



**TOWN OF BERRYVILLE, VIRGINIA**

**FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2012**



**TOWN OF BERRYVILLE, VIRGINIA**

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Keith R. Dalton, Town Manager

Desiree Moreland, Assistant Town  
Manager/Treasurer

Christina Dunkle, Assistant Town  
Manager for Community  
Development and Operations

Neal White, Chief of Police

David Tyrrell, Director of Utilities

Rick Boor, Director of Public  
Works

Celeste Heath, Town Clerk

Deborah Boggs, Utility Clerk



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TOWN OF BERRYVILLE, VIRGINIA

Financial Report  
Year Ended June 30, 2012

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**Table of Contents**

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-8
<b><u>Basic Financial Statements:</u></b>	
<b><u>Government-wide Financial Statements</u></b>	
Exhibit 1 Statement of Net Assets	9
Exhibit 2 Statement of Activities	10-11
<b><u>Fund Financial Statements</u></b>	
Exhibit 3 Balance Sheet—Governmental Funds	12
Exhibit 4 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	13
Exhibit 5 Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds	14
Exhibit 6 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Exhibit 7 Statement of Net Assets—Proprietary Fund	16
Exhibit 8 Statement of Revenues, Expenses, and Changes in Net Assets—Proprietary Fund	17
Exhibit 9 Statement of Cash Flows—Proprietary Fund	18
Notes to Financial Statements	19-34

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**TOWN OF BERRYVILLE, VIRGINIA**

Financial Report  
Year Ended June 30, 2012

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**Table of Contents (Continued)**

	<u>Page</u>
<b><u>Required Supplementary Information</u></b>	
Exhibit 10    General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	35
Exhibit 11    Schedule of Pension Funding Progress	36
<b><u>Supporting Schedules</u></b>	
Schedule 1    Schedule of Revenues - Budget and Actual-General Funds	37-38
Schedule 2    Schedule of Expenditures - Budget and Actual-General Funds	39-44
Schedule 3    Schedule of Operating Expenses - Enterprise Funds	45-46
<b><u>Statistical Information:</u></b>	
Table 1    Governmental Revenues by Source - Last Ten Fiscal Years	47
Table 2    Governmental Expenditures by Function - Last Ten Fiscal Years	48
<b><u>Compliance:</u></b>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	49-50

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## INDEPENDENT AUDITORS' REPORT

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**TO THE HONORABLE MEMBERS OF THE TOWN COUNCIL  
TOWN OF BERRYVILLE, VIRGINIA  
BERRYVILLE, VIRGINIA**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Berryville, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Berryville, Virginia's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Berryville, Virginia, as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2012, on our consideration of the Town of Berryville, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedule of pension funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the schedule of pension funding progress 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 schedule of pension funding progress 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Berryville, Virginia's financial statements as a whole. The supporting schedules and statistical information are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Robinson, Farmer, Cox Associates*

Fredericksburg, Virginia

November 14, 2012

**TOWN OF BERRYVILLE, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Town of Berryville (the "Town") we offer the readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2012. Please read it in conjunction with the Town's basic financial statements, which follow this section.

**Financial Highlights**

The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$29,259,269 (net assets). Of this amount, \$7,229,122 (unrestricted net assets) may be used to meet the Town's ongoing obligations to citizens and creditors.

The Town's total net assets increased by \$4,283,024, of which the governmental activities accounted for a \$396,475 decrease and business activities accounted for a \$4,679,499 increase.

At the end of the current fiscal year, unrestricted fund balance for governmental activities was \$ 1,838,917 or 59.63% 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 \$1,550,062, a decrease of \$415,553 over the prior year. This decrease is due to cash flow associated with the Barns reimbursable VDOT grant.

The Town's total debt increased by \$4,881,710 (54.58%) during the current fiscal year. The key factor in this net increase was the issuance 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 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 assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of how the financial position of the Town may be changing. Increases in net assets may indicate an improved financial position; however, even decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the changes, 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, community development, and recreation.

## 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 9 through 11 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 government fund financial statements can be found on pages 12 through 15 of this report.

The Town maintains two types of **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 16 through 18 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 19 through 34 of this report.

## Overview of the Financial Statements: (Continued)

### Other information

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

Required supplementary information can be found on pages 35 and 36 of this report.

### Government-Wide Financial Analysis

As noted earlier, net assets may, over time, serve as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$29.3 million at the close of the most recent fiscal year. A large portion of the Town's net assets (\$22 million, 75.29 % 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 Assets:

**Town of Berryville, Virginia**  
**Summary of Net Assets**  
**As of June 30, 2012**

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 2,193,192	\$ 2,788,137	\$ 7,397,162	\$ 8,022,323	\$ 9,590,354	\$ 10,810,460
Capital assets	4,809,672	4,772,184	30,682,103	22,187,246	35,491,775	26,959,430
Total assets	<u>\$ 7,002,864</u>	<u>\$ 7,560,321</u>	<u>\$ 38,079,265</u>	<u>\$ 30,209,569</u>	<u>\$ 45,082,129</u>	<u>\$ 37,769,890</u>
Long-term liabilities outstanding	\$ 2,364,589	\$ 2,343,073	\$ 11,056,530	\$ 6,460,820	\$ 13,421,119	\$ 8,803,893
Other Liabilities	233,210	505,708	2,168,531	3,574,044	2,401,741	4,079,752
Total Liabilities	<u>\$ 2,597,799</u>	<u>\$ 2,848,781</u>	<u>\$ 13,225,061</u>	<u>\$ 10,034,864</u>	<u>\$ 15,822,860</u>	<u>\$ 12,883,645</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 2,566,148	\$ 2,500,365	\$ 19,463,999	\$ 15,662,137	\$ 22,030,147	\$ 18,162,502
Unrestricted	1,838,917	2,211,175	5,390,205	4,512,568	7,229,122	6,723,743
Total net assets	<u>\$ 4,405,065</u>	<u>\$ 4,711,540</u>	<u>\$ 24,854,204</u>	<u>\$ 20,174,705</u>	<u>\$ 29,259,269</u>	<u>\$ 24,886,245</u>

The remaining balance of unrestricted net assets (\$7.2 million, 24.71% of total) may be used to meet the Town's ongoing obligations to citizens and creditors.

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

## Government-Wide Financial Analysis: (Continued)

As noted previously, the Town's net assets increased by \$4,283,024 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 Assets  
For the year ended June 30, 2012

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Revenues:</b>						
Charges for Services	\$ 117,532	\$ 148,963	\$ 2,417,205	\$ 1,944,305	\$ 2,534,737	\$ 2,093,268
Opr Grants & contributions	297,192	131,953	-	-	297,192	131,953
Cap Grants & Contributions	-	-	3,866,366	5,260,891	3,866,366	5,260,891
General Real Property Taxes	892,936	1,179,008	-	-	892,936	1,179,008
Other Taxes	828,078	726,493	-	-	828,078	726,493
Unrestricted revenues from the use of money & property	57,716	66,570	21,512	29,765	79,228	96,335
Grants & contributions not restricted to specific programs	305,628	310,701	-	-	305,628	310,701
Miscellaneous	188,443	916,594	-	-	188,443	916,594
<b>Total Revenues</b>	<b>\$ 2,687,525</b>	<b>\$ 3,480,282</b>	<b>\$ 6,305,083</b>	<b>\$ 7,234,961</b>	<b>\$ 8,992,608</b>	<b>\$ 10,715,243</b>
<b>Expenses:</b>						
General government	\$ 1,270,303	\$ 918,743	\$ -	\$ -	\$ 1,270,303	\$ 918,743
Public safety	725,166	589,880	-	-	725,166	589,880
Public works	719,020	739,597	-	-	719,020	739,597
Parks, recreation & culture	47,121	8,068	-	-	47,121	8,068
Community development	119,296	131,450	-	-	119,296	131,450
Contingency	109,962	120,978	-	-	109,962	120,978
Interest on long-term debt	93,132	94,591	-	-	93,132	94,591
Water fund	-	-	893,762	848,807	893,762	848,807
Sewer fund	-	-	731,822	682,139	731,822	682,139
<b>Total Expenses</b>	<b>\$ 3,084,000</b>	<b>\$ 2,603,307</b>	<b>\$ 1,625,584</b>	<b>\$ 1,530,946</b>	<b>\$ 4,709,584</b>	<b>\$ 4,134,253</b>
Change in net assets	\$ (396,475)	\$ 876,975	\$ 4,679,499	\$ 5,704,015	\$ 4,283,024	\$ 6,580,990
Net assets, beginning of year	4,711,540	3,834,565	20,174,705	14,470,690	24,886,245	18,305,255
Net assets, end of year	<u>\$ 4,315,065</u>	<u>\$ 4,711,540</u>	<u>\$ 24,854,204</u>	<u>\$ 20,174,705</u>	<u>\$ 29,169,269</u>	<u>\$ 24,886,245</u>

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

**Business-type activities** increased the Town's net assets by \$4.7 million. Similar to how changes arise in the governmental activities, business-type activities also experience budgetary differences; however, as a public utility function comprises the Town's business-type activities there is more of a direct correlation to the revenues generated relative to the expenses incurred because of service demands. An increase in capital contributions made up of grant and loan proceeds and an increase in expenses, primarily construction in progress, contributed to the increase in net assets.

## 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 *unreserved 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 \$1,625,062, a decrease of \$430,553 in comparison to the prior year, due to cash flow involved in the Barns project and capital projects carried over from the prior fiscal year. Of this total amount, \$1,550,062 or 95.38% constitutes unreserved fund balance, which is available for spending at the Town's discretion. The remaining balance of \$75,000 is restricted for proffers revenue, which was received in prior years and not spent as of June 30, 2012.

**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 assets of the water and sewer funds were \$24,854,204. Unrestricted net assets at the end of the year were \$5,390,205, an increase over last year's unrestricted net assets of \$877,637, 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 \$597,506. Of this amount \$379,613 can be attributed to VDOT reimbursements for the Barns of Rose Hill restoration project. VDOT reimbursement for highway maintenance was also higher than anticipated. Also, revenues were higher than expected in business license and bank franchise taxes. Fiscal year 2012 governmental expenditures exceeded budget by \$274,574 largely due to the Barns 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, 2012, amounts to \$35,491,775 (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, 2012**

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 93,209	\$ 93,209	\$ 5,000	\$ 5,000	\$ 98,209	\$ 98,209
Construction in Progress	-	1,096,092	25,668,621	4,606,330	25,668,621	5,702,422
Buildings & Improvements	4,453,781	3,246,932	1,056,322	1,217,518	5,510,103	4,464,450
Infrastructure	95,921	108,081	3,074,434	2,926,566	3,170,355	3,034,647
Equipment	166,761	227,870	877,726	951,373	1,044,487	1,179,243
<b>Total</b>	<b>\$ 4,809,672</b>	<b>\$ 4,772,184</b>	<b>\$ 30,682,103</b>	<b>\$ 9,706,787</b>	<b>\$ 35,491,775</b>	<b>\$ 14,478,971</b>

Additional information on the Town's capital assets can be found in Note 5 on pages 27 and 28 of this report.

## Capital Asset and Debt Administration: (Continued)

**Long-term debt:** At the end of the current fiscal year, the Town had total outstanding debt of \$13,685,603 and details are summarized in the following table:

**Town of Berryville, Virginia  
Outstanding Debt  
For the Year Ended June 30, 2012**

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Long-Term Obligations:						
Lease Revenue Bond	\$ 2,243,524	\$ 2,271,819	\$ -	\$ -	\$ 2,243,524	\$ 2,271,819
General Obligation Bonds	-	-	11,218,104	6,520,109	11,218,104	6,520,109
Compensated absences	150,549	99,549	73,426	53,132	223,975	152,681
Total	\$ 2,394,073	\$ 2,371,368	\$ 11,291,530	\$ 6,573,241	\$ 13,685,603	\$ 8,944,609

Debt associated with governmental activities increased by \$22,705 in 2012. The general fund debt increase was due to an increase in accrued absences netted against payments to the lease revenue bond.

The debt associated with business-type activities increased by \$4,718,289 in 2012 due to VRA loan obligations netted against payments to the existing utility bonds.

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, 2012.

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 2012 with an overall .18% increase. Preliminary forecasts for 2013 assessments indicate continued moderate but positive growth.

For tax year 2012, the Town Council adopted a .116/\$100 real estate tax rate, the same as in 2011. The personal property rate remained at \$1/\$100. The machinery and tools tax rate increased from \$1.0875/\$100 to \$1.168/\$100.

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

### Requests for Information

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

## **Basic Financial Statements**

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*Government-wide Financial Statements*

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Statement of Net Assets  
As of June 30, 2012

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 1,859,016	\$ 5,677,954	\$ 7,536,970
Restricted cash and cash equivalents	-	940,000	940,000
Receivables, net of allowance for uncollectibles	387,944	239,235	627,179
Due from other governments	13,468	455,805	469,273
Internal balances	(67,236)	67,236	-
Bond issue costs	-	16,932	16,932
Capital assets:			
Land	93,209	5,000	98,209
Construction in progress	-	25,668,621	25,668,621
Other capital assets, net of accumulated depreciation	4,716,463	5,008,482	9,724,945
Capital assets, net	<u>\$ 4,809,672</u>	<u>\$ 30,682,103</u>	<u>\$ 35,491,775</u>
Total assets	<u>\$ 7,002,864</u>	<u>\$ 38,079,265</u>	<u>\$ 45,082,129</u>
<b>Liabilities:</b>			
Accounts payable	\$ 185,772	\$ 998,647	\$ 1,184,419
Accrued liabilities	14,098	7,388	21,486
Retainage payable	-	905,796	905,796
Accrued interest	3,856	-	3,856
Customer deposits	-	21,700	21,700
Long-term liabilities:			
Due within one year			
Bonds and notes payable	29,484	235,000	264,484
Due in more than one year			
Accrued compensated absences	150,549	73,426	223,975
Bonds payable	2,214,040	10,983,104	13,197,144
Total liabilities	<u>\$ 2,597,799</u>	<u>\$ 13,225,061</u>	<u>\$ 15,822,860</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	\$ 2,566,148	\$ 19,463,999	\$ 22,030,147
Unrestricted	1,838,917	5,390,205	7,229,122
Total net assets	<u>\$ 4,405,065</u>	<u>\$ 24,854,204</u>	<u>\$ 29,259,269</u>

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

TOWN OF BERRYVILLE, VIRGINIA

Statement of Activities  
Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
<b>Governmental activities:</b>				
General government administration	\$ 1,270,303	\$ -	\$ -	\$ -
Public safety	725,166	45,997	94,369	-
Public works	719,020	71,535	12,025	-
Parks, recreation and culture	47,121	-	-	-
Community development	119,296	-	190,798	-
Contingency	109,962	-	-	-
Interest on long-term debt	93,132	-	-	-
Total governmental activities	\$ 3,084,000	\$ 117,532	\$ 297,192	\$ -
<b>Business-type activities:</b>				
Water	\$ 893,762	\$ 770,011	\$ -	\$ -
Sewer	731,822	1,647,194	-	3,866,366
Total business-type activities	\$ 1,625,584	\$ 2,417,205	\$ -	\$ 3,866,366
<b>Total</b>	\$ 4,709,584	\$ 2,534,737	\$ 297,192	\$ 3,866,366

**General Revenues:**

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

Change in net assets

Net assets, beginning of year, as restated

Net assets, 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 Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (1,270,303)	\$ -	\$ (1,270,303)
(584,800)	-	(584,800)
(635,460)	-	(635,460)
(47,121)	-	(47,121)
71,502	-	71,502
(109,962)	-	(109,962)
(93,132)	-	(93,132)
<u>\$ (2,669,276)</u>	<u>\$ -</u>	<u>\$ (2,669,276)</u>
\$ -	\$ (123,751)	\$ (123,751)
-	4,781,738	4,781,738
<u>\$ -</u>	<u>\$ 4,657,987</u>	<u>\$ 4,657,987</u>
<u>\$ (2,669,276)</u>	<u>\$ 4,657,987</u>	<u>\$ 1,988,711</u>
\$ 892,936	\$ -	\$ 892,936
216,675	-	216,675
197,187	-	197,187
114,224	-	114,224
107,178	-	107,178
96,124	-	96,124
96,690	-	96,690
57,716	21,512	79,228
305,628	-	305,628
188,443	-	188,443
<u>\$ 2,272,801</u>	<u>\$ 21,512</u>	<u>\$ 2,294,313</u>
\$ (396,475)	\$ 4,679,499	\$ 4,283,024
<u>4,801,540</u>	<u>\$ 20,174,705</u>	<u>24,976,245</u>
<u>\$ 4,405,065</u>	<u>\$ 24,854,204</u>	<u>\$ 29,259,269</u>

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*Fund Financial Statements*

Balance Sheet  
 Governmental Funds  
 As of June 30, 2012

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	<u>General Fund</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 1,859,016
Receivables (net of allowance for uncollectibles):	
Taxes including penalties	357,165
Accounts	30,779
Due from other governments	13,468
Total assets	<u>\$ 2,260,428</u>
<b>Liabilities:</b>	
Accounts payable	\$ 185,772
Accrued liabilities	14,098
Due to other funds	67,236
Deferred revenues	368,260
Total liabilities	<u>\$ 635,366</u>
<b>Fund Balance:</b>	
Restricted for proffers	\$ 75,000
Unassigned	1,550,062
Total fund balance	<u>\$ 1,625,062</u>
Total liabilities and fund balance	<u>\$ 2,260,428</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 Assets  
As of June 30, 2012

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Total fund balances for governmental funds (Exhibit 3) \$ 1,625,062

Total net assets reported for governmental activities in the statement of net assets 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>4,716,463</u>	
Total capital assets		4,809,672

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. (3,856)

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 deferred revenues in the governmental funds and thus are not included in the fund balance. Those assets consist of:

Deferred revenue		368,260
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Compensated absences	\$ (150,549)	
Bonds payable	<u>(2,243,524)</u>	
Total long-term liabilities		<u>(2,394,073)</u>
Total net assets of governmental activities		\$ <u><u>4,405,065</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, 2012

	<u>General Fund</u>
<b>Revenues:</b>	
General property taxes	\$ 873,690
Other local taxes	828,078
Permits, privilege fees and regulatory licenses	51,419
Fines and forfeitures	45,997
Revenue from use of money and property	57,716
Charges for services	20,116
Miscellaneous	188,443
Intergovernmental revenues:	
Commonwealth	411,650
Federal	191,170
Total revenues	<u>\$ 2,668,279</u>
<b>Expenditures:</b>	
Current:	
General government administration	\$ 900,572
Public safety	676,428
Public works	660,363
Parks, recreation, and cultural	248,227
Community development	116,815
Capital outlay	264,989
Contingency	109,962
Debt service	121,476
Total expenditures	<u>\$ 3,098,832</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (430,553)</u>
Net change in fund balances	\$ (430,553)
Fund balances at beginning of year, as restated	<u>2,055,615</u>
Fund balances at end of year	<u><u>\$ 1,625,062</u></u>

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

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Year Ended June 30, 2012

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Net change in fund balances - total governmental funds (Exhibit 5) \$ (430,553)

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	\$	258,853	
Depreciation expense		<u>(221,365)</u>	37,488

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. Details of this item consist of the change in deferred taxes. 19,246

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 assets. Details of this item consist of principal retired on long-term debt. 28,295

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	\$	(51,000)	
Change in interest payable		<u>49</u>	<u>(50,951)</u>

Change in net assets of governmental activities \$ (396,475)

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

Statement of Net Assets  
 Proprietary Fund  
 As of June 30, 2012

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 1,097,424	\$ 4,580,530	\$ 5,677,954
Restricted cash and cash equivalents	-	940,000	940,000
Due from other governments	-	455,805	455,805
Receivables (net of allowance for uncollectibles)	87,022	152,213	239,235
Due to other funds	10,748	56,488	67,236
Total current assets	\$ 1,195,194	\$ 6,185,036	\$ 7,380,230
Noncurrent assets:			
Land	\$ 5,000	\$ -	\$ 5,000
Capital assets, net of accumulated depreciation	2,822,495	2,185,987	5,008,482
Construction in progress	-	25,668,621	25,668,621
Bond issue costs	-	16,932	16,932
Total noncurrent assets	\$ 2,827,495	\$ 27,871,540	\$ 30,699,035
Total assets	\$ 4,022,689	\$ 34,056,576	\$ 38,079,265
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	\$ 3,826	\$ 994,821	\$ 998,647
Accrued payroll and related liabilities	3,694	3,694	7,388
Customer deposits	9,490	12,210	21,700
Retainage payable	-	905,796	905,796
Current portion of long-term debt	-	235,000	235,000
Total current liabilities	\$ 17,010	\$ 2,151,521	\$ 2,168,531
Noncurrent liabilities:			
Accrued compensated absence payable	\$ 36,713	\$ 36,713	\$ 73,426
Long-term debt, net of current portion	-	10,983,104	10,983,104
Total noncurrent liabilities	\$ 36,713	\$ 11,019,817	\$ 11,056,530
Total liabilities	\$ 53,723	\$ 13,171,338	\$ 13,225,061
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	\$ 2,827,495	\$ 16,636,504	\$ 19,463,999
Unrestricted	1,141,471	4,248,734	5,390,205
Total net assets	\$ 3,968,966	\$ 20,885,238	\$ 24,854,204

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

## Statement of Revenues, Expenses and Changes in Net Assets

## Proprietary Fund

Year Ended June 30, 2012

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
<b>Operating revenues:</b>			
Charges for services	\$ 770,011	\$ 1,647,194	\$ 2,417,205
<b>Operating expenses:</b>			
General administration	\$ 44,695	\$ 44,294	\$ 88,989
Supply purification	323,038	-	323,038
Transmission and distribution	230,271	-	230,271
Wastewater treatment	-	291,562	291,562
Maintenance of sewer lines	-	152,664	152,664
Fringe benefits	95,355	89,581	184,936
Depreciation	194,122	148,587	342,709
Contingency	5,513	4,918	10,431
Total operating expenses	\$ 892,994	\$ 731,606	\$ 1,624,600
Operating income/(loss)	\$ (122,983)	\$ 915,588	\$ 792,605
<b>Nonoperating revenues (expenses):</b>			
Interest revenue	\$ 6,490	\$ 15,022	\$ 21,512
Interest expense	(768)	(216)	(984)
Net nonoperating revenues	\$ 5,722	\$ 14,806	\$ 20,528
Net Income (loss) before contributions	\$ (117,261)	\$ 930,394	\$ 813,133
Capital contributions and construction grants	\$ -	\$ 3,866,366	\$ 3,866,366
Change in net assets	\$ (117,261)	\$ 4,796,760	\$ 4,679,499
Net assets, beginning of year	4,086,227	16,088,478	20,174,705
Net assets, end of year	\$ 3,968,966	\$ 20,885,238	\$ 24,854,204

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

Statement of Cash Flows  
Proprietary Fund  
Year Ended June 30, 2012

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
<b>Cash flows from operating activities:</b>			
Receipts from customers	\$ 753,733	\$ 1,642,309	\$ 2,396,042
Payments to and for employees	(348,275)	(338,928)	(687,203)
Payments to suppliers	(405,219)	(1,937,938)	(2,343,157)
Net cash provided by (used for) by operating activities	<u>\$ 239</u>	<u>\$ (634,557)</u>	<u>\$ (634,318)</u>
<b>Cash flows from investing activities:</b>			
Investment income	<u>\$ 6,490</u>	<u>\$ 15,022</u>	<u>\$ 21,512</u>
<b>Cash flows from capital and related financing activities:</b>			
Purchase of capital assets	\$ (99,488)	\$ (8,497,106)	\$ (8,596,594)
Capital contributions and grants	-	4,707,537	4,707,537
Proceeds from long-term debt	-	4,789,408	4,789,408
Principal payments on long-term debt	(91,413)	-	(91,413)
Interest expense	(1,002)	(283)	(1,285)
Net cash provided by (used for) by capital and related financing activities	<u>\$ (191,903)</u>	<u>\$ 999,556</u>	<u>\$ 807,653</u>
<b>Cash flows from noncapital and related financing activities:</b>			
Net transfers from (to) other funds	<u>\$ (13,124)</u>	<u>\$ (56,880)</u>	<u>\$ (70,004)</u>
Net increase (decrease) in cash and cash equivalents	\$ (198,298)	\$ 323,141	\$ 124,843
Cash and cash equivalents at beginning of year - including restricted	<u>1,295,722</u>	<u>\$ 5,197,389</u>	<u>6,493,111</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,097,424</u></u>	<u><u>\$ 5,520,530</u></u>	<u><u>\$ 6,617,954</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) by operating activities:</b>			
Operating income (loss)	\$ (122,983)	\$ 915,588	\$ 792,605
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	194,122	148,587	342,709
Changes in operating accounts:			
Accounts receivable	(16,278)	(4,885)	(21,163)
Accounts payable and accrued liabilities	(60,609)	(1,703,654)	(1,764,263)
Accrued leave	10,147	10,147	20,294
Customer deposits	(4,160)	(340)	(4,500)
Net cash provided by (used for) by operating activities	<u><u>\$ 239</u></u>	<u><u>\$ (634,557)</u></u>	<u><u>\$ (634,318)</u></u>

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

# TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012

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## NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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### Narrative Profile:

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

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

The financial statements of the Town of Berryville, Virginia have been prepared in conformity with specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the government'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. The Town has elected not to present MD&A.

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 Assets: The Statement of Net Assets 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 Assets and report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net assets of a government will be broken down into three categories: 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

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

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

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

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

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

## TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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

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

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. 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 Town applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

The following is a brief description of the specific funds used by the Town in 2012.

- 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 Funds are:

*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)**

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**C. Basis of Accounting**

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. 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 revenues. 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.

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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

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**D. Budgets and Budgetary Accounting: (Continued)**

3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
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 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 \$22,627 at June 30, 2012 and is comprised solely of property taxes and water and sewer receivables.

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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

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**H. Capital Assets**

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of assets constructed. The Town did not have any capitalized interest as of June 30, 2012.

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

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

**I. Use of Estimates:**

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

**J. 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.

**K. Long-term Obligations:**

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

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

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**K. Long-term Obligations:**

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**L. Fund Equity**

Beginning with fiscal year 2011, the Town implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

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

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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**NOTE 2—PROPERTY TAXES RECEIVABLE:**

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

**NOTE 3—DEPOSITS AND INVESTMENTS:**

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Deposits:

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

Investments:

Statutes authorize the Town to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, banker’s acceptances, repurchase agreements and the State Treasurer’s Local Government Investment Pool (LGIP). The Town had no investments at June 30, 2012.

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

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At June 30, 2012, the amount due from other governmental units was as follows:

	<u>Primary Government</u>
Commonwealth of Virginia:	
Sales tax	\$ 13,468
Virginia Water Quality Improvement Fund	<u>455,805</u>
Total	<u>\$ 469,273</u>

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

**NOTE 5—CAPITAL ASSETS:**

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

**Governmental Activities:**

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
Capital assets not being depreciated:				
Land	\$ 93,209	\$ -	\$ -	\$ 93,209
Construction in progress	1,096,092	238,390	1,334,482	-
Total capital assets not being depreciated	<u>\$ 1,189,301</u>	<u>\$ 238,390</u>	<u>\$ 1,334,482</u>	<u>\$ 93,209</u>
Other capital assets:				
Buildings and improvements	\$ 3,787,959	\$ 1,334,482	\$ -	\$ 5,122,441
Infrastructure	259,940	-	-	259,940
Equipment	797,834	20,463	22,411	795,886
Total other capital assets	<u>\$ 4,845,733</u>	<u>\$ 1,354,945</u>	<u>\$ 22,411</u>	<u>\$ 6,178,267</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 541,027	\$ 127,633	\$ -	\$ 668,660
Infrastructure	151,859	12,160	-	164,019
Equipment	569,964	81,572	22,411	629,125
Total accumulated depreciation	<u>\$ 1,262,850</u>	<u>\$ 221,365</u>	<u>\$ 22,411</u>	<u>\$ 1,461,804</u>
Other capital assets, net	<u>\$ 3,582,883</u>	<u>\$ 1,133,580</u>	<u>\$ -</u>	<u>\$ 4,716,463</u>
Net capital assets	<u>\$ 4,772,184</u>	<u>\$ 1,371,970</u>	<u>\$ 1,334,482</u>	<u>\$ 4,809,672</u>

Depreciation expense has been allocated as follows:

General government administration	\$ 106,802
Public safety	27,678
Public works	49,601
Parks, recreation, and culture	<u>37,284</u>
Total depreciation expense	<u>\$ 221,365</u>

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

NOTE 5—CAPITAL ASSETS: (Continued)

Business-Type Activities:

Water Fund

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Capital assets not being depreciated:				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Construction in progress	432,114	8,628	440,742	-
Total capital assets not being depreciated	<u>\$ 437,114</u>	<u>\$ 8,628</u>	<u>\$ 440,742</u>	<u>\$ 5,000</u>
Other capital assets:				
Buildings and improvements	\$ 3,391,605	\$ -	\$ -	\$ 3,391,605
Infrastructure	957,181	440,742	-	1,397,923
Equipment	1,367,444	71,106	-	1,438,550
Total other capital assets	<u>\$ 5,716,230</u>	<u>\$ 511,848</u>	<u>\$ -</u>	<u>\$ 6,228,078</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 2,259,463	\$ 75,820	\$ -	\$ 2,335,283
Infrastructure	352,119	66,426	-	418,545
Equipment	599,879	51,876	-	651,755
Total accumulated depreciation	<u>\$ 3,211,461</u>	<u>\$ 194,122</u>	<u>\$ -</u>	<u>\$ 3,405,583</u>
Other capital assets, net	<u>\$ 2,504,769</u>	<u>\$ 317,726</u>	<u>\$ -</u>	<u>\$ 2,822,495</u>
Net capital assets	<u>\$ 2,941,883</u>	<u>\$ 326,354</u>	<u>\$ 440,742</u>	<u>\$ 2,827,495</u>

Sewer Fund

Capital assets not being depreciated:

Construction in progress	\$ 16,979,058	\$ 8,689,563	\$ -	\$ 25,668,621
Total capital assets not being depreciated	<u>\$ 16,979,058</u>	<u>\$ 8,689,563</u>	<u>\$ -</u>	<u>\$ 25,668,621</u>

Other capital assets:

Buildings and improvements	\$ 526,973	\$ -	\$ -	\$ 526,973
Infrastructure	4,255,224	68,270	-	4,323,494
Equipment	316,452	-	-	316,452
Total other capital assets	<u>\$ 5,098,649</u>	<u>\$ 68,270</u>	<u>\$ -</u>	<u>\$ 5,166,919</u>

Less: Accumulated depreciation for:

Buildings and improvements	\$ 526,973	\$ -	\$ -	\$ 526,973
Infrastructure	2,103,629	124,808	-	2,228,437
Equipment	201,743	23,779	-	225,522
Total accumulated depreciation	<u>\$ 2,832,345</u>	<u>\$ 148,587</u>	<u>\$ -</u>	<u>\$ 2,980,932</u>

Other capital assets, net	<u>\$ 2,266,304</u>	<u>\$ (80,317)</u>	<u>\$ -</u>	<u>\$ 2,185,987</u>
Net capital assets	<u>\$ 19,245,362</u>	<u>\$ 8,609,246</u>	<u>\$ -</u>	<u>\$ 27,854,608</u>

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

**NOTE 6—LONG TERM OBLIGATIONS:**

The following is a summary of long-term obligations for the fiscal year ended June 30, 2012:

	Amounts Payable July 1, 2011	Increases	Decreases	Amounts Payable June 30, 2012	Amounts Due Within One Year
<b>Governmental Obligations:</b>					
Lease revenue bond	\$ 2,271,819	-	\$ 28,295	\$ 2,243,524	\$ 29,484
Accrued compensated absences	99,549	51,000	-	150,549	-
<b>Total Governmental Obligations</b>	<b>\$ 2,371,368</b>	<b>\$ 51,000</b>	<b>\$ 28,295</b>	<b>\$ 2,394,073</b>	<b>\$ 29,484</b>
<b>Enterprise Obligations:</b>					
General obligation bonds	\$ 6,520,109	\$ 4,810,416	\$ 112,421	\$ 11,218,104	\$ 235,000
Accrued compensated absences	53,132	20,294	-	73,426	-
<b>Total Enterprise Obligations</b>	<b>\$ 6,573,241</b>	<b>\$ 4,830,710</b>	<b>\$ 112,421</b>	<b>\$ 11,291,530</b>	<b>\$ 235,000</b>
<b>Total Long-Term Obligations</b>	<b>\$ 8,944,609</b>	<b>\$ 4,881,710</b>	<b>\$ 140,716</b>	<b>\$ 13,685,603</b>	<b>\$ 264,484</b>

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

Year Ending June 30,	Town Obligations		Enterprise Obligations	
	Lease Revenue Bond		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2013	29,484	91,992	235,000	-
2014	30,724	90,752	470,000	-
2015	32,015	89,461	470,000	-
2016	33,361	88,115	470,000	-
2017	34,763	86,713	470,000	-
2018-2022	197,007	410,373	2,350,000	-
2023-2027	242,048	365,332	2,350,000	-
2028-2032	297,386	309,994	2,350,000	-
2033-2037	365,376	242,004	2,053,104	-
2038-2042	448,910	158,470	-	-
2043-2047	532,450	55,868	-	-
<b>Total</b>	<b>\$ 2,243,524</b>	<b>\$ 1,989,074</b>	<b>\$ 11,218,104</b>	<b>-</b>

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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

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

**Incurred by Town:**

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.

\$ 2,243,524

Accrued compensated absences

150,549

Total governmental obligations

\$ 2,394,073

**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.

\$ 11,218,104

Accrued compensated absences

73,426

Total enterprise obligations

\$ 11,291,530

**NOTE 7—COMPENSATED ABSENCES:**

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In accordance with GASB Statement 16, *Accounting for Compensated Absences*, the Town has accrued the liability arising from outstanding claims and judgments and compensated absences. Town employees earn vacation and sick leave based upon length of service. The Town has outstanding accrued vacation pay totaling \$150,549 in the General Fund.

## TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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### NOTE 8—DEFINED BENEFIT PENSION PLAN:

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#### A. Plan Description:

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

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

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

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

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

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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**NOTE 8—DEFINED BENEFIT PENSION PLAN: (Continued)**

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**A. Plan Description: (continued)**

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

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**B. Funding Policy**

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town’s contribution rate for the fiscal year ended 2012 was 7.47% of annual covered payroll.

**C. Annual Pension Cost:**

For fiscal year 2012, the Town’s annual pension cost of \$100,626 (does not include employee share of \$67,353 which was assumed by the Town for VRS) was equal to the Town’s required and actual contributions.

**Three-Year Trend Information for Town of Berryville**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) *</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/10	\$ 119,926	100%	-
6/30/11	101,162	100%	-
6/30/12	100,626	100%	-

\* Includes employer contributions only

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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**NOTE 8—DEFINED BENEFIT PENSION PLAN: (Continued)**

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**C. Annual Pension Cost:**

The FY 2012 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

**D. Funded Status and Funding Progress:**

As of June 30, 2011, the most recent actuarial valuation date, the plan was 82.52% funded. The actuarial accrued liability for benefits was \$4,074,399, and the actuarial value of assets was \$3,362,093, resulting in an unfunded actuarial accrued liability (UAAL) of \$712,306. The covered payroll (annual payroll of active employees covered by the plan) was \$1,363,555, and ratio of the UAAL to the covered payroll was 52.24%.

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

**NOTE 9—DEFERRED/UNEARNED REVENUE:**

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Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred revenue totaling \$458,260 consists of the following:

- A. Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$362,378 at June 30, 2012.
- B. Property taxes due subsequent to June 30, 2012 but paid in advance by the taxpayer totaled \$5,881 at June 30, 2012.

**TOWN OF BERRYVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2012 (Continued)

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**NOTE 10—CONTINGENT LIABILITIES:**

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At June 30, 2012, there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decisions on pending matters not be favorable to the Town.

**NOTE 11—EXCESS OF EXPENDITURES OVER APPROPRIATIONS:**

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For the year ended June 30, 2012, the general fund expenditures exceeded appropriations in the amount of \$274,574.

**NOTE 12—FUND BALANCE/NET ASSET ADJUSTMENTS:**

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Fund balance and net assets were restated as of July 1, 2011 as follows:

	<u>General Fund Balance</u>	<u>Governmental Activities Net Assets</u>
June 30, 2011, as reported	\$ 1,965,615	\$ 4,711,540
Adjustment for proffers revenue received in prior years and incorrectly reported as deferred revenue	<u>90,000</u>	<u>90,000</u>
July 1, 2011, as restated	<u>\$ 2,055,615</u>	<u>\$ 4,801,540</u>

## **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, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues:</b>				
General property taxes	\$ 880,000	\$ 880,000	\$ 873,690	\$ (6,310)
Other local taxes	720,000	720,000	828,078	108,078
Permits, privilege fees and regulatory licenses	31,500	31,500	51,419	19,919
Fines and forfeitures	32,725	32,725	45,997	13,272
Revenue from use of money and property	68,500	68,500	57,716	(10,784)
Charges for services	17,000	17,000	20,116	3,116
Miscellaneous	6,100	6,100	188,443	182,343
Intergovernmental revenues:				
Commonwealth	314,948	314,948	411,650	96,702
Federal	-	-	191,170	191,170
Total revenues	<u>\$ 2,070,773</u>	<u>\$ 2,070,773</u>	<u>\$ 2,668,279</u>	<u>\$ 597,506</u>
<b>Expenditures:</b>				
Current:				
General government administration	\$ 895,232	\$ 895,232	\$ 900,572	\$ (5,340)
Public safety	620,386	620,386	676,428	(56,042)
Public works	676,160	676,160	660,363	15,797
Parks, recreation, and cultural	9,450	9,450	248,227	(238,777)
Community development	160,850	160,850	116,815	44,035
Capital outlay	132,000	132,000	264,989	(132,989)
Contingency	118,704	118,704	109,962	8,742
Debt service	211,476	211,476	121,476	90,000
Total expenditures	<u>\$ 2,824,258</u>	<u>\$ 2,824,258</u>	<u>\$ 3,098,832</u>	<u>\$ (274,574)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (753,485)</u>	<u>\$ (753,485)</u>	<u>\$ (430,553)</u>	<u>\$ 322,932</u>
Net change in fund balances	\$ (753,485)	\$ (753,485)	\$ (430,553)	\$ 322,932
Fund balances at beginning of year, as restated	<u>753,485</u>	<u>753,485</u>	<u>2,055,615</u>	<u>1,302,130</u>
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,625,062</u>	<u>\$ 1,625,062</u>

Virginia Retirement System  
 Public Employees Retirement System  
 Schedule of Funding Progress

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Valuation as of (1)	Actuarial Value of Assets (AVA) (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio Assets as % of AAL (2)/(3) (5)	Annual Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
6/30/2011	\$ 3,362,093	\$ 4,074,399	\$ 712,306	82.52%	\$ 1,363,555	52.24%
6/30/2010	3,155,325	3,861,997	706,672	81.70%	1,282,759	55.09%
6/30/2009	3,075,470	3,417,466	341,996	89.99%	1,327,268	25.77%

*Supporting Schedules*

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Schedule of Revenues - Budget and Actual  
General Fund  
Year Ended June 30, 2012

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 571,500	\$ 571,500	\$ 552,193	\$ (19,307)
Personal property taxes	148,000	148,000	156,548	8,548
Machinery and tools taxes	155,000	155,000	158,410	3,410
Penalties	3,000	3,000	4,445	1,445
Interest	2,500	2,500	2,094	(406)
Total general property taxes	<u>\$ 880,000</u>	<u>\$ 880,000</u>	<u>\$ 873,690</u>	<u>\$ (6,310)</u>
Other local taxes:				
Local sales and use taxes	\$ 140,000	\$ 140,000	\$ 216,675	\$ 76,675
Business license tax	130,000	130,000	197,187	67,187
Bank franchise taxes	90,000	90,000	114,224	24,224
Consumer utility tax	190,000	190,000	107,178	(82,822)
Meals tax	80,000	80,000	96,124	16,124
Motor vehicle licenses	90,000	90,000	96,690	6,690
Total other local taxes	<u>\$ 720,000</u>	<u>\$ 720,000</u>	<u>\$ 828,078</u>	<u>\$ 108,078</u>
Permits, privilege fees and regulatory licenses:				
Licenses, zoning and subdivision permits	\$ 31,500	\$ 31,500	\$ 51,419	\$ 19,919
Fines and forfeitures:				
Court fines and forfeitures	\$ 30,000	\$ 30,000	\$ 39,854	\$ 9,854
Parking fines	2,725	2,725	6,143	3,418
Total fines and forfeitures	<u>\$ 32,725</u>	<u>\$ 32,725</u>	<u>\$ 45,997</u>	<u>\$ 13,272</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 35,000	\$ 35,000	\$ 20,873	\$ (14,127)
Revenue from use of property	33,500	33,500	36,843	3,343
Total revenue from use of money and property	<u>\$ 68,500</u>	<u>\$ 68,500</u>	<u>\$ 57,716</u>	<u>\$ (10,784)</u>
Charges for services:				
Charges for services - meters	\$ 7,000	\$ 7,000	\$ 10,368	\$ 3,368
Zoning and subdivision fees	10,000	10,000	9,748	(252)
Total charges for services	<u>\$ 17,000</u>	<u>\$ 17,000</u>	<u>\$ 20,116</u>	<u>\$ 3,116</u>

Schedule of Revenues - Budget and Actual  
 General Fund  
 Year Ended June 30, 2012 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
<b>General Fund: (continued)</b>				
Revenue from local sources: (continued)				
Miscellaneous revenue:				
Miscellaneous income	\$ 1,100	\$ 1,100	\$ -	\$ (1,100)
Barns of Rose Hill	5,000	5,000	188,443	183,443
Total revenue from miscellaneous revenue	\$ 6,100	\$ 6,100	\$ 188,443	\$ 182,343
Total revenue from local sources	\$ 1,766,925	\$ 1,766,925	\$ 2,442,345	\$ 675,420
Revenue from the Commonwealth:				
Non-categorical aid:				
Communication taxes	\$ -	\$ -	\$ 93,851	\$ 93,851
Personal property tax relief act funds	209,917	209,917	209,917	-
Rolling stock tax	1,806	1,806	1,860	54
Total non-categorical aid	\$ 211,723	\$ 211,723	\$ 305,628	\$ 93,905
Categorical aid:				
Aid to localities with police departments	\$ 68,725	\$ 68,725	\$ 78,411	\$ 9,686
Litter control grant	1,500	1,500	1,486	(14)
Street and highway maintenance	25,000	25,000	10,539	(14,461)
Commission of the arts	-	-	5,000	5,000
Fire funds	8,000	8,000	10,586	2,586
Total Categorical aid	\$ 103,225	\$ 103,225	\$ 106,022	\$ 2,797
Total revenue from the Commonwealth	\$ 314,948	\$ 314,948	\$ 411,650	\$ 96,702
Revenue from the Federal government:				
Categorical aid:				
Fire funds	\$ -	\$ -	\$ 5,372	\$ 5,372
Transportation funds - Barns of Rose Hill Project	-	-	185,798	185,798
Total revenue from the Federal government	\$ -	\$ -	\$ 191,170	\$ 191,170
Total General Fund	\$ 2,081,873	\$ 2,081,873	\$ 3,045,165	\$ 963,292

Schedule of Expenditures - Budget and Actual  
 General Fund  
 Year Ended June 30, 2012

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
<b>General Fund:</b>				
General government administration:				
Town Council:				
Compensation	\$ 18,900	\$ 18,900	\$ 18,600	\$ 300
Training	1,900	1,900	-	1,900
Local contributions	70,000	70,000	70,000	-
Miscellaneous	1,000	1,000	2,806	(1,806)
Dues	2,250	2,250	570	1,680
Town code supplements	3,000	3,000	3,474	(474)
State code supplements	250	250	-	250
<b>Total town council</b>	<b>\$ 97,300</b>	<b>\$ 97,300</b>	<b>\$ 95,450</b>	<b>\$ 1,850</b>
Town Clerk:				
Compensation	\$ 37,580	\$ 37,580	\$ 40,112	\$ (2,532)
Education/Training	1,000	1,000	524	476
Dues	250	250	180	70
<b>Total town clerk</b>	<b>\$ 38,830</b>	<b>\$ 38,830</b>	<b>\$ 40,816</b>	<b>\$ (1,986)</b>
Town Manager:				
Compensation	\$ 115,000	\$ 115,000	\$ 117,400	\$ (2,400)
Mileage	150	150	106	44
Training	1,000	1,000	883	117
Dues	500	500	25	475
<b>Total town manager</b>	<b>\$ 116,650</b>	<b>\$ 116,650</b>	<b>\$ 118,414</b>	<b>\$ (1,764)</b>
Legal and Professional:				
Professional services	\$ 40,000	\$ 40,000	\$ 41,222	\$ (1,222)
Contractual services	16,500	16,500	14,500	2,000
Engineering services	5,000	5,000	-	5,000
<b>Total legal and professional</b>	<b>\$ 61,500</b>	<b>\$ 61,500</b>	<b>\$ 55,722</b>	<b>\$ 5,778</b>
Personnel:				
Social security	\$ 71,170	\$ 71,170	\$ 76,100	\$ (4,930)
Retirement	116,015	116,015	110,738	5,277
Health insurance	133,740	133,740	121,306	12,434
Life insurance	2,605	2,605	2,485	120
Unemployment insurance	740	740	1,332	(592)
Workers' compensation insurance	17,700	17,700	23,073	(5,373)
Line of Duty act	2,110	2,110	2,105	5
<b>Total personnel</b>	<b>\$ 344,080</b>	<b>\$ 344,080</b>	<b>\$ 337,139</b>	<b>\$ 6,941</b>

Schedule of Expenditures - Budget and Actual  
 General Fund  
 Year Ended June 30, 2012 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
<b>General Fund: (continued)</b>				
General government administration: (continued)				
Town Treasurer:				
Compensation	\$ 76,400	\$ 76,400	\$ 80,822	\$ (4,422)
Surety bonds	300	300	300	-
Training	2,500	2,500	1,444	1,056
Dues	250	250	1,081	(831)
Miscellaneous	1,000	1,000	-	1,000
Total town treasurer	<u>\$ 80,450</u>	<u>\$ 80,450</u>	<u>\$ 83,647</u>	<u>\$ (3,197)</u>
Finance/Accounting:				
Compensation	\$ 39,220	\$ 39,220	\$ 50,197	\$ (10,977)
Training	450	450	214	236
Total finance/accounting	<u>\$ 39,670</u>	<u>\$ 39,670</u>	<u>\$ 50,411</u>	<u>\$ (10,741)</u>
Central Administration/Purchasing:				
Maintenance contracts	\$ 33,875	\$ 33,875	\$ 32,397	\$ 1,478
Advertising	5,000	5,000	7,597	(2,597)
Postage	10,000	10,000	6,414	3,586
Telecommunications	3,400	3,400	4,357	(957)
Office supplies and equipment	12,500	12,500	12,504	(4)
Newsletter	3,000	3,000	-	3,000
Training	500	500	713	(213)
Dues	1,000	1,000	410	590
Total central administration/purchasing	<u>\$ 69,275</u>	<u>\$ 69,275</u>	<u>\$ 64,392</u>	<u>\$ 4,883</u>
Risk Management:				
Blanket excess liability	\$ 11,800	\$ 11,800	\$ 20,039	\$ (8,239)
Automobile insurance	9,717	9,717	8,973	744
Varisk-2	3,445	3,445	3,131	314
Semi-multi peril insurance	18,015	18,015	21,249	(3,234)
Insurance deductibles	3,000	3,000	-	3,000
Total risk management	<u>\$ 45,977</u>	<u>\$ 45,977</u>	<u>\$ 53,392</u>	<u>\$ (7,415)</u>
Elections:				
Election officials	\$ 500	\$ 500	\$ 335	\$ 165
Office supplies	1,000	1,000	854	146
Total elections	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>\$ 1,189</u>	<u>\$ 311</u>
Total general government administration	<u>\$ 895,232</u>	<u>\$ 895,232</u>	<u>\$ 900,572</u>	<u>\$ (5,340)</u>

Schedule of Expenditures - Budget and Actual  
 General Fund  
 Year Ended June 30, 2012 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
<b>General Fund: (continued)</b>				
Public safety:				
Police department:				
Compensation	\$ 451,725	\$ 451,725	\$ 469,190	\$ (17,465)
Maintenance contracts	5,500	5,500	5,583	(83)
Communication equipment and services	1,000	1,000	1,033	(33)
Community relations	950	950	810	140
Office supplies	2,000	2,000	2,557	(557)
Gasoline oil	19,380	19,380	19,738	(358)
Repair and maintenance	10,000	10,000	17,806	(7,806)
Police supplies	13,000	13,000	17,471	(4,471)
Uniforms	3,000	3,000	3,999	(999)
Medical examinations	500	500	942	(442)
Training	15,000	15,000	13,231	1,769
Professional services	400	400	140	260
Dues	1,000	1,000	1,138	(138)
Total police department	<u>\$ 523,455</u>	<u>\$ 523,455</u>	<u>\$ 553,638</u>	<u>\$ (30,183)</u>
Traffic control:				
Contribution - crossing guard	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 5,000</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.	\$ 54,281	\$ 54,281	\$ 54,281	\$ -
Contribution - JHEVFD	25,000	25,000	50,000	(25,000)
Fire fund program	<u>8,000</u>	<u>8,000</u>	<u>10,586</u>	<u>(2,586)</u>
Total fire and rescue	<u>\$ 87,281</u>	<u>\$ 87,281</u>	<u>\$ 114,867</u>	<u>\$ (27,586)</u>
Correction and detention:				
Confinement and prisoners	\$ 250	\$ 250	\$ -	\$ 250
Public defenders fees	<u>2,400</u>	<u>2,400</u>	<u>923</u>	<u>1,477</u>
Total correction and detention	<u>\$ 2,650</u>	<u>\$ 2,650</u>	<u>\$ 923</u>	<u>\$ 1,727</u>
Total public safety	<u>\$ 620,386</u>	<u>\$ 620,386</u>	<u>\$ 676,428</u>	<u>\$ (56,042)</u>
Public works:				
Maintenance of Streets, Bridges and Sidewalks:				
General administration:				
Compensation	\$ 32,870	\$ 32,870	\$ 39,511	\$ (6,641)
Electricity	3,000	3,000	-	3,000
Fuel oil/heat	2,800	2,800	2,888	(88)
Telecommunications	3,500	3,500	3,117	383
Office supplies	100	100	1,083	(983)
Vehicle repairs and maintenance	4,750	4,750	7,523	(2,773)
Medical exams	400	400	292	108
Training	<u>700</u>	<u>700</u>	<u>182</u>	<u>518</u>
Total general administration	<u>\$ 48,120</u>	<u>\$ 48,120</u>	<u>\$ 54,596</u>	<u>\$ (6,476)</u>

Schedule of Expenditures - Budget and Actual  
 General Fund  
 Year Ended June 30, 2012 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
<b>General Fund: (continued)</b>				
Public works: (continued)				
Maintenance of Streets, Bridges and Sidewalks: (continued)				
Highways, streets, bridges and sidewalks:				
Compensation	\$ 98,500	\$ 98,500	\$ 124,769	\$ (26,269)
Gasoline and oil	19,000	19,000	35,210	(16,210)
Uniforms	2,375	2,375	2,092	283
Materials and supplies	4,750	4,750	7,119	(2,369)
Equipment maintenance	12,000	12,000	12,043	(43)
Sidewalk maintenance	7,600	7,600	77	7,523
Street sign maintenance	1,425	1,425	2,700	(1,275)
Norfolk/Southern ROW	240	240	240	-
Total highways, streets, bridges, and sidewalks	<u>\$ 145,890</u>	<u>\$ 145,890</u>	<u>\$ 184,250</u>	<u>\$ (38,360)</u>
Street lights:				
Electricity - street lights	<u>\$ 90,000</u>	<u>\$ 90,000</u>	<u>\$ 75,514</u>	<u>\$ 14,486</u>
Snow and ice removal:				
Material and supplies	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 1,739</u>	<u>\$ 18,261</u>
Parking meters:				
Material and supplies	<u>\$ 1,425</u>	<u>\$ 1,425</u>	<u>\$ 1,584</u>	<u>\$ (159)</u>
Street and road cleaning:				
Street cleaning	<u>\$ 4,750</u>	<u>\$ 4,750</u>	<u>\$ 4,533</u>	<u>\$ 217</u>
Total maintenance of streets, bridges and sidewalks	<u>\$ 310,185</u>	<u>\$ 310,185</u>	<u>\$ 322,216</u>	<u>\$ (12,031)</u>
Sanitation and Waste Removal:				
Contractual services	\$ 190,000	\$ 190,000	\$ 182,633	\$ 7,367
Recycling services	72,000	72,000	74,196	(2,196)
Landfill charges	<u>22,000</u>	<u>22,000</u>	<u>19,277</u>	<u>2,723</u>
Total sanitation and waste removal	<u>\$ 284,000</u>	<u>\$ 284,000</u>	<u>\$ 276,106</u>	<u>\$ 7,894</u>
Maintenance of buildings and grounds:				
General properties:				
Electricity	\$ 6,000	\$ 6,000	\$ 1,593	\$ 4,407
Fuel oil/heat	4,950	4,950	-	4,950
Repair and maintenance	6,175	6,175	11,375	(5,200)
Materials and supplies	1,425	1,425	4,946	(3,521)
Christmas lights	<u>1,425</u>	<u>1,425</u>	<u>1,457</u>	<u>(32)</u>
Total general properties	<u>\$ 19,975</u>	<u>\$ 19,975</u>	<u>\$ 19,371</u>	<u>\$ 604</u>

Schedule of Expenditures - Budget and Actual  
 General Fund  
 Year Ended June 30, 2012 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
<b>General Fund: (continued)</b>				
Public works: (continued)				
Maintenance of buildings and grounds: (continued)				
Building services:				
Contractual services	\$ 6,000	\$ 6,000	\$ 6,000	\$ -
Electricity	16,000	16,000	16,000	-
Natural gas/heat	3,000	3,000	2,389	611
Water/sewer	500	500	500	-
Compensation	10,000	10,000	-	10,000
Shared expenses - Clarke County	10,500	10,500	11,251	(751)
Telecommunications	16,000	16,000	6,530	9,470
Total building services	<u>\$ 62,000</u>	<u>\$ 62,000</u>	<u>\$ 42,670</u>	<u>\$ 19,330</u>
Total maintenance of buildings and grounds	<u>\$ 81,975</u>	<u>\$ 81,975</u>	<u>\$ 62,041</u>	<u>\$ 19,934</u>
Total public works	<u>\$ 676,160</u>	<u>\$ 676,160</u>	<u>\$ 660,363</u>	<u>\$ 15,797</u>
Parks, recreation and cultural:				
Christmas lights	\$ 450	\$ 450	\$ 122	\$ 328
Rose Hill improvements	2,500	2,500	242,121	(239,621)
Contributions	6,500	6,500	5,984	516
Total parks, recreation and cultural	<u>\$ 9,450</u>	<u>\$ 9,450</u>	<u>\$ 248,227</u>	<u>\$ (238,777)</u>
Community development:				
Planning:				
Compensation	\$ 99,075	\$ 99,075	\$ 79,097	\$ 19,978
Professional services	20,000	20,000	5,667	14,333
Office supplies	250	250	572	(322)
Printing	1,000	1,000	-	1,000
Mileage	500	500	267	233
Training	500	500	124	376
Dues	3,000	3,000	560	2,440
Publications	400	400	-	400
Total planning	<u>\$ 124,725</u>	<u>\$ 124,725</u>	<u>\$ 86,287</u>	<u>\$ 38,438</u>
Board of zoning appeals:				
Compensation	\$ 500	\$ 500	\$ 320	\$ 180
Training	500	500	63	437
Total board of zoning appeals	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 383</u>	<u>\$ 617</u>
Economic development:				
DBI/economic development professional services	\$ 25,000	\$ 25,000	\$ 25,000	\$ -

Schedule of Expenditures - Budget and Actual  
 General Fund  
 Year Ended June 30, 2012 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
<b>General Fund: (continued)</b>				
Community development: (continued)				
Planning commission:				
Compensation	\$ 6,000	\$ 6,000	\$ 3,600	\$ 2,400
Training	750	750	-	750
Dues	250	250	189	61
Total planning commission	<u>\$ 7,000</u>	<u>\$ 7,000</u>	<u>\$ 3,789</u>	<u>\$ 3,211</u>
Berryville Area Development Authority:				
Compensation	\$ 2,500	\$ 2,500	\$ 1,260	\$ 1,240
Training	250	250	-	250
Dues	125	125	63	62
Total Berryville Area Development Authority	<u>\$ 2,875</u>	<u>\$ 2,875</u>	<u>\$ 1,323</u>	<u>\$ 1,552</u>
Architectural Review Board:				
Training	\$ 250	\$ 250	\$ 33	\$ 217
Total community development	<u>\$ 160,850</u>	<u>\$ 160,850</u>	<u>\$ 116,815</u>	<u>\$ 44,035</u>
Capital outlay:				
Town office	\$ 19,000	\$ 19,000	\$ 222,430	\$ (203,430)
Police cruiser	27,000	27,000	26,378	622
Other capital outlay	86,000	86,000	16,181	69,819
Total capital outlay	<u>\$ 132,000</u>	<u>\$ 132,000</u>	<u>\$ 264,989</u>	<u>\$ (132,989)</u>
Contingency:				
Shared cost for operation of joint government center	\$ 118,704	\$ 118,704	\$ 67,519	\$ 51,185
VDOT project	-	-	37,851	(37,851)
Other	-	-	4,592	(4,592)
Total contingency	<u>\$ 118,704</u>	<u>\$ 118,704</u>	<u>\$ 109,962</u>	<u>\$ 8,742</u>
Debt service:				
Principal	\$ 118,098	\$ 118,098	\$ 28,295	\$ 89,803
Interest	93,378	93,378	93,181	197
Total debt service	<u>\$ 211,476</u>	<u>\$ 211,476</u>	<u>\$ 121,476</u>	<u>\$ 90,000</u>
Total General Fund	<u>\$ 2,824,258</u>	<u>\$ 2,824,258</u>	<u>\$ 3,098,832</u>	<u>\$ (274,574)</u>

Schedule of Operating Expenses (With Comparative Amounts for 2011)  
 Enterprise Funds  
 Year Ended June 30, 2012

Fund, Function, Activity and Elements	2012	2011
<b>Water Fund:</b>		
General administration:		
Salaries and wages	\$ 37,383	\$ 37,302
Miss Utility	2,759	1,598
Repairs and maintenance	1,065	1,275
Postage	3,488	3,922
Office supplies	-	540
Total general administration	<u>\$ 44,695</u>	<u>\$ 44,637</u>
Supply purification:		
Salaries and wages	\$ 154,995	\$ 162,344
Repairs and maintenance	39,705	38,919
Electricity	54,828	49,115
Heating service	1,430	3,743
Equipment and supplies	8,442	14,852
Materials and supplies - chemicals	25,614	28,102
Sludge removal	16,670	14,180
Permits, fees and testing	13,359	22,251
Other operating expenses	7,995	6,109
Total supply purification	<u>\$ 323,038</u>	<u>\$ 339,615</u>
Transmission and distribution:		
Salaries and wages	\$ 71,524	\$ 77,479
Repairs and maintenance - water lines	141,031	85,253
Materials and supplies	17,716	18,698
Total transmission and distribution	<u>\$ 230,271</u>	<u>\$ 181,430</u>
Fringe benefits:		
Social security	\$ 19,397	\$ 19,880
Retirement	28,897	28,749
Health insurance	34,316	34,118
Group life insurance	633	633
Workers' compensation	11,746	8,273
Unemployment insurance	366	480
Total fringe benefits	<u>\$ 95,355</u>	<u>\$ 92,133</u>
Depreciation	<u>\$ 194,122</u>	<u>\$ 166,108</u>
Contingency	<u>\$ 5,513</u>	<u>\$ 18,400</u>
Total Water Fund	<u><u>\$ 892,994</u></u>	<u><u>\$ 842,323</u></u>

Schedule of Operating Expenses (With Comparative Amounts for 2011)  
 Enterprise Funds  
 Year Ended June 30, 2012 (Continued)

Fund, Function, Activity and Elements	2012	2011
<b><u>Sewer Fund:</u></b>		
General administration:		
Salaries and wages	\$ 37,403	\$ 37,474
Repairs and maintenance	1,600	1,912
Postage	5,005	5,299
Office supplies	286	1,274
Total general administration	<u>\$ 44,294</u>	<u>\$ 45,959</u>
Wastewater treatment:		
Salaries and wages	\$ 151,362	\$ 149,281
Professional services	4,230	625
Repairs and maintenance	18,411	36,177
Electricity	85,055	75,281
Materials and supplies - chemicals	2,036	-
Equipment and supplies	5,739	10,369
Permits, fees and testing	22,229	18,078
Other operating expenses	2,500	1,896
Total wastewater treatment	<u>\$ 291,562</u>	<u>\$ 291,707</u>
Maintenance of sewer lines:		
Salaries and wages	\$ 71,564	\$ 71,260
Repairs and maintenance - sewer lines	74,780	26,097
Materials and supplies	6,320	3,098
Total maintenance of sewer lines	<u>\$ 152,664</u>	<u>\$ 100,455</u>
Fringe benefits:		
Social security	\$ 19,123	\$ 18,441
Retirement	28,488	26,858
Health insurance	33,864	32,330
Group life insurance	623	591
Workers' compensation	351	479
Unemployment insurance	7,132	5,181
Total fringe benefits	<u>\$ 89,581</u>	<u>\$ 83,880</u>
Depreciation	<u>\$ 148,587</u>	<u>\$ 158,275</u>
Contingency	<u>\$ 4,918</u>	<u>\$ -</u>
Total Sewer Fund	<u><u>\$ 731,606</u></u>	<u><u>\$ 680,276</u></u>

## **Statistical Information**

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TOWN OF BERRYVILLE, VIRGINIA

Table 1

Governmental Revenues by Source  
Last Ten Fiscal Years

Fiscal Year	General Property Taxes		Other Local Taxes	Permits, Fees and Licenses	Fines and Forfeitures	Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental	Total
2012	\$ 873,690	\$ 828,078	\$ 51,419	\$ 45,997	\$ 57,716	\$ 20,116	\$ 188,443	\$ -	\$ 602,820	\$ 2,668,279	
2011	874,629	726,493	90,822	40,330	66,570	17,811	195	916,399	442,654	3,175,903	
2010	1,146,789	762,621	50,284	32,112	76,549	8,995	3,562	-	189,747	2,270,659	
2009	1,206,692	751,709	84,766	54,918	98,463	8,193	16,339	-	112,888	2,333,968	
2008	1,192,311	772,820	13,345	58,553	142,604	9,385	73,495	-	128,716	2,391,229	
2007	1,137,000	774,422	35,016	73,228	183,142	10,359	56,500	-	138,565	2,408,232	
2006	1,067,540	781,037	48,018	54,810	156,005	11,525	40,121	-	117,251	2,276,307	
2005	1,058,751	691,504	68,928	57,361	48,266	10,755	6,093	-	109,040	2,050,698	
2004	855,604	608,694	23,684	35,199	39,747	11,182	15,681	-	115,085	1,704,876	
2003	786,085	589,537	19,660	36,082	49,520	10,407	89,188	-	148,554	1,729,033	

TOWN OF BERRYVILLE, VIRGINIA

Table 2

Governmental Expenditures by Source  
Last Ten Fiscal Years

Fiscal Year	General Government	Public Safety	Public Works	Parks, Recreation, and Culture	Community Development	Capital		Total
						Outlay & Contingency	Debt Service	
2012	\$ 900,572	\$ 676,428	\$ 660,363	\$ 248,227	\$ 116,815	\$ 374,951	\$ 121,476	\$ 3,098,832
2011	796,362	552,020	664,892	1,100,238	128,752	183,620	121,476	3,547,360
2010	794,863	658,010	641,026	13,620	133,471	377,099	121,476	2,739,565
2009	764,750	620,564	548,722	8,688	140,128	2,913,217	94,869	5,090,938
2008	726,951	637,027	540,502	10,674	142,974	155,212	16,068	2,229,408
2007	722,777	548,059	539,679	26,081	139,008	111,814	-	2,087,418
2006	635,159	547,833	473,545	10,916	101,425	66,704	-	1,835,582
2005	512,179	488,654	410,628	6,008	102,716	96,804	-	1,616,989
2004	399,628	434,474	401,975	10,675	84,282	337,089	100,000	1,768,123
2003	381,569	423,274	432,856	8,150	96,467	63,805	-	1,406,121

## **Compliance**

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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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TO THE HONORABLE MEMBERS OF THE TOWN COUNCIL  
TOWN OF BERRYVILLE, VIRGINIA  
BERRYVILLE, VIRGINIA

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Berryville, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the Town of Berryville, Virginia's basic financial statements, and have issued our report thereon dated November 14, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

Management of the Town of Berryville, Virginia is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Berryville, Virginia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Berryville, Virginia's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Berryville, Virginia's financial statements are free of 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*.

This report is intended solely for the information and use of the Town Council, management, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

*Robinson, Farmer, Cox Associates*  
Fredericksburg, Virginia  
November 14, 2012