

TOWN OF BRIDGEWATER, VIRGINIA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

YEAR ENDED JUNE 30, 2011

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, 2011

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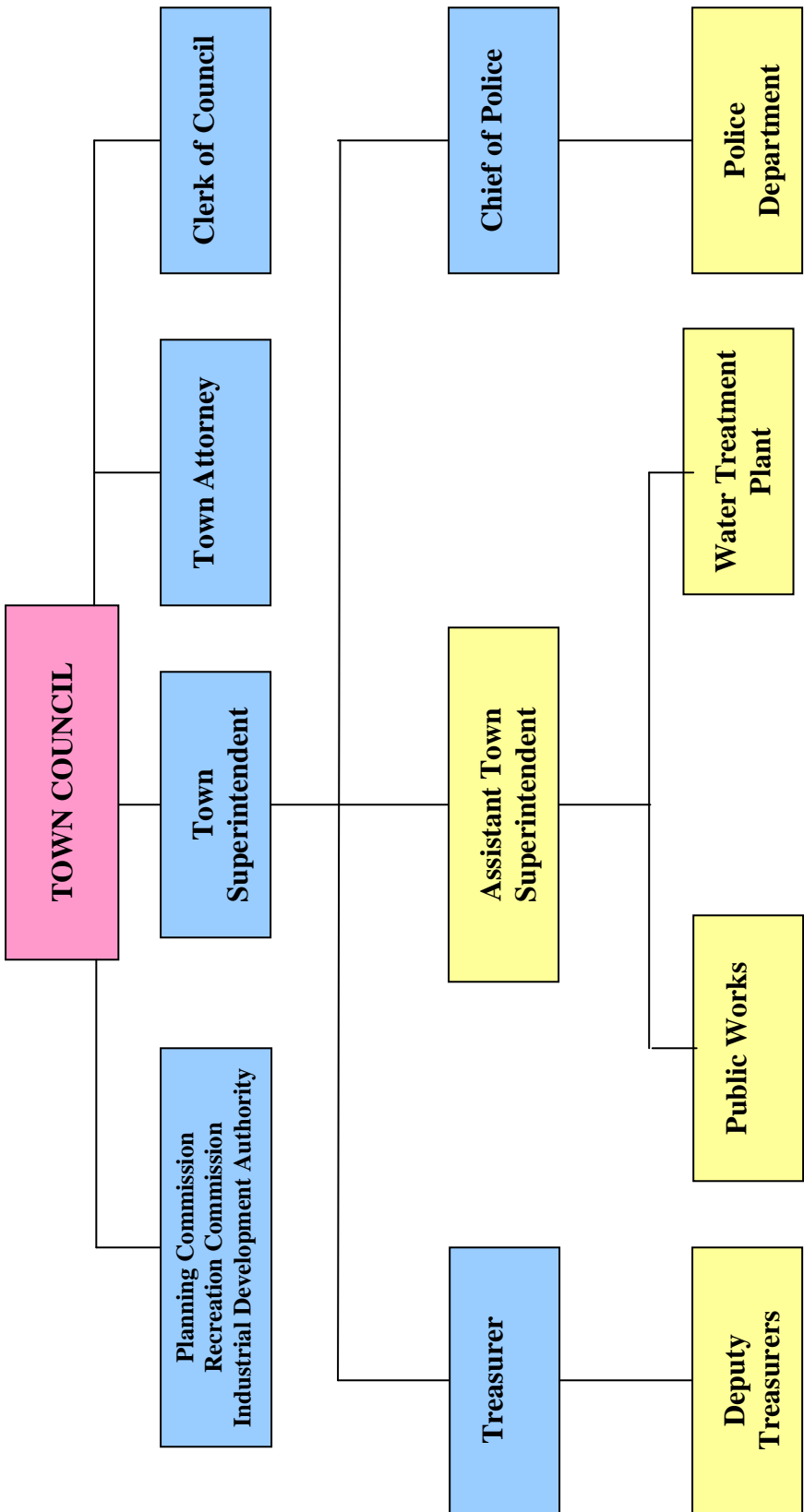
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INTRODUCTORY SECTION

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.	Rosetta W. Harris
A. Fontaine Canada	William D. Miracle
Theodore W. Flory	Dillina W. Stickley

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the remaining fund information of the Town of Bridgewater, Virginia, (Town) as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 activity, each major fund, the remaining fund information and the budgetary comparison for the General Fund of the Town, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2011 on our consideration of the Town's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (pages 5 to 11) and the required supplementary information (page 42) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The schedules listed in the table of contents as supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

PBGH, LLP

Harrisonburg, Virginia
October 27, 2011

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, 2011.

FINANCIAL HIGHLIGHTS

Total assets of the Town exceeded total liabilities at June 30, 2011 by approximately \$ 4.4 million (net assets). Of the total net assets, approximately \$362,000 was unrestricted.

The Town's total net assets increased approximately \$336,000 from the previous year.

As of June 30, 2011, the Town's governmental funds had combined ending fund balances of approximately \$460,000, an increase of approximately \$210,000 in comparison with the prior year.

The Town's total long-term liabilities decreased by approximately \$306,000 during fiscal year 2011.

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 Assets*, presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. This statement provides both long-term and short-term information. Over time, increases or decreases in net assets 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.

Statement of Net Assets

For the most recently concluded fiscal year, the Town's assets exceeded its liabilities by \$4.4 million. Most of this total, approximately 91%, is classified as "invested in capital assets, net of related debt." 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 assets, 8.2% 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 4.7% of total net assets classified as “unrestricted”.

The following table presents the condensed statement of net assets:

Table 1
Summary of Statement of Net Assets
June 30, 2011 and 2010

	Governmental Activities		Business-type Activity		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 1,345,699	\$ 1,073,401	\$ 367,005	\$ 359,653	\$ 1,712,704	\$ 1,433,054
Capital assets	3,806,519	3,883,524	2,022,142	2,232,412	5,828,661	6,115,936
Total assets	5,152,218	4,956,925	2,389,147	2,592,065	7,541,365	7,548,990
Current and other liabilities	884,749	907,181	212,716	228,085	1,097,465	1,135,266
Long-term liabilities	1,587,176	1,695,444	471,989	669,439	2,059,165	2,364,883
Total liabilities	2,471,925	2,602,625	684,705	897,524	3,156,630	3,500,149
Net assets invested in capital assets, net of related debt	2,409,533	2,256,573	1,590,879	1,578,327	4,000,412	3,834,900
Restricted net assets	22,774	21,640	-	-	22,774	21,640
Unrestricted net assets	247,986	76,087	113,563	116,214	361,549	192,301
Total net assets	\$ 2,680,293	\$ 2,354,300	\$ 1,704,442	\$ 1,694,541	\$ 4,384,735	\$ 4,048,841

Statement of Activities

Governmental Activities

Revenues: For the fiscal year ended June 30, 2011, revenue from governmental activities totaled \$3.0 million. Sources of revenue are comprised of many different types with taxes constituting the largest source of Town revenues in this category. In addition to real estate taxes, the Town assesses other local taxes and fees including consumer utility taxes, bank stock taxes, business license (BPOL) fees, meals tax and the Town’s share of the local sales tax. In addition to taxes, the Town receives intergovernmental revenues, 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 59% 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 assets for the Town for the fiscal year ended June 30, 2011:

Table 2
Changes in Net Assets
Years Ended June 30, 2011 and 2010

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for services	\$ 55,982	\$ 50,936	\$ 2,653,193	\$ 2,699,253	\$ 2,709,175	\$ 2,750,189
Operating grants and contributions	838,604	837,953	-	-	838,604	837,953
Capital grants and contributions	85,000	19,265	247,277	122,500	332,277	141,765
Total program revenues	979,586	908,154	2,900,470	2,821,753	3,880,056	3,729,907
General revenues:						
General property taxes	560,335	557,891	-	-	560,335	557,891
Other local taxes	1,176,223	1,199,153	-	-	1,176,223	1,199,153
Intergovernmental, non-categorical aid	198,644	98,614	-	-	198,644	98,614
Use of money and property	77,000	88,035	-	-	77,000	88,035
Miscellaneous	52,583	22,238	29,979	23,974	82,562	46,212
Total general revenues	2,064,785	1,965,931	29,979	23,974	2,094,764	1,989,905
Total revenues	3,044,371	2,874,085	2,930,449	2,845,727	5,974,820	5,719,812
Expenses:						
General government administration	687,128	670,323	-	-	687,128	670,323
Public safety	796,247	768,602	-	-	796,247	768,602
Public works	1,170,542	1,268,346	-	-	1,170,542	1,268,346
Parks, recreation and cultural	448,454	407,530	-	-	448,454	407,530
Community and economic development	171,500	99,609	-	-	171,500	99,609
Interest	80,004	91,890	-	-	80,004	91,890
Water and sewer	-	-	2,285,051	2,151,399	2,285,051	2,151,399
Total expenses	3,353,875	3,306,300	2,285,051	2,151,399	5,638,926	5,457,699
Changes in net assets before transfers	(309,504)	(432,215)	645,398	694,328	335,894	262,113
Transfers	635,497	715,807	(635,497)	(715,807)	-	-
Change in net assets	325,993	283,592	9,901	(21,479)	335,894	262,113
Net assets, beginning	2,354,300	2,070,708	1,694,541	1,716,020	4,048,841	3,786,728
Net assets, ending	\$ 2,680,293	\$ 2,354,300	\$ 1,704,442	\$ 1,694,541	\$ 4,384,735	\$ 4,048,841

Business-type activity

The Town has one business-type activity, the *Water, Sewer and Sanitation Fund*, which is accounted for as an enterprise fund. Total operating and non-operating revenues amounted to \$2.9 million. This is a small increase from the previous year. About 91% of water, sewer, and sanitation revenues come from monthly charges for service. One percent of revenue comes from penalties with a little over 8% from connection and availability fees. Expenses amounted to \$2.3 million. This is an increase of 6% from the previous year and, once again, is due to regional sewer authority related expenses. Operating and non-operating income was \$645,000 in 2011 compared to \$694,000 in 2010, a decrease of \$49,000.

The water and sewer fund's net assets increased by approximately \$10,000 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 \$210,000 resulting in a balance of approximately \$428,000.

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, 2011, the unrestricted net assets for the enterprise fund totaled about \$114,000, which is a decrease of approximately \$2,000 from the previous year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Overall, actual revenues were more than budgeted revenues by \$26,000. Expenditures were less than budgeted amounts by \$59,000 but it should be noted also that a concerted effort was made to reduce in-house expenditures as much as possible without affecting service to Town residents. Virtually no capital expenditure funds were expended in the just-completed fiscal year.

Capital Assets

As you will see in Table 3, *Changes in Capital Assets*, net capital asset balances have declined from the previous year. As previously mentioned, virtually no funds were spent on significant capital improvements in fiscal year 2011. Capital asset additions for fiscal year 2011 totaled approximately \$108,000, of which \$85,000 was donated land.

Table 3
Changes in Capital Assets
Years Ended June 30, 2011 and 2010

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Capital assets not being depreciated or amortized:						
Land and easements	\$ 1,885,435	\$1,800,435	\$ 4,600	\$ 4,600	\$ 1,890,035	\$1,805,035
Construction in progress	-	-	-	6,855	-	6,855
Total capital assets not being depreciated or amortized	1,885,435	1,800,435	4,600	11,455	1,890,035	1,811,890
Capital assets being depreciated:						
Buildings and improvements	2,013,640	2,013,640	889,632	889,632	2,903,272	2,903,272
Infrastructure	499,744	499,744	-	-	499,744	499,744
Distribution and collection system	-	-	2,447,770	2,447,770	2,447,770	2,447,770
Equipment	801,147	801,147	1,263,002	1,247,957	2,064,149	2,049,104
Software	43,137	43,137	-	-	43,137	43,137
Vehicles	380,960	373,303	646,247	646,247	1,027,207	1,019,550
Total capital assets being depreciated and amortized	3,738,628	3,730,971	5,246,651	5,231,606	8,985,279	8,962,577
Less accumulated depreciation and amortization:						
Buildings and improvements	757,995	689,451	690,451	670,673	1,448,446	1,360,124
Infrastructure	100,649	83,991	-	-	100,649	83,991
Distribution and collection system	-	-	1,365,211	1,306,709	1,365,211	1,306,709
Equipment	617,840	572,305	724,479	664,436	1,342,319	1,236,741
Software	38,471	33,804	-	-	38,471	33,804
Vehicles	302,589	268,331	448,968	368,831	751,557	637,162
Total accumulated depreciation and amortization	1,817,544	1,647,882	3,229,109	3,010,649	5,046,653	4,658,531
Total capital assets being depreciated, net	1,921,084	2,083,089	2,017,542	2,220,957	3,938,626	4,304,046
Capital assets, net	\$ 3,806,519	\$3,883,524	\$2,022,142	\$2,232,412	\$ 5,828,661	\$6,115,936

LONG-TERM DEBT

As of June 30, 2011, the Town's long-term liabilities, exclusive of compensated absences and other postemployment benefits, totaled \$1.4 million for governmental activities. Additionally, \$431,000 of debt, exclusive of compensated absences and other postemployment benefits, is shown in the business-type activity category. The Town's maximum legal debt margin permitted by the Commonwealth of Virginia is approximately \$39 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, 2011 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
5644	\$394,848,464	\$1,366,075	.0035	\$242

This is a decrease in net bonded debt of approximately \$220,000 which works out to a decline in debt per capita of \$51. This is the lowest bonded debt per capita since 2001.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Fiscal year 2011 finished with a surplus due to the cancellation of most capital projects and a concerted effort by Council and staff to reduce expenditures. Listed below are some factors considered in the fiscal year 2012 budget:

- All tax rates remain the same.
- The water rate increased 2%. The sewer rate increased 18% as a result of the Chesapeake Bay mandated improvements at the Harrisonburg-Rockingham Regional Sewer Authority.
- Downward trends continue in certain revenue categories. Machinery and Tools continues to decline and connection fees remain low due to the effect of the recession on the housing industry. Please note that the Town is phasing out the Machinery and Tools tax. The lost revenue will be replaced by a revenue neutral increase for high-end users of the utility tax.
- While intergovernmental revenues remain somewhat stable, we have noted declines in virtually every category.
- The assessed value of real estate increased little from the previous year. It is important to note that \$189 million in real estate in Bridgewater is non-taxable and includes Bridgewater College, Turner Ashby High School, John Wayland Elementary School, Town of Bridgewater property and a few other parcels. This amounts to lost real estate tax collections of approximately \$151,000 per year based on the Town's current property tax rate.

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 ASSETS

June 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activity	Totals
ASSETS			
Cash, cash equivalents and temporary cash investments	\$ 503,909	\$ -	\$ 503,909
Receivables, net:			
Property taxes	160,212	-	160,212
Trade and other accounts	55,244	367,005	422,249
Interest	66	-	66
Due from other governments	44,679	-	44,679
Restricted cash	581,589	-	581,589
Capital assets:			
Land	1,879,035	4,600	1,883,635
Land easements	6,400	-	6,400
Buildings and improvements	2,013,640	889,632	2,903,272
Infrastructure	499,744	-	499,744
Distribution and collection systems	-	2,447,770	2,447,770
Equipment	801,147	1,263,002	2,064,149
Software	43,137	-	43,137
Vehicles	380,960	646,247	1,027,207
Less: accumulated depreciation and amortization	(1,817,544)	(3,229,109)	(5,046,653)
Total assets	5,152,218	2,389,147	7,541,365
LIABILITIES			
Accounts payable	45,201	39,126	84,327
Accrued payroll and benefits	54,292	20,000	74,292
Accrued interest	8,374	5,049	13,423
Unearned revenue	776,882	-	776,882
Deferred revenue	-	120,000	120,000
Customer deposits	-	28,541	28,541
Noncurrent liabilities:			
Due within one year:			
Bonds payable	1,135,275	129,825	1,265,100
Notes payable	9,991	22,579	32,570
Capital lease	-	8,896	8,896
Compensated absences	87,094	33,131	120,225
Due in more than one year:			
Bonds payable	230,800	199,200	430,000
Notes payable	20,920	47,279	68,199
Capital lease	-	23,484	23,484
Compensated absences	45,017	7,595	52,612
Other postemployment benefits	58,079	-	58,079
Total liabilities	2,471,925	684,705	3,156,630
NET ASSETS			
Invested in capital assets, net of related debt	2,409,533	1,590,879	4,000,412
Restricted:			
Nonexpendable trust principal	6,000	-	6,000
Cemetery maintenance	16,774	-	16,774
Unrestricted	247,986	113,563	361,549
Total net assets	\$ 2,680,293	\$ 1,704,442	\$ 4,384,735

See Notes to Financial Statements.

TOWN OF BRIDGEWATER, VIRGINIA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

Entity/Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activity	Totals
Primary Government:							
Governmental activities:							
General government administration	\$ 687,128	\$ -	\$ -	\$ 85,000	\$ (602,128)	\$ -	\$ (602,128)
Public safety	796,247	55,982	193,197	-	(547,068)	-	(547,068)
Public works	1,170,542	-	645,407	-	(525,135)	-	(525,135)
Parks, recreation and cultural	448,454	-	-	-	(448,454)	-	(448,454)
Community and economic development	171,500	-	-	-	(171,500)	-	(171,500)
Interest	80,004	-	-	-	(80,004)	-	(80,004)
Total governmental activities	3,353,875	55,982	838,604	85,000	(2,374,289)	-	(2,374,289)
Business-type activity:							
Water, sewer and sanitation	2,285,051	2,653,193	-	247,277	-	615,419	615,419
Total business-type activity	2,285,051	2,653,193	-	247,277	-	615,419	615,419
Total primary government	\$ 5,638,926	\$ 2,709,175	\$ 838,604	\$ 332,277	(2,374,289)	615,419	(1,758,870)
General Revenues:							
Taxes:							
General property taxes					560,335	-	560,335
Other local taxes:							
Consumer utility					274,780	-	274,780
Meals					360,040	-	360,040
Local sales and use					162,442	-	162,442
Business license					172,147	-	172,147
Other					206,814	-	206,814
Intergovernmental, non-categorical aid					198,644	-	198,644
Use of money and property					77,000	-	77,000
Miscellaneous					52,583	29,979	82,562
Transfers					635,497	(635,497)	-
Total general revenues and transfers, net					2,700,282	(605,518)	2,094,764
Change in net assets					325,993	9,901	335,894
Net assets, beginning					2,354,300	1,694,541	4,048,841
Net assets, ending					\$ 2,680,293	\$ 1,704,442	\$ 4,384,735

See Notes to Financial Statements.

TOWN OF BRIDGEWATER, VIRGINIA

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2011

	General	Permanent Fund Greenwood Cemetery Trust Fund	Total Governmental Funds
ASSETS			
Cash, cash equivalents and temporary cash investments	\$ 503,909	\$ -	\$ 503,909
Receivables, net of allowances for uncollectible amounts			
Property taxes	160,212	-	160,212
Trade and other accounts	55,244	-	55,244
Interest	-	66	66
Due from other governments	44,679	-	44,679
Restricted cash	558,881	22,708	581,589
Total assets	\$ 1,322,925	\$ 22,774	\$ 1,345,699
LIABILITIES			
Accounts payable	\$ 45,201	\$ -	\$ 45,201
Accrued payroll and benefits	54,292	-	54,292
Deferred revenue	785,882	-	785,882
Total liabilities	885,375	-	885,375
FUND BALANCES			
Nonspendable: Permanent fund principal	-	6,000	6,000
Restricted: Cemetery	-	16,774	16,774
Committed to: Parking agreement	10,000	-	10,000
Unassigned	427,550	-	427,550
Total fund balances	437,550	22,774	460,324
Total liabilities and fund balances	\$ 1,322,925	\$ 22,774	\$ 1,345,699

See Notes to Financial Statements.

TOWN OF BRIDGEWATER, VIRGINIA

**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

June 30, 2011

		Governmental Funds
Total fund balances - governmental funds		\$ 460,324
Amounts reported for governmental activities in the Statement of Net Assets 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	\$ 5,624,063	
Less: accumulated depreciation and amortization	(1,817,544)	
Net capital assets		3,806,519
Deferred revenue represents amounts that were not available to fund current expenditures and, therefore, is not reported as revenue in the governmental funds.		
		9,000
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
General obligation bonds	(1,366,075)	
Note	(30,911)	
Compensated absences	(132,111)	
Interest payable	(8,374)	
Other postemployment benefits	(58,079)	
		(1,595,550)
Net assets of governmental activities		\$ 2,680,293

See Notes to Financial Statements.

TOWN OF BRIDGEWATER, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	General	Permanent Fund Greenwood Cemetery Trust Fund	Total Governmental Funds
Revenues:			
General property taxes	\$ 558,335	\$ -	\$ 558,335
Other local taxes	1,176,223	-	1,176,223
Permits	4,144	-	4,144
Fines and forfeitures	51,838	-	51,838
Use of money and property	75,866	1,134	77,000
Miscellaneous	52,583	-	52,583
Intergovernmental	1,037,248	-	1,037,248
Total revenues	2,956,237	1,134	2,957,371
Expenditures:			
Current:			
General government administration	646,078	-	646,078
Public safety	725,534	-	725,534
Public works	1,127,277	-	1,127,277
Parks, recreation and cultural	400,891	-	400,891
Community and economic development	170,291	-	170,291
Debt service:			
Principal	229,965	-	229,965
Interest	83,262	-	83,262
Total expenditures	3,383,298	-	3,383,298
Revenues over (under) expenditures	(427,061)	1,134	(425,927)
Other financing sources:			
Transfers in	635,497	-	635,497
Total other financing sources	635,497	-	635,497
Net change in fund balances	208,436	1,134	209,570
Fund balances, beginning	229,114	21,640	250,754
Fund balances, ending	\$ 437,550	\$ 22,774	\$ 460,324

See Notes to Financial Statements.

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, 2011**

	Governmental Funds
Net change in fund balance - total governmental funds	\$ 209,570
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	\$ 7,657
Less: depreciation and amortization expense	<u>(169,662)</u>
Excess of depreciation and amortization over capital outlays	(162,005)
The net effect of transactions involving capital assets (i.e. disposals, donations, and transfers) is to increase net assets	85,000
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	2,000
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	
Principal repayments:	
General obligation bonds and note payable	229,965
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	3,258
Change in compensated absences	(14,608)
Other postemployment benefits	<u>(27,187)</u>
	<u>(38,537)</u>
Change in net assets of governmental activities	\$ 325,993

See Notes to Financial Statements.

TOWN OF BRIDGEWATER, VIRGINIA

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

Year Ended June 30, 2011

	General Fund			Variance with Final Budget Over (Under)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues:				
General property taxes	\$ 559,000	\$ 559,000	\$ 558,335	\$ (665)
Other local taxes	1,155,000	1,155,000	1,176,223	21,223
Permits	3,000	3,000	4,144	1,144
Fines and forfeitures	35,000	35,000	51,838	16,838
Use of money and property	92,000	92,000	75,866	(16,134)
Miscellaneous	21,000	21,000	52,583	31,583
Intergovernmental	1,065,000	1,065,000	1,037,248	(27,752)
Total revenues	2,930,000	2,930,000	2,956,237	26,237
Expenditures:				
Current:				
General government administration	631,400	631,400	646,078	14,678
Public safety	737,000	737,000	725,534	(11,466)
Public works	1,258,600	1,258,600	1,127,277	(131,323)
Parks, recreation and cultural	387,000	387,000	400,891	13,891
Community and economic development	199,000	199,000	170,291	(28,709)
Debt service:				
Principal	171,000	171,000	229,965	58,965
Interest	82,000	82,000	83,262	1,262
Total expenditures	3,466,000	3,466,000	3,383,298	(82,702)
Revenues under expenditures	(536,000)	(536,000)	(427,061)	108,939
Other financing sources:				
Transfers in	-	-	635,497	635,497
Total other financing sources	-	-	635,497	635,497
Net change in fund balance	\$ (536,000)	\$ (536,000)	208,436	\$ 744,436
Fund balance, beginning			229,114	
Fund balance, ending			\$ 437,550	

See Notes to Financial Statements.

TOWN OF BRIDGEWATER, VIRGINIA

STATEMENT OF NET ASSETS PROPRIETARY FUND June 30, 2011

	Business-type Activity - Enterprise Fund Water, Sewer and Sanitation Fund
ASSETS	
Current Assets:	
Accounts receivable, net of allowances for uncollectible amounts	\$ 367,005
Total current assets	367,005
Noncurrent Assets:	
Capital assets:	
Land	4,600
Buildings and improvements	889,632
Distribution and collection systems	2,447,770
Equipment	1,263,002
Vehicles	646,247
Less: accumulated depreciation and amortization	(3,229,109)
Total noncurrent assets	2,022,142
Total assets	2,389,147
LIABILITIES	
Current liabilities:	
Accounts payable	39,126
Accrued payroll and benefits	20,000
Accrued interest	5,049
Compensated absences	33,131
Customer deposits	28,541
Deferred revenue	120,000
Capital lease payable	8,896
Bonds payable	129,825
Note payable	22,579
Total current liabilities	407,147
Noncurrent Liabilities:	
Compensated absences	7,595
Capital lease payable	23,484
Bonds payable	199,200
Note payable	47,279
Total noncurrent liabilities	277,558
Total liabilities	684,705
NET ASSETS	
Invested in capital assets, net of related debt	1,590,879
Unrestricted	113,563
Total net assets	\$ 1,704,442

TOWN OF BRIDGEWATER, VIRGINIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2011

	Business-type Activity - Enterprise Fund Water, Sewer and Sanitation Fund
Operating revenues:	
Charges for services	\$ 2,651,073
Connection fees	2,120
Penalties	29,979
Total operating revenues	2,683,172
Operating expenses:	
Personal services	607,985
Fringe benefits	219,818
Materials, line repairs and other	497,434
Regional Sewer Authority assessment:	
Operations and maintenance	298,308
Debt service	386,755
Construction	27,742
Depreciation and amortization	218,460
Total operating expenses	2,256,502
Operating income	426,670
Nonoperating revenue (expense):	
Interest expense	(21,694)
Loss on disposal of assets	(6,855)
Connection availability fees	247,277
Total nonoperating revenue, net	218,728
Income before transfers	645,398
Transfers out	(635,497)
Change in net assets	9,901
Net assets, beginning	1,694,541
Net assets, ending	\$ 1,704,442

TOWN OF BRIDGEWATER, VIRGINIA

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

Year Ended June 30, 2011

	Business-type Activity - Enterprise Fund Water, Sewer and Sanitation Fund
Cash Flows From Operating Activities:	
Receipts from customers	\$ 2,673,272
Payments to suppliers for goods and services	(1,198,286)
Payments to employees for services	(823,676)
Net cash provided by operating activities	651,310
Cash Flows From Noncapital and Related Financing Activities:	
Transfers out	(635,497)
Cash Flows From Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(15,045)
Connection availability fees	247,277
Principal paid on:	
General obligation bonds	(129,825)
Capital lease	(52,712)
Note	(40,285)
Interest paid on outstanding debt	(25,223)
Net cash used in capital and related financing activities	(15,813)
Net change in cash and cash equivalents	-
Cash and cash equivalents:	
Beginning	-
Ending	\$ -
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating income	\$ 426,670
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	218,460
Changes in operating accounts:	
Increase in accounts receivable	(7,352)
Decrease in deferred revenue	(4,000)
Increase in accounts payable and accrued expenses	17,532
Net cash provided by operating activities	\$ 651,310

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies

A. Reporting Entity

The financial statements of the Town of Bridgewater, Virginia (the Town) conform with accounting principles generally accepted in the United States of America as applied to government units promulgated by the Governmental Accounting Standards Board (GASB). The more significant of the government's accounting policies are described below.

The Town of Bridgewater, Virginia was incorporated in 1835 and provides a wide range of municipal services contemplated by statute or charter.

As required by accounting principles generally accepted in the United States of America, these financial statements present the Town's financial position. In determining component units, the Town considered the financial relationship with the Harrisonburg-Rockingham Regional Sewer Authority and the Industrial Development Authority of the Town of Bridgewater. However, it was determined that neither of these are component units, entities for which the Town is considered to be financially accountable.

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

Basis of Presentation

Government-wide Statements: The Statement of Net Assets and the Statement of Activities display information about the Town and include the financial activities of the overall government. 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.

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

The Town reports the following major governmental fund:

General Fund

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

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 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.

All governmental and business-type activities and enterprise funds of the Town follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their business-type activities, and enterprise funds that are subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

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 for the fund; 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, on 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 20th and January 20th, as appropriate, at an annual rate of 10%.

3) 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.

4) 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.

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

D. Assets, Liabilities and Equity (Continued)

4) Capital Assets (Continued)

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 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

5) 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 two years 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.

6) 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 assets. 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)

6) 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.

7) 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. To be reported as committed, amounts cannot be used for any other purpose unless Town Council takes the action 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.

The Town will consider the use of restricted or committed funds prior to the use of unassigned fund balance.

8) Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, 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 assets invested in capital assets, net of related debt excludes unspent debt proceeds. Net assets are 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.

Note 2. Deposits and Investments

Deposits: Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act"), Section 2.2-4400 et., seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Custodial Credit Risk (Deposits): This is the risk that in the event of a bank failure, the Town's deposits may not be returned to the Town. The Town requires all deposits to comply with the Virginia Security for Public Deposits Act. At year-end, none of the Town's deposits are exposed to custodial credit risk.

Investments: Statutes authorize local governments and other public bodies to invest in obligations of the United States or its agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes; bankers' acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

The Town has investments in the LGIP. The LGIP is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The 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 and deposit policy.

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

	<u>Fair Value</u>
Investment in State Treasurer's Local Government Investment Pool (LGIP)	<u>\$ 569,334</u>

All U. S. securities and government backed investments were downgraded from an AAA to an AA+ rating by Standard & Poor's subsequent to year end.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 3. Receivables and Deferred Revenue

Receivables at June 30, 2011, including applicable allowances for uncollectible accounts, are as follows:

	General Fund	Permanent Fund	Enterprise Fund	Totals
Property taxes	\$ 171,212	\$ -	\$ -	\$ 171,212
Trade and other accounts	55,244	-	372,005	427,249
Interest	-	66	-	66
Gross receivables	226,456	66	372,005	598,527
Less allowance for uncollectible accounts	11,000	-	5,000	16,000
Net receivables	<u>\$ 215,456</u>	<u>\$ 66</u>	<u>\$ 367,005</u>	<u>\$ 582,527</u>

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, 2011 for the General Fund and Enterprise Fund, respectively.

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	\$ 9,000	\$ -
Advance collection of 2011-2012 taxes	-	6,325
Assessment due December 5, net of collections	-	149,697
Urban Construction Program funds	-	552,049
State Personal Property Tax Relief	-	7,794
Street and Highway Maintenance Funds	-	40,560
Other	-	20,457
	<u>\$ 9,000</u>	<u>\$ 776,882</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. In the current fiscal year, connections in the amount of \$4,000 were made, thereby reducing the balance to \$120,000. The balance is fully refundable to the developer if the project isn't completed. Therefore, the payment has been classified as deferred revenue.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 4. Due From Other Governments

Due from other governments includes the following:

General Fund:	
Federal:	
1 st Cities	\$ 1,679
Commonwealth of Virginia:	
Local sales and communication tax	43,000
	<u>\$ 44,679</u>

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	Beginning Balance	Increases	Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated or amortized:				
Land	\$ 1,794,035	\$ 85,000	\$ -	\$ 1,879,035
Land easements	6,400	-	-	6,400
Total capital assets, not being depreciated or amortized	1,800,435	85,000	-	1,885,435
Capital assets being depreciated or amortized:				
Buildings and improvements	2,013,640	-	-	2,013,640
Equipment	801,147	-	-	801,147
Software	43,137	-	-	43,137
Infrastructure	499,744	-	-	499,744
Vehicles	373,303	7,657	-	380,960
Total capital assets being depreciated or amortized	3,730,971	7,657	-	3,738,628
Less accumulated depreciation or amortization for:				
Buildings and improvements	689,451	68,544	-	757,995
Equipment	572,305	45,535	-	617,840
Software	33,804	4,667	-	38,471
Infrastructure	83,991	16,658	-	100,649
Vehicles	268,331	34,258	-	302,589
Total accumulated depreciation or amortization	1,647,882	169,662	-	1,817,544
Total capital assets being depreciated or amortized, net	2,083,089	(162,005)	-	1,921,084
Governmental activities capital assets, net	\$ 3,883,524	\$ (77,005)	\$ -	\$ 3,806,519

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (Continued)

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

Governmental activities:

General government administration	\$	30,972
Public safety		54,275
Public works		41,734
Parks, recreation and cultural		42,681

Total depreciation and amortization expense – governmental activities	\$	169,662
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	Beginning Balance	Increases	Deletions	Ending Balance
Business-type activity:				
Capital assets, not being depreciated:				
Land	\$ 4,600	\$ -	\$ -	\$ 4,600
Construction in progress	6,855	-	(6,855)	-
Total capital assets, not being depreciated	11,455	-	(6,855)	4,600
Capital assets being depreciated:				
Buildings and improvements	889,632	-	-	889,632
Distribution and collection systems	2,447,770	-	-	2,447,770
Equipment	1,247,957	15,045	-	1,263,002
Vehicles	646,247	-	-	646,247
Total capital assets being depreciated	5,231,606	15,045	-	5,246,651
Less accumulated depreciation for:				
Buildings and improvements	670,673	19,778	-	690,451
Distribution and collection systems	1,306,709	58,502	-	1,365,211
Equipment	664,436	60,043	-	724,479
Vehicles	368,831	80,137	-	448,968
Total accumulated depreciation	3,010,649	218,460	-	3,229,109
Total capital assets being depreciated, net	2,220,957	(203,415)	-	2,017,542
Business-type activity capital assets, net	\$ 2,232,412	\$ (203,415)	\$ (6,855)	\$ 2,022,142

Depreciation expense was charged to functions/programs as follows:

Business-type activity:

Water	\$	110,115
Sewer		60,564
Sanitation		47,781

Total depreciation expense – business-type activity	\$	218,460
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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	\$ 1,586,350	\$ -	\$ (220,275)	\$ 1,366,075	\$ 1,135,275
Note	40,601	-	(9,690)	30,911	9,991
	1,626,951	-	(229,965)	1,396,986	1,145,266
Compensated absences	117,503	77,857	(63,249)	132,111	87,094
Governmental activities long-term liabilities	\$ 1,744,454	\$ 77,857	\$ (293,214)	\$ 1,529,097	\$ 1,232,360

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

Year Ending June 30,	General Obligation Bonds		Note Payable	
	Principal	Interest	Principal	Interest
2012	\$ 1,135,275	\$ 46,844	\$ 9,991	\$ 958
2013	112,275	11,411	10,300	649
2014	72,275	6,756	10,620	329
2015	46,250	3,180	-	-
	\$ 1,366,075	\$ 68,191	\$ 30,911	\$ 1,936

General Obligation Bonds

\$310,250 refunding general obligation bond, series 2003, issued August 2003,
due in annual installments of \$31,025 through August 2013, plus interest
payable semi-annually at 2.82% \$ 93,075

\$825,000 general obligation bond, series 1995, issued May 1995,
due in annual installments of \$41,250 through May 2015, plus interest
payable quarterly at 6.05% 170,000

\$400,000 general obligation bond, series 2003, issued March 2003,
due in annual installments of \$40,000 through March 2013, plus
interest payable semi-annually at 3.20% 80,000

\$400,000 general obligation bond, series 2001, issued July 2001,
due in annual installments of \$40,000 through July 2011, plus
interest payable semi-annually at 4.53% 40,000

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (Continued)

General Obligation Bonds (Continued)

\$915,000 general obligation bond issued December 2001 with a lump sum payment due December 14, 2011, interest payable quarterly at 6% \$ 915,000

\$340,000 general obligation bond, series 2007, issued January 2007, due in annual installments of \$68,000 through January 2012, plus interest payable semi-annually at 3.56% 68,000

Total General Obligation Bonds **\$ 1,366,075**

Note Payable

\$50,000 note payable issued October 2008, due in annual installments of \$9,990 to \$10,620, plus interest at 3.10% \$ 30,911

The \$400,000 general obligation bond (series 2001) and the \$50,000 note payable are subject to prepayment penalties under certain circumstances.

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

Series 2003 bonds (issued March and August) and series 1995 bond were issued for the purpose of construction.

Series 2001 bond and December 2001 bonds were issued for the purchase of real property.

Series 2007 bond and a portion of the series 2001 bond, were issued for street maintenance projects.

The October 2008 note was issued for the purchase of vehicles and equipment.

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	\$ 458,850	\$ -	\$ (129,825)	\$ 329,025	\$ 129,825
Capital lease	85,092	-	(52,712)	32,380	8,896
Note	110,143	-	(40,285)	69,858	22,579
	<u>654,085</u>	<u>-</u>	<u>(222,822)</u>	<u>431,263</u>	<u>161,300</u>
Compensated absences	40,632	33,225	(33,131)	40,726	33,131
Business-type activity long-term liabilities	<u>\$ 694,717</u>	<u>\$ 33,225</u>	<u>\$ (255,953)</u>	<u>\$ 471,989</u>	<u>\$ 194,431</u>

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6, Long-Term Debt (Continued)

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

June 30,	General Obligation Bonds		Capital Lease		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 129,825	\$ 13,107	\$ 8,896	\$ 1,543	\$ 22,579	\$ 2,166
2013	85,225	8,013	23,484	176	23,279	1,466
2014	85,225	4,511	-	-	24,000	744
2015	28,750	6,739	-	-	-	-
	<u>\$ 329,025</u>	<u>\$ 32,370</u>	<u>\$ 32,380</u>	<u>\$ 1,719</u>	<u>\$ 69,858</u>	<u>\$ 4,376</u>

General Obligation Bonds

\$514,750 refunding general obligation bond, series 2003, issued August 2003, due in annual installments of \$51,475 through August 2013, plus interest payable semi-annually at 2.82% \$ 154,425

\$675,000 general obligation bond, series 1995, issued May 1995, due in annual installments of \$33,750 through May 2015, plus interest payable quarterly at 6.05% 130,000

\$223,000 general obligation bond, series 2007, issued March 2007, due in annual installments of \$44,600 through March 2012, plus interest semi-annually at 3.56% 44,600

Total General Obligation Bonds \$ 329,025

Capital Lease

Capital lease payable due in monthly installments of \$870 through July 2012 and a lump sum payment of \$22,790 due August 2012, including interest at 5.80%, collateralized by equipment with a carrying value of approximately \$40,400 \$ 32,380

Note Payable

\$113,000 note payable, issued October 2008, due in annual installments of \$22,579 to \$24,000 through October 2013, including interest at 3.10% \$ 69,858

At June 30, 2011, the Town had a legal debt margin of \$39,484,846.

Series 2003 bond and series 1995 bond were issued for the purpose of construction.

Series 2007 bond and the note payable were issued for the purchase of vehicles and equipment.

The Town uses a revolving line of credit to finance certain grant-funded capital projects prior to the receipt of reimbursements from the granting agencies. The revolving line of credit was not used during the year ended June 30, 2011. The line of credit is in the Town's name and they are obligated for any outstanding balance.

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 (3.3% at June 30, 2011). There was no outstanding balance as of June 30, 2011.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. 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 retirement. 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 credit in their plan.

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

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 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 early at age 55 with at least 10 years of service credit or age 50 with at least five years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 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 5 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. 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.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Defined Benefit Pension Plan (Continued)

A. Plan Description (Continued)

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 report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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. This 5.00% member contribution has been assumed by the Town. 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 2011 was 12.21% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2011, the Town's annual pension cost of \$218,159 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, 2009	\$ 212,906	100%	\$ -
June 30, 2010	207,861	100%	-
June 30, 2011	218,159	100%	-

The fiscal year 2011 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (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. 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 payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Defined Benefit Pension Plan (Continued)

D. Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the plan was 86.22% funded. The actuarial accrued liability for benefits was \$6,436,580, and the actuarial value of assets was \$5,549,858, resulting in a UAAL of \$886,992. The covered payroll (annual payroll of active employees covered by the plan) was \$1,811,835, and ratio of the UAAL to the covered payroll was 48.96%.

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 8. 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.

C. Annual OPEB Cost and Net OPEB Obligation

In June 2010, 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 \$12,480 and the annual benefit cost was \$39,667. The percentage of OPEB cost contributed was 31.46%.

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, 2011, the Town has recorded a liability of \$58,079 on the Statement of Net Assets.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Other Postemployment Benefits

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

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)	\$	39,500
Interest on net OPEB obligation		1,235
Adjustment to ARC		(1,068)
Annual OPEB cost		<u>39,667</u>
Estimated contributions made		<u>(12,480)</u>
Increase in net OPEB		27,187
Net OPEB obligation, beginning of year		<u>30,892</u>
Net OPEB obligation, end of year	\$	<u><u>58,079</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, 2010	\$ 38,100	18.9%	\$ 30,892
June 30, 2011	39,667	31.5%	58,079

D. Funding Status and Funding Progress

As of June 30, 2010, 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 \$452,600.

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.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Other Postemployment Benefits

D. Funding Status and Funding Progress (Continued)

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%

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 2010 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4% rate of return and an annual healthcare cost trend rate of 8.2%. The unfunded liability is amortized over a period of 30 years based on a level percent of payroll method on an open basis.

Note 9. Interfund Transfers

The Town transferred \$635,497 from the Water, Sewer and Sanitation Fund to the General Fund for administrative costs.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. 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, with final maturity at September 1, 2030. 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 \$10,425,000. In November 2008, the Authority issued \$34,000,000 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 \$33,219,297.

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 debt service expenditures for the ensuing year will approximate \$510,000, \$35,000, and \$293,000, respectively. To obtain a copy of the audited financial statements, contact the Authority at 856 North River Road, P. O. Box 8, Mt. Crawford, Virginia, 22841.

Note 11. Major Customers

The Town has two major water and sewer customers. For the year ended June 30, 2011, water and sewer revenue from these customers was approximately \$1,046,000. There are accounts receivable from these customers of approximately \$87,000 at June 30, 2011.

Note 12. 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 13. Contingency

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 14. Summary Disclosure of Significant Commitments and Subsequent Events

On June 20, 2011, the Town entered into a purchase agreement with K. L. Shane, Inc. in the amount of \$90,683 for capital improvements to be made at the water treatment plant. There were no expenditures related to this project as of June 30, 2011. On July 18, 2011, the Town awarded the Dinkel Avenue Improvements Project to A & J Excavating in the amount of \$380,567.

Note 15. Pending GASB Statements

At June 30, 2011, 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. 61, *Financial Reporting Entity Omnibus*, will result in the financial reporting entity financial statements being more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. Statement No. 61 will be effective for periods beginning after June 15, 2012.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, improves financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. Statement No. 62 will be effective for periods beginning after December 15, 2011.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. Statement No. 63 will be effective for periods beginning after December 15, 2011.

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, 2008	\$ 5,166,181	\$ 5,277,630	\$ 111,449	97.89%	\$ 1,829,308	6.09 %
June 30, 2009	5,392,069	5,646,620	254,551	95.49%	1,861,637	13.67 %
June 30, 2010	5,549,858	6,436,850	886,992	86.22%	1,811,835	48.96%

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 %

SCHEDULE OF EMPLOYER CONTRIBUTIONS - OTHER POSTEMPLOYMENT BENEFITS

Fiscal Year Ended	Annual Required Contribution	Actual Contribution	Percent Funded
June 30, 2010	\$ 38,100	\$ 7,208	18.90%
June 30, 2011	39,500	12,480	31.59%

SUPPLEMENTARY SCHEDULES

TOWN OF BRIDGEWATER, VIRGINIA

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

Year Ended June 30, 2011

(With Comparative Amounts for 2010)

	2011	2010
Revenues:		
General property taxes	\$ 558,335	\$ 556,891
Other local taxes	1,176,223	1,199,153
Permits	4,144	7,070
Fines and forfeitures	51,838	43,866
Use of money and property	75,866	87,291
Miscellaneous	52,583	22,238
Intergovernmental	1,037,248	936,567
Total revenues	2,956,237	2,853,076
Expenditures:		
Current:		
General government administration	646,078	618,210
Public safety	725,534	730,825
Public works	1,127,277	1,233,689
Parks, recreation and cultural	400,891	356,422
Community and economic development	170,291	99,236
Debt service:		
Principal	229,965	229,674
Interest	83,262	98,169
Total expenditures	3,383,298	3,366,225
Revenues under expenditures	(427,061)	(513,149)
Other financing sources (uses):		
Proceeds from short-term borrowings	-	295,000
Payment of short-term notes	-	(295,000)
Transfers in	635,497	715,807
Total other financing sources, net	635,497	715,807
Net change in fund balance	208,436	202,658
Fund balance, beginning	229,114	26,456
Fund balance, ending	\$ 437,550	\$ 229,114

GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2011

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	\$ 310,000	\$ 310,000	\$ 308,624	\$ (1,376)
Personal property taxes	130,000	130,000	137,396	7,396
Machinery and tools tax	110,000	110,000	103,949	(6,051)
Public service corporations property taxes	4,000	4,000	5,000	1,000
Interest and penalties on delinquent taxes	5,000	5,000	3,366	(1,634)
Total general property taxes	559,000	559,000	558,335	(665)
Other local taxes:				
Local sales and use taxes	180,000	180,000	162,442	(17,558)
Consumer utility taxes	280,000	280,000	274,780	(5,220)
Consumption taxes	25,000	25,000	25,108	108
Business license taxes	160,000	160,000	172,147	12,147
Motor vehicle taxes	78,000	78,000	58,188	(19,812)
Bank stock taxes	77,000	77,000	108,360	31,360
Meals taxes	340,000	340,000	360,040	20,040
Right-of-way use fee	15,000	15,000	15,158	158
Total other local taxes	1,155,000	1,155,000	1,176,223	21,223
Permits:				
Zoning, building and erosion	3,000	3,000	4,144	1,144
Fines and forfeitures				
	35,000	35,000	51,838	16,838
Use of money and property:				
Revenue from use of money	10,000	10,000	1,177	(8,823)
Revenue from use of property	82,000	82,000	74,689	(7,311)
Total revenue from use of money and property	92,000	92,000	75,866	(16,134)
Miscellaneous				
	21,000	21,000	52,583	31,583
Total revenue from local sources	1,865,000	1,865,000	1,918,989	53,989

GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2011

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	\$ 45,000	\$ 45,000	\$ 46,760	\$ 1,760
Revenue from the Commonwealth:				
Non-categorical aid:				
Communication sales and use tax	98,000	98,000	96,685	(1,315)
Personal property tax relief	102,000	102,000	101,935	(65)
Rolling stock tax	-	-	24	24
Total non-categorical aid	200,000	200,000	198,644	(1,356)
Categorical aid:				
Litter control	3,000	3,000	2,825	(175)
Law enforcement assistance	140,000	140,000	130,816	(9,184)
Urban construction	100,000	100,000	3,793	(96,207)
Virginia Department of Transportation revenue sharing project	20,000	20,000	-	(20,000)
Transportation enhancement	17,000	17,000	-	(17,000)
Street and highway maintenance	540,000	540,000	539,025	(975)
Other	-	-	2,000	2,000
Total categorical aid	820,000	820,000	678,459	(141,541)
Total intergovernmental revenue from the Commonwealth	1,020,000	1,020,000	877,103	(142,897)
Revenue from the federal government:				
Categorical aid:				
Local law enforcement block grant	-	-	570	570
Highway safety	-	-	10,638	10,638
ISTEA	-	-	20,771	20,771
Urban construction	-	-	35,157	35,157
Department of Forestry tree grant- ARRA	-	-	43,836	43,836
Bulletproof vest grant	-	-	2,413	2,413
Total intergovernmental revenue from the federal government	-	-	113,385	113,385
Total intergovernmental revenue	1,065,000	1,065,000	1,037,248	(27,752)
Total General Fund	\$ 2,930,000	\$ 2,930,000	\$ 2,956,237	\$ 26,237

GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2011

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	\$ 26,400	\$ 26,400	\$ 31,850	\$ 5,450
Fringe benefits	2,000	2,000	2,437	437
Other charges	5,000	5,000	1,401	(3,599)
Total town council	33,400	33,400	35,688	2,288
Superintendent's office:				
Personal services	145,000	145,000	140,831	(4,169)
Fringe benefits	49,000	49,000	42,187	(6,813)
Other charges	11,000	11,000	3,810	(7,190)
Capital outlay	2,000	2,000	-	(2,000)
Contractual services	-	-	11,945	11,945
Total superintendent's office	207,000	207,000	198,773	(8,227)
Treasurer's office:				
Personal services	147,000	147,000	148,339	1,339
Fringe benefits	51,000	51,000	56,650	5,650
Other charges	16,000	16,000	6,659	(9,341)
Capital outlay	5,000	5,000	-	(5,000)
Contractual services	-	-	10,116	10,116
Total treasurer's office	219,000	219,000	221,764	2,764
Total legislative	459,400	459,400	456,225	(3,175)
General and financial administration:				
Legal	45,000	45,000	51,783	6,783
Independent auditor	32,000	32,000	39,216	7,216
Insurance and bonding	95,000	95,000	98,854	3,854
Total general and financial administration	172,000	172,000	189,853	17,853
Total general government administration	631,400	631,400	646,078	14,678

GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2011

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	\$ 454,000	\$ 454,000	\$ 463,510	\$ 9,510
Fringe benefits	154,000	154,000	147,388	(6,612)
Vehicle operation	25,000	25,000	26,787	1,787
Other charges	64,000	64,000	28,140	(35,860)
Capital outlay	10,000	10,000	-	(10,000)
Contractual services	-	-	29,709	29,709
Total law enforcement and traffic control	707,000	707,000	695,534	(11,466)
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	737,000	737,000	725,534	(11,466)
Public works:				
Public works department:				
Personal services	125,000	125,000	135,552	10,552
Fringe benefits	42,000	42,000	38,532	(3,468)
Other charges	15,000	15,000	3,253	(11,747)
Capital outlay	2,000	2,000	-	(2,000)
Contractual services	-	-	9,879	9,879
Total public works department	184,000	184,000	187,216	3,216

GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2011

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	\$ 150,000	\$ 150,000	\$ 128,828	\$ (21,172)
Fringe benefits	50,000	50,000	53,690	3,690
Other charges	90,000	90,000	60,751	(29,249)
Capital outlay	25,000	25,000	-	(25,000)
Contractual services	50,000	50,000	70,235	20,235
Street paving	179,600	179,600	185,781	6,181
Virginia Department of Transportation revenue sharing project	40,000	40,000	-	(40,000)
Urban construction program	50,000	50,000	43,946	(6,054)
T-21 project	22,000	22,000	-	(22,000)
Main street beautification	5,000	5,000	2,701	(2,299)
Total highways, streets, bridges and sidewalks	661,600	661,600	545,932	(115,668)
Street lights	70,000	70,000	72,016	2,016
Total maintenance of highways, streets, bridges and sidewalks	731,600	731,600	617,948	(113,652)
General properties:				
Personal services	180,000	180,000	169,396	(10,604)
Fringe benefits	60,000	60,000	58,737	(1,263)
Other charges	27,000	27,000	21,507	(5,493)
Capital outlay	10,000	10,000	7,657	(2,343)
Contractual services	66,000	66,000	64,816	(1,184)
Total general properties	343,000	343,000	322,113	(20,887)
Total public works	1,258,600	1,258,600	1,127,277	(131,323)

GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2011

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	\$ 195,481	\$ (29,519)
Fringe benefits	77,000	77,000	76,727	(273)
Other charges	50,000	50,000	84,305	34,305
Capital outlay	10,000	10,000	-	(10,000)
Contractual services	25,000	25,000	44,378	19,378
Total parks, recreation and cultural	387,000	387,000	400,891	13,891
Community and economic development:				
Community development:				
Personal services	40,000	40,000	36,426	(3,574)
Fringe benefits	14,000	14,000	13,340	(660)
Other charges	110,000	110,000	120,454	10,454
Contractual services	-	-	44	44
Total community development	164,000	164,000	170,264	6,264
Economic development:				
Personal services	1,500	1,500	25	(1,475)
Fringe benefits	500	500	2	(498)
Other charges	2,000	2,000	-	(2,000)
Capital outlay	30,000	30,000	-	(30,000)
Contractual services	1,000	1,000	-	(1,000)
Total economic development	35,000	35,000	27	(34,973)
Total community and economic development	199,000	199,000	170,291	(28,709)
Debt service:				
Principal	171,000	171,000	229,965	58,965
Interest	82,000	82,000	83,262	1,262
Total debt service	253,000	253,000	313,227	60,227
Total General Fund	\$ 3,466,000	\$ 3,466,000	\$ 3,383,298	\$ (82,702)

TOWN OF BRIDGEWATER, VIRGINIA

SCHEDULE OF CAPITAL OUTLAYS

Year Ended June 30, 2011

Governmental Fund:

General Fund:

Public works:

Capital outlay:

Ford truck

\$ 7,657

Total governmental fund

\$ 7,657

Proprietary Fund:

Water distribution:

Capital outlay:

Water pump

\$ 15,045

Total proprietary fund

\$ 15,045

TOWN OF BRIDGEWATER, VIRGINIA

SCHEDULE OF TAXES RECEIVABLE

June 30, 2011

(With Comparative Amounts for 2010)

	2011	2010
Taxes receivable: *		
General Fund:		
Real estate:		
2001	\$ 78	\$ 78
2002	254	254
2003	296	296
2004	296	296
2005	296	296
2006	411	416
2007	642	703
2008	709	850
2009	1,328	1,784
2010	5,636	4,069
2011	3,339	-
December billing for next fiscal year	149,697	147,140
	<u>162,982</u>	<u>156,182</u>
Personal property:		
2006	-	1,859
2007	1,930	2,038
2008	2,124	2,523
2009	1,872	2,980
2010	2,187	-
	<u>8,113</u>	<u>9,400</u>
Machinery and tools:		
2002	117	117
2006	-	143
	<u>117</u>	<u>260</u>
Less:		
Allowance for uncollectible taxes	11,000	11,000
Taxes receivable - General Fund	<u><u>\$ 160,212</u></u>	<u><u>\$ 154,842</u></u>

* Includes 10% penalty

TOWN OF BRIDGEWATER, VIRGINIA

SCHEDULE OF REVENUES AND EXPENSES

PROPRIETARY FUND TYPE

Year Ended June 30, 2011

	Water Department	Sewer Department	Sanitation Department	Totals
Operating revenues:				
Charges for services	\$ 889,060	\$ 1,329,651	\$ 432,362	\$ 2,651,073
Connection fees	1,200	920	-	2,120
Penalties	15,655	14,324	-	29,979
Total operating revenues	905,915	1,344,895	432,362	2,683,172
Operating expenses:				
Personal services	368,148	60,576	179,261	607,985
Fringe benefits	129,433	30,181	60,204	219,818
Materials, line repairs and other	285,788	32,073	179,573	497,434
Regional Sewer Authority assessment:				
Operations and maintenance	-	298,308	-	298,308
Debt service	-	386,755	-	386,755
Construction	-	27,742	-	27,742
Depreciation and amortization	110,115	60,564	47,781	218,460
Total operating expenses	893,484	896,199	466,819	2,256,502
Operating income (loss)	12,431	448,696	(34,457)	426,670
Nonoperating revenue (expense):				
Interest expense	(10,334)	(10,205)	(1,155)	(21,694)
Loss on disposal of assets	(6,855)	-	-	(6,855)
Connection availability fees	121,666	125,611	-	247,277
Total nonoperating revenue (expense), net	104,477	115,406	(1,155)	218,728
Income (loss) before transfers	116,908	564,102	(35,612)	645,398
Transfers out	(185,083)	(450,414)	-	(635,497)
Change in net assets	\$ (68,175)	\$ 113,688	\$ (35,612)	\$ 9,901

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, 2011

(With Comparative Totals for 2010)

	Water Department		Sewer Department		Totals (Memorandum Only)			
					2011		2010	
	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:								
Charge for services	\$ 889,060	\$ 3.723	\$ 1,329,651	\$ 5.568	\$ 2,218,711	\$ 9.291	\$ 2,265,609	\$ 9.130
Connection fees	1,200	0.005	920	0.004	2,120	0.009	13,371	0.054
Penalties	15,655	0.066	14,324	0.060	29,979	0.126	23,974	0.097
Total operating revenues	905,915	3.794	1,344,895	5.632	2,250,810	9.426	2,302,954	9.281
Operating expenses:								
Personal services	368,148	1.542	60,576	0.254	428,724	1.796	405,596	1.634
Fringe benefits	129,433	0.542	30,181	0.126	159,614	0.668	167,920	0.677
Materials, line repairs and other	285,788	1.197	32,073	0.134	317,861	1.331	301,492	1.215
Regional Sewer Authority assessment:								
Operations and maintenance	-	-	298,308	1.249	298,308	1.249	279,835	1.128
Debt service	-	-	386,755	1.620	386,755	1.620	263,037	1.060
Construction	-	-	27,742	0.116	27,742	0.116	83,136	0.335
Depreciation and amortization	110,115	0.461	60,564	0.254	170,679	0.715	183,175	0.739
Total operating expenses	893,484	3.742	896,199	3.753	1,789,683	7.495	1,684,191	6.788
Operating income	12,431	0.052	448,696	1.879	461,127	1.931	618,763	2.493
Nonoperating revenue (expense):								
Interest expense	(10,334)	(0.043)	(10,205)	(0.043)	(20,539)	(0.086)	(23,443)	(0.094)
Gain (loss) on disposal of assets	(6,855)	-	-	-	(6,855)	-	1,618	-
Connection availability fees	121,666	0.509	125,611	0.526	247,277	1.035	122,500	0.494
Total nonoperating revenue, net	104,477	0.466	115,406	0.483	219,883	0.949	100,675	0.400
Income before transfers	\$ 116,908	\$ 0.518	\$ 564,102	\$ 2.362	\$ 681,010	\$ 2.880	\$ 719,438	\$ 2.893
Total water consumption:								
Thousands of gallons	<u>238,808</u>						<u>248,133</u>	

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.

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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
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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. The Town implemented GASB 34 in fiscal year 2004; tables presenting government-wide information include information beginning in that year.

TOWN OF BRIDGEWATER, VIRGINIA

Table 1

NET ASSETS BY COMPONENT

Last Eight Fiscal Years (1)

(accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,							
	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities:								
Invested in capital assets, net of related debt	\$ 1,462,303	\$ 1,463,087	\$ 1,563,151	\$ 1,578,115	\$ 1,764,563	\$ 2,144,020	\$ 2,256,573	\$ 2,409,533
Restricted	17,483	17,750	18,331	19,073	20,107	20,896	21,640	22,774
Unrestricted	327,294	575,015	717,842	449,082	255,937	(94,208)	76,087	247,986
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
Business-type activities:								
Invested in capital assets, net of related debt	\$ 1,367,533	\$ 1,358,346	\$ 1,350,576	\$ 1,351,249	\$ 1,424,292	\$ 1,587,711	\$ 1,578,327	\$ 1,590,879
Unrestricted	34,146	24,767	78,524	94,657	8,108	128,309	116,214	113,563
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
Primary government:								
Invested in capital assets, net of related debt	\$ 2,829,836	\$ 2,821,433	\$ 2,913,727	\$ 2,929,364	\$ 3,188,855	\$ 3,731,731	\$ 3,834,900	\$ 4,000,412
Restricted	17,483	17,750	18,331	19,073	20,107	20,896	21,640	22,774
Unrestricted	361,440	599,782	796,366	543,739	264,045	34,101	192,301	361,549
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

Note:

- (1) This table reports financial information based on the accrual basis of accounting. The Town implemented GASB 34, the new reporting standard, in fiscal year 2004. Therefore, ten years of data is not available but will be accumulated over time.

TOWN OF BRIDGEWATER, VIRGINIA

Table 2
Page 1

CHANGES IN NET ASSETS
Last Eight Fiscal Years (1)
(accrual basis of accounting)
(Unaudited)

	Fiscal Year June 30,							
	2004	2005	2006	2007	2008	2009	2010	2011
Expenses:								
Governmental activities:								
General government administration	\$ 525,280	\$ 516,298	\$ 547,300	\$ 558,086	\$ 643,634	\$ 623,112	\$ 670,323	\$ 687,128
Public safety	575,957	601,189	631,004	664,438	723,798	714,959	768,602	796,247
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
Parks, recreation and cultural	397,744	453,740	418,314	435,208	440,790	426,139	407,530	448,454
Community and economic development	65,855	82,779	86,315	93,392	107,656	119,217	99,609	171,500
Interest	129,959	119,818	111,429	114,991	115,215	99,525	91,890	80,004
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
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
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
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
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
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
Public works	467,014	492,609	519,181	877,658	567,653	908,566	648,682	645,407
Capital grants and contributions:								
General government administration	-	-	-	-	-	-	-	85,000
Public safety	-	-	-	-	-	122,616	-	-
Public works	15,750	-	-	-	-	-	19,265	-
Total governmental activities program revenue	930,101	940,285	984,713	1,404,411	1,120,263	1,240,294	908,154	979,586
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
Capital grants and contributions:								
Water, sewer and sanitation	100,228	180,481	47,746	20,342	184,701	91,695	122,500	247,277
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
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
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)
Business-type activities	535,610	641,276	542,666	486,026	663,934	725,920	670,354	615,419
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)

TOWN OF BRIDGEWATER, VIRGINIA

CHANGES IN NET ASSETS (CONTINUED)

Last Eight Fiscal Years (1)

(accrual basis of accounting)

(Unaudited)

Table 2

Page 2

	Fiscal Year June 30,							
	2004	2005	2006	2007	2008	2009	2010	2011
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
Consumer utility and communications sales and use	308,586	311,419	342,871	377,027	426,005	371,762	359,461	274,780
Meals	200,407	217,784	298,498	308,256	307,594	311,681	320,339	360,040
Local sales and use	140,295	157,028	160,187	160,944	170,441	166,599	131,990	162,442
Business license	139,815	157,294	153,042	155,113	163,835	172,228	180,397	172,147
Other	211,377	220,250	234,803	182,881	179,599	188,645	206,966	206,814
Intergovernmental, non-categorical aid	108,161	100,965	112,377	108,522	103,602	108,229	98,614	198,644
Use of money and property	57,414	47,287	60,472	101,835	96,664	89,428	88,035	77,000
Miscellaneous	63,635	53,222	12,550	14,393	36,564	31,159	22,238	52,583
Transfers	410,483	677,756	516,090	490,437	712,847	465,496	715,807	635,497
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
Business-type activities:								
Miscellaneous	15,160	17,914	19,411	21,217	35,407	23,196	23,974	29,979
Transfers	(410,483)	(677,756)	(516,090)	(490,437)	(712,847)	(465,496)	(715,807)	(635,497)
Total business-type activities	(395,323)	(659,842)	(496,679)	(469,220)	(677,440)	(442,300)	(691,833)	(605,518)
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
Changes in net assets:								
Governmental activities	(290,139)	248,772	243,472	(253,054)	(5,663)	30,101	283,592	325,993
Business-type activities	140,287	(18,566)	45,987	16,806	(13,506)	283,620	(21,479)	9,901
Total primary government	\$ (149,852)	\$ 230,206	\$ 289,459	\$ (236,248)	\$ (19,169)	\$ 313,721	\$ 262,113	\$ 335,894

Notes:

- (1) This table reports financial information based on the accrual basis of accounting. The Town implemented GASB 34, the new reporting standard, in fiscal year 2004. Therefore, ten years of data is not available but will be accumulated over time.
- (2) Net (expense) revenue is the difference between the expenses and program revenues. This difference indicates the degree to which a function or program is supported with its own fees and program-specific grants versus its reliance upon funding from taxes and other general revenues. Numbers in a parenthesis are net expenses indicating that expenses were greater than program revenues and, therefore, general revenues were needed to finance that function or program. Numbers without parentheses are net revenues, demonstrating that program revenues were more than sufficient to cover expenses.
- (3) Sanitation activities and accounts were transferred from governmental activities to business-type activities during fiscal year 2009.
- (4) 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.

TOWN OF BRIDGEWATER, VIRGINIA

Table 3

PROGRAM REVENUES BY FUNCTION/PROGRAM

Last Eight Fiscal Years (1)

(accrual basis of accounting)

(Unaudited)

Function/Program	Fiscal Year June 30,							
	2004	2005	2006	2007	2008	2009	2010	2011
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
Public works	718,784	735,695	774,570	1,194,697	924,137	908,566	667,947	645,407
Total governmental activities	930,101	940,285	984,713	1,404,411	1,120,263	1,240,294	908,154	979,586
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
Total business-type activities	1,807,512	1,933,713	1,958,077	1,974,730	2,238,155	2,785,807	2,821,753	2,900,470
Total government	\$ 2,737,613	\$ 2,873,998	\$ 2,942,790	\$ 3,379,141	\$ 3,358,418	\$ 4,026,101	\$ 3,729,907	\$ 3,880,056

Notes:

- (1) This table reports financial information based on the accrual basis of accounting. The Town implemented GASB 34, the new reporting standard, in fiscal year 2004. Therefore, ten years of data is not available but will be accumulated over time.
- (2) Sanitation activities and accounts were transferred from governmental activities to business-type activities during fiscal year 2009.

TOWN OF BRIDGEWATER, VIRGINIA

Table 4

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

		Fiscal Year June 30,				
		2002	2003	2004	2005	2006
General Fund:						
Reserved		\$ 363,620	\$ 630,549	\$ 258,178	\$ 208,620	\$ 168,488
Unreserved		1,106,159	974,913	431,686	450,665	646,156
Total General Fund		\$ 1,106,159	\$ 1,605,462	\$ 689,864	\$ 659,285	\$ 814,644
All Other Governmental Funds:						
Reserved		\$ 16,776	\$ 17,313	\$ 17,483	\$ 17,750	\$ 18,331
Total all other governmental funds		\$ 16,776	\$ 17,313	\$ 17,483	\$ 17,750	\$ 18,331

		Fiscal Year June 30,				
		2007	2008	2009	2010	2011
General Fund:						
Reserved		\$ 588,888	\$ 14,836	\$ 45,305	\$ 11,817	\$ -
Unreserved		95,392	362,480	(18,849)	217,297	-
Committed		-	-	-	-	10,000
Unassigned		-	-	-	-	427,550
Total General Fund		\$ 684,280	\$ 377,316	\$ 26,456	\$ 229,114	\$ 437,550
All Other Governmental Funds:						
Reserved		\$ 19,073	\$ 20,107	\$ 20,896	\$ 21,640	\$ -
Nonspendable		-	-	-	-	6,000
Restricted		-	-	-	-	16,774
Total all other governmental funds		\$ 19,073	\$ 20,107	\$ 20,896	\$ 21,640	\$ 22,774

Notes:

- (1) In fiscal year 2004, the Greenwood Cemetery Trust Fund was reclassified from a fiduciary fund type to a permanent fund type. This reclassification was due to the adoption of GASB 34. Therefore, for the years 2002 and 2003, the amounts reflected on this table as equity from other governmental funds is from the Greenwood Cemetery Trust Fund.
- (2) In the fiscal year 2011, the Town implemented GASB 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,									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues:										
General property taxes	\$ 455,753	\$ 487,816	\$ 480,863	\$ 535,390	\$ 624,574	\$ 605,368	\$ 600,321	\$ 585,737	\$ 556,891	\$ 558,335
Other local taxes	908,877	974,048	1,000,480	1,063,775	1,189,401	1,184,221	1,247,474	1,210,915	1,199,153	1,176,223
Permits	20,019	21,822	43,731	26,998	8,043	4,268	3,534	4,021	7,070	4,144
Fines and forfeitures	26,743	28,293	32,470	30,919	49,389	42,249	35,089	32,038	43,866	51,838
Use of money and property	50,107	56,691	57,584	47,554	60,472	102,577	97,698	89,428	88,035	77,000
Charges for services	199,619	501,557	235,850	242,819	254,808	316,297	355,450	-	-	-
Miscellaneous	23,173	83,295	63,635	53,222	12,550	14,393	36,564	31,159	22,238	52,583
Intergovernmental	772,290	684,519	726,041	740,247	784,269	1,149,377	828,758	1,189,848	936,567	1,037,248
Total revenues	2,456,581	2,838,041	2,640,654	2,740,924	2,983,506	3,418,750	3,204,888	3,143,146	2,853,820	2,957,371
Expenditures:										
General government administration	449,879	467,736	494,626	485,324	539,929	547,504	627,972	595,075	618,210	646,078
Public safety	503,817	522,558	626,388	578,050	607,560	668,459	763,730	714,718	730,825	725,534
Public works	2,285,102	1,502,079	2,025,597	1,474,381	1,497,100	2,480,241	1,817,252	1,843,837	1,233,689	1,127,277
Parks, recreation and cultural	279,613	313,327	467,961	482,409	421,087	535,619	505,561	429,787	356,422	400,891
Community and economic development	81,487	75,642	65,855	82,779	86,315	93,392	107,656	119,217	99,236	170,291
Debt service:										
Principal	176,977	188,119	191,718	374,345	165,051	167,945	281,183	220,275	229,674	229,965
Interest and fiscal charges	80,192	161,429	132,345	121,704	112,195	108,649	120,311	100,327	98,169	83,262
Total expenditures	3,857,067	3,230,890	4,004,490	3,598,992	3,429,237	4,601,809	4,223,665	4,023,236	3,366,225	3,383,298
Revenues under expenditures	(1,400,486)	(392,849)	(1,363,836)	(858,068)	(445,731)	(1,183,059)	(1,018,777)	(880,090)	(512,405)	(425,927)
Other financing sources (uses):										
Transfers in	129,708	429,069	410,483	677,756	516,090	490,437	712,847	480,019	715,807	635,497
Issuance of debt	1,315,000	400,000	-	150,000	85,000	563,000	-	50,000	-	-
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	1,444,708	829,069	410,483	827,756	601,090	1,053,437	712,847	530,019	715,807	635,497
Net change in fund balances	\$ 44,222	\$ 436,220	\$ (953,353)	\$ (30,312)	\$ 155,359	\$ (129,622)	\$ (305,930)	\$ (350,071)	\$ 203,402	\$ 209,570

TOWN OF BRIDGEWATER, VIRGINIA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

Table 5

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	Fiscal Year June 30,									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt service as a percentage of noncapital expenditures:										
Total debt service	\$ 257,169	\$ 349,548	\$ 324,063	\$ 346,049	\$ 277,246	\$ 276,594	\$ 401,494	\$ 320,602	\$ 327,843	\$ 313,227
Total expenditures	\$ 3,857,067	\$ 3,230,890	\$ 4,004,490	\$ 3,598,992	\$ 3,429,237	\$ 4,601,809	\$ 4,223,665	\$ 4,023,236	\$ 3,366,225	\$ 3,383,298
Less: capital outlay	(1,002,909)	(121,052)	(600,786)	(191,962)	(165,868)	(446,863)	(215,429)	(389,155)	(68,265)	(7,657)
Noncapital expenditures	\$ 2,854,158	\$ 3,109,838	\$ 3,403,704	\$ 3,407,030	\$ 3,263,369	\$ 4,154,946	\$ 4,008,236	\$ 3,634,081	\$ 3,297,960	\$ 3,375,641
Debt service as a percentage of noncapital expenditures	9.01%	11.24%	9.52%	10.16%	8.50%	6.70%	10.02%	8.82%	9.94%	9.28%

Notes:

- (1) For the years 2002 and 2003, the amount used for capital outlay was obtained from the increase to the General Fixed Asset Account Group, which is no longer used under the current reporting model. For fiscal years 2004 through 2011, 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.
- (2) Prior to the adoption of GASB Statement No. 34, the Town did not capitalize additions to or major repairs of infrastructure assets. Therefore, for the fiscal years 2002 and 2003, additions to infrastructure were not subtracted from total expenditures to calculate the debt service as a percentage of noncapital expenditures.

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	Totals
2002	\$ 455,753	\$ 316,416	\$ 25,880	\$ 88,681	\$ 57,639	\$ 39,798	\$ 180,412	\$ -	\$ 128,451	\$ 71,600	\$ -	\$ 1,364,630
2003	487,816	315,717	23,562	128,423	61,163	49,758	189,136	-	133,460	72,829	-	1,461,864
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
Change 2002-2011	22.51%	-13.16%	-2.98%	83.18%	88.00%	-100.00%	99.57%	100.00%	34.02%	-18.73%	0.00%	27.11%

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
2002	\$ 238,615,539	\$ 4,797,311	\$ 103,946,600	\$ 347,359,450	\$ 243,412,850	6.92%	\$ 0.09	\$ 243,412,850	100.00%
2003	253,575,817	5,329,175	117,517,750	376,422,742	258,904,992	6.36%	0.09	258,904,992	100.00%
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%

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, 2002, 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 - 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
2002	\$ 0.09	\$ 0.75	\$ 0.75	\$ 0.71	\$ 2.80	\$ 2.55	\$ 0.80	\$ 3.55	\$ 3.30
2003	0.09	0.75	0.75	0.71	2.80	2.55	0.80	3.55	3.30
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

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	2011			2002		
	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	\$ 42,551,900	1	10.91%	\$ 25,995,500	1	10.32%
Tiben Limited Company (Marshall's)	19,607,300	2	5.03%	17,842,700	2	7.08%
Perdue Farms, Inc.	9,578,200	3	2.46%	10,004,000	3	3.97%
French, Larry B. and Pamela S.	3,660,700	4	0.94%	-	-	-
Heatwole Construction	3,055,500	5	0.78%	-	-	-
Parkside, LLC	2,375,700	6	0.61%	-	-	-
North Grove Rentals, LLC	2,082,600	7	0.53%	-	-	-
Ashby Apartments	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	0.40%	1,919,500	5	0.76%
Bridgewater Division of Ethan Allen	-		-	4,221,100	4	1.68%
Oaktree Enterprises, Inc.	-		-	1,374,500	6	0.55%
Padgett Manufacturing	-		-	1,222,000	7	0.48%
Scarlet Maple Farms	-		-	1,149,400	8	0.46%
Rockingham Co-op Farm Bureau, Inc.	-		-	1,146,100	9	0.45%
Shickel Machine Shop	-		-	1,138,900	10	0.45%
Total	\$ 87,892,300		22.54%	\$ 66,013,700		26.20%

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
2002	\$ 219,145	\$ 217,492	99.25%	\$ 1,509	\$ 219,001	99.93%
2003	233,899	232,536	99.42%	1,067	233,603	99.87%
2004	237,263	234,954	99.03%	2,013	236,967	99.88%
2005	242,033	239,911	99.12%	1,826	241,737	99.88%
2006	264,883	261,948	98.89%	2,581	264,529	99.87%
2007	297,141	295,905	99.58%	709	296,614	99.82%
2008	299,908	293,160	97.75%	6,106	299,266	99.79%
2009	303,025	298,634	98.55%	3,340	301,974	99.65%
2010	307,056	302,094	98.38%	2,042	304,136	99.05%
2011	312,031	304,383	97.55%	-	304,383	97.55%

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
2002	\$ 2,323,250	\$ 10,594	\$ 94,839	\$ 995,750	\$ 9,438	\$ -	\$ 3,433,871	2.88%	\$ 660	\$ 2,323,250	0.95%	\$ 447
2003	2,571,250	-	69,314	914,750	8,027	-	3,563,341	2.94%	685	2,571,250	0.99%	494
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	N/A	421	1,586,350	0.41%	293
2011	1,366,075	30,911	-	329,025	69,858	32,380	1,828,249	N/A	324	1,366,075	0.35%	242

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, 2011

(Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Rockingham County, Virginia	\$ 124,228,330	9.24%	\$ 11,478,698
Town Direct Debt			<u>1,396,986</u>
Total direct and overlapping debt			<u><u>\$ 12,875,684</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,									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Legal debt margin	\$ 24,345,412	\$ 25,939,631	\$ 26,361,664	\$ 26,891,678	\$ 31,421,664	\$ 37,560,242	\$ 46,013,039	\$ 46,203,768	\$ 38,778,391	\$ 39,484,846
Total net debt applicable to limit	2,428,683	2,640,564	2,448,846	2,224,501	2,059,450	2,470,175	2,205,300	1,856,625	1,626,951	1,396,986
Available legal debt margin	<u>\$ 21,916,729</u>	<u>\$ 23,299,067</u>	<u>\$ 23,912,818</u>	<u>\$ 24,667,177</u>	<u>\$ 29,362,214</u>	<u>\$ 35,090,067</u>	<u>\$ 43,807,739</u>	<u>\$ 44,347,143</u>	<u>\$ 37,151,440</u>	<u>\$ 38,087,860</u>
Total net debt applicable to the limit as a percentage of debt limit	9.98%	10.18%	9.29%	8.27%	6.55%	6.58%	4.79%	4.02%	4.20%	3.54%
Legal debt margin calculation for fiscal year 2011:										
Assessed value of real estate			<u>\$ 394,848,464</u>		Summary of outstanding debt:					
					Gross bonded debt and lease		\$ 1,828,249			
					Less: enterprise debt		<u>431,263</u>			
Debt limit (10% of assessed value)			\$ 39,484,846							
Debt applicable to limit:								\$ 1,396,986		
Net direct debt outstanding			<u>1,396,986</u>							
Available legal debt margin			<u>\$ 38,087,860</u>							

Note:

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

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	
2002	\$ 1,642,811	\$ 1,214,915	\$ 427,896	\$ 81,000	\$ 57,838	\$ 138,838	3.08
2003	1,803,845	1,136,726	667,119	81,000	53,357	134,357	4.97
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

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
2002	5,203	\$ 119,382,835	\$ 22,945	2.7%
2003	5,203	121,073,810	23,270	2.5%
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	(4)	(4)	6.3%
2011	5,644	(4)	(4)	5.6%

Notes:

(1) Population estimates obtained from the United States Bureau of the Census for years 2002 through 2011.

(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 2002 through 2009 from the Virginia Employment Commission - Harrisonburg/Rockingham County Branch; 2010 and 2011 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,									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	8	8	9	9	9	9	9	9
Building inspections	1	1	1	1	-	-	-	-	-	-
Public works:										
Public works department	2	3	3	3	3	3	4	4	3	3
Maintenance	6	6	7	6	6	6	6	6	6	7
General properties	5	6	6	6	6	6	6	5	5	5
Parks, recreation and cultural	4	5	5	4	4	4	4	4	4	4
Water, Sewer and Sanitation:										
Administration	1	1	1	1	1	1	1	1	1	1
Transmission	5	6	6	6	6	6	6	6	6	6
Purification	4	4	4	5	6	6	5	5	5	5
Sewer maintenance	3	3	3	2	2	2	2	2	2	2
Sanitation	2	2	2	2	2	5	5	5	5	5
Total	46	50	51	49	50	53	53	52	51	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 the financial statements of the Town of Bridgewater, Virginia (Town) as of and for the year ended June 30, 2011, and have issued our report thereon dated October 27, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses as 2011-01, that we consider to be a significant deficiency in internal control over financial reporting. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of 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 and specifications 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 matter that is required to be reported under *Government Auditing Standards* and is described in the accompanying Schedule of Findings and Responses as 2011-02.

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.

This report is intended solely for the information and use of the Town Council, management, the Auditor of Public Accounts and other federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

PBGH, LLP

Harrisonburg, Virginia
October 27, 2011

TOWN OF BRIDGWATER, VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2011

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

2011-01 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

2011-02 Statements of Economic Interest

The State and Local government Conflict of Interest 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. Our audit procedures revealed that three of the economic interest statements were not filed on a timely basis.

Management's Response

Effective October 28, 2011, the following policy will be 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.

