billing for next fiscal year | 161,638 | 149,842 |
| | <u>171,713</u> | <u>161,495</u> |
| Personal property: | | |
| 2008 | - | 2,050 |
| 2009 | 1,152 | 1,300 |
| 2010 | 744 | 1,055 |
| 2011 | 794 | 2,441 |
| 2012 | 3,119 | - |
| | <u>5,809</u> | <u>6,846</u> |
| Less: | | |
| Allowance for uncollectible taxes | <u>11,000</u> | <u>11,000</u> |
| Taxes receivable - General Fund | <u><u>\$ 166,522</u></u> | <u><u>\$ 157,341</u></u> |

* Includes 10% penalty

TOWN OF BRIDGEWATER, VIRGINIA

**SCHEDULE OF REVENUES AND EXPENSES
PROPRIETARY FUND TYPE
Year Ended June 30, 2013**

| | Water Department | Sewer Department | Sanitation Department | Totals |
|--|---------------------|---------------------|--------------------------|------------------|
| Operating revenues: | | | | |
| Charges for services | \$ 900,327 | \$ 1,583,881 | \$ 459,507 | \$ 2,943,715 |
| Connection fees | 629 | - | - | 629 |
| Penalties | 19,338 | 17,585 | - | 36,923 |
| Total operating revenues | 920,294 | 1,601,466 | 459,507 | 2,981,267 |
| Operating expenses: | | | | |
| Personal services | 370,764 | 62,769 | 211,019 | 644,552 |
| Fringe benefits | 135,576 | 24,427 | 62,146 | 222,149 |
| Materials, line repairs and other | 290,274 | 44,107 | 213,632 | 548,013 |
| Regional Sewer Authority assessment: | | | | |
| Operations and maintenance | - | 311,312 | - | 311,312 |
| Debt service | - | 502,961 | - | 502,961 |
| Construction | - | 38,098 | - | 38,098 |
| Depreciation | 120,115 | 64,066 | 41,022 | 225,203 |
| Total operating expenses | 916,729 | 1,047,740 | 527,819 | 2,492,288 |
| Operating income (loss) | 3,565 | 553,726 | (68,312) | 488,979 |
| Nonoperating revenue (expense): | | | | |
| Interest expense | (5,944) | (1,886) | - | (7,830) |
| Connection availability fees | 20,000 | 34,000 | - | 54,000 |
| Total nonoperating revenue, net | 14,056 | 32,114 | - | 46,170 |
| Income (loss) before transfers | 17,621 | 585,840 | (68,312) | 535,149 |
| Transfers out | (89,336) | (386,988) | - | (476,324) |
| Change in net position | \$ (71,715) | \$ 198,852 | \$ (68,312) | \$ 58,825 |

TOWN OF BRIDGEWATER, VIRGINIA

SCHEDULE OF REVENUES AND EXPENSES - ACTUAL AND RATE PER 1,000 GALLONS

PROPRIETARY FUND TYPE

WATER AND SEWER DEPARTMENTS

Year Ended June 30, 2013

(With Comparative Totals for 2012)

| | Water Department | | Sewer Department | | Totals (Memorandum Only) | | | |
|--|------------------|------------------------------|-------------------|------------------------------|--------------------------|------------------------------|-------------------|------------------------------|
| | | | | | 2013 | | 2012 | |
| | 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 | \$ 900,327 | \$ 3.977 | \$ 1,583,881 | \$ 6.996 | \$ 2,484,208 | \$ 10.973 | \$ 2,419,624 | \$ 10.589 |
| Connection fees | 629 | 0.003 | - | 0.000 | 629 | 0.003 | 8,922 | 0.039 |
| Penalties | 19,338 | 0.085 | 17,585 | 0.078 | 36,923 | 0.163 | 33,535 | 0.146 |
| Total operating revenues | 920,294 | 4.065 | 1,601,466 | 7.074 | 2,521,760 | 11.139 | 2,462,081 | 10.774 |
| Operating expenses: | | | | | | | | |
| Personal services | 370,764 | 1.638 | 62,769 | 0.277 | 433,533 | 1.915 | 463,142 | 2.027 |
| Fringe benefits | 135,576 | 0.599 | 24,427 | 0.108 | 160,003 | 0.707 | 160,469 | 0.702 |
| Materials, line repairs and other | 290,274 | 1.282 | 44,107 | 0.195 | 334,381 | 1.477 | 352,205 | 1.542 |
| Regional Sewer Authority assessment: | | | | | | | | |
| Operations and maintenance | - | - | 311,312 | 1.375 | 311,312 | 1.375 | 313,862 | 1.374 |
| Debt service | - | - | 502,961 | 2.222 | 502,961 | 2.222 | 508,651 | 2.226 |
| Construction | - | - | 38,098 | 0.168 | 38,098 | 0.168 | - | - |
| Depreciation | 120,115 | 0.531 | 64,066 | 0.283 | 184,181 | 0.814 | 171,632 | 0.751 |
| Total operating expenses | 916,729 | 4.050 | 1,047,740 | 4.628 | 1,964,469 | 8.678 | 1,969,961 | 8.622 |
| Operating income | 3,565 | 0.015 | 553,726 | 2.446 | 557,291 | 2.461 | 492,120 | 2.152 |
| Nonoperating revenue (expense): | | | | | | | | |
| Interest expense | (5,944) | (0.026) | (1,886) | (0.008) | (7,830) | (0.034) | (13,877) | (0.061) |
| Connection availability fees | 20,000 | 0.088 | 34,000 | 0.150 | 54,000 | 0.238 | 81,000 | 0.354 |
| Total nonoperating revenue, net | 14,056 | 0.062 | 32,114 | 0.142 | 46,170 | 0.204 | 67,123 | 0.293 |
| Income before transfers | \$ 17,621 | \$ 0.077 | \$ 585,840 | \$ 2.588 | \$ 603,461 | \$ 2.665 | \$ 559,243 | \$ 2.445 |
| Total water consumption: | | | | | | | | |
| Thousands of gallons | <u>226,385</u> | | | | | | <u>228,499</u> | |

TOWN OF BRIDGEWATER, VIRGINIA**DISCRETELY PRESENTED COMPONENT UNIT - INDUSTRIAL DEVELOPMENT AUTHORITY****SCHEDULE OF REVENUE BONDS OUTSTANDING****June 30, 2013**

| Issued on Behalf of | Amount Issued | Date of Issue | Aggregate Outstanding Payable June 30, 2013 | Stated Interest Rate | Date of Maturity | Name of Trustee |
|---|------------------|---------------------|---|----------------------------|------------------------|-----------------------|
| Bridgewater Village, Inc. - Series 2003 D | \$ 2,000,000 | 12/23/03 | \$ 513,700 | various | 01/01/16 | SunTrust Bank |
| Bridgewater College - 2006 | 5,425,000 | 08/09/06 | 3,895,000 | various | 04/01/31 | U S Bank |
| Bridgewater Home - Series 2008, R-2 | 2,100,000 | 07/09/08 | 930,686 | various | 07/15/13 | SunTrust Bank |
| Bridgewater College - 2012 | 2,240,944 | 08/24/12 | 2,073,227 | 2.76% | 08/01/22 | SunTrust Bank |
| Bridgewater Home - Series 2013 A | 4,053,540 | 06/05/13 | 4,053,540 | various | 06/05/26 | SunTrust Bank |
| Bridgewater Village - Series 2013 B | 3,716,890 | 06/05/13 | <u>3,716,890</u> | various | 06/05/27 | SunTrust Bank |
| | | | <u>\$ 15,183,043</u> | | | |

TOWN OF BRIDGEWATER, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT - INDUSTRIAL DEVELOPMENT AUTHORITY SCHEDULE OF CHANGES IN REVENUE BONDS OUTSTANDING Year Ended June 30, 2013

| Issued on Behalf of | Date of Issue | Outstanding July 1, 2012 | Outstanding June 30, 2013 | Increase / (Decrease) |
|---|---------------|--------------------------------|---------------------------------|--------------------------|
| Bridgewater Home, Inc. - 2003 Series B | 08/29/03 | \$ 975,601 | \$ - | \$ (975,601) |
| Bridgewater Village, Inc. - Series 2003 A | 08/29/03 | 1,617,852 | - | (1,617,852) |
| Bridgewater Village, Inc. | 08/29/03 | 1,730,006 | - | (1,730,006) |
| Bridgewater Home, Inc. - Series 2003 C | 12/23/03 | 2,000,000 | - | (2,000,000) |
| Bridgewater Village, Inc. - Series 2003 D | 12/23/03 | 714,100 | 513,700 | (200,400) |
| Bridgewater College - 2006 | 08/09/06 | 3,985,000 | 3,895,000 | (90,000) |
| Bridgewater College - 2007 | 12/12/07 | 2,270,767 | - | (2,270,767) |
| Bridgewater Home - Series 2008, R-1 | 07/09/08 | 1,107,925 | - | (1,107,925) |
| Bridgewater Home - Series 2008, R-2 | 07/09/08 | 930,686 | 930,686 | - |
| Bridgewater Village - 2008 | 07/09/08 | 280,062 | - | (280,062) |
| Bridgewater College - 2012 | 08/24/12 | - | 2,073,227 | 2,073,227 |
| Bridgewater Home - Series 2013 A | 06/05/13 | - | 4,053,540 | 4,053,540 |
| Bridgewater Village - Series 2013 B | 06/05/13 | - | 3,716,890 | 3,716,890 |
| Totals | | <u>\$ 15,611,999</u> | <u>\$ 15,183,043</u> | <u>\$ (428,956)</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.

TOWN OF BRIDGEWATER, VIRGINIA

Table 1

NET POSITION/ASSETS BY COMPONENT

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

| | Fiscal Year June 30, | | | | | | | | | |
|--|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Governmental activities: | | | | | | | | | | |
| Net investment in capital assets | \$ 1,462,303 | \$ 1,463,087 | \$ 1,563,151 | \$ 1,578,115 | \$ 1,764,563 | \$ 2,144,020 | \$ 2,256,573 | \$ 2,409,533 | \$ 2,177,934 | \$ 2,471,324 |
| Restricted | 17,483 | 17,750 | 18,331 | 19,073 | 20,107 | 20,896 | 21,640 | 22,774 | 22,884 | 22,884 |
| Unrestricted | 327,294 | 575,015 | 717,842 | 449,082 | 255,937 | (94,208) | 76,087 | 247,986 | 274,804 | 243,717 |
| Total governmental activities net assets | \$ 1,807,080 | \$ 2,055,852 | \$ 2,299,324 | \$ 2,046,270 | \$ 2,040,607 | \$ 2,070,708 | \$ 2,354,300 | \$ 2,680,293 | \$ 2,475,622 | |
| Total governmental activities net position | | | | | | | | | | \$ 2,737,925 |
| Business-type activities: | | | | | | | | | | |
| Net investment in capital assets | \$ 1,367,533 | \$ 1,358,346 | \$ 1,350,576 | \$ 1,351,249 | \$ 1,424,292 | \$ 1,587,711 | \$ 1,578,327 | \$ 1,590,879 | \$ 1,682,446 | \$ 1,763,316 |
| Unrestricted | 34,146 | 24,767 | 78,524 | 94,657 | 8,108 | 128,309 | 116,214 | 113,563 | 165,764 | 143,719 |
| Total business-type activities net assets | \$ 1,401,679 | \$ 1,383,113 | \$ 1,429,100 | \$ 1,445,906 | \$ 1,432,400 | \$ 1,716,020 | \$ 1,694,541 | \$ 1,704,442 | \$ 1,848,210 | |
| Total business-type activities net position | | | | | | | | | | \$ 1,907,035 |
| Primary government: | | | | | | | | | | |
| Net investment in capital assets | \$ 2,829,836 | \$ 2,821,433 | \$ 2,913,727 | \$ 2,929,364 | \$ 3,188,855 | \$ 3,731,731 | \$ 3,834,900 | \$ 4,000,412 | \$ 3,860,380 | \$ 4,234,640 |
| Restricted | 17,483 | 17,750 | 18,331 | 19,073 | 20,107 | 20,896 | 21,640 | 22,774 | 22,884 | 22,884 |
| Unrestricted | 361,440 | 599,782 | 796,366 | 543,739 | 264,045 | 34,101 | 192,301 | 361,549 | 440,568 | 387,436 |
| Total primary government net assets | \$ 3,208,759 | \$ 3,438,965 | \$ 3,728,424 | \$ 3,492,176 | \$ 3,473,007 | \$ 3,786,728 | \$ 4,048,841 | \$ 4,384,735 | \$ 4,323,832 | |
| Total primary government net position | | | | | | | | | | \$ 4,644,960 |

Note:

- (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.'

TOWN OF BRIDGEWATER, VIRGINIA

CHANGES IN NET POSITION/ASSETS

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

Table 2

Page 1

| | Fiscal Year June 30, | | | | | | | | | |
|---|----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Expenses: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government administration | \$ 525,280 | \$ 516,298 | \$ 547,300 | \$ 558,086 | \$ 643,634 | \$ 623,112 | \$ 670,323 | \$ 687,128 | \$ 715,110 | \$ 709,603 |
| Public safety | 575,957 | 601,189 | 631,004 | 664,438 | 723,798 | 714,959 | 768,602 | 796,247 | 861,318 | 826,648 |
| Public works | 1,648,481 | 1,399,084 | 1,459,343 | 2,292,126 | 1,890,305 | 1,722,205 | 1,268,346 | 1,170,542 | 2,101,001 | 1,302,538 |
| Parks, recreation and cultural | 397,744 | 453,740 | 418,314 | 435,208 | 440,790 | 426,139 | 407,530 | 448,454 | 428,657 | 426,733 |
| Community and economic development | 65,855 | 82,779 | 86,315 | 93,392 | 107,656 | 119,217 | 99,609 | 171,500 | 90,496 | 111,075 |
| Interest | 129,959 | 119,818 | 111,429 | 114,991 | 115,215 | 99,525 | 91,890 | 80,004 | 56,092 | 39,946 |
| Total governmental activities | 3,343,276 | 3,172,908 | 3,253,705 | 4,158,241 | 3,921,398 | 3,705,157 | 3,306,300 | 3,353,875 | 4,252,674 | 3,416,543 |
| Business-type activities: | | | | | | | | | | |
| Water, sewer and sanitation | 1,271,902 | 1,292,437 | 1,415,411 | 1,488,704 | 1,574,221 | 2,059,887 | 2,151,399 | 2,285,051 | 2,474,727 | 2,500,118 |
| Total business-type activities | 1,271,902 | 1,292,437 | 1,415,411 | 1,488,704 | 1,574,221 | 2,059,887 | 2,151,399 | 2,285,051 | 2,474,727 | 2,500,118 |
| Total government | 4,615,178 | 4,465,345 | 4,669,116 | 5,646,945 | 5,495,619 | 5,765,044 | 5,457,699 | 5,638,926 | 6,727,401 | 5,916,661 |
| Program revenue: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Public safety | 76,201 | 57,917 | 57,432 | 46,517 | 38,623 | 36,059 | 50,936 | 55,982 | 40,862 | 45,819 |
| Public works | 236,020 | 243,086 | 255,389 | 317,039 | 356,484 | - | - | - | - | - |
| Operating grants and contributions: | | | | | | | | | | |
| Public safety | 135,116 | 146,673 | 152,711 | 163,197 | 157,503 | 173,053 | 189,271 | 193,197 | 183,947 | 185,342 |
| Public works | 467,014 | 492,609 | 519,181 | 877,658 | 567,653 | 908,566 | 648,682 | 645,407 | 1,259,493 | 668,965 |
| Capital grants and contributions: | | | | | | | | | | |
| General government administration | - | - | - | - | - | - | - | 85,000 | - | - |
| Public safety | - | - | - | - | - | 122,616 | - | - | 15,390 | - |
| Public works | 15,750 | - | - | - | - | - | 19,265 | - | 11,653 | 18,544 |
| Total governmental activities program revenue | 930,101 | 940,285 | 984,713 | 1,404,411 | 1,120,263 | 1,240,294 | 908,154 | 979,586 | 1,511,345 | 918,670 |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Water, sewer and sanitation | 1,707,284 | 1,753,232 | 1,910,331 | 1,954,388 | 2,053,454 | 2,694,112 | 2,699,253 | 2,653,193 | 2,875,705 | 2,944,344 |
| Capital grants and contributions: | | | | | | | | | | |
| Water, sewer and sanitation | 100,228 | 180,481 | 47,746 | 20,342 | 184,701 | 91,695 | 122,500 | 247,277 | 85,796 | 54,000 |
| Total business-type activities program revenue | 1,807,512 | 1,933,713 | 1,958,077 | 1,974,730 | 2,238,155 | 2,785,807 | 2,821,753 | 2,900,470 | 2,961,501 | 2,998,344 |
| Total government program revenue | 2,737,613 | 2,873,998 | 2,942,790 | 3,379,141 | 3,358,418 | 4,026,101 | 3,729,907 | 3,880,056 | 4,472,846 | 3,917,014 |
| Net (expense) revenue: | | | | | | | | | | |
| Governmental activities | (2,413,175) | (2,232,623) | (2,268,992) | (2,753,830) | (2,801,135) | (2,464,863) | (2,398,146) | (2,374,289) | (2,741,329) | (2,497,873) |
| Business-type activities | 535,610 | 641,276 | 542,666 | 486,026 | 663,934 | 725,920 | 670,354 | 615,419 | 486,774 | 498,226 |
| Total government net expense | (1,877,565) | (1,591,347) | (1,726,326) | (2,267,804) | (2,137,201) | (1,738,943) | (1,727,792) | (1,758,870) | (2,254,555) | (1,999,647) |

TOWN OF BRIDGEWATER, VIRGINIA

CHANGES IN NET POSITION/ASSETS (CONTINUED)

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

Table 2

Page 2

| | Fiscal Year June 30, | | | | | | | | | |
|---|----------------------|-------------------|-------------------|---------------------|--------------------|-------------------|-------------------|-------------------|--------------------|-------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| General revenues and other changes in net assets: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| General property | \$ 482,863 | \$ 538,390 | \$ 621,574 | \$ 601,368 | \$ 598,321 | \$ 589,737 | \$ 557,891 | \$ 560,335 | \$ 538,464 | \$ 506,468 |
| Consumer utility and communications sales and use | 308,586 | 311,419 | 342,871 | 377,027 | 426,005 | 371,762 | 359,461 | 274,780 | 393,629 | 386,397 |
| Meals | 200,407 | 217,784 | 298,498 | 308,256 | 307,594 | 311,681 | 320,339 | 360,040 | 347,099 | 396,659 |
| Local sales and use | 140,295 | 157,028 | 160,187 | 160,944 | 170,441 | 166,599 | 131,990 | 162,442 | 168,211 | 247,769 |
| Business license | 139,815 | 157,294 | 153,042 | 155,113 | 163,835 | 172,228 | 180,397 | 172,147 | 199,905 | 206,776 |
| Other | 211,377 | 220,250 | 234,803 | 182,881 | 179,599 | 188,645 | 206,966 | 206,814 | 218,073 | 252,002 |
| Intergovernmental, non-categorical aid | 108,161 | 100,965 | 112,377 | 108,522 | 103,602 | 108,229 | 98,614 | 198,644 | 195,902 | 198,768 |
| Use of money and property | 57,414 | 47,287 | 60,472 | 101,835 | 96,664 | 89,428 | 88,035 | 77,000 | 81,329 | 68,678 |
| Miscellaneous | 63,635 | 53,222 | 12,550 | 14,393 | 36,564 | 31,159 | 22,238 | 52,583 | 17,505 | 20,335 |
| Transfers | 410,483 | 677,756 | 516,090 | 490,437 | 712,847 | 465,496 | 715,807 | 635,497 | 376,541 | 476,324 |
| Total governmental activities | 2,123,036 | 2,481,395 | 2,512,464 | 2,500,776 | 2,795,472 | 2,494,964 | 2,681,738 | 2,700,282 | 2,536,658 | 2,760,176 |
| Business-type activities: | | | | | | | | | | |
| Miscellaneous | 15,160 | 17,914 | 19,411 | 21,217 | 35,407 | 23,196 | 23,974 | 29,979 | 33,535 | 36,923 |
| Transfers | (410,483) | (677,756) | (516,090) | (490,437) | (712,847) | (465,496) | (715,807) | (635,497) | (376,541) | (476,324) |
| Total business-type activities | (395,323) | (659,842) | (496,679) | (469,220) | (677,440) | (442,300) | (691,833) | (605,518) | (343,006) | (439,401) |
| Total primary government | 1,727,713 | 1,821,553 | 2,015,785 | 2,031,556 | 2,118,032 | 2,052,664 | 1,989,905 | 2,094,764 | 2,193,652 | 2,320,775 |
| Changes in net assets: | | | | | | | | | | |
| Governmental activities | (290,139) | 248,772 | 243,472 | (253,054) | (5,663) | 30,101 | 283,592 | 325,993 | (204,671) | |
| Business-type activities | 140,287 | (18,566) | 45,987 | 16,806 | (13,506) | 283,620 | (21,479) | 9,901 | 143,768 | |
| Total primary government | \$ (149,852) | \$ 230,206 | \$ 289,459 | \$ (236,248) | \$ (19,169) | \$ 313,721 | \$ 262,113 | \$ 335,894 | \$ (60,903) | |
| Changes in net position: | | | | | | | | | | |
| Governmental activities | | | | | | | | | | \$ 262,303 |
| Business-type activities | | | | | | | | | | 58,825 |
| Total primary government | | | | | | | | | | \$ 321,128 |

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
- (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'.

TOWN OF BRIDGEWATER, VIRGINIA

Table 3

PROGRAM REVENUES BY FUNCTION/PROGRAM

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

| Function/Program | Fiscal Year June 30, | | | | | | | | | |
|---------------------------------------|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Governmental activities: | | | | | | | | | | |
| General government administration | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 85,000 | \$ - | \$ - |
| Public safety | 211,317 | 204,590 | 210,143 | 209,714 | 196,126 | 331,728 | 240,207 | 249,179 | 240,199 | 231,161 |
| Public works | 718,784 | 735,695 | 774,570 | 1,194,697 | 924,137 | 908,566 | 667,947 | 645,407 | 1,271,146 | 687,509 |
| Total governmental activities | <u>930,101</u> | <u>940,285</u> | <u>984,713</u> | <u>1,404,411</u> | <u>1,120,263</u> | <u>1,240,294</u> | <u>908,154</u> | <u>979,586</u> | <u>1,511,345</u> | <u>918,670</u> |
| Business-type activities: | | | | | | | | | | |
| Water, sewer and sanitation | 1,807,512 | 1,933,713 | 1,958,077 | 1,974,730 | 2,238,155 | 2,785,807 | 2,821,753 | 2,900,470 | 2,961,501 | 2,998,344 |
| Total business-type activities | <u>1,807,512</u> | <u>1,933,713</u> | <u>1,958,077</u> | <u>1,974,730</u> | <u>2,238,155</u> | <u>2,785,807</u> | <u>2,821,753</u> | <u>2,900,470</u> | <u>2,961,501</u> | <u>2,998,344</u> |
| Total government | <u>\$ 2,737,613</u> | <u>\$ 2,873,998</u> | <u>\$ 2,942,790</u> | <u>\$ 3,379,141</u> | <u>\$ 3,358,418</u> | <u>\$ 4,026,101</u> | <u>\$ 3,729,907</u> | <u>\$ 3,880,056</u> | <u>\$ 4,472,846</u> | <u>\$ 3,917,014</u> |

Notes:

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

TOWN OF BRIDGEWATER, VIRGINIA

Table 4

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

| | | Fiscal Year June 30, | | | | |
|---|--|----------------------|-------------------|-------------------|-------------------|-------------------|
| | | 2004 | 2005 | 2006 | 2007 | 2008 |
| General Fund: | | | | | | |
| Reserved | | \$ 258,178 | \$ 208,620 | \$ 168,488 | \$ 588,888 | \$ 14,836 |
| Unreserved | | 431,686 | 450,665 | 646,156 | 95,392 | 362,480 |
| Total General Fund | | \$ 689,864 | \$ 659,285 | \$ 814,644 | \$ 684,280 | \$ 377,316 |
| All Other Governmental Funds: | | | | | | |
| Reserved | | \$ 17,483 | \$ 17,750 | \$ 18,331 | \$ 19,073 | \$ 20,107 |
| Total all other governmental funds | | \$ 17,483 | \$ 17,750 | \$ 18,331 | \$ 19,073 | \$ 20,107 |

| | | 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 | 16,884 | 16,884 |
| Total all other governmental funds | | \$ 20,896 | \$ 21,640 | \$ 22,774 | \$ 22,884 | \$ 22,884 |

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

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

Table 5

Page 1

| | Fiscal Year June 30, | | | | | | | | | |
|---|----------------------|--------------------|-------------------|---------------------|---------------------|---------------------|-------------------|-------------------|------------------|------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Revenues: | | | | | | | | | | |
| General property taxes | \$ 480,863 | \$ 535,390 | \$ 624,574 | \$ 605,368 | \$ 600,321 | \$ 585,737 | \$ 556,891 | \$ 558,335 | \$ 541,464 | \$ 509,468 |
| Other local taxes | 1,000,480 | 1,063,775 | 1,189,401 | 1,184,221 | 1,247,474 | 1,210,915 | 1,199,153 | 1,176,223 | 1,326,917 | 1,489,603 |
| Permits | 43,731 | 26,998 | 8,043 | 4,268 | 3,534 | 4,021 | 7,070 | 4,144 | 3,425 | 2,965 |
| Fines and forfeitures | 32,470 | 30,919 | 49,389 | 42,249 | 35,089 | 32,038 | 43,866 | 51,838 | 37,437 | 42,854 |
| Use of money and property | 57,584 | 47,554 | 60,472 | 102,577 | 97,698 | 89,428 | 88,035 | 77,000 | 81,329 | 68,678 |
| Charges for services | 235,850 | 242,819 | 254,808 | 316,297 | 355,450 | - | - | - | - | - |
| Miscellaneous | 63,635 | 53,222 | 12,550 | 14,393 | 36,564 | 31,159 | 22,238 | 52,583 | 17,505 | 20,335 |
| Intergovernmental | 726,041 | 740,247 | 784,269 | 1,149,377 | 828,758 | 1,189,848 | 936,567 | 1,037,248 | 1,639,342 | 1,053,075 |
| Total revenues | 2,640,654 | 2,740,924 | 2,983,506 | 3,418,750 | 3,204,888 | 3,143,146 | 2,853,820 | 2,957,371 | 3,647,419 | 3,186,978 |
| Expenditures: | | | | | | | | | | |
| General government administration | 494,626 | 485,324 | 539,929 | 547,504 | 627,972 | 595,075 | 618,210 | 646,078 | 674,207 | 676,800 |
| Public safety | 626,388 | 578,050 | 607,560 | 668,459 | 763,730 | 714,718 | 730,825 | 725,534 | 835,013 | 767,068 |
| Public works | 2,025,597 | 1,474,381 | 1,497,100 | 2,480,241 | 1,817,252 | 1,843,837 | 1,233,689 | 1,127,277 | 2,090,014 | 1,311,656 |
| Parks, recreation and cultural | 467,961 | 482,409 | 421,087 | 535,619 | 505,561 | 429,787 | 356,422 | 400,891 | 389,595 | 461,846 |
| Community and economic development | 65,855 | 82,779 | 86,315 | 93,392 | 107,656 | 119,217 | 99,236 | 170,291 | 90,406 | 109,124 |
| Debt service: | | | | | | | | | | |
| Principal | 191,718 | 374,345 | 165,051 | 167,945 | 281,183 | 220,275 | 229,674 | 229,965 | 230,266 | 291,996 |
| Interest and fiscal charges | 132,345 | 121,704 | 112,195 | 108,649 | 120,311 | 100,327 | 98,169 | 83,262 | 48,618 | 42,549 |
| Total expenditures | 4,004,490 | 3,598,992 | 3,429,237 | 4,601,809 | 4,223,665 | 4,023,236 | 3,366,225 | 3,383,298 | 4,358,119 | 3,661,039 |
| Revenues under expenditures | (1,363,836) | (858,068) | (445,731) | (1,183,059) | (1,018,777) | (880,090) | (512,405) | (425,927) | (710,700) | (474,061) |
| Other financing sources (uses): | | | | | | | | | | |
| Transfers in | 410,483 | 677,756 | 516,090 | 490,437 | 712,847 | 480,019 | 715,807 | 635,497 | 376,541 | 476,324 |
| Issuance of debt | - | 150,000 | 85,000 | 563,000 | - | 50,000 | - | - | 390,000 | - |
| Issuance of short-term debt | - | - | - | 300,000 | - | - | 295,000 | - | - | - |
| Payment of short-term debt | - | - | - | (300,000) | - | - | (295,000) | - | - | - |
| Proceeds of refunding bonds | 310,250 | - | - | - | - | - | - | - | - | - |
| Payment to refunded bond escrow agent | (310,250) | - | - | - | - | - | - | - | - | - |
| Total other financing sources, net | 410,483 | 827,756 | 601,090 | 1,053,437 | 712,847 | 530,019 | 715,807 | 635,497 | 766,541 | 476,324 |
| Net change in fund balances | \$ (953,353) | \$ (30,312) | \$ 155,359 | \$ (129,622) | \$ (305,930) | \$ (350,071) | \$ 203,402 | \$ 209,570 | \$ 55,841 | \$ 2,263 |

TOWN OF BRIDGEWATER, VIRGINIA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

Table 5

Page 2

| | Fiscal Year June 30, | | | | | | | | | |
|--|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Debt service as a percentage of noncapital expenditures: | | | | | | | | | | |
| Total debt service | <u>\$ 324,063</u> | <u>\$ 346,049</u> | <u>\$ 277,246</u> | <u>\$ 276,594</u> | <u>\$ 401,494</u> | <u>\$ 320,602</u> | <u>\$ 327,843</u> | <u>\$ 313,227</u> | <u>\$ 278,884</u> | <u>\$ 334,545</u> |
| Total expenditures | \$ 4,004,490 | \$ 3,598,992 | \$ 3,429,237 | \$ 4,601,809 | \$ 4,223,665 | \$ 4,023,236 | \$ 3,366,225 | \$ 3,383,298 | \$ 4,358,119 | \$ 3,661,039 |
| Less: capital outlay | (600,786) | (191,962) | (165,868) | (446,863) | (215,429) | (389,155) | (68,265) | (7,657) | (76,643) | (151,506) |
| Noncapital expenditures | <u>\$ 3,403,704</u> | <u>\$ 3,407,030</u> | <u>\$ 3,263,369</u> | <u>\$ 4,154,946</u> | <u>\$ 4,008,236</u> | <u>\$ 3,634,081</u> | <u>\$ 3,297,960</u> | <u>\$ 3,375,641</u> | <u>\$ 4,281,476</u> | <u>\$ 3,509,533</u> |
| Debt service as a percentage of noncapital expenditures | <u>9.52%</u> | <u>10.16%</u> | <u>8.50%</u> | <u>6.70%</u> | <u>10.02%</u> | <u>8.82%</u> | <u>9.94%</u> | <u>9.28%</u> | <u>6.51%</u> | <u>9.53%</u> |

Note:

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

TOWN OF BRIDGEWATER, VIRGINIA

Table 6

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

| Fiscal Year June 30, | General Property Including Interest and Penalty | Consumer Utility | Consumption | Local Sales and Use | Bank Stock | Cable Franchise | Meals | Right-of-way Use Fee | Business Licenses | Motor Vehicle | Communication Sales and Use | Cigarette | Totals |
|-------------------------|---|---------------------|-------------|---------------------------|---------------|--------------------|------------|-------------------------|----------------------|------------------|--------------------------------|-----------|--------------|
| 2004 | \$ 480,863 | \$ 308,586 | \$ 23,281 | \$ 140,295 | \$ 66,109 | \$ 12,716 | \$ 200,407 | \$ 34,161 | \$ 139,815 | \$ 75,110 | \$ - | \$ - | \$ 1,481,343 |
| 2005 | 535,390 | 311,419 | 24,203 | 157,028 | 71,947 | 32,897 | 217,784 | 15,750 | 157,294 | 75,453 | - | - | 1,599,165 |
| 2006 | 624,574 | 342,871 | 25,698 | 160,187 | 80,628 | 35,105 | 298,498 | 15,444 | 153,042 | 77,928 | - | - | 1,813,975 |
| 2007 | 605,368 | 272,288 | 25,416 | 160,944 | 63,694 | 42,601 | 308,256 | 15,232 | 155,113 | 78,539 | 62,138 | - | 1,789,589 |
| 2008 | 600,321 | 327,288 | 25,649 | 170,441 | 61,822 | - | 307,594 | 15,047 | 163,835 | 77,081 | 98,717 | - | 1,847,795 |
| 2009 | 585,737 | 275,634 | 25,298 | 166,599 | 71,495 | - | 311,681 | 15,032 | 172,228 | 76,820 | 96,128 | - | 1,796,652 |
| 2010 | 556,891 | 266,268 | 24,493 | 131,990 | 89,615 | - | 320,339 | 17,404 | 180,397 | 75,454 | 93,193 | - | 1,756,044 |
| 2011 | 558,335 | 274,780 | 25,108 | 162,442 | 108,360 | - | 360,040 | 15,158 | 172,147 | 58,188 | - | - | 1,734,558 |
| 2012 | 541,464 | 393,629 | 24,594 | 168,211 | 95,393 | - | 347,099 | 13,171 | 199,905 | 84,915 | - | - | 1,868,381 |
| 2013 | 509,468 | 386,397 | 24,672 | 247,769 | 101,619 | - | 396,659 | 14,082 | 206,776 | 87,377 | - | 24,252 | 1,999,071 |
| Change 2004-2013 | 5.95% | 25.22% | 5.97% | 76.61% | 53.71% | -100.00% | 97.93% | -58.78% | 47.89% | 16.33% | 0.00% | 100.00% | 34.95% |

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 |
|-------------------------|-------------------------|----------------------------------|----------------|----------------------------|------------------------------------|-------------------|--------------------------|----------------------------|---|
| 2004 | \$ 258,312,355 | \$ 5,304,282 | \$ 118,714,850 | \$ 382,331,487 | \$ 263,616,637 | 1.82% | \$ 0.09 | \$ 263,616,637 | 100.00% |
| 2005 | 264,179,165 | 4,737,613 | 119,166,300 | 388,083,078 | 268,916,778 | 2.01% | 0.09 | 268,916,778 | 100.00% |
| 2006 | 309,706,143 | 4,510,700 | 140,592,650 | 454,809,493 | 314,216,843 | 16.85% | 0.08 | 314,216,843 | 100.00% |
| 2007 | 371,380,054 | 5,015,995 | 161,751,100 | 538,147,149 | 376,396,049 | 19.79% | 0.08 | 376,396,049 | 100.00% |
| 2008 | 373,604,271 | 5,261,795 | 162,528,650 | 541,394,716 | 378,866,066 | 0.66% | 0.08 | 378,866,066 | 100.00% |
| 2009 | 375,779,954 | 4,870,702 | 162,774,050 | 543,424,706 | 380,650,656 | 0.47% | 0.08 | 380,650,656 | 100.00% |
| 2010 | 382,695,690 | 5,088,222 | 175,783,800 | 563,567,712 | 387,783,912 | 1.87% | 0.08 | 387,783,912 | 100.00% |
| 2011 | 389,052,878 | 5,795,586 | 189,175,750 | 584,024,214 | 394,848,464 | 1.82% | 0.08 | 394,848,464 | 100.00% |
| 2012 | 392,261,009 | 5,829,251 | 189,573,100 | 587,663,360 | 398,090,260 | 0.82% | 0.08 | 398,090,260 | 100.00% |
| 2013 | 395,914,725 | 5,912,756 | 191,489,150 | 593,316,631 | 401,827,481 | 0.94% | 0.09 | 401,827,481 | 100.00% |

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, 2006 and 2010.
- (4) The total direct tax rate is per \$100 of assessed value.

TOWN OF BRIDGEWATER, VIRGINIA

Table 8

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last Ten Fiscal Years

(Unaudited)

| Fiscal Year June 30, | Tax Rates - Town | | | Tax Rates - Rockingham County | | | Tax Rates - Combined | | |
|-------------------------|------------------|----------------------|------------------------|-------------------------------|----------------------|------------------------|----------------------|----------------------|------------------------|
| | Real Property | Personal Property | Machinery and Tools | Real Property | Personal Property | Machinery and Tools | Real Property | Personal Property | Machinery and Tools |
| 2004 | \$ 0.09 | \$ 0.75 | \$ 0.75 | \$ 0.71 | \$ 2.80 | \$ 2.55 | \$ 0.80 | \$ 3.55 | \$ 3.30 |
| 2005 | 0.09 | 0.75 | 0.75 | 0.71 | 2.80 | 2.55 | 0.80 | 3.55 | 3.30 |
| 2006 | 0.08 | 0.75 | 0.75 | 0.58 | 2.80 | 2.55 | 0.66 | 3.55 | 3.30 |
| 2007 | 0.08 | 0.75 | 0.75 | 0.58 | 2.80 | 2.55 | 0.66 | 3.55 | 3.30 |
| 2008 | 0.08 | 0.75 | 0.75 | 0.60 | 2.80 | 2.55 | 0.68 | 3.55 | 3.30 |
| 2009 | 0.08 | 0.75 | 0.75 | 0.60 | 2.80 | 2.55 | 0.68 | 3.55 | 3.30 |
| 2010 | 0.08 | 0.75 | 0.75 | 0.60 | 2.80 | 2.55 | 0.68 | 3.55 | 3.30 |
| 2011 | 0.08 | 0.75 | 0.75 | 0.60 | 2.80 | 2.55 | 0.68 | 3.55 | 3.30 |
| 2012 | 0.08 | 0.75 | 0.38 | 0.64 | 2.85 | 2.55 | 0.72 | 3.60 | 2.93 |
| 2013 | 0.09 | 0.75 | - | 0.64 | 2.85 | 2.55 | 0.73 | 3.60 | 2.55 |

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.

TOWN OF BRIDGEWATER, VIRGINIA

Table 9

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

(Unaudited)

| Taxpayer | 2013 | | | 2004 | | |
|-------------------------------------|------------------------|------|---|------------------------|------|---|
| | 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 | \$ 43,529,700 | 1 | 11.05% | \$ 26,308,600 | 1 | 10.12% |
| Tiben Limited Company (Marshall's) | 19,607,300 | 2 | 4.98% | 17,842,700 | 2 | 6.87% |
| Perdue Farms, Inc. | 9,578,200 | 3 | 2.43% | 10,004,000 | 3 | 3.85% |
| French, Larry B. and Pamela S. | 3,967,500 | 4 | 1.01% | 1,905,800 | 6 | 0.73% |
| Heatwole Construction | 2,909,700 | 5 | 0.74% | - | - | - |
| Parkside, LLC | 2,371,700 | 6 | 0.60% | - | - | - |
| North Grove Rentals, LLC | 2,082,600 | 7 | 0.53% | - | - | - |
| Ashby 28, LLC | 1,833,100 | 8 | 0.47% | - | - | - |
| A Bird in Hand Land, LLC | 1,598,900 | 9 | 0.41% | - | - | - |
| Good Printers, Inc. | 1,548,400 | 10 | 0.39% | 1,919,500 | 5 | 0.74% |
| Bridgewater Division of Ethan Allen | - | | - | 4,221,100 | 4 | 1.62% |
| Scarlet Maple Farms | - | | - | 1,794,800 | 7 | 0.69% |
| Padgett Manufacturing | - | | - | 1,222,000 | 8 | 0.47% |
| Shickel Machine Shop | - | | - | 1,138,900 | 9 | 0.44% |
| Ashby Apartments | - | | - | 1,083,900 | 10 | 0.42% |
| Total | \$ 89,027,100 | | 22.61% | \$ 67,441,300 | | 25.95% |

TOWN OF BRIDGEWATER, VIRGINIA

Table 10

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 |
| 2004 | \$ 237,263 | \$ 234,954 | 99.03% | \$ 2,309 | \$ 237,263 | 100.00% |
| 2005 | 242,033 | 239,911 | 99.12% | 2,016 | 241,927 | 99.96% |
| 2006 | 264,883 | 261,948 | 98.89% | 2,696 | 264,644 | 99.91% |
| 2007 | 297,141 | 295,905 | 99.58% | 968 | 296,873 | 99.91% |
| 2008 | 299,908 | 293,160 | 97.75% | 6,480 | 299,640 | 99.91% |
| 2009 | 303,025 | 298,634 | 98.55% | 4,123 | 302,757 | 99.91% |
| 2010 | 307,056 | 302,094 | 98.38% | 4,333 | 306,427 | 99.80% |
| 2011 | 312,031 | 305,715 | 97.98% | 5,136 | 310,851 | 99.62% |
| 2012 | 314,036 | 309,769 | 98.64% | 1,843 | 311,612 | 99.23% |
| 2013 | 335,295 | 332,590 | 99.19% | - | 332,590 | 99.19% |

TOWN OF BRIDGEWATER, VIRGINIA

Table 11

RATIOS OF OUTSTANDING DEBT BY TYPE AND GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

(Unaudited)

| Fiscal Year June 30, | Governmental Activities | | | Business-Type Activities | | | Total | Percentage of Per Capita Personal Income | Debt Per Capita | General Bonded Debt Outstanding | Percentage of Actual Taxable Value of Property | General Bonded Debt Outstanding |
|-------------------------|--------------------------------|--------|------------------|-----------------------------|----------|------------------|--------------|---|-----------------------|--|--|--|
| | General Obligation Bonds | Note | Capital Lease | Revenue Bonds | Note | Capital Lease | | | | General Obligation Bonds | | Debt Per Capita |
| 2004 | \$ 2,407,000 | \$ - | \$ 41,846 | \$ 881,000 | \$ 6,494 | \$ - | \$ 3,336,340 | 2.65% | \$ 641 | \$ 2,407,000 | 0.91% | \$ 463 |
| 2005 | 2,211,725 | - | 12,776 | 795,775 | 16,137 | - | 3,036,413 | 2.15% | 573 | 2,211,725 | 0.82% | 417 |
| 2006 | 2,059,450 | 85,000 | - | 710,550 | 3,240 | 169,880 | 3,028,120 | 2.04% | 559 | 2,059,450 | 0.66% | 380 |
| 2007 | 2,470,175 | 69,330 | - | 625,325 | - | 144,619 | 3,309,449 | 2.14% | 613 | 2,470,175 | 0.66% | 458 |
| 2008 | 2,205,300 | 53,022 | - | 540,100 | - | 171,177 | 2,969,599 | 1.76% | 547 | 2,205,300 | 0.58% | 407 |
| 2009 | 1,806,625 | 50,000 | - | 588,675 | 149,049 | 129,295 | 2,723,644 | 1.64% | 502 | 1,806,625 | 0.47% | 333 |
| 2010 | 1,586,350 | 40,601 | - | 458,850 | 110,143 | 85,092 | 2,281,036 | 1.38% | 421 | 1,586,350 | 0.41% | 293 |
| 2011 | 1,366,075 | 30,911 | - | 329,025 | 69,858 | 32,380 | 1,828,249 | 1.06% | 324 | 1,366,075 | 0.35% | 242 |
| 2012 | 1,535,800 | 20,920 | - | 199,200 | 47,279 | - | 1,803,199 | N/A | 319 | 1,535,800 | 0.39% | 272 |
| 2013 | 1,264,724 | - | - | 62,500 | - | 35,200 | 1,362,424 | N/A | 241 | 1,264,724 | 0.31% | 224 |

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.

TOWN OF BRIDGEWATER, VIRGINIA**Table 12****DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT****Year Ended June 30, 2013****(Unaudited)**

| Governmental Unit | Debt Outstanding | Estimated Percentage Applicable | Estimated Share of Overlapping Debt |
|--|---------------------|---------------------------------------|--|
| Rockingham County, Virginia | \$ 107,837,758 | 4.56% | \$ 4,917,402 |
| Town Direct Debt | | | <u>1,264,724</u> |
| Total direct and overlapping debt | | | <u><u>\$ 6,182,126</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.

TOWN OF BRIDGEWATER, VIRGINIA

Table 13

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

(Unaudited)

| | Fiscal Year June 30, | | | | | | | | | |
|---|----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Legal debt margin | \$ 26,361,664 | \$ 26,891,678 | \$ 31,421,664 | \$ 37,560,242 | \$ 46,013,039 | \$ 46,203,768 | \$ 38,778,391 | \$ 39,484,846 | \$ 39,809,026 | \$ 40,182,748 |
| Total net debt applicable to limit | 2,448,846 | 2,224,501 | 2,059,450 | 2,470,175 | 2,205,300 | 1,856,625 | 1,626,951 | 1,396,986 | 1,556,720 | 1,264,724 |
| Available legal debt margin | \$ 23,912,818 | \$ 24,667,177 | \$ 29,362,214 | \$ 35,090,067 | \$ 43,807,739 | \$ 44,347,143 | \$ 37,151,440 | \$ 38,087,860 | \$ 38,252,306 | \$ 38,918,024 |
| Total net debt applicable to the limit as a percentage of debt limit | 9.29% | 8.27% | 6.55% | 6.58% | 4.79% | 4.02% | 4.20% | 3.54% | 3.91% | 3.15% |

Legal debt margin calculation for fiscal year 2013:

Assessed value of real estate \$ 401,827,481

Debt limit (10% of assessed value) \$ 40,182,748

Debt applicable to limit:

Net direct debt outstanding 1,264,724

Available legal debt margin \$ 38,918,024

Summary of outstanding debt:

Gross bonded debt and lease \$ 1,362,424

Less: enterprise debt 97,700

\$ 1,264,724

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*.

TOWN OF BRIDGEWATER, VIRGINIA

Table 14

BOND COVERAGE

Last Ten Fiscal Years

(Unaudited)

| Fiscal Year June 30, | Water, Sewer and Sanitation Fund | | | | | | Total Coverage |
|-------------------------|----------------------------------|-----------------------|-----------------------------|--------------|-----------|-----------|-------------------|
| | Utility Service Charges | Operating Expenses | Net Available Revenue | Debt Service | | | |
| | | | | Principal | Interest | Totals | |
| 2004 | \$ 1,822,672 | \$ 1,093,440 | \$ 729,232 | \$ 33,750 | \$ 40,814 | \$ 74,564 | 9.78 |
| 2005 | 1,951,627 | 1,110,754 | 840,873 | 85,225 | 35,887 | 121,112 | 6.94 |
| 2006 | 1,977,488 | 1,237,573 | 739,915 | 85,225 | 32,676 | 117,901 | 6.28 |
| 2007 | 1,995,947 | 1,297,008 | 698,939 | 85,225 | 37,397 | 122,622 | 5.70 |
| 2008 | 2,273,562 | 1,369,202 | 904,360 | 85,225 | 33,825 | 119,050 | 7.60 |
| 2009 | 2,802,941 | 1,787,157 | 1,015,784 | 129,825 | 44,556 | 174,381 | 5.83 |
| 2010 | 2,845,727 | 1,890,241 | 955,486 | 129,825 | 30,362 | 160,187 | 5.96 |
| 2011 | 2,930,449 | 2,038,042 | 892,407 | 129,825 | 21,694 | 151,519 | 5.89 |
| 2012 | 2,990,240 | 2,240,339 | 749,901 | 129,825 | 14,975 | 144,800 | 5.18 |
| 2013 | 2,981,267 | 2,267,085 | 714,182 | 136,700 | 7,830 | 144,530 | 4.94 |

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.

TOWN OF BRIDGEWATER, VIRGINIA**Table 15****DEMOGRAPHIC AND ECONOMIC STATISTICS****Last Ten Calendar Years****(Unaudited)**

| Calendar Year | (1) Population | Personal Income | (2) Per Capita Personal Income | (3) Unemployment Rate |
|------------------|-------------------|--------------------|---|-----------------------------|
| 2004 | 5,203 | \$ 126,120,720 | \$ 24,240 | 2.5% |
| 2005 | 5,301 | 141,430,680 | 26,680 | 2.8% |
| 2006 | 5,413 | 148,202,527 | 27,379 | 2.7% |
| 2007 | 5,399 | 154,352,011 | 28,589 | 2.7% |
| 2008 | 5,424 | 168,442,320 | 31,055 | 3.5% |
| 2009 | 5,424 | 166,370,352 | 30,673 | 6.4% |
| 2010 | 5,420 | 165,044,420 | 30,451 | 6.3% |
| 2011 | 5,644 | 173,197,614 | 30,687 | 5.9% |
| 2012 | 5,644 | (4) | (4) | 5.5% |
| 2013 | 5,644 | (4) | (4) | 5.0% |

Notes:

(1) Population estimates obtained from the United States Bureau of the Census for years 2004 through 2013.

(2) This information is not maintained for Towns. The amounts used are for the County of Rockingham, Virginia, which the Town lies within. The County obtained its information from the Bureau of Economic Analysis.

(3) This information is not maintained for Towns. The amounts used are for the County of Rockingham, Virginia, which the Town lies within. The County obtained its information for years 2004 through 2009 from the Virginia Employment Commission - Harrisonburg/Rockingham County Branch; 2010 through 2013 information was obtained from the U.S. Bureau of Labor Statistics for Rockingham County.

(4) Information was not available at fiscal year-end.

TOWN OF BRIDGEWATER, VIRGINIA

Table 16

**FULL-TIME EQUIVALENT TOWN GOVERNMENT EMPLOYEES BY FUNCTIONS/PROGRAMS
Last Ten Fiscal Years
(Unaudited)**

| Function/Program | Fiscal Year June 30, | | | | | | | | | |
|-------------------------------------|----------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| General government administration: | | | | | | | | | | |
| Legislative: | | | | | | | | | | |
| Superintendent's office | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Treasurer's office | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Public safety: | | | | | | | | | | |
| Law enforcement and traffic control | 8 | 8 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 |
| Building inspections | 1 | 1 | - | - | - | - | - | - | - | - |
| Public works: | | | | | | | | | | |
| Public works department | 3 | 3 | 3 | 3 | 4 | 4 | 3 | 3 | 3 | 4 |
| Maintenance | 7 | 6 | 6 | 6 | 6 | 6 | 6 | 7 | 6 | 6 |
| General properties | 6 | 6 | 6 | 6 | 6 | 5 | 5 | 5 | 5 | 5 |
| Parks, recreation and cultural | 5 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 5 |
| Water, Sewer and Sanitation: | | | | | | | | | | |
| Administration | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Transmission | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 5 | 5 |
| Purification | 4 | 5 | 6 | 6 | 5 | 5 | 5 | 5 | 5 | 5 |
| Sewer maintenance | 3 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Sanitation | 2 | 2 | 2 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Total | 51 | 49 | 50 | 53 | 53 | 52 | 52 | 52 | 50 | 52 |

Note:

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

COMPLIANCE SECTION



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the remaining fund information of the Town of Bridgewater, Virginia (Town) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 4, 2013.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control as described in the accompanying Schedule of Findings and Responses as 2013-001, 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and is described in the accompanying Schedule of Findings and Responses as 2013-002.

The Town's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the Town's responses and, accordingly, we express no opinion on them.

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.

UPB Mares, LLP

Harrisonburg, Virginia
November 4, 2013

TOWN OF BRIDGWATER, VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2013

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

A. Significant Deficiency in Internal Control

2013-001 Financial Statement Presentation

Based on the adjustments made during the Town's annual audit, it does not appear that 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, including the implementation of GASB Statements, without assistance. Management provides this 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. Once the financial statements have been drafted, management is able to verify that all balances and disclosures are accurate and complete.

Management's Response

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

B. Compliance Finding

2013-002 Statements of Economic Interest

The State and Local government Conflict of Interest Act (the Act) is designed to ensure that the judgment of public employees is not compromised or affected by inappropriate conflicts. The Act prohibits local government officers or employees from participating in certain transactions. Statements of economic interests are required to be filed with the clerk of the governing body by January 15 of each year. We noted that one of the economic interest statements was not filed on a timely basis.

Management's Response

The following policy was in effect regarding financial disclosure forms.

First, if any member has not filed by the deadline, the Town Clerk will notify the Superintendent of this deficiency. The Superintendent will issue a letter to each one in violation urging them to comply with the law as soon as possible. If this does not remedy the situation by the 10th day, the Superintendent will make a follow-up telephone call. If the forms haven't been filed by the 20th day, the matter will be turned over to the Town Attorney for resolution.

