

TOWN OF BERRYVILLE, VIRGINIA



FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2014



**TOWN OF BERRYVILLE, VIRGINIA**

**FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2014**



TOWN OF BERRYVILLE, VIRGINIA

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Keith R. Dalton, Town Manager

Desiree Moreland, Assistant Town  
Manager/Treasurer

Christina Dunkle, Assistant Town  
Manager for Community  
Development and Operations

Neal White, Chief of Police

David Tyrrell, Director of Utilities

Rick Boor, Director of Public  
Works

Deborah Boggs, Utility Clerk



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TOWN OF BERRYVILLE, VIRGINIA

Financial Report  
Year Ended June 30, 2014

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## Independent Auditors' Report

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To the Honorable Members of the Town Council  
Town of Berryville, Virginia

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Town of Berryville, Virginia, 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.

#### *Auditors' 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 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 auditors' 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Town of Berryville, Virginia, 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 that the management's discussion and analysis, budgetary comparison information, and schedule of pension funding progress on pages 4-9, 44 and 45, 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. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Berryville, Virginia's basic financial statements. The supporting schedules and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supporting 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 supporting schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with Government Auditing Standards, we have also issued our report dated November 6, 2014, on our consideration of Town of Berryville, Virginia'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 Town of Berryville, Virginia's internal control over financial reporting and compliance.

*Robinson, Farmer, Cox Associates*  
Charlottesville, Virginia  
November 6, 2014

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TOWN OF BERRYVILLE, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Town of Berryville (the "Town") we offer the readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2014. Please read it in conjunction with the Town's basic financial statements, which follow this section.

### Financial Highlights

The assets of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$30,835,603 (net position). Of this amount, \$4,980,144 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.

The Town's total net position increased by \$267,153, of which the governmental activities accounted for a \$376,595 decrease and business-type activities accounted for a \$643,748 increase.

At the end of the current fiscal year, unrestricted net position for governmental activities was \$1,247,808 or 45.71% of the governmental activities expenditures less any capital outlay projects funded with bond proceeds.

The unassigned ending fund balance for the Town's general fund was \$1,254,889, an increase of \$3,068 over the prior year. This increase is due to cash flow associated with the VDOT street maintenance expenses in the prior year.

The Town's total debt decreased by \$173,292 (1.29%) during the current fiscal year. The key factor in this net decrease was the payment of General Obligation Bonds.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

#### Government-wide financial statements

The government-wide financial statements are designed to provide the readers with a broad overview of the Town's finances, in a manner similar to a private sector business. The *statement of net position* presents information on all of the Town's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of how the financial position of the Town may be changing. Increases in net position may indicate an improved financial position; however, even decreases in net position may reflect a changing manner in which the Town may have previously accumulated funds.

The *statement of activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the changes occur, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government administration, public safety, public works, parks, recreation and culture, and community development.

## Overview of the Financial Statements: (Continued)

### Government-wide financial statements: (Continued)

The two Proprietary (business-type) Fund financial statements provide information on the activities in the Town's Water and Sewer Funds. Activities that are funded through the Water Fund include water system administration and billing, water treatment, and maintenance of treatment, distribution, and storage facilities. Activities that are funded through the Sewer Fund include sewer system administration and billing, wastewater treatment, and maintenance of treatment and collection facilities. User fees (water and sewer bills) and availability fees comprise the income for these funds.

The Town has no separate component units (e.g. school board, industrial development authority, etc.) that would be included in its government-wide financial statements.

The government-wide financial statements can be found on pages 10 through 12 of this report.

### Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term affect of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The basic governmental fund financial statements can be found on pages 13 through 16 of this report.

The Town maintains two *Proprietary Funds*. These *enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements, to account for its public utilities.

The basic proprietary fund financial statements can be found on pages 17 through 19 of this report.

The Town adopts an annual appropriated budget for its General Fund and its two Proprietary Funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with this budget.

### Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 20 through 43 of this report.

Overview of the Financial Statements: (Continued)

Other information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning budgetary comparisons for the general fund and the schedule of funding in progress relating to the Town's participation in its defined benefit pension plan.

Required supplementary information can be found on pages 44 and 45 of this report.

Government-wide Financial Analysis

As noted earlier, net position may, over time, serve as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities and deferred inflows of resources by \$30.8 million at the close of the most recent fiscal year. A large portion of the Town's net position (\$24.9 million, 80.60% of total) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided by other sources, since the capital assets themselves cannot be used to liquidate these liabilities (i.e. the Town's investment in capital assets are of a permanent nature as assets acquired are not generally sold or otherwise disposed of during their useful life).

The following table summarizes the Town's Statement of Net Position:

Town of Berryville, Virginia  
Summary of Net Position  
As of June 30, 2014

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 1,837,187	\$ 1,739,674	\$ 4,952,716	\$ 6,351,509	\$ 6,789,903	\$ 8,091,183
Capital assets	4,719,235	4,928,024	33,163,802	32,462,612	37,883,037	37,390,636
Total assets	\$ 6,556,422	\$ 6,667,698	\$ 38,116,518	\$ 38,814,121	\$ 44,672,940	\$ 45,481,819
Long-term liabilities outstanding	\$ 2,350,255	\$ 2,345,575	\$ 10,917,076	\$ 10,830,564	\$ 13,267,331	\$ 13,176,139
Other liabilities	71,994	96,988	208,304	1,636,167	280,298	1,733,155
Total liabilities	\$ 2,422,249	\$ 2,442,563	\$ 11,125,380	\$ 12,466,731	\$ 13,547,629	\$ 14,909,294
Deferred inflows of resources						
Unavailable revenue-property taxes	\$ 289,708	\$ 4,075	\$ -	\$ -	\$ 289,708	\$ 4,075
Net investment in capital assets	\$ 2,535,919	\$ 2,713,984	\$ 22,318,802	\$ 21,479,508	\$ 24,854,721	\$ 24,193,492
Restricted	60,738	-	940,000	-	1,000,738	-
Unrestricted	1,247,808	1,507,076	3,732,336	4,867,882	4,980,144	6,374,958
Total net position	\$ 3,844,465	\$ 4,221,060	\$ 26,991,138	\$ 26,347,390	\$ 30,835,603	\$ 30,568,450

A portion of the Town's net position is restricted for debt service in the enterprise funds (\$940,000, 3.05% of total) may be used to meet the Town's ongoing obligations to Virginia Resources Authority.

The remaining balance of unrestricted net position (\$5.0 million, 16.35% of total) may be used to meet the Town's ongoing obligations to citizens and creditors.

Government-wide Financial Analysis: (Continued)

At the end of the current fiscal year, the Town is able to report positive balances in all categories of net position, both for the Town as a whole, as well as for its separate governmental and business-type activities.

As noted previously, the Town's net position increased by \$267,153 during the current fiscal year, generally attributable to construction of the new wastewater treatment plant and an increase in user fees to finance that construction.

Town of Berryville, Virginia  
Changes in Net Position  
For the year ended June 30, 2014

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenues:</b>						
Charges for Services	\$ 74,815	\$ 103,004	\$ 2,446,087	\$ 2,214,959	\$ 2,520,902	\$ 2,317,963
Opr Grants & contributions	602,213	536,480	-	-	602,213	536,480
Cap Grants & Contributions	-	-	-	1,129,057	-	1,129,057
General Real Property Taxes	685,207	859,276	-	-	685,207	859,276
Other Taxes	770,294	726,993	-	-	770,294	726,993
Unrestricted revenues from the use of money & property	46,912	54,830	13,223	20,233	60,135	75,063
Grants & contributions not restricted to specific programs	305,259	308,661	-	-	305,259	308,661
Miscellaneous	52,424	40,884	-	-	52,424	40,884
<b>Total Revenues</b>	<b>\$ 2,537,124</b>	<b>\$ 2,630,128</b>	<b>\$ 2,459,310</b>	<b>\$ 3,364,249</b>	<b>\$ 4,996,434</b>	<b>\$ 5,994,377</b>
<b>Expenses:</b>						
General government admin	\$ 947,491	\$ 950,959	\$ -	\$ -	\$ 947,491	\$ 950,959
Public safety	698,249	654,712	-	-	698,249	654,712
Public works	978,698	939,267	-	-	978,698	939,267
Parks, recreation & culture	44,419	44,659	-	-	44,419	44,659
Community development	127,088	111,181	-	-	127,088	111,181
Contingency	27,074	21,414	-	-	27,074	21,414
Interest on long-term debt	90,700	91,941	-	-	90,700	91,941
Water fund	-	-	772,475	916,575	772,475	916,575
Sewer fund	-	-	1,043,087	954,488	1,043,087	954,488
<b>Total Expenses</b>	<b>\$ 2,913,719</b>	<b>\$ 2,814,133</b>	<b>\$ 1,815,562</b>	<b>\$ 1,871,063</b>	<b>\$ 4,729,281</b>	<b>\$ 4,685,196</b>
Change in net position	\$ (376,595)	\$ (184,005)	\$ 643,748	\$ 1,493,186	\$ 267,153	\$ 1,309,181
Net position, beginning of year	4,221,060	4,405,065	26,347,390	24,854,204	30,568,450	29,259,269
Net position, end of year	<u>\$ 3,844,465</u>	<u>\$ 4,221,060</u>	<u>\$ 26,991,138</u>	<u>\$ 26,347,390</u>	<u>\$ 30,835,603</u>	<u>\$ 30,568,450</u>

Generally, net position changes are for the difference between revenues and expenses. A key element of this increase is the receipt of WQIF and VRA funds.

Business-type activities increased the Town's net position by \$643,748. Similar to how changes arise in the governmental activities, business-type activities also experience budgetary differences; however, as a public utility function comprises the Town's business-type activities there is more of a direct correlation to the revenues generated relative to the expenses incurred because of service demands. An increase in capital contributions made up of grant and loan proceeds and an increase in expenses, primarily construction in progress, contributed to the increase in net position.



## Financial Analysis of the Town's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Fund:** The focus of the Town's governmental fund is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's general fund reported a fund balance of \$1,390,627, an increase of \$63,806 in comparison to the prior year, due to cash flow involved in the VDOT street maintenance project and capital projects carried over from the prior fiscal year. Of this total amount, \$1,254,889 or 90.24% constitutes unassigned fund balance, which is available for spending at the Town's discretion. The Town is required to restrict \$60,738 of fund balance for debt service obligations related to the Joint Government Center. The remaining balance of \$75,000 is restricted for proffers revenue, which was received in prior years and not spent as of June 30, 2014.

**Proprietary Funds:** The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The total net position of the water and sewer funds was \$26,991,138. Unrestricted net position at the end of the year was \$3,732,336, a decrease of \$1,135,546, from last year's unrestricted net position due to wastewater treatment plant construction in progress.

### General Fund Budgetary Highlights

During the fiscal year the Town's general fund revenue exceeded budget by \$197,374. Of this amount \$41,729 can be attributed to VDOT reimbursements for the street maintenance project. Also, revenues were higher than expected in general property taxes. Fiscal year 2014 governmental expenditures were below budget by \$571,239 largely due to the street maintenance project.

### Capital Asset and Debt Administration

**Capital Assets:** The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounts to \$37,883,037 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and machinery and equipment as well as construction in progress.

Capital assets, net of accumulated depreciation, are illustrated in the following table:

Town of Berryville, Virginia  
Capital Assets (net of accumulated depreciation)  
As of June 30, 2014

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 93,209	\$ 93,209	\$ 5,000	\$ 5,000	\$ 98,209	\$ 98,209
Construction in progress	-	-	28,706,335	27,776,682	28,706,335	27,776,682
Buildings & improvements	4,280,362	4,414,288	904,682	980,502	5,185,044	5,394,790
Infrastructure	72,119	83,761	2,804,571	2,880,183	2,876,690	2,963,944
Equipment	273,545	336,766	743,214	820,245	1,016,759	1,157,011
<b>Total</b>	<b>\$ 4,719,235</b>	<b>\$ 4,928,024</b>	<b>\$ 33,163,802</b>	<b>\$ 32,462,612</b>	<b>\$ 37,883,037</b>	<b>\$ 37,390,636</b>

Additional information on the Town's capital assets can be found in Note 5 on pages 29 and 30 of this report.

Capital Asset and Debt Administration: (Continued)

Long-term obligations: At the end of the current fiscal year, the Town had total outstanding obligations of \$13,267,331 and details are summarized in the following table:

Town of Berryville, Virginia  
Outstanding Obligations  
For the Year Ended June 30, 2014

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Long-term obligations:						
Lease revenue bond	\$ 2,183,316	\$ 2,214,040	\$ -	\$ -	\$ 2,183,316	\$ 2,214,040
General obligation bonds	-	-	10,845,000	10,983,104	10,845,000	10,983,104
Compensated absences	166,939	161,019	72,076	82,460	239,015	243,479
Total	\$ 2,350,255	\$ 2,375,059	\$ 10,917,076	\$ 11,065,564	\$ 13,267,331	\$ 13,440,623

Obligations associated with governmental activities decreased by \$24,804 in 2014. The general fund debt decrease was due to an increase in accrued absences netted against payments to the lease revenue bond.

The obligations associated with business-type activities decreased by \$148,488 in 2014 due to VRA loan payments.

The Town is subject to a statutory debt limitation. The legal debt margin is limited to 10% of total assessed value. The margin is computed as all bonded debt and long-term notes except for enterprise indebtedness over total value of taxed real property. The Town was in compliance with debt limitations as of June 30, 2014.

Additional information on the Town’s long-term debt and compliance can be found in Note 6.

Economic Factors and Next Year’s Budgets and Rates

Berryville serves as the center of commercial, residential, institutional, and industrial activity for Clarke County.

Both the Town and County are committed to preserving and enhancing Berryville’s historic downtown and maintaining Clarke County’s exquisite countryside. Preservation of our community’s charming character and natural beauty has required extraordinary effort and a high level of cooperation between the Town and County.

The Town experienced a slight growth in real property assessments in 2014 with an overall .43% increase. Preliminary forecasts for 2015 assessments indicate continued moderate but positive growth.

For tax year 2014, the Town Council adopted a .136/\$100 real estate tax rate, an increase of 17.3%. The personal property rate was raised from \$1/\$100 to \$1.05/\$100, an increase of 5%. The machinery and tools tax rate increased 10.5% from \$1.168/\$100 to \$1.30/\$100.

The Town’s sewer rate was adjusted in fiscal year 2014 based on the Business Plan submitted to VRA in March of 2010. An increase of 13.63% (\$11.00 to \$12.50 TG) was effective July 1, 2010. An increase of 12% (\$12.50 to \$14.00 TG) was effective July 1, 2011. An increase of 10.71% (\$14.00 to \$15.50 TG) was effective July 1, 2012. The Town increased the rate 9.68% (\$15.50 to \$17.00 TG) effective July 1, 2013.

Requests for Information

This financial report is designed to provide a general overview of the Town’s Finances for all of those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Town Manager, Town of Berryville, 101 Chalmers Court, Suite A, Berryville, Virginia 22611.

## **Basic Financial Statements**

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*Government-wide Financial Statements*

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Statement of Net Position  
As of June 30, 2014

	Governmental Activities	Business-type Activities	Total
<b>Assets:</b>			
Cash and cash equivalents	\$ 1,424,273	\$ 3,697,672	\$ 5,121,945
Restricted cash and cash equivalents	60,738	940,000	1,000,738
Receivables, net of allowance for uncollectibles	398,652	251,585	650,237
Due from other governments	16,983	-	16,983
Internal balances	(63,459)	63,459	-
<b>Capital assets:</b>			
Land	93,209	5,000	98,209
Construction in progress	-	28,706,334	28,706,334
Other capital assets, net of accumulated depreciation	4,626,026	4,452,468	9,078,494
Capital assets, net	\$ 4,719,235	\$ 33,163,802	\$ 37,883,037
Total assets	\$ 6,556,422	\$ 38,116,518	\$ 44,672,940
<b>Liabilities:</b>			
Accounts payable	\$ 56,280	\$ 84,718	\$ 140,998
Accrued liabilities	11,961	9,550	21,511
Retainage payable	-	77,821	77,821
Accrued interest	3,753	-	3,753
Customer deposits	-	36,215	36,215
<b>Long-term liabilities:</b>			
Due within one year:			
Bonds payable	32,015	470,000	502,015
Due in more than one year:			
Accrued compensated absences	166,939	72,076	239,015
Bonds payable	2,151,301	10,375,000	12,526,301
Total liabilities	\$ 2,422,249	\$ 11,125,380	\$ 13,547,629
<b>Deferred Inflows of Resources:</b>			
Deferred revenue-property taxes	\$ 289,708	\$ -	\$ 289,708
<b>Net Position:</b>			
Net investment in capital assets	\$ 2,535,919	\$ 22,318,802	\$ 24,854,721
Restricted for debt reserve	60,738	940,000	1,000,738
Unrestricted	1,247,808	3,732,336	4,980,144
Total net position	\$ 3,844,465	\$ 26,991,138	\$ 30,835,603

The accompanying notes to financial statements are an integral part of this statement.

TOWN OF BERRYVILLE, VIRGINIA

Statement of Activities  
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
<b>Governmental activities:</b>				
General government administration	\$ 947,491	\$ -	\$ -	\$ -
Public safety	698,249	31,710	111,781	-
Public works	978,698	43,105	485,432	-
Parks, recreation and culture	44,419	-	-	-
Community development	127,088	-	5,000	-
Contingency	27,074	-	-	-
Interest on long-term debt	90,700	-	-	-
Total governmental activities	<u>\$ 2,913,719</u>	<u>\$ 74,815</u>	<u>\$ 602,213</u>	<u>\$ -</u>
<b>Business-type activities:</b>				
Water	\$ 772,475	\$ 746,902	\$ -	\$ -
Sewer	1,043,087	1,699,185	-	-
Total business-type activities	<u>\$ 1,815,562</u>	<u>\$ 2,446,087</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total</b>	<u><u>\$ 4,729,281</u></u>	<u><u>\$ 2,520,902</u></u>	<u><u>\$ 602,213</u></u>	<u><u>\$ -</u></u>

**General Revenues:**

- General real property taxes
- Local sales and use taxes
- Business license tax
- Bank franchise taxes
- Consumer utility tax
- Meals tax
- Motor vehicle licenses
- Unrestricted revenues from the use of money and property
- Grants and contributions not restricted to specific programs
- Miscellaneous
- Total general revenues

Change in net position

Net position, beginning of year

Net position, end of year

The accompanying notes to financial statements are an integral part of this statement.



Exhibit 2

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (947,491)	\$ -	\$ (947,491)
(554,758)	-	(554,758)
(450,161)	-	(450,161)
(44,419)	-	(44,419)
(122,088)	-	(122,088)
(27,074)	-	(27,074)
(90,700)	-	(90,700)
<u>\$ (2,236,691)</u>	<u>\$ -</u>	<u>\$ (2,236,691)</u>
\$ -	\$ (25,573)	\$ (25,573)
-	656,098	656,098
<u>\$ -</u>	<u>\$ 630,525</u>	<u>\$ 630,525</u>
<u>\$ (2,236,691)</u>	<u>\$ 630,525</u>	<u>\$ (1,606,166)</u>
\$ 685,207	\$ -	\$ 685,207
167,010	-	167,010
178,676	-	178,676
125,288	-	125,288
97,783	-	97,783
98,904	-	98,904
102,633	-	102,633
46,912	13,223	60,135
305,259	-	305,259
52,424	-	52,424
<u>\$ 1,860,096</u>	<u>\$ 13,223</u>	<u>\$ 1,873,319</u>
\$ (376,595)	\$ 643,748	\$ 267,153
<u>4,221,060</u>	<u>26,347,390</u>	<u>30,568,450</u>
<u>\$ 3,844,465</u>	<u>\$ 26,991,138</u>	<u>\$ 30,835,603</u>

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*Fund Financial Statements*

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Balance Sheet  
 Governmental Funds  
 As of June 30, 2014

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	<u>General Fund</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 1,424,273
Receivables (net of allowance for uncollectibles):	
Taxes including penalties	378,168
Accounts	20,484
Due from other governments	16,983
Restricted assets:	
Cash and cash equivalents	<u>60,738</u>
Total assets	<u>\$ 1,900,646</u>
<b>Liabilities:</b>	
Accounts payable	\$ 56,280
Accrued liabilities	11,961
Due to other funds	<u>63,459</u>
Total liabilities	<u>\$ 131,700</u>
<b>Deferred Inflows of Resources:</b>	
Unavailable revenue-property taxes	<u>\$ 378,319</u>
<b>Fund Balance:</b>	
Restricted for proffers	\$ 75,000
Restricted for debt service	60,738
Unassigned	<u>1,254,889</u>
Total fund balance	<u>\$ 1,390,627</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,900,646</u>

The accompanying notes to financial statements are an integral part of this statement.

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
As of June 30, 2014

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Total fund balances for governmental funds (Exhibit 3)	\$	1,390,627
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	\$	93,209
Depreciable capital assets, net of accumulated depreciation		<u>4,626,026</u>
Total capital assets		4,719,235
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		(3,753)
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets are offset by unavailable revenues in the governmental funds and thus are not included in the fund balance. Those assets consist of:		
Unavailable revenue-property taxes		88,611
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences	\$	(166,939)
Bonds payable		<u>(2,183,316)</u>
Total long-term liabilities		<u>(2,350,255)</u>
Total net position of governmental activities	\$	<u><u>3,844,465</u></u>

The accompanying notes to financial statements are an integral part of this statement.

Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 Year Ended June 30, 2014

	<u>General Fund</u>
<b>Revenues:</b>	
General property taxes	\$ 941,675
Other local taxes	770,294
Permits, privilege fees and regulatory licenses	28,716
Fines and forfeitures	31,710
Revenue from use of money and property	46,912
Charges for services	14,389
Miscellaneous	52,424
Intergovernmental revenues:	
Commonwealth	898,781
Federal	8,691
	<u>          </u>
Total revenues	\$ <u>2,793,592</u>
<b>Expenditures:</b>	
Current:	
General government administration	\$ 811,097
Public safety	676,255
Public works	885,330
Parks, recreation, and cultural	7,135
Community development	126,914
Capital outlay	74,505
Contingency	27,074
Debt service	121,476
	<u>          </u>
Total expenditures	\$ <u>2,729,786</u>
Excess (deficiency) of revenues over expenditures	\$ <u>63,806</u>
Net change in fund balances	\$ 63,806
Fund balances at beginning of year	<u>1,326,821</u>
Fund balances at end of year	<u>\$ <u>1,390,627</u></u>

The accompanying notes to financial statements are an integral part of this statement.

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Year Ended June 30, 2014

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Net change in fund balances - total governmental funds (Exhibit 5) \$ 63,806

Governmental activities 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 expense. This is the amount by which the capital outlays exceeded depreciation in the current year.

Capital outlay	\$	52,736	
Depreciation expense		<u>(261,525)</u>	(208,789)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. The change in unavailable property taxes is reported as revenues in the governmental funds. (256,468)

The issuance of long-term debt (e.g. bonds, leases, notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Details of this item consist of principal retired on long-term debt. 30,724

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 the governmental funds. The following is a summary of items supporting this adjustment:

Change in compensated absences	\$	(5,920)	
Change in interest payable		<u>52</u>	<u>(5,868)</u>
Change in net position of governmental activities			\$ <u><u>(376,595)</u></u>

The accompanying notes to financial statements are an integral part of this statement.



Statement of Net Position  
 Proprietary Fund  
 As of June 30, 2014

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 1,190,755	\$ 2,506,917	\$ 3,697,672
Restricted cash and cash equivalents	-	940,000	940,000
Receivables (net of allowance for uncollectibles)	65,138	186,447	251,585
Due from other funds	-	78,957	78,957
Total current assets	\$ 1,255,893	\$ 3,712,321	\$ 4,968,214
Noncurrent assets:			
Land	\$ 5,000	\$ -	\$ 5,000
Capital assets, net of accumulated depreciation	2,556,904	1,895,564	4,452,468
Construction in progress	-	28,706,334	28,706,334
Total noncurrent assets	\$ 2,561,904	\$ 30,601,898	\$ 33,163,802
Total assets	\$ 3,817,797	\$ 34,314,219	\$ 38,132,016
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	\$ 27,084	\$ 57,634	\$ 84,718
Accrued payroll and related liabilities	3,474	6,076	9,550
Due to other funds	15,498	-	15,498
Customer deposits	13,025	23,190	36,215
Retainage payable	-	77,821	77,821
Current portion of long-term debt	-	470,000	470,000
Total current liabilities	\$ 59,081	\$ 634,721	\$ 693,802
Noncurrent liabilities:			
Accrued compensated absences payable	\$ 36,038	\$ 36,038	\$ 72,076
Long-term debt, net of current portion	-	10,375,000	10,375,000
Total noncurrent liabilities	\$ 36,038	\$ 10,411,038	\$ 10,447,076
Total liabilities	\$ 95,119	\$ 11,045,759	\$ 11,140,878
<b>Net Position:</b>			
Net investment in capital assets	\$ 2,561,904	\$ 19,756,898	\$ 22,318,802
Restricted for debt reserve	-	940,000	940,000
Unrestricted	1,160,774	2,571,562	3,732,336
Total net position	\$ 3,722,678	\$ 23,268,460	\$ 26,991,138

The accompanying notes to financial statements are an integral part of this statement.

Statement of Revenues, Expenses, and Changes in Net Position  
 Proprietary Fund  
 Year Ended June 30, 2014

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
<b>Operating revenues:</b>			
Charges for services	\$ 746,902	\$ 1,699,185	\$ 2,446,087
<b>Operating expenses:</b>			
General administration	\$ 39,335	\$ 40,643	\$ 79,978
Supply purification	321,696	-	321,696
Transmission and distribution	127,489	-	127,489
Wastewater treatment	-	602,415	602,415
Maintenance of sewer lines	-	120,147	120,147
Fringe benefits	81,278	120,977	202,255
Depreciation	197,761	155,334	353,095
Contingency	4,916	3,571	8,487
Total operating expenses	\$ 772,475	\$ 1,043,087	\$ 1,815,562
Operating income (loss)	\$ (25,573)	\$ 656,098	\$ 630,525
<b>Nonoperating revenues (expenses):</b>			
Interest revenue	\$ 4,664	\$ 8,559	\$ 13,223
Total nonoperating revenues (expenses)	\$ 4,664	\$ 8,559	\$ 13,223
Change in net position	\$ (20,909)	\$ 664,657	\$ 643,748
Net position, beginning of year	3,743,587	22,603,803	26,347,390
Net position, end of year	\$ 3,722,678	\$ 23,268,460	\$ 26,991,138

The accompanying notes to financial statements are an integral part of this statement.

Statement of Cash Flows  
Proprietary Fund  
Year Ended June 30, 2014

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
<b>Cash flows from operating activities:</b>			
Receipts from customers	\$ 755,851	\$ 1,680,518	\$ 2,436,369
Payments to and for employees	(322,898)	(495,605)	(818,503)
Payments to suppliers	(240,871)	(1,606,340)	(1,847,211)
Net cash provided by (used for) operating activities	<u>\$ 192,082</u>	<u>\$ (421,427)</u>	<u>\$ (229,345)</u>
<b>Cash flows from investing activities:</b>			
Investment income	<u>\$ 4,664</u>	<u>\$ 8,559</u>	<u>\$ 13,223</u>
<b>Cash flows from capital and related financing activities:</b>			
Purchase of capital assets	\$ (124,633)	\$ (929,652)	\$ (1,054,285)
Capital contributions and grants	-	522,079	522,079
Issuance of debt	-	331,896	331,896
Principal payments on long-term debt	-	(470,000)	(470,000)
Net cash provided by (used for) capital and related financing activities	<u>\$ (124,633)</u>	<u>\$ (545,677)</u>	<u>\$ (670,310)</u>
<b>Cash flows from noncapital financing activities:</b>			
Net transfers from (to) other funds	<u>\$ 22,364</u>	<u>\$ (22,306)</u>	<u>\$ 58</u>
Net increase (decrease) in cash and cash equivalents	\$ 94,477	\$ (980,851)	\$ (886,374)
Cash and cash equivalents at beginning of year - including restricted	<u>1,096,278</u>	<u>\$ 4,427,768</u>	<u>5,524,046</u>
Cash and cash equivalents at end of year - including restricted	<u><u>\$ 1,190,755</u></u>	<u><u>\$ 3,446,917</u></u>	<u><u>\$ 4,637,672</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>			
Operating income (loss)	\$ (25,573)	\$ 656,098	\$ 630,525
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	197,761	155,334	353,095
Changes in operating accounts:			
Accounts receivable	8,949	(18,667)	(9,718)
Accounts payable and accrued liabilities	15,942	(1,038,407)	(1,022,465)
Retainage payable	-	(173,413)	(173,413)
Compensated absences	(5,192)	(5,192)	(10,384)
Customer deposits	195	2,820	3,015
Net cash provided by (used for) operating activities	<u><u>\$ 192,082</u></u>	<u><u>\$ (421,427)</u></u>	<u><u>\$ (229,345)</u></u>

The accompanying notes to financial statements are an integral part of this statement.

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## TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014

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### NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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#### Narrative Profile:

Town of Berryville, located in central Clarke County, Virginia, approximately 60 miles west of Washington, D.C., was chartered in 1798. The town has a population of 4,185 and a land area of approximately 1.8 square miles.

Town is governed under the Council-Manager form of government. The Town engages in wide ranges of municipal services including general government administration, public safety, public works, parks, recreation and cultural and community development. Judicial administration, education, fire, library, health and welfare services are provided by Clarke County.

The financial statements of Town of Berryville, Virginia have been prepared in conformity with specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the Town's accounting policies are described below.

#### **A. Financial Reporting Entity**

Management's Discussion and Analysis: Accounting principles require that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A). This analysis is similar to the analysis the private sector provides in their annual reports.

Government-wide Financial Statements: The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter.

Statement of Net Position: The Statement of Net Position is designed to display the financial position of the primary government (government and business-type activities) and its discretely presented component units. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Position and report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories: 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Statement of Activities: The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

Fund Financial Statements: Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

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**A. Financial Reporting Entity (Continued)**

Budgetary Comparison Schedules: Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The Town and many other governments revise their original budgets over the course of the year for a variety of reasons. The budgetary comparison schedules present the Town's original budget to the current comparison of final budget and actual results for its major funds.

Accounting principles generally accepted in the United States require financial statements to present the primary government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The Town has no component units that meet the requirements for blending. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize they are legally separate from the primary government. The Town does not have any discretely presented component units.

**B. Government-wide and Fund Financial Statements**

The basic financial statements include both government-wide and fund financial statements. The focus is on both the Town as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary funds (by category) and the component units, if applicable. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information. The Town generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The Town may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, community development, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, community development, etc.) or a business-type activity. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The Town does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

## TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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### NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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#### B. Government-wide and Fund Financial Statements (Continued)

Internal service charges, if applicable, are eliminated and the net income or loss from internal service activities is allocated to the various functional expense categories based on the internal charges to each function.

In the fund financial statements, financial transactions and accounts of the Town are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustment necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements.

Proprietary fund operating revenues consist of charges for services and related revenues. Nonoperating revenues consist of contributions, grants, investment earnings and other revenues not directly derived from the providing of services.

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The following is a brief description of the specific funds used by the Town in 2014.

- A. *Governmental Funds* - Governmental Funds account for the expendable financial resources, other than those accounted for in Proprietary and Fiduciary Funds. The Governmental Funds utilize the modified accrual basis of accounting where the measurement focus is upon determination of financial position and changes in financial position, rather than upon net income determination as would apply to a commercial enterprise. The individual Governmental Fund is:

*General Fund* - The General Fund is the primary operating fund of the Town. This fund is used to account for and report all financial resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, and interest income. The General Fund is considered a major fund for reporting purposes.

- B. *Proprietary Funds* - Proprietary Funds account for operations that are financed in a manner similar to private business enterprises. The Proprietary Funds utilize the accrual basis of accounting where the measurement focus is upon determination of net income, financial position, and cash flows. Proprietary Funds consist of the water and sewer enterprise funds.

## TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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### NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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#### C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

1. *Governmental Funds* - Governmental funds utilize the modified accrual basis of accounting under which revenues and related assets are recorded when measurable and available to finance operations during the year. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts, except that property taxes not collected within 45 days after year-end are reflected as deferred inflows of resources. Sales and utility taxes, which are collected by the State or utilities and subsequently remitted to the Town, are recognized as revenues and receivables upon collection by the State or utility, which is generally in the month preceding receipt by the Town. Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of State and other grants for the purpose of funding specific expenditures, are recognized when measurable and available or at the time of the specific expenditure.

Expenditures, other than interest on long-term debt, are recorded as the related fund liabilities are incurred. Principal and interest on long-term debt is recognized when due except for amounts due on July 1, which are accrued.

2. *Proprietary Funds* - The accrual basis of accounting is used for the Enterprise Fund. Under the accrual method, revenues are recognized in the accounting period in which they are earned, while expenses are recognized in the accounting period in which the related liability is incurred.

#### D. Budgets and Budgetary Accounting

The following procedures are used by the Town in establishing the budgetary data reflected in the financial statements:

1. Prior to May 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.



## TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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### NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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#### D. Budgets and Budgetary Accounting (Continued)

4. The Appropriations Resolution places legal restrictions on expenditures at the department or category level. The appropriation for each department or category can be revised only by the Town Council. The Town Administrator is authorized to transfer budgeted amounts within departments.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30 for all Town funds unless they are carried forward by a resolution of Town Council.
8. All budgetary data presented in the accompanying financial statements reflect budget reviews as of June 30.

#### E. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash and cash equivalents include all cash on hand and in banks, certificates of deposit, and highly liquid investments with original maturities of three months or less.

#### F. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advance to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

#### G. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$28,921 at June 30, 2014 and is comprised of property taxes and water and sewer receivables.

#### H. Capital Assets

Capital outlays are recorded as expenditures of the governmental funds of the Town, and as assets in the government-wide financial statements.

The cost of normal maintenance and repairs that do not add value to the value of the asset or materially extend the asset’s life are not capitalized. It is the town’s policy to record capital assets with a cost greater than \$5,000 and an estimated useful life in excess of one year.

**TOWN OF BERRYVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

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**H. Capital Assets (Continued)**

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of assets constructed. The Town did not have any capitalized interest as of June 30, 2014.

Property, plant and equipment, and infrastructure purchases are stated at historical cost or estimated cost. Donated property is recorded at the prevailing market value at date of donation. Depreciation is recorded on capital assets on a government-wide basis or in the Proprietary Fund using the straight-line method and the following estimated useful lives:

Buildings and improvements	15-50 years
Infrastructure	20-39 years
Equipment	5-10 years

**I. Use of Estimates**

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

**J. Net Position**

Net position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

**K. Net Position Flow Assumption**

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

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**L. Compensated Absences**

The Town accrues compensated absences (annual and sick leave benefits) when vested. The amounts include all balances earned by employees which would be paid upon employee terminations, resignations or retirements.

**M. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bonds payable are reported net of the applicable bond 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 while discounts on debt issuances are reported as other financing uses.

**N. Fund Equity**

The Town reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable fund balance* - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- *Restricted fund balance* - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- *Committed fund balance* - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- *Assigned fund balance* - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- *Unassigned fund balance* - amounts that are available for any purpose; positive amounts are only reported in the general fund.

## TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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### NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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#### **N. Fund Equity (Continued)**

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 restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

Town Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Town Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

#### **O. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Town does not have any deferred outflows of resources as of June 30, 2014.

In addition to liabilities, the statement of financial 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one type of item that qualifies for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30<sup>th</sup>, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30<sup>th</sup> and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources.

#### **P. Upcoming Pronouncements**

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27. This Statement replaces the requirement of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The Town believes the implementation of Statement No. 68 will significantly impact the Town's net position; however, no formal study or estimate of the impact of this standard has been performed.

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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**NOTE 2—PROPERTY TAXES RECEIVABLE:**

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Property is assessed at its value on January 1. The Town bills and collects its own property taxes based on the assessed values provided by Clarke County. Real estate taxes are levied semiannually and are due June 5<sup>th</sup> and December 5<sup>th</sup>. Personal property taxes are levied annually and are due December 5<sup>th</sup>.

**NOTE 3—DEPOSITS AND INVESTMENTS:**

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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 amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments:

Statutes authorize the Town to invest in obligations of the United States or 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, banker’s acceptances, repurchase agreements and the State Treasurer’s Local Government Investment Pool (LGIP). The Town had no investments at June 30, 2014.

**NOTE 4—DUE FROM OTHER GOVERNMENTAL UNITS:**

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At June 30, 2014, the amount due from other governmental units was as follows:

	<u>Primary Government</u>
Commonwealth of Virginia:	
Sales tax	\$ 14,996
Fire fund program	1,987
Virginia Water Quality Improvement Fund	<u>571,171</u>
Total	<u>\$ 588,154</u>

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

**NOTE 5—CAPITAL ASSETS:**

The following is a summary of changes in capital assets during the fiscal year:

**Governmental Activities:**

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
Capital assets not being depreciated:				
Land	\$ 93,209	\$ -	\$ -	\$ 93,209
Total capital assets not being depreciated	<u>\$ 93,209</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,209</u>
Other capital assets:				
Buildings and improvements	\$ 5,216,877	\$ -	\$ -	\$ 5,216,877
Infrastructure	259,940	-	-	259,940
Equipment	1,083,754	52,736	24,166	1,112,324
Total other capital assets	<u>\$ 6,560,571</u>	<u>\$ 52,736</u>	<u>\$ 24,166</u>	<u>\$ 6,589,141</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 802,589	\$ 133,926	\$ -	\$ 936,515
Infrastructure	176,179	11,642	-	187,821
Equipment	746,988	115,957	24,166	838,779
Total accumulated depreciation	<u>\$ 1,725,756</u>	<u>\$ 261,525</u>	<u>\$ 24,166</u>	<u>\$ 1,963,115</u>
Other capital assets, net	<u>\$ 4,834,815</u>	<u>\$ (208,789)</u>	<u>\$ -</u>	<u>\$ 4,626,026</u>
Net capital assets	<u>\$ 4,928,024</u>	<u>\$ (208,789)</u>	<u>\$ -</u>	<u>\$ 4,719,235</u>

Depreciation expense has been allocated as follows:

General government administration	\$ 111,284
Public safety	21,395
Public works	91,562
Parks, recreation, and culture	<u>37,284</u>
Total depreciation expense	<u>\$ 261,525</u>

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

NOTE 5—CAPITAL ASSETS: (Continued)

Business-type Activities:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<b>Water Fund</b>				
Capital assets not being depreciated:				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Total capital assets not being depreciated	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,000</u>
Other capital assets:				
Buildings and improvements	\$ 3,391,605	\$ -	\$ -	\$ 3,391,605
Infrastructure	1,397,923	124,632	-	1,522,555
Equipment	1,438,550	-	7,566	1,430,984
Total other capital assets	<u>\$ 6,228,078</u>	<u>\$ 124,632</u>	<u>\$ 7,566</u>	<u>\$ 6,345,144</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 2,411,103	\$ 75,820	\$ -	\$ 2,486,923
Infrastructure	484,616	72,303	-	556,919
Equipment	702,327	49,638	7,566	744,399
Total accumulated depreciation	<u>\$ 3,598,046</u>	<u>\$ 197,761</u>	<u>\$ 7,566</u>	<u>\$ 3,788,241</u>
Other capital assets, net	<u>\$ 2,630,032</u>	<u>\$ (73,129)</u>	<u>\$ -</u>	<u>\$ 2,556,903</u>
Net capital assets	<u><u>\$ 2,635,032</u></u>	<u><u>\$ (73,129)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,561,903</u></u>
<b>Sewer Fund</b>				
Capital assets not being depreciated:				
Construction in progress	\$ 27,776,682	\$ 929,653	\$ -	\$ 28,706,335
Total capital assets not being depreciated	<u>\$ 27,776,682</u>	<u>\$ 929,653</u>	<u>\$ -</u>	<u>\$ 28,706,335</u>
Other capital assets:				
Buildings and improvements	\$ 526,973	\$ -	\$ -	\$ 526,973
Infrastructure	4,323,494	-	-	4,323,494
Equipment	337,020	-	7,567	329,453
Total other capital assets	<u>\$ 5,187,487</u>	<u>\$ -</u>	<u>\$ 7,567</u>	<u>\$ 5,179,920</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 526,973	\$ -	\$ -	\$ 526,973
Infrastructure	2,356,618	127,941	-	2,484,559
Equipment	252,998	27,393	7,567	272,824
Total accumulated depreciation	<u>\$ 3,136,589</u>	<u>\$ 155,334</u>	<u>\$ 7,567</u>	<u>\$ 3,284,356</u>
Other capital assets, net	<u>\$ 2,050,898</u>	<u>\$ (155,334)</u>	<u>\$ -</u>	<u>\$ 1,895,564</u>
Net capital assets	<u><u>\$ 29,827,580</u></u>	<u><u>\$ 774,319</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 30,601,899</u></u>

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

**NOTE 6—LONG-TERM OBLIGATIONS:**

The following is a summary of long-term obligations for the fiscal year ended June 30, 2014:

	<b>Amounts Payable</b>			<b>Amounts Payable</b>		<b>Amounts Due Within</b>
	<u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2014</u>	<u>One Year</u>	
<b>Governmental Obligations:</b>						
Lease revenue bond	\$ 2,214,040	\$ -	\$ 30,724	\$ 2,183,316	\$ 32,015	
Accrued compensated absences	161,019	5,920	-	166,939	-	
<b>Total Governmental Obligations</b>	<u>\$ 2,375,059</u>	<u>\$ 5,920</u>	<u>\$ 30,724</u>	<u>\$ 2,350,255</u>	<u>\$ 32,015</u>	
<b>Enterprise Obligations:</b>						
General obligation bonds	\$ 10,983,104	\$ 331,896	\$ 470,000	\$ 10,845,000	\$ 470,000	
Accrued compensated absences	82,460	-	10,384	72,076	-	
<b>Total Enterprise Obligations</b>	<u>\$ 11,065,564</u>	<u>\$ 331,896</u>	<u>\$ 480,384</u>	<u>\$ 10,917,076</u>	<u>\$ 470,000</u>	
<b>Total Long-term Obligations</b>	<u>\$ 13,440,623</u>	<u>\$ 337,816</u>	<u>\$ 511,108</u>	<u>\$ 13,267,331</u>	<u>\$ 502,015</u>	

Annual requirements to amortize the Town's long-term obligations are as follows:

Year Ending June 30,	<u>Town Obligations</u>		<u>Enterprise Obligations</u>	
	<u>Lease Revenue Bond</u>		<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 32,015	\$ 89,461	\$ 470,000	-
2016	33,361	88,115	470,000	-
2017	34,763	86,713	470,000	-
2018	36,225	85,251	470,000	-
2019	37,748	83,728	470,000	-
2020-2024	213,919	393,461	2,350,000	-
2025-2029	262,826	344,554	2,350,000	-
2030-2034	322,915	284,465	2,350,000	-
2035-2039	396,741	210,639	1,445,000	-
2040-2044	487,447	119,933	-	-
2045-2047	325,356	20,011	-	-
<b>Total</b>	<u>\$ 2,183,316</u>	<u>\$ 1,806,331</u>	<u>\$ 10,845,000</u>	<u>\$ -</u>



TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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**NOTE 6—LONG-TERM OBLIGATIONS: (Continued)**

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Details of the Town’s long-term obligations are as follows:

**Governmental Obligations:**

Lease Revenue Bond:

\$2,327,000 Lease Revenue Bond issued May 2008, due in monthly installments of \$10,123 beginning June 2009 through May 2047, including interest at 4.125%. This lease revenue bond was issued through the Industrial Development Authority of Clarke County, Virginia, for purposes of funding construction of the Town’s municipal building.

\$ 2,183,316

Accrued compensated absences

166,939

Total governmental obligations

\$ 2,350,255

**Enterprise Obligations:**

General Obligation Bonds:

\$11,750,000 General Obligation Revenue Bond Series 2010, issued March 2010 for purposes of funding new wastewater treatment plant, due in semi-annual installments of \$235,000 beginning February 2013 through August 2037 with no interest. The balance shown is total drawdowns to date.

\$ 10,845,000

Accrued compensated absences

72,076

Total enterprise obligations

\$ 10,917,076

**NOTE 7—COMPENSATED ABSENCES:**

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In accordance with GASB Statement 16, *Accounting for Compensated Absences*, the Town has accrued the liability arising from outstanding claims and judgments and compensated absences. Town employees earn vacation and sick leave based upon length of service. The Town has outstanding accrued vacation pay totaling \$166,939 in the General Fund and \$72,076 in Enterprise Fund.

**NOTE 8—PENSION PLAN:**

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**A. Plan Description**

Name of Plan: Virginia Retirement System (VRS)  
Identification of Plan: Agent Multiple-Employer 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.

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 below:

**VRS – PLAN 1**

- 1. Plan Overview** - 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.
- 2. Eligible Members** - Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
- 3. Hybrid Opt-In Election** - 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.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

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.

- 4. 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.

**NOTE 8—PENSION PLAN: (Continued)**

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**A. Plan Description (Continued)**

**VRS – PLAN 1 (CONTINUED)**

5. **Creditable Service** - 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.
6. **Vesting** - 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.

Members are always 100% vested in the contributions that they make.

7. **Calculating the Benefit** - 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.

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.

8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - 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.
10. **Normal Retirement Age** - Age 65.
11. **Earliest Unreduced Retirement Eligibility** - 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.

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.

**NOTE 8—PENSION PLAN: (Continued)**

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**A. Plan Description (Continued)**

**VRS – PLAN 1 (CONTINUED)**

- 12. Earliest Reduced Retirement Eligibility** - 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.
- 13. Cost-of-Living Adjustment (COLA) in Retirement** - 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%.
- 14. Eligibility** - 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.

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 one calendar year following the unreduced retirement eligibility date.

- 15. Exceptions to COLA Effective Dates** - The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:
- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
  - The member retires on disability.
  - The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
  - 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.
  - 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.

**NOTE 8—PENSION PLAN: (Continued)**

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**A. Plan Description (Continued)**

**VRS – PLAN 1 (CONTINUED)**

- 16. Disability Coverage** - 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.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

- 17. Purchase of Prior Service** - 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.

**VRS – PLAN 2**

- 1. Plan Overview** - VRS Plan 2 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 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.
- 2. Eligible Members** - 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.
- 3. Hybrid Opt-In Election** - 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.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

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.

**NOTE 8—PENSION PLAN: (Continued)**

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**A. Plan Description (Continued)**

**VRS – PLAN 2 (CONTINUED)**

4. **Retirement Contributions** - Same as VRS Plan 1—Refer to Section 4.
5. **Creditable Service** - Same as VRS Plan 1— Refer to Section 5.
6. **Vesting** - Same as VRS Plan 1—Refer to Section 6.
7. **Calculating the Benefit** - Same as VRS Plan 1—Refer to Section 7.
8. **Average Final Compensation** - A member’s average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - Same as Plan1 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.
10. **Normal Retirement Age** - Normal Social Security retirement age.
11. **Earliest Unreduced Retirement Eligibility** - 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 five years (60 months) of creditable service or when their age and service equal 90.  
  
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.
12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.
13. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.
14. **Eligibility** - Same as VRS Plan 1—Refer to Section 14.
15. **Exceptions to COLA Effective Dates** - Same as VRS Plan 1—Refer to Section 15.
16. **Disability Coverage** - 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.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

**NOTE 8—PENSION PLAN: (Continued)**

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**A. Plan Description (Continued)**

**VRS – PLAN 2 (CONTINUED)**

**16. Disability Coverage (Continued)**

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

**17. Purchase of Prior Service - Same as VRS Plan 1—Refer to Section 17.**

**HYBRID RETIREMENT PLAN**

**1. Plan Overview** - 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”)

- The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.
- 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.
- 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.

**2. Eligible Members** - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- State employees\*
- School division employees
- Political subdivision employees\*
- Judges appointed or elected to an original term on or after January 1, 2014
- Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014

**NOTE 8—PENSION PLAN: (Continued)**

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**A. Plan Description (Continued)**

**HYBRID RETIREMENT PLAN (CONTINUED)**

**3. \*Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Members of the State Police Officers' Retirement System (SPORS)
- Members of the Virginia Law Officers' Retirement System (VaLORS)
- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

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.

**4. 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.

**5. Creditable Service**

Defined Benefit Component - 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.

Defined Contribution Component - Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.



**NOTE 8—PENSION PLAN: (Continued)**

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**A. Plan Description (Continued)**

**HYBRID RETIREMENT PLAN (Continued)**

**6. Vesting**

Defined Benefit Component - 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 VRS 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.

Defined Contribution Component - 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.

Members are always 100% vested in the contributions that they make.

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.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

**7. Calculating the Benefit**

Defined Benefit Component - Same as VRS Plan 1—Refer to Section 7.

Defined Contribution Component - 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.

**8. Average Final Compensation** - Same as VRS Plan 2—Refer to Section 8. It is used in the retirement formula for the defined benefit component of the plan.

**9. Service Retirement Multiplier** - The retirement multiplier is 1.0%.

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.

**NOTE 8—PENSION PLAN: (Continued)**

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**A. Plan Description (Continued)**

**HYBRID RETIREMENT PLAN (Continued)**

**10. Normal Retirement Age**

Defined Benefit Component - Same as VRS Plan 2—Refer to Section 10.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

**11. Earliest Unreduced Retirement Eligibility**

Defined Benefit Component - Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

**12. Earliest Reduced Retirement Eligibility**

Defined Benefit Component - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

**13. Cost-of-Living Adjustment (COLA) in Retirement**

Defined Benefit Component - Same as VRS Plan 2—Refer to Section 13.

Defined Contribution Component - Not Applicable.

**14. Eligibility** - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 14.

**15. Exceptions to COLA Effective Dates** - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 15.

**16. Disability Coverage** - Eligible political subdivision and school division members (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.

State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

NOTE 8—PENSION PLAN: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (Continued)

16. Disability Coverage (Continued)

Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. Purchase of Prior Service

Defined Benefit Component - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 17.

Defined Contribution Component - Not Applicable.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. 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 9.28% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2014, Town’s annual pension cost of \$137,043 was equal to the Town’s required and actual contributions.

Three-Year Trend Information for Town of Berryville

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) *</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/12	\$ 100,626	100%	-
6/30/13	135,666	100%	-
6/30/14	137,043	100%	-

\* Includes employer contributions only

## TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2014 (Continued)

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### NOTE 8—PENSION PLAN: (Continued)

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#### C. Annual Pension Cost (Continued)

The FY 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, 3.75% to 6.20% per year for teachers, 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 Programs

As of June 30, 2013, the most recent actuarial valuation date, the plan was 80.47% funded. The actuarial accrued liability for benefits was \$4,646,092 and the actuarial value of assets was \$3,738,719 resulting in an unfunded actuarial accrued liability (UAAL) of \$903,373. The covered payroll (annual payroll of active employees covered by the plan) was \$1,454,461 and ratio of the UAAL to the covered payroll was 63.39%.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

### NOTE 9—LITIGATION:

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At June 30, 2014, the Town was involved in one matter of litigation involving the construction of the Wastewater Treatment Plant. It is reasonably possible that this matter may materially affect the Town's financial position in future years, but the amount and timing of the pending decision are not yet known as of the date of the audit report, November 3, 2014.

### NOTE 10—DEFERRED/UNAVAILABLE REVENUE:

Deferred/Unavailable revenue represent amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Unavailable revenue totaling \$373,770 is comprised of the following:

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$378,319 at June 30, 2014.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2014 but paid in advance by the taxpayers totaled \$4,549 at June 30, 2014.

## **Required Supplementary Information**

### **Note to Required Supplementary Information:**

Presented Budgets were prepared in accordance with Accounting Principles Generally Accepted in the United States of America.

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Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 General Fund  
 Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues:</b>				
General property taxes	\$ 887,000	\$ 887,000	\$ 941,675	\$ 54,675
Other local taxes	715,000	715,000	770,294	55,294
Permits, privilege fees and regulatory licenses	29,000	29,000	28,716	(284)
Fines and forfeitures	37,750	37,750	31,710	(6,040)
Revenue from use of money and property	56,400	56,400	46,912	(9,488)
Charges for services	18,000	18,000	14,389	(3,611)
Miscellaneous	7,100	7,100	52,424	45,324
Intergovernmental revenues:				
Commonwealth	845,968	845,968	898,781	52,813
Federal	-	-	8,691	8,691
Total revenues	<u>\$ 2,596,218</u>	<u>\$ 2,596,218</u>	<u>\$ 2,793,592</u>	<u>\$ 197,374</u>
<b>Expenditures:</b>				
Current:				
General government administration	\$ 863,250	\$ 863,250	\$ 811,097	\$ 52,153
Public safety	700,705	700,705	676,255	24,450
Public works	1,169,327	1,169,327	885,330	283,997
Parks, recreation, and cultural	12,925	12,925	7,135	5,790
Community development	159,650	159,650	126,914	32,736
Capital outlay	61,330	61,330	74,505	(13,175)
Contingency	212,358	212,358	27,074	185,284
Debt service	121,480	121,480	121,476	4
Total expenditures	<u>\$ 3,301,025</u>	<u>\$ 3,301,025</u>	<u>\$ 2,729,786</u>	<u>\$ 571,239</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (704,807)</u>	<u>\$ (704,807)</u>	<u>\$ 63,806</u>	<u>\$ 768,613</u>
Net change in fund balances	\$ (704,807)	\$ (704,807)	\$ 63,806	\$ 768,613
Fund balances at beginning of year	<u>704,807</u>	<u>704,807</u>	<u>1,326,821</u>	<u>622,014</u>
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,390,627</u>	<u>\$ 1,390,627</u>

Virginia Retirement System  
 Schedule of Pension Funding Progress

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Valuation as of (1)	Actuarial Value of Assets (AVA) (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio Assets as % of AAL (2)/(3) (5)	Annual Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
6/30/2013	\$ 3,738,719	\$ 4,646,092	\$ 907,373	80.47%	\$ 1,454,461	62.39%
6/30/2012	3,499,931	4,370,088	870,157	80.09%	1,389,492	62.62%
6/30/2011	3,362,093	4,074,399	712,306	82.52%	1,363,555	52.24%



*Supporting Schedules*

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Schedule of Revenues - Budget and Actual  
 General Fund  
 Year Ended June 30, 2014

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 569,500	\$ 569,500	\$ 609,343	\$ 39,843
Personal property taxes	158,000	158,000	169,578	11,578
Machinery and tools taxes	155,000	155,000	155,386	386
Penalties	3,000	3,000	4,634	1,634
Interest	1,500	1,500	2,734	1,234
Total general property taxes	<u>\$ 887,000</u>	<u>\$ 887,000</u>	<u>\$ 941,675</u>	<u>\$ 54,675</u>
Other local taxes:				
Local sales and use taxes	\$ 150,000	\$ 150,000	\$ 167,010	\$ 17,010
Business license tax	185,000	185,000	178,676	(6,324)
Bank franchise taxes	110,000	110,000	125,288	15,288
Consumer utility tax	90,000	90,000	97,783	7,783
Meals tax	90,000	90,000	98,904	8,904
Motor vehicle licenses	90,000	90,000	102,633	12,633
Total other local taxes	<u>\$ 715,000</u>	<u>\$ 715,000</u>	<u>\$ 770,294</u>	<u>\$ 55,294</u>
Permits, privilege fees and regulatory licenses:				
Licenses, zoning and subdivision permits	\$ 29,000	\$ 29,000	\$ 28,716	\$ (284)
Fines and forfeitures:				
Court fines and forfeitures	\$ 35,000	\$ 35,000	\$ 29,253	\$ (5,747)
Parking fines	2,750	2,750	2,457	(293)
Total fines and forfeitures	<u>\$ 37,750</u>	<u>\$ 37,750</u>	<u>\$ 31,710</u>	<u>\$ (6,040)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 15,000	\$ 15,000	\$ 6,840	\$ (8,160)
Revenue from use of property	41,400	41,400	40,072	(1,328)
Total revenue from use of money and property	<u>\$ 56,400</u>	<u>\$ 56,400</u>	<u>\$ 46,912</u>	<u>\$ (9,488)</u>
Charges for services:				
Charges for services - meters	\$ 8,000	\$ 8,000	\$ 7,970	\$ (30)
Zoning and subdivision fees	10,000	10,000	6,419	(3,581)
Total charges for services	<u>\$ 18,000</u>	<u>\$ 18,000</u>	<u>\$ 14,389</u>	<u>\$ (3,611)</u>

Schedule of Revenues - Budget and Actual  
 General Fund  
 Year Ended June 30, 2014 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
<b>General Fund: (continued)</b>				
Revenue from local sources: (continued)				
Miscellaneous revenue:				
Miscellaneous income	\$ 2,100	\$ 2,100	\$ 52,424	\$ 50,324
Reimbursable fees	5,000	5,000	-	(5,000)
Total revenue from miscellaneous revenue	<u>\$ 7,100</u>	<u>\$ 7,100</u>	<u>\$ 52,424</u>	<u>\$ 45,324</u>
Total revenue from local sources	<u>\$ 1,750,250</u>	<u>\$ 1,750,250</u>	<u>\$ 1,886,120</u>	<u>\$ 135,870</u>
Revenue from the Commonwealth:				
Non-categorical aid:				
Communication taxes	\$ 100,000	\$ 100,000	\$ 93,221	\$ (6,779)
Personal property tax relief act funds	209,917	209,917	209,917	-
Rolling stock tax	2,000	2,000	2,121	121
Total non-categorical aid	<u>\$ 311,917</u>	<u>\$ 311,917</u>	<u>\$ 305,259</u>	<u>\$ (6,658)</u>
Categorical aid:				
Aid to localities with police departments	\$ 74,052	\$ 74,052	\$ 76,837	\$ 2,785
Litter control grant	2,000	2,000	1,891	(109)
Street and highway maintenance	441,812	441,812	483,541	41,729
Commission of the arts	5,000	5,000	5,000	-
Fire funds	11,187	11,187	26,253	15,066
Total categorical aid	<u>\$ 534,051</u>	<u>\$ 534,051</u>	<u>\$ 593,522</u>	<u>\$ 59,471</u>
Total revenue from the Commonwealth	<u>\$ 845,968</u>	<u>\$ 845,968</u>	<u>\$ 898,781</u>	<u>\$ 52,813</u>
Revenue from the Federal government:				
Categorical aid:				
Fire funds	\$ -	\$ -	\$ 8,691	\$ 8,691
Total revenue from the Federal government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,691</u>	<u>\$ 8,691</u>
Total General Fund	<u>\$ 2,596,218</u>	<u>\$ 2,596,218</u>	<u>\$ 2,793,592</u>	<u>\$ 197,374</u>

Schedule of Expenditures - Budget and Actual  
 General Fund  
 Year Ended June 30, 2014

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
<b>General Fund:</b>				
General government administration:				
Town Council:				
Compensation	\$ 18,900	\$ 18,900	\$ 18,900	\$ -
Training	1,000	1,000	25	975
Local contributions	7,500	7,500	-	7,500
Miscellaneous	1,000	1,000	1,247	(247)
Dues	2,300	2,300	2,916	(616)
Town code supplements	2,000	2,000	2,176	(176)
State code supplements	250	250	-	250
<b>Total town council</b>	<b>\$ 32,950</b>	<b>\$ 32,950</b>	<b>\$ 25,264</b>	<b>\$ 7,686</b>
Town Clerk:				
Compensation	\$ 44,290	\$ 44,290	\$ 43,327	\$ 963
Education/Training	750	750	13	737
Dues	100	100	20	80
<b>Total town clerk</b>	<b>\$ 45,140</b>	<b>\$ 45,140</b>	<b>\$ 43,360</b>	<b>\$ 1,780</b>
Town Manager:				
Compensation	\$ 124,800	\$ 124,800	\$ 129,882	\$ (5,082)
Mileage	150	150	83	67
Training	1,000	1,000	2,037	(1,037)
Dues	350	350	298	52
<b>Total town manager</b>	<b>\$ 126,300</b>	<b>\$ 126,300</b>	<b>\$ 132,300</b>	<b>\$ (6,000)</b>
Legal and Professional:				
Professional services	\$ 40,000	\$ 40,000	\$ 22,578	\$ 17,422
Contractual services	14,900	14,900	14,944	(44)
Engineering services	5,000	5,000	-	5,000
<b>Total legal and professional</b>	<b>\$ 59,900</b>	<b>\$ 59,900</b>	<b>\$ 37,522</b>	<b>\$ 22,378</b>
Personnel:				
Social security	\$ 72,980	\$ 72,980	\$ 80,809	\$ (7,829)
Retirement	88,530	88,530	87,794	736
Health insurance	133,430	133,430	132,580	850
Life insurance	11,355	11,355	11,256	99
Unemployment insurance	1,050	1,050	996	54
Workers' compensation insurance	26,105	26,105	28,139	(2,034)
Line of Duty act	2,110	2,110	2,682	(572)
Employment screening	300	300	292	8
<b>Total personnel</b>	<b>\$ 335,860</b>	<b>\$ 335,860</b>	<b>\$ 344,548</b>	<b>\$ (8,688)</b>

Schedule of Expenditures - Budget and Actual  
 General Fund  
 Year Ended June 30, 2014 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
<b>General Fund: (continued)</b>				
General government administration: (continued)				
Town Treasurer:				
Compensation	\$ 89,600	\$ 89,600	\$ 92,472	\$ (2,872)
Surety bonds	300	300	262	38
Training	1,000	1,000	1,266	(266)
Dues	150	150	-	150
Miscellaneous	950	950	931	19
Total town treasurer	<u>\$ 92,000</u>	<u>\$ 92,000</u>	<u>\$ 94,931</u>	<u>\$ (2,931)</u>
Finance/Accounting:				
Compensation	\$ 56,050	\$ 56,050	\$ 59,674	\$ (3,624)
Training	400	400	28	372
Total finance/accounting	<u>\$ 56,450</u>	<u>\$ 56,450</u>	<u>\$ 59,702</u>	<u>\$ (3,252)</u>
Central Administration/Purchasing:				
Maintenance contracts	\$ 33,500	\$ 33,500	\$ 16,314	\$ 17,186
Advertising	8,500	8,500	5,731	2,769
Postage	9,000	9,000	6,398	2,602
Telecommunications	4,900	4,900	2,823	2,077
Office supplies and equipment	12,500	12,500	9,239	3,261
Newsletter	1,500	1,500	-	1,500
Training	750	750	265	485
Dues	500	500	380	120
Total central administration/purchasing	<u>\$ 71,150</u>	<u>\$ 71,150</u>	<u>\$ 41,150</u>	<u>\$ 30,000</u>
Risk Management:				
Blanket excess liability	\$ 15,000	\$ 15,000	\$ 11,994	\$ 3,006
Automobile insurance	9,000	9,000	7,538	1,462
Semi-multi peril insurance	15,000	15,000	10,261	4,739
Insurance deductibles	3,000	3,000	657	2,343
Total risk management	<u>\$ 42,000</u>	<u>\$ 42,000</u>	<u>\$ 30,450</u>	<u>\$ 11,550</u>
Elections:				
Election officials	\$ 500	\$ 500	\$ 337	\$ 163
Office supplies	1,000	1,000	1,533	(533)
Total elections	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>\$ 1,870</u>	<u>\$ (370)</u>
Total general government administration	<u>\$ 863,250</u>	<u>\$ 863,250</u>	<u>\$ 811,097</u>	<u>\$ 52,153</u>

Schedule of Expenditures - Budget and Actual  
 General Fund  
 Year Ended June 30, 2014 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
<b>General Fund: (continued)</b>				
Public safety:				
Police department:				
Compensation	\$ 511,250	\$ 511,250	\$ 485,849	\$ 25,401
Maintenance contracts	5,500	5,500	10,033	(4,533)
Communication equipment and services	1,750	1,750	868	882
Community relations	700	700	1,068	(368)
Office supplies	2,000	2,000	1,486	514
Gasoline oil	24,288	24,288	18,320	5,968
Repair and maintenance	10,000	10,000	9,262	738
Police supplies	16,000	16,000	16,112	(112)
Uniforms	4,000	4,000	4,590	(590)
Medical examinations	500	500	902	(402)
Training	12,000	12,000	5,517	6,483
Professional services	400	400	-	400
Employment screening	1,000	1,000	1,930	(930)
Dues	1,000	1,000	545	455
Total police department	<u>\$ 590,388</u>	<u>\$ 590,388</u>	<u>\$ 556,482</u>	<u>\$ 33,906</u>
Traffic control:				
Contribution - crossing guard	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>\$ -</u>
Emergency services:				
Contribution - alarm	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ -</u>
Fire and rescue:				
Professional services - emergency medical tech.	\$ 67,380	\$ 67,380	\$ 67,380	\$ -
Contribution - JHEVFD	25,000	25,000	25,000	-
Fire fund program	<u>11,187</u>	<u>11,187</u>	<u>22,518</u>	<u>(11,331)</u>
Total fire and rescue	<u>\$ 103,567</u>	<u>\$ 103,567</u>	<u>\$ 114,898</u>	<u>\$ (11,331)</u>
Correction and detention:				
Confinement and prisoners	\$ 250	\$ 250	\$ -	\$ 250
Public defenders fees	<u>2,000</u>	<u>2,000</u>	<u>375</u>	<u>1,625</u>
Total correction and detention	<u>\$ 2,250</u>	<u>\$ 2,250</u>	<u>\$ 375</u>	<u>\$ 1,875</u>
Total public safety	<u>\$ 700,705</u>	<u>\$ 700,705</u>	<u>\$ 676,255</u>	<u>\$ 24,450</u>
Public works:				
Maintenance of streets, bridges and sidewalks:				
General administration:				
Compensation	\$ 42,425	\$ 42,425	\$ 41,425	\$ 1,000
Fuel oil/heat	3,500	3,500	2,557	943
Telecommunications	4,000	4,000	4,804	(804)
Office supplies	700	700	683	17
Vehicle repairs and maintenance	7,000	7,000	4,490	2,510
Medical exams	550	550	424	126
Training	<u>665</u>	<u>665</u>	<u>1,175</u>	<u>(510)</u>
Total general administration	<u>\$ 58,840</u>	<u>\$ 58,840</u>	<u>\$ 55,558</u>	<u>\$ 3,282</u>

Schedule of Expenditures - Budget and Actual  
 General Fund  
 Year Ended June 30, 2014 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
<b>General Fund: (continued)</b>				
Public works: (continued)				
Maintenance of streets, bridges and sidewalks: (continued)				
Highways, streets, bridges and sidewalks:				
Compensation	\$ 116,525	\$ 116,525	\$ 137,089	\$ (20,564)
Gasoline and oil	38,990	38,990	38,428	562
Uniforms	3,200	3,200	2,088	1,112
Materials and supplies	4,512	4,512	5,149	(637)
Equipment maintenance	11,400	11,400	9,554	1,846
Sidewalk maintenance	7,220	7,220	1,902	5,318
Street maintenance	431,812	431,812	171,790	260,022
Street sign maintenance	600	600	-	600
Norfolk/Southern ROW	1,000	1,000	1,015	(15)
Total highways, streets, bridges, and sidewalks	<u>\$ 615,259</u>	<u>\$ 615,259</u>	<u>\$ 367,015</u>	<u>\$ 248,244</u>
Street lights:				
Electricity - street lights	<u>\$ 81,500</u>	<u>\$ 81,500</u>	<u>\$ 79,100</u>	<u>\$ 2,400</u>
Snow and ice removal:				
Material and supplies	<u>\$ 6,000</u>	<u>\$ 6,000</u>	<u>\$ 104</u>	<u>\$ 5,896</u>
Parking meters:				
Material and supplies	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>\$ 25</u>	<u>\$ 1,475</u>
Street and road cleaning:				
Street cleaning	<u>\$ 9,000</u>	<u>\$ 9,000</u>	<u>\$ 195</u>	<u>\$ 8,805</u>
Total maintenance of streets, bridges and sidewalks	<u>\$ 772,099</u>	<u>\$ 772,099</u>	<u>\$ 501,997</u>	<u>\$ 270,102</u>
Sanitation and waste removal:				
Contractual services	\$ 194,000	\$ 194,000	\$ 195,072	\$ (1,072)
Recycling services	77,500	77,500	70,304	7,196
Landfill charges	20,000	20,000	18,234	1,766
Total sanitation and waste removal	<u>\$ 291,500</u>	<u>\$ 291,500</u>	<u>\$ 283,610</u>	<u>\$ 7,890</u>
Maintenance of buildings and grounds:				
General properties:				
Electricity	\$ 900	\$ 900	\$ 508	\$ 392
Repair and maintenance	14,630	14,630	8,745	5,885
Materials and supplies	1,344	1,344	697	647
Christmas lights	1,354	1,354	1,563	(209)
Total general properties	<u>\$ 18,228</u>	<u>\$ 18,228</u>	<u>\$ 11,513</u>	<u>\$ 6,715</u>



Schedule of Expenditures - Budget and Actual  
 General Fund  
 Year Ended June 30, 2014 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
<b>General Fund: (continued)</b>				
Public works: (continued)				
Maintenance of buildings and grounds: (continued)				
Building services:				
Compensation	\$ -	\$ -	\$ 13,575	\$ (13,575)
Contractual services	32,500	32,500	16,400	16,100
Electricity	15,500	15,500	12,528	2,972
Natural gas/heat	5,000	5,000	1,413	3,587
Materials and supplies	-	-	6,516	(6,516)
Water/sewer	2,500	2,500	3,188	(688)
Shared expenses - Clarke County	20,000	20,000	23,450	(3,450)
Telecommunications	12,000	12,000	11,140	860
Total building services	<u>\$ 87,500</u>	<u>\$ 87,500</u>	<u>\$ 88,210</u>	<u>\$ (710)</u>
Total maintenance of buildings and grounds	<u>\$ 105,728</u>	<u>\$ 105,728</u>	<u>\$ 99,723</u>	<u>\$ 6,005</u>
Total public works	<u>\$ 1,169,327</u>	<u>\$ 1,169,327</u>	<u>\$ 885,330</u>	<u>\$ 283,997</u>
Parks, recreation and cultural:				
Christmas lights	\$ 500	\$ 500	\$ -	\$ 500
Rose Hill improvements	6,000	6,000	1,151	4,849
Contributions	6,425	6,425	5,984	441
Total parks, recreation and cultural	<u>\$ 12,925</u>	<u>\$ 12,925</u>	<u>\$ 7,135</u>	<u>\$ 5,790</u>
Community development:				
Planning:				
Compensation	\$ 75,375	\$ 75,375	\$ 75,982	\$ (607)
Professional services	17,500	17,500	5,304	12,196
Office supplies	200	200	36	164
Printing	500	500	-	500
Mileage	750	750	781	(31)
Training	750	750	539	211
Dues	1,000	1,000	405	595
Publications	200	200	-	200
Total planning	<u>\$ 96,275</u>	<u>\$ 96,275</u>	<u>\$ 83,047</u>	<u>\$ 13,228</u>
Board of zoning appeals:				
Compensation	\$ 500	\$ 500	\$ 160	\$ 340
Training	500	500	-	500
Total board of zoning appeals	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 160</u>	<u>\$ 840</u>
Economic development:				
DBI/economic development professional services	<u>\$ 52,000</u>	<u>\$ 52,000</u>	<u>\$ 40,000</u>	<u>\$ 12,000</u>

Schedule of Expenditures - Budget and Actual  
 General Fund  
 Year Ended June 30, 2014 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
<b>General Fund: (continued)</b>				
Community development: (continued)				
Planning commission:				
Compensation	\$ 6,000	\$ 6,000	\$ 2,060	\$ 3,940
Training	1,000	1,000	-	1,000
Dues	250	250	-	250
Total planning commission	<u>\$ 7,250</u>	<u>\$ 7,250</u>	<u>\$ 2,060</u>	<u>\$ 5,190</u>
Berryville Area Development Authority:				
Compensation	\$ 2,500	\$ 2,500	\$ 1,580	\$ 920
Training	250	250	-	250
Dues	125	125	-	125
Total Berryville Area Development Authority	<u>\$ 2,875</u>	<u>\$ 2,875</u>	<u>\$ 1,580</u>	<u>\$ 1,295</u>
Architectural Review Board:				
Training	\$ 250	\$ 250	\$ 67	\$ 183
Total community development	<u>\$ 159,650</u>	<u>\$ 159,650</u>	<u>\$ 126,914</u>	<u>\$ 32,736</u>
Capital outlay:				
Town office	\$ -	\$ -	\$ 9,400	\$ (9,400)
Police cruiser	42,000	42,000	44,812	(2,812)
Other capital outlay	19,330	19,330	20,293	(963)
Total capital outlay	<u>\$ 61,330</u>	<u>\$ 61,330</u>	<u>\$ 74,505</u>	<u>\$ (13,175)</u>
Contingency:				
Shared cost for operation of joint government center	\$ 145,293	\$ 145,293	\$ 27,074	\$ 118,219
Debt service reserve	12,148	12,148	-	12,148
PPTRA reserve	54,917	54,917	-	54,917
Total contingency	<u>\$ 212,358</u>	<u>\$ 212,358</u>	<u>\$ 27,074</u>	<u>\$ 185,284</u>
Debt service:				
Principal	\$ 30,500	\$ 30,500	\$ 30,724	\$ (224)
Interest	90,980	90,980	90,752	228
Total debt service	<u>\$ 121,480</u>	<u>\$ 121,480</u>	<u>\$ 121,476</u>	<u>\$ 4</u>
Total General Fund	<u>\$ 3,301,025</u>	<u>\$ 3,301,025</u>	<u>\$ 2,729,786</u>	<u>\$ 571,239</u>

## Schedule of Operating Expenses (With Comparative Amounts for 2013)

## Enterprise Funds

Year Ended June 30, 2014

Fund, Function, Activity and Elements	2014	2013
<b>Water Fund:</b>		
General administration:		
Salaries and wages	\$ 33,597	\$ 39,604
Miss Utility	1,546	1,061
Repairs and maintenance	1,915	1,140
Postage	2,222	2,989
Office supplies	55	410
Total general administration	<u>\$ 39,335</u>	<u>\$ 45,204</u>
Supply purification:		
Salaries and wages	\$ 124,409	\$ 197,191
Repairs and maintenance	40,367	80,608
Electricity	58,574	45,301
Heating service	4,083	2,662
Equipment and supplies	6,696	10,107
Materials and supplies - chemicals	42,980	25,449
Sludge removal	22,024	17,500
Permits, fees and testing	13,110	15,043
Other operating expenses	9,453	6,614
Total supply purification	<u>\$ 321,696</u>	<u>\$ 400,475</u>
Transmission and distribution:		
Salaries and wages	\$ 76,603	\$ 73,764
Repairs and maintenance - water lines	41,975	88,364
Materials and supplies	8,911	18,443
Total transmission and distribution	<u>\$ 127,489</u>	<u>\$ 180,571</u>
Fringe benefits:		
Social security	\$ 18,536	\$ 23,367
Retirement	19,401	25,277
Health insurance	33,113	37,358
Group life insurance	2,489	3,596
Workers' compensation	7,474	7,965
Unemployment insurance	265	299
Total fringe benefits	<u>\$ 81,278</u>	<u>\$ 97,862</u>
Depreciation	<u>\$ 197,761</u>	<u>\$ 192,463</u>
Contingency	<u>\$ 4,916</u>	<u>\$ -</u>
Total Water Fund	<u><u>\$ 772,475</u></u>	<u><u>\$ 916,575</u></u>

Schedule of Operating Expenses (With Comparative Amounts for 2013)  
 Enterprise Funds  
 Year Ended June 30, 2014 (Continued)

Fund, Function, Activity and Elements	2014	2013
<b>Sewer Fund:</b>		
General administration:		
Salaries and wages	\$ 34,538	\$ 38,952
Repairs and maintenance	-	1,525
Postage	6,055	4,674
Office supplies	50	2,141
Total general administration	<u>\$ 40,643</u>	<u>\$ 47,292</u>
Wastewater treatment:		
Salaries and wages	\$ 263,787	\$ 179,692
Professional services	23,398	16,449
Repairs and maintenance	47,654	63,286
Electricity	156,954	140,932
Materials and supplies - chemicals	76,606	37,555.00
Equipment and supplies	12,167	17,256
Permits, fees and testing	15,570	56,513
Other operating expenses	6,279	5,861
Total wastewater treatment	<u>\$ 602,415</u>	<u>\$ 517,544</u>
Maintenance of sewer lines:		
Salaries and wages	\$ 77,187	\$ 73,813
Repairs and maintenance - sewer lines	28,261	33,645
Materials and supplies	14,699	9,665
Total maintenance of sewer lines	<u>\$ 120,147</u>	<u>\$ 117,123</u>
Fringe benefits:		
Social security	\$ 28,748	\$ 22,385
Retirement	29,813	24,237
Health insurance	48,758	35,829
Group life insurance	3,826	3,447
Workers' compensation	336	375
Unemployment insurance	9,496	7,965
Total fringe benefits	<u>\$ 120,977</u>	<u>\$ 94,238</u>
Amortization	<u>\$ -</u>	<u>\$ 16,932</u>
Depreciation	<u>\$ 155,334</u>	<u>\$ 155,657</u>
Contingency	<u>\$ 3,571</u>	<u>\$ 5,702</u>
Total Sewer Fund	<u><u>\$ 1,043,087</u></u>	<u><u>\$ 954,488</u></u>

## **Statistical Information**

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TOWN OF BERRYVILLE, VIRGINIA

Table 1

Governmental Revenues by Source  
Last Ten Fiscal Years

Fiscal Year	General Property Taxes		Other Local Taxes	Permits, Fees and Licenses	Fines and Forfeitures	Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental	Total
2014	\$ 941,675	\$ 770,294	\$ 28,716	\$ 31,710	\$ 46,912	\$ 14,389	\$ 52,424	\$ -	\$ 907,472	\$ 2,793,592	
2013	882,457	726,993	29,433	44,245	54,830	29,326	40,884	-	845,141	2,653,309	
2012	873,690	828,078	51,419	45,997	57,716	20,116	188,443	-	602,820	2,668,279	
2011	874,629	726,493	90,822	40,330	66,570	17,811	195	916,399	442,654	3,175,903	
2010	1,146,789	762,621	50,284	32,112	76,549	8,995	3,562	-	189,747	2,270,659	
2009	1,206,692	751,709	84,766	54,918	98,463	8,193	16,339	-	112,888	2,333,968	
2008	1,192,311	772,820	13,345	58,553	142,604	9,385	73,495	-	128,716	2,391,229	
2007	1,137,000	774,422	35,016	73,228	183,142	10,359	56,500	-	138,565	2,408,232	
2006	1,067,540	781,037	48,018	54,810	156,005	11,525	40,121	-	117,251	2,276,307	
2005	1,058,751	691,504	68,928	57,361	48,266	10,755	6,093	-	109,040	2,050,698	

TOWN OF BERRYVILLE, VIRGINIA

Table 2

Governmental Expenditures by Function  
Last Ten Fiscal Years

Fiscal Year	General Government	Public Safety	Public Works	Parks, Recreation, and Culture	Community Development	Capital		Total
						Outlay & Contingency	Debt Service	
2014	\$ 811,097	\$ 676,255	\$ 885,330	\$ 7,135	\$ 126,914	\$ 101,579	\$ 121,476	\$ 2,729,786
2013	815,620	626,573	1,111,714	7,375	111,478	157,314	121,476	2,951,550
2012	900,572	676,428	660,363	248,227	116,815	374,951	121,476	3,098,832
2011	796,362	552,020	664,892	1,100,238	128,752	183,620	121,476	3,547,360
2010	794,863	658,010	641,026	13,620	133,471	377,099	121,476	2,739,565
2009	764,750	620,564	548,722	8,688	140,128	2,913,217	94,869	5,090,938
2008	726,951	637,027	540,502	10,674	142,974	155,212	16,068	2,229,408
2007	722,777	548,059	539,679	26,081	139,008	111,814	-	2,087,418
2006	635,159	547,833	473,545	10,916	101,425	66,704	-	1,835,582
2005	512,179	488,654	410,628	6,008	102,716	96,804	-	1,616,989



## **Compliance**

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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditors' 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*

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To the Honorable Members of the Town Council  
Town of Berryville, 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, and each major fund of Town of Berryville, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Town of Berryville, Virginia's basic financial statements, and have issued our report thereon dated November 6, 2014.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Berryville, Virginia'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 Town of Berryville, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Berryville, Virginia'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 entity'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.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Berryville, Virginia'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 are required to be reported under *Government Auditing Standards*.

### 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Robinson, Farmer, Cox Associates*

Fredericksburg, Virginia

November 6, 2014