

**TOWN OF BRIDGEWATER, VIRGINIA**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2014**

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, 2014**

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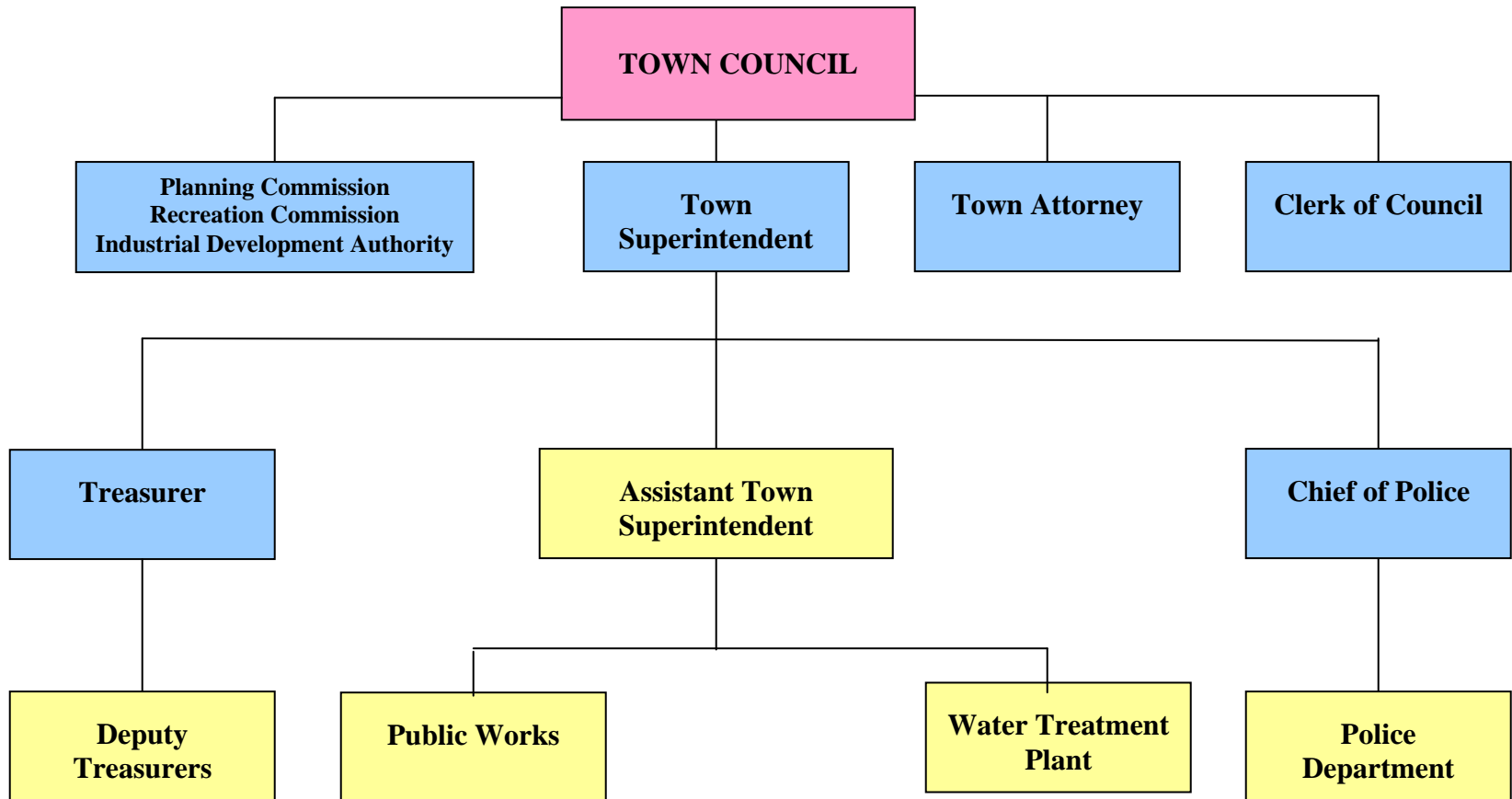
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## **INTRODUCTORY SECTION**

# TABLE OF ORGANIZATION

## Town of Bridgewater, Virginia



COLOR LEGEND	
	Elected
	Appointed by Council
	Hired by Superintendent

**TOWN OF BRIDGEWATER, VIRGINIA**

*Directory of Principal Officials*

***OFFICIALS***

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

***MEMBERS OF COUNCIL***

A. Fontaine Canada	William D. Miracle
Theodore W. Flory	Steven A Schofield
Dillina W. Stickley	

***INDUSTRIAL DEVELOPMENT AUTHORITY  
BOARD MEMBERS***

Patrick "Red" Haile (Chair)	Wesley W. Griffin
Joseph S. Harter (Vice Chair)	James Harper
Betsy Putney (Secretary)	Myron D. Rummel
Donna Barber	Debbie Snider

## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Bridgewater, Virginia (Town), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the remaining aggregate fund information of the Town, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis and the required supplementary information on pages 6–11 and 55, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying schedules listed in the table of contents as supplementary schedules, introductory section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2014 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

UPB Mares, LLP

Harrisonburg, Virginia  
November 3, 2014

## **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, 2014.

### **FINANCIAL HIGHLIGHTS**

Total assets of the Town exceeded total liabilities and deferred inflows of resources at June 30, 2014 by approximately \$4.8 million (net position). Of the total net position, approximately \$654,000 was unrestricted.

The Town's total net position increased approximately \$142,000 from the previous year.

As of June 30, 2014, the Town's governmental funds had combined ending fund balances of approximately \$764,000, an increase of approximately \$246,000 in comparison with the prior year.

The Town's total long-term liabilities increased approximately \$270,000 during fiscal year 2014 due to a new debt issuance for the construction of a new water tank.

### Overview of the Financial Statements

This Comprehensive Annual Financial Report consists of four sections: introductory, financial, statistical, and compliance. The financial section has four components: management's discussion and analysis (this section), the basic financial statements, the required supplementary information, and supplementary schedules. The basic financial statements include the government-wide financial statements, fund financial statements, and notes to financial statements.

### Government-wide Financial Statements

The government-wide financial statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies.

The first government-wide statement, the Statement of Net Position, presents information on all of the Town's assets, liabilities, and deferred inflows of resources with the difference between the three reported as net position. This statement provides both long-term and short-term information. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial health of the Town is improving or declining. In addition, nonfinancial factors, such as a change in the Town's real estate assessment values or the condition of the Town's facilities and infrastructure, should be considered in assessing the overall financial health of the Town.

The government-wide financial statements include not only the Town of Bridgewater, Virginia (known as the primary government), but also a legally separate Industrial Development Authority. Financial information for the component unit is reported separately from the financial information presented for the primary government.

## Statement of Net Position

For the most recently concluded fiscal year, the Town's assets exceeded its liabilities by \$4.8 million. Most of this total, approximately 86%, is classified as "net investment in capital assets." This reflects the Town's investment in capital assets (e.g., land, easements, infrastructure, buildings, improvements, machinery and equipment, software, and construction in progress), less any related debt still outstanding on those assets. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets would not likely be used to liquidate these liabilities.

Of the total net position, 13.7% 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 8.3% of total net position classified as "unrestricted." This is an increase of nearly \$267,000 over last year.

The following table presents a condensed statement of net position:

**Table 1**  
**Summary Statement of Net Position**  
**June 30, 2014 and 2013**

	Governmental Activities		Business-type Activity		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 1,618,172	\$ 1,352,745	\$ 435,847	\$ 398,364	\$ 2,054,019	\$ 1,751,109
Capital assets	3,647,245	3,736,048	2,069,662	1,861,016	5,716,907	5,597,064
<b>Total assets</b>	<b>5,265,417</b>	<b>5,088,793</b>	<b>2,505,509</b>	<b>2,259,380</b>	<b>7,770,926</b>	<b>7,348,173</b>
Current and other liabilities	689,354	844,562	206,221	201,814	895,575	1,046,376
Long-term liabilities	1,313,886	1,506,306	612,952	150,531	1,926,838	1,656,837
<b>Total liabilities</b>	<b>2,003,240</b>	<b>2,350,868</b>	<b>819,173</b>	<b>352,345</b>	<b>2,822,413</b>	<b>2,703,213</b>
Deferred inflows of resources	161,638	-	-	-	161,638	-
<b>Total deferred inflows of resources</b>	<b>161,638</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>161,638</b>	<b>-</b>
Net investment in capital assets	2,599,041	2,471,324	1,510,862	1,763,316	4,109,903	4,234,640
Restricted net assets	22,884	22,884	-	-	22,884	22,884
Unrestricted net assets	478,614	243,717	175,474	143,719	654,088	387,436
<b>Total net position</b>	<b>\$ 3,100,539</b>	<b>\$ 2,737,925</b>	<b>\$ 1,686,336</b>	<b>\$ 1,907,035</b>	<b>\$ 4,786,875</b>	<b>\$ 4,644,960</b>

## Statement of Activities

### Governmental Activities

**Revenues:** For the fiscal year ended June 30, 2014, revenue from governmental activities totaled \$3.2 million. Sources of revenue are comprised of many different types with taxes constituting the largest source of Town revenues in this category. In addition to real estate taxes, the Town assesses other local taxes and fees including consumer utility taxes, bank stock taxes, business license (BPOL) fees, meals tax and the Town's share of the local sales tax. In addition to taxes, the Town receives intergovernmental revenues, donations from private citizens and some revenue from renting property, such as the Doug Will Tennis Courts and space on water towers to telecommunications companies.

**Expenses:** Expenses for governmental activities, including interest on debt service, totaled \$3.5 million. As the table below indicates, Public Works and Public Safety, which together comprise about 61% of expenses, continue to be the Town's two largest functions in the category of governmental activities.

The following table summarizes the changes in net position for the Town for the fiscal year ended June 30, 2014:

**Table 2**  
**Changes in Net Position**  
**Years Ended June 30, 2014 and 2013**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues						
Charges for services	\$ 42,796	\$ 45,819	\$ 3,014,344	\$ 2,944,344	\$ 3,057,140	\$ 2,990,163
Operating grants and contributions	827,902	854,307	-	-	827,902	854,307
Capital grants and contributions	-	18,544	67,500	54,000	67,500	72,544
<b>Total program revenues</b>	<b>870,698</b>	<b>918,670</b>	<b>3,081,844</b>	<b>2,998,344</b>	<b>3,952,542</b>	<b>3,917,014</b>
General revenues:						
General property taxes	554,897	506,468	-	-	554,897	506,468
Other local taxes	1,453,313	1,489,603	-	-	1,453,313	1,489,603
Intergovernmental, non-categorical aid	191,976	198,768	-	-	191,976	198,768
Use of money and property	90,455	68,678	-	-	90,455	68,678
Miscellaneous	32,980	20,335	42,706	36,923	75,686	57,258
<b>Total general revenues</b>	<b>2,323,621</b>	<b>2,283,852</b>	<b>42,706</b>	<b>36,923</b>	<b>2,366,327</b>	<b>2,320,775</b>
<b>Total revenues</b>	<b>3,194,319</b>	<b>3,202,522</b>	<b>3,124,550</b>	<b>3,035,267</b>	<b>6,318,869</b>	<b>6,237,789</b>
Expenses:						
General government administration	765,232	709,603	-	-	765,232	709,603
Public safety	833,948	826,648	-	-	833,948	826,648
Public works	1,298,405	1,302,538	-	-	1,298,405	1,302,538
Parks, recreation and cultural	482,013	426,733	-	-	482,013	426,733
Community and economic development	101,847	111,075	-	-	101,847	111,075
Interest	32,738	39,946	-	-	32,738	39,946
Water, sewer, and sanitation	-	-	2,592,145	2,500,118	2,592,145	2,500,118
Stormwater management	-	-	70,626	-	70,626	-
<b>Total expenses</b>	<b>3,514,183</b>	<b>3,416,543</b>	<b>2,662,771</b>	<b>2,500,118</b>	<b>6,176,954</b>	<b>5,916,661</b>
<b>Changes in net position before transfers</b>	<b>(319,864)</b>	<b>(214,021)</b>	<b>461,779</b>	<b>535,149</b>	<b>141,915</b>	<b>321,128</b>
Transfers	682,478	476,324	(682,478)	(476,324)	-	-
<b>Change in net position</b>	<b>362,614</b>	<b>262,303</b>	<b>(220,699)</b>	<b>58,825</b>	<b>141,915</b>	<b>321,128</b>
Net position, beginning	2,737,925	2,475,622	1,907,035	1,848,210	4,644,960	4,323,832
Net position, ending	<b>\$ 3,100,539</b>	<b>\$ 2,737,925</b>	<b>\$ 1,686,336</b>	<b>\$ 1,907,035</b>	<b>\$ 4,786,875</b>	<b>\$ 4,644,960</b>

### Business-Type Activity

The Town has two business-type activities, the *Water, Sewer and Sanitation Fund* as well as a newly implemented *Stormwater Management Fund*. These are accounted for as enterprise funds. For fiscal year 2014, total operating and non-operating revenues amounted to \$3.1 million, which is an increase of approximately \$89,000 from the prior fiscal year. Approximately 96.4% of water, sewer, sanitation and stormwater revenues come from charges for service. Approximately 2.2% of revenues come from capital grants and contributions. The remaining 1.4% comes from penalties and connection/availability fees.

Expenses amounted to \$2.7 million for fiscal year 2014. This is an increase of 6.5% from the previous year and is due primarily to increases by the regional sewer authority. Change in net position before transfers was \$462,000 in fiscal year 2014 compared to \$535,000 in fiscal year 2013, a decrease of \$73,000.

The business-type activities' net position decreased by approximately \$221,000 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 \$246,000 resulting in a balance of approximately \$731,000.

**Proprietary funds** - The Town's *Enterprise Funds*, which are 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, 2014, the unrestricted net position for the enterprise funds totaled about \$175,000, which is an increase of approximately \$32,000 from the previous year.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Overall, actual revenues were less than budgeted revenue by \$645,000 largely due to transportation enhancement grants that were not received in the current year. Expenditures were less than budgeted amounts by \$876,000, but it should be noted that a concentrated effort was made to reduce expenditures as much as possible without affecting service to Town residents.

### **CAPITAL ASSETS**

Reflected in Table 3, *Changes in Capital Assets*, net capital asset balances have increased from the previous year. Capital asset additions for fiscal year 2014 totaled approximately \$467,000. The increase can be attributed largely to the construction progress on the new water storage tank.

**Table 3**  
**Changes in Capital Assets**  
**Years Ended June 30, 2014 and 2013**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Capital assets not being depreciated						
Land and easements	\$ 1,961,169	\$ 1,961,169	\$ 4,600	\$ 4,600	\$ 1,965,769	\$ 1,965,769
Construction in progress	16,368	-	370,579	7,882	386,947	7,882
<b>Total capital assets not being depreciated or amortized</b>	<b>1,977,537</b>	<b>1,961,169</b>	<b>375,179</b>	<b>12,482</b>	<b>2,352,716</b>	<b>1,973,651</b>
Capital assets being depreciated:						
Buildings and improvements	2,072,839	2,072,839	889,632	889,632	2,962,471	2,962,471
Distribution and collection system	-	-	2,485,740	2,485,740	2,485,740	2,485,740
Equipment	885,502	872,062	1,453,925	1,434,772	2,339,427	2,306,834
Software	43,137	43,137	-	-	43,137	43,137
Infrastructure	523,050	523,050	-	-	523,050	523,050
Vehicles	416,764	395,571	714,208	700,133	1,130,972	1,095,704
<b>Total capital assets being depreciated or amortized</b>	<b>3,941,292</b>	<b>3,906,659</b>	<b>5,543,505</b>	<b>5,510,277</b>	<b>9,484,797</b>	<b>9,416,936</b>
Less accumulated depreciation and amortization:						
Buildings and improvements	968,228	896,762	746,681	727,938	1,714,909	1,624,700
Distribution and collection system	-	-	1,536,960	1,479,763	1,536,960	1,479,763
Equipment	746,453	711,380	918,979	846,091	1,665,432	1,557,471
Software	43,137	43,137	-	-	43,137	43,137
Infrastructure	152,566	135,131	-	-	152,566	135,131
Vehicles	361,200	345,370	646,402	607,951	1,007,602	953,321
<b>Total accumulated depreciation or amortization</b>	<b>2,271,584</b>	<b>2,131,780</b>	<b>3,849,022</b>	<b>3,661,743</b>	<b>6,120,606</b>	<b>5,793,523</b>
<b>Total capital assets being depreciated or amortized, net</b>	<b>1,669,708</b>	<b>1,774,879</b>	<b>1,694,483</b>	<b>1,848,534</b>	<b>3,364,191</b>	<b>3,623,413</b>
Capital assets, net	<b>\$ 3,647,245</b>	<b>\$ 3,736,048</b>	<b>\$ 2,069,662</b>	<b>\$ 1,861,016</b>	<b>\$ 5,716,907</b>	<b>\$ 5,597,064</b>

## LONG-TERM DEBT

As of June 30, 2014, the Town's long-term liabilities, exclusive of compensated absences and other postemployment benefits, totaled \$1.048 million for governmental activities. Additionally, \$559,000 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 \$41.2 million, which is computed based on 10% of the assessed value of real estate subject to taxation less applicable outstanding bonded debt.

The ratio of net bonded debt to assessed valuation and the amount of bonded debt per capita are useful indicators of the Town's debt position. Data for the Town at June 30, 2014 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
5879	\$411,577,573	\$1,048,204	.0025	\$178

The net bonded debt decreased approximately \$217,000, which correlates to a decrease in debt per capita of \$46.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Here are some factors to consider in the fiscal year 2015 budget.

- Utilities (water, sewer, refuse, recycling, stormwater) increase 1.5% in budget.
- Water storage tank expenses - This project started in Fiscal Year 2014, but will be completed in the current fiscal year.
- Generations Park - Construction of this facility will begin in Fiscal Year 2015 with an expected cost of approximately \$1.3 million and financed by debt issued in Fiscal Year 2015.
- Oakwood Drive improvements

### **CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Town Superintendent or the Town Treasurer at 201 Green Street, Bridgewater, Virginia 22812.



## **BASIC FINANCIAL STATEMENTS**

**TOWN OF BRIDGEWATER, VIRGINIA**

**STATEMENT OF NET POSITION  
June 30, 2014**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Totals	Industrial Development Authority
<b>ASSETS</b>				
Cash, cash equivalents and temporary cash investments	\$ 828,690	\$ -	\$ 828,690	\$ 26,265
Receivables, net:				
Property taxes	168,893	-	168,893	-
Trade and other accounts	75,640	435,847	511,487	-
Interest	110	-	110	-
Due from other governments	43,566	-	43,566	-
Restricted cash	501,273	-	501,273	-
Capital assets:				
Land	1,954,769	4,600	1,959,369	79,747
Land easements	6,400	-	6,400	-
Buildings and improvements	2,072,839	889,632	2,962,471	-
Infrastructure	523,050	-	523,050	-
Distribution and collection systems	-	2,485,740	2,485,740	-
Equipment	885,502	1,453,925	2,339,427	-
Software	43,137	-	43,137	-
Vehicles	416,764	714,208	1,130,972	-
Construction in progress	16,368	370,579	386,947	-
Less: accumulated depreciation and amortization	(2,271,584)	(3,849,022)	(6,120,606)	-
<b>Total assets</b>	<b>5,265,417</b>	<b>2,505,509</b>	<b>7,770,926</b>	<b>106,012</b>
<b>LIABILITIES</b>				
Accounts payable	43,314	44,452	87,766	-
Accrued payroll and benefits	71,602	31,305	102,907	-
Accrued interest	11,848	3,539	15,387	-
Unearned revenue	562,590	98,000	660,590	5,693
Customer deposits	-	28,925	28,925	-
Noncurrent liabilities:				
Due within one year:				
Capital lease	-	8,800	8,800	-
Bonds payable	130,644	55,000	185,644	-
Compensated absences	82,335	32,491	114,826	-
Due in more than one year:				
Bonds payable	917,560	495,000	1,412,560	-
Compensated absences	54,890	21,661	76,551	-
Other postemployment benefits	128,457	-	128,457	-
<b>Total liabilities</b>	<b>2,003,240</b>	<b>819,173</b>	<b>2,822,413</b>	<b>5,693</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	161,638	-	161,638	-
<b>NET POSITION</b>				
Net investment in capital assets	2,599,041	1,510,862	4,109,903	79,747
Restricted:				
Nonexpendable trust principal	6,000	-	6,000	-
Cemetery maintenance	16,884	-	16,884	-
Unrestricted	478,614	175,474	654,088	20,572
<b>Total net position</b>	<b>\$ 3,100,539</b>	<b>\$ 1,686,336</b>	<b>\$ 4,786,875</b>	<b>\$ 100,319</b>

See Notes to Financial Statements.

**TOWN OF BRIDGEWATER, VIRGINIA**

**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2014**

Entity/Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Industrial Development Authority
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Totals	
<b>Primary Government:</b>								
Governmental activities:								
General government administrati	\$ 765,232	\$ -	\$ -	\$ -	\$ (765,232)	\$ -	\$ (765,232)	\$ -
Public safety	833,948	42,796	174,442	-	(616,710)	-	(616,710)	-
Public works	1,298,405	-	653,460	-	(644,945)	-	(644,945)	-
Parks, recreation and cultural	482,013	-	-	-	(482,013)	-	(482,013)	-
Community and economic developmen	101,847	-	-	-	(101,847)	-	(101,847)	-
Interest	32,738	-	-	-	(32,738)	-	(32,738)	-
<b>Total governmental activities</b>	<b>3,514,183</b>	<b>42,796</b>	<b>827,902</b>	<b>-</b>	<b>(2,643,485)</b>	<b>-</b>	<b>(2,643,485)</b>	<b>-</b>
Business-type activities:								
Water, sewer and sanitation	2,592,145	2,935,832	-	67,500	-	411,187	411,187	-
Stormwater management	70,626	78,512	-	-	-	7,886	7,886	-
<b>Total business-type activities</b>	<b>2,662,771</b>	<b>3,014,344</b>	<b>-</b>	<b>67,500</b>	<b>-</b>	<b>419,073</b>	<b>419,073</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 6,176,954</b>	<b>\$ 3,057,140</b>	<b>\$ 827,902</b>	<b>\$ 67,500</b>	<b>(2,643,485)</b>	<b>419,073</b>	<b>(2,224,412)</b>	<b>-</b>
<b>Component Unit:</b>								
Industrial Development Authority	\$ 3,646	\$ 12,750	\$ -	\$ -	-	-	-	9,104
<b>General Revenues:</b>								
Taxes:								
General property taxes					554,897	-	554,897	-
Other local taxes:								
Consumer utility					385,779	-	385,779	-
Meals					446,307	-	446,307	-
Local sales and use					160,076	-	160,076	-
Business license					217,335	-	217,335	-
Other					243,816	-	243,816	-
Intergovernmental, non-categorical aid					191,976	-	191,976	-
Use of money and property					90,455	-	90,455	431
Miscellaneous					32,980	42,706	75,686	-
Transfers					682,478	(682,478)	-	-
<b>Total general revenues and transfers, net</b>					<b>3,006,099</b>	<b>(639,772)</b>	<b>2,366,327</b>	<b>431</b>
<b>Change in net position</b>					<b>362,614</b>	<b>(220,699)</b>	<b>141,915</b>	<b>9,535</b>
Net position, beginning					2,737,925	1,907,035	4,644,960	90,784
Net position, ending					<b>\$ 3,100,539</b>	<b>\$ 1,686,336</b>	<b>\$ 4,786,875</b>	<b>\$ 100,319</b>

See Notes to Financial Statements.

**TOWN OF BRIDGEWATER, VIRGINIA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2014**

	General	Permanent Fund <u>Greenwood Cemetery Trust Fund</u>	Total Governmental Funds
<b>ASSETS</b>			
Cash, cash equivalents and temporary cash investments	\$ 828,690	\$ -	\$ 828,690
Receivables, net of allowances for uncollectible amounts			
Property taxes	168,893	-	168,893
Trade and other accounts	75,640	-	75,640
Interest	-	110	110
Due from other governments	43,566	-	43,566
Restricted cash	478,499	22,774	501,273
<b>Total assets</b>	<b>\$ 1,595,288</b>	<b>\$ 22,884</b>	<b>\$ 1,618,172</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 43,314	\$ -	\$ 43,314
Accrued payroll and benefits	71,602	-	71,602
Unearned revenue	562,590	-	562,590
<b>Total liabilities</b>	<b>677,506</b>	<b>-</b>	<b>677,506</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	176,638	-	176,638
<b>Total deferred inflows of resources</b>	<b>176,638</b>	<b>-</b>	<b>176,638</b>
<b>FUND BALANCES</b>			
Nonspendable: Permanent fund principal	-	6,000	6,000
Restricted: Cemetery maintenance	-	16,884	16,884
Committed: Parking agreement	10,000	-	10,000
Unassigned	731,144	-	731,144
<b>Total fund balances</b>	<b>741,144</b>	<b>22,884</b>	<b>764,028</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,595,288</b>	<b>\$ 22,884</b>	<b>\$ 1,618,172</b>

**TOWN OF BRIDGEWATER, VIRGINIA**

**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
June 30, 2014**

	Governmental Funds
Total fund balances - governmental funds	\$ 764,028
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	
Governmental capital assets	\$ 5,918,829
Less: accumulated depreciation and amortization	<u>(2,271,584)</u>
Net capital assets	3,647,245
Other long-term assets are not available to fund current expenditures and, therefore, are reported as unavailable revenue in the governmental funds.	
	15,000
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	(1,048,204)
Compensated absences	(137,225)
Interest payable	(11,848)
Other postemployment benefits	<u>(128,457)</u>
	<u>(1,325,734)</u>
<b>Net position of governmental activities</b>	<b>\$ 3,100,539</b>

**TOWN OF BRIDGEWATER, VIRGINIA**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2014**

	General	Permanent Fund Greenwood Cemetery Trust Fund	Total Governmental Funds
<b>Revenues:</b>			
General property taxes	\$ 542,897	\$ -	\$ 542,897
Other local taxes	1,453,313	-	1,453,313
Permits	3,078	-	3,078
Fines and forfeitures	39,718	-	39,718
Use of money and property	90,455	-	90,455
Miscellaneous	32,980	-	32,980
Intergovernmental	1,019,878	-	1,019,878
<b>Total revenues</b>	<b>3,182,319</b>	<b>-</b>	<b>3,182,319</b>
<b>Expenditures:</b>			
<b>Current:</b>			
General government administration	734,129	-	734,129
Public safety	825,896	-	825,896
Public works	1,245,008	-	1,245,008
Parks, recreation and cultural	445,772	-	445,772
Community and economic development	117,737	-	117,737
<b>Debt service:</b>			
Principal	216,520	-	216,520
Interest	34,135	-	34,135
<b>Total expenditures</b>	<b>3,619,197</b>	<b>-</b>	<b>3,619,197</b>
<b>Revenues under expenditures</b>	<b>(436,878)</b>	<b>-</b>	<b>(436,878)</b>
<b>Other financing sources:</b>			
Transfers in	682,478	-	682,478
<b>Total other financing sources</b>	<b>682,478</b>	<b>-</b>	<b>682,478</b>
<b>Net change in fund balances</b>	<b>245,600</b>	<b>-</b>	<b>245,600</b>
Fund balances, beginning	495,544	22,884	518,428
Fund balances, ending	\$ 741,144	\$ 22,884	\$ 764,028

**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, 2014**

	Governmental Funds
Net change in fund balance - total governmental funds	\$ 245,600
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	\$ 60,365
Less: depreciation and amortization expense	<u>(147,566)</u>
Excess of depreciation and amortization over capital outlays	(87,201)
The net effect of transactions involving capital assets (i.e. disposals, donations, and transfers) is to decrease net position	(1,602)
Revenues in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the governmental funds.	12,000
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	
Principal repayments:	
General obligation bonds and note payable	216,520
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	1,397
Change in compensated absences	1,064
Change in postemployment benefits	<u>(25,164)</u>
	<u>(22,703)</u>
<b>Change in net position of governmental activities</b>	<b>\$ <u>362,614</u></b>

**TOWN OF BRIDGEWATER, VIRGINIA**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
Year Ended June 30, 2014**

	General Fund			Variance with Final Budget Over (Under)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
<b>Revenues:</b>				
General property taxes	\$ 508,000	\$ 508,000	\$ 542,897	\$ 34,897
Other local taxes	1,409,000	1,409,000	1,453,313	44,313
Permits	4,000	4,000	3,078	(922)
Fines and forfeitures	39,000	39,000	39,718	718
Use of money and property	74,000	74,000	90,455	16,455
Charges for services	65,000	65,000	-	(65,000)
Miscellaneous	7,000	7,000	32,980	25,980
Intergovernmental	1,721,000	1,721,000	1,019,878	(701,122)
<b>Total revenues</b>	<b>3,827,000</b>	<b>3,827,000</b>	<b>3,182,319</b>	<b>(644,681)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government administration	683,500	683,500	734,129	50,629
Public safety	785,000	785,000	825,896	40,896
Public works	2,141,000	2,141,000	1,245,008	(895,992)
Parks, recreation and cultural	433,000	433,000	445,772	12,772
Stormwater management	65,500	65,500	-	(65,500)
Community and economic development	111,000	111,000	117,737	6,737
<b>Debt service:</b>				
Principal	246,000	246,000	216,520	(29,480)
Interest	30,000	30,000	34,135	4,135
<b>Total expenditures</b>	<b>4,495,000</b>	<b>4,495,000</b>	<b>3,619,197</b>	<b>(875,803)</b>
<b>Revenues under expenditures</b>	<b>(668,000)</b>	<b>(668,000)</b>	<b>(436,878)</b>	<b>231,122</b>
<b>Other financing sources:</b>				
Issuance of debt	325,000	325,000	-	(325,000)
Transfers in	-	-	682,478	682,478
<b>Total other financing sources</b>	<b>325,000</b>	<b>325,000</b>	<b>682,478</b>	<b>357,478</b>
<b>Net change in fund balance</b>	<b>\$ (343,000)</b>	<b>\$ (343,000)</b>	<b>245,600</b>	<b>\$ 588,600</b>
Fund balance, beginning			495,544	
Fund balance, ending			\$ 741,144	



**TOWN OF BRIDGEWATER, VIRGINIA**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2014**

	Business-type Activity - Enterprise Fund Water, Sewer and Sanitation Fund	Non-major Business-type Activity - Stormwater Management Fund	Total Business-type Activities
<b>ASSETS</b>			
Current Assets:			
Accounts receivable, net of allowances for uncollectible amounts	\$ 426,330	\$ 9,517	\$ 435,847
<b>Total current assets</b>	<b>426,330</b>	<b>9,517</b>	<b>435,847</b>
Noncurrent Assets:			
Capital assets:			
Land	4,600	-	4,600
Buildings and improvements	889,632	-	889,632
Distribution and collection systems	2,485,740	-	2,485,740
Equipment	1,453,925	-	1,453,925
Vehicles	714,208	-	714,208
Construction in progress	370,579	-	370,579
<b>Total capital assets</b>	<b>5,918,684</b>	<b>-</b>	<b>5,918,684</b>
Less: accumulated depreciation	(3,849,022)	-	(3,849,022)
<b>Total noncurrent assets</b>	<b>2,069,662</b>	<b>-</b>	<b>2,069,662</b>
<b>Total assets</b>	<b>2,495,992</b>	<b>9,517</b>	<b>2,505,509</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	42,963	1,489	44,452
Accrued payroll and benefits	30,254	1,051	31,305
Accrued interest	3,539	-	3,539
Compensated absences	32,491	-	32,491
Customer deposits	28,925	-	28,925
Unearned revenue	98,000	-	98,000
Capital lease payable	8,800	-	8,800
Bonds payable	55,000	-	55,000
<b>Total current liabilities</b>	<b>299,972</b>	<b>2,540</b>	<b>302,512</b>
Noncurrent Liabilities:			
Bonds payable	495,000	-	495,000
Compensated absences	21,661	-	21,661
<b>Total noncurrent liabilities</b>	<b>516,661</b>	<b>-</b>	<b>516,661</b>
<b>Total liabilities</b>	<b>816,633</b>	<b>2,540</b>	<b>819,173</b>
<b>NET POSITION</b>			
Net investment in capital assets	1,510,862	-	1,510,862
Unrestricted	168,497	6,977	175,474
<b>Total net position</b>	<b>\$ 1,679,359</b>	<b>\$ 6,977</b>	<b>\$ 1,686,336</b>

**TOWN OF BRIDGEWATER, VIRGINIA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 PROPRIETARY FUNDS  
 Year Ended June 30, 2014**

	Business-type Activity - Enterprise Fund Water, Sewer and Sanitation Fund	Non-major Business-type Activity - Stormwater Management Fund	Total Business-type Activities
Operating revenues:			
Charges for services	\$ 2,935,270	\$ 78,512	\$ 3,013,782
Connection fees	562	-	562
Penalties	42,706	-	42,706
<b>Total operating revenues</b>	<b>2,978,538</b>	<b>78,512</b>	<b>3,057,050</b>
Operating expenses:			
Personal services	674,873	47,938	722,811
Fringe benefits	257,245	17,136	274,381
Materials, line repairs and other	531,558	5,552	537,110
Regional Sewer Authority assessment:			
Operations and maintenance	371,632	-	371,632
Debt service	503,947	-	503,947
Construction	47,676	-	47,676
Depreciation	194,958	-	194,958
<b>Total operating expenses</b>	<b>2,581,889</b>	<b>70,626</b>	<b>2,652,515</b>
<b>Operating income</b>	<b>396,649</b>	<b>7,886</b>	<b>404,535</b>
Nonoperating revenue (expense):			
Interest expense	(7,184)	-	(7,184)
Loss on disposal of assets	(3,072)	-	(3,072)
Connection availability fees	67,500	-	67,500
<b>Total nonoperating revenue, net</b>	<b>57,244</b>	<b>-</b>	<b>57,244</b>
<b>Income before transfers</b>	<b>453,893</b>	<b>7,886</b>	<b>461,779</b>
Transfers out	(681,569)	(909)	(682,478)
<b>Change in net position</b>	<b>(227,676)</b>	<b>6,977</b>	<b>(220,699)</b>
Net position, beginning	1,907,035	-	1,907,035
Net position, ending	\$ 1,679,359	\$ 6,977	\$ 1,686,336

**TOWN OF BRIDGEWATER, VIRGINIA**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2014**

	Business-type Activity - Enterprise Fund Water, Sewer and Sanitation Fund	Non-major Business-type Activity - Stormwater Management Fund	Total Business-type Activities
<b>Cash Flows From Operating Activities:</b>			
Receipts from customers	\$ 2,944,497	\$ 68,995	\$ 3,013,492
Payments to suppliers for goods and services	(1,451,690)	(4,063)	(1,455,753)
Payments to employees for services	(929,055)	(64,023)	(993,078)
<b>Net cash provided by operating activities</b>	<b>563,752</b>	<b>909</b>	<b>564,661</b>
<b>Cash Flows From Noncapital and Related Financing Activities:</b>			
Transfers out	(681,569)	(909)	(682,478)
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	(406,676)	-	(406,676)
Connection availability fees	67,500	-	67,500
Proceeds from bond	550,000	-	550,000
Principal paid on:			
General obligation bonds	(62,500)	-	(62,500)
Capital lease	(26,400)	-	(26,400)
Interest paid on outstanding debt	(4,107)	-	(4,107)
<b>Net cash provided by capital and related financing activities</b>	<b>117,817</b>	<b>-</b>	<b>117,817</b>
<b>Cash and cash equivalents:</b>			
Beginning	-	-	-
Ending	\$ -	\$ -	\$ -
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>			
Operating income	\$ 396,649	\$ 7,886	\$ 404,535
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	194,958	-	194,958
Changes in operating accounts:			
Increase in accounts receivable	(27,966)	(9,517)	(37,483)
Decrease in unearned revenue	(6,000)	-	(6,000)
Increase in accounts payable and accrued expenses	6,111	2,540	8,651
<b>Net cash provided by operating activities</b>	<b>\$ 563,752</b>	<b>\$ 909</b>	<b>\$ 564,661</b>

## TOWN OF BRIDGEWATER, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Significant Accounting Policies

##### A. Reporting Entity

The Town of Bridgewater, Virginia (the Town) was incorporated in 1835 and provides a wide range of municipal services contemplated by statute or charter. The Town is governed by an elected mayor and six member council.

The accounting principles of the Town conform with accounting principles generally accepted in the United States of America as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles in the United States. The more significant of the government's accounting policies are described below.

In determining how to define the financial reporting entity, management considered all potential component units using the standards prescribed under GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an Amendment of GASB Statements No. 14 and 34*. Component units include any legally separate organizations for which the Town Council is financially accountable. Financial accountability results where 1) there is fiscal dependence and a financial benefit or burden relationship, 2) there is a voting majority of the organization's governing body appointed by the Town Council and a financial benefit or burden relationship, or 3) there is a voting majority of the organization's governing body appointed by Town Council and the Town Council has the ability to impose its will on the organization.

Even if financial accountability is not established, a potential component unit may still need to be reported simply because it would be misleading to exclude it.

Blended component units, although legally separate entities, are, in substance, part of the Town's operations, and functions as an integral part of the primary government, so data from these units would be combined with data of the Town. The Town has no blended component units at June 30, 2014. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the Town.

##### Discretely Presented Component Unit

The Industrial Development Authority of the Town of Bridgewater, Virginia (Authority) was created as a governmental subdivision of the Commonwealth of Virginia by ordinance of the Town Council of the Town of Bridgewater, Virginia on July 15, 1975 pursuant to the provisions of the Industrial Development and Revenue Bond Act, Title 15.2, Chapter 49, Sections 15.2-4900 et seq. (formerly Title 15.1, Chapter 33, Sections 15.1-1373, et seq.) of the *Code of Virginia* of 1950, as amended. The Authority is governed by seven directors appointed by the Mayor of the Town and there is a financial benefit/burden relationship. A director is appointed to a four year term and can serve two consecutive terms. The Authority does not issue separate financial statements but is included in the Town's financial statements for fiscal year ended June 30, 2014 as a discretely presented component unit.

## TOWN OF BRIDGEWATER, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

---

#### Note 1. Significant Accounting Policies (Continued)

##### A. Reporting Entity (Continued)

###### Discretely Presented Component Unit (Continued)

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

The Authority is specifically authorized to issue revenue bonds for any of its purposes, including the payment of the cost of its facilities and the payment or retirement of bonds previously issued by it. All bonds issued by the Authority are payable solely from the revenues and receipts derived from the leasing or sale by the Authority of its facilities or any part thereof or from the payments received by the Authority in connection with its loans. In addition, depending upon the financing structure, the bonds of the Authority may be further secured by a deed of trust or other collateral documents. No bonds of the Authority shall be deemed to constitute a debt or pledge of the faith and credit of the Commonwealth of Virginia or any political subdivision thereof, including the Town of Bridgewater, Virginia.

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

###### **Basis of Presentation**

*Government-wide Statements:* The Statement of Net Position and the Statement of Activities display information about the primary government (the Town) and its component unit. For the most part, the effect of interfund activity has been removed. These statements distinguish between the government and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The primary government is reported separately from its legally separate component unit for which the primary government is fiscally responsible.

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

## TOWN OF BRIDGEWATER, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

---

#### Note 1. Significant Accounting Policies (Continued)

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

The Town reports the following major governmental fund:

##### General Fund

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

The Town reports the following major enterprise fund:

##### Water, Sewer and Sanitation Fund

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

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.

The Town reports the following nonmajor enterprise fund:

##### Stormwater Management Fund

The Stormwater Management Fund accounts for services to the general public which are financed primarily by charges to users for those services.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

*Government-wide and Proprietary Fund Financial Statements:* The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

# TOWN OF BRIDGEWATER, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Significant Accounting Policies (Continued)

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

The Statement of Activities presents a comparison between direct expenses and program revenues for business-type activities of the Town and for each function of the Town's governmental activities. *Direct expenses* are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. *Program revenues* include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as *general revenues*.

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

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

#### C. Budgetary Data

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

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

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

## TOWN OF BRIDGEWATER, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Significant Accounting Policies (Continued)

##### D. Assets, Liabilities and Equity

###### 1) Deposits and Investments

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

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

###### 2) Property Taxes Receivable

Property taxes are recognized as a receivable when levied and attach as an enforceable lien on the property as of January 1. Real estate taxes are due and collectible twice a year, by June 5 and December 5. That portion of the taxes receivable which is not collected within 45 days is shown as unavailable revenue. Since the Town has an enforceable lien on the property, the Town records the December 5 levy as property taxes receivable and unavailable revenue at year end. A penalty of 10% of the tax is assessed after the applicable payment date. Interest is charged to all unpaid accounts beginning July 1st and January 1st, as appropriate, at an annual rate of 10%.

###### 3) Prepaid Items

The Town has elected to follow the purchases method for prepaid items.

Under the purchases method, the Town may recognize the entire amount of a prepayment as an expenditure of the period that payment is made. Therefore, insurance and similar services expenditures are recognized as an expenditure in the period in which payment is made and therefore does not appear as a prepaid item on the Balance Sheet.

###### 4) Restricted Cash

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

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

###### 5) Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until then. The Town currently does not have any items that qualify for reporting in this category.



## TOWN OF BRIDGEWATER, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Significant Accounting Policies (Continued)

##### 5) Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Town has only one type of item, which arises under the modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds Balance Sheet. The governmental funds report unavailable revenue from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

##### 6) 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.

As allowed by GASB standards, the Town has elected not to capitalize infrastructure already in place as of June 30, 2003. Effective July 1, 2003, the Town began capitalizing infrastructure additions that meet the aforementioned capitalization requirements.

The Town's intangible assets include land easements and software. Land easements have indefinite useful lives and thus are not subject to amortization.

**TOWN OF BRIDGEWATER, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Significant Accounting Policies (Continued)**

D. Assets, Liabilities and Equity (Continued)

6) Capital Assets (Continued)

Capital assets are depreciated or amortized using the straight-line method over the following estimated useful lives:

Buildings and improvements	20-40 years
Distribution and collection systems	20-40 years
Equipment	3-25 years
Vehicles	5 years
Infrastructure	20-30 years
Software	3 years

7) 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.

8) Long-Term Obligations

In the government-wide financial statements, and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activity or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

**TOWN OF BRIDGEWATER, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Significant Accounting Policies (Continued)**

D. Assets, Liabilities and Equity (Continued)

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

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

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

10) Net Position

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

## TOWN OF BRIDGEWATER, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Significant Accounting Policies (Continued)

##### E. Use of Estimates

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

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

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

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

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

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

#### Note 2. Deposits and Investments

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

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

**TOWN OF BRIDGEWATER, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**Note 2. Deposits and Investments (Continued)**

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

The Town has investments in the LGIP. The LGIP is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The fair value of the LGIP is the same as the value of the pool shares, i.e., the LGIP maintains a stable net asset value of \$1 per share. The LGIP has been assigned an "AAAm" rating by Standard & Poor's. All of the investments made by the Town are in LGIP and the maturity of the LGIP is less than one year.

The Town does not have a formal investment policy.

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

	<u>Fair Value</u>
Investment in State Treasurer's Local Government Investment Pool (LGIP)	<u>\$ 488,996</u>

**Note 3. Receivables and Deferred Revenue**

Receivables at June 30, 2014, including applicable allowances for uncollectible accounts, are as follows:

	General Fund	Permanent Fund	Water, Sewer and Sanitation Fund	Stormwater Management Fund	Totals
Property taxes	\$ 179,893	\$ -	\$ -	\$ -	\$ 179,893
Trade and other accounts	75,640	-	432,330	9,517	517,487
Interest	-	110	-	-	110
<b>Gross receivables</b>	<b>255,533</b>	<b>110</b>	<b>432,330</b>	<b>9,517</b>	<b>697,490</b>
Less allowance for uncollectible accounts	11,000	-	6,000	-	17,000
<b>Net receivables</b>	<b>\$ 244,533</b>	<b>\$ 110</b>	<b>\$ 426,330</b>	<b>\$ 9,517</b>	<b>\$ 680,490</b>

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 \$6,000 at June 30, 2014 for the General Fund and Water, Sewer and Sanitation Fund, respectively.

**TOWN OF BRIDGEWATER, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 3. Receivables and Deferred Revenue (Continued)**

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of unavailable revenue and unearned revenue reported in the General Fund and Statement of Net Position were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable	\$ 15,000	\$ -
Advance collection of 2014-2015 taxes	-	7,268
Assessment due December 5, net of collections	161,638	-
Urban Construction Program funds	-	467,806
State Personal Property Tax Relief	-	4,030
Street and Highway Maintenance funds	-	50,558
Other	-	32,928
	<u>\$ 176,638</u>	<u>\$ 562,590</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 \$22,000 have been made and refunds in the amount of \$4,000 have been issued, thereby reducing the balance to \$98,000. The balance is fully refundable to the developer if the project isn’t completed. Therefore, the payment has been classified as unearned revenue.

Component Unit - Industrial Development Authority

The Authority defers revenue recognition in connection with resources that have been received but not yet earned. The amount reported as unearned revenue for the Authority consists of assessments received for the last six months of the calendar year. Unearned revenue was \$5,693 at June 30, 2014.

**Note 4. Due From Other Governments**

Due from other governments includes the following:

General Fund:	
Federal:	
ISTEA grant	\$ 1,566
Commonwealth of Virginia:	
Local sales and communication tax	<u>42,000</u>
	<u>\$ 43,566</u>

**TOWN OF BRIDGEWATER, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**Note 5. Capital Assets**

Capital assets activity for the year ended June 30, 2014 is as follows:

	Beginning Balance	Increases	(Deletions)/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets, not being depreciated or amortized:				
Land	\$ 1,954,769	\$ -	\$ -	\$ 1,954,769
Land easements	6,400	-	-	6,400
Construction in progress	-	16,368	-	16,368
<b>Total capital assets, not being depreciated or amortized</b>	<b>1,961,169</b>	<b>16,368</b>	<b>-</b>	<b>1,977,537</b>
Capital assets being depreciated or amortized:				
Buildings and improvements	2,072,839	-	-	2,072,839
Equipment	872,062	19,220	(5,780)	885,502
Software	43,137	-	-	43,137
Infrastructure	523,050	-	-	523,050
Vehicles	395,571	24,777	(3,584)	416,764
<b>Total capital assets being depreciated or amortized</b>	<b>3,906,659</b>	<b>43,997</b>	<b>(9,364)</b>	<b>3,941,292</b>
Less accumulated depreciation or amortization for:				
Buildings and improvements	896,762	71,466	-	968,228
Equipment	711,380	40,275	(5,202)	746,453
Software	43,137	-	-	43,137
Infrastructure	135,131	17,435	-	152,566
Vehicles	345,370	18,390	(2,560)	361,200
<b>Total accumulated depreciation or amortization</b>	<b>2,131,780</b>	<b>147,566</b>	<b>(7,762)</b>	<b>2,271,584</b>
<b>Total capital assets being depreciated or amortized, net</b>	<b>1,774,879</b>	<b>(103,569)</b>	<b>(1,602)</b>	<b>1,669,708</b>
Governmental activities capital assets, net	<u>\$ 3,736,048</u>	<u>\$ (87,201)</u>	<u>\$ (1,602)</u>	<u>\$ 3,647,245</u>

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

Governmental activities:	
General government administration	\$ 25,644
Public safety	27,581
Public works	51,005
Parks, recreation and cultural	43,336
<b>Total depreciation and amortization expense – governmental activities</b>	<u>\$ 147,566</u>

During fiscal year 2014, the IDA purchased land for \$79,747 with the intended future use of the Generations Park.

**TOWN OF BRIDGEWATER, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**Note 5. Capital Assets (Continued)**

	Beginning Balance	Increases	Deletions	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 4,600	\$ -	\$ -	\$ 4,600
Construction in progress	7,882	362,697	-	370,579
<b>Total capital assets, not being depreciated</b>	<b>12,482</b>	<b>362,697</b>	<b>-</b>	<b>375,179</b>
Capital assets being depreciated:				
Buildings and improvements	889,632	-	-	889,632
Distribution and collection systems	2,485,740	-	-	2,485,740
Equipment	1,434,772	19,153	-	1,453,925
Vehicles	700,133	24,826	(10,751)	714,208
<b>Total capital assets being depreciated</b>	<b>5,510,277</b>	<b>43,979</b>	<b>(10,751)</b>	<b>5,543,505</b>
Less accumulated depreciation for:				
Buildings and improvements	727,938	18,743	-	746,681
Distribution and collection systems	1,479,763	57,197	-	1,536,960
Equipment	846,091	72,888	-	918,979
Vehicles	607,951	46,130	(7,679)	646,402
<b>Total accumulated depreciation</b>	<b>3,661,743</b>	<b>194,958</b>	<b>(7,679)</b>	<b>3,849,022</b>
<b>Total capital assets being depreciated, net</b>	<b>1,848,534</b>	<b>(150,979)</b>	<b>(3,072)</b>	<b>1,694,483</b>
Business-type activities capital assets, net	<u>\$ 1,861,016</u>	<u>\$ 211,718</u>	<u>\$ (3,072)</u>	<u>\$ 2,069,662</u>

Depreciation expense was charged to functions/programs as follows:

Business-type activities:	
Water	\$ 120,834
Sewer	56,053
Sanitation	18,071
<b>Total depreciation expense – business-type activities</b>	<u><u>\$ 194,958</u></u>



**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	\$ 1,264,724	\$ -	\$ (216,520)	\$ 1,048,204	\$ 130,644
Compensated absences	138,289	88,995	(90,059)	137,225	82,335
Governmental activities long-term liabilities	<u>\$ 1,403,013</u>	<u>\$ 88,995</u>	<u>\$ (306,579)</u>	<u>\$ 1,185,429</u>	<u>\$ 212,979</u>

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

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2015	\$ 130,644	\$ 26,654
2016	132,139	23,986
2017	133,676	21,265
2018	57,257	18,505
2019	58,884	16,879
2020-2024	320,472	58,338
2025-2027	215,132	12,324
	<u>\$ 1,048,204</u>	<u>\$ 177,951</u>

General Obligation Bonds

\$915,000 general obligation bond issued December 2011, due in annual installments of \$52,644 to \$73,670 through December 2026, plus interest payable annually at 2.84%	\$ 814,204
\$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%	<u>234,000</u>
<b>Total General Obligation Bonds</b>	<u><u>\$ 1,048,204</u></u>

**TOWN OF BRIDGEWATER, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**Note 6. Long-Term Debt (Continued)**

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

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

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

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Business-type activity:					
General obligation bonds	\$ 62,500	\$ 550,000	\$ (62,500)	\$ 550,000	\$ 55,000
Capital lease	35,200	-	(26,400)	8,800	8,800
	<u>97,700</u>	<u>550,000</u>	<u>(88,900)</u>	<u>558,800</u>	<u>63,800</u>
Compensated absences	<u>52,831</u>	<u>50,793</u>	<u>(49,472)</u>	<u>54,152</u>	<u>32,491</u>
Business-type activity long-term liabilities	<u>\$ 150,531</u>	<u>\$ 600,793</u>	<u>\$ (138,372)</u>	<u>\$ 612,952</u>	<u>\$ 96,291</u>

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

Year Ending June 30,	General Obligation Bonds		Capital Lease	
	Principal	Interest	Principal	Interest
2015	\$ 55,000	\$ 10,890	\$ 8,800	\$ -
2016	55,000	9,801	-	-
2017	55,000	8,712	-	-
2018	55,000	7,623	-	-
2019	55,000	6,534	-	-
2020-2024	<u>275,000</u>	<u>16,335</u>	<u>-</u>	<u>-</u>
	<u>\$ 550,000</u>	<u>\$ 59,895</u>	<u>\$ 8,800</u>	<u>\$ -</u>

**TOWN OF BRIDGEWATER, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 6. Long-Term Debt (Continued)**

General Obligation Bonds

\$550,000 general obligation public improvement bond, Series 2014, issued March 2014, due in annual installment of \$55,000 through March 2024, plus interest payable semi-annually at 1.98% \$ 550,000

Capital Lease

Capital lease payable due in monthly installments of \$2,200, due October 2014 including interest at 0%, collateralized by equipment with a carrying value of approximately \$44,880 \$ 8,800

At June 30, 2014, the Town had a legal debt margin of \$41,157,757.

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

**Note 7. Line of Credit**

The Town obtained an unsecured line of credit on September 15, 2010 in the amount of \$250,000 which bears interest at a variable rate (3.25% at June 30, 2014). There was no outstanding balance at June 30, 2014. The line of credit matures September 2015.

**Note 8. Defined Benefit Pension Plan**

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)

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

Administering Entity: Virginia Retirement System (System)

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

**TOWN OF BRIDGEWATER, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 8. Defined Benefit Pension Plan (Continued)**

A. Plan Description (Continued)

Within the VRS Plan, the System administers three different benefit plans for local government employees – Plan 1, Plan 2, and Hybrid. Each plan has different eligibility and benefit structures as set out in the table below:

<b>VRS Plan 1</b>	<b>VRS Plan 2</b>	<b>Hybrid Retirement Plan</b>
<p><b>About VRS Plan 1</b></p> <p>VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p><b>About VRS Plan 2</b></p> <p>VRS Plan 2 is a defined plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership data is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p><b>About the Hybrid Retirement Plan</b></p> <p>The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)</p> <ul style="list-style-type: none"><li>• The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</li><li>• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.</li><li>• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</li></ul>

**TOWN OF BRIDGEWATER, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 8. Defined Benefit Pension Plan (Continued)**

A. Plan Description (Continued)

<b>VRS Plan 1</b>	<b>VRS Plan 2</b>	<b>Hybrid Retirement Plan</b>
<p><b>Eligible Members</b> Employees are in the VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b> VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.</p>	<p><b>Eligible Members</b> Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b> VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.</p>	<p><b>Eligible Members</b> Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> <li>• State employees*</li> <li>• School division employees</li> <li>• Political subdivision employees*</li> <li>• Judges appointed or elected to an original term on or after January 1, 2014</li> <li>• Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014</li> </ul> <p><b>*Non-Eligible Members</b> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Members of the State Police Officers' Retirement System (SPORS)</li> <li>• Members of the Virginia Law Officers' Retirement System (VaLORS)</li> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</li> </ul>

**TOWN OF BRIDGEWATER, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 8. Defined Benefit Pension Plan (Continued)**

A. Plan Description (Continued)

<b>VRS Plan 1</b>	<b>VRS Plan 2</b>	<b>Hybrid Retirement Plan</b>
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**\*Non-Eligible Members  
(Continued)**

Those employees eligible for an Optional Retirement Plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

**Retirement Contributions**

Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

**Retirement Contributions**

Same as VRS Plan 1.

**Retirement Contributions**

A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

**TOWN OF BRIDGEWATER, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 8. Defined Benefit Pension Plan (Continued)**

A. Plan Description (Continued)

<b>VRS Plan 1</b>	<b>VRS Plan 2</b>	<b>Hybrid Retirement Plan</b>
<p><b>Creditable Service</b> Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p><b>Creditable Service</b> Same as VRS Plan 1.</p>	<p><b>Creditable Service</b> <b><u>Defined Benefit Component</u></b> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>
<p><b>Vesting</b> Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p>	<p><b>Vesting</b> Same as VRS Plan 1.</p>	<p><b><u>Defined Contributions Component</u></b> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p> <p><b>Vesting</b> <b><u>Defined Benefit Component</u></b> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p>

**TOWN OF BRIDGEWATER, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 8. Defined Benefit Pension Plan (Continued)**

A. Plan Description (Continued)

<b>VRS Plan 1</b>	<b>VRS Plan 2</b>	<b>Hybrid Retirement Plan</b>
<p><b>Vesting (Continued)</b></p> <p>Members are always 100% vested in the contributions that they make.</p>	<p><b>Vesting (Continued)</b></p>	<p><b>Vesting (Continued)</b></p> <p><b><u>Defined Contributions Component</u></b></p> <p>Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70 1/2.</p>



TOWN OF BRIDGEWATER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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Note 8. Defined Benefit Pension Plan (Continued)

A. Plan Description (Continued)

<b>VRS Plan 1</b>	<b>VRS Plan 2</b>	<b>Hybrid Retirement Plan</b>
<p><b>Calculating the Benefit</b> The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p><b>Calculating the Benefit</b> See definition under VRS Plan 1.</p>	<p><b>Calculating the Benefit</b> <u><b>Defined Benefit Component</b></u> See definition under VRS Plan 1.</p> <p><u><b>Defined Contribution Component</b></u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p><b>Average Final Compensation</b> A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> Same as VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><b>Service Retirement Multiplier</b> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.</p>	<p><b>Service Retirement Multiplier</b> Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p>	<p><b>Service Retirement Multiplier</b> The retirement multiplier is 1.0%.</p> <p>For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p>

**TOWN OF BRIDGEWATER, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 8. Defined Benefit Pension Plan (Continued)**

A. Plan Description (Continued)

<b>VRS Plan 1</b>	<b>VRS Plan 2</b>	<b>Hybrid Retirement Plan</b>
<p><b>Normal Retirement Age</b> Age 65.</p>	<p><b>Normal Retirement Age</b> Normal Social Security retirement age.</p>	<p><b>Normal Retirement Age</b></p> <p><b><u>Defined Benefit Component:</u></b> Same as VRS Plan 2.</p> <p><b><u>Defined Contribution Component:</u></b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Unreduced Retirement Eligibility</b> Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b> Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least 5 years (60 months) of creditable service or when their age and service equal 90.</p> <p>Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b></p> <p><b><u>Defined Benefit Component:</u></b> Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least 5 years (60 months) of creditable service or when their age and service equal 90.</p> <p><b><u>Defined Contribution Component:</u></b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

**TOWN OF BRIDGEWATER, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 8. Defined Benefit Pension Plan (Continued)**

A. Plan Description (Continued)

<b>VRS Plan 1</b>	<b>VRS Plan 2</b>	<b>Hybrid Retirement Plan</b>
<p><b>Earliest Reduced Retirement Eligibility</b> Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b> Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b> <b><u>Defined Benefit Component:</u></b> Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>
<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%) up to a maximum COLA of 3%.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> <b><u>Defined Benefit Component:</u></b> Same as VRS Plan 2.</p>
<p><b><u>Eligibility:</u></b> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after on calendar year following the unreduced retirement eligibility date.</p>	<p><b><u>Eligibility:</u></b> Same as VRS Plan 1.</p>	<p><b><u>Defined Contribution Component:</u></b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p> <p><b><u>Defined Contribution Component:</u></b> Not applicable.</p> <p><b><u>Eligibility:</u></b> Same as VRS Plan 1 and VRS Plan 2.</p>

**TOWN OF BRIDGEWATER, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 8. Defined Benefit Pension Plan (Continued)**

A. Plan Description (Continued)

<b>VRS Plan 1</b>	<b>VRS Plan 2</b>	<b>Hybrid Retirement Plan</b>
<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Continued)</b></p> <p><b><u>Exceptions to COLA Effective Dates:</u></b>                      The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.</li> <li>• The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</li> </ul>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Continued)</b></p> <p><b><u>Exceptions to COLA Effective Dates:</u></b>                      Same as VRS Plan 1.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Continued)</b></p> <p><b><u>Exceptions to COLA Effective Dates:</u></b>                      Same as VRS Plan 1 and VRS Plan 2.</p>

**TOWN OF BRIDGEWATER, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 8. Defined Benefit Pension Plan (Continued)**

A. Plan Description (Continued)

<b>VRS Plan 1</b>	<b>VRS Plan 2</b>	<b>Hybrid Retirement Plan</b>
<p><b>Disability Coverage</b></p> <p>Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service regardless of when it was earned, purchased or granted.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p><b>Disability Coverage</b></p> <p>Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service regardless of when it was earned, purchased or granted.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p><b>Disability Coverage</b></p> <p>Eligible political subdivision and school division (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP and VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>

**TOWN OF BRIDGEWATER, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 8. Defined Benefit Pension Plan (Continued)**

A. Plan Description (Continued)

<b>VRS Plan 1</b>	<b>VRS Plan 2</b>	<b>Hybrid Retirement Plan</b>
<p><b>Purchase of Prior Service</b> Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p><b>Purchase of Prior Service</b> Same as VRS Plan 1.</p>	<p><b>Purchase of Prior Service</b> <b><u>Defined Benefit Component:</u></b> Same as VRS Plan 1.  <b><u>Defined Contribution Component:</u></b> Not applicable.</p>

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS web site at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf> or obtained 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% of their compensation toward their retirement. All or part of the 5% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to five years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. The Town elected to not phase in the increase, but rather provided a 5% salary increase to all employees on July 1, 2012. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The Town’s contribution rate for the fiscal year ended 2014 was 10.60%, exclusive of the employees’ share, of annual covered payroll.

# TOWN OF BRIDGEWATER, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

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### Note 8. Defined Benefit Pension Plan (Continued)

#### C. Annual Pension Cost

For fiscal year 2014, the Town's annual pension cost of \$312,619 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, 2012	\$ 223,988	100%	\$ -
June 30, 2013	297,437	100%	-
June 30, 2014	312,619	100%	-

The fiscal year 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

#### D. Funding Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the plan was 81.09% funded. The actuarial accrued liability for benefits was \$7,491,391, and the actuarial value of assets was \$6,074,748, resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$1,416,643. The covered payroll (annual payroll of active employees covered by the plan) was \$1,949,430, and ratio of the UAAL to the covered payroll was 72.67%.

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.

# TOWN OF BRIDGEWATER, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

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### Note 9. Other Postemployment Benefits

#### A. Plan Description

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

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

The plans do not issue stand-alone financial reports.

#### B. Funding Policy

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

#### C. Annual OPEB Cost and Net OPEB Obligation

In June 2013, the Town had an actuarial valuation performed of postemployment benefits. The annual cost of OPEB under GASB Statement No. 45 is called the annual required contribution or ARC. The estimated pay-as-you-go cost for OPEB benefits for the Town's plan was \$12,505 and the annual benefit cost was \$37,669. The percentage of OPEB cost contributed was 33.2%.

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, 2014, the Town has recorded a liability of \$128,457 on the Statement of Net Position.

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

Annual required contribution (ARC)	\$	37,600
Interest on net OPEB obligation		3,615
Adjustment to ARC		(3,546)
Annual OPEB cost		<u>37,669</u>
Estimated contributions made		<u>(12,505)</u>
Increase in net OPEB		25,164
Net OPEB obligation, beginning of year		<u>103,293</u>
Net OPEB obligation, end of year	\$	<u><u>128,457</u></u>



**TOWN OF BRIDGEWATER, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 9. Other Postemployment Benefits (Continued)**

**Trend Information**

Trend information is as follows:

Fiscal Year Ended	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 41,315	41.9%	\$ 82,094
June 30, 2013	36,337	41.7%	103,293
June 30, 2014	37,669	33.2%	128,457

**D. Funding Status and Funding Progress**

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

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

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

The following table shows the funding status for the Town.

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

## TOWN OF BRIDGEWATER, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 9. Other Postemployment Benefits (Continued)**

##### **E. Actuarial Methods and Assumptions**

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

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

#### **Note 10. Interfund Transfers**

The Town transferred \$681,569 from the Water, Sewer and Sanitation Fund to the General Fund for administrative costs.

The Town transferred \$909 from the Stormwater Management Fund to the General Fund for administrative costs.

#### **Note 11. Government Services Provided by Authorities**

The City of Harrisonburg, the County of Rockingham, and the Towns of Bridgewater, Mt. Crawford, and Dayton entered into a guaranty agreement with the Harrisonburg-Rockingham Regional Sewer Authority (Authority) dated December 15, 1992. Under the terms of this agreement, these municipalities jointly and severally guaranteed the Authority's 2007 Sewer Revenue Bonds and 2008 Sewer Revenue and Refunding Bonds. In December 2007, the Authority issued \$30,000,000 Sewer Revenue Bonds to upgrade and expand its treatment plant, due in semi-annual installments of combined principal and interest of \$1,003,131 thereafter, with final maturity at September 1, 2030. The bonds currently outstanding total \$26,426,342. In June 2008, the Authority issued \$12,650,000 Sewer Revenue and Refunding Bonds, Series 2008 bearing interest from 2.95% to 4.8% with final maturity at October 1, 2021. The bonds currently outstanding are \$8,236,685. In November 2008, the Authority issued \$33,219,297 Sewer Revenue Bonds, series 2008, bearing interest at 3.55%, due in semi-annual installments of combined principal and interest of \$1,187,590, with final maturity at September 1, 2030. The bonds currently outstanding are \$29,467,580.

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

The Authority bills the municipalities a monthly charge which includes an assessment for their respective share of the Authority's debt service, operating, and construction expenditures based on the municipality usage of the sewage treatment facilities. Based on the current average usage, the Town's assessment for the Authority's operating, construction and capital outlay expenditures, and debt service expenditures for the ensuing year will approximate \$409,000 and \$501,000, 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.

## TOWN OF BRIDGEWATER, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 12. Major Customers**

The Town has two major water and sewer customers. For the year ended June 30, 2014, water and sewer revenue from these customers was approximately \$1,161,000. There are accounts receivable from these customers of approximately \$102,000 at June 30, 2014.

#### **Note 13. Risk Management**

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

The Town has coverage with the Virginia Municipal League Insurance Program (the "Pool") for all insurable risks identified by the Town. Each Pool member jointly and severally agrees to assume, pay and discharge any liability. The Town pays the Pool contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Pool and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Pool may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The Town continues to carry commercial insurance for all other risks of losses. Settled claims from these risks have not exceeded commercial coverage in any of the last three fiscal years.

#### **Note 14. Contingency**

##### Federal and State-Assisted Programs

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

#### **Note 15. Pending GASB Statements**

At June 30, 2014, 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. 68, *Accounting and Financial Reporting for Pensions*, will improve accounting and financial reporting by state and local government for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. Statement No. 68 will be effective for fiscal years beginning after June 15, 2014.

## TOWN OF BRIDGEWATER, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 15. Pending GASB Statements (Continued)**

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

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, amends Statement No. 68 related to transition provisions for certain pension contributions made to defined benefit pension plans prior to implementation of Statement No. 68 by employers and nonemployer contributing entities. The provisions of this Statement should be applied simultaneously with the provisions of Statement No. 68.

#### **Note 16. Summary Disclosure of Significant Commitments and Subsequent Events**

On July 8, 2014, Town Council approved the issuance of a general obligation bond in the amount of \$1,055,000. The proceeds will be used for construction of Generations Park.

On July 8, 2014, the Industrial Development Authority approved the issuance of a bond up to \$225,000. The proceeds will be used to construct a shell for lease at Generations Park.

On September 9, 2014, Town Council approved the purchase of land located at 111 North Main Street in the amount of \$60,000.

On August 12, 2014, Town Council finalized agreements with Harman Construction of approximately \$945,000 for construction of park facilities at Generations Park and approximately \$209,000 for construction of a shell at Generations Park.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF BRIDGEWATER, VIRGINIA**

**SCHEDULE OF FUNDING PROGRESS - VIRGINIA RETIREMENT SYSTEM**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
June 30, 2011	\$ 5,787,478	\$ 6,849,360	\$ 1,061,882	84.50%	\$ 1,774,399	59.84%
June 30, 2012	5,745,162	7,305,880	1,560,718	78.64%	1,848,466	84.43%
June 30, 2013	6,074,748	7,491,391	1,416,643	81.09%	1,949,430	72.67%

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS**

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

**SCHEDULE OF EMPLOYER CONTRIBUTIONS - OTHER POSTEMPLOYMENT BENEFITS**

Fiscal Year Ended	Annual Required Contribution	Actual Contribution	Percent Funded
June 30, 2012	\$ 41,000	\$ 17,300	42.20%
June 30, 2013	36,500	15,138	41.47%
June 30, 2014	37,600	12,505	33.26%

## **SUPPLEMENTARY SCHEDULES**

**TOWN OF BRIDGEWATER, VIRGINIA**

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

**Year Ended June 30, 2014**

**(With Comparative Amounts for 2013)**

	2014	2013
Revenues:		
General property taxes	\$ 542,897	\$ 509,468
Other local taxes	1,453,313	1,489,603
Permits	3,078	2,965
Fines and forfeitures	39,718	42,854
Use of money and property	90,455	68,678
Miscellaneous	32,980	20,335
Intergovernmental	1,019,878	1,053,075
	<hr/>	<hr/>
<b>Total revenues</b>	<b>3,182,319</b>	<b>3,186,978</b>
	<hr/>	<hr/>
Expenditures:		
Current:		
General government administration	734,129	676,800
Public safety	825,896	767,068
Public works	1,245,008	1,311,656
Parks, recreation and cultural	445,772	461,846
Community and economic development	117,737	109,124
Debt service:		
Principal	216,520	291,996
Interest	34,135	42,549
	<hr/>	<hr/>
<b>Total expenditures</b>	<b>3,619,197</b>	<b>3,661,039</b>
	<hr/>	<hr/>
<b>Revenues under expenditures</b>	<b>(436,878)</b>	<b>(474,061)</b>
	<hr/>	<hr/>
Other financing sources:		
Transfers in	682,478	476,324
	<hr/>	<hr/>
<b>Total other financing sources</b>	<b>682,478</b>	<b>476,324</b>
	<hr/>	<hr/>
<b>Net change in fund balance</b>	<b>245,600</b>	<b>2,263</b>
	<hr/>	<hr/>
Fund balance, beginning	495,544	493,281
	<hr/>	<hr/>
Fund balance, ending	<b>\$ 741,144</b>	<b>\$ 495,544</b>
	<hr/> <hr/>	<hr/> <hr/>



**SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended June 30, 2014**

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	\$ 345,000	\$ 345,000	\$ 360,734	\$ 15,734
Personal property taxes	154,000	154,000	173,219	19,219
Public service corporations property taxes	5,000	5,000	5,822	822
Interest and penalties on delinquent taxes	4,000	4,000	3,122	(878)
<b>Total general property taxes</b>	<b>508,000</b>	<b>508,000</b>	<b>542,897</b>	<b>34,897</b>
Other local taxes:				
Local sales and use taxes	160,000	160,000	160,076	76
Consumer utility taxes	400,000	400,000	385,779	(14,221)
Consumption taxes	25,000	25,000	24,893	(107)
Cigarette Tax	20,000	20,000	22,142	2,142
Business license taxes	200,000	200,000	217,335	17,335
Vehicle license taxes	85,000	85,000	75,473	(9,527)
Bank stock taxes	95,000	95,000	107,330	12,330
Meals taxes	410,000	410,000	446,307	36,307
Right-of-way use fee	14,000	14,000	13,978	(22)
<b>Total other local taxes</b>	<b>1,409,000</b>	<b>1,409,000</b>	<b>1,453,313</b>	<b>44,313</b>
Permits:				
Zoning, building and erosion	4,000	4,000	3,078	(922)
Fines and forfeitures				
	39,000	39,000	39,718	718
Use of money and property:				
Revenue from use of money	1,000	1,000	502	(498)
Revenue from use of property	73,000	73,000	89,953	16,953
<b>Total revenue from use of money and property</b>	<b>74,000</b>	<b>74,000</b>	<b>90,455</b>	<b>16,455</b>
Charges for services:				
Stormwater management	65,000	65,000	-	(65,000)
Miscellaneous				
	7,000	7,000	32,980	25,980
<b>Total revenue from local sources</b>	<b>2,106,000</b>	<b>2,106,000</b>	<b>2,162,441</b>	<b>56,441</b>

**SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended June 30, 2014**

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
Intergovernmental:				
Town of Mt. Crawford:				
Public safety	\$ 47,000	\$ 47,000	\$ 46,720	\$ (280)
<b>Total local aid</b>	<b>47,000</b>	<b>47,000</b>	<b>46,720</b>	<b>(280)</b>
Revenue from the Commonwealth:				
Non-categorical aid:				
Communication sales and use tax	95,000	95,000	90,062	(4,938)
Personal property tax relief	102,000	102,000	101,397	(603)
Rolling stock tax	-	-	10	10
Mobile home titling tax	-	-	35	35
Other	-	-	472	472
<b>Total non-categorical aid</b>	<b>197,000</b>	<b>197,000</b>	<b>191,976</b>	<b>(5,024)</b>
Categorical aid:				
Litter control	3,000	3,000	3,041	41
Law enforcement assistance	138,000	138,000	126,224	(11,776)
Urban construction	60,000	60,000	830	(59,170)
Virginia Department of Transportation revenue sharing project	20,000	20,000	-	(20,000)
Transportation enhancement	645,000	645,000	-	(645,000)
Street and highway maintenance	611,000	611,000	633,845	22,845
Asset forfeiture funds	-	-	998	998
<b>Total categorical aid</b>	<b>1,477,000</b>	<b>1,477,000</b>	<b>764,938</b>	<b>(712,062)</b>
<b>Total intergovernmental revenue from the Commonwealth</b>	<b>1,674,000</b>	<b>1,674,000</b>	<b>956,914</b>	<b>(717,086)</b>
Revenue from the federal government:				
Categorical aid:				
Local law enforcement block grant	-	-	500	500
ISTEA	-	-	12,425	12,425
Urban construction	-	-	3,319	3,319
<b>Total intergovernmental revenue from the federal government</b>	<b>-</b>	<b>-</b>	<b>16,244</b>	<b>16,244</b>
<b>Total intergovernmental revenue</b>	<b>1,721,000</b>	<b>1,721,000</b>	<b>1,019,878</b>	<b>(701,122)</b>
<b>Total General Fund</b>	<b>\$ 3,827,000</b>	<b>\$ 3,827,000</b>	<b>\$ 3,182,319</b>	<b>\$ (644,681)</b>

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended June 30, 2014**

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	\$ 29,000	\$ 29,000	\$ 29,435	\$ 435
Fringe benefits	2,500	2,500	2,252	(248)
Other charges	3,000	3,000	3,483	483
<b>Total town council</b>	<b>34,500</b>	<b>34,500</b>	<b>35,170</b>	<b>670</b>
Superintendent's office:				
Personal services	151,000	151,000	151,050	50
Fringe benefits	49,000	49,000	45,760	(3,240)
Other charges	16,000	16,000	3,441	(12,559)
Capital outlay	3,000	3,000	-	(3,000)
Contractual services	-	-	8,829	8,829
<b>Total superintendent's office</b>	<b>219,000</b>	<b>219,000</b>	<b>209,080</b>	<b>(9,920)</b>
Treasurer's office:				
Personal services	171,000	171,000	171,808	808
Fringe benefits	54,000	54,000	51,963	(2,037)
Other charges	15,000	15,000	3,523	(11,477)
Capital outlay	4,000	4,000	-	(4,000)
Contractual services	-	-	10,612	10,612
<b>Total treasurer's office</b>	<b>244,000</b>	<b>244,000</b>	<b>237,906</b>	<b>(6,094)</b>
<b>Total legislative</b>	<b>497,500</b>	<b>497,500</b>	<b>482,156</b>	<b>(15,344)</b>
General and financial administration:				
Legal	48,000	48,000	87,508	39,508
Independent auditor	38,000	38,000	44,118	6,118
Insurance and bonding	100,000	100,000	120,347	20,347
<b>Total general and financial administration</b>	<b>186,000</b>	<b>186,000</b>	<b>251,973</b>	<b>65,973</b>
<b>Total general government administration</b>	<b>683,500</b>	<b>683,500</b>	<b>734,129</b>	<b>50,629</b>

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended June 30, 2014**

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	\$ 509,000	\$ 509,000	\$ 496,528	\$ (12,472)
Fringe benefits	144,000	144,000	160,423	16,423
Vehicle operation	35,000	35,000	36,446	1,446
Other charges	62,000	62,000	35,605	(26,395)
Capital outlay	5,000	5,000	24,777	19,777
Contractual services	-	-	42,117	42,117
<b>Total law enforcement and traffic control</b>	<b>755,000</b>	<b>755,000</b>	<b>795,896</b>	<b>40,896</b>
Fire and rescue services:				
Fire department and rescue squad	30,000	30,000	30,000	-
<b>Total fire and rescue services</b>	<b>30,000</b>	<b>30,000</b>	<b>30,000</b>	<b>-</b>
<b>Total public safety</b>	<b>785,000</b>	<b>785,000</b>	<b>825,896</b>	<b>40,896</b>
Public works:				
Public works department:				
Personal services	156,000	156,000	122,756	(33,244)
Fringe benefits	44,000	44,000	34,677	(9,323)
Other charges	24,000	24,000	7,234	(16,766)
Capital outlay	2,000	2,000	-	(2,000)
Contractual services	-	-	13,350	13,350
<b>Total public works department</b>	<b>226,000</b>	<b>226,000</b>	<b>178,017</b>	<b>(47,983)</b>

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended June 30, 2014**

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	\$ 146,585	\$ (23,415)
Fringe benefits	55,000	55,000	56,524	1,524
Other charges	60,000	60,000	65,637	5,637
Capital outlay	35,000	35,000	-	(35,000)
Contractual services	90,000	90,000	122,462	32,462
Street paving	200,000	200,000	165,765	(34,235)
Virginia Department of Transportation revenue sharing project	20,000	20,000	-	(20,000)
Urban construction program	20,000	20,000	4,149	(15,851)
T-21 project	806,000	806,000	-	(806,000)
Main street beautification	5,000	5,000	4,556	(444)
<b>Total highways, streets, bridges and sidewalks</b>	<b>1,461,000</b>	<b>1,461,000</b>	<b>565,678</b>	<b>(895,322)</b>
Street lights	79,000	79,000	78,553	(447)
<b>Total maintenance of highways, streets,         bridges and sidewalks</b>	<b>1,540,000</b>	<b>1,540,000</b>	<b>644,231</b>	<b>(895,769)</b>
General properties:				
Personal services	190,000	190,000	212,927	22,927
Fringe benefits	64,000	64,000	63,504	(496)
Other charges	36,000	36,000	32,123	(3,877)
Capital outlay	25,000	25,000	4,905	(20,095)
Contractual services	60,000	60,000	109,301	49,301
<b>Total general properties</b>	<b>375,000</b>	<b>375,000</b>	<b>422,760</b>	<b>47,760</b>
<b>Total public works</b>	<b>2,141,000</b>	<b>2,141,000</b>	<b>1,245,008</b>	<b>(895,992)</b>

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended June 30, 2014**

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	\$ 220,000	\$ 220,000	\$ 219,200	\$ (800)
Fringe benefits	78,000	78,000	77,407	(593)
Other charges	45,000	45,000	76,659	31,659
Capital outlay	40,000	40,000	14,315	(25,685)
Contractual services	50,000	50,000	58,191	8,191
<b>Total parks, recreation and cultural</b>	<b>433,000</b>	<b>433,000</b>	<b>445,772</b>	<b>12,772</b>
Stormwater Management:				
Personal services	27,000	27,000	-	(27,000)
Fringe benefits	8,000	8,000	-	(8,000)
Other charges	20,500	20,500	-	(20,500)
Capital outlay	10,000	10,000	-	(10,000)
<b>Total stormwater management</b>	<b>65,500</b>	<b>65,500</b>	<b>-</b>	<b>(65,500)</b>
Community and economic development:				
Community development:				
Personal services	25,000	25,000	18,882	(6,118)
Fringe benefits	10,000	10,000	9,225	(775)
Other charges	65,000	65,000	68,891	3,891
<b>Total community development</b>	<b>100,000</b>	<b>100,000</b>	<b>96,998</b>	<b>(3,002)</b>
Economic development:				
Personal services	2,000	2,000	80	(1,920)
Fringe benefits	1,000	1,000	6	(994)
Other charges	1,000	1,000	4,285	3,285
Capital outlay	5,000	5,000	16,368	11,368
Contractual services	2,000	2,000	-	(2,000)
<b>Total economic development</b>	<b>11,000</b>	<b>11,000</b>	<b>20,739</b>	<b>9,739</b>
<b>Total community and economic development</b>	<b>111,000</b>	<b>111,000</b>	<b>117,737</b>	<b>6,737</b>
Debt service:				
Principal	246,000	246,000	216,520	(29,480)
Interest	30,000	30,000	34,135	4,135
<b>Total debt service</b>	<b>276,000</b>	<b>276,000</b>	<b>250,655</b>	<b>(25,345)</b>
<b>Total General Fund</b>	<b>\$ 4,495,000</b>	<b>\$ 4,495,000</b>	<b>\$ 3,619,197</b>	<b>\$ (875,803)</b>

**TOWN OF BRIDGEWATER, VIRGINIA**

**SCHEDULE OF CAPITAL OUTLAYS  
Year Ended June 30, 2014**

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General Fund:	
Public safety:	
Capital outlay:	
Ford truck	\$ 24,777
	<hr/>
Public Works:	
Capital outlay:	
Security camera	4,905
	<hr/>
Parks, recreation and cultural:	
Capital outlays:	
Security camera	4,905
Mower	9,410
	<hr/>
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	14,315
	<hr/>
Community and economic development:	
Capital outlay:	
Schematic and design work - Generations Park	16,368
	<hr/>
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	\$ 60,365
	<hr/>
	<hr/>
Water, Sewer and Sanitation Fund:	
Water distribution:	
Capital outlay:	
Water tank	\$ 362,697
	<hr/>
Water treatment:	
Capital outlay:	
pH sensors	9,318
	<hr/>
Sewer:	
Capital outlays:	
Security camera	9,835
Dump truck	7,180
Truck	8,399
Truck	9,247
	<hr/>
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	34,661
	<hr/>
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	\$ 406,676
	<hr/>
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**TOWN OF BRIDGEWATER, VIRGINIA**

**SCHEDULE OF TAXES RECEIVABLE**

**June 30, 2014**

**(With Comparative Amounts for 2013)**

	2014	2013
Taxes receivable: *		
General Fund:		
Real estate:		
2005	\$ -	\$ 211
2006	171	268
2007	268	268
2008	335	334
2009	401	402
2010	741	1,123
2011	1,033	1,528
2012	2,246	3,236
2013	3,192	2,705
2014	2,839	-
December billing for next fiscal year	161,638	161,638
	<u>172,864</u>	<u>171,713</u>
Personal property:		
2009	-	1,152
2010	741	744
2011	705	794
2012	2,080	3,119
2013	3,503	-
	<u>7,029</u>	<u>5,809</u>
Less:		
Allowance for uncollectible taxes	11,000	11,000
	<u>11,000</u>	<u>11,000</u>
<b>Taxes receivable - General Fund</b>	<u><b>\$ 168,893</b></u>	<u><b>\$ 166,522</b></u>

\* Includes 10% penalty



**TOWN OF BRIDGEWATER, VIRGINIA**

**SCHEDULE OF REVENUES AND EXPENSES  
 PROPRIETARY FUND TYPE  
 Year Ended June 30, 2014**

	Water Department	Sewer Department	Sanitation Department	Totals
<b>Operating revenues:</b>				
Charges for services	\$ 899,894	\$ 1,569,974	\$ 465,402	\$ 2,935,270
Connection fees	562	-	-	562
Penalties	22,323	20,383	-	42,706
<b>Total operating revenues</b>	<b>922,779</b>	<b>1,590,357</b>	<b>465,402</b>	<b>2,978,538</b>
<b>Operating expenses:</b>				
Personal services	398,025	75,953	200,895	674,873
Fringe benefits	148,524	34,942	73,779	257,245
Materials, line repairs and other	309,218	43,659	178,681	531,558
<b>Regional Sewer Authority assessment:</b>				
Operations and maintenance	-	371,632	-	371,632
Debt service	-	503,947	-	503,947
Construction	-	47,676	-	47,676
Depreciation	120,834	56,053	18,071	194,958
<b>Total operating expenses</b>	<b>976,601</b>	<b>1,133,862</b>	<b>471,426</b>	<b>2,581,889</b>
<b>Operating income (loss)</b>	<b>(53,822)</b>	<b>456,495</b>	<b>(6,024)</b>	<b>396,649</b>
<b>Nonoperating revenue (expense):</b>				
Interest expense	(7,184)	-	-	(7,184)
Loss on disposal of assets	(1,024)	(1,024)	(1,024)	(3,072)
Connection availability fees	22,500	45,000	-	67,500
<b>Total nonoperating revenue (expense), net</b>	<b>14,292</b>	<b>43,976</b>	<b>(1,024)</b>	<b>57,244</b>
<b>Income (loss) before transfers</b>	<b>(39,530)</b>	<b>500,471</b>	<b>(7,048)</b>	<b>453,893</b>
Transfers out	(83,709)	(597,860)	-	(681,569)
<b>Change in net position</b>	<b>\$ (123,239)</b>	<b>\$ (97,389)</b>	<b>\$ (7,048)</b>	<b>\$ (227,676)</b>

**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, 2014**

**(With Comparative Totals for 2013)**

	Water Department		Sewer Department		Totals (Memorandum Only)			
	Rate Per		Rate Per		2014		2013	
	Amount	1,000 Gallons	Amount	1,000 Gallons	Amount	Rate Per 1,000 Gallons	Amount	Rate Per 1,000 Gallons
Operating revenues:								
Charges for services	\$ 899,894	\$ 4.075	\$ 1,569,974	\$ 7.110	\$ 2,469,868	\$ 11.185	\$ 2,484,208	\$ 10.973
Connection fees	562	0.003	-	-	562	0.003	629	0.003
Penalties	22,323	0.101	20,383	0.092	42,706	0.193	36,923	0.163
<b>Total operating revenues</b>	<b>922,779</b>	<b>4.179</b>	<b>1,590,357</b>	<b>7.202</b>	<b>2,513,136</b>	<b>11.381</b>	<b>2,521,760</b>	<b>11.139</b>
Operating expenses:								
Personal services	398,025	1.802	75,953	0.344	473,978	2.146	433,533	1.915
Fringe benefits	148,524	0.673	34,942	0.158	183,466	0.831	160,003	0.707
Materials, line repairs and other	309,218	1.400	43,659	0.198	352,877	1.598	334,381	1.477
Regional Sewer Authority assessment:								
Operations and maintenance	-	-	371,632	1.683	371,632	1.683	311,312	1.375
Debt service	-	-	503,947	2.282	503,947	2.282	502,961	2.222
Construction	-	-	47,676	0.216	47,676	0.216	38,098	0.168
Depreciation	120,834	0.547	56,053	0.254	176,887	0.801	184,181	0.814
<b>Total operating expenses</b>	<b>976,601</b>	<b>4.422</b>	<b>1,133,862</b>	<b>5.135</b>	<b>2,110,463</b>	<b>9.557</b>	<b>1,964,469</b>	<b>8.678</b>
<b>Operating income (loss)</b>	<b>(53,822)</b>	<b>(0.243)</b>	<b>456,495</b>	<b>2.067</b>	<b>402,673</b>	<b>1.824</b>	<b>557,291</b>	<b>2.461</b>
Nonoperating revenue (expense):								
Interest expense	(7,184)	(0.033)	-	-	(7,184)	(0.033)	(7,830)	(0.034)
Loss on disposal of assets	(1,024)	(0.005)	(1,024)	(0.005)	(2,048)	(0.01)	-	-
Connection availability fees	22,500	0.102	45,000	0.204	67,500	0.306	54,000	0.238
<b>Total nonoperating revenue, net</b>	<b>14,292</b>	<b>0.064</b>	<b>43,976</b>	<b>0.199</b>	<b>58,268</b>	<b>0.263</b>	<b>46,170</b>	<b>0.204</b>
<b>Income (loss) before transfers</b>	<b>\$ (39,530)</b>	<b>\$ (0.179)</b>	<b>\$ 500,471</b>	<b>\$ 2.266</b>	<b>\$ 460,941</b>	<b>\$ 2.087</b>	<b>\$ 603,461</b>	<b>\$ 2.665</b>
Total water consumption:								
Thousands of gallons	<u>220,824</u>						<u>226,385</u>	

**TOWN OF BRIDGEWATER, VIRGINIA**

**DISCRETELY PRESENTED COMPONENT UNIT - INDUSTRIAL DEVELOPMENT AUTHORITY  
SCHEDULE OF REVENUE BONDS OUTSTANDING**

**June 30, 2014**

Issued on Behalf of	Amount Issued	Date of Issue	Aggregate Outstanding Payable June 30, 2014	Stated Interest Rate	Date of Maturity	Name of Trustee
Bridgewater Village, Inc. - Series 2003 D	\$ 2,000,000	12/23/03	\$ 313,300	various	01/01/16	SunTrust Bank
Bridgewater College - 2006	5,425,000	08/09/06	3,800,000	various	04/01/31	U S Bank
Bridgewater College - 2012	2,240,944	08/24/12	1,871,667	2.76%	08/01/22	SunTrust Bank
Bridgewater Home - Series 2013 A	4,053,540	06/05/13	3,741,729	various	06/05/26	SunTrust Bank
Bridgewater Village - Series 2013 B	3,716,890	06/05/13	<u>3,451,398</u>	various	06/05/27	SunTrust Bank
			<u>\$ 13,178,094</u>			

**TOWN OF BRIDGEWATER, VIRGINIA**

**DISCRETELY PRESENTED COMPONENT UNIT - INDUSTRIAL DEVELOPMENT AUTHORITY  
SCHEDULE OF CHANGES IN REVENUE BONDS OUTSTANDING  
Year Ended June 30, 2014**

Issued on Behalf of	Date of Issue	Outstanding July 1, 2013	Outstanding June 30, 2014	Decrease
Bridgewater Village, Inc. - Series 2003 D	12/23/03	\$ 513,700	\$ 313,300	\$ (200,400)
Bridgewater College - 2006	08/09/06	3,895,000	3,800,000	(95,000)
Bridgewater Home - Series 2008, R-2	07/09/08	930,686	-	(930,686)
Bridgewater College - 2012	08/24/12	2,073,227	1,871,667	(201,560)
Bridgewater Home - Series 2013 A	06/05/13	4,053,540	3,741,729	(311,811)
Bridgewater Village - Series 2013 B	06/05/13	3,716,890	3,451,398	(265,492)
Totals		<u>\$ 15,183,043</u>	<u>\$ 13,178,094</u>	<u>\$ (2,004,949)</u>

Note: This schedule is based upon statements of the respective fiduciaries.

## **STATISTICAL SECTION**

**TOWN OF BRIDGEWATER, VIRGINIA**

**STATISTICAL SECTION  
TABLE OF CONTENTS**

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

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Contents	Tables
<b>Financial Trends</b> 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
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<b>Debt Capacity</b> 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
<b>Demographic and Economic Information</b> This table offers demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.	15
<b>Operating Information</b> This table contains service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.	16

**Sources:** Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial report for the relevant year.

TOWN OF BRIDGEWATER, VIRGINIA

Table 1

NET POSITION/ASSETS BY COMPONENT

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities:										
Net investment in capital assets	\$ 1,463,087	\$ 1,563,151	\$ 1,578,115	\$ 1,764,563	\$ 2,144,020	\$ 2,256,573	\$ 2,409,533	\$ 2,177,934	\$ 2,471,324	\$ 2,599,041
Restricted	17,750	18,331	19,073	20,107	20,896	21,640	22,774	22,884	22,884	22,884
Unrestricted	575,015	717,842	449,082	255,937	(94,208)	76,087	247,986	274,804	243,717	478,614
<b>Total governmental activities net assets</b>	<b>\$ 2,055,852</b>	<b>\$ 2,299,324</b>	<b>\$ 2,046,270</b>	<b>\$ 2,040,607</b>	<b>\$ 2,070,708</b>	<b>\$ 2,354,300</b>	<b>\$ 2,680,293</b>	<b>\$ 2,475,622</b>		
<b>Total governmental activities net position</b>									<b>\$ 2,737,925</b>	<b>\$ 3,100,539</b>
Business-type activities:										
Net investment in capital assets	\$ 1,358,346	\$ 1,350,576	\$ 1,351,249	\$ 1,424,292	\$ 1,587,711	\$ 1,578,327	\$ 1,590,879	\$ 1,682,446	\$ 1,763,316	\$ 1,510,862
Unrestricted	24,767	78,524	94,657	8,108	128,309	116,214	113,563	165,764	143,719	175,474
<b>Total business-type activities net assets</b>	<b>\$ 1,383,113</b>	<b>\$ 1,429,100</b>	<b>\$ 1,445,906</b>	<b>\$ 1,432,400</b>	<b>\$ 1,716,020</b>	<b>\$ 1,694,541</b>	<b>\$ 1,704,442</b>	<b>\$ 1,848,210</b>		
<b>Total business-type activities net position</b>									<b>\$ 1,907,035</b>	<b>\$ 1,686,336</b>
Primary government:										
Net investment in capital assets	\$ 2,821,433	\$ 2,913,727	\$ 2,929,364	\$ 3,188,855	\$ 3,731,731	\$ 3,834,900	\$ 4,000,412	\$ 3,860,380	\$ 4,234,640	\$ 4,109,903
Restricted	17,750	18,331	19,073	20,107	20,896	21,640	22,774	22,884	22,884	22,884
Unrestricted	599,782	796,366	543,739	264,045	34,101	192,301	361,549	440,568	387,436	654,088
<b>Total primary government net assets</b>	<b>\$ 3,438,965</b>	<b>\$ 3,728,424</b>	<b>\$ 3,492,176</b>	<b>\$ 3,473,007</b>	<b>\$ 3,786,728</b>	<b>\$ 4,048,841</b>	<b>\$ 4,384,735</b>	<b>\$ 4,323,832</b>		
<b>Total primary government net position</b>									<b>\$ 4,644,960</b>	<b>\$ 4,786,875</b>

Note:

- (1) This table reports financial information based on the accrual basis of accounting. The Town implemented GASB Statement No. 63, the new reporting standard, in fiscal year 2013. This standard eliminated the use of the term 'net assets' and now refers to this measurement as 'net position.'

TOWN OF BRIDGEWATER, VIRGINIA

Table 2

CHANGES IN NET POSITION/ASSETS

Page 1

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses:										
Governmental activities:										
General government administration	\$ 516,298	\$ 547,300	\$ 558,086	\$ 643,634	\$ 623,112	\$ 670,323	\$ 687,128	\$ 715,110	\$ 709,603	\$ 765,232
Public safety	601,189	631,004	664,438	723,798	714,959	768,602	796,247	861,318	826,648	833,948
Public works	1,399,084	1,459,343	2,292,126	1,890,305	1,722,205	1,268,346	1,170,542	2,101,001	1,302,538	1,298,405
Parks, recreation and cultural	453,740	418,314	435,208	440,790	426,139	407,530	448,454	428,657	426,733	482,013
Community and economic development	82,779	86,315	93,392	107,656	119,217	99,609	171,500	90,496	111,075	101,847
Interest	119,818	111,429	114,991	115,215	99,525	91,890	80,004	56,092	39,946	32,738
<b>Total governmental activities</b>	<b>3,172,908</b>	<b>3,253,705</b>	<b>4,158,241</b>	<b>3,921,398</b>	<b>3,705,157</b>	<b>3,306,300</b>	<b>3,353,875</b>	<b>4,252,674</b>	<b>3,416,543</b>	<b>3,514,183</b>
Business-type activities:										
Water, sewer and sanitation	1,292,437	1,415,411	1,488,704	1,574,221	2,059,887	2,151,399	2,285,051	2,474,727	2,500,118	2,592,145
Stormwater Management	-	-	-	-	-	-	-	-	-	70,626
<b>Total business-type activities</b>	<b>1,292,437</b>	<b>1,415,411</b>	<b>1,488,704</b>	<b>1,574,221</b>	<b>2,059,887</b>	<b>2,151,399</b>	<b>2,285,051</b>	<b>2,474,727</b>	<b>2,500,118</b>	<b>2,662,771</b>
<b>Total government</b>	<b>4,465,345</b>	<b>4,669,116</b>	<b>5,646,945</b>	<b>5,495,619</b>	<b>5,765,044</b>	<b>5,457,699</b>	<b>5,638,926</b>	<b>6,727,401</b>	<b>5,916,661</b>	<b>6,176,954</b>
Program revenue:										
Governmental activities:										
Charges for services:										
Public safety	57,917	57,432	46,517	38,623	36,059	50,936	55,982	40,862	45,819	42,796
Public works	243,086	255,389	317,039	356,484	-	-	-	-	-	-
Operating grants and contributions:										
Public safety	146,673	152,711	163,197	157,503	173,053	189,271	193,197	183,947	185,342	174,442
Public works	492,609	519,181	877,658	567,653	908,566	648,682	645,407	1,259,493	668,965	653,460
Capital grants and contributions:										
General government administration	-	-	-	-	-	-	85,000	-	-	-
Public safety	-	-	-	-	122,616	-	-	15,390	-	-
Public works	-	-	-	-	-	19,265	-	11,653	18,544	-
<b>Total governmental activities program revenue</b>	<b>940,285</b>	<b>984,713</b>	<b>1,404,411</b>	<b>1,120,263</b>	<b>1,240,294</b>	<b>908,154</b>	<b>979,586</b>	<b>1,511,345</b>	<b>918,670</b>	<b>870,698</b>
Business-type activities:										
Charges for services:										
Water, sewer and sanitation	1,753,232	1,910,331	1,954,388	2,053,454	2,694,112	2,699,253	2,653,193	2,875,705	2,944,344	2,935,832
Stormwater Management	-	-	-	-	-	-	-	-	-	78,512
Capital grants and contributions:										
Water, sewer and sanitation	180,481	47,746	20,342	184,701	91,695	122,500	247,277	85,796	54,000	67,500
<b>Total business-type activities program revenue</b>	<b>1,933,713</b>	<b>1,958,077</b>	<b>1,974,730</b>	<b>2,238,155</b>	<b>2,785,807</b>	<b>2,821,753</b>	<b>2,900,470</b>	<b>2,961,501</b>	<b>2,998,344</b>	<b>3,081,844</b>
<b>Total government program revenue</b>	<b>2,873,998</b>	<b>2,942,790</b>	<b>3,379,141</b>	<b>3,358,418</b>	<b>4,026,101</b>	<b>3,729,907</b>	<b>3,880,056</b>	<b>4,472,846</b>	<b>3,917,014</b>	<b>3,952,542</b>
Net (expense) revenue:										
Governmental activities	(2,232,623)	(2,268,992)	(2,753,830)	(2,801,135)	(2,464,863)	(2,398,146)	(2,374,289)	(2,741,329)	(2,497,873)	(2,643,485)
Business-type activities	641,276	542,666	486,026	663,934	725,920	670,354	615,419	486,774	498,226	419,073
<b>Total government net expense</b>	<b>(1,591,347)</b>	<b>(1,726,326)</b>	<b>(2,267,804)</b>	<b>(2,137,201)</b>	<b>(1,738,943)</b>	<b>(1,727,792)</b>	<b>(1,758,870)</b>	<b>(2,254,555)</b>	<b>(1,999,647)</b>	<b>(2,224,412)</b>



TOWN OF BRIDGEWATER, VIRGINIA

Table 2  
Page 2

CHANGES IN NET POSITION/ASSETS (CONTINUED)

Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General revenues and other changes in net assets:										
Governmental activities:										
Taxes:										
General property	\$ 538,390	\$ 621,574	\$ 601,368	\$ 598,321	\$ 589,737	\$ 557,891	\$ 560,335	\$ 538,464	\$ 506,468	\$ 554,897
Consumer utility and communications sales and use	311,419	342,871	377,027	426,005	371,762	359,461	274,780	393,629	386,397	385,779
Meals	217,784	298,498	308,256	307,594	311,681	320,339	360,040	347,099	396,659	446,307
Local sales and use	157,028	160,187	160,944	170,441	166,599	131,990	162,442	168,211	247,769	160,076
Business license	157,294	153,042	155,113	163,835	172,228	180,397	172,147	199,905	206,776	217,335
Other	220,250	234,803	182,881	179,599	188,645	206,966	206,814	218,073	252,002	243,816
Intergovernmental, non-categorical aid	100,965	112,377	108,522	103,602	108,229	98,614	198,644	195,902	198,768	191,976
Use of money and property	47,287	60,472	101,835	96,664	89,428	88,035	77,000	81,329	68,678	90,455
Miscellaneous	53,222	12,550	14,393	36,564	31,159	22,238	52,583	17,505	20,335	32,980
Transfers	677,756	516,090	490,437	712,847	465,496	715,807	635,497	376,541	476,324	682,478
<b>Total governmental activities</b>	<b>2,481,395</b>	<b>2,512,464</b>	<b>2,500,776</b>	<b>2,795,472</b>	<b>2,494,964</b>	<b>2,681,738</b>	<b>2,700,282</b>	<b>2,536,658</b>	<b>2,760,176</b>	<b>3,006,099</b>
Business-type activities:										
Miscellaneous	17,914	19,411	21,217	35,407	23,196	23,974	29,979	33,535	36,923	42,706
Transfers	(677,756)	(516,090)	(490,437)	(712,847)	(465,496)	(715,807)	(635,497)	(376,541)	(476,324)	(682,478)
<b>Total business-type activities</b>	<b>(659,842)</b>	<b>(496,679)</b>	<b>(469,220)</b>	<b>(677,440)</b>	<b>(442,300)</b>	<b>(691,833)</b>	<b>(605,518)</b>	<b>(343,006)</b>	<b>(439,401)</b>	<b>(639,772)</b>
<b>Total primary government</b>	<b>1,821,553</b>	<b>2,015,785</b>	<b>2,031,556</b>	<b>2,118,032</b>	<b>2,052,664</b>	<b>1,989,905</b>	<b>2,094,764</b>	<b>2,193,652</b>	<b>2,320,775</b>	<b>2,366,327</b>
Changes in net assets:										
Governmental activities	248,772	243,472	(253,054)	(5,663)	30,101	283,592	325,993	(204,671)		
Business-type activities	(18,566)	45,987	16,806	(13,506)	283,620	(21,479)	9,901	143,768		
<b>Total primary government</b>	<b>\$ 230,206</b>	<b>\$ 289,459</b>	<b>\$ (236,248)</b>	<b>\$ (19,169)</b>	<b>\$ 313,721</b>	<b>\$ 262,113</b>	<b>\$ 335,894</b>	<b>\$ (60,903)</b>		
Changes in net position:										
Governmental activities								\$ 262,303		\$ 362,614
Business-type activities								58,825		(220,699)
<b>Total primary government</b>								<b>\$ 321,128</b>		<b>\$ 141,915</b>

Notes:

- (1) Net (expense) revenue is the difference between the expenses and program revenues. This difference indicates the degree to which a function or program is supported with its own fees and program-specific grants versus its reliance upon funding from taxes and other general revenues. Numbers in 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
- (2) Sanitation activities and accounts were transferred from governmental activities to business-type activities during fiscal year 2009.
- (3) In fiscal year 2011, the Town implemented the Auditor of Public Accounts' requirement that communication sales and use tax be reported as non-categorical state aid instead of other local taxes as previously reported.
- (4) This table reports financial information based on the accrual basis of accounting. The Town implemented GASB Statement No. 63, the new reporting standard, in fiscal year 2013. This standard eliminated the use of the term 'net assets' and now refers to this measurement as 'net position'.

**TOWN OF BRIDGEWATER, VIRGINIA**

**Table 3**

**PROGRAM REVENUES BY FUNCTION/PROGRAM**

**Last Ten Fiscal Years**

*(accrual basis of accounting)*

**(Unaudited)**

Function/Program	Fiscal Year June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities:										
General government administration	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 85,000	\$ -	\$ -	\$ -
Public safety	204,590	210,143	209,714	196,126	331,728	240,207	249,179	240,199	231,161	217,238
Public works	735,695	774,570	1,194,697	924,137	908,566	667,947	645,407	1,271,146	687,509	653,460
<b>Total governmental activities</b>	<b>940,285</b>	<b>984,713</b>	<b>1,404,411</b>	<b>1,120,263</b>	<b>1,240,294</b>	<b>908,154</b>	<b>979,586</b>	<b>1,511,345</b>	<b>918,670</b>	<b>870,698</b>
Business-type activities:										
Water, sewer and sanitation	1,933,713	1,958,077	1,974,730	2,238,155	2,785,807	2,821,753	2,900,470	2,961,501	2,998,344	3,003,332
Stormwater management	-	-	-	-	-	-	-	-	-	78,512
<b>Total business-type activities</b>	<b>1,933,713</b>	<b>1,958,077</b>	<b>1,974,730</b>	<b>2,238,155</b>	<b>2,785,807</b>	<b>2,821,753</b>	<b>2,900,470</b>	<b>2,961,501</b>	<b>2,998,344</b>	<b>3,081,844</b>
<b>Total government</b>	<b>\$ 2,873,998</b>	<b>\$ 2,942,790</b>	<b>\$ 3,379,141</b>	<b>\$ 3,358,418</b>	<b>\$ 4,026,101</b>	<b>\$ 3,729,907</b>	<b>\$ 3,880,056</b>	<b>\$ 4,472,846</b>	<b>\$ 3,917,014</b>	<b>\$ 3,952,542</b>

Notes:

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

TOWN OF BRIDGEWATER, VIRGINIA

Table 4

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,				
	2005	2006	2007	2008	2009
General Fund:					
Reserved	\$ 208,620	\$ 168,488	\$ 588,888	\$ 14,836	\$ 45,305
Unreserved	450,665	646,156	95,392	362,480	(18,849)
<b>Total General Fund</b>	<b>\$ 659,285</b>	<b>\$ 814,644</b>	<b>\$ 684,280</b>	<b>\$ 377,316</b>	<b>\$ 26,456</b>
All Other Governmental Funds:					
Reserved	\$ 17,750	\$ 18,331	\$ 19,073	\$ 20,107	\$ 20,896
<b>Total all other governmental funds</b>	<b>\$ 17,750</b>	<b>\$ 18,331</b>	<b>\$ 19,073</b>	<b>\$ 20,107</b>	<b>\$ 20,896</b>

	Fiscal Year June 30,				
	2010	2011	2012	2013	2014
General Fund:					
Reserved	\$ 11,817	\$ -	\$ -	\$ -	\$ -
Unreserved	217,297	-	-	-	-
Committed	-	10,000	10,000	10,000	10,000
Unassigned	-	427,550	483,281	485,544	731,144
<b>Total General Fund</b>	<b>\$ 229,114</b>	<b>\$ 437,550</b>	<b>\$ 493,281</b>	<b>\$ 495,544</b>	<b>\$ 741,144</b>
All Other Governmental Funds:					
Reserved	\$ 21,640	\$ -	\$ -	\$ -	\$ -
Nonspendable	-	6,000	6,000	6,000	6,000
Restricted	-	16,774	16,884	16,884	16,884
<b>Total all other governmental funds</b>	<b>\$ 21,640</b>	<b>\$ 22,774</b>	<b>\$ 22,884</b>	<b>\$ 22,884</b>	<b>\$ 22,884</b>

Note:

- (1) In fiscal year 2011, the Town implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which effectively changed the classifications used to report fund balances. The terms reserved and unreserved are no longer used to describe fund balance. Fund balance is now classified as nonspendable, restricted, committed, assigned, or unassigned.

TOWN OF BRIDGEWATER, VIRGINIA

Table 5  
Page 1

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues:										
General property taxes	\$ 535,390	\$ 624,574	\$ 605,368	\$ 600,321	\$ 585,737	\$ 556,891	\$ 558,335	\$ 541,464	\$ 509,468	\$ 542,897
Other local taxes	1,063,775	1,189,401	1,184,221	1,247,474	1,210,915	1,199,153	1,176,223	1,326,917	1,489,603	1,453,313
Permits	26,998	8,043	4,268	3,534	4,021	7,070	4,144	3,425	2,965	3,078
Fines and forfeitures	30,919	49,389	42,249	35,089	32,038	43,866	51,838	37,437	42,854	39,718
Use of money and property	47,554	60,472	102,577	97,698	89,428	88,035	77,000	81,329	68,678	90,455
Charges for services	242,819	254,808	316,297	355,450	-	-	-	-	-	-
Miscellaneous	53,222	12,550	14,393	36,564	31,159	22,238	52,583	17,505	20,335	32,980
Intergovernmental	740,247	784,269	1,149,377	828,758	1,189,848	936,567	1,037,248	1,639,342	1,053,075	1,019,878
<b>Total revenues</b>	<b>2,740,924</b>	<b>2,983,506</b>	<b>3,418,750</b>	<b>3,204,888</b>	<b>3,143,146</b>	<b>2,853,820</b>	<b>2,957,371</b>	<b>3,647,419</b>	<b>3,186,978</b>	<b>3,182,319</b>
Expenditures:										
General government administration	485,324	539,929	547,504	627,972	595,075	618,210	646,078	674,207	676,800	734,129
Public safety	578,050	607,560	668,459	763,730	714,718	730,825	725,534	835,013	767,068	825,896
Public works	1,474,381	1,497,100	2,480,241	1,817,252	1,843,837	1,233,689	1,127,277	2,090,014	1,311,656	1,245,008
Parks, recreation and cultural	482,409	421,087	535,619	505,561	429,787	356,422	400,891	389,595	461,846	445,772
Community and economic development	82,779	86,315	93,392	107,656	119,217	99,236	170,291	90,406	109,124	117,737
Debt service:										
Principal	374,345	165,051	167,945	281,183	220,275	229,674	229,965	230,266	291,996	216,520
Interest and fiscal charges	121,704	112,195	108,649	120,311	100,327	98,169	83,262	48,618	42,549	34,135
<b>Total expenditures</b>	<b>3,598,992</b>	<b>3,429,237</b>	<b>4,601,809</b>	<b>4,223,665</b>	<b>4,023,236</b>	<b>3,366,225</b>	<b>3,383,298</b>	<b>4,358,119</b>	<b>3,661,039</b>	<b>3,619,197</b>
<b>Revenues under expenditures</b>	<b>(858,068)</b>	<b>(445,731)</b>	<b>(1,183,059)</b>	<b>(1,018,777)</b>	<b>(880,090)</b>	<b>(512,405)</b>	<b>(425,927)</b>	<b>(710,700)</b>	<b>(474,061)</b>	<b>(436,878)</b>
Other financing sources (uses):										
Transfers in	677,756	516,090	490,437	712,847	480,019	715,807	635,497	376,541	476,324	682,478
Issuance of debt	150,000	85,000	563,000	-	50,000	-	-	390,000	-	-
Issuance of short-term debt	-	-	300,000	-	-	295,000	-	-	-	-
Payment of short-term debt	-	-	(300,000)	-	-	(295,000)	-	-	-	-
<b>Total other financing sources, net</b>	<b>827,756</b>	<b>601,090</b>	<b>1,053,437</b>	<b>712,847</b>	<b>530,019</b>	<b>715,807</b>	<b>635,497</b>	<b>766,541</b>	<b>476,324</b>	<b>682,478</b>
<b>Net change in fund balances</b>	<b>\$ (30,312)</b>	<b>\$ 155,359</b>	<b>\$ (129,622)</b>	<b>\$ (305,930)</b>	<b>\$ (350,071)</b>	<b>\$ 203,402</b>	<b>\$ 209,570</b>	<b>\$ 55,841</b>	<b>\$ 2,263</b>	<b>\$ 245,600</b>

**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,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt service as a percentage of noncapital expenditures:										
<b>Total debt service</b>	\$ 346,049	\$ 277,246	\$ 276,594	\$ 401,494	\$ 320,602	\$ 327,843	\$ 313,227	\$ 278,884	\$ 334,545	\$ 250,655
Total expenditures	\$ 3,598,992	\$ 3,429,237	\$ 4,601,809	\$ 4,223,665	\$ 4,023,236	\$ 3,366,225	\$ 3,383,298	\$ 4,358,119	\$ 3,661,039	\$ 3,619,197
Less: capital outlay	(191,962)	(165,868)	(446,863)	(215,429)	(389,155)	(68,265)	(7,657)	(76,643)	(151,506)	(60,365)
<b>Noncapital expenditures</b>	\$ 3,407,030	\$ 3,263,369	\$ 4,154,946	\$ 4,008,236	\$ 3,634,081	\$ 3,297,960	\$ 3,375,641	\$ 4,281,476	\$ 3,509,533	\$ 3,558,832
<b>Debt service as a percentage of noncapital expenditures</b>	10.16%	8.50%	6.70%	10.02%	8.82%	9.94%	9.28%	6.51%	9.53%	7.04%

Note:

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

TOWN OF BRIDGEWATER, VIRGINIA

Table 6

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

Fiscal Year June 30,	General Property Including Interest and Penalty	Consumer Utility	Consumption	Local Sales and Use	Bank Stock	Cable Franchise	Meals	Right-of-way Use Fee	Business Licenses	Motor Vehicle	Communication Sales and Use	Cigarette	Totals
2005	\$ 535,390	\$ 311,419	\$ 24,203	\$ 157,028	\$ 71,947	\$ 32,897	\$ 217,784	\$ 15,750	\$ 157,294	\$ 75,453	\$ -	\$ -	\$ 1,599,165
2006	624,574	342,871	25,698	160,187	80,628	35,105	298,498	15,444	153,042	77,928	-	-	1,813,975
2007	605,368	272,288	25,416	160,944	63,694	42,601	308,256	15,232	155,113	78,539	62,138	-	1,789,589
2008	600,321	327,288	25,649	170,441	61,822	-	307,594	15,047	163,835	77,081	98,717	-	1,847,795
2009	585,737	275,634	25,298	166,599	71,495	-	311,681	15,032	172,228	76,820	96,128	-	1,796,652
2010	556,891	266,268	24,493	131,990	89,615	-	320,339	17,404	180,397	75,454	93,193	-	1,756,044
2011	558,335	274,780	25,108	162,442	108,360	-	360,040	15,158	172,147	58,188	-	-	1,734,558
2012	541,464	393,629	24,594	168,211	95,393	-	347,099	13,171	199,905	84,915	-	-	1,868,381
2013	509,468	386,397	24,672	247,769	101,619	-	396,659	14,082	206,776	87,377	-	24,252	1,999,071
2014	542,897	385,779	24,893	160,076	107,330	-	446,307	13,978	217,335	75,473	-	22,142	1,996,210
Change 2005-2014	1.40%	23.88%	2.85%	1.94%	49.18%	-100.00%	104.93%	-11.25%	38.17%	0.03%	0.00%	100.00%	24.83%

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
2005	\$ 264,179,165	\$ 4,737,613	\$ 119,166,300	\$ 388,083,078	\$ 268,916,778	2.01%	\$ 0.09	\$ 268,916,778	100.00%
2006	309,706,143	4,510,700	140,592,650	454,809,493	314,216,843	16.85%	0.08	314,216,843	100.00%
2007	371,380,054	5,015,995	161,751,100	538,147,149	376,396,049	19.79%	0.08	376,396,049	100.00%
2008	373,604,271	5,261,795	162,528,650	541,394,716	378,866,066	0.66%	0.08	378,866,066	100.00%
2009	375,779,954	4,870,702	162,774,050	543,424,706	380,650,656	0.47%	0.08	380,650,656	100.00%
2010	382,695,690	5,088,222	175,783,800	563,567,712	387,783,912	1.87%	0.08	387,783,912	100.00%
2011	389,052,878	5,795,586	189,175,750	584,024,214	394,848,464	1.82%	0.08	394,848,464	100.00%
2012	392,261,009	5,829,251	189,573,100	587,663,360	398,090,260	0.82%	0.08	398,090,260	100.00%
2013	395,914,725	5,912,756	191,489,150	593,316,631	401,827,481	0.94%	0.09	401,827,481	100.00%
2014	405,446,028	6,131,545	197,048,600	608,626,173	411,577,573	2.43%	0.09	411,577,573	100.00%

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, 2010 and 2014.
- (4) The total direct tax rate is per \$100 of assessed value.

**TOWN OF BRIDGEWATER, VIRGINIA**

**Table 8**

**DIRECT AND OVERLAPPING PROPERTY TAX RATES**

**Last Ten Fiscal Years**

**(Unaudited)**

Fiscal Year June 30,	Tax Rates - Town			Tax Rates - Rockingham County			Tax Rates - Combined		
	Real Property	Personal Property	Machinery and Tools	Real Property	Personal Property	Machinery and Tools	Real Property	Personal Property	Machinery and Tools
2005	\$ 0.09	\$ 0.75	\$ 0.75	\$ 0.71	\$ 2.80	\$ 2.55	\$ 0.80	\$ 3.55	\$ 3.30
2006	0.08	0.75	0.75	0.58	2.80	2.55	0.66	3.55	3.30
2007	0.08	0.75	0.75	0.58	2.80	2.55	0.66	3.55	3.30
2008	0.08	0.75	0.75	0.60	2.80	2.55	0.68	3.55	3.30
2009	0.08	0.75	0.75	0.60	2.80	2.55	0.68	3.55	3.30
2010	0.08	0.75	0.75	0.60	2.80	2.55	0.68	3.55	3.30
2011	0.08	0.75	0.75	0.60	2.80	2.55	0.68	3.55	3.30
2012	0.08	0.75	0.38	0.64	2.85	2.55	0.72	3.60	2.93
2013	0.09	0.75	-	0.64	2.85	2.55	0.73	3.60	2.55
2014	0.09	0.75	-	0.64	2.85	2.55	0.73	3.60	2.55

Notes:

- (1) These rates are per \$100 of assessed value for real estate and personal property.
- (2) The Commonwealth of Virginia has no limitations on local tax rates.
- (3) Real property taxes are due in semi-annual installments by June 5 and December 5, and become delinquent thereafter.
- (4) No discounts are allowed for early payment.
- (5) Residents of incorporated towns in the Commonwealth of Virginia are subject to real property and personal property taxes levied by the town and the county where they reside.



**TOWN OF BRIDGEWATER, VIRGINIA**

**Table 9**

**PRINCIPAL PROPERTY TAXPAYERS  
Current Year and Nine Years Ago  
(Unaudited)**

Taxpayer	2014			2005		
	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	\$ 45,693,100	1	11.10%	\$ 26,426,300	1	9.83%
Tiben Limited Company (Marshall's)	19,003,900	2	4.62%	17,842,700	2	6.64%
Perdue Farms, Inc.	9,383,400	3	2.28%	10,004,000	3	3.72%
French, Larry B and Pamela	4,480,200	4	1.09%	1,905,800	7	0.71%
Heatwole Construction	2,868,300	5	0.70%	-	-	-
North Grove Rentals, LLC	2,119,000	6	0.51%	-	-	-
Parkside, LLC	1,917,800	7	0.47%	-	-	-
Ashby 28, LLC	1,833,100	8	0.45%	-	-	-
A Bird in Hand Land, LLC	1,598,900	9	0.39%	-	-	-
Newland Enterprises	1,594,300	10	0.39%	-	-	-
Bridgewater Division of Ethan Allen	-	-	-	4,221,100	4	1.57%
Scarlet Maple Farms	-	-	-	2,226,370	5	0.83%
Good Printers, Inc.	-	-	-	1,919,500	6	0.71%
Padgett Manufacturing	-	-	-	1,222,000	8	0.45%
Shickel Machine Shop	-	-	-	1,138,900	9	0.42%
Ashby Apartments	-	-	-	1,083,900	10	0.40%
<b>Total</b>	<b>\$ 90,492,000</b>		<b>22.00%</b>	<b>\$ 67,990,570</b>		<b>25.28%</b>

**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
2005	\$ 242,033	\$ 239,911	99.12%	\$ 2,122	\$ 242,033	100.00%
2006	264,883	261,948	98.89%	2,898	264,846	99.99%
2007	297,141	295,905	99.58%	968	296,873	99.91%
2008	299,908	293,160	97.75%	6,480	299,640	99.91%
2009	303,025	298,634	98.55%	3,990	302,624	99.87%
2010	307,056	302,094	98.38%	4,391	306,485	99.81%
2011	312,031	305,715	97.98%	5,575	311,290	99.76%
2012	314,036	309,769	98.64%	2,530	312,299	99.45%
2013	335,295	330,693	98.63%	1,840	332,533	99.18%
2014	362,129	357,687	98.77%	-	357,687	98.77%

**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
2005	\$ 2,211,725	\$ -	\$ 12,776	\$ 795,775	\$ 16,137	\$ -	\$ 3,036,413	2.15%	\$ 573	\$ 2,211,725	0.82%	\$ 417
2006	2,059,450	85,000	-	710,550	3,240	169,880	3,028,120	2.04%	559	2,059,450	0.66%	380
2007	2,470,175	69,330	-	625,325	-	144,619	3,309,449	2.14%	613	2,470,175	0.66%	458
2008	2,205,300	53,022	-	540,100	-	171,177	2,969,599	1.76%	547	2,205,300	0.58%	407
2009	1,806,625	50,000	-	588,675	149,049	129,295	2,723,644	1.64%	502	1,806,625	0.47%	333
2010	1,586,350	40,601	-	458,850	110,143	85,092	2,281,036	1.38%	421	1,586,350	0.41%	293
2011	1,366,075	30,911	-	329,025	69,858	32,380	1,828,249	1.06%	324	1,366,075	0.35%	242
2012	1,535,800	20,920	-	199,200	47,279	-	1,803,199	0.97%	319	1,535,800	0.39%	272
2013	1,264,724	-	-	62,500	-	35,200	1,362,424	N/A	241	1,264,724	0.31%	224
2014	1,048,204	-	-	550,000	-	8,800	1,607,004	N/A	273	1,048,204	0.25%	178

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, 2014**  
**(Unaudited)**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Rockingham County, Virginia	\$ 100,056,609	4.56%	\$ 4,562,581
Town Direct Debt			<u>1,048,204</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 5,610,785</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,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Legal debt margin	\$ 26,891,678	\$ 31,421,664	\$ 37,560,242	\$ 46,013,039	\$ 46,203,768	\$ 38,778,391	\$ 39,484,846	\$ 39,809,026	\$ 40,182,748	\$ 41,157,757
Total net debt applicable to limit	2,224,501	2,144,450	2,539,505	2,258,322	1,856,625	1,626,951	1,396,986	1,556,720	1,264,724	1,048,204
Available legal debt margin	<u>\$ 24,667,177</u>	<u>\$ 29,277,214</u>	<u>\$ 35,020,737</u>	<u>\$ 43,754,717</u>	<u>\$ 44,347,143</u>	<u>\$ 37,151,440</u>	<u>\$ 38,087,860</u>	<u>\$ 38,252,306</u>	<u>\$ 38,918,024</u>	<u>\$ 40,109,553</u>
<b>Total net debt applicable to the limit as a percentage of debt limit</b>	8.27%	6.82%	6.76%	4.91%	4.02%	4.20%	3.54%	3.91%	3.15%	2.55%

Legal debt margin calculation for fiscal year 2014:

Assessed value of real estate	<u>\$ 411,577,573</u>
Debt limit (10% of assessed value)	\$ 41,157,757
Debt applicable to limit:	
Net direct debt outstanding	<u>1,048,204</u>
Available legal debt margin	<u>\$ 40,109,553</u>

Summary of outstanding debt:

Gross bonded debt and lease	\$ 1,607,004
Less: enterprise debt	<u>558,800</u>
	<u>\$ 1,048,204</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		Totals		
				Principal	Interest			
2005	\$ 1,951,627	\$ 1,110,754	\$ 840,873	\$ 85,225	\$ 35,887	\$ 121,112	6.94	
2006	1,977,488	1,237,573	739,915	85,225	32,676	117,901	6.28	
2007	1,995,947	1,297,008	698,939	85,225	37,397	122,622	5.70	
2008	2,273,562	1,369,202	904,360	85,225	33,825	119,050	7.60	
2009	2,802,941	1,787,157	1,015,784	129,825	44,556	174,381	5.83	
2010	2,845,727	1,890,241	955,486	129,825	30,362	160,187	5.96	
2011	2,930,449	2,038,042	892,407	129,825	21,694	151,519	5.89	
2012	2,990,240	2,240,339	749,901	129,825	14,975	144,800	5.18	
2013	2,981,267	2,267,085	714,182	136,700	7,830	144,530	4.94	
2014	2,978,538	2,386,931	591,607	62,500	7,184	69,684	8.49	

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
2005	5,301	\$ 141,430,680	\$ 26,680	2.8%
2006	5,413	148,202,527	27,379	2.7%
2007	5,399	154,352,011	28,589	2.7%
2008	5,424	168,442,320	31,055	3.5%
2009	5,424	166,370,352	30,673	6.4%
2010	5,420	165,044,420	30,451	6.3%
2011	5,644	173,197,428	30,687	5.9%
2012	5,644	186,240,712	32,998	5.5%
2013	5,644	(4)	(4)	5.0%
2014	5,879	(4)	(4)	4.5%

Notes:

- (1) Population estimates obtained from the United States Bureau of the Census for years 2005 through 2014.
- (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 2005 through 2009 from the Virginia Employment Commission - Harrisonburg/Rockingham County Branch; 2010 through 2014 information was obtained from the U.S. Bureau of Labor Statistics for Rockingham County.
- (4) Information was not available.

**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,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
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	9	9	9	9	9	9	9	9	9
Building inspections	1	-	-	-	-	-	-	-	-	-
Public works:										
Public works department	3	3	3	4	4	3	3	3	4	4
Maintenance	6	6	6	6	6	6	7	6	6	6
General properties	6	6	6	6	5	5	5	5	5	5
Parks, recreation and cultural	4	4	4	4	4	4	4	4	5	6
Water, Sewer and Sanitation:										
Administration	1	1	1	1	1	1	1	1	1	1
Transmission	6	6	6	6	6	6	6	5	5	5
Purification	5	6	6	5	5	5	5	5	5	5
Sewer maintenance	2	2	2	2	2	2	2	2	2	2
Sanitation	2	2	5	5	5	5	5	5	5	6
<b>Total</b>	<b>49</b>	<b>50</b>	<b>53</b>	<b>53</b>	<b>52</b>	<b>51</b>	<b>52</b>	<b>50</b>	<b>52</b>	<b>54</b>

Note:

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



## **COMPLIANCE SECTION**



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Bridgewater, Virginia (Town) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 3, 2014.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control as described in the accompanying Schedule of Findings and Responses as 2014-001 that we consider to be a significant deficiency.

## **Compliance and Other Matters**

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

The Town's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the Town's response and, accordingly, we express no opinion on it.

## **Purpose of this Report**

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

*PBMares, LLP*

Harrisonburg, Virginia  
November 3, 2014

**TOWN OF BRIDGWATER, VIRGINIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2014**

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**

2014-001      Financial Statement Presentation

Based on the adjustments made during the Town's annual audit, it does not appear that the Town's management is able to draft financial statements, including all footnotes and disclosures, in accordance with accounting principles generally accepted in the United States of America, including the implementation of GASB Statements, without assistance. Management provides this information for year-end adjustments and management is provided all year-end journal entries made during the audit, which are verified by management and posted to the Town's general ledger. Once the financial statements have been drafted, management is able to verify that all balances and disclosures are accurate and complete.

**Management's Response**

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

