

TOWN OF BRIDGEWATER, VIRGINIA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

YEAR ENDED JUNE 30, 2012

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, 2012

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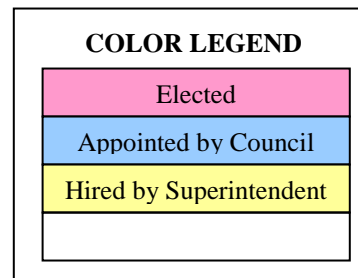
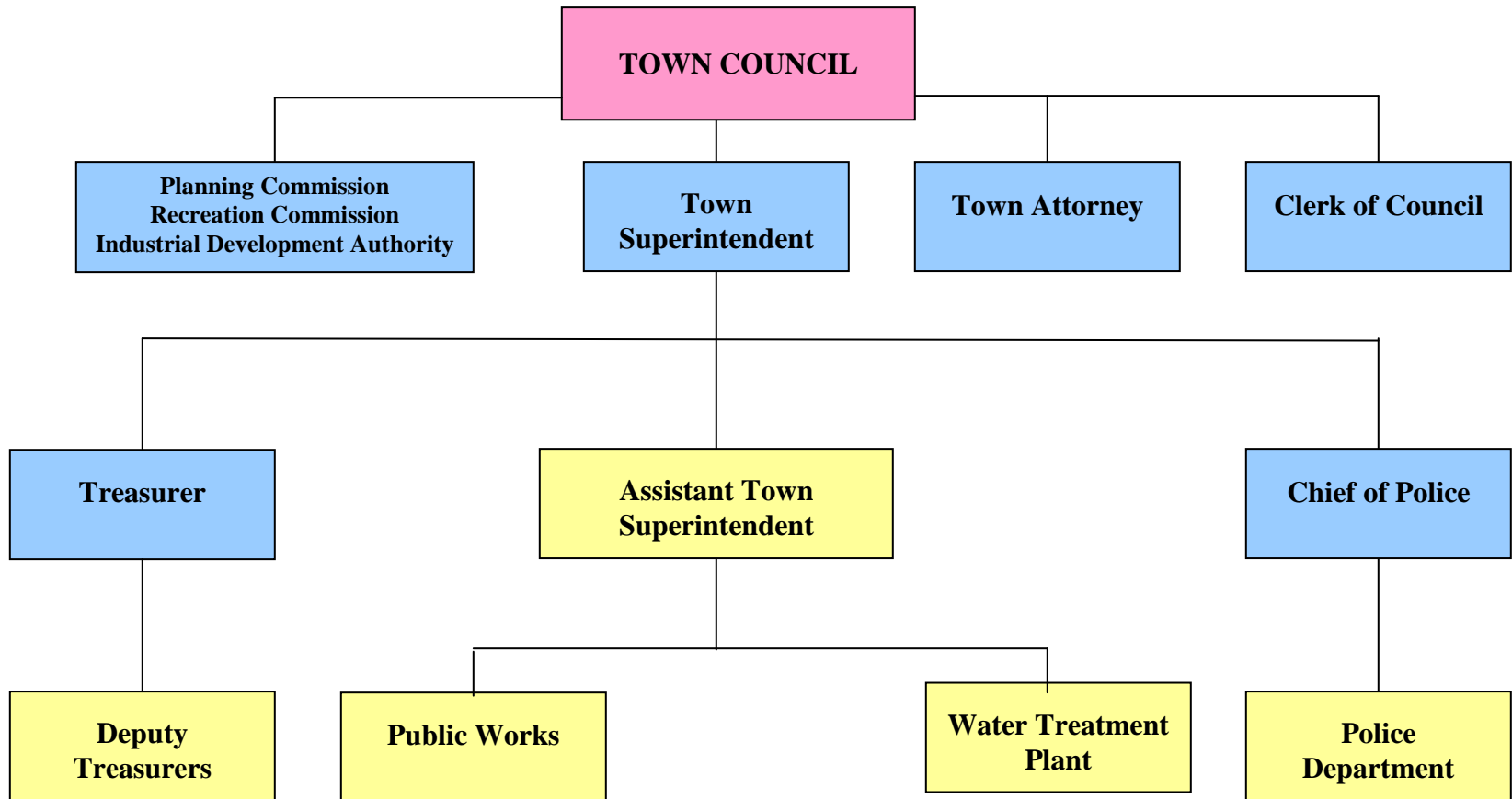
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INTRODUCTORY SECTION

TABLE OF ORGANIZATION

Town of Bridgewater, Virginia



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, 2012, 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, 2012, 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 16, 2012 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information on pages 5-10 and 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Town's basic financial statements. The accompanying 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the Town's basic financial statements. The accompanying introductory and statistical sections, as 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 do not express an opinion or provide any assurance on it.

PBGH, LLP

Harrisonburg, Virginia
October 16, 2012

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, 2012.

FINANCIAL HIGHLIGHTS

Total assets of the Town exceeded total liabilities at June 30, 2012 by approximately \$4.3 million (net assets). Of the total net assets, approximately \$441,000 was unrestricted.

The Town's total net assets decreased approximately \$61,000 from the previous year.

As of June 30, 2012, the Town's governmental funds had combined ending fund balances of approximately \$516,000, an increase of approximately \$56,000 in comparison with the prior year.

The Town's total long-term liabilities increased approximately \$1,600 during fiscal year 2012.

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 \$4.3 million. Most of this total, approximately 89%, 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, 10.2% 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 8.2% of total net assets classified as “unrestricted.” This is an increase of nearly \$80,000 over last year and nearly a quarter million over two years ago.

The following table presents the condensed statement of net assets:

Table 1
Summary of Statement of Net Assets
June 30, 2012 and 2011

	Governmental Activities		Business-type Activity		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 1,336,093	\$ 1,345,699	\$ 414,596	\$ 367,005	\$ 1,750,689	\$ 1,712,704
Capital assets	3,734,654	3,806,519	1,928,925	2,022,142	5,663,579	5,828,661
Total assets	5,070,747	5,152,218	2,343,521	2,389,147	7,414,268	7,541,365
Current and other liabilities	829,776	884,749	199,871	212,716	1,029,647	1,097,465
Long-term liabilities	1,765,349	1,587,176	295,440	471,989	2,060,789	2,059,165
Total liabilities	2,595,125	2,471,925	495,311	684,705	3,090,436	3,156,630
Net assets invested in capital assets, net of related debt	2,177,934	2,409,533	1,682,446	1,590,879	3,860,380	4,000,412
Restricted net assets	22,884	22,774	-	-	22,884	22,774
Unrestricted net assets	274,804	247,986	165,764	113,563	440,568	361,549
Total net assets	\$ 2,475,622	\$ 2,680,293	\$ 1,848,210	\$ 1,704,442	\$ 4,323,832	\$ 4,384,735

STATEMENT OF ACTIVITIES

Governmental Activities

Revenues: For the fiscal year ended June 30, 2012, revenue from governmental activities totaled \$3.7 million. Sources of revenue are comprised of many different types with taxes constituting the largest source of Town revenues in this category. In addition to real estate taxes, the Town assesses other local taxes and fees including consumer utility taxes, bank stock taxes, business license (BPOL) fees, meals tax and the Town’s share of the local sales tax. In addition to taxes, the Town receives intergovernmental revenues, 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 \$4.3 million. As the table on the next page indicates, Public Works and Public Safety, which together comprise about 70% of expenses, continue to be the Town’s two largest functions in the category of governmental activities. Much of this expenditure can be attributed to the Dinkel Avenue project, all of which was reimbursed by VDOT.

The following table summarizes the changes in net assets for the Town for the fiscal year ended June 30, 2012:

Table 2
Changes in Net Assets
Years Ended June 30, 2012 and 2011

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 40,862	\$ 55,982	\$ 2,875,705	\$ 2,653,193	\$ 2,916,567	\$ 2,709,175
Operating grants and contributions	1,443,440	838,604	-	-	1,443,440	838,604
Capital grants and contributions	27,043	85,000	85,796	247,277	112,839	332,277
Total program revenues	1,511,345	979,586	2,961,501	2,900,470	4,472,846	3,880,056
General revenues:						
General property taxes	538,464	560,335	-	-	538,464	560,335
Other local taxes	1,326,917	1,176,223	-	-	1,326,917	1,176,223
Intergovernmental, non-categorical aid	195,902	198,644	-	-	195,902	198,644
Use of money and property	81,329	77,000	-	-	81,329	77,000
Miscellaneous	17,505	52,583	33,535	29,979	51,040	82,562
Total general revenues	2,160,117	2,064,785	33,535	29,979	2,193,652	2,094,764
Total revenues	3,671,462	3,044,371	2,995,036	2,930,449	6,666,498	5,974,820
Expenses:						
General government administration	715,110	687,128	-	-	715,110	687,128
Public safety	861,318	796,247	-	-	861,318	796,247
Public works	2,101,001	1,170,542	-	-	2,101,001	1,170,542
Parks, recreation and cultural	428,657	448,454	-	-	428,657	448,454
Community and economic development	90,496	171,500	-	-	90,496	171,500
Interest	56,092	80,004	-	-	56,092	80,004
Water and sewer	-	-	2,474,727	2,285,051	2,474,727	2,285,051
Total expenses	4,252,674	3,353,875	2,474,727	2,285,051	6,727,401	5,638,926
Changes in net assets before transfers	(581,212)	(309,504)	520,309	645,398	(60,903)	335,894
Transfers	376,541	635,497	(376,541)	(635,497)	-	-
Change in net assets	(204,671)	325,993	143,768	9,901	(60,903)	335,894
Net assets, beginning	2,680,293	2,354,300	1,704,442	1,694,541	4,384,735	4,048,841
Net assets, ending	\$ 2,475,622	\$ 2,680,293	\$ 1,848,210	\$ 1,704,442	\$ 4,323,832	\$ 4,384,735

Business-Type Activity

The Town has one business-type activity, the *Water, Sewer and Sanitation Fund*, which is accounted for as an enterprise fund. For fiscal year 2012, total operating and non-operating revenues amounted to \$3.0 million, which is an increase of approximately \$65,000 from the prior fiscal year. Approximately 96.0% of water, sewer, and sanitation revenues come from monthly charges for service. Approximately 2.9% of revenues come from capital grants and contributions. The remaining 1.1% comes from penalties and connection/availability fees. Expenses amounted to \$2.5 million for fiscal year 2012. This is an increase of 8.4% from the previous year and is due to increases by the regional sewer authority as well as the removal of a water tank on Grove Street. Change in net assets before transfers was \$520,000 in fiscal year 2012 compared to \$645,000 in fiscal year 2011, a decrease of \$125,000 or \$174,000 since fiscal year 2010.

The water and sewer fund's net assets increased by approximately \$144,000 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 \$56,000 resulting in a balance of approximately \$483,000.

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, 2012, the unrestricted net assets for the enterprise fund totaled about \$166,000, which is an increase of approximately \$52,000 from the previous year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Overall, actual revenues were less than budgeted revenue by \$387,000. Expenditures were less than budgeted amounts by \$434,000, but it should be noted that a concentrated effort was made to reduce in-house expenditures as much as possible without affecting service to Town residents. Outside the Dinkel Avenue project there were almost no capital expenditures for 2012.

Capital Assets

Reflected 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 2012 except for the aforementioned Dinkel Avenue project. Capital asset additions for fiscal year 2012 totaled approximately \$230,000. Overall, capital net assets decreased in fiscal year 2012 for two reasons. First, a relatively small amount of money was devoted to capital improvements in 2012. Second, depreciation and amortization is subtracted from the overall total.

Table 3
Changes in Capital Assets
Years Ended June 30, 2012 and 2011

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Capital assets not being depreciated or amortized:						
Land and easements	\$ 1,885,435	\$ 1,885,435	\$ 4,600	\$ 4,600	\$ 1,890,035	\$ 1,890,035
Construction in progress	5,530	-	-	-	5,530	-
Total capital assets not being depreciated or amortized	1,890,965	1,885,435	4,600	4,600	1,895,565	1,890,035
Capital assets being depreciated or amortized:						
Buildings and improvements	2,013,640	2,013,640	889,632	889,632	2,903,272	2,903,272
Distribution and collection system	-	-	2,447,770	2,447,770	2,447,770	2,447,770
Equipment	843,791	801,147	1,363,104	1,263,002	2,206,895	2,064,149
Software	43,137	43,137	-	-	43,137	43,137
Infrastructure	523,050	499,744	-	-	523,050	499,744
Vehicles	389,186	380,960	672,341	646,247	1,061,527	1,027,207
Total capital assets being depreciated or amortized	3,812,804	3,738,628	5,372,847	5,246,651	9,185,651	8,985,279
Less accumulated depreciation and amortization:						
Buildings and improvements	826,539	757,995	709,194	690,451	1,535,733	1,448,446
Distribution and collection system	-	-	1,422,962	1,365,211	1,422,962	1,365,211
Equipment	665,540	617,840	786,677	724,479	1,452,217	1,342,319
Software	43,137	38,471	-	-	43,137	38,471
Infrastructure	117,696	100,649	-	-	117,696	100,649
Vehicles	316,203	302,589	529,689	448,968	845,892	751,557
Total accumulated depreciation or amortization	1,969,115	1,817,544	3,448,522	3,229,109	5,417,637	5,046,653
Total capital assets being depreciated or amortized, net	1,843,689	1,921,084	1,924,325	2,017,542	3,768,014	3,938,626
Capital assets, net	\$ 3,734,654	\$ 3,806,519	\$ 1,928,925	\$ 2,022,142	\$ 5,663,579	\$ 5,828,661

Long-Term Debt

As of June 30, 2012, the Town's long-term liabilities, exclusive of compensated absences and other postemployment benefits, totaled \$1.6 million for governmental activities. Additionally, \$246,000 of debt, exclusive of compensated absences and other post-employment benefits, is shown in the business-type activity category. The Town's maximum legal debt margin permitted by the Commonwealth of Virginia is approximately \$39.8 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, 2012 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	\$398,090,260	\$1,535,800	0.0039	\$272

The net bonded debt increased approximately \$170,000 which works out to an increase in debt per capita of \$30.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Here are some factors to consider in the fiscal year 2013 budget.

- Real Estate and Personal Property tax rates will remain the same.
- The water and sewer rates have increased 3.16% which is our standard cost-of-living or COLA annual increase.
- A 1% increase in *Meals Tax* that will match the City of Harrisonburg's rate of 6%.
- A new *Cigarette Tax* of ten cents per pack has been implemented.
- The assessed value of real estate increased approximately 1% in fiscal year 2012. It is important to note that \$190 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 \$152,000 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, 2012

	Primary Government		
	Governmental Activities	Business-type Activity	Totals
ASSETS			
Cash, cash equivalents and temporary cash investments	\$ 327,082	\$ -	\$ 327,082
Receivables, net:			
Property taxes	157,341	-	157,341
Trade and other accounts	75,154	414,596	489,750
Interest	110	-	110
Due from other governments	276,402	-	276,402
Restricted cash	500,004	-	500,004
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	523,050	-	523,050
Distribution and collection systems	-	2,447,770	2,447,770
Equipment	843,791	1,363,104	2,206,895
Software	43,137	-	43,137
Vehicles	389,186	672,341	1,061,527
Construction in progress	5,530	-	5,530
Less: accumulated depreciation and amortization	(1,969,115)	(3,448,522)	(5,417,637)
Total assets	5,070,747	2,343,521	7,414,268
LIABILITIES			
Accounts payable	48,906	29,726	78,632
Accrued payroll and benefits	63,151	26,096	89,247
Accrued interest	15,848	2,899	18,747
Unearned revenue	701,871	-	701,871
Deferred revenue	-	112,000	112,000
Customer deposits	-	29,150	29,150
Noncurrent liabilities:			
Due within one year:			
Bonds payable	240,051	85,225	325,276
Notes payable	10,300	23,279	33,579
Compensated absences	76,697	38,053	114,750
Due in more than one year:			
Bonds payable	1,295,749	113,975	1,409,724
Notes payable	10,620	24,000	34,620
Compensated absences	49,838	10,908	60,746
Other postemployment benefits	82,094	-	82,094
Total liabilities	2,595,125	495,311	3,090,436
NET ASSETS			
Invested in capital assets, net of related debt	2,177,934	1,682,446	3,860,380
Restricted:			
Nonexpendable trust principal	6,000	-	6,000
Cemetery maintenance	16,884	-	16,884
Unrestricted	274,804	165,764	440,568
Total net assets	\$ 2,475,622	\$ 1,848,210	\$ 4,323,832

See Notes to Financial Statements.

TOWN OF BRIDGEWATER, VIRGINIA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

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	\$ 715,110	\$ -	\$ -	\$ -	\$ (715,110)	\$ -	\$ (715,110)
Public safety	861,318	40,862	183,947	15,390	(621,119)	-	(621,119)
Public works	2,101,001	-	1,259,493	11,653	(829,855)	-	(829,855)
Parks, recreation and cultural	428,657	-	-	-	(428,657)	-	(428,657)
Community and economic development	90,496	-	-	-	(90,496)	-	(90,496)
Interest	56,092	-	-	-	(56,092)	-	(56,092)
Total governmental activities	4,252,674	40,862	1,443,440	27,043	(2,741,329)	-	(2,741,329)
Business-type activity:							
Water, sewer and sanitation	2,474,727	2,875,705	-	85,796	-	486,774	486,774
Total business-type activity	2,474,727	2,875,705	-	85,796	-	486,774	486,774
Total primary government	\$ 6,727,401	\$ 2,916,567	\$ 1,443,440	\$ 112,839	(2,741,329)	486,774	(2,254,555)
General Revenues:							
Taxes:							
General property taxes					538,464	-	538,464
Other local taxes:							
Consumer utility					393,629	-	393,629
Meals					347,099	-	347,099
Local sales and use					168,211	-	168,211
Business license					199,905	-	199,905
Other					218,073	-	218,073
Intergovernmental, non-categorical aid					195,902	-	195,902
Use of money and property					81,329	-	81,329
Miscellaneous					17,505	33,535	51,040
Transfers					376,541	(376,541)	-
Total general revenues and transfers, net					2,536,658	(343,006)	2,193,652
Change in net assets					(204,671)	143,768	(60,903)
Net assets, beginning					2,680,293	1,704,442	4,384,735
Net assets, ending					\$ 2,475,622	\$ 1,848,210	\$ 4,323,832

See Notes to Financial Statements.

TOWN OF BRIDGEWATER, VIRGINIA

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2012

	General	Permanent Fund Greenwood Cemetery Trust Fund	Total Governmental Funds
ASSETS			
Cash, cash equivalents and temporary cash investments	\$ 327,082	\$ -	\$ 327,082
Receivables, net of allowances for uncollectible amounts			
Property taxes	157,341	-	157,341
Trade and other accounts	75,154	-	75,154
Interest	-	110	110
Due from other governments	276,402	-	276,402
Restricted cash	477,230	22,774	500,004
Total assets	\$ 1,313,209	\$ 22,884	\$ 1,336,093
LIABILITIES			
Accounts payable	\$ 48,906	\$ -	\$ 48,906
Accrued payroll and benefits	63,151	-	63,151
Deferred revenue	707,871	-	707,871
Total liabilities	819,928	-	819,928
FUND BALANCES			
Nonspendable: Permanent fund principal	-	6,000	6,000
Restricted: Cemetery maintenance	-	16,884	16,884
Committed to: Parking agreement	10,000	-	10,000
Unassigned	483,281	-	483,281
Total fund balances	493,281	22,884	516,165
Total liabilities and fund balances	\$ 1,313,209	\$ 22,884	\$ 1,336,093

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, 2012

	Governmental Funds	
Total fund balances - governmental funds	\$	516,165
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	\$	5,703,769
Less: accumulated depreciation and amortization		(1,969,115)
Net capital assets		3,734,654
Deferred revenue represents amounts that were not available to fund current expenditures and, therefore, is not reported as revenue in the governmental funds.		
		6,000
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	(1,535,800)	
Note	(20,920)	
Compensated absences	(126,535)	
Interest payable	(15,848)	
Other postemployment benefits	(82,094)	
		(1,781,197)
Net assets of governmental activities	\$	2,475,622

See Notes to Financial Statements.

TOWN OF BRIDGEWATER, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year Ended June 30, 2012**

	General	Permanent Fund Greenwood Cemetery Trust Fund	Total Governmental Funds
Revenues:			
General property taxes	\$ 541,464	\$ -	\$ 541,464
Other local taxes	1,326,917	-	1,326,917
Permits	3,425	-	3,425
Fines and forfeitures	37,437	-	37,437
Use of money and property	81,219	110	81,329
Miscellaneous	17,505	-	17,505
Intergovernmental	1,639,342	-	1,639,342
Total revenues	3,647,309	110	3,647,419
Expenditures:			
Current:			
General government administration	674,207	-	674,207
Public safety	835,013	-	835,013
Public works	2,090,014	-	2,090,014
Parks, recreation and cultural	389,595	-	389,595
Community and economic development	90,406	-	90,406
Debt service:			
Principal	230,266	-	230,266
Interest	48,618	-	48,618
Total expenditures	4,358,119	-	4,358,119
Revenues over (under) expenditures	(710,810)	110	(710,700)
Other financing sources:			
Issuance of debt	390,000	-	390,000
Transfers in	376,541	-	376,541
Total other financing sources	766,541	-	766,541
Net change in fund balances	55,731	110	55,841
Fund balances, beginning	437,550	22,774	460,324
Fund balances, ending	\$ 493,281	\$ 22,884	\$ 516,165

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, 2012**

	Governmental Funds	
Net change in fund balance - total governmental funds	\$ 55,841	
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	\$ 76,643	
Less: depreciation and amortization expense	<u>(170,755)</u>	
Excess of depreciation and amortization over capital outlays		(94,112)
The net effect of transactions involving capital assets (i.e. disposals, donations, and transfers) is to increase net assets		22,247
Revenues in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the governmental funds.		
Change in deferred revenue		(3,000)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
Debt issued:		
General obligation bonds	(390,000)	
Principal repayments:		
General obligation bonds and note payable	<u>230,266</u>	
		(159,734)
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	(7,474)	
Change in compensated absences	5,576	
Change in postemployment benefits	<u>(24,015)</u>	
		<u>(25,913)</u>
Change in net assets of governmental activities	\$	<u>(204,671)</u>

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, 2012

	General Fund			Variance with Final Budget Over (Under)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues:				
General property taxes	\$ 504,000	\$ 504,000	\$ 541,464	\$ 37,464
Other local taxes	1,233,000	1,233,000	1,326,917	93,917
Permits	5,000	5,000	3,425	(1,575)
Fines and forfeitures	50,000	50,000	37,437	(12,563)
Use of money and property	90,000	90,000	81,219	(8,781)
Miscellaneous	8,000	8,000	17,505	9,505
Intergovernmental	2,144,000	2,144,000	1,639,342	(504,658)
Total revenues	4,034,000	4,034,000	3,647,309	(386,691)
Expenditures:				
Current:				
General government administration	654,000	654,000	674,207	20,207
Public safety	771,000	771,000	835,013	64,013
Public works	2,533,000	2,592,560	2,090,014	(502,546)
Parks, recreation and cultural	405,000	405,000	389,595	(15,405)
Community and economic development	137,000	137,000	90,406	(46,594)
Debt service:				
Principal	186,000	186,000	230,266	44,266
Interest	47,000	47,000	48,618	1,618
Total expenditures	4,733,000	4,792,560	4,358,119	(434,441)
Revenues under expenditures	(699,000)	(758,560)	(710,810)	47,750
Other financing sources:				
Issuance of debt	190,000	190,000	390,000	200,000
Transfers in	-	-	376,541	376,541
Total other financing sources	190,000	190,000	766,541	576,541
Net change in fund balance	\$ (509,000)	\$ (568,560)	55,731	\$ 624,291
Fund balance, beginning			437,550	
Fund balance, ending			\$ 493,281	

See Notes to Financial Statements.

TOWN OF BRIDGEWATER, VIRGINIA

**STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2012**

	Business-type Activity - Enterprise Fund Water, Sewer and Sanitation Fund
<hr/> ASSETS	
Current Assets:	
Accounts receivable, net of allowances for uncollectible amounts	\$ 414,596
Total current assets	<hr/> 414,596
Noncurrent Assets:	
Capital assets:	
Land	4,600
Buildings and improvements	889,632
Distribution and collection systems	2,447,770
Equipment	1,363,104
Vehicles	672,341
Total capital assets	<hr/> 5,377,447
Less: accumulated depreciation	<hr/> (3,448,522)
Total noncurrent assets	<hr/> 1,928,925
Total assets	<hr/> 2,343,521
<hr/> LIABILITIES	
Current liabilities:	
Accounts payable	29,726
Accrued payroll and benefits	26,096
Accrued interest	2,899
Compensated absences	38,053
Customer deposits	29,150
Deferred revenue	112,000
Bonds payable	85,225
Note payable	23,279
Total current liabilities	<hr/> 346,428
Noncurrent Liabilities:	
Compensated absences	10,908
Bonds payable	113,975
Note payable	24,000
Total noncurrent liabilities	<hr/> 148,883
Total liabilities	<hr/> 495,311
<hr/> NET ASSETS	
Invested in capital assets, net of related debt	1,682,446
Unrestricted	165,764
Total net assets	<hr/> \$ 1,848,210

See Notes to Financial Statements.

TOWN OF BRIDGEWATER, VIRGINIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2012

	Business-type Activity - Enterprise Fund Water, Sewer and Sanitation Fund
Operating revenues:	
Charges for services	\$ 2,866,783
Connection fees	8,922
Penalties	33,535
	<hr/>
Total operating revenues	2,909,240
	<hr/>
Operating expenses:	
Personal services	661,403
Fringe benefits	223,513
Materials, line repairs and other	532,910
Regional Sewer Authority assessment:	
Operations and maintenance	313,862
Debt service	508,651
Depreciation and amortization	219,413
	<hr/>
Total operating expenses	2,459,752
	<hr/>
Operating income	449,488
	<hr/>
Nonoperating revenue (expense):	
Interest expense	(14,975)
Connection availability fees	81,000
	<hr/>
Total nonoperating revenue, net	66,025
	<hr/>
Income before capital contributions and transfers	515,513
	<hr/>
Capital contributions	4,796
Transfers out	(376,541)
	<hr/>
Change in net assets	143,768
	<hr/>
Net assets, beginning	1,704,442
	<hr/>
Net assets, ending	\$ 1,848,210

See Notes to Financial Statements.

TOWN OF BRIDGEWATER, VIRGINIA

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

Year Ended June 30, 2012

	Business-type Activity - Enterprise Fund Water, Sewer and Sanitation Fund
Cash Flows From Operating Activities:	
Receipts from customers	\$ 2,854,258
Payments to suppliers for goods and services	(1,364,823)
Payments to employees for services	(870,585)
Net cash provided by operating activities	618,850
Cash Flows From Noncapital and Related Financing Activities:	
Transfers out	(376,541)
Cash Flows From Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(121,400)
Connection availability fees	81,000
Principal paid on:	
General obligation bonds	(129,825)
Capital lease	(32,380)
Note	(22,579)
Interest paid on outstanding debt	(17,125)
Net cash used in capital and related financing activities	(242,309)
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	\$ 449,488
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	219,413
Changes in operating accounts:	
Increase in accounts receivable	(47,591)
Decrease in deferred revenue	(8,000)
Increase in accounts payable and accrued expenses	5,540
Net cash provided by operating activities	\$ 618,850
Supplemental Disclosure of Noncash Capital Activities	
Net book value of contributions of capital assets from other funds	\$ 4,796

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 1st and January 1st, 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 320 hours of vacation. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The General Fund is responsible for paying the liability for compensated absences for general government employees and has been used in prior years to liquidate the governmental funds' liability.

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 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>\$ 487,698</u>

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 3. Receivables and Deferred Revenue

Receivables at June 30, 2012, including applicable allowances for uncollectible accounts, are as follows:

	General Fund	Permanent Fund	Enterprise Fund	Totals
Property taxes	\$ 168,341	\$ -	\$ -	\$ 168,341
Trade and other accounts	75,154	-	419,596	494,750
Interest	-	110	-	110
Gross receivables	243,495	110	419,596	663,201
Less allowance for uncollectible accounts	11,000	-	5,000	16,000
Net receivables	<u>\$ 232,495</u>	<u>\$ 110</u>	<u>\$ 414,596</u>	<u>\$ 647,201</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, 2012 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	\$ 6,000	\$ -
Advance collection of 2012-2013 taxes	-	7,171
Assessment due December 5, net of collections	-	149,842
Urban Construction Program funds	-	468,794
State Personal Property Tax Relief	-	5,623
Street and Highway Maintenance Funds	-	49,309
Other	-	21,132
	<u>\$ 6,000</u>	<u>\$ 701,871</u>

In 2008, the Town's Water, Sewer and Sanitation Fund received \$124,000 payment from a local developer for sewer connection fees associated with the development of a subdivision. Through the current fiscal year, connections in the amount of \$8,000 have been made and refunds in the amount of \$4,000 have been issued, thereby reducing the balance to \$112,000. 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	\$ 8,984
Enhancement	1,346
Commonwealth of Virginia:	
Local sales and communication tax	44,000
VDOT revenue sharing	222,072
	<u>\$ 276,402</u>

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2012 is as follows:

	Beginning Balance	Increases	Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated or amortized:				
Land	\$ 1,879,035	\$ -	\$ -	\$ 1,879,035
Land easements	6,400	-	-	6,400
Construction in progress	-	5,530	-	5,530
Total capital assets, not being depreciated or amortized	<u>1,885,435</u>	<u>5,530</u>	<u>-</u>	<u>1,890,965</u>
Capital assets being depreciated or amortized:				
Buildings and improvements	2,013,640	-	-	2,013,640
Equipment	801,147	42,644	-	843,791
Software	43,137	-	-	43,137
Infrastructure	499,744	23,306	-	523,050
Vehicles	380,960	32,206	(23,980)	389,186
Total capital assets being depreciated or amortized	<u>3,738,628</u>	<u>98,156</u>	<u>(23,980)</u>	<u>3,812,804</u>
Less accumulated depreciation or amortization for:				
Buildings and improvements	757,995	68,544	-	826,539
Equipment	617,840	47,700	-	665,540
Software	38,471	4,666	-	43,137
Infrastructure	100,649	17,047	-	117,696
Vehicles	302,589	32,798	(19,184)	316,203
Total accumulated depreciation or amortization	<u>1,817,544</u>	<u>170,755</u>	<u>(19,184)</u>	<u>1,969,115</u>
Total capital assets being depreciated or amortized, net	<u>1,921,084</u>	<u>(72,599)</u>	<u>(4,796)</u>	<u>1,843,689</u>
Governmental activities capital assets, net	<u>\$ 3,806,519</u>	<u>\$ (67,069)</u>	<u>\$ (4,796)</u>	<u>\$ 3,734,654</u>

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	\$	28,573
Public safety		55,801
Public works		43,318
Parks, recreation and cultural		43,063

Total depreciation and amortization expense – governmental activities	\$	170,755
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	Beginning Balance	Increases	Deletions	Ending Balance
Business-type activity:				
Capital assets, not being depreciated:				
Land	\$ 4,600	\$ -	\$ -	\$ 4,600
Total capital assets, not being depreciated	4,600	-	-	4,600
Capital assets being depreciated:				
Buildings and improvements	889,632	-	-	889,632
Distribution and collection systems	2,447,770	-	-	2,447,770
Equipment	1,263,002	100,102	-	1,363,104
Vehicles	646,247	26,094	-	672,341
Total capital assets being depreciated	5,246,651	126,196	-	5,372,847
Less accumulated depreciation for:				
Buildings and improvements	690,451	18,743	-	709,194
Distribution and collection systems	1,365,211	57,751	-	1,422,962
Equipment	724,479	62,198	-	786,677
Vehicles	448,968	80,721	-	529,689
Total accumulated depreciation	3,229,109	219,413	-	3,448,522
Total capital assets being depreciated, net	2,017,542	(93,217)	-	1,924,325
Business-type activity capital assets, net	\$ 2,022,142	\$ (93,217)	\$ -	\$ 1,928,925

Depreciation expense was charged to functions/programs as follows:

Business-type activity:

Water	\$	110,010
Sewer		61,622
Sanitation		47,781

Total depreciation expense – business-type activity	\$	219,413
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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	\$ 1,366,075	\$ 390,000	\$ (220,275)	\$ 1,535,800	\$ 240,051
Note	30,911	-	(9,991)	20,920	10,300
	1,396,986	390,000	(230,266)	1,556,720	250,351
Compensated absences	132,111	68,980	(74,556)	126,535	76,697
Governmental activities long-term liabilities	\$ 1,529,097	\$ 458,980	\$ (304,822)	\$ 1,683,255	\$ 327,048

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
2013	\$ 240,051	\$ 43,289	\$ 10,300	\$ 649
2014	201,465	36,041	10,620	329
2015	176,894	29,834	-	-
2016	132,139	23,986	-	-
2017	133,676	21,265	-	-
2018-2022	303,017	75,795	-	-
2023-2027	348,558	30,251	-	-
	\$ 1,535,800	\$ 260,461	\$ 20,920	\$ 978

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% \$ 62,050

\$825,000 general obligation bond, series 1995, issued May 1995, due in annual installments of \$41,250 to \$46,250 through May 2015, plus interest payable quarterly at 6.05% 128,750

\$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% 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 2011, due in annual installments of \$49,770 to \$73,670 through December 2026, plus interest payable annually at 2.84% \$ 915,000

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

Total General Obligation Bonds \$ 1,535,800

Note Payable

\$50,000 note payable issued October 2008, due in annual installments of \$10,300 and \$10,620, plus interest at 3.10% \$ 20,920

The \$50,000 note payable is 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.

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

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

The 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	\$ 329,025	\$ -	\$ (129,825)	\$ 199,200	\$ 85,225
Capital lease	32,380	-	(32,380)	-	-
Note	69,858	-	(22,579)	47,279	23,279
	<u>431,263</u>	<u>-</u>	<u>(184,784)</u>	<u>246,479</u>	<u>108,504</u>
Compensated absences	40,726	46,288	(38,053)	48,961	38,053
Business-type activity long-term liabilities	<u>\$ 471,989</u>	<u>\$ 46,288</u>	<u>\$ (222,837)</u>	<u>\$ 295,440</u>	<u>\$ 146,557</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		Note Payable	
	Principal	Interest	Principal	Interest
2013	\$ 85,225	\$ 8,013	\$ 23,279	\$ 1,466
2014	85,225	4,511	24,000	744
2015	28,750	6,739	-	-
	<u>\$ 199,200</u>	<u>\$ 19,263</u>	<u>\$ 47,279</u>	<u>\$ 2,210</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%

\$ 102,950

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

96,250

Total General Obligation Bonds

\$ 199,200

Note Payable

\$113,000 note payable, issued October 2008, due in annual installments of \$23,279 and \$24,000 through October 2013, including interest at 3.10%

\$ 47,279

At June 30, 2012, the Town had a legal debt margin of \$39,809,026.

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

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

The Town obtained an unsecured line of credit on September 15, 2010 in the amount of \$250,000 which bears interest at a variable rate (3.25% at June 30, 2012). There was no outstanding balance as of June 30, 2012. The line of credit matures September 2015.

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 five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and 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 most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2011-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 2012 was 12.21% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2012, the Town's annual pension cost of \$223,988 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, 2010	\$ 207,861	100%	\$ -
June 30, 2011	218,159	100%	-
June 30, 2012	223,988	100%	-

The fiscal year 2012 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 payrolls 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, 2011, the most recent actuarial valuation date, the plan was 84.50% funded. The actuarial accrued liability for benefits was \$6,849,360, and the actuarial value of assets was \$5,787,478, resulting in a UAAL of \$1,061,882. The covered payroll (annual payroll of active employees covered by the plan) was \$1,774,399, and ratio of the UAAL to the covered payroll was 59.84%.

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 \$17,300 and the annual benefit cost was \$41,315. The percentage of OPEB cost contributed was 41.89%.

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, 2012, the Town has recorded a liability of \$82,094 on the Statement of Net Assets.

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Other Postemployment Benefits (Continued)

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)	\$	41,000
Interest on net OPEB obligation		2,323
Adjustment to ARC		(2,008)
Annual OPEB cost		<u>41,315</u>
Estimated contributions made		<u>(17,300)</u>
Increase in net OPEB		24,015
Net OPEB obligation, beginning of year		<u>58,079</u>
Net OPEB obligation, end of year	\$	<u>82,094</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
June 30, 2012	41,315	41.9%	82,094

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.

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Other Postemployment Benefits (Continued)

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 \$376,541 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. The bonds currently outstanding total \$28,848,147. 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 \$9,655,000. 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 \$32,011,849.

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 \$309,000, \$38,000, and \$505,000, 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, 2012, water and sewer revenue from these customers was approximately \$1,139,000. There are accounts receivable from these customers of approximately \$99,000 at June 30, 2012.

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. Pending GASB Statements

At June 30, 2012, 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.

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

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

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 14. Pending GASB Statements (Continued)

GASB Statement No. 67, *Financial Reporting for Pension Plans*, an amendment of GASB Statement No. 25, will improve financial reporting by state and local government pension plans. Statement No. 67 will be effective for fiscal years beginning after June 15, 2013.

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

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, 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%
June 30, 2011	5,787,478	6,849,360	1,061,882	84.50%	1,774,399	59.84%

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	18.92%
June 30, 2011	39,500	12,480	31.59%
June 30, 2012	41,000	17,300	42.20%

SUPPLEMENTARY SCHEDULES

TOWN OF BRIDGEWATER, VIRGINIA

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

Year Ended June 30, 2012

(With Comparative Amounts for 2011)

	2012	2011
Revenues:		
General property taxes	\$ 541,464	\$ 558,335
Other local taxes	1,326,917	1,176,223
Permits	3,425	4,144
Fines and forfeitures	37,437	51,838
Use of money and property	81,219	75,866
Miscellaneous	17,505	52,583
Intergovernmental	1,639,342	1,037,248
Total revenues	3,647,309	2,956,237
Expenditures:		
Current:		
General government administration	674,207	646,078
Public safety	835,013	725,534
Public works	2,090,014	1,127,277
Parks, recreation and cultural	389,595	400,891
Community and economic development	90,406	170,291
Debt service:		
Principal	230,266	229,965
Interest	48,618	83,262
Total expenditures	4,358,119	3,383,298
Revenues under expenditures	(710,810)	(427,061)
Other financing sources:		
Issuance of debt	390,000	-
Transfers in	376,541	635,497
Total other financing sources	766,541	635,497
Net change in fund balance	55,731	208,436
Fund balance, beginning	437,550	229,114
Fund balance, ending	\$ 493,281	\$ 437,550

GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2012

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	\$ 316,939	\$ 6,939
Personal property taxes	130,000	130,000	149,530	19,530
Machinery and tools tax	55,000	55,000	66,190	11,190
Public service corporations property taxes	4,000	4,000	4,760	760
Interest and penalties on delinquent taxes	5,000	5,000	4,045	(955)
Total general property taxes	504,000	504,000	541,464	37,464
Other local taxes:				
Local sales and use taxes	170,000	170,000	168,211	(1,789)
Consumer utility taxes	327,000	327,000	393,629	66,629
Consumption taxes	25,000	25,000	24,594	(406)
Business license taxes	160,000	160,000	199,905	39,905
Motor vehicle taxes	82,000	82,000	84,915	2,915
Bank stock taxes	90,000	90,000	95,393	5,393
Meals taxes	363,000	363,000	347,099	(15,901)
Right-of-way use fee	16,000	16,000	13,171	(2,829)
Total other local taxes	1,233,000	1,233,000	1,326,917	93,917
Permits:				
Zoning, building and erosion	5,000	5,000	3,425	(1,575)
Fines and forfeitures	50,000	50,000	37,437	(12,563)
Use of money and property:				
Revenue from use of money	8,000	8,000	865	(7,135)
Revenue from use of property	82,000	82,000	80,354	(1,646)
Total revenue from use of money and property	90,000	90,000	81,219	(8,781)
Miscellaneous	8,000	8,000	17,505	9,505
Total revenue from local sources	1,890,000	1,890,000	2,007,967	117,967

GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2012

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over
	Original	Final		(Under)
Primary Government:				
General Fund:				
Intergovernmental:				
Town of Mt. Crawford:				
Public safety	\$	45,000	\$	45,000
	\$		\$	46,740
	\$		\$	1,740
Central Shenandoah Planning District Commission:				
Energy efficiency grant		-		-
			22,000	22,000
Total local aid		45,000	45,000	68,740
				23,740
Revenue from the Commonwealth:				
Non-categorical aid:				
Communication sales and use tax		100,000	100,000	91,677
				(8,323)
Personal property tax relief		102,000	102,000	104,204
				2,204
Rolling stock tax		-	-	21
				21
Total non-categorical aid		202,000	202,000	195,902
				(6,098)
Categorical aid:				
Litter control		3,000	3,000	2,389
				(611)
Law enforcement assistance		150,000	150,000	126,224
				(23,776)
Urban construction		500,000	500,000	83,255
				(416,745)
Virginia Department of Transportation revenue sharing project		20,000	20,000	222,072
				202,072
Transportation enhancement		645,000	645,000	-
				(645,000)
Street and highway maintenance		579,000	579,000	592,344
				13,344
Other		-	-	819
				819
Total categorical aid		1,897,000	1,897,000	1,027,103
				(869,897)
Total intergovernmental revenue from the Commonwealth		2,099,000	2,099,000	1,223,005
				(875,995)
Revenue from the federal government:				
Categorical aid:				
Local law enforcement block grant		-	-	1,000
				1,000
Highway safety		-	-	9,164
				9,164
ISTEA		-	-	4,413
				4,413
Urban construction		-	-	333,020
				333,020
Total intergovernmental revenue from the federal government		-	-	347,597
				347,597
Total intergovernmental revenue		2,144,000	2,144,000	1,639,342
				(504,658)
Total General Fund	\$	4,034,000	\$	4,034,000
	\$		\$	3,647,309
	\$		\$	(386,691)
				99

GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2012

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
General government administration:				
Legislative:				
Town Council:				
Personal services	\$ 28,000	\$ 28,000	\$ 28,055	\$ 55
Fringe benefits	2,000	2,000	2,146	146
Other charges	5,000	5,000	2,533	(2,467)
Total town council	35,000	35,000	32,734	(2,266)
Superintendent's office:				
Personal services	147,000	147,000	151,939	4,939
Fringe benefits	48,000	48,000	47,811	(189)
Other charges	12,000	12,000	2,425	(9,575)
Capital outlay	3,000	3,000	-	(3,000)
Contractual services	-	-	13,992	13,992
Total superintendent's office	210,000	210,000	216,167	6,167
Treasurer's office:				
Personal services	150,000	150,000	163,297	13,297
Fringe benefits	50,000	50,000	57,990	7,990
Other charges	16,000	16,000	5,214	(10,786)
Capital outlay	5,000	5,000	-	(5,000)
Contractual services	-	-	8,045	8,045
Total treasurer's office	221,000	221,000	234,546	13,546
Total legislative	466,000	466,000	483,447	17,447
General and financial administration:				
Legal	48,000	48,000	55,209	7,209
Independent auditor	35,000	35,000	37,850	2,850
Insurance and bonding	105,000	105,000	97,701	(7,299)
Total general and financial administration	188,000	188,000	190,760	2,760
Total general government administration	654,000	654,000	674,207	20,207

GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2012

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	\$ 457,000	\$ 457,000	\$ 530,858	\$ 73,858
Fringe benefits	151,000	151,000	153,466	2,466
Vehicle operation	26,000	26,000	33,337	7,337
Other charges	67,000	67,000	17,283	(49,717)
Capital outlay	40,000	40,000	33,951	(6,049)
Contractual services	-	-	36,118	36,118
Total law enforcement and traffic control	741,000	741,000	805,013	64,013
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	771,000	771,000	835,013	64,013
Public works:				
Public works department:				
Personal services	145,000	145,000	147,848	2,848
Fringe benefits	44,000	44,000	36,493	(7,507)
Other charges	18,000	18,000	2,574	(15,426)
Capital outlay	2,000	2,000	-	(2,000)
Contractual services	-	-	17,490	17,490
Total public works department	209,000	209,000	204,405	(4,595)

GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2012

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
Public works: (Continued)				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks:				
Personal services	\$ 170,000	\$ 170,000	\$ 140,246	\$ (29,754)
Fringe benefits	55,000	55,000	54,084	(916)
Other charges	90,000	90,000	38,926	(51,074)
Capital outlay	25,000	25,000	11,653	(13,347)
Contractual services	55,000	95,560	94,250	(1,310)
Street paving	195,000	195,000	224,104	29,104
Virginia Department of Transportation revenue sharing project	40,000	40,000	444,143	404,143
Urban construction program	470,000	470,000	416,275	(53,725)
T-21 project	806,000	806,000	-	(806,000)
Main street beautification	5,000	5,000	2,828	(2,172)
Total highways, streets, bridges and sidewalks	1,911,000	1,951,560	1,426,509	(525,051)
Street lights	71,000	71,000	78,904	7,904
Total maintenance of highways, streets, bridges and sidewalks	1,982,000	2,022,560	1,505,413	(517,147)
General properties:				
Personal services	180,000	180,000	206,460	26,460
Fringe benefits	56,000	56,000	62,266	6,266
Other charges	27,000	27,000	16,678	(10,322)
Capital outlay	10,000	29,000	24,310	(4,690)
Contractual services	69,000	69,000	70,482	1,482
Total general properties	342,000	361,000	380,196	19,196
Total public works	2,533,000	2,592,560	2,090,014	(502,546)

GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2012

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	\$ 195,538	\$ (29,462)
Fringe benefits	77,000	77,000	83,409	6,409
Other charges	48,000	48,000	57,634	9,634
Capital outlay	20,000	20,000	6,729	(13,271)
Contractual services	35,000	35,000	46,285	11,285
Total parks, recreation and cultural	405,000	405,000	389,595	(15,405)
Community and economic development:				
Community development:				
Personal services	25,000	25,000	20,172	(4,828)
Fringe benefits	12,000	12,000	10,348	(1,652)
Other charges	65,000	65,000	56,229	(8,771)
Contractual services	-	-	1,490	1,490
Total community development	102,000	102,000	88,239	(13,761)
Economic development:				
Personal services	1,500	1,500	25	(1,475)
Fringe benefits	500	500	2	(498)
Other charges	2,000	2,000	2,140	140
Capital outlay	30,000	30,000	-	(30,000)
Contractual services	1,000	1,000	-	(1,000)
Total economic development	35,000	35,000	2,167	(32,833)
Total community and economic development	137,000	137,000	90,406	(46,594)
Debt service:				
Principal	186,000	186,000	230,266	44,266
Interest	47,000	47,000	48,618	1,618
Total debt service	233,000	233,000	278,884	45,884
Total General Fund	\$ 4,733,000	\$ 4,792,560	\$ 4,358,119	\$ (434,441)

TOWN OF BRIDGEWATER, VIRGINIA

SCHEDULE OF CAPITAL OUTLAYS

Year Ended June 30, 2012

General Fund:

Public works:

Capital outlay:

Air conditioning systems	\$	18,780
Storm structures and pipes		11,653
Server		5,530
		<u>35,963</u>

Public safety:

Capital outlays:

License plate reader		2,180
In-car camera		3,075
Ford car		25,477
Additions to existing vehicle		3,219
		<u>33,951</u>

Parks, recreation and cultural:

Capital outlay:

GMC truck		<u>6,729</u>
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Total general fund

\$ 76,643

Water, Sewer and Sanitation Fund:

Water distribution:

Capital outlay:

Chevrolet truck	\$	<u>8,399</u>
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Water treatment:

Capital outlay:

Filter media and porcelain spheres		90,683
Oil boiler and atmospheric vent		9,419
		<u>100,102</u>

Sewer:

Capital outlay:

Ford Escape		<u>12,899</u>
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Total water, sewer and sanitation fund

\$ 121,400

TOWN OF BRIDGEWATER, VIRGINIA

SCHEDULE OF TAXES RECEIVABLE

June 30, 2012

(With Comparative Amounts for 2011)

	2012	2011
Taxes receivable: *		
General Fund:		
Real estate:		
2001	\$ -	\$ 78
2002	-	254
2003	211	296
2004	211	296
2005	211	296
2006	268	411
2007	499	642
2008	566	709
2009	633	1,328
2010	1,337	4,485
2011	3,450	4,490
2012	4,267	-
December billing for next fiscal year	149,842	149,697
	<u>161,495</u>	<u>162,982</u>
Personal property:		
2007	-	1,930
2008	2,050	2,124
2009	1,300	1,872
2010	1,055	2,187
2011	2,441	-
	<u>6,846</u>	<u>8,113</u>
Machinery and tools:		
2002	-	117
	<u>-</u>	<u>117</u>
Less:		
Allowance for uncollectible taxes	11,000	11,000
	<u>11,000</u>	<u>11,000</u>
Taxes receivable - General Fund	\$ 157,341	\$ 160,212

* Includes 10% penalty

TOWN OF BRIDGEWATER, VIRGINIA

**SCHEDULE OF REVENUES AND EXPENSES
PROPRIETARY FUND TYPE**

Year Ended June 30, 2012

	Water Department	Sewer Department	Sanitation Department	Totals
Operating revenues:				
Charges for services	\$ 880,389	\$ 1,539,235	\$ 447,159	\$ 2,866,783
Connection fees	5,030	3,892	-	8,922
Penalties	17,242	16,293	-	33,535
Total operating revenues	902,661	1,559,420	447,159	2,909,240
Operating expenses:				
Personal services	386,608	76,534	198,261	661,403
Fringe benefits	138,778	21,691	63,044	223,513
Materials, line repairs and other	306,788	45,417	180,705	532,910
Regional Sewer Authority assessment:				
Operations and maintenance	-	313,862	-	313,862
Debt service	-	508,651	-	508,651
Depreciation and amortization	110,010	61,622	47,781	219,413
Total operating expenses	942,184	1,027,777	489,791	2,459,752
Operating income (loss)	(39,523)	531,643	(42,632)	449,488
Nonoperating revenue (expense):				
Interest expense	(7,782)	(6,095)	(1,098)	(14,975)
Connection availability fees	25,000	56,000	-	81,000
Total nonoperating revenue (expense), net	17,218	49,905	(1,098)	66,025
Income (loss) before capital contributions and transfers	(22,305)	581,548	(43,730)	515,513
Capital contributions	-	4,796	-	4,796
Transfers out	(45,823)	(330,718)	-	(376,541)
Change in net assets	\$ (68,128)	\$ 255,626	\$ (43,730)	\$ 143,768

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, 2012

(With Comparative Totals for 2011)

	Water Department		Sewer Department		Totals (Memorandum Only)			
					2012	2011		
					Rate Per		Rate Per	
	Amount	1,000 Gallons	Amount	1,000 Gallons	Amount	1,000 Gallons	Amount	1,000 Gallons
Operating revenues:								
Charges for services	\$ 880,389	\$ 3.853	\$ 1,539,235	\$ 6.736	\$ 2,419,624	\$ 10.589	\$ 2,218,711	\$ 9.291
Connection fees	5,030	0.022	3,892	0.017	8,922	0.039	2,120	0.009
Penalties	17,242	0.075	16,293	0.071	33,535	0.146	29,979	0.126
Total operating revenues	902,661	3.950	1,559,420	6.824	2,462,081	10.774	2,250,810	9.426
Operating expenses:								
Personal services	386,608	1.692	76,534	0.335	463,142	2.027	428,724	1.796
Fringe benefits	138,778	0.607	21,691	0.095	160,469	0.702	159,614	0.668
Materials, line repairs and other	306,788	1.343	45,417	0.199	352,205	1.542	317,861	1.331
Regional Sewer Authority assessment:								
Operations and maintenance	-	-	313,862	1.374	313,862	1.374	298,308	1.249
Debt service	-	-	508,651	2.226	508,651	2.226	386,755	1.620
Construction	-	-	-	-	-	-	27,742	0.116
Depreciation and amortization	110,010	0.481	61,622	0.270	171,632	0.751	170,679	0.715
Total operating expenses	942,184	4.123	1,027,777	4.499	1,969,961	8.622	1,789,683	7.495
Operating income (loss)	(39,523)	(0.173)	531,643	2.325	492,120	2.152	461,127	1.931
Nonoperating revenue (expense):								
Interest expense	(7,782)	(0.034)	(6,095)	(0.027)	(13,877)	(0.061)	(20,539)	(0.086)
Loss on disposal of assets	-	-	-	-	-	-	(6,855)	-
Connection availability fees	25,000	0.109	56,000	0.245	81,000	0.354	247,277	1.035
Total nonoperating revenue, net	17,218	0.075	49,905	0.218	67,123	0.293	219,883	0.949
Income (loss) before capital contributions and transfers	\$ (22,305)	\$ (0.098)	\$ 581,548	\$ 2.543	\$ 559,243	\$ 2.445	\$ 681,010	\$ 2.880
Total water consumption:								
Thousands of gallons	228,499						238,808	

STATISTICAL SECTION

TOWN OF BRIDGEWATER, VIRGINIA

STATISTICAL SECTION

TABLE OF CONTENTS

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

Contents	Tables
Financial Trends	
These tables contain trend information to help the reader understand how the Town's financial performance and financial well being have changed over time.	1 - 5
Revenue Capacity	
These tables contain information to help the reader assess the Town's most significant local revenue sources, the property tax, as well as other revenue sources.	6 - 10
Debt Capacity	
These tables present information to help the reader assess the affordability of the Town's current level of outstanding debt and the Town's ability to issue additional debt in the future.	11 - 14
Demographic and Economic Information	
This table offers demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.	15
Operating Information	
This table contains service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.	16

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial report for the relevant year. 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 Nine Fiscal Years (1)

(accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	
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	\$ 2,177,934	
Restricted	17,483	17,750	18,331	19,073	20,107	20,896	21,640	22,774	22,884	
Unrestricted	327,294	575,015	717,842	449,082	255,937	(94,208)	76,087	247,986	274,804	
Total governmental activities net assets	\$ 1,807,080	\$ 2,055,852	\$ 2,299,324	\$ 2,046,270	\$ 2,040,607	\$ 2,070,708	\$ 2,354,300	\$ 2,680,293	\$ 2,475,622	
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	\$ 1,682,446	
Unrestricted	34,146	24,767	78,524	94,657	8,108	128,309	116,214	113,563	165,764	
Total business-type activities net assets	\$ 1,401,679	\$ 1,383,113	\$ 1,429,100	\$ 1,445,906	\$ 1,432,400	\$ 1,716,020	\$ 1,694,541	\$ 1,704,442	\$ 1,848,210	
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	\$ 3,860,380	
Restricted	17,483	17,750	18,331	19,073	20,107	20,896	21,640	22,774	22,884	
Unrestricted	361,440	599,782	796,366	543,739	264,045	34,101	192,301	361,549	440,568	
Total primary government net assets	\$ 3,208,759	\$ 3,438,965	\$ 3,728,424	\$ 3,492,176	\$ 3,473,007	\$ 3,786,728	\$ 4,048,841	\$ 4,384,735	\$ 4,323,832	

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

CHANGES IN NET ASSETS

Last Nine Fiscal Years (1)

(accrual basis of accounting)

(Unaudited)

Table 2

Page 1

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

TOWN OF BRIDGEWATER, VIRGINIA

CHANGES IN NET ASSETS (CONTINUED)

Last Nine Fiscal Years (1)

(accrual basis of accounting)

(Unaudited)

Table 2

Page 2

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

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 parentheses are net expenses indicating that expenses were greater than program revenues and, therefore, general revenues were needed to finance that function or program. Numbers without parentheses are net revenues, demonstrating that program
- (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 instead of other local taxes as previously reported.

TOWN OF BRIDGEWATER, VIRGINIA

Table 3

PROGRAM REVENUES BY FUNCTION/PROGRAM

Last Nine Fiscal Years (1)

(accrual basis of accounting)

(Unaudited)

Function/Program	Fiscal Year June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	
Governmental activities:										
General government administration	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 85,000	\$ -	
Public safety	211,317	204,590	210,143	209,714	196,126	331,728	240,207	249,179	240,199	
Public works	718,784	735,695	774,570	1,194,697	924,137	908,566	667,947	645,407	1,271,146	
Total governmental activities	930,101	940,285	984,713	1,404,411	1,120,263	1,240,294	908,154	979,586	1,511,345	
Business-type activities:										
Water, sewer and sanitation	1,807,512	1,933,713	1,958,077	1,974,730	2,238,155	2,785,807	2,821,753	2,900,470	2,961,501	
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	2,961,501	
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	\$ 4,472,846	

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.
- (3) During fiscal year 2011, the general government received a land donation from the Industrial Development Authority of the Town of Bridgewater for economic development purposes.

TOWN OF BRIDGEWATER, VIRGINIA

Table 4

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

		Fiscal Year June 30,				
		2003	2004	2005	2006	2007
General Fund:						
Reserved	\$	630,549	\$ 258,178	\$ 208,620	\$ 168,488	\$ 588,888
Unreserved		974,913	431,686	450,665	646,156	95,392
Total General Fund	\$	1,605,462	\$ 689,864	\$ 659,285	\$ 814,644	\$ 684,280
All Other Governmental Funds:						
Reserved	\$	17,313	\$ 17,483	\$ 17,750	\$ 18,331	\$ 19,073
Total all other governmental funds	\$	17,313	\$ 17,483	\$ 17,750	\$ 18,331	\$ 19,073

		Fiscal Year June 30,				
		2008	2009	2010	2011	2012
General Fund:						
Reserved	\$	14,836	\$ 45,305	\$ 11,817	\$ -	\$ -
Unreserved		362,480	(18,849)	217,297	-	-
Committed		-	-	-	10,000	10,000
Unassigned		-	-	-	427,550	483,281
Total General Fund	\$	377,316	\$ 26,456	\$ 229,114	\$ 437,550	\$ 493,281
All Other Governmental Funds:						
Reserved	\$	20,107	\$ 20,896	\$ 21,640	\$ -	\$ -
Nonspendable		-	-	-	6,000	6,000
Restricted		-	-	-	16,774	16,884
Total all other governmental funds	\$	20,107	\$ 20,896	\$ 21,640	\$ 22,774	\$ 22,884

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 year 2003, the amounts reflected on this table as equity from other governmental funds is from the Greenwood Cemetery Trust Fund.
- (2) In 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

Table 5
Page 1

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:										
General property taxes	\$ 487,816	\$ 480,863	\$ 535,390	\$ 624,574	\$ 605,368	\$ 600,321	\$ 585,737	\$ 556,891	\$ 558,335	\$ 541,464
Other local taxes	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	1,326,917
Permits	21,822	43,731	26,998	8,043	4,268	3,534	4,021	7,070	4,144	3,425
Fines and forfeitures	28,293	32,470	30,919	49,389	42,249	35,089	32,038	43,866	51,838	37,437
Use of money and property	56,691	57,584	47,554	60,472	102,577	97,698	89,428	88,035	77,000	81,329
Charges for services	501,557	235,850	242,819	254,808	316,297	355,450	-	-	-	-
Miscellaneous	83,295	63,635	53,222	12,550	14,393	36,564	31,159	22,238	52,583	17,505
Intergovernmental	684,519	726,041	740,247	784,269	1,149,377	828,758	1,189,848	936,567	1,037,248	1,639,342
Total revenues	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	3,647,419
Expenditures:										
General government administration	467,736	494,626	485,324	539,929	547,504	627,972	595,075	618,210	646,078	674,207
Public safety	522,558	626,388	578,050	607,560	668,459	763,730	714,718	730,825	725,534	835,013
Public works	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	2,090,014
Parks, recreation and cultural	313,327	467,961	482,409	421,087	535,619	505,561	429,787	356,422	400,891	389,595
Community and economic development	75,642	65,855	82,779	86,315	93,392	107,656	119,217	99,236	170,291	90,406
Debt service:										
Principal	188,119	191,718	374,345	165,051	167,945	281,183	220,275	229,674	229,965	230,266
Interest and fiscal charges	161,429	132,345	121,704	112,195	108,649	120,311	100,327	98,169	83,262	48,618
Total expenditures	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	4,358,119
Revenues under expenditures	(392,849)	(1,363,836)	(858,068)	(445,731)	(1,183,059)	(1,018,777)	(880,090)	(512,405)	(425,927)	(710,700)
Other financing sources (uses):										
Transfers in	429,069	410,483	677,756	516,090	490,437	712,847	480,019	715,807	635,497	376,541
Issuance of debt	400,000	-	150,000	85,000	563,000	-	50,000	-	-	390,000
Issuance of short-term debt	-	-	-	-	300,000	-	-	295,000	-	-
Payment of short-term debt	-	-	-	-	(300,000)	-	-	(295,000)	-	-
Proceeds of refunding bonds	-	310,250	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	(310,250)	-	-	-	-	-	-	-	-
Total other financing sources, net	829,069	410,483	827,756	601,090	1,053,437	712,847	530,019	715,807	635,497	766,541
Net change in fund balances	\$ 436,220	\$ (953,353)	\$ (30,312)	\$ 155,359	\$ (129,622)	\$ (305,930)	\$ (350,071)	\$ 203,402	\$ 209,570	\$ 55,841

TOWN OF BRIDGEWATER, VIRGINIA

Table 5

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Page 2

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt service as a percentage of noncapital expenditures:										
Total debt service	\$ 349,548	\$ 324,063	\$ 346,049	\$ 277,246	\$ 276,594	\$ 401,494	\$ 320,602	\$ 327,843	\$ 313,227	\$ 278,884
Total expenditures	\$ 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	\$ 4,358,119
Less: capital outlay	(121,052)	(600,786)	(191,962)	(165,868)	(446,863)	(215,429)	(389,155)	(68,265)	(7,657)	(76,643)
Noncapital expenditures	\$ 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	\$ 4,281,476
Debt service as a percentage of noncapital expenditures	11.24%	9.52%	10.16%	8.50%	6.70%	10.02%	8.82%	9.94%	9.28%	6.51%

Notes:

- (1) For the year 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 2012, 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 year 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
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
2012	541,464	393,629	24,594	168,211	95,393	-	347,099	13,171	199,905	84,915	-	1,868,381
Change 2003-2012	11.00%	24.68%	4.38%	30.98%	55.97%	-100.00%	83.52%	100.00%	49.79%	16.60%	0.00%	27.81%

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
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%
2012	392,261,009	5,829,251	189,573,100	587,663,360	398,090,260	0.82%	0.08	398,090,260	100.00%

Notes:

- (1) Real and personal property tax assessments are made by the Commissioner of the Revenue for the County of Rockingham, Virginia for current use of the County and Town property. Real and personal property taxes of public service corporations are assessed by the State Corporation Commission.
- (2) Town assesses taxes at 100% of total assessed value.
- (3) Reassessments effective January 1, 2006 and 2010.
- (4) The total direct tax rate is per \$100 of assessed value.

TOWN OF BRIDGEWATER, VIRGINIA

Table 8

**DIRECT AND OVERLAPPING PROPERTY TAX RATES
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year June 30,	Tax Rates - Town			Tax Rates - 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
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
2012	0.08	0.75	0.38	0.64	2.85	2.55	0.72	3.60	2.93

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	2012			2003		
	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	\$ 42,984,700	1	10.95%	\$ 26,131,500	1	10.27%
Tiben Limited Company (Marshall's)	19,607,300	2	5.00%	17,842,700	2	7.01%
Perdue Farms, Inc.	9,578,200	3	2.44%	10,004,000	3	3.93%
French, Larry B. and Pamela S.	3,787,700	4	0.96%	1,461,900	6	0.57%
Heatwole Construction	2,909,700	5	0.74%	-	-	-
Parkside, LLC	2,671,300	6	0.68%	-	-	-
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	0.39%	1,919,500	5	0.75%
Bridgewater Division of Ethan Allen	-		-	4,221,100	4	1.66%
Scarlet Maple Farms	-		-	1,384,200	7	0.54%
Padgett Manufacturing	-		-	1,222,000	8	0.48%
Shickel Machine Shop	-		-	1,138,900	9	0.45%
Rockingham Co-op Farm Bureau, Inc.	-		-	1,146,100	10	0.45%
Total	\$ 88,601,900		22.57%	\$ 66,471,900		26.11%

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
2003	\$ 233,899	\$ 232,536	99.42%	\$ 1,257	\$ 233,793	99.95%
2004	237,263	234,954	99.03%	2,098	237,052	99.91%
2005	242,033	239,911	99.12%	1,911	241,822	99.91%
2006	264,883	261,948	98.89%	2,696	264,644	99.91%
2007	297,141	295,905	99.58%	853	296,758	99.87%
2008	299,908	293,160	97.75%	6,249	299,409	99.83%
2009	303,025	298,634	98.55%	3,758	302,392	99.79%
2010	307,056	302,094	98.38%	3,977	306,071	99.68%
2011	312,031	305,715	97.98%	4,293	310,008	99.35%
2012	314,036	309,769	98.64%	-	309,769	98.64%

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
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	1.38%	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
2012	1,535,800	20,920	-	199,200	47,279	-	1,803,199	N/A	319	1,535,800	0.39%	272

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, 2012****(Unaudited)**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Rockingham County, Virginia	\$ 116,177,405	4.57%	\$ 5,309,307
Town Direct Debt			<u>1,556,720</u>
Total direct and overlapping debt			<u><u>\$ 6,866,027</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,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Legal debt margin	\$ 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	\$ 39,809,026
Total net debt applicable to limit	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	1,556,720
Available legal debt margin	<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>	<u>\$ 38,252,306</u>
Total net debt applicable to the limit as a percentage of debt limit	10.18%	9.29%	8.27%	6.55%	6.58%	4.79%	4.02%	4.20%	3.54%	3.91%
Legal debt margin calculation for fiscal year 2012:										
Assessed value of real estate			<u>\$ 398,090,260</u>		Summary of outstanding debt:					
					Gross bonded debt and lease		\$ 1,803,199			
					Less: enterprise debt		<u>246,479</u>			
Debt limit (10% of assessed value)			\$ 39,809,026							
Debt applicable to limit:								<u>\$ 1,556,720</u>		
Net direct debt outstanding			<u>1,556,720</u>							
Available legal debt margin			<u>\$ 38,252,306</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	
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
2012	2,990,240	2,240,339	749,901	129,825	14,975	144,800	5.18

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
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	165,044,420	30,451	6.3%
2011	5,644	(4)	(4)	5.6%
2012	5,644	(4)	(4)	5.1%

Notes:

(1) Population estimates obtained from the United States Bureau of the Census for years 2003 through 2012.

(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 2003 through 2009 from the Virginia Employment Commission - Harrisonburg/Rockingham County Branch; 2010 through 2012 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,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	9	9	9	9	9	9	9
Building inspections	1	1	1	-	-	-	-	-	-	-
Public works:										
Public works department	3	3	3	3	3	4	4	3	3	3
Maintenance	6	7	6	6	6	6	6	6	7	6
General properties	6	6	6	6	6	6	5	5	5	5
Parks, recreation and cultural	5	5	4	4	4	4	4	4	4	4
Water, Sewer and Sanitation:										
Administration	1	1	1	1	1	1	1	1	1	1
Transmission	6	6	6	6	6	6	6	6	6	5
Purification	4	4	5	6	6	5	5	5	5	5
Sewer maintenance	3	3	2	2	2	2	2	2	2	2
Sanitation	2	2	2	2	5	5	5	5	5	5
Total	50	51	49	50	53	53	52	52	52	50

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, 2012, and have issued our report thereon dated October 16, 2012. 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

Management of the Town is responsible for establishing and maintaining effective 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 2012-01, 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 2012-02.

We noted certain matters that we reported to management of the Town in a separate letter dated October 16, 2012.

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 16, 2012

TOWN OF BRIDGWATER, VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2012

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

2012-01 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

2012-02 Statements of Economic Interest

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

Management's Response

Effective October 28, 2011, the following policy was in effect regarding financial disclosure forms.

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

