



TOWN OF BERRYVILLE, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013

TOWN OF BERRYVILLE, VIRGINIA

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

Celeste Heath, Town Clerk

Deborah Boggs, Utility Clerk

TOWN OF BERRYVILLE, VIRGINIA

Financial Report
Year Ended June 30, 2013

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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 the Town of Berryville, Virginia, as of and for the year ended June 30, 2013, 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 the Town of Berryville, Virginia, as of June 30, 2013, 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.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2013, the Town adopted new accounting guidance, GASB Statement Nos. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-9, budgetary comparison information, and schedule of pension funding progress 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 the 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 27, 2013, on our consideration of the 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

Fredericksburg, Virginia

November 27, 2013

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TOWN OF BERRYVILLE, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the 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, 2013. 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 \$30,568,450 (net position). Of this amount, \$6,374,958 (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 \$1,309,181, of which the governmental activities accounted for a \$184,005 decrease and business activities accounted for a \$1,493,186 increase.

At the end of the current fiscal year, unrestricted net position for governmental activities was \$ 1,507,076 or 51.20% 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 \$1,251,821, a decrease of \$298,241 over the prior year. This decrease is due to cash flow associated with the VDOT street maintenance expenses.

The Town's total debt decreased by \$244,980 (2%) 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 35 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 36 and 37 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 \$30.6 million at the close of the most recent fiscal year. A large portion of the Town's net position (\$24.19 million, 79.13% 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, 2013

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 1,739,674	\$ 2,193,182	\$ 6,351,509	\$ 7,397,162	\$ 8,091,183	\$ 9,590,344
Capital assets	4,928,024	4,809,672	32,462,612	30,682,103	37,390,636	35,491,775
Total assets	\$ 6,667,698	\$ 7,002,854	\$ 38,814,121	\$ 38,079,265	\$ 45,481,819	\$ 45,082,119
Long-term liabilities outstanding	\$ 2,345,575	\$ 2,364,589	\$ 10,830,564	\$ 11,056,530	\$ 13,176,139	\$ 13,421,119
Other liabilities	96,988	233,210	1,636,167	2,168,531	1,733,155	2,401,741
Total liabilities	\$ 2,442,563	\$ 2,597,799	\$ 12,466,731	\$ 13,225,061	\$ 14,909,294	\$ 15,822,860
Deferred inflows of resources						
Unavailable revenue-property taxes	\$ 2,345,575	\$ 2,364,589	\$ 10,830,564	\$ 11,056,530	\$ 13,176,139	\$ 13,421,119
Net investment in capital assets	\$ 2,713,984	\$ 2,566,148	\$ 21,479,508	\$ 19,463,999	\$ 24,193,492	\$ 22,030,147
Unrestricted	1,507,076	1,838,917	4,867,882	5,390,205	6,374,958	7,229,122
Total net position	\$ 4,221,060	\$ 4,405,065	\$ 26,347,390	\$ 24,854,204	\$ 30,568,450	\$ 29,259,269

The remaining balance of unrestricted net position (\$6.4 million, 20.87% of total) may be used to meet the Town's ongoing obligations to citizens and creditors.

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

Government-wide Financial Analysis: (Continued)

As noted previously, the Town's net position increased by \$1,309,181 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, 2013

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Charges for Services	\$ 103,004	\$ 117,532	\$ 2,214,959	\$ 2,417,205	\$ 2,317,963	\$ 2,534,737
Opr Grants & contributions	536,480	297,192	-	-	536,480	297,192
Cap Grants & Contributions	-	-	1,129,057	3,866,366	1,129,057	3,866,366
General Real Property Taxes	859,276	892,936	-	-	859,276	892,936
Other Taxes	726,993	828,078	-	-	726,993	828,078
Unrestricted revenues from the use of money & property	54,830	57,716	20,233	21,512	75,063	79,228
Grants & contributions not restricted to specific programs	308,661	305,628	-	-	308,661	305,628
Miscellaneous	40,884	188,443	-	-	40,884	188,443
Total Revenues	\$ 2,630,128	\$ 2,687,525	\$ 3,364,249	\$ 6,305,083	\$ 5,994,377	\$ 8,992,608
Expenses:						
General government admin	\$ 950,959	\$ 1,270,303	-	-	\$ 950,959	\$ 1,270,303
Public safety	654,712	725,166	-	-	654,712	725,166
Public works	939,267	719,020	-	-	939,267	719,020
Parks, recreation & culture	44,659	47,121	-	-	44,659	47,121
Community development	111,181	119,296	-	-	111,181	119,296
Contingency	21,414	109,962	-	-	21,414	109,962
Interest on long-term debt	91,941	93,132	-	-	91,941	93,132
Water fund	-	-	916,575	893,762	916,575	893,762
Sewer fund	-	-	954,488	731,822	954,488	731,822
Total Expenses	\$ 2,814,133	\$ 3,084,000	\$ 1,871,063	\$ 1,625,584	\$ 4,685,196	\$ 4,709,584
Change in net position	\$ (184,005)	\$ (396,475)	\$ 1,493,186	\$ 4,679,499	\$ 1,309,181	\$ 4,283,024
Net position, beginning of year	4,405,065	4,801,540	24,854,204	20,174,705	29,259,269	24,976,245
Net position, end of year	<u>\$ 4,221,060</u>	<u>\$ 4,405,065</u>	<u>\$ 26,347,390</u>	<u>\$ 24,854,204</u>	<u>\$ 30,568,450</u>	<u>\$ 29,259,269</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 \$1.5 million. 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 \$1,326,821, a decrease of \$298,241 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, \$1,251,821 or 94.35% constitutes unassigned fund balance, which is available for spending at the Town's discretion. The remaining balance of \$75,000 is restricted for proffers revenue, which was received in prior years and not spent as of June 30, 2013.

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 \$26,347,390. Unrestricted net position at the end of the year was \$4,867,882, a decrease of \$522,323, 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 \$441,380. Of this amount \$323,625 can be attributed to VDOT reimbursements for the street maintenance project. Also, revenues were higher than expected in business license and bank franchise taxes. Fiscal year 2013 governmental expenditures exceeded budget by \$137,215 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, 2013, amounts to \$37,390,636 (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, 2013

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 93,209	\$ 93,209	\$ 5,000	\$ 5,000	\$ 98,209	\$ 98,209
Construction in progress	-	-	27,776,682	25,668,621	27,776,682	25,668,621
Buildings & improvements	4,414,288	4,453,781	980,502	1,056,322	5,394,790	5,510,103
Infrastructure	83,761	95,921	2,880,183	3,074,434	2,963,944	3,170,355
Equipment	336,766	166,761	820,245	877,726	1,157,011	1,044,487
Total	\$ 4,928,024	\$ 4,809,672	\$ 32,462,612	\$ 30,682,103	\$ 37,390,636	\$ 35,491,775

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 debt: At the end of the current fiscal year, the Town had total outstanding debt of \$13,440,623 and details are summarized in the following table:

**Town of Berryville, Virginia
Outstanding Debt
For the Year Ended June 30, 2013**

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Long-term obligations:						
Lease revenue bond	\$ 2,214,040	\$ 2,243,524	\$ -	\$ -	\$ 2,214,040	\$ 2,243,524
General obligation bonds	-	-	10,983,104	11,218,104	10,983,104	11,218,104
Compensated absences	161,019	150,549	82,460	73,426	243,479	223,975
Total	\$ 2,375,059	\$ 2,394,073	\$ 11,065,564	\$ 11,291,530	\$ 13,440,623	\$ 13,685,603

Debt associated with governmental activities decreased by \$19,014 in 2013. The general fund debt decrease was due to an increase in accrued absences netted against payments to the lease revenue bond.

The debt associated with business-type activities decreased by \$225,966 in 2013 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, 2013.

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 2013 with an overall .32% increase. Preliminary forecasts for 2014 assessments indicate continued moderate but positive growth.

For tax year 2013, the Town Council adopted a .116/\$100 real estate tax rate, the same as in 2012. The personal property rate remained at \$1/\$100. The machinery and tools tax rate also remained unchanged from 2012 at \$1.168/\$100.

The Town's sewer rate was adjusted in fiscal year 2013 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.

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, 2013

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 1,420,312	\$ 4,583,765	\$ 6,004,077
Restricted cash and cash equivalents	-	940,281	940,281
Receivables, net of allowance for uncollectibles	369,984	241,867	611,851
Due from other governments	12,895	522,079	534,974
Internal balances	(63,517)	63,517	-
Capital assets:			
Land	93,209	5,000	98,209
Construction in progress	-	27,776,682	27,776,682
Other capital assets, net of accumulated depreciation	4,834,815	4,680,930	9,515,745
Capital assets, net	\$ 4,928,024	\$ 32,462,612	\$ 37,390,636
Total assets	\$ 6,667,698	\$ 38,814,121	\$ 45,481,819
Liabilities:			
Accounts payable	\$ 51,468	\$ 1,111,440	\$ 1,162,908
Accrued liabilities	12,231	5,293	17,524
Retainage payable	-	251,234	251,234
Accrued interest	3,805	-	3,805
Customer deposits	-	33,200	33,200
Long-term liabilities:			
Due within one year:			
Bonds payable	30,724	470,000	500,724
Due in more than one year:			
Accrued compensated absences	161,019	82,460	243,479
Bonds payable	2,183,316	10,513,104	12,696,420
Total liabilities	\$ 2,442,563	\$ 12,466,731	\$ 14,909,294
Deferred Inflows of Resources:			
Unavailable revenue-property taxes	\$ 4,075	\$ -	\$ 4,075
Net Position:			
Net investment in capital assets	\$ 2,713,984	\$ 21,479,508	\$ 24,193,492
Unrestricted	1,507,076	4,867,882	6,374,958
Total net position	\$ 4,221,060	\$ 26,347,390	\$ 30,568,450

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

TOWN OF BERRYVILLE, VIRGINIA

Statement of Activities
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government administration	\$ 950,959	\$ -	\$ -	\$ -
Public safety	654,712	44,245	85,711	-
Public works	939,267	58,759	445,769	-
Parks, recreation and culture	44,659	-	-	-
Community development	111,181	-	5,000	-
Contingency	21,414	-	-	-
Interest on long-term debt	91,941	-	-	-
Total governmental activities	<u>\$ 2,814,133</u>	<u>\$ 103,004</u>	<u>\$ 536,480</u>	<u>\$ -</u>
Business-type activities:				
Water	\$ 916,575	\$ 685,096	\$ -	\$ -
Sewer	954,488	1,529,863	-	1,129,057
Total business-type activities	<u>\$ 1,871,063</u>	<u>\$ 2,214,959</u>	<u>\$ -</u>	<u>\$ 1,129,057</u>
Total	<u><u>\$ 4,685,196</u></u>	<u><u>\$ 2,317,963</u></u>	<u><u>\$ 536,480</u></u>	<u><u>\$ 1,129,057</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
\$ (950,959)	\$ -	\$ (950,959)
(524,756)	-	(524,756)
(434,739)	-	(434,739)
(44,659)	-	(44,659)
(106,181)	-	(106,181)
(21,414)	-	(21,414)
(91,941)	-	(91,941)
<u>\$ (2,174,649)</u>	<u>\$ -</u>	<u>\$ (2,174,649)</u>
\$ -	\$ (231,479)	\$ (231,479)
-	1,704,432	1,704,432
<u>\$ -</u>	<u>\$ 1,472,953</u>	<u>\$ 1,472,953</u>
<u>\$ (2,174,649)</u>	<u>\$ 1,472,953</u>	<u>\$ (701,696)</u>
\$ 859,276	\$ -	\$ 859,276
144,300	-	144,300
180,086	-	180,086
120,165	-	120,165
89,340	-	89,340
95,929	-	95,929
97,173	-	97,173
54,830	20,233	75,063
308,661	-	308,661
40,884	-	40,884
<u>\$ 1,990,644</u>	<u>\$ 20,233</u>	<u>\$ 2,010,877</u>
\$ (184,005)	\$ 1,493,186	\$ 1,309,181
<u>4,405,065</u>	<u>24,854,204</u>	<u>29,259,269</u>
<u>\$ 4,221,060</u>	<u>\$ 26,347,390</u>	<u>\$ 30,568,450</u>

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Fund Financial Statements

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Balance Sheet
 Governmental Funds
 As of June 30, 2013

	<u>General Fund</u>
Assets:	
Cash and cash equivalents	\$ 1,420,312
Receivables (net of allowance for uncollectibles):	
Taxes including penalties	349,419
Accounts	20,565
Due from other governments	<u>12,895</u>
Total assets	<u>\$ 1,803,191</u>
Liabilities:	
Accounts payable	\$ 51,468
Accrued liabilities	12,231
Due to other funds	<u>63,517</u>
Total liabilities	<u>\$ 127,216</u>
Deferred Inflows of Resources:	
Unavailable revenue-property taxes	<u>\$ 349,154</u>
Fund Balance:	
Restricted for proffers	\$ 75,000
Unassigned	<u>1,251,821</u>
Total fund balance	<u>\$ 1,326,821</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,803,191</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, 2013

Total fund balances for governmental funds (Exhibit 3) \$ 1,326,821

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>4,834,815</u>	
 Total capital assets			 4,928,024

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. (3,805)

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			345,079
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Compensated absences	\$	(161,019)	
Bonds payable		<u>(2,214,040)</u>	
 Total long-term liabilities			 <u>(2,375,059)</u>
 Total net position of governmental activities			 \$ <u><u>4,221,060</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, 2013

	<u>General Fund</u>
Revenues:	
General property taxes	\$ 882,457
Other local taxes	726,993
Permits, privilege fees and regulatory licenses	29,433
Fines and forfeitures	44,245
Revenue from use of money and property	54,830
Charges for services	29,326
Miscellaneous	40,884
Intergovernmental revenues:	
Commonwealth	835,063
Federal	10,078
	<u>2,653,309</u>
Total revenues	\$ <u>2,653,309</u>
Expenditures:	
Current:	
General government administration	\$ 815,620
Public safety	626,573
Public works	1,111,714
Parks, recreation, and cultural	7,375
Community development	111,478
Capital outlay	135,900
Contingency	21,414
Debt service	121,476
	<u>2,951,550</u>
Total expenditures	\$ <u>2,951,550</u>
Excess (deficiency) of revenues over expenditures	\$ <u>(298,241)</u>
Net change in fund balances	\$ (298,241)
Fund balances at beginning of year	<u>1,625,062</u>
Fund balances at end of year	<u>\$ 1,326,821</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, 2013

Net change in fund balances - total governmental funds (Exhibit 5) \$ (298,241)

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	\$	390,789	
Depreciation expense		<u>(272,437)</u>	118,352

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. (23,181)

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. 29,484

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	\$	(10,470)	
Change in interest payable		<u>51</u>	<u>(10,419)</u>

Change in net position of governmental activities \$ (184,005)

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

Statement of Net Position
 Proprietary Fund
 As of June 30, 2013

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Assets:			
Current assets:			
Cash and cash equivalents	\$ 1,096,278	\$ 3,487,487	\$ 4,583,765
Restricted cash and cash equivalents	-	940,281	940,281
Due from other governments	-	522,079	522,079
Receivables (net of allowance for uncollectibles)	74,087	167,780	241,867
Due to other funds	6,866	56,651	63,517
Total current assets	\$ 1,177,231	\$ 5,174,278	\$ 6,351,509
Noncurrent assets:			
Land	\$ 5,000	\$ -	\$ 5,000
Capital assets, net of accumulated depreciation	2,630,032	2,050,898	4,680,930
Construction in progress	-	27,776,682	27,776,682
Total noncurrent assets	\$ 2,635,032	\$ 29,827,580	\$ 32,462,612
Total assets	\$ 3,812,263	\$ 35,001,858	\$ 38,814,121
Liabilities:			
Current liabilities:			
Accounts payable	\$ 9,323	\$ 1,102,117	\$ 1,111,440
Accrued payroll and related liabilities	5,293	-	5,293
Customer deposits	12,830	20,370	33,200
Retainage payable	-	251,234	251,234
Current portion of long-term debt	-	470,000	470,000
Total current liabilities	\$ 27,446	\$ 1,843,721	\$ 1,871,167
Noncurrent liabilities:			
Accrued compensated absence payable	\$ 41,230	\$ 41,230	\$ 82,460
Long-term debt, net of current portion	-	10,513,104	10,513,104
Total noncurrent liabilities	\$ 41,230	\$ 10,554,334	\$ 10,595,564
Total liabilities	\$ 68,676	\$ 12,398,055	\$ 12,466,731
Net Position:			
Net investment in capital assets	\$ 2,635,032	\$ 18,844,476	\$ 21,479,508
Unrestricted	1,108,555	3,759,327	4,867,882
Total net position	\$ 3,743,587	\$ 22,603,803	\$ 26,347,390

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, 2013

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Operating revenues:			
Charges for services	\$ 685,096	\$ 1,529,863	\$ 2,214,959
Operating expenses:			
General administration	\$ 45,204	\$ 47,292	\$ 92,496
Supply purification	400,475	-	400,475
Transmission and distribution	180,571	-	180,571
Wastewater treatment	-	517,544	517,544
Maintenance of sewer lines	-	117,123	117,123
Fringe benefits	97,862	94,238	192,100
Amortization	-	16,932	16,932
Depreciation	192,463	155,657	348,120
Contingency	-	5,702	5,702
Total operating expenses	\$ 916,575	\$ 954,488	\$ 1,871,063
Operating income (loss)	\$ (231,479)	\$ 575,375	\$ 343,896
Nonoperating revenues (expenses):			
Interest revenue	\$ 6,100	\$ 14,133	\$ 20,233
Total nonoperating revenues (expenses)	\$ 6,100	\$ 14,133	\$ 20,233
Income (loss) before contributions	\$ (225,379)	\$ 589,508	\$ 364,129
Capital contributions and construction grants	-	1,129,057	1,129,057
Change in net position	\$ (225,379)	\$ 1,718,565	\$ 1,493,186
Net position, beginning of year	3,968,966	20,885,238	24,854,204
Net position, end of year	\$ 3,743,587	\$ 22,603,803	\$ 26,347,390

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

Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2013

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Cash flows from operating activities:			
Receipts from customers	\$ 698,031	\$ 1,514,296	\$ 2,212,327
Payments to and for employees	(402,305)	(385,872)	(788,177)
Payments to suppliers	(306,854)	(296,680)	(603,534)
Net cash provided by (used for) operating activities	<u>\$ (11,128)</u>	<u>\$ 831,744</u>	<u>\$ 820,616</u>
Cash flows from investing activities:			
Investment income	<u>\$ 6,100</u>	<u>\$ 14,133</u>	<u>\$ 20,233</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	\$ -	\$ (2,783,190)	\$ (2,783,190)
Capital contributions and grants	-	1,062,783	1,062,783
Principal payments on long-term debt	-	(235,000)	(235,000)
Reclassification of bond issuance costs	-	16,931	16,931
Net cash provided by (used for) capital and related financing activities	<u>\$ -</u>	<u>\$ (1,938,476)</u>	<u>\$ (1,938,476)</u>
Cash flows from noncapital financing activities:			
Net transfers from (to) other funds	<u>\$ 3,882</u>	<u>\$ (163)</u>	<u>\$ 3,719</u>
Net increase (decrease) in cash and cash equivalents	\$ (1,146)	\$ (1,092,762)	\$ (1,093,908)
Cash and cash equivalents at beginning of year - including restricted	<u>1,097,424</u>	<u>\$ 5,520,530</u>	<u>6,617,954</u>
Cash and cash equivalents at end of year - including restricted	<u><u>\$ 1,096,278</u></u>	<u><u>\$ 4,427,768</u></u>	<u><u>\$ 5,524,046</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (231,479)	\$ 575,375	\$ 343,896
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	192,463	155,657	348,120
Changes in operating accounts:			
Accounts receivable	12,935	(15,567)	(2,632)
Accounts payable and accrued liabilities	7,096	103,602	110,698
Compensated absences	4,517	4,517	9,034
Customer deposits	<u>3,340</u>	<u>8,160</u>	<u>11,500</u>
Net cash provided by (used for) operating activities	<u><u>\$ (11,128)</u></u>	<u><u>\$ 831,744</u></u>	<u><u>\$ 820,616</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, 2013

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Narrative Profile:

The 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.

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

The financial statements of the 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)

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, 2013 (Continued)

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

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 2013.

- 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.

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

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, 2013 (Continued)

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

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 \$33,599 at June 30, 2013 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.

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, 2013.

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

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

H. Capital Assets: (Continued)

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.

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 applicable 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.

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

M. Long-term Obligations: (Continued)

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.

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, 2013.

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

O. Deferred Outflows/Inflows of Resources: (Continued)

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 and amounts prepaid and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, amounts prepaid are reported as deferred inflows of resources.

P. Adoption of Accounting Principles

Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, Statement No. 63 of the Governmental Accounting Standards Board:

The Town implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement provides guidance for reporting deferred inflows and deferred outflows of resources. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on an entity's net position. With the implementation of this Statement, certain terminology has changed and financial statement descriptions have changed from "net assets" to "net position". The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

Items Previously Reported as Assets and Liabilities, Statement No. 65 of the Governmental Accounting Standards Board:

The Town implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

Q. 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 requirements 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 has not determined the impact of the pronouncement on its financial statements.

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 2—PROPERTY TAXES RECEIVABLE:

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 5th and December 5th. Personal property taxes are levied annually and are due December 5th.

NOTE 3—DEPOSITS AND INVESTMENTS:

Deposits:

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”) Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in 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, 2013.

NOTE 4—DUE FROM OTHER GOVERNMENTAL UNITS:

At June 30, 2013, the amount due from other governmental units was as follows:

	<u>Primary Government</u>
Commonwealth of Virginia:	
Sales tax	\$ 12,895
Virginia Water Quality Improvement Fund	<u>522,079</u>
Total	<u>\$ 534,974</u>

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (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, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</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	\$ 5,122,441	\$ 94,436	\$ -	\$ 5,216,877
Infrastructure	259,940	-	-	259,940
Equipment	795,886	296,353	8,485	1,083,754
Total other capital assets	<u>\$ 6,178,267</u>	<u>\$ 390,789</u>	<u>\$ 8,485</u>	<u>\$ 6,560,571</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 668,660	\$ 133,929	\$ -	\$ 802,589
Infrastructure	164,019	12,160	-	176,179
Equipment	629,125	126,348	8,485	746,988
Total accumulated depreciation	<u>\$ 1,461,804</u>	<u>\$ 272,437</u>	<u>\$ 8,485</u>	<u>\$ 1,725,756</u>
Other capital assets, net	<u>\$ 4,716,463</u>	<u>\$ 118,352</u>	<u>\$ -</u>	<u>\$ 4,834,815</u>
Net capital assets	<u>\$ 4,809,672</u>	<u>\$ 118,352</u>	<u>\$ -</u>	<u>\$ 4,928,024</u>

Depreciation expense has been allocated as follows:

General government administration	\$ 112,596
Public safety	23,150
Public works	99,407
Parks, recreation, and culture	<u>37,284</u>
Total depreciation expense	<u>\$ 272,437</u>

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 5—CAPITAL ASSETS: (Continued)

Business-type Activities:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Water Fund				
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	-	-	1,397,923
Equipment	1,438,550	-	-	1,438,550
Total other capital assets	<u>\$ 6,228,078</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,228,078</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 2,335,283	\$ 75,820	\$ -	\$ 2,411,103
Infrastructure	418,545	66,071	-	484,616
Equipment	651,755	50,572	-	702,327
Total accumulated depreciation	<u>\$ 3,405,583</u>	<u>\$ 192,463</u>	<u>\$ -</u>	<u>\$ 3,598,046</u>
Other capital assets, net	<u>\$ 2,822,495</u>	<u>\$ (192,463)</u>	<u>\$ -</u>	<u>\$ 2,630,032</u>
Net capital assets	<u><u>\$ 2,827,495</u></u>	<u><u>\$ (192,463)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,635,032</u></u>
Sewer Fund				
Capital assets not being depreciated:				
Construction in progress	\$ 25,668,621	\$ 2,108,061	\$ -	\$ 27,776,682
Total capital assets not being depreciated	<u>\$ 25,668,621</u>	<u>\$ 2,108,061</u>	<u>\$ -</u>	<u>\$ 27,776,682</u>
Other capital assets:				
Buildings and improvements	\$ 526,973	\$ -	\$ -	\$ 526,973
Infrastructure	4,323,494	-	-	4,323,494
Equipment	316,452	20,568	-	337,020
Total other capital assets	<u>\$ 5,166,919</u>	<u>\$ 20,568</u>	<u>\$ -</u>	<u>\$ 5,187,487</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 526,973	\$ -	\$ -	\$ 526,973
Infrastructure	2,228,437	128,181	-	2,356,618
Equipment	225,522	27,476	-	252,998
Total accumulated depreciation	<u>\$ 2,980,932</u>	<u>\$ 155,657</u>	<u>\$ -</u>	<u>\$ 3,136,589</u>
Other capital assets, net	<u>\$ 2,185,987</u>	<u>\$ (135,089)</u>	<u>\$ -</u>	<u>\$ 2,050,898</u>
Net capital assets	<u><u>\$ 27,854,608</u></u>	<u><u>\$ 1,972,972</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 29,827,580</u></u>

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligations for the fiscal year ended June 30, 2013:

	<u>Amounts Payable July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable June 30, 2013</u>	<u>Amounts Due Within One Year</u>
Governmental Obligations:					
Lease revenue bond	\$ 2,243,524	-	\$ 29,484	\$ 2,214,040	\$ 30,724
Accrued compensated absences	150,549	10,470	-	161,019	-
Total Governmental Obligations	<u>\$ 2,394,073</u>	<u>\$ 10,470</u>	<u>\$ 29,484</u>	<u>\$ 2,375,059</u>	<u>\$ 30,724</u>
Enterprise Obligations:					
General obligation bonds	\$ 11,218,104	-	\$ 235,000	\$ 10,983,104	\$ 470,000
Accrued compensated absences	73,426	9,034	-	82,460	-
Total Enterprise Obligations	<u>\$ 11,291,530</u>	<u>\$ 9,034</u>	<u>\$ 235,000</u>	<u>\$ 11,065,564</u>	<u>\$ 470,000</u>
Total Long-term Obligations	<u>\$ 13,685,603</u>	<u>\$ 19,504</u>	<u>\$ 264,484</u>	<u>\$ 13,440,623</u>	<u>\$ 500,724</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>
2014	\$ 30,724	\$ 90,752	\$ 470,000	-
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	-
2019-2023	205,289	402,091	2,350,000	-
2024-2028	252,223	355,157	2,350,000	-
2029-2033	309,888	297,492	2,350,000	-
2034-2038	380,735	226,645	1,583,104	-
2039-2043	467,782	139,598	-	-
2044-2047	431,035	35,808	-	-
Total	<u>\$ 2,214,040</u>	<u>\$ 1,897,083</u>	<u>\$ 10,983,104</u>	<u>-</u>

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS: (Continued)

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.

\$ 2,214,040

Accrued compensated absences

161,019

Total governmental obligations

\$ 2,375,059

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.

\$ 10,983,104

Accrued compensated absences

82,460

Total enterprise obligations

\$ 11,065,564

NOTE 7—COMPENSATED ABSENCES:

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 \$161,019 in the General Fund and \$82,460 in Enterprise Fund.

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 8—DEFINED BENEFIT PENSION PLAN:

A. Plan Description:

Name of Plan: Virginia Retirement System (VRS)
Identification of Plan: Agent Multiple-Employer Defined Benefit Pension Plan
Administering Entity: Virginia Retirement System (System)

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

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

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 8—DEFINED BENEFIT PENSION PLAN: (Continued)

B. Plan Description:

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% 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 2013 was 9.24% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2013, Town's annual pension cost of \$135,666 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>
6/30/11	\$ 101,162	100%	-
6/30/12	100,626	100%	-
6/30/13	135,666	100%	-

* Includes employer contributions only

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2013 (Continued)

NOTE 8—DEFINED BENEFIT PENSION PLAN: (Continued)

C. Annual Pension Cost:

The FY2013 required contributions were determined as a part of the June 30, 2012 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2012 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year 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.

D. Funding Status and Funding Programs

As of June 30, 2012, the most recent actuarial valuation date, the plan was 80.09% funded. The actuarial accrued liability for benefits was \$4,370,088 and the actuarial value of assets was \$3,499,931 resulting in an unfunded actuarial accrued liability (UAAL) of \$1,389,492. The covered payroll (annual payroll of active employees covered by the plan) was \$1,389,492 and ratio of the UAAL to the covered payroll was 62.62%.

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

NOTE 9—LITIGATION:

At June 30, 2013, there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decisions on pending matters not be favorable to the Town.

NOTE 10—EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

For the year ended June 30, 2013, the general fund expenditures exceeded appropriations in the amount of \$137,215.

NOTE 11—UNAVAILABLE REVENUE:

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 Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$345,079 at June 30, 2013.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2013 but paid in advance by the taxpayers totaled \$4,075 at June 30, 2013.

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, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
General property taxes	\$ 887,000	\$ 887,000	\$ 882,457	\$ (4,543)
Other local taxes	755,000	755,000	726,993	(28,007)
Permits, privilege fees and regulatory licenses	28,000	28,000	29,433	1,433
Fines and forfeitures	39,000	39,000	44,245	5,245
Revenue from use of money and property	60,500	60,500	54,830	(5,670)
Charges for services	20,000	20,000	29,326	9,326
Miscellaneous	7,100	7,100	40,884	33,784
Intergovernmental revenues:				
Commonwealth	415,329	739,141	835,063	95,922
Federal	-	-	10,078	10,078
Total revenues	<u>\$ 2,211,929</u>	<u>\$ 2,535,741</u>	<u>\$ 2,653,309</u>	<u>\$ 117,568</u>
Expenditures:				
Current:				
General government administration	\$ 825,907	\$ 825,907	\$ 815,620	\$ 10,287
Public safety	662,153	662,153	626,573	35,580
Public works	694,050	951,014	1,111,714	(160,700)
Parks, recreation, and cultural	12,353	12,353	7,375	4,978
Community development	142,405	142,405	111,478	30,927
Capital outlay	137,000	281,000	135,900	145,100
Contingency	116,843	129,691	21,414	108,277
Debt service	223,622	133,622	121,476	12,146
Total expenditures	<u>\$ 2,814,333</u>	<u>\$ 3,138,145</u>	<u>\$ 2,951,550</u>	<u>\$ 186,595</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (602,404)</u>	<u>\$ (602,404)</u>	<u>\$ (298,241)</u>	<u>\$ 304,163</u>
Net change in fund balances	\$ (602,404)	\$ (602,404)	\$ (298,241)	\$ 304,163
Fund balances at beginning of year	<u>602,404</u>	<u>602,404</u>	<u>1,625,062</u>	<u>1,022,658</u>
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,326,821</u>	<u>\$ 1,326,821</u>

Virginia Retirement System
 Schedule of Funding Progress

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)
6/30/2012	\$ 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%
6/30/2010	3,155,325	3,861,997	706,672	81.70%	1,282,759	55.09%

Supporting Schedules

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Schedule of Revenues - Budget and Actual
 General Fund
 Year Ended June 30, 2013

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 569,500	\$ 569,500	\$ 562,777	\$ (6,723)
Personal property taxes	158,000	158,000	154,370	(3,630)
Machinery and tools taxes	155,000	155,000	158,260	3,260
Penalties	3,000	3,000	4,412	1,412
Interest	1,500	1,500	2,638	1,138
Total general property taxes	<u>\$ 887,000</u>	<u>\$ 887,000</u>	<u>\$ 882,457</u>	<u>\$ (4,543)</u>
Other local taxes:				
Local sales and use taxes	\$ 160,000	\$ 160,000	\$ 144,300	\$ (15,700)
Business license tax	130,000	130,000	180,086	50,086
Bank franchise taxes	100,000	100,000	120,165	20,165
Consumer utility tax	190,000	190,000	89,340	(100,660)
Meals tax	85,000	85,000	95,929	10,929
Motor vehicle licenses	90,000	90,000	97,173	7,173
Total other local taxes	<u>\$ 755,000</u>	<u>\$ 755,000</u>	<u>\$ 726,993</u>	<u>\$ (28,007)</u>
Permits, privilege fees and regulatory licenses:				
Licenses, zoning and subdivision permits	\$ 28,000	\$ 28,000	\$ 29,433	\$ 1,433
Fines and forfeitures:				
Court fines and forfeitures	\$ 35,000	\$ 35,000	\$ 40,952	\$ 5,952
Parking fines	4,000	4,000	3,293	(707)
Total fines and forfeitures	<u>\$ 39,000</u>	<u>\$ 39,000</u>	<u>\$ 44,245</u>	<u>\$ 5,245</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 20,000	\$ 20,000	\$ 11,752	\$ (8,248)
Revenue from use of property	40,500	40,500	43,078	2,578
Total revenue from use of money and property	<u>\$ 60,500</u>	<u>\$ 60,500</u>	<u>\$ 54,830</u>	<u>\$ (5,670)</u>
Charges for services:				
Charges for services - meters	\$ 10,000	\$ 10,000	\$ 8,846	\$ (1,154)
Zoning and subdivision fees	10,000	10,000	20,480	10,480
Total charges for services	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 29,326</u>	<u>\$ 9,326</u>

Schedule of Revenues - Budget and Actual
 General Fund
 Year Ended June 30, 2013 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
General Fund: (continued)				
Revenue from local sources: (continued)				
Miscellaneous revenue:				
Miscellaneous income	\$ 2,100	\$ 2,100	\$ 40,884	\$ 38,784
Barns of Rose Hill	5,000	5,000	-	(5,000)
Total revenue from miscellaneous revenue	<u>\$ 7,100</u>	<u>\$ 7,100</u>	<u>\$ 40,884</u>	<u>\$ 33,784</u>
Total revenue from local sources	<u>\$ 1,796,600</u>	<u>\$ 1,796,600</u>	<u>\$ 1,808,168</u>	<u>\$ 11,568</u>
Revenue from the Commonwealth:				
Non-categorical aid:				
Communication taxes	\$ -	\$ -	\$ 96,735	\$ 96,735
Personal property tax relief act funds	209,917	209,917	209,917	-
Rolling stock tax	1,860	1,860	2,009	149
Total non-categorical aid	<u>\$ 211,777</u>	<u>\$ 211,777</u>	<u>\$ 308,661</u>	<u>\$ 96,884</u>
Categorical aid:				
Aid to localities with police departments	\$ 74,052	\$ 74,052	\$ 74,052	\$ -
Litter control grant	1,500	1,500	2,144	644
Street and highway maintenance	120,000	443,812	443,625	(187)
Commission of the arts	-	-	5,000	5,000
Fire funds	8,000	8,000	1,581	(6,419)
Total categorical aid	<u>\$ 203,552</u>	<u>\$ 527,364</u>	<u>\$ 526,402</u>	<u>\$ (962)</u>
Total revenue from the Commonwealth	<u>\$ 415,329</u>	<u>\$ 739,141</u>	<u>\$ 835,063</u>	<u>\$ 95,922</u>
Revenue from the Federal government:				
Categorical aid:				
Fire funds	\$ -	\$ -	\$ 10,078	\$ 10,078
Total revenue from the Federal government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,078</u>	<u>\$ 10,078</u>
Total General Fund	<u><u>\$ 2,211,929</u></u>	<u><u>\$ 2,535,741</u></u>	<u><u>\$ 2,653,309</u></u>	<u><u>\$ 117,568</u></u>

Schedule of Expenditures - Budget and Actual
 General Fund
 Year Ended June 30, 2013

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
General Fund:				
General government administration:				
Town Council:				
Compensation	\$ 18,900	\$ 18,900	\$ 18,600	\$ 300
Training	1,900	1,900	-	1,900
Miscellaneous	1,000	1,000	1,681	(681)
Dues	2,250	2,250	2,789	(539)
Town code supplements	2,000	2,000	1,084	916
State code supplements	250	250	-	250
Total town council	\$ 26,300	\$ 26,300	\$ 24,154	\$ 2,146
Town Clerk:				
Compensation	\$ 41,715	\$ 41,715	\$ 42,937	\$ (1,222)
Education/Training	750	750	1,380	(630)
Dues	150	150	210	(60)
Total town clerk	\$ 42,615	\$ 42,615	\$ 44,527	\$ (1,912)
Town Manager:				
Compensation	\$ 123,300	\$ 123,300	\$ 121,452	\$ 1,848
Mileage	150	150	76	74
Training	1,000	1,000	737	263
Dues	350	350	10,083	(9,733)
Total town manager	\$ 124,800	\$ 124,800	\$ 132,348	\$ (7,548)
Legal and Professional:				
Professional services	\$ 40,000	\$ 40,000	\$ 26,670	\$ 13,330
Contractual services	14,700	14,700	14,700	-
Engineering services	5,000	5,000	-	5,000
Total legal and professional	\$ 59,700	\$ 59,700	\$ 41,370	\$ 18,330
Personnel:				
Social security	\$ 62,615	\$ 62,615	\$ 78,922	\$ (16,307)
Retirement	85,142	85,142	85,205	(63)
Health insurance	120,239	120,239	116,300	3,939
Life insurance	12,111	12,111	12,098	13
Unemployment insurance	1,275	1,275	1,095	180
Workers' compensation insurance	26,105	26,105	25,673	432
Line of Duty act	2,110	2,110	2,063	47
Total personnel	\$ 309,597	\$ 309,597	\$ 321,356	\$ (11,759)

Schedule of Expenditures - Budget and Actual
 General Fund
 Year Ended June 30, 2013 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
General Fund: (continued)				
General government administration: (continued)				
Town Treasurer:				
Compensation	\$ 83,880	\$ 83,880	\$ 88,596	\$ (4,716)
Surety bonds	300	300	273	27
Training	1,000	1,000	905	95
Dues	150	150	-	150
Miscellaneous	950	950	931	19
Total town treasurer	<u>\$ 86,280</u>	<u>\$ 86,280</u>	<u>\$ 90,705</u>	<u>\$ (4,425)</u>
Finance/Accounting:				
Compensation	\$ 43,095	\$ 43,095	\$ 49,841	\$ (6,746)
Training	400	400	352	48
Total finance/accounting	<u>\$ 43,495</u>	<u>\$ 43,495</u>	<u>\$ 50,193</u>	<u>\$ (6,698)</u>
Central Administration/Purchasing:				
Maintenance contracts	\$ 33,500	\$ 33,500	\$ 47,638	\$ (14,138)
Advertising	7,500	7,500	7,141	359
Postage	9,000	9,000	5,903	3,097
Telecommunications	4,900	4,900	3,966	934
Office supplies and equipment	12,500	12,500	9,054	3,446
Newsletter	1,500	1,500	-	1,500
Training	500	500	519	(19)
Dues	500	500	325	175
Total central administration/purchasing	<u>\$ 69,900</u>	<u>\$ 69,900</u>	<u>\$ 74,546</u>	<u>\$ (4,646)</u>
Risk Management:				
Blanket excess liability	\$ 22,000	\$ 22,000	\$ 14,495	\$ 7,505
Automobile insurance	9,900	9,900	7,097	2,803
Varisk-2	3,445	3,445	-	3,445
Semi-multi peril insurance	23,375	23,375	14,829	8,546
Insurance deductibles	3,000	3,000	-	3,000
Total risk management	<u>\$ 61,720</u>	<u>\$ 61,720</u>	<u>\$ 36,421</u>	<u>\$ 25,299</u>
Elections:				
Election officials	\$ 500	\$ 500	\$ -	\$ 500
Office supplies	1,000	1,000	-	1,000
Total elections	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>\$ -</u>	<u>\$ 1,500</u>
Total general government administration	<u>\$ 825,907</u>	<u>\$ 825,907</u>	<u>\$ 815,620</u>	<u>\$ 10,287</u>

Schedule of Expenditures - Budget and Actual
 General Fund
 Year Ended June 30, 2013 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
General Fund: (continued)				
Public safety:				
Police department:				
Compensation	\$ 494,435	\$ 494,435	\$ 480,372	\$ 14,063
Maintenance contracts	5,500	5,500	5,392	108
Communication equipment and services	1,550	1,550	1,216	334
Community relations	700	700	1,231	(531)
Office supplies	2,000	2,000	2,329	(329)
Gasoline oil	22,080	22,080	17,245	4,835
Repair and maintenance	10,000	10,000	8,925	1,075
Police supplies	11,000	11,000	8,072	2,928
Uniforms	3,000	3,000	3,312	(312)
Medical examinations	500	500	419	81
Training	12,000	12,000	11,995	5
Professional services	400	400	968	(568)
Dues	1,000	1,000	545	455
Total police department	<u>\$ 564,165</u>	<u>\$ 564,165</u>	<u>\$ 542,021</u>	<u>\$ 22,144</u>
Traffic control:				
Contribution - crossing guard	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ 5,000</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.	\$ 55,738	\$ 55,738	\$ 55,738	\$ -
Contribution - JHEVFD	25,000	25,000	25,000	-
Fire fund program	<u>8,000</u>	<u>8,000</u>	<u>1,581</u>	<u>6,419</u>
Total fire and rescue	<u>\$ 88,738</u>	<u>\$ 88,738</u>	<u>\$ 82,319</u>	<u>\$ 6,419</u>
Correction and detention:				
Confinement and prisoners	\$ 250	\$ 250	\$ -	\$ 250
Public defenders fees	<u>2,000</u>	<u>2,000</u>	<u>233</u>	<u>1,767</u>
Total correction and detention	<u>\$ 2,250</u>	<u>\$ 2,250</u>	<u>\$ 233</u>	<u>\$ 2,017</u>
Total public safety	<u>\$ 662,153</u>	<u>\$ 662,153</u>	<u>\$ 626,573</u>	<u>\$ 35,580</u>
Public works:				
Maintenance of streets, bridges and sidewalks:				
General administration:				
Compensation	\$ 39,450	\$ 39,450	\$ 40,919	\$ (1,469)
Electricity	2,850	2,850	-	2,850
Fuel oil/heat	4,255	4,255	1,111	3,144
Telecommunications	3,325	3,325	3,702	(377)
Office supplies	95	95	916	(821)
Vehicle repairs and maintenance	4,513	4,513	13,321	(8,808)
Medical exams	380	380	722	(342)
Training	<u>665</u>	<u>665</u>	<u>588</u>	<u>77</u>
Total general administration	<u>\$ 55,533</u>	<u>\$ 55,533</u>	<u>\$ 61,279</u>	<u>\$ (5,746)</u>

Schedule of Expenditures - Budget and Actual
 General Fund
 Year Ended June 30, 2013 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
General Fund: (continued)				
Public works: (continued)				
Maintenance of streets, bridges and sidewalks: (continued)				
Highways, streets, bridges and sidewalks:				
Compensation	\$ 110,695	\$ 110,695	\$ 125,276	\$ (14,581)
Gasoline and oil	38,990	38,990	39,800	(810)
Uniforms	2,565	2,565	2,251	314
Materials and supplies	4,513	4,513	7,525	(3,012)
Equipment maintenance	11,400	11,400	21,812	(10,412)
Sidewalk maintenance	7,220	7,220	-	7,220
Street maintenance	-	220,000	405,985	(185,985)
Street sign maintenance	1,354	1,354	185	1,169
Norfolk/Southern ROW	240	240	1,240	(1,000)
Total highways, streets, bridges, and sidewalks	<u>\$ 176,977</u>	<u>\$ 396,977</u>	<u>\$ 604,074</u>	<u>\$ (207,097)</u>
Street lights:				
Electricity - street lights	<u>\$ 80,000</u>	<u>\$ 80,000</u>	<u>\$ 68,181</u>	<u>\$ 11,819</u>
Snow and ice removal:				
Material and supplies	<u>\$ 19,000</u>	<u>\$ 19,000</u>	<u>\$ 494</u>	<u>\$ 18,506</u>
Parking meters:				
Material and supplies	<u>\$ 1,354</u>	<u>\$ 1,354</u>	<u>\$ 1,418</u>	<u>\$ (64)</u>
Street and road cleaning:				
Street cleaning	<u>\$ 9,000</u>	<u>\$ 9,000</u>	<u>\$ 3,900</u>	<u>\$ 5,100</u>
Total maintenance of streets, bridges and sidewalks	<u>\$ 341,864</u>	<u>\$ 561,864</u>	<u>\$ 739,346</u>	<u>\$ (177,482)</u>
Sanitation and waste removal:				
Contractual services	\$ 188,500	\$ 188,500	\$ 174,266	\$ 14,234
Recycling services	76,650	76,650	69,640	7,010
Landfill charges	20,000	20,000	18,967	1,033
Total sanitation and waste removal	<u>\$ 285,150</u>	<u>\$ 285,150</u>	<u>\$ 262,873</u>	<u>\$ 22,277</u>
Maintenance of buildings and grounds:				
General properties:				
Electricity	\$ 1,620	\$ 1,620	\$ 1,106	\$ 514
Repair and maintenance	5,866	14,630	20,765	(6,135)
Materials and supplies	1,344	1,344	1,404	(60)
Christmas lights	1,354	1,354	1,255	99
Total general properties	<u>\$ 10,184</u>	<u>\$ 18,948</u>	<u>\$ 24,530</u>	<u>\$ (5,582)</u>

Schedule of Expenditures - Budget and Actual
 General Fund
 Year Ended June 30, 2013 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
General Fund: (continued)				
Public works: (continued)				
Maintenance of buildings and grounds: (continued)				
Building services:				
Contractual services	\$ 24,987	\$ 30,977	\$ 30,901	\$ 76
Electricity	13,125	18,125	18,125	-
Natural gas/heat	3,193	5,193	4,582	611
Water/sewer	2,245	2,445	2,444	1
Shared expenses - Clarke County	3,624	18,634	19,235	(601)
Telecommunications	9,678	9,678	9,678	-
Total building services	<u>\$ 56,852</u>	<u>\$ 85,052</u>	<u>\$ 84,965</u>	<u>\$ 87</u>
Total maintenance of buildings and grounds	<u>\$ 67,036</u>	<u>\$ 104,000</u>	<u>\$ 109,495</u>	<u>\$ (5,495)</u>
Total public works	<u>\$ 694,050</u>	<u>\$ 951,014</u>	<u>\$ 1,111,714</u>	<u>\$ (160,700)</u>
Parks, recreation and cultural:				
Christmas lights	\$ 428	\$ 428	\$ -	\$ 428
Rose Hill improvements	5,500	5,500	1,473	4,027
Contributions	6,425	6,425	5,902	523
Total parks, recreation and cultural	<u>\$ 12,353</u>	<u>\$ 12,353</u>	<u>\$ 7,375</u>	<u>\$ 4,978</u>
Community development:				
Planning:				
Compensation	\$ 72,380	\$ 72,380	\$ 73,087	\$ (707)
Professional services	17,500	17,500	4,563	12,937
Office supplies	200	200	214	(14)
Printing	1,000	1,000	-	1,000
Mileage	500	500	861	(361)
Training	500	500	238	262
Dues	2,000	2,000	400	1,600
Publications	200	200	-	200
Total planning	<u>\$ 94,280</u>	<u>\$ 94,280</u>	<u>\$ 79,363</u>	<u>\$ 14,917</u>
Board of zoning appeals:				
Compensation	\$ 500	\$ 500	\$ 120	\$ 380
Training	500	500	-	500
Total board of zoning appeals	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 120</u>	<u>\$ 880</u>
Economic development:				
DBI/economic development professional services	<u>\$ 37,000</u>	<u>\$ 37,000</u>	<u>\$ 25,000</u>	<u>\$ 12,000</u>

Schedule of Expenditures - Budget and Actual
 General Fund
 Year Ended June 30, 2013 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
General Fund: (continued)				
Community development: (continued)				
Planning commission:				
Compensation	\$ 6,000	\$ 6,000	\$ 3,560	\$ 2,440
Training	750	750	1,800	(1,050)
Dues	250	250	-	250
Total planning commission	<u>\$ 7,000</u>	<u>\$ 7,000</u>	<u>\$ 5,360</u>	<u>\$ 1,640</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	\$ 55	\$ 195
Total community development	<u>\$ 142,405</u>	<u>\$ 142,405</u>	<u>\$ 111,478</u>	<u>\$ 18,927</u>
Capital outlay:				
Town office	\$ 9,000	\$ 153,000	\$ 110,021	\$ 42,979
Police cruiser	23,000	23,000	25,879	(2,879)
Salt box/snow plow	25,000	25,000	-	25,000
Other capital outlay	80,000	80,000	-	80,000
Total capital outlay	<u>\$ 137,000</u>	<u>\$ 281,000</u>	<u>\$ 135,900</u>	<u>\$ 145,100</u>
Contingency:				
Shared cost for operation of joint government center	\$ 116,843	\$ 129,691	\$ 21,414	\$ 108,277
Total contingency	<u>\$ 116,843</u>	<u>\$ 129,691</u>	<u>\$ 21,414</u>	<u>\$ 108,277</u>
Debt service:				
Principal	\$ 131,415	\$ 41,415	\$ 29,484	\$ 11,931
Interest	92,207	92,207	91,992	215
Total debt service	<u>\$ 223,622</u>	<u>\$ 133,622</u>	<u>\$ 121,476</u>	<u>\$ 12,146</u>
Total General Fund	<u>\$ 2,814,333</u>	<u>\$ 3,138,145</u>	<u>\$ 2,951,550</u>	<u>\$ 174,595</u>

Schedule of Operating Expenses (With Comparative Amounts for 2012)

Enterprise Funds

Year Ended June 30, 2013

<u>Fund, Function, Activity and Elements</u>	<u>2013</u>	<u>2012</u>
<u>Water Fund:</u>		
General administration:		
Salaries and wages	\$ 39,604	\$ 37,383
Miss Utility	1,061	2,759
Repairs and maintenance	1,140	1,065
Postage	2,989	3,488
Office supplies	410	-
Total general administration	<u>\$ 45,204</u>	<u>\$ 44,695</u>
Supply purification:		
Salaries and wages	\$ 197,191	\$ 154,995
Repairs and maintenance	80,608	39,705
Electricity	45,301	54,828
Heating service	2,662	1,430
Equipment and supplies	10,107	8,442
Materials and supplies - chemicals	25,449	25,614
Sludge removal	17,500	16,670
Permits, fees and testing	15,043	13,359
Other operating expenses	6,614	7,995
Total supply purification	<u>\$ 400,475</u>	<u>\$ 323,038</u>
Transmission and distribution:		
Salaries and wages	\$ 73,764	\$ 71,524
Repairs and maintenance - water lines	88,364	141,031
Materials and supplies	18,443	17,716
Total transmission and distribution	<u>\$ 180,571</u>	<u>\$ 230,271</u>
Fringe benefits:		
Social security	\$ 23,367	\$ 19,397
Retirement	25,277	28,897
Health insurance	37,358	34,316
Group life insurance	3,596	633
Workers' compensation	7,965	11,746
Unemployment insurance	299	366
Total fringe benefits	<u>\$ 97,862</u>	<u>\$ 95,355</u>
Depreciation	<u>\$ 192,463</u>	<u>\$ 194,122</u>
Contingency	<u>\$ -</u>	<u>\$ 5,513</u>
Total Water Fund	<u><u>\$ 916,575</u></u>	<u><u>\$ 892,994</u></u>

Schedule of Operating Expenses (With Comparative Amounts for 2012)
 Enterprise Funds
 Year Ended June 30, 2013 (Continued)

<u>Fund, Function, Activity and Elements</u>	<u>2013</u>	<u>2012</u>
<u>Sewer Fund:</u>		
General administration:		
Salaries and wages	\$ 38,952	\$ 37,403
Repairs and maintenance	1,525	1,600
Postage	4,674	5,005
Office supplies	<u>2,141</u>	<u>286</u>
Total general administration	<u>\$ 47,292</u>	<u>\$ 44,294</u>
Wastewater treatment:		
Salaries and wages	\$ 179,692	\$ 151,362
Professional services	16,449	4,230
Repairs and maintenance	63,286	18,411
Electricity	140,932	85,055
Materials and supplies - chemicals	37,555	2,036.00
Equipment and supplies	17,256	5,739
Permits, fees and testing	56,513	22,229
Other operating expenses	<u>5,861</u>	<u>2,500</u>
Total wastewater treatment	<u>\$ 517,544</u>	<u>\$ 291,562</u>
Maintenance of sewer lines:		
Salaries and wages	\$ 73,813	\$ 71,564
Repairs and maintenance - sewer lines	33,645	74,780
Materials and supplies	<u>9,665</u>	<u>6,320</u>
Total maintenance of sewer lines	<u>\$ 117,123</u>	<u>\$ 152,664</u>
Fringe benefits:		
Social security	\$ 22,385	\$ 19,123
Retirement	24,237	28,488
Health insurance	35,829	33,864
Group life insurance	3,447	623
Workers' compensation	375	351
Unemployment insurance	<u>7,965</u>	<u>7,132</u>
Total fringe benefits	<u>\$ 94,238</u>	<u>\$ 89,581</u>
Amortization	<u>\$ 16,932</u>	<u>\$ -</u>
Depreciation	<u>\$ 155,657</u>	<u>\$ 148,587</u>
Contingency	<u>\$ 5,702</u>	<u>\$ 4,918</u>
Total Sewer Fund	<u><u>\$ 954,488</u></u>	<u><u>\$ 731,606</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
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	
2004	855,604	608,694	23,684	35,199	39,747	11,182	15,681	-	115,085	1,704,876	

TOWN OF BERRYVILLE, VIRGINIA

Table 2

Governmental Expenditures by Source
Last Ten Fiscal Years

Fiscal Year	General Government	Public Safety	Public Works	Parks, Recreation, and Culture	Community Development	Capital		Total
						Outlay & Contingency	Debt Service	
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
2004	399,628	434,474	401,975	10,675	84,282	337,089	100,000	1,768,123

Compliance

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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*

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, each major fund, and the aggregate remaining fund information of Town of Berryville, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Berryville, Virginia's basic financial statements, and have issued our report thereon dated November 27, 2013.

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 27, 2013