

TOWN OF BRIDGEWATER, VIRGINIA
SINGLE AUDIT AND COMPLIANCE REPORTS
YEAR ENDED JUNE 30, 2025



ASSURANCE, TAX & ADVISORY SERVICES

TOWN OF BRIDGEWATER, VIRGINIA

TABLE OF CONTENTS

Schedule of Expenditures of Federal Awards	1
Notes to the Schedule of Expenditures of Federal Awards	2
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 <i>GOVERNMENT AUDITING STANDARDS</i>	3 - 4
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE	5 - 7
Schedule of Finding and Questioned Costs	8 - 9
Corrective Action Plan	10
Summary Schedule of Prior Audit Findings	11

TOWN OF BRIDGEWATER, VIRGINIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2025**

Federal Grantor/ Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number) / Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
DEPARTMENT OF JUSTICE:				
<u>Pass-through payments:</u>				
Virginia Department of Criminal Justice Services:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	15PBJA-21-GG-00258-MUMU	\$ -	<u>\$ 56,250</u>
Total Department of Justice				<u>56,250</u>
Pass-through payments:				
Virginia Department of Transportation:				
Highway Planning and Construction	20.205	UPC 121208/UPC 125449/UPC 122967/UPC 121209/UPC 125448	-	<u>29,760</u>
Virginia DMV:				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	69A3752300004020VA0	-	<u>10,821</u>
Total Highway Safety Cluster				<u>10,821</u>
Total U.S. Department of Transportation				<u>40,581</u>
U.S. DEPARTMENT OF THE TREASURY:				
Pass-through Payments:				
Virginia Department of Treasury:				
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027	Not Provided	-	<u>663,703</u>
Total U.S. Department of the Treasury				<u>663,703</u>
ENVIRONMENTAL PROTECTION AGENCY				
Pass-through payments:				
Chesapeake Bay Trust:				
Chesapeake Bay Program CBIG, CBRAP and Monitoring Grants	66.964	Award Number 22233	-	<u>12,709</u>
Total Environmental Protection Agency				<u>12,709</u>
Total Expenditures of Federal Awards				<u>\$ 773,243</u>

TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2025

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Town of Bridgewater, Virginia (Town) under programs of the federal government for the year ended June 30, 2025. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Town.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The Town has elected to not use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, the remaining fund information, and the budgetary comparison of the General Fund of the Town of Bridgewater, Virginia (Town) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 27, 2025.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying Schedule of Finding and Response as item 2025-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

The Town's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Town's response to the finding identified in our audit and described in the accompanying Schedule of Finding and Response. The Town's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

PBMares, LLP

Harrisonburg, Virginia
October 27, 2025



**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE
FOR THE MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
AND REPORT ON SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the Town of Bridgewater, Virginia’s (Town) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Town’s major federal program for the year ended June 30, 2025. The Town’s major federal program is identified in the summary of auditor’s results section of the accompanying Schedule of Finding and Questioned Costs.

In our opinion, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Town’s major federal program for the year ended June 30, 2025.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Town’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Town's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town's compliance with the requirements of the federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Town's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, the remaining fund information, and the budgetary comparison of the General Fund of the Town, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We issued our report thereon dated October 27, 2025, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Uniform Guidance and is 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

PBMares, LLP

Harrisonburg, Virginia
December 5, 2025

SCHEDULE OF FINDING AND QUESTIONED COSTS

Year Ended June 30, 2025

Section I. SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weaknesses identified?

 Yes √ No

Significant deficiencies identified?

 √ Yes None Reported

Noncompliance material to financial statements noted?

 Yes √ No

Federal Awards

Internal control over major federal program:

Material weaknesses identified?

 Yes √ No

Significant deficiencies identified?

 Yes √ None Reported

Type of auditor’s report issued on compliance for the major federal program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?

 Yes √ No

Identification of major federal program:

Federal Assistance Listing Number	Name of Federal Program or Cluster
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between type A and type B programs \$750,000

Auditee qualified as low-risk auditee?

 √ Yes No

SCHEDULE OF FINDING AND QUESTIONED COSTS
Year Ended June 30, 2025

Section II. FINANCIAL STATEMENT FINDING

A. Significant Deficiency in Internal Control

2025-001: Significant Deficiency Due to Significant Audit Adjustments

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

Condition: Upon auditing the Town’s year-end balances, audit entries were required to properly record year-end balances related to leases, subscriptions, pension, and OPEB.

Management provides information for year-end adjustments and management is provided all year-end audit entries, which are verified by management and posted to the Town’s general ledger.

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

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

Recommendation: The Treasurer could consider taking training courses related to pension, OPEB and lease accounting to enhance technical skills to comply with GAAP in these accounting areas.

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

Section III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None



CORRECTIVE ACTION PLAN

Year Ended June 30, 2025

FINANCIAL STATEMENT FINDING

A. Significant Deficiency in Internal Control

Identifying Number: 2025-001 Significant Deficiency Due to Significant Audit Adjustments

Finding: Upon auditing the Town's year-end balances, entries were required to properly record year-end balances related to leases, subscriptions, pension, and OPEB.

Corrective Action Taken or Planned: The Treasurer will strive to educate herself more on the necessary auditing principles needed to make entries related to leases, pension, and OPEB. For the record, this deficiency does not represent negligence on the part of the Treasurer. As noted in Section II (A) of the "Schedule of Findings and Questioned Costs," it has been our policy to allow auditors to propose certain closing journal entries, but we acknowledge the need to develop the skillset in house.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDING

Year Ended June 30, 2025

FINANCIAL STATEMENT FINDING

A. Significant Deficiency in Internal Control

Identifying Number: 2024-001 Significant Deficiency Due to Significant Audit Adjustments

Finding: Upon auditing the Town's year-end balances, entries were required to properly record year-end balances related to leases, subscriptions, pension, and OPEB.

Corrective Action Taken: The Treasurer will strive to educate herself more on the necessary auditing principles needed to make entries related to leases, pension, and OPEB. For the record, this deficiency does not represent negligence on the part of the Treasurer. As noted in Section II (A) of the "Schedule of Findings and Questioned Costs," it has been our policy to allow auditors to propose certain closing journal entries, but we acknowledge the need to develop the skillset in house.