

TOWN OF BERRYVILLE, VIRGINIA



FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

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

Deborah Boggs, Utility Clerk

TOWN OF BERRYVILLE, VIRGINIA

Financial Report
Year Ended June 30, 2015

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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 Town of Berryville, Virginia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Town of Berryville, Virginia, as of June 30, 2015, 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.

Change in Accounting Principle

As described in Note 11 to the financial statements, in 2015, the Town adopted new accounting guidance, GASB Statement Nos. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. 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, budgetary comparison information, and schedules related to pension funding on pages 4-9, 54, and 55-57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2015, on our consideration of Town of Berryville, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Berryville, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia

November 30, 2015

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TOWN OF BERRYVILLE, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Town of Berryville (the "Town") we offer the readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2015. Please read it in conjunction with the Town's basic financial statements, which follow this section.

Financial Highlights

The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$31,803,349 (net position). Of this amount, \$5,467,175 (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 \$1,545,491, of which the governmental activities accounted for a \$51,869 decrease and business-type activities accounted for a \$1,597,360 increase.

At the end of the current fiscal year, unrestricted net position for governmental activities was \$985,606 or 30.24% 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 \$1,354,630, an increase of \$99,741 over the prior year. This increase is due to cash flow associated with the VDOT street maintenance expenses in the prior year.

The Town's total debt decreased by \$841,954 (10.23%) 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 53 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 schedules of funding relating to the Town's participation in its pension plan.

Required supplementary information can be found on pages 54 through 57 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$31.8 million at the close of the most recent fiscal year. A large portion of the Town's net position (\$25.3 million, 79.62% 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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 2,168,828	\$ 1,837,187	\$ 5,845,015	\$ 4,952,716	\$ 8,013,843	\$ 6,789,903
Capital assets	4,521,136	4,719,235	33,328,454	33,163,802	37,849,590	37,883,037
Total assets	\$ 6,689,964	\$ 6,556,422	\$ 39,173,469	\$ 38,116,518	\$ 45,863,433	\$ 44,672,940
Deferred outflows of resources	\$ 78,610	\$ -	\$ 41,712	\$ -	\$ 120,322	\$ -
Long-term liabilities outstanding	\$ 2,555,990	\$ 2,350,255	\$ 10,583,221	\$ 10,917,076	\$ 13,139,211	\$ 13,267,331
Other liabilities	143,573	71,994	152,623	208,304	296,196	280,298
Total liabilities	\$ 2,699,563	\$ 2,422,249	\$ 10,735,844	\$ 11,125,380	\$ 13,435,407	\$ 13,547,629
Deferred inflows of resources	\$ 640,685	\$ 289,708	\$ 104,314	\$ -	\$ 744,999	\$ 289,708
Net investment in capital assets	\$ 2,369,835	\$ 2,535,919	\$ 22,953,454	\$ 22,318,802	\$ 25,323,289	\$ 24,854,721
Restricted	72,885	60,738	940,000	940,000	1,012,885	1,000,738
Unrestricted	985,606	1,247,808	4,481,569	3,732,336	5,467,175	4,980,144
Total net position	\$ 3,428,326	\$ 3,844,465	\$ 28,375,023	\$ 26,991,138	\$ 31,803,349	\$ 30,835,603

A portion of the Town's net position is restricted for debt service in the enterprise funds (\$940,000, 3.18% of total) may be used to meet the Town's ongoing obligations to Virginia Resources Authority.

The remaining balance of unrestricted net position (\$5.5 million, 17.19% of total) may be used to meet the Town's ongoing obligations to citizens and creditors.

Government-wide Financial Analysis: (Continued)

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

As noted previously, the Town's net position increased by \$1,545,491 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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Charges for services	\$ 101,235	\$ 74,815	\$ 2,893,279	\$ 2,446,087	\$ 2,994,514	\$ 2,520,902
Opr grants & contributions	595,790	602,213	-	-	595,790	602,213
Cap grants & contributions	-	-	386,662	-	386,662	-
General real property taxes	1,136,275	685,207	-	-	1,136,275	685,207
Other taxes	934,720	770,294	-	-	934,720	770,294
Unrestricted revenues from the use of money & property	98,699	46,912	12,682	13,223	111,381	60,135
Grants & contributions not restricted to specific programs	305,603	305,259	-	-	305,603	305,259
Miscellaneous	34,702	52,424	-	-	34,702	52,424
Total Revenues	\$ 3,207,024	\$ 2,537,124	\$ 3,292,623	\$ 2,459,310	\$ 6,499,647	\$ 4,996,434
Expenses:						
General government administration	\$ 917,033	\$ 947,491	\$ -	\$ -	\$ 917,033	\$ 947,491
Public safety	689,556	698,249	-	-	689,556	698,249
Public works	1,280,350	978,698	-	-	1,280,350	978,698
Parks, recreation & cultural	47,372	44,419	-	-	47,372	44,419
Community development	148,023	127,088	-	-	148,023	127,088
Contingency	87,153	27,074	-	-	87,153	27,074
Interest on long-term debt	89,406	90,700	-	-	89,406	90,700
Water fund	-	-	752,263	772,475	752,263	772,475
Sewer fund	-	-	943,000	1,043,087	943,000	1,043,087
Total Expenses	\$ 3,258,893	\$ 2,913,719	\$ 1,695,263	\$ 1,815,562	\$ 4,954,156	\$ 4,729,281
Change in net position	\$ (51,869)	\$ (376,595)	\$ 1,597,360	\$ 643,748	\$ 1,545,491	\$ 267,153
Net position, beginning of year, as restated	3,480,195	4,221,060	26,777,663	26,347,390	30,257,858	30,568,450
Net position, end of year	<u>\$ 3,428,326</u>	<u>\$ 3,844,465</u>	<u>\$ 28,375,023</u>	<u>\$ 26,991,138</u>	<u>\$ 31,803,349</u>	<u>\$ 30,835,603</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, as well as an increase in charges for services.

Business-type activities increased the Town's net position by \$1,597,360. 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 \$1,502,515, an increase of \$111,888 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, \$1,346,710 or 89.63% constitutes unassigned fund balance, which is available for spending at the Town's discretion. The Town is required to restrict \$72,885 of fund balance for debt service obligations related to the Joint Government Center. The remaining balance of \$75,000 is restricted for proffers revenue, which was received in prior years and not spent as of June 30, 2015.

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 \$28,375,023. Unrestricted net position at the end of the year was \$4,481,569, an increase of \$749,233, 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 \$406,790. Of this amount \$48,538 can be attributed to VDOT reimbursements for the street maintenance project. Also, revenues were higher than expected in general property taxes. Fiscal year 2015 governmental expenditures were below budget by \$92,038 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, 2015, amounts to \$37,849,590 (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, 2015

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 93,209	\$ 93,209	\$ 76,000	\$ 5,000	\$ 169,209	\$ 98,209
Construction in progress	-	-	29,124,581	28,706,335	29,124,581	28,706,335
Buildings & improvements	4,149,060	4,280,362	828,862	904,682	4,977,922	5,185,044
Infrastructure	61,642	72,119	2,611,437	2,804,571	2,673,079	2,876,690
Equipment	217,225	273,545	687,574	743,214	904,799	1,016,759
Total	\$ 4,521,136	\$ 4,719,235	\$ 33,328,454	\$ 33,163,802	\$ 37,849,590	\$ 37,883,037

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

Capital Asset and Debt Administration: (Continued)

Long-term Obligations: At the end of the current fiscal year, the Town had total outstanding obligations of \$13,139,210 and details are summarized in the following table:

**Town of Berryville, Virginia
Outstanding Obligations
For the Year Ended June 30, 2015**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Long-term obligations:						
Lease revenue bond	\$ 2,151,301	\$ 2,183,316	\$ -	\$ -	\$ 2,151,301	\$ 2,183,316
General obligation bonds	-	-	10,375,000	10,845,000	10,375,000	10,845,000
Net pension liability	231,231	-	129,619	-	360,850	-
Compensated absences	173,457	166,939	78,602	72,076	252,059	239,015
Total	<u>\$ 2,555,989</u>	<u>\$ 2,350,255</u>	<u>\$ 10,583,221</u>	<u>\$ 10,917,076</u>	<u>\$ 13,139,210</u>	<u>\$ 13,267,331</u>

Obligations associated with governmental activities increased by \$205,734 in 2015. The general fund debt increase was due to the implementation of GASB Statement No. 68 and resulting net pension liability of \$231,231.

The obligations associated with business-type activities decreased by \$333,855 in 2015 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, 2015.

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 2015 with an overall 1.21% increase. Preliminary forecasts for 2016 assessments indicate continued moderate but positive growth.

For tax year 2015, the Town Council adopted a .186/\$100 real estate tax rate, an increase of 36.7%. The personal property rate was raised from \$1.05/\$100 to \$1.25/\$100, an increase of 19.04%. The machinery and tools tax rate remained the same as the prior year at \$1.30/\$100.

The Town's water rate was adjusted for fiscal year 2015. An increase of 13.47% (\$7.05 to \$8.00 TG) was effective June 24, 2014.

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, 2015

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 1,580,628	\$ 4,216,710	\$ 5,797,338
Restricted cash and cash equivalents	72,885	940,000	1,012,885
Receivables, net of allowance for uncollectibles	555,939	237,241	793,180
Due from other governments	15,858	386,662	402,520
Prepaid items	7,920	-	7,920
Internal balances	(64,402)	64,402	-
Capital assets:			
Land	93,209	76,000	169,209
Construction in progress	-	29,124,581	29,124,581
Other capital assets, net of accumulated depreciation	4,427,927	4,127,873	8,555,800
Capital assets, net	\$ 4,521,136	\$ 33,328,454	\$ 37,849,590
Total assets	\$ 6,689,964	\$ 39,173,469	\$ 45,863,433
Deferred Outflows of Resources:			
Post measurement date employer pension contributions	\$ 78,610	\$ 41,712	\$ 120,322
Liabilities:			
Accounts payable	\$ 39,506	\$ 16,780	\$ 56,286
Accrued liabilities	12,893	11,462	24,355
Retainage payable	-	77,821	77,821
Accrued interest	3,698	-	3,698
Customer deposits	87,476	46,560	134,036
Long-term liabilities:			
Due within one year:			
Bonds payable	33,361	470,000	503,361
Due in more than one year:			
Accrued compensated absences	173,458	78,602	252,060
Net pension liability	231,231	129,619	360,850
Bonds payable	2,117,940	9,905,000	12,022,940
Total liabilities	\$ 2,699,563	\$ 10,735,844	\$ 13,435,407
Deferred Inflows of Resources:			
Net difference of actual and expected pension liability earnings	\$ 173,674	\$ 104,314	\$ 277,988
Deferred revenue-property taxes	467,011	-	467,011
Total deferred inflows of resources	\$ 640,685	\$ 104,314	\$ 744,999
Net Position:			
Net investment in capital assets	\$ 2,369,835	\$ 22,953,454	\$ 25,323,289
Restricted for debt reserve	72,885	940,000	1,012,885
Unrestricted	985,606	4,481,569	5,467,175
Total net position	\$ 3,428,326	\$ 28,375,023	\$ 31,803,349

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

TOWN OF BERRYVILLE, VIRGINIA

Statement of Activities
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government administration	\$ 917,033	\$ -	\$ -	\$ -
Public safety	689,556	35,352	89,866	-
Public works	1,280,350	65,883	487,624	-
Parks, recreation and culture	47,372	-	-	-
Community development	148,023	-	18,300	-
Contingency	87,153	-	-	-
Interest on long-term debt	89,406	-	-	-
Total governmental activities	\$ 3,258,893	\$ 101,235	\$ 595,790	\$ -
Business-type activities:				
Water	\$ 752,263	\$ 907,132	\$ -	\$ -
Sewer	943,000	1,986,147	-	386,662
Total business-type activities	\$ 1,695,263	\$ 2,893,279	\$ -	\$ 386,662
Total	\$ 4,954,156	\$ 2,994,514	\$ 595,790	\$ 386,662

General Revenues:

General real property taxes
Local sales and use taxes
Business license tax
Cigarette 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, as restated

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
\$ (917,033)	\$ -	\$ (917,033)
(564,338)	-	(564,338)
(726,843)	-	(726,843)
(47,372)	-	(47,372)
(129,723)	-	(129,723)
(87,153)	-	(87,153)
(89,406)	-	(89,406)
<u>\$ (2,561,868)</u>	<u>\$ -</u>	<u>\$ (2,561,868)</u>
\$ -	\$ 154,869	\$ 154,869
-	1,429,809	1,429,809
<u>\$ -</u>	<u>\$ 1,584,678</u>	<u>\$ 1,584,678</u>
<u>\$ (2,561,868)</u>	<u>\$ 1,584,678</u>	<u>\$ (977,190)</u>
\$ 1,136,275	\$ -	\$ 1,136,275
177,160	-	177,160
184,412	-	184,412
28,373	-	28,373
147,856	-	147,856
97,168	-	97,168
198,288	-	198,288
101,463	-	101,463
98,699	12,682	111,381
305,603	-	305,603
34,702	-	34,702
<u>\$ 2,509,999</u>	<u>\$ 12,682</u>	<u>\$ 2,522,681</u>
\$ (51,869)	\$ 1,597,360	\$ 1,545,491
<u>3,480,195</u>	<u>26,777,663</u>	<u>30,257,858</u>
<u>\$ 3,428,326</u>	<u>\$ 28,375,023</u>	<u>\$ 31,803,349</u>

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Fund Financial Statements

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Balance Sheet
 Governmental Funds
 As of June 30, 2015

	<u>General Fund</u>
Assets:	
Cash and cash equivalents	\$ 1,580,628
Receivables (net of allowance for uncollectibles):	
Taxes including penalties	530,783
Accounts	25,156
Due from other governments	15,858
Prepaid items	7,920
Restricted assets:	
Cash and cash equivalents	72,885
Total assets	\$ <u>2,233,230</u>
Liabilities:	
Accounts payable	\$ 39,506
Accrued liabilities	12,893
Deposits held	87,476
Due to other funds	64,402
Total liabilities	\$ <u>204,277</u>
Deferred Inflows of Resources:	
Unavailable revenue-property taxes	\$ <u>526,438</u>
Fund Balance:	
Nonspendable for prepaid items	\$ 7,920
Restricted for proffers	75,000
Restricted for debt service	72,885
Unassigned	1,346,710
Total fund balance	\$ <u>1,502,515</u>
Total liabilities, deferred inflows of resources and fund balance	\$ <u>2,233,230</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, 2015

Total fund balances for governmental funds (Exhibit 3)	\$	1,502,515
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>4,427,927</u>
		4,521,136
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		(3,698)
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	\$	59,427
Net difference of actual and expected pension liability earnings		<u>(173,674)</u>
		(114,247)
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.		78,610
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences	\$	(173,458)
Net pension liability		(231,231)
Bonds payable		<u>(2,151,301)</u>
		<u>(2,555,990)</u>
Total net position of governmental activities	\$	<u><u>3,428,326</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, 2015

	<u>General Fund</u>
Revenues:	
General property taxes	\$ 1,165,459
Other local taxes	934,720
Permits, privilege fees and regulatory licenses	30,965
Fines and forfeitures	35,352
Revenue from use of money and property	98,699
Charges for services	34,918
Miscellaneous	34,702
Intergovernmental revenues:	
Commonwealth	884,506
Federal	16,887
	<u>3,236,208</u>
Total revenues	\$ <u>3,236,208</u>
Expenditures:	
Current:	
General government administration	\$ 819,437
Public safety	675,521
Public works	1,245,952
Parks, recreation, and cultural	10,222
Community development	149,509
Capital outlay	15,050
Contingency	87,153
Debt service	121,476
	<u>3,124,320</u>
Total expenditures	\$ <u>3,124,320</u>
Excess (deficiency) of revenues over expenditures	\$ <u>111,888</u>
Net change in fund balances	\$ 111,888
Fund balances at beginning of year	<u>1,390,627</u>
Fund balances at end of year	<u>\$ 1,502,515</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, 2015

Net change in fund balances - total governmental funds (Exhibit 5) \$ 111,888

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	\$ 51,337	
Depreciation expense	<u>(249,436)</u>	(198,099)

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.

Property taxes	\$ (29,184)	
Change in deferred inflows related to the measurement of the net pension liability	<u>(173,674)</u>	(202,858)

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.

32,015

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	\$ (6,519)	
Change in deferred outflow - pension contributions subsequent to measurement date	(8,594)	
Change in net pension liability	220,243	
Change in interest payable	<u>55</u>	<u>205,185</u>

Change in net position of governmental activities	\$	<u><u>(51,869)</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

Statement of Net Position
 Proprietary Fund
 As of June 30, 2015

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Assets:			
Current assets:			
Cash and cash equivalents	\$ 1,521,600	\$ 2,695,110	\$ 4,216,710
Restricted cash and cash equivalents	-	940,000	940,000
Due from other governments	-	386,662	386,662
Receivables (net of allowance for uncollectibles)	63,522	173,719	237,241
Due from other funds	-	79,907	79,907
Total current assets	\$ 1,585,122	\$ 4,275,398	\$ 5,860,520
Noncurrent assets:			
Land	\$ 5,000	\$ 71,000	\$ 76,000
Capital assets, net of accumulated depreciation	2,360,474	1,767,399	4,127,873
Construction in progress	-	29,124,581	29,124,581
Total noncurrent assets	\$ 2,365,474	\$ 30,962,980	\$ 33,328,454
Total assets	\$ 3,950,596	\$ 35,238,378	\$ 39,188,974
Deferred Outflows of Resources:			
Post measurement date employer pension contributions	\$ 16,686	\$ 25,026	\$ 41,712
Liabilities:			
Current liabilities:			
Accounts payable	\$ 9,856	\$ 6,924	\$ 16,780
Accrued payroll and related liabilities	4,502	6,960	11,462
Due to other funds	15,505	-	15,505
Customer deposits	15,765	30,795	46,560
Retainage payable	-	77,821	77,821
Current portion of long-term debt	-	470,000	470,000
Total current liabilities	\$ 45,628	\$ 592,500	\$ 638,128
Noncurrent liabilities:			
Accrued compensated absences payable	\$ 39,301	\$ 39,301	\$ 78,602
Net pension liability	51,098	78,521	129,619
Long-term debt, net of current portion	-	9,905,000	9,905,000
Total noncurrent liabilities	\$ 90,399	\$ 10,022,822	\$ 10,113,221
Total liabilities	\$ 136,027	\$ 10,615,322	\$ 10,751,349
Deferred Inflows of Resources:			
Net difference of actual and expected pension liability earnings	\$ 64,004	\$ 40,310	\$ 104,314
Net Position:			
Net investment in capital assets	\$ 2,365,474	\$ 20,587,980	\$ 22,953,454
Restricted for debt reserve	-	940,000	940,000
Unrestricted	1,401,777	3,079,792	4,481,569
Total net position	\$ 3,767,251	\$ 24,607,772	\$ 28,375,023

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, 2015

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Operating revenues:			
Charges for services	\$ 907,132	\$ 1,986,147	\$ 2,893,279
Operating expenses:			
General administration	\$ 38,684	\$ 42,663	\$ 81,347
Supply purification	283,880	-	283,880
Transmission and distribution	175,149	-	175,149
Wastewater treatment	-	534,998	534,998
Maintenance of sewer lines	-	101,627	101,627
Fringe benefits	58,121	104,508	162,629
Depreciation	196,429	144,403	340,832
Contingency	-	14,801	14,801
Total operating expenses	\$ 752,263	\$ 943,000	\$ 1,695,263
Operating income (loss)	\$ 154,869	\$ 1,043,147	\$ 1,198,016
Nonoperating revenues (expenses):			
Interest revenue	\$ 4,368	\$ 8,314	\$ 12,682
Total nonoperating revenues (expenses)	\$ 4,368	\$ 8,314	\$ 12,682
Income (loss) before contributions	\$ 159,237	\$ 1,051,461	\$ 1,210,698
Capital contributions and construction grants	-	386,662	386,662
Change in net position	\$ 159,237	\$ 1,438,123	\$ 1,597,360
Net position, beginning of year, as restated	3,608,014	23,169,649	26,777,663
Net position, end of year	\$ 3,767,251	\$ 24,607,772	\$ 28,375,023

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

Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2015

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Cash flows from operating activities:			
Receipts from customers	\$ 908,748	\$ 1,998,875	\$ 2,907,623
Payments to and for employees	(297,058)	(441,484)	(738,542)
Payments to suppliers	(285,221)	(401,077)	(686,298)
Net cash provided by (used for) operating activities	\$ 326,469	\$ 1,156,314	\$ 1,482,783
Cash flows from investing activities:			
Investment income	\$ 4,368	\$ 8,314	\$ 12,682
Cash flows from capital and related financing activities:			
Purchase of capital assets	\$ -	\$ (505,485)	\$ (505,485)
Principal payments on long-term debt	-	(470,000)	(470,000)
Net cash provided by (used for) capital and related financing activities	\$ -	\$ (975,485)	\$ (975,485)
Cash flows from noncapital financing activities:			
Net transfers from (to) other funds	\$ 8	\$ (950)	\$ (942)
Net increase (decrease) in cash and cash equivalents	\$ 330,845	\$ 188,193	\$ 519,038
Cash and cash equivalents at beginning of year - including restricted	1,190,755	3,446,917	4,637,672
Cash and cash equivalents at end of year - including restricted	\$ 1,521,600	\$ 3,635,110	\$ 5,156,710
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 154,869	\$ 1,043,147	\$ 1,198,016
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	196,429	144,403	340,832
Changes in operating accounts:			
Accounts receivable	1,616	12,728	14,344
Deferred outflow - post measurement date contributions	2,585	4,587	7,172
Accounts payable and accrued liabilities	(16,200)	(49,826)	(66,026)
Compensated absences	3,263	3,263	6,526
Net pension liability	(82,837)	(49,903)	(132,740)
Deferred inflow - net difference in pension earnings	64,004	40,310	104,314
Customer deposits	2,740	7,605	10,345
Net cash provided by (used for) operating activities	\$ 326,469	\$ 1,156,314	\$ 1,482,783

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, 2015

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Narrative Profile:

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

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

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

A. Financial Reporting Entity

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

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

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

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

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

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

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.

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 2015.

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.

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 \$28,921 at June 30, 2015 and is comprised of property taxes and water and sewer receivables.

H. Prepaid Items

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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

I. 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, 2015.

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

J. 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.

K. 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.

L. Net Position Flow Assumption

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

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

M. 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.

N. Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses.

O. 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.

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

O. Fund Equity (Continued)

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).

P. 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/expenditure) until then. The Town only has only one item that qualifies for reporting in this category. It is comprised of contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. For more detailed information on these items, reference the pension note.

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 two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

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.

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

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, 2015.

NOTE 4—DUE FROM OTHER GOVERNMENTAL UNITS:

At June 30, 2015, the amount due from other governmental units was as follows:

	<u>Primary Government</u>
Commonwealth of Virginia:	
Sales tax	\$ 15,858
Virginia Water Quality Improvement Fund	<u>386,662</u>
Total	<u>\$ 402,520</u>

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (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, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
Capital assets not being depreciated:				
Land	\$ 93,209	\$ -	\$ -	\$ 93,209
Total capital assets not being depreciated	<u>\$ 93,209</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,209</u>
Other capital assets:				
Buildings and improvements	\$ 5,216,877	\$ -	\$ -	\$ 5,216,877
Infrastructure	259,940	-	-	259,940
Equipment	1,112,324	51,337	-	1,163,661
Total other capital assets	<u>\$ 6,589,141</u>	<u>\$ 51,337</u>	<u>\$ -</u>	<u>\$ 6,640,478</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 936,515	\$ 131,302	\$ -	\$ 1,067,817
Infrastructure	187,821	10,477	-	198,298
Equipment	838,779	107,657	-	946,436
Total accumulated depreciation	<u>\$ 1,963,115</u>	<u>\$ 249,436</u>	<u>\$ -</u>	<u>\$ 2,212,551</u>
Other capital assets, net	<u>\$ 4,626,026</u>	<u>\$ (198,099)</u>	<u>\$ -</u>	<u>\$ 4,427,927</u>
Net capital assets	<u>\$ 4,719,235</u>	<u>\$ (198,099)</u>	<u>\$ -</u>	<u>\$ 4,521,136</u>

Depreciation expense has been allocated as follows:

General government administration	\$ 108,848
Public safety	19,854
Public works	83,450
Parks, recreation, and cultural	<u>37,284</u>
Total depreciation expense	<u>\$ 249,436</u>

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 5—CAPITAL ASSETS: (Continued)

Business-type Activities:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
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	1,522,555	-	-	1,522,555
Equipment	1,430,984	-	-	1,430,984
Total other capital assets	<u>\$ 6,345,144</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,345,144</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 2,486,923	\$ 75,820	\$ -	\$ 2,562,743
Infrastructure	556,919	72,267	-	629,186
Equipment	744,399	48,342	-	792,741
Total accumulated depreciation	<u>\$ 3,788,241</u>	<u>\$ 196,429</u>	<u>\$ -</u>	<u>\$ 3,984,670</u>
Other capital assets, net	<u>\$ 2,556,903</u>	<u>\$ (196,429)</u>	<u>\$ -</u>	<u>\$ 2,360,474</u>
Net capital assets	<u><u>\$ 2,561,903</u></u>	<u><u>\$ (196,429)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,365,474</u></u>
Sewer Fund				
Capital assets not being depreciated:				
Construction in progress	\$ 28,706,335	\$ 418,246	\$ -	\$ 29,124,581
Land	-	71,000	-	71,000
Total capital assets not being depreciated	<u>\$ 28,706,335</u>	<u>\$ 489,246</u>	<u>\$ -</u>	<u>\$ 29,195,581</u>
Other capital assets:				
Buildings and improvements	\$ 526,973	\$ -	\$ -	\$ 526,973
Infrastructure	4,323,494	-	-	4,323,494
Equipment	329,453	16,237	-	345,690
Total other capital assets	<u>\$ 5,179,920</u>	<u>\$ 16,237</u>	<u>\$ -</u>	<u>\$ 5,196,157</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 526,973	\$ -	\$ -	\$ 526,973
Infrastructure	2,484,559	120,867	-	2,605,426
Equipment	272,824	23,535	-	296,359
Total accumulated depreciation	<u>\$ 3,284,356</u>	<u>\$ 144,402</u>	<u>\$ -</u>	<u>\$ 3,428,758</u>
Other capital assets, net	<u>\$ 1,895,564</u>	<u>\$ (128,165)</u>	<u>\$ -</u>	<u>\$ 1,767,399</u>
Net capital assets	<u><u>\$ 30,601,899</u></u>	<u><u>\$ 361,081</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 30,962,980</u></u>

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligations for the fiscal year ended June 30, 2015:

	Amounts Payable			Amounts Payable	Amounts Due Within
	July 1, 2014	Increases	Decreases	June 30, 2015	One Year
Governmental Obligations:					
Lease revenue bond	\$ 2,183,316	\$ -	\$ 32,015	\$ 2,151,301	\$ 33,361
Net pension liability	451,474	312,377	532,620	231,231	-
Accrued compensated absences	166,939	6,518	-	173,457	-
Total Governmental Obligations	\$ 2,801,729	\$ 318,895	\$ 564,635	\$ 2,555,989	\$ 33,361
Enterprise Obligations:					
General obligation bonds	\$ 10,845,000	\$ -	\$ 470,000	\$ 10,375,000	\$ 470,000
Net pension liability	262,359	165,825	298,565	129,619	-
Accrued compensated absences	72,076	6,526	-	78,602	-
Total Enterprise Obligations	\$ 11,179,435	\$ 172,351	\$ 768,565	\$ 10,583,221	\$ 470,000
Total Long-term Obligations	\$ 13,981,164	\$ 491,246	\$ 1,333,200	\$ 13,139,210	\$ 503,361

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

Year Ending June 30,	Governmental Obligations		Enterprise Obligations	
	Lease Revenue Bond		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2016	\$ 33,361	\$ 88,115	\$ 470,000	\$ -
2017	34,763	86,713	470,000	-
2018	36,225	85,251	470,000	-
2019	37,748	83,728	470,000	-
2020	39,335	82,141	470,000	-
2021-2025	222,912	384,468	2,350,000	-
2026-2030	273,875	333,505	2,350,000	-
2031-2035	336,490	270,890	2,350,000	-
2036-2040	413,420	193,960	975,000	-
2041-2045	507,939	99,441	-	-
2046-2047	215,233	8,656	-	-
Total	\$ 2,151,301	\$ 1,716,868	\$ 10,375,000	\$ -

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (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.

\$ 2,151,301

Net pension liability

231,231

Accrued compensated absences

173,457

Total governmental obligations

\$ 2,555,989

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.

\$ 10,375,000

Net pension liability

129,619

Accrued compensated absences

78,602

Total enterprise obligations

\$ 10,583,221

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 \$173,457 in the General Fund and \$78,602 in Enterprise Fund.

NOTE 8—PENSION PLAN:

Plan Description

All full-time, salaried permanent employees of the Town are automatically covered by VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees - Plan 1, Plan 2, and, Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

NOTE 8—PENSION PLAN: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 (Cont.)</p>	<p>About Plan 2 (Cont.)</p>	<p>About the Hybrid Retirement Plan (Cont.)</p> <ul style="list-style-type: none"> • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

NOTE 8—PENSION PLAN: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members (Cont.) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

NOTE 8—PENSION PLAN: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

NOTE 8—PENSION PLAN: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p>

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 8—PENSION PLAN: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<p>Vesting (Cont.) <u>Defined Contributions Component: (Cont.)</u> Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1</p>

NOTE 8—PENSION PLAN: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Calculating the Benefit (Cont.) An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit (Cont.)</p>	<p>Calculating the Benefit (Cont.) <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member’s average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member’s average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Not applicable.</p>

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 8—PENSION PLAN: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 8—PENSION PLAN: (Continued)

Plan Description (Continued)

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

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 8—PENSION PLAN: (Continued)

Plan Description (Continued)

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

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 8—PENSION PLAN: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p>

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 8—PENSION PLAN: (Continued)

Plan Description (Continued)

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/2014-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Employees Covered by Benefit Terms

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	16
Inactive members:	
Vested inactive members	6
Non-vested inactive members	6
Inactive members active elsewhere in VRS	16
Total inactive members	<u>28</u>
Active members	<u>30</u>
Total covered employees	<u><u>74</u></u>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been 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 5.00% member contribution. This could be phased in over a period of 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.

The Town's contractually required contribution rate for the year ended June 30, 2015 was 8.56% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$120,322 and \$137,043 for the years ended June 30, 2015 and June 30, 2014, respectively.

Net Pension Liability

The Town's net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 8—PENSION PLAN: (Continued)

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 8—PENSION PLAN: (Continued)

Actuarial Assumptions - General Employees (Continued)

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Actuarial Assumptions - Public Safety Employees

The total pension liability for Public Safety employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.5%
Salary increases, including inflation	3.5% - 4.75%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 8—PENSION PLAN: (Continued)

Actuarial Assumptions - Public Safety Employees (Continued)

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 8—PENSION PLAN: (Continued)

Long-term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</u>

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 8—PENSION PLAN: (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Town Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2013	\$ 4,646,092	\$ 3,932,259	\$ 713,833
Changes for the year:			
Service cost	\$ 157,906	\$ -	\$ 157,906
Interest	320,296	-	320,296
Differences between expected and actual experience	-	-	-
Contributions - employer	-	136,088	(136,088)
Contributions - employee	-	73,323	(73,323)
Net investment income	-	625,028	(625,028)
Benefit payments, including refunds of employee contributions	(140,878)	(140,878)	-
Administrative expenses	-	(3,286)	3,286
Other changes	-	32	(32)
Net changes	<u>\$ 337,324</u>	<u>\$ 690,307</u>	<u>\$ (352,983)</u>
Balances at June 30, 2014	<u>\$ 4,983,416</u>	<u>\$ 4,622,566</u>	<u>\$ 360,850</u>

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 8—PENSION PLAN: (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Town using the discount rate of 7.00%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	(6.00%)	(7.00%)	(8.00%)
Town			
Net Pension Liability (Asset)	\$ 1,074,525	\$ 360,850	\$ (230,550)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the Town recognized pension expense of \$61,093. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 277,988
Employer contributions subsequent to the measurement date	120,322	-
Total	\$ 120,322	\$ 277,988

\$120,322 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	
2016	\$ (69,497)
2017	(69,497)
2018	(69,497)
2019	(69,497)
Thereafter	-

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 9—LITIGATION:

At June 30, 2015, the Town was involved in one matter of litigation involving the construction of the Wastewater Treatment Plant. It is reasonably possible that this matter may materially affect the Town's financial position in future years, but the amount and timing of the pending decision are not yet known as of the date of the audit report, November 30, 2015.

NOTE 10—DEFERRED/UNAVAILABLE REVENUE:

Deferred/unavailable revenue represent amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Unavailable revenue totaling \$526,438 is comprised of the following:

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$519,393 at June 30, 2015.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2014 but paid in advance by the taxpayers totaled \$7,045 at June 30, 2015.

NOTE 11—ADOPTION OF ACCOUNTING PRINCIPLES:

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27 and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68:

The Town implemented the financial reporting provisions of the above Statements for the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and required supplementary information requirements about pensions are also addressed. The requirements of these Statements will improve financial reporting by improving accounting and financial reporting by state and local governments for pensions. The implementation of these Statements resulted in the following restatement of net position:

	Governmental Activities Net Position	Business-Type Activities Net Position		
		Water Fund	Sewer Fund	Total
June 30, 2014, as reported	\$ 3,844,465	\$ 3,722,678	\$ 23,268,460	\$ 26,991,138
Implementation of GASB Statement No. 68	<u>(364,270)</u>	<u>(114,664)</u>	<u>(98,811)</u>	<u>(213,475)</u>
July 1, 2014, as restated	<u>\$ 3,480,195</u>	<u>\$ 3,608,014</u>	<u>\$ 23,169,649</u>	<u>\$ 26,777,663</u>

NOTE 12—UPCOMING PRONOUNCEMENTS:

Statement No. 72, *Fair Value Measurement and Application*, amends the definitions of fair value used throughout GASB literature to be consistent with the definition and principles provided in FASB Accounting Standards Codification Topic 820, *Fair Value Measurement*. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68 and amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. No formal study or estimate of the impact of this standard has been performed.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017. No formal study or estimate of the impact of this standard has been performed.

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

NOTE 12—UPCOMING PRONOUNCEMENTS: (Continued)

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, objective is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. No formal study or estimate of the impact of this standard has been performed.

Statement No. 77, *Tax Abatement Disclosures*, will increase the disclosure of tax abatement agreements to disclose information about the agreements. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. No formal study or estimate of the impact of this standard has been performed.

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, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
General property taxes	\$ 1,010,000	\$ 1,010,000	\$ 1,165,459	\$ 155,459
Other local taxes	827,000	827,000	934,720	107,720
Permits, privilege fees and regulatory licenses	26,000	26,000	30,965	4,965
Fines and forfeitures	22,750	22,750	35,352	12,602
Revenue from use of money and property	82,600	82,600	98,699	16,099
Charges for services	18,000	18,000	34,918	16,918
Miscellaneous	7,100	7,100	34,702	27,602
Intergovernmental revenues:				
Commonwealth	835,968	835,968	884,506	48,538
Federal	-	-	16,887	16,887
Total revenues	<u>\$ 2,829,418</u>	<u>\$ 2,829,418</u>	<u>\$ 3,236,208</u>	<u>\$ 406,790</u>
Expenditures:				
Current:				
General government administration	\$ 838,525	\$ 838,525	\$ 819,437	\$ 19,088
Public safety	681,928	681,928	675,521	6,407
Public works	1,096,457	1,096,457	1,245,952	(149,495)
Parks, recreation, and cultural	11,400	11,400	10,222	1,178
Community development	164,400	164,400	149,509	14,891
Capital outlay	76,045	76,045	15,050	60,995
Contingency	226,123	226,123	87,153	138,970
Debt service	121,480	121,480	121,476	4
Total expenditures	<u>\$ 3,216,358</u>	<u>\$ 3,216,358</u>	<u>\$ 3,124,320</u>	<u>\$ 92,038</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (386,940)</u>	<u>\$ (386,940)</u>	<u>\$ 111,888</u>	<u>\$ 498,828</u>
Net change in fund balances	\$ (386,940)	\$ (386,940)	\$ 111,888	\$ 498,828
Fund balances at beginning of year	<u>386,940</u>	<u>386,940</u>	<u>1,390,627</u>	<u>1,003,687</u>
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,502,515</u>	<u>\$ 1,502,515</u>

Schedule of Components of and Changes in Net Pension Liability and Related Ratios
Year Ended June 30, 2015

	<u>2014</u>
Total pension liability	
Service cost	\$ 157,906
Interest	320,296
Benefit payments, including refunds of employee contributions	(140,878)
Net change in total pension liability	<u>\$ 337,324</u>
Total pension liability - beginning	<u>4,646,092</u>
Total pension liability - ending (a)	<u><u>\$ 4,983,416</u></u>
 Plan fiduciary net position	
Contributions - employer	\$ 136,088
Contributions - employee	73,323
Net investment income	625,028
Benefit payments, including refunds of employee contributions	(140,878)
Administrative expense	(3,286)
Other	32
Net change in plan fiduciary net position	<u>\$ 690,307</u>
Plan fiduciary net position - beginning	<u>3,932,259</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 4,622,566</u></u>
 Town's net pension liability - ending (a) - (b)	 \$ 360,850
 Plan fiduciary net position as a percentage of the total pension liability	 92.76%
 Covered-employee payroll	 \$ 1,476,761
 Town's net pension liability as a percentage of covered-employee payroll	 24.44%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

Schedule of Employer Contributions
 Year Ended June 30, 2015

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2015	\$ 120,322	\$ 120,322	-	\$ 1,407,165	8.55%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

Notes to Required Supplementary Information
Year Ended June 30, 2015

Changes of benefit terms - There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Supporting Schedules

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Schedule of Revenues - Budget and Actual
General Fund
Year Ended June 30, 2015

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	\$ 669,500	\$ 669,500	\$ 807,400	\$ 137,900
Personal property taxes	173,000	173,000	183,391	10,391
Machinery and tools taxes	163,000	163,000	159,317	(3,683)
Penalties	3,000	3,000	7,055	4,055
Interest	1,500	1,500	8,296	6,796
Total general property taxes	<u>\$ 1,010,000</u>	<u>\$ 1,010,000</u>	<u>\$ 1,165,459</u>	<u>\$ 155,459</u>
Other local taxes:				
Local sales and use taxes	\$ 160,000	\$ 160,000	\$ 177,160	\$ 17,160
Business license tax	185,000	185,000	184,412	(588)
Cigarette tax	-	-	28,373	28,373
Bank franchise taxes	110,000	110,000	147,856	37,856
Consumer utility tax	90,000	90,000	97,168	7,168
Meals tax	192,000	192,000	198,288	6,288
Motor vehicle licenses	90,000	90,000	101,463	11,463
Total other local taxes	<u>\$ 827,000</u>	<u>\$ 827,000</u>	<u>\$ 934,720</u>	<u>\$ 107,720</u>
Permits, privilege fees and regulatory licenses:				
Licenses, zoning and subdivision permits	<u>\$ 26,000</u>	<u>\$ 26,000</u>	<u>\$ 30,965</u>	<u>\$ 4,965</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 20,000	\$ 20,000	\$ 33,343	\$ 13,343
Parking fines	2,750	2,750	2,009	(741)
Total fines and forfeitures	<u>\$ 22,750</u>	<u>\$ 22,750</u>	<u>\$ 35,352</u>	<u>\$ 12,602</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 7,000	\$ 7,000	\$ 7,203	\$ 203
Revenue from use of property	75,600	75,600	91,496	15,896
Total revenue from use of money and property	<u>\$ 82,600</u>	<u>\$ 82,600</u>	<u>\$ 98,699</u>	<u>\$ 16,099</u>
Charges for services:				
Charges for services - meters	\$ 8,000	\$ 8,000	\$ 9,043	\$ 1,043
Zoning and subdivision fees	10,000	10,000	25,875	15,875
Total charges for services	<u>\$ 18,000</u>	<u>\$ 18,000</u>	<u>\$ 34,918</u>	<u>\$ 16,918</u>

Schedule of Revenues - Budget and Actual
General Fund
Year Ended June 30, 2015 (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	\$ 7,100	\$ 7,100	\$ 34,702	\$ 27,602
Total revenue from local sources	<u>\$ 1,993,450</u>	<u>\$ 1,993,450</u>	<u>\$ 2,334,815</u>	<u>\$ 341,365</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
Communication taxes	\$ 90,000	\$ 90,000	\$ 93,665	\$ 3,665
Personal property tax relief act funds	209,917	209,917	209,917	-
Rolling stock tax	<u>2,000</u>	<u>2,000</u>	<u>2,021</u>	<u>21</u>
Total noncategorical aid	<u>\$ 301,917</u>	<u>\$ 301,917</u>	<u>\$ 305,603</u>	<u>\$ 3,686</u>
Categorical aid:				
Aid to localities with police departments	\$ 74,052	\$ 74,052	\$ 75,007	\$ 955
Litter control grant	2,000	2,000	1,889	(111)
Street and highway maintenance	441,812	441,812	485,735	43,923
Commission of the arts	5,000	5,000	5,000	-
Fire funds	<u>11,187</u>	<u>11,187</u>	<u>11,272</u>	<u>85</u>
Total categorical aid	<u>\$ 534,051</u>	<u>\$ 534,051</u>	<u>\$ 578,903</u>	<u>\$ 44,852</u>
Total revenue from the Commonwealth	<u>\$ 835,968</u>	<u>\$ 835,968</u>	<u>\$ 884,506</u>	<u>\$ 48,538</u>
Revenue from the Federal government:				
Categorical aid:				
Fire funds	\$ -	\$ -	\$ 3,587	\$ 3,587
Transportation funds	<u>-</u>	<u>-</u>	<u>13,300</u>	<u>13,300</u>
Total revenue from the Federal government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,887</u>	<u>\$ 16,887</u>
Total General Fund	<u><u>\$ 2,829,418</u></u>	<u><u>\$ 2,829,418</u></u>	<u><u>\$ 3,236,208</u></u>	<u><u>\$ 406,790</u></u>

Schedule of Expenditures - Budget and Actual

General Fund

Year Ended June 30, 2015

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	\$ 18,900	\$ -
Training	1,000	1,000	-	1,000
Miscellaneous	1,500	1,500	3,643	(2,143)
Dues	2,300	2,300	2,922	(622)
Town code supplements	2,250	2,250	3,148	(898)
Total town council	<u>\$ 25,950</u>	<u>\$ 25,950</u>	<u>\$ 28,613</u>	<u>\$ (2,663)</u>
Town Clerk:				
Compensation	\$ 44,290	\$ 44,290	\$ 30,624	\$ 13,666
Education/Training	500	500	1,120	(620)
Dues	200	200	-	200
Total town clerk	<u>\$ 44,990</u>	<u>\$ 44,990</u>	<u>\$ 31,744</u>	<u>\$ 13,246</u>
Town Manager:				
Compensation	\$ 124,800	\$ 124,800	\$ 129,139	\$ (4,339)
Mileage	150	150	20	130
Training	1,000	1,000	-	1,000
Dues	300	300	298	2
Total town manager	<u>\$ 126,250</u>	<u>\$ 126,250</u>	<u>\$ 129,457</u>	<u>\$ (3,207)</u>
Legal and Professional:				
Professional services	\$ 30,000	\$ 30,000	\$ 27,784	\$ 2,216
Contractual services	15,100	15,100	15,100	-
Engineering services	5,000	5,000	-	5,000
Total legal and professional	<u>\$ 50,100</u>	<u>\$ 50,100</u>	<u>\$ 42,884</u>	<u>\$ 7,216</u>
Personnel:				
Social security	\$ 71,300	\$ 71,300	\$ 79,741	\$ (8,441)
Retirement	80,210	80,210	78,610	1,600
Health insurance	138,680	138,680	131,366	7,314
Life insurance	12,300	12,300	10,930	1,370
Unemployment insurance	800	800	702	98
Workers' compensation insurance	30,000	30,000	21,761	8,239
Line of Duty act	3,000	3,000	3,217	(217)
Employment screening	450	450	45	405
Total personnel	<u>\$ 336,740</u>	<u>\$ 336,740</u>	<u>\$ 326,372</u>	<u>\$ 10,368</u>

Schedule of Expenditures - Budget and Actual
 General Fund
 Year Ended June 30, 2015 (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	\$ 89,600	\$ 89,600	\$ 88,022	\$ 1,578
Surety bonds	300	300	260	40
Training	1,000	1,000	825	175
Dues	150	150	300	(150)
Miscellaneous	950	950	-	950
Total town treasurer	<u>\$ 92,000</u>	<u>\$ 92,000</u>	<u>\$ 89,407</u>	<u>\$ 2,593</u>
Finance/Accounting:				
Compensation	\$ 56,220	\$ 56,220	\$ 60,055	\$ (3,835)
Training	400	400	-	400
Total finance/accounting	<u>\$ 56,620</u>	<u>\$ 56,620</u>	<u>\$ 60,055</u>	<u>\$ (3,435)</u>
Central Administration/Purchasing:				
Maintenance contracts	\$ 34,525	\$ 34,525	\$ 34,400	\$ 125
Advertising	7,000	7,000	9,229	(2,229)
Postage	8,000	8,000	6,878	1,122
Telecommunications	4,100	4,100	7,252	(3,152)
Office supplies and equipment	11,000	11,000	7,953	3,047
Newsletter	1,500	1,500	-	1,500
Training	750	750	386	364
Dues	500	500	335	165
Total central administration/purchasing	<u>\$ 67,375</u>	<u>\$ 67,375</u>	<u>\$ 66,433</u>	<u>\$ 942</u>
Risk Management:				
Blanket excess liability	\$ 13,500	\$ 13,500	\$ 11,992	\$ 1,508
Automobile insurance	9,000	9,000	8,469	531
Semi-multi peril insurance	11,500	11,500	24,011	(12,511)
Insurance deductibles	3,000	3,000	-	3,000
Total risk management	<u>\$ 37,000</u>	<u>\$ 37,000</u>	<u>\$ 44,472</u>	<u>\$ (7,472)</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>\$ 838,525</u>	<u>\$ 838,525</u>	<u>\$ 819,437</u>	<u>\$ 19,088</u>

Schedule of Expenditures - Budget and Actual
 General Fund
 Year Ended June 30, 2015 (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	\$ 500,000	\$ 500,000	\$ 484,654	\$ 15,346
Maintenance contracts	8,088	8,088	8,716	(628)
Communication equipment and services	1,550	1,550	3,065	(1,515)
Community relations	700	700	2,354	(1,654)
Office supplies	2,125	2,125	629	1,496
Gasoline oil	24,288	24,288	13,700	10,588
Repair and maintenance	9,875	9,875	17,141	(7,266)
Police supplies	9,000	9,000	20,441	(11,441)
Uniforms	3,000	3,000	3,849	(849)
Medical examinations	500	500	69	431
Training	8,000	8,000	6,241	1,759
Professional services	400	400	-	400
Employment screening	500	500	856	(356)
Dues	3,045	3,045	425	2,620
Total police department	<u>\$ 571,071</u>	<u>\$ 571,071</u>	<u>\$ 562,140</u>	<u>\$ 8,931</u>
Traffic control:				
Contribution - crossing guard	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>\$ -</u>
Emergency services:				
Contribution - alarm	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ -</u>
Fire and rescue:				
Professional services - emergency medical tech.	\$ 67,920	\$ 67,920	\$ 67,920	\$ -
Contribution - JHEVFD	25,000	25,000	25,000	-
Fire fund program	<u>11,187</u>	<u>11,187</u>	<u>15,246</u>	<u>(4,059)</u>
Total fire and rescue	<u>\$ 104,107</u>	<u>\$ 104,107</u>	<u>\$ 108,166</u>	<u>\$ (4,059)</u>
Correction and detention:				
Confinement and prisoners	\$ 250	\$ 250	\$ -	\$ 250
Public defenders fees	<u>2,000</u>	<u>2,000</u>	<u>715</u>	<u>1,285</u>
Total correction and detention	<u>\$ 2,250</u>	<u>\$ 2,250</u>	<u>\$ 715</u>	<u>\$ 1,535</u>
Total public safety	<u>\$ 681,928</u>	<u>\$ 681,928</u>	<u>\$ 675,521</u>	<u>\$ 6,407</u>
Public works:				
Maintenance of streets, bridges and sidewalks:				
General administration:				
Compensation	\$ 42,425	\$ 42,425	\$ 39,855	\$ 2,570
Fuel oil/heat	3,325	3,325	1,309	2,016
Telecommunications	3,800	3,800	4,803	(1,003)
Office supplies	500	500	2,752	(2,252)
Vehicle repairs and maintenance	6,000	6,000	9,459	(3,459)
Medical exams	525	525	887	(362)
Training	<u>500</u>	<u>500</u>	<u>767</u>	<u>(267)</u>
Total general administration	<u>\$ 57,075</u>	<u>\$ 57,075</u>	<u>\$ 59,832</u>	<u>\$ (2,757)</u>

Schedule of Expenditures - Budget and Actual

General Fund

Year Ended June 30, 2015 (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	\$ 117,600	\$ 117,600	\$ 153,433	\$ (35,833)
Gasoline and oil	37,040	37,040	33,019	4,021
Uniforms	3,000	3,000	2,788	212
Materials and supplies	4,000	4,000	10,953	(6,953)
Equipment maintenance	10,000	10,000	14,592	(4,592)
Sidewalk maintenance	6,000	6,000	5,550	450
Street maintenance	431,812	431,812	544,337	(112,525)
Street sign maintenance	500	500	-	500
Norfolk/Southern ROW	950	950	1,015	(65)
Total highways, streets, bridges, and sidewalks	<u>\$ 610,902</u>	<u>\$ 610,902</u>	<u>\$ 765,687</u>	<u>\$ (154,785)</u>
Street lights:				
Electricity - street lights	<u>\$ 79,000</u>	<u>\$ 79,000</u>	<u>\$ 69,818</u>	<u>\$ 9,182</u>
Snow and ice removal:				
Material and supplies	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ (4,155)</u>	<u>\$ 6,155</u>
Parking meters:				
Material and supplies	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>\$ -</u>	<u>\$ 1,500</u>
Street and road cleaning:				
Street cleaning	<u>\$ 4,000</u>	<u>\$ 4,000</u>	<u>\$ 380</u>	<u>\$ 3,620</u>
Total maintenance of streets, bridges and sidewalks	<u>\$ 754,477</u>	<u>\$ 754,477</u>	<u>\$ 891,562</u>	<u>\$ (137,085)</u>
Sanitation and waste removal:				
Contractual services	\$ 170,200	\$ 170,200	\$ 183,866	\$ (13,666)
Recycling services	51,000	51,000	48,105	2,895
Landfill charges	20,000	20,000	17,090	2,910
Total sanitation and waste removal	<u>\$ 241,200</u>	<u>\$ 241,200</u>	<u>\$ 249,061</u>	<u>\$ (7,861)</u>
Maintenance of buildings and grounds:				
General properties:				
Electricity	\$ -	\$ -	\$ 141	\$ (141)
Repair and maintenance	13,180	13,180	10,288	2,892
Materials and supplies	1,000	1,000	101	899
Christmas lights	1,100	1,100	1,520	(420)
Total general properties	<u>\$ 15,280</u>	<u>\$ 15,280</u>	<u>\$ 12,050</u>	<u>\$ 3,230</u>

Schedule of Expenditures - Budget and Actual

General Fund

Year Ended June 30, 2015 (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:				
Compensation	\$ -	\$ -	\$ 11,788	\$ (11,788)
Contractual services	16,960	16,960	16,622	338
Electricity	13,540	13,540	16,978	(3,438)
Natural gas/heat	2,010	2,010	1,928	82
Materials and supplies	6,520	6,520	11,781	(5,261)
Water/sewer	2,810	2,810	2,533	277
Shared expenses - Clarke County	33,850	33,850	20,240	13,610
Telecommunications	9,810	9,810	11,409	(1,599)
Total building services	<u>\$ 85,500</u>	<u>\$ 85,500</u>	<u>\$ 93,279</u>	<u>\$ (7,779)</u>
Total maintenance of buildings and grounds	<u>\$ 100,780</u>	<u>\$ 100,780</u>	<u>\$ 105,329</u>	<u>\$ (4,549)</u>
Total public works	<u>\$ 1,096,457</u>	<u>\$ 1,096,457</u>	<u>\$ 1,245,952</u>	<u>\$ (149,495)</u>
Parks, recreation and cultural:				
Christmas lights	\$ 400	\$ 400	\$ 410	\$ (10)
Rose Hill improvements	5,000	5,000	3,828	1,172
Contributions	6,000	6,000	5,984	16
Total parks, recreation and cultural	<u>\$ 11,400</u>	<u>\$ 11,400</u>	<u>\$ 10,222</u>	<u>\$ 1,178</u>
Community development:				
Planning:				
Compensation	\$ 75,375	\$ 75,375	\$ 75,752	\$ (377)
Professional services	4,500	4,500	8,880	(4,380)
Office supplies	100	100	81	19
Printing	200	200	-	200
Mileage	750	750	618	132
Training	500	500	-	500
Dues	600	600	415	185
Total planning	<u>\$ 82,025</u>	<u>\$ 82,025</u>	<u>\$ 85,746</u>	<u>\$ (3,721)</u>
Board of zoning appeals:				
Compensation	\$ 500	\$ 500	\$ 160	\$ 340
Training	500	500	-	500
Total board of zoning appeals	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 160</u>	<u>\$ 840</u>
Economic development:				
DBI/economic development professional services	<u>\$ 72,000</u>	<u>\$ 72,000</u>	<u>\$ 60,000</u>	<u>\$ 12,000</u>

Schedule of Expenditures - Budget and Actual
 General Fund
 Year Ended June 30, 2015 (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	\$ 5,000	\$ 5,000	\$ 2,220	\$ 2,780
Training	1,000	1,000	-	1,000
Dues	250	250	-	250
Total planning commission	<u>\$ 6,250</u>	<u>\$ 6,250</u>	<u>\$ 2,220</u>	<u>\$ 4,030</u>
Berryville Area Development Authority:				
Compensation	\$ 2,500	\$ 2,500	\$ 1,300	\$ 1,200
Training	250	250	-	250
Dues	125	125	-	125
Total Berryville Area Development Authority	<u>\$ 2,875</u>	<u>\$ 2,875</u>	<u>\$ 1,300</u>	<u>\$ 1,575</u>
Architectural Review Board:				
Training	\$ 250	\$ 250	\$ 83	\$ 167
Total community development	<u>\$ 164,400</u>	<u>\$ 164,400</u>	<u>\$ 149,509</u>	<u>\$ 14,891</u>
Capital outlay:				
Snow removal	\$ 49,600	\$ 49,600	\$ 15,050	\$ 34,550
Other capital outlay	26,445	26,445	-	26,445
Total capital outlay	<u>\$ 76,045</u>	<u>\$ 76,045</u>	<u>\$ 15,050</u>	<u>\$ 60,995</u>
Contingency:				
Shared cost for operation of joint government center	\$ 213,976	\$ 213,976	\$ 87,153	\$ 126,823
Debt service reserve	12,147	12,147	-	12,147
Total contingency	<u>\$ 226,123</u>	<u>\$ 226,123</u>	<u>\$ 87,153</u>	<u>\$ 138,970</u>
Debt service:				
Principal	\$ 31,800	\$ 31,800	\$ 32,015	\$ (215)
Interest	89,680	89,680	89,461	219
Total debt service	<u>\$ 121,480</u>	<u>\$ 121,480</u>	<u>\$ 121,476</u>	<u>\$ 4</u>
Total General Fund	<u><u>\$ 3,216,358</u></u>	<u><u>\$ 3,216,358</u></u>	<u><u>\$ 3,124,320</u></u>	<u><u>\$ 92,038</u></u>

Schedule of Operating Expenses (With Comparative Amounts for 2014)

Enterprise Funds

Year Ended June 30, 2015

Fund, Function, Activity and Elements	2015	2014
<u>Water Fund:</u>		
General administration:		
Salaries and wages	\$ 34,029	\$ 33,597
Miss Utility	562	1,546
Repairs and maintenance	1,685	1,915
Postage	2,183	2,222
Office supplies	225	55
Total general administration	<u>\$ 38,684</u>	<u>\$ 39,335</u>
Supply purification:		
Salaries and wages	\$ 114,991	\$ 124,409
Repairs and maintenance	42,889	40,367
Electricity	54,623	58,574
Heating service	2,846	4,083
Equipment and supplies	8,487	6,696
Materials and supplies - chemicals	24,808	42,980
Sludge removal	13,350	22,024
Permits, fees and testing	12,963	13,110
Other operating expenses	8,923	9,453
Total supply purification	<u>\$ 283,880</u>	<u>\$ 321,696</u>
Transmission and distribution:		
Salaries and wages	\$ 77,960	\$ 76,603
Repairs and maintenance - water lines	74,235	41,975
Materials and supplies	22,954	8,911
Total transmission and distribution	<u>\$ 175,149</u>	<u>\$ 127,489</u>
Fringe benefits:		
Social security	\$ 17,081	\$ 18,536
Retirement	438	19,401
Health insurance	32,280	33,113
Group life insurance	2,315	2,489
Workers' compensation	5,800	7,474
Unemployment insurance	207	265
Total fringe benefits	<u>\$ 58,121</u>	<u>\$ 81,278</u>
Depreciation	<u>\$ 196,429</u>	<u>\$ 197,761</u>
Contingency	<u>\$ -</u>	<u>\$ 4,916</u>
Total Water Fund	<u><u>\$ 752,263</u></u>	<u><u>\$ 772,475</u></u>

Schedule of Operating Expenses (With Comparative Amounts for 2014)

Enterprise Funds

Year Ended June 30, 2015 (Continued)

Fund, Function, Activity and Elements	2015	2014
<u>Sewer Fund:</u>		
General administration:		
Salaries and wages	\$ 33,867	\$ 34,538
Repairs and maintenance	1,685	-
Postage	6,269	6,055
Office supplies	842	50
Total general administration	\$ 42,663	\$ 40,643
Wastewater treatment:		
Salaries and wages	\$ 224,641	\$ 263,787
Professional services	26,684	23,398
Repairs and maintenance	56,400	47,654
Electricity	124,965	156,954
Materials and supplies - chemicals	67,223	76,606.00
Equipment and supplies	12,331	12,167
Permits, fees and testing	16,683	15,570
Other operating expenses	6,071	6,279
Total wastewater treatment	\$ 534,998	\$ 602,415
Maintenance of sewer lines:		
Salaries and wages	\$ 77,609	\$ 77,187
Repairs and maintenance - sewer lines	22,977	28,261
Materials and supplies	1,041	14,699
Total maintenance of sewer lines	\$ 101,627	\$ 120,147
Fringe benefits:		
Social security	\$ 25,456	\$ 28,748
Retirement	20,020	29,813
Health insurance	47,707	48,758
Group life insurance	3,468	3,826
Workers' compensation	299	336
Unemployment insurance	7,558	9,496
Total fringe benefits	\$ 104,508	\$ 120,977
Depreciation	\$ 144,403	\$ 155,334
Contingency	\$ 14,801	\$ 3,571
Total Sewer Fund	\$ 943,000	\$ 1,043,087

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
2015	\$ 1,165,459	\$ 934,720	\$ 30,965	\$ 35,352	\$ 98,699	\$ 34,918	\$ 34,702	\$ -	\$ 901,393	\$ 3,236,208
2014	941,675	770,294	28,716	31,710	46,912	14,389	52,424	-	907,472	2,793,592
2013	882,457	726,993	29,433	44,245	54,830	29,326	40,884	-	845,141	2,653,309
2012	873,690	828,078	51,419	45,997	57,716	20,116	188,443	-	602,820	2,668,279
2011	874,629	726,493	90,822	40,330	66,570	17,811	195	916,399	442,654	3,175,903
2010	1,146,789	762,621	50,284	32,112	76,549	8,995	3,562	-	189,747	2,270,659
2009	1,206,692	751,709	84,766	54,918	98,463	8,193	16,339	-	112,888	2,333,968
2008	1,192,311	772,820	13,345	58,553	142,604	9,385	73,495	-	128,716	2,391,229
2007	1,137,000	774,422	35,016	73,228	183,142	10,359	56,500	-	138,565	2,408,232
2006	1,067,540	781,037	48,018	54,810	156,005	11,525	40,121	-	117,251	2,276,307

TOWN OF BERRYVILLE, VIRGINIA

Table 2

Governmental Expenditures by Function
Last Ten Fiscal Years

Fiscal Year	General Government	Public Safety	Public Works	Parks, Recreation, and Culture	Community Development	Capital		Total
						Outlay and Contingency	Debt Service	
2015	\$ 819,437	\$ 675,521	\$ 1,245,952	\$ 10,222	\$ 149,509	\$ 102,203	\$ 121,476	\$ 3,124,320
2014	811,097	676,255	885,330	7,135	126,914	101,579	121,476	2,729,786
2013	815,620	626,573	1,111,714	7,375	111,478	157,314	121,476	2,951,550
2012	900,572	676,428	660,363	248,227	116,815	374,951	121,476	3,098,832
2011	796,362	552,020	664,892	1,100,238	128,752	183,620	121,476	3,547,360
2010	794,863	658,010	641,026	13,620	133,471	377,099	121,476	2,739,565
2009	764,750	620,564	548,722	8,688	140,128	2,913,217	94,869	5,090,938
2008	726,951	637,027	540,502	10,674	142,974	155,212	16,068	2,229,408
2007	722,777	548,059	539,679	26,081	139,008	111,814	-	2,087,418
2006	635,159	547,833	473,545	10,916	101,425	66,704	-	1,835,582

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, and each major fund of Town of Berryville, Virginia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Town of Berryville, Virginia's basic financial statements, and have issued our report thereon dated November 30, 2015.

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

Charlottesville, Virginia

November 30, 2015