

TOWN OF BERRYVILLE, VIRGINIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2002

ANDERSON, WHITE & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

STAUNTON, VIRGINIA

STUARTS DRAFT, VIRGINIA

TOWN OF BERRYVILLE, VIRGINIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2002

THE TOWN COUNCIL

Richard G. Spohnseller, Mayor

Allan W. McWilliams

Lawrence Russell, III

F. Barry Nicholson

H. Allen Kitselman, III

Wilson Kirby

OFFICIALS

Allan W. McWilliams, Recorder

Keith R. Dalton, Town Manager

Desiree A. Moreland, Treasurer/Assistant Town Manager

Christina N. Dunkle, Town Planner/Assistant Town Manager

Deborah Boggs, Utility Clerk

Dianne MacMillan, Town Clerk

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INDEPENDENT AUDITOR'S REPORTS

ANDERSON, WHITE & COMPANY, P.C.

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MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
VIRGINIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

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

We have audited the accompanying financial statements of the Town of Berryville, Virginia, as of and for the year ended June 30, 2002, as listed in the Table of Contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Town of Berryville, Virginia, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then 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 September 5, 2002, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as supplementary information and statistical section in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Town. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Anderson, White & Company, P.C.

September 5, 2002

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND INTERNAL CONTROL OVER FINANCIAL REPORTING
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the Town of Berryville, Virginia, as of and for the year ended June 30, 2002, and have issued our report thereon dated September 5, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one of more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Town in a separate letter dated September 5, 2002.

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

Anderson, White & Company, P.C.

September 5, 2002

FINANCIAL STATEMENTS

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TOWN OF BERRYVILLE, VIRGINIA

BALANCE SHEET - ALL FUNDS AND ACCOUNT GROUPS

As of June 30, 2002

	Governmental Fund Type General	Proprietary Fund Types Enterprise Funds	
		Water	Sewer
<u>ASSETS</u>			
Cash	\$ 1 231 237	\$ 779 486	\$ 598 038
Receivables (net of allowance for uncollectibles):			
Taxes	13 044	-	-
Water and sewer service charges	-	105 803	72 556
Other	27 446	-	-
Prepaid expenses	90	-	-
Due from other governmental units	6 202	-	-
Restricted asset, cash and cash equivalent	24 703	258 725	-
Fixed assets (net of accumulated depreciation)	-	2 896 868	2 669 187
Amount to be provided for general long-term debt	-	-	-
	<u>1 302 722</u>	<u>4 040 882</u>	<u>3 339 781</u>
<u>Total Assets</u>	<u>\$ 1 302 722</u>	<u>\$ 4 040 882</u>	<u>\$ 3 339 781</u>
<u>LIABILITIES</u>			
Accounts payable and accrued expenses	\$ 50 127	\$ 42 240	\$ 9 794
Deferred revenue	17 177	-	-
Performance bonds	24 703	-	-
Customer deposits	-	9 110	8 065
Accrued compensated absences payable	-	14 442	13 650
Long-term debt	-	1 460 873	547 861
	<u>92 007</u>	<u>1 526 665</u>	<u>579 370</u>
<u>Total Liabilities</u>	<u>\$ 92 007</u>	<u>\$ 1 526 665</u>	<u>\$ 579 370</u>
<u>FUND EQUITY</u>			
Contributed capital	\$ -	\$ 1 416 161	\$ 1 568 280
Investment in general fixed assets	-	-	-
Retained earnings, unreserved	-	1 098 056	1 192 131
Fund Balance, unreserved	1 210 715	-	-
	<u>1 210 715</u>	<u>2 514 217</u>	<u>2 760 411</u>
<u>Total Fund Equity</u>	<u>\$ 1 210 715</u>	<u>\$ 2 514 217</u>	<u>\$ 2 760 411</u>
<u>Total Liabilities and Fund Equity</u>	<u>\$ 1 302 722</u>	<u>\$ 4 040 882</u>	<u>\$ 3 339 781</u>

Account Groups		Total (Memorandum Only)	
General Fixed Assets	General Long-Term Debt	2002	2001
\$ -	\$ -	\$ 2 608 761	\$ 1 665 138
-	-	13 044	30 001
-	-	178 359	140 159
-	-	27 446	17 346
-	-	90	800
-	-	6 202	20 017
-	-	283 428	283 768
792 981	-	6 359 036	5 895 876
-	150 227	150 227	48 287
<u>\$ 792 981</u>	<u>\$ 150 227</u>	<u>\$ 9 626 593</u>	<u>\$ 8 101 392</u>
\$ -	\$ -	\$ 102 161	\$ 92 750
-	-	17 177	25 173
-	-	24 703	24 269
-	-	17 175	16 851
-	50 227	78 319	75 914
-	100 000	2 108 734	1 377 339
<u>\$ -</u>	<u>\$ 150 227</u>	<u>\$ 2 348 269</u>	<u>\$ 1 612 296</u>
\$ -	\$ -	\$ 2 984 441	\$ 2 631 023
792 981	-	792 981	632 185
-	-	2 290 187	2 134 893
-	-	1 210 715	1 090 995
<u>\$ 792 981</u>	<u>\$ -</u>	<u>\$ 7 278 324</u>	<u>\$ 6 489 096</u>
<u>\$ 792 981</u>	<u>\$ 150 227</u>	<u>\$ 9 626 593</u>	<u>\$ 8 101 392</u>

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

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STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2002

	<u>Governmental</u> <u>Fund Type</u> <u>General</u>	<u>Total</u> <u>(Memorandum</u> <u>Only)</u> <u>2001</u>
Revenues:		
General property taxes	\$ 767 480	\$ 712 526
Other local taxes	538 725	510 098
Permits, privilege fees and regulatory licenses	20 416	13 155
Fines and forfeitures	50 202	47 787
Revenue from use of money and property	47 808	31 121
Charges for services	9 755	9 490
Miscellaneous	35 096	23 148
Intergovernmental	<u>111 540</u>	<u>113 369</u>
<u>Total Revenues</u>	<u>\$ 1 581 022</u>	<u>\$ 1 460 694</u>
Expenditures:		
Current:		
General government administration	\$ 240 081	\$ 201 758
Public safety	425 994	391 214
Public works	396 484	363 072
Parks, recreation and cultural	8 449	9 414
Community development	76 976	62 206
Nondepartmental	155 427	152 785
Capital outlay	259 754	199 189
Debt service:		
Principal	-	-
Interest	<u>-</u>	<u>-</u>
<u>Total Expenditures</u>	<u>\$ 1 563 165</u>	<u>\$ 1 379 638</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 17 857</u>	<u>\$ 81 056</u>
Other Financing Sources (Uses):		
Proceeds from loan from Clarke County	\$ 100 000	\$ -
Operating transfers at net	<u>1 863</u>	<u>7 883</u>
<u>Total Other Financing Sources (Uses)</u>	<u>\$ 101 863</u>	<u>\$ 7 883</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ 119 720</u>	<u>\$ 88 939</u>
Fund Balance, Beginning of Year	<u>1 090 995</u>	<u>1 002 056</u>
Fund Balance, End of Year	<u><u>\$ 1 210 715</u></u>	<u><u>\$ 1 090 995</u></u>

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

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STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended June 30, 2002

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
General property taxes	\$ 669 030	\$ 767 480	\$ 98 450
Other local taxes	506 500	538 725	32 225
Permits, privilege fees and regulatory licenses	7 500	20 416	12 916
Fines and forfeitures	46 600	50 202	3 602
Revenue from use of money and property	32 200	47 808	15 608
Charges for services	9 500	9 755	255
Miscellaneous <i>CIP Loan Supp 17</i>	197 000	35 096	(161 904)
Intergovernmental <i>State - Street Mt - no snow</i>	152 782	111 540	(41 242)
Total Revenues	\$ 1 621 112	\$ 1 581 022	\$ (40 090)
Expenditures:			
Current:			
General government administration	\$ 244 913	\$ 240 081	\$ 4 832
Public safety <i>Pol Sal 1/2 Fire Fund rec'd 1/2</i>	417 710	425 994	(8 284)
Public works	407 321	396 484	10 837
Parks, recreation and cultural	9 220	8 449	771
Community development <i>Printing 1/2</i>	75 127	76 976	(1 849)
Nondepartmental	164 732	155 427	9 305
Capital outlay	470 515	259 754	210 761
Debt service:			
Principal	8 158	-	8 158
Interest	6 666	-	6 666
Total Expenditures	\$ 1 804 362	\$ 1 563 165	\$ 241 197
Excess (Deficiency) of Revenues Over Expenditures	\$ (183 250)	\$ 17 857	\$ 201 107
Other Financing Sources (Uses):			
Proceeds from loan from Clarke County	\$ -	\$ 100 000	\$ 100 000
Operating transfers at net	-	1 863	1 863
Total Other Financing Sources (Uses)	\$ -	\$ 101 863	\$ 101 863
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	\$ (183 250)	\$ 119 720	\$ 302 970
Fund Balance, Beginning of Year	-	1 090 995	-
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ 1 210 715</u>	<u>\$ -</u>

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

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STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN RETAINED EARNINGS - PROPRIETARY FUNDS

For the Year Ended June 30, 2002

	<u>Enterprise Funds</u>		<u>Totals</u> <u>(Memorandum Only)</u>	
	<u>Water</u>	<u>Sewer</u>	<u>2002</u>	<u>2001</u>
Operating Revenues:				
Charges for services	\$ 625 838	\$ 426 898	\$ 1 052 736	\$ 963 795
Connection charges and meter fees	9 825	-	9 825	7 550
Delinquent account charges	11 102	-	11 102	10 025
<u>Total Operating Revenues</u>	<u>\$ 646 765</u>	<u>\$ 426 898</u>	<u>\$ 1 073 663</u>	<u>\$ 981 370</u>
Operating Expenses:				
General administration	\$ 61 142	\$ 45 544	\$ 106 686	\$ 85 526
Supply purification	203 676	-	203 676	193 149
Transmission and distribution	78 296	-	78 296	76 972
Wastewater treatment	-	138 555	138 555	112 130
Maintenance of sewer lines	-	59 814	59 814	46 758
Fringe benefits	52 167	33 147	85 314	88 254
Depreciation	126 476	130 218	256 694	248 305
Contingency	-	-	-	1 721
<u>Total Operating Expenses</u>	<u>\$ 521 757</u>	<u>\$ 407 278</u>	<u>\$ 929 035</u>	<u>\$ 852 815</u>
<u>Operating Income (Loss)</u>	<u>\$ 125 008</u>	<u>\$ 19 620</u>	<u>\$ 144 628</u>	<u>\$ 128 555</u>
Nonoperating Revenues (Expenses):				
Interest income	\$ 9 744	\$ -	\$ 9 744	\$ 11 867
Interest expense and fiscal charges	(53 966)	(33 606)	(87 572)	(70 531)
Gain/loss on disposal of assets	-	-	-	-
<u>Total Nonoperating Revenues (Expenses)</u>	<u>\$ (44 222)</u>	<u>\$ (33 606)</u>	<u>\$ (77 828)</u>	<u>\$ (58 664)</u>
<u>Net Income (Loss) Before Operating Transfers</u>	<u>\$ 80 786</u>	<u>\$ (13 986)</u>	<u>\$ 66 800</u>	<u>\$ 69 891</u>
Operating Transfers at Net	<u>(2 084)</u>	<u>221</u>	<u>(1 863)</u>	<u>(7 883)</u>
<u>Net Income</u>	<u>\$ 78 702</u>	<u>\$ (13 765)</u>	<u>\$ 64 937</u>	<u>\$ 62 008</u>
Depreciation Transferred to Contributed Capital	<u>45 275</u>	<u>45 082</u>	<u>90 357</u>	<u>80 426</u>
<u>Increase in Retained Earnings</u>	<u>\$ 123 977</u>	<u>\$ 31 317</u>	<u>\$ 155 294</u>	<u>\$ 142 434</u>
Retained Earnings, Beginning of Year	<u>974 079</u>	<u>1 160 814</u>	<u>2 134 893</u>	<u>1 992 459</u>
Retained Earnings, End of Year	<u>\$ 1 098 056</u>	<u>\$ 1 192 131</u>	<u>\$ 2 290 187</u>	<u>\$ 2 134 893</u>

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

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STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

For the Year Ended June 30, 2002

	Enterprise Funds		Totals (Memorandum Only)	
	Water	Sewer	2002	2001
Cash Flows from Operating Activities:				
Operating income (loss)	\$ 125 008	\$ 19 620	\$ 144 628	\$ 128 555
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	126 476	130 218	256 694	248 305
(Increase) decrease in:				
Accounts receivable	(18 831)	(19 369)	(38 200)	3 415
Increase (decrease) in:				
Accounts payable and accrued expenses	20 730	(9 704)	11 026	(16 122)
Customer deposits	112	212	324	626
Accrued compensated absences	243	222	465	(5 010)
<u>Net Cash Provided (Used) by Operating Activities</u>	<u>\$ 253 738</u>	<u>\$ 121 199</u>	<u>\$ 374 937</u>	<u>\$ 359 769</u>
Cash Flows Provided by Investing Activities:				
Interest on investments	\$ 9 744	\$ -	\$ 9 744	\$ 11 867
<u>Net Cash Provided by Investing Activities</u>	<u>\$ 9 744</u>	<u>\$ -</u>	<u>\$ 9 744</u>	<u>\$ 11 867</u>
Cash Flows from Capital and Related Financing Activities:				
Contribution of availability fees	\$ 175 705	\$ 268 070	\$ 443 775	\$ 350 760
Purchase of fixed assets	(527 028)	(32 030)	(559 058)	(145 964)
Proceeds from bonds	775 000	-	775 000	-
Principal payments on long-term debt	(134 181)	(9 424)	(143 605)	(177 001)
Interest payments on bonds and notes	(53 966)	(33 606)	(87 572)	(73 159)
<u>Net Cash Provided (Used) by Capital and Related Financing Activities</u>	<u>\$ 235 530</u>	<u>\$ 193 010</u>	<u>\$ 428 540</u>	<u>\$ (45 364)</u>
Cash Flows Provided by (Used) by Noncapital Financing Activities:				
Net operating transfers	\$ (2 084)	\$ 221	\$ (1 863)	\$ (7 883)
<u>Net Cash Provided (Used) by Noncapital Financing Activities</u>	<u>\$ (2 084)</u>	<u>\$ 221</u>	<u>\$ (1 863)</u>	<u>\$ (7 883)</u>
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	<u>\$ 496 928</u>	<u>\$ 314 430</u>	<u>\$ 811 358</u>	<u>\$ 318 389</u>
Cash and Cash Equivalents, Beginning of Year	541 283	283 608	824 891	506 502
Cash and Cash Equivalents, End of Year	<u>\$ 1 038 211</u>	<u>\$ 598 038</u>	<u>\$ 1 636 249</u>	<u>\$ 824 891</u>
Cash	\$ 779 486	\$ 598 038	\$ 1 377 524	\$ 565 392
Restricted Cash	258 725	-	258 725	259 499
<u>Total Cash per Balance Sheet</u>	<u>\$ 1 038 211</u>	<u>\$ 598 038</u>	<u>\$ 1 636 249</u>	<u>\$ 824 891</u>

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

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TOWN OF BERRYVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2002

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Town of Berryville, Virginia (the "Town") are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

A. The Financial Reporting Entity

For financial reporting purposes, the town includes all funds, account groups, agencies, boards, commissions and authorities that are controlled by or dependent upon the Town Council determined on the basis of the following:

1. The Town's ability to designate the management or significantly control the operations of the entity.
2. The Town's responsibility for the fiscal matters of the entity, including authorizations of budgetary appropriations, funding of operating deficiencies, control or use of surplus funds, responsibility for debts and control over the collections and disbursements of funds.
3. The scope of public services rendered by and the geographic location of the entity.

Based on the foregoing criteria, all the financial activities of the Town, including its water and sewer operations, are included in the accompanying financial statements. Fire and rescue services are provided to the Town residents by separate independent voluntary not-for-profit organizations and educational services are provided by the Clarke County School Board. Since these activities do not meet the criteria above they are not included in the accompanying financial statements.

B. Financial Statement Presentation

The accounts of the Town are organized on the basis of funds and account groups, each of which is considered to be a separate accounting entity. Each fund is a separate set of self-balancing accounts that consists of assets, liabilities, fund equity, revenues, and expenditures or expenses. Account groups are used to establish accounting control over certain assets and liabilities that are not recorded in funds. The various funds and account groups are grouped in the financial statements as follows:

1. Governmental Funds account for the expendable financial resources other than those accounted for in proprietary and similar trust funds. The governmental fund measurement focus is on determination of financial position and changes in financial position, rather than on net income determination. The individual governmental funds are:

General Fund

The General Fund is the general operating fund of the Town. This fund accounts for all revenues and expenditures of the Town which are not accounted for in the other funds.

2. Proprietary Funds account for activities similar to those found in the private sector. The measurement focus is on determination of net income. Proprietary Funds consist of the Enterprise Funds.

TOWN OF BERRYVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2002

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

B. Financial Statement Presentation (Continued)

Enterprise Funds

Enterprise Funds account for operations that are financed and operated in the manner similar to private business enterprises. The intent of the Town is that the cost of providing services to the general public be financed or recovered through user charges. Enterprise Funds consist of the Water Fund and the Sewer Fund.

3. Account Groups are used to establish accounting control over general fixed assets and long-term liabilities. General long-term debt and general fixed asset account groups are included herein. Long-term obligations and fixed assets related to Proprietary Funds are accounted for in the Proprietary Funds.

Memorandum Only – Total Columns on Combined Statements - Overview

The total columns on the Combined Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in aggregation of this data.

Comparative Totals

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Town's financial position and operations. However, presentation of prior year totals by fund type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

C. Basis of Accounting

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. Property taxes not collected within 45 days after year-end are reflected as deferred revenues. Sales taxes and utility taxes, which are collected by the State or utility 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 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 earned or at the time of the specific expenditure. Revenues from general purpose grants are recognized in the period to which the grant applies.

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

TOWN OF BERRYVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2002

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

C. Basis of Accounting (Continued)

2. Proprietary Funds

The accrual basis of accounting is used for the Enterprise Funds. Under the accrual method, revenues are recognized when earned and expenses are recognized when incurred.

D. Budgets

Each year all agencies of the Town submit requests for appropriation to the Town Administrator so that a budget may be prepared. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

Before April 30, the proposed budget is presented to the Town council for review. The Town's council holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available by the Town Manager or the revenue estimates must be changed by an affirmative vote of a majority of the Town's council.

All budget data presented is the revised budget as of June 30.

E. Cash and Cash Equivalents

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

F. Property, Plant and Equipment

All purchased property, plant and equipment are valued at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value at the date of donation.

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the assets capitalized in the General Fixed Assets Account Group. Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized. Such assets are immovable and of value only to the government.

Depreciation on assets in the general fixed assets account group is computed using the straight-line method over useful lives ranging from three to fifty years. Depreciation for property, plant and equipment in the proprietary funds is computed over the following useful lives using the straight-line method.

Water and sewer systems	10-50 years
Equipment	5-8 years

TOWN OF BERRYVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2002

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

G. Property Taxes

Real estate and personal property taxes are assessed by Clarke County, Virginia, for all property of record as of January 1. The Town bills and collects its own property taxes based on the assessed values provided by the County. Real Estate Taxes are levied semiannually and are due June 5th and December 5th. Personal Property Taxes are levied annually and are due December 5th.

H. Contributed Capital

Connection and availability fees charged in excess of actual physical connection costs are recognized as contributed capital. Additionally, contributed capital includes donated developer systems and grant funds received for the construction of water and sewer lines. The Town amortizes its contributed capital over the useful life of the related assets or improvement using the straight-line method.

I. Use of Estimates

The preparation of financial statements in conformity with 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.

NOTE 2—DEPOSITS:

All cash of the Town is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.1-359 et. seq. of the Code of Virginia or covered by federal depository insurance.

NOTE 3—ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS:

The Town calculates its allowance for uncollectible accounts using historical collection data and account analysis. The allowance amounted to \$34,138 on June 30, 2002, and is composed of the following:

General Fund	\$ 32 138
Enterprise Funds:	
Water	1 200
Sewer	<u>800</u>
Total	<u>\$ 34 138</u>

NOTE 4—DUE FROM OTHER GOVERNMENTAL UNITS:

At June 30, 2002, the amount due from other governmental units is as follows:

Clarke County, Virginia – sales tax	\$ <u>6 202</u>
Total	<u>\$ 6 202</u>

TOWN OF BERRYVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2002

NOTE 5—CHANGES IN GENERAL FIXED ASSETS:

A summary of general fixed assets for the year ended June 30, 2002 is as follows:

Investment in general fixed assets July 1, 2001	\$ 1 339 627
Additions	258 030
Deletions	<u>-</u>
	\$ 1 597 657
Accumulated depreciation	<u>(804 676)</u>
Investment in general fixed assets June 30, 2002	<u>\$ 792 981</u>

NOTE 6—PROPRIETARY FIXED ASSETS:

A summary of the Proprietary Fund property, plant and equipment at June 30, 2002 is as follows:

	<u>Enterprise Funds</u>		<u>Total</u>
	<u>Water</u>	<u>Sewer</u>	
Property, plant and equipment	\$ 5 053 541	\$ 4 284 290	\$ 9 337 831
Accumulated depreciation	<u>(2 156 673)</u>	<u>(1 615 103)</u>	<u>(3 771 776)</u>
Total	<u>\$ 2 896 868</u>	<u>\$ 2 669 187</u>	<u>\$ 5 566 055</u>

NOTE 7—DEFINED BENEFIT PENSION PLAN:

A. Plan Description

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

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.7 percent of their average final salary (AFS) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5% per year beginning in their second year of retirement. AFS is defined as the highest consecutive 36 months of salary. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. 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 that report may be obtained by writing the System at P.O. Box 2500, Richmond, VA 23218-2500.

TOWN OF BERRYVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2002

NOTE 7—DEFINED BENEFIT PENSION PLAN: (Continued)

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. The employer may assume this 5% member contribution. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended June 30, 2002 was .5% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2002, the Town's annual pension cost of \$4,146, was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2000 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return, (b) projected salary increases ranging from 4.25% to 6.10% per year, and (c) 3.00% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.00%. 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.

D. Three-year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2000	\$ 22,059	100%	\$ -
June 30, 2001	4,142	100%	-
June 30, 2002	4,146	100%	-

E. Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
June 30, 1999	\$1,253,654	\$1,000,246	\$(253,408)	125.3%	\$671,627	(37.7%)
June 30, 2000	1,462,807	1,057,452	(405,355)	138.3%	722,903	(56.1%)
June 30, 2001	1,637,959	1,248,008	(389,951)	131.3%	745,148	(52.3%)

NOTE 8—DEFERRED COMPENSATION PLAN:

The Town of Berryville has established a deferred compensation plan under the Internal Revenue Code Section 457. Town employees may elect to defer a portion of their salary which is invested to provide additional retirement income. The Town will not make any contributions to the Plan. All assets and income of the plan have been set aside in a trust for the exclusive benefit of the participants as required by IRC Section 457(g). The ending investment balance as of June 30, 2002 was \$21,399.

TOWN OF BERRYVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2002

NOTE 9—ACCUMULATED COMPENSATED ABSENCES PAYABLE:

In accordance with NCGA Statement 4, "Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences," the Town has accrued the liability arising from outstanding compensated absences.

Town employees can accumulate a maximum of thirty days vacation and has placed no limit on the accumulation of sick leave. No benefits or pay is received for unused sick leave upon termination. Accumulated vacation is paid upon termination. The Town has outstanding accrued vacation pay totaling \$50,227 in the General Long-term Debt Account Group, \$14,442 in the Water Fund and \$13,650 in the Sewer Fund.

NOTE 10—LONG-TERM DEBT:

Outstanding long-term debt as of June 30, 2002, includes the following:

General Long-term Debt Account Group:

\$100,000 note payable to the County of Clarke, Virginia, due by April 30, 2004, without interest. <i>Property purchase</i>	\$	<u>100 000</u>
Total General Long-term Obligation Debt	\$	<u>100 000</u>

Enterprise Funds:

General Obligation Bonds:

	<u>Water Fund</u>	<u>Sewer Fund</u>
\$1,090,000 Water and Sewer System Revenue Bonds issued August 1993, due in annual installments of \$20,000 to \$150,000 through October 1, 2004, interest rates vary from 2.85% to 5.05%.	\$ 390 000	\$ -
\$865,000 Taxable General Obligation Water and Sewer System Bonds issued November 2001, due in monthly installments of \$6,093 beginning February 2002 through December 2003 and \$10,672 beginning January 2004 through December 2011, including interest at 5.79%	307 299	547 861
\$775,000 Exempt General Obligation Water System Bonds issued November 2001, due in monthly installments of \$4,721 beginning January 2002 through December 2003 and \$8,836 beginning January 2004 through December 2011, including interest at 4.04%.	<u>763 574</u>	<u>-</u>
Total Long-term Debt – Enterprise Funds	<u>\$ 1 460 873</u>	<u>\$ 547 861</u>

TOWN OF BERRYVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2002

NOTE 10—LONG-TERM DEBT: (Continued)

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

General Long-term Debt:

<u>Year Ending June 30,</u>	<u>Principal</u>
2003	\$ -
2004	<u>100 000</u>
Total	<u>\$ 100 000</u>

Enterprise Funds:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ 175 523	\$ 95 541
2004	220 731	86 621
2005	315 071	72 811
2006	173 429	60 665
2007	182 226	51 869
2008-2012	<u>941 754</u>	<u>111 602</u>
Total	<u>\$ 2 008 734</u>	<u>\$ 479 109</u>

Changes in long-term debt are as follows:

	<u>June 30, 2001</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2002</u>
General Long-Term Debt Account Group:				
Notes payable	\$ -	\$ 100 000	\$ -	\$ 100 000
Accrued compensated absences	<u>48 287</u>	<u>1 940</u>	<u>-</u>	<u>50 227</u>
Total	<u>\$ 48 287</u>	<u>\$ 101 940</u>	<u>\$ -</u>	<u>\$ 150 227</u>
Enterprise Funds:				
General obligation bonds	\$ 510 000	\$ 1 640 000	\$ 141 266	\$ 2 008 734
Notes payable	867 339	-	867 339	-
Accrued compensated absences	<u>27 627</u>	<u>465</u>	<u>-</u>	<u>28 092</u>
Total	<u>\$ 1 404 966</u>	<u>\$ 1 640 465</u>	<u>\$ 1 008 605</u>	<u>\$ 2 036 826</u>

TOWN OF BERRYVILLE, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2002

NOTE 11—DEFERRED REVENUE:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$17,177 is comprised of the following:

- A. Deferred Property Tax Revenue
 Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$10,385 at June 30, 2002.
- B. Prepaid Property Taxes
 Property taxes due subsequent to June 30, 2002 but paid in advance by the taxpayers totaled \$6,792 at June 30, 2002.

NOTE 12—SURETY BONDS:

Western Surety Company – Keith R. Dalton, Town Manager	\$ <u>10 000</u>
Fidelity and Deposit of Maryland – Desiree A. Moreland, Treasurer/Assistant Town Manager	\$ <u>25 000</u>
Fidelity and Deposit of Maryland – All Town employees	\$ <u>10 000</u>

NOTE 13—ESTIMATED UNBILLED REVENUE:

Proprietary funds estimate and record utility services rendered but not yet billed as of June 30, 2002. The receivable was arrived at by taking the cycle billings the Town sent the customer in July and August 2002 and prorating the amount for days applicable to fiscal year ended June 30, 2002. For June 30, 2002, the amount of unbilled services rendered was approximately \$113,445.

NOTE 14—CONTRIBUTED CAPITAL:

A summary of changes in contributed capital is as follows:

	<u>Enterprise Funds</u>	
	<u>Water</u>	<u>Sewer</u>
Balance, July 1, 2001	\$ 1 285 731	\$ 1 345 292
Availability charges	175 705	268 070
Depreciation charged to contributed capital	<u>(45 275)</u>	<u>(45 082)</u>
Balance, June 30, 2002	<u>\$ 1 416 161</u>	<u>\$ 1 568 280</u>

NOTE 15—COMMITMENTS

The Town is in the process of replacing the water lines on Main Street and Buckmarsh Street. The Town still has \$363,000 of borrowed money still on hand for these projects.

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SUPPLEMENTARY SCHEDULES

GENERAL FUND

SCHEDULE OF REVENUES - BUDGET AND ACTUAL

For the Year Ended June 30, 2002

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Sources of Revenues:			
Revenue from Local Sources:			
General Property Taxes:			
Real property taxes	\$ 365 430	\$ 451 381	\$ 85 951
Personal property taxes	300 500	309 317	8 817
Penalties	2 000	5 640	3 640
Interest	1 100	1 142	42
Total General Property Taxes	\$ 669 030	\$ 767 480	\$ 98 450
Other Local Taxes:			
Local sales and use taxes	\$ 75 000	\$ 93 581	\$ 18 581
Business license tax	105 000	103 959 ^o	(1 041)
Motor vehicle licenses	48 000	52 102	4 102
Bank franchise taxes	60 000	64 036 ^o	4 036
Utility pole franchise fees	14 500	16 556 ^o	2 056
Cable television tax	14 000	15 591 ^o	1 591
Meals tax	50 000	50 949 ^o	949
Consumer utility tax	140 000	141 951	1 951
Total Other Local Taxes	\$ 506 500	\$ 538 725	\$ 32 225
Permits, Privilege Fees and Regulatory:			
Licenses, zoning and subdivision permits	\$ 7 500	\$ 20 416	\$ 12 916
Fines and Forfeitures:			
Court fines and forfeitures	\$ 45 000	\$ 44 786	\$ (214)
Parking fines	1 600	5 416	3 816
Total Fines and Forfeitures	\$ 46 600	\$ 50 202	\$ 3 602
Revenue from Use of Money and Property:			
Revenue from use of money	\$ 25 000	\$ 19 041	\$ (5 959)
Revenue from use of property	7 200	28 767	21 567
Total Revenue from Use of Money and Property	\$ 32 200	\$ 47 808	\$ 15 608
Charges for Services:			
Charges for parking - meters	\$ 9 500	\$ 9 755	\$ 255
Miscellaneous Revenue			
Miscellaneous revenue	\$ 2 000	\$ 35 096	\$ 33 096
CIP loan	120 000		(120 000)
County st water cont	75 000	-	(75 000)
Total Miscellaneous Revenue	\$ 197 000	\$ 35 096	\$ (161 904)

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TOWN OF BERRYVILLE, VIRGINIA

GENERAL FUND

SCHEDULE OF REVENUES - BUDGET AND ACTUAL

For the Year Ended June 30, 2002

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Intergovernmental:			
Revenue from the Commonwealth:			
Noncategorical Aid:			
ABC profits	\$ 12 769	\$ 12 256	\$ (513)
Railroad rolling stock taxes	1 825	3 210	1 385
Aid to localities with police departments	<u>88 108</u>	<u>78 649</u>	<u>(9 459)</u>
<u>Total Noncategorical Aid</u>	<u>\$ 102 702</u>	<u>\$ 94 115</u>	<u>\$ (8 587)</u>
Categorical Aid:			
Litter control grant	\$ 1 580	\$ 1 422	\$ (158)
Fire fund program	-	4 194	4 194
Street and highway maintenance	<u>48 500</u>	<u>5 809</u>	<u>(42 691)</u>
<u>Total Categorical Aid</u>	<u>\$ 50 080</u>	<u>\$ 11 425</u>	<u>\$ (38 655)</u>
<u>Total Revenue from the Commonwealth</u>	<u>\$ 152 782</u>	<u>\$ 105 540</u>	<u>\$ (47 242)</u>
Revenue from the Federal Government:			
Categorical Aid:			
DMV Grants	\$ -	\$ 6 000	\$ 6 000
<u>Total Revenue from the Federal Government</u>	<u>\$ -</u>	<u>\$ 6 000</u>	<u>\$ 6 000</u>
<u>Total Intergovernmental</u>	<u>\$ 152 782</u>	<u>\$ 111 540</u>	<u>\$ (41 242)</u>
<u>Total General Fund</u>	<u>\$ 1 621 112</u>	<u>\$ 1 581 022</u>	<u>\$ (40 090)</u>

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

For the Year Ended June 30, 2002

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
General and Financial Administration:			
Town Council:			
Compensation	\$ 18 900	\$ 20 175	\$ (1 275)
Office rental	2 700	3 000	(300)
Training	2 500	175	2 325
Local contributions	2 500	-	2 500
Miscellaneous	1 500	748	752
<u>Total Town Council</u>	<u>\$ 28 100</u>	<u>\$ 24 098</u>	<u>\$ 4 002</u>
Town Manger:			
Compensation	\$ 43 387	\$ 43 470	\$ (83)
Mileage	500	57	443
Training	2 000	238	1 762
Dues	750	313	437
<u>Total Town Manager</u>	<u>\$ 46 637</u>	<u>\$ 44 078</u>	<u>\$ 2 559</u>
Electoral Board and Officials:			
Compensation	\$ 1 000	\$ 285	\$ 715
Officer Supplies	1 000	493	507
<u>Total Electoral Board and Officials</u>	<u>\$ 2 000</u>	<u>\$ 778</u>	<u>\$ 1 222</u>
Legal and Related Professional Services:			
Town Code Supplements	\$ 2 000	\$ 1 846	\$ 154
State Code Supplements	1 500	776	724
Professional services <i>Bob Mitchell</i>	32 500	19 250	13 250
Contractual services	2 000	37 036	(35 036)
Training	2 500	1 253	1 247
Dues and subscriptions	500	469	31
<u>Total Legal and Related Professional Services</u>	<u>\$ 41 000</u>	<u>\$ 60 630</u>	<u>\$ (19 630)</u>
Independent Auditor:			
Independent Auditor, professional services	\$ 8 500	\$ 8 500	\$ -
Contractual services	1 000	200	800
<u>Total Independent Auditor</u>	<u>\$ 9 500</u>	<u>\$ 8 700</u>	<u>\$ 800</u>
Clerk/Treasurer:			
Compensation	\$ 24 100	\$ 24 101	\$ (1)
Professional services	2 500	775	1 725
Surety bonds	300	300	-
Auto decals	750	686	64
Training	2 000	1 841	159
Dues	200	145	55
<u>Total Clerk/Treasurer</u>	<u>\$ 29 850</u>	<u>\$ 27 848</u>	<u>\$ 2 002</u>

TOWN OF BERRYVILLE, VIRGINIA

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

For the Year Ended June 30, 2002

	Budget	Actual	Variance Favorable (Unfavorable)
General and Financial Administration: (Continued)			
Accounting:			
Compensation	\$ 43 576	\$ 31 378	\$ 12 198
<u>Total Accounting</u>	\$ 43 576	\$ 31 378	\$ 12 198
Other General and Financial Administration:			
Maintenance contracts	\$ 10 000	\$ 11 240	\$ (1 240)
Advertising	5 000	6 407	(1 407)
Postage	6 000	4 961	1 039
Telephone <i>No new system</i>	9 000	6 355	2 645
Internet	250	-	250
Office supplies	7 000	10 061	(3 061)
Office equipment	500	386	114
Newsletter	2 500	1 271	1 229
Training	-	131	(131)
Dues	4 000	1 759	2 241
<u>Total Other General and Financial Administration</u>	\$ 44 250	\$ 42 571	\$ 1 679
<u>Total General Government Administration</u>	\$ 244 913	\$ 240 081	\$ 4 832
Public Safety:			
Police Department:			
Compensation	\$ 302 110	\$ 306 800	\$ (4 690)
Maintenance contracts	1 880	1 816	64
Telephones	1 800	2 049	(249)
Communication equipment and services	720	500	220
Office supplies	2 200	1 701	499
Office equipment	-	1 391	(1 391)
Investigations	500	564	(64)
Technical equipment	3 000	7 883	(4 883)
Gasoline and oil	7 500	5 555	1 945
Repair and maintenance	6 000	8 525	(2 525)
Police supplies	2 000	2 026	(26)
Uniforms	2 500	1 515	985
Medical examinations	600	112	488
Training	10 250	5 751	4 499
Dues	150	-	150
<u>Total Police Department</u>	\$ 341 210	\$ 346 188	\$ (4 978)
Fire and Rescue:			
Professional services-emergency medical technician	\$ 31 000	\$ 31 000	-
Fire fund program	-	4 194	(4 194)
Contribution	22 500	22 500	-
<u>Total Fire and Rescue</u>	\$ 53 500	\$ 57 694	\$ (4 194)

TOWN OF BERRYVILLE, VIRGINIA

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

For the Year Ended June 30, 2002

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Public Safety: (Continued)			
Correction and Detention:			
Confinement of prisoners	\$ 250	\$ -	\$ 250
Public defender fees	750	112	638
<u>Total Correction and Detention</u>	<u>\$ 1 000</u>	<u>\$ 112</u>	<u>\$ 888</u>
Emergency Services:			
Contribution	\$ 2 000	\$ 2 000 ⁰	-
Community Services:			
Downtown Berryville, Incorporated	\$ 20 000	\$ 20 000 ⁰	-
<u>Total Public Safety</u>	<u>\$ 417 710</u>	<u>\$ 425 994</u>	<u>\$ (8 284)</u>
Public Works:			
Maintenance of Streets, Bridges and Sidewalks:			
General Administration:			
Compensation <i>Pmt for comp time</i>	\$ 22 535	\$ 24 472 ^P	(1 937)
Electricity	1 100	1 002	98
Fuel oil/heat	1 700	729	971
Telephone	1 250	1 279	(29)
Office supplies	150	15	135
Vehicle repairs and maintenance	4 500	1 089	3 411
Medical exams	700	355	345
Training	700	363	337
<u>Total General Administration</u>	<u>\$ 32 635</u>	<u>\$ 29 304</u>	<u>\$ 3 331</u>
Highways, Streets, Bridges and Sidewalks:			
Compensation	\$ 70 101	\$ 70 777 ^P	(676)
Communication equipment and services	1 000	1 069	(69)
Gasoline & oil	4 700	5 769	(1 069)
Vehicle repairs and maintenance	4 000	6 969	(2 969)
Uniforms	3 820	2 873	947
Materials and supplies	3 000	5 275	(2 275)
Equipment maintenance	2 500	2 285	215
Sidewalk maintenance	10 000	1 920	8 080
Street sign maintenance	1 500	457	1 043
Norfolk/Southern R-O-W's	365	362	3
<u>Total Highways, Streets, Bridges and Sidewalks</u>	<u>\$ 100 986</u>	<u>\$ 97 756</u>	<u>\$ 3 230</u>
Street Lights:			
Electricity - street lights	\$ 40 000	\$ 44 569	(4 569)

TOWN OF BERRYVILLE, VIRGINIA

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

For the Year Ended June 30, 2002

	Budget	Actual	Variance Favorable (Unfavorable)
Public Works: (Continued)			
Snow and Ice Removal:			
Material and supplies	\$ 18 000	\$ 761	\$ 17 239
Parking Meters:			
Material and supplies	\$ 700	\$ 965	\$ (265)
Street and Road Cleaning:			
Material and supplies	\$ 4 100	\$ 2 248	\$ 1 852
<u>Total Maintenance of Streets, Bridges and Sidewalks</u>	<u>\$ 196 421</u>	<u>\$ 175 603</u>	<u>\$ 20 818</u>
Sanitation and Waste Removal, Refuse: <i>inc for new units</i>			
Contractual services	\$ 151 000	\$ 156 072	\$ (5 072)
Recycling services	38 400	42 524	(4 124)
<u>Total Sanitation and Waste Removal, Refuse</u>	<u>\$ 189 400</u>	<u>\$ 198 596</u>	<u>\$ (9 196)</u>
Maintenance Buildings and Grounds:			
General Properties:			
Electricity	\$ 4 000	\$ 3 654	\$ 346
Fuel oil/heat	2 000	2 109	(109)
Repair and maintenance	6 000	10 527	(4 527)
Materials and supplies	1 500	467	1 033
Christmas lights	1 500	728	772
<u>Total General Properties</u>	<u>\$ 15 000</u>	<u>\$ 17 485</u>	<u>\$ (2 485)</u>
Town Office:			
Contractual services	\$ 6 500	\$ 4 800	\$ 1 700
<u>Total Maintenance Buildings and Grounds</u>	<u>\$ 21 500</u>	<u>\$ 22 285</u>	<u>\$ (785)</u>
<u>Total Public Works</u>	<u>\$ 407 321</u>	<u>\$ 396 484</u>	<u>\$ 10 837</u>
Parks, Recreation and Cultural:			
Contractual services	\$ 720	\$ 840	\$ (120)
Christmas lights	500	944	(444)
Rose Hill improvements	3 000	1 665	1 335
Contribution	5 000	5 000	-
<u>Total Parks, Recreation and Cultural</u>	<u>\$ 9 220</u>	<u>\$ 8 449</u>	<u>\$ 771</u>

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

For the Year Ended June 30, 2002

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Community Development:			
Planning:			
Compensation	\$ 53 137	\$ 47 757 ^R	5 380
Office rental	2 700	3 000	(300)
Professional services <i>Bob Mitchell</i>	3 000	16 012	(13 012)
Office supplies	350	226	124
Printing	500	803	(303)
Mileage	500	365	135
Training	1 500	1 173	327
Dues	750	334	416
Publications	400	190	210
<u>Total Planning</u>	<u>\$ 62 837</u>	<u>\$ 69 860</u>	<u>\$ (7 023)</u>
Planning Commission:			
Compensation	\$ 5 400	\$ 3 377	\$ 2 023
Training	1 400	1 494	(94)
Dues	450	105	345
<u>Total Planning Commission</u>	<u>\$ 7 250</u>	<u>\$ 4 976</u>	<u>\$ 2 274</u>
Architectural Review:			
Professional services	\$ 800	\$ -	\$ 800
Training	800	-	800
Dues	200	-	200
<u>Total Architectural Review</u>	<u>\$ 1 800</u>	<u>\$ -</u>	<u>\$ 1 800</u>
Area Development:			
Compensation	\$ 1 440	\$ 1 340	\$ 100
Training	500	-	500
<u>Total Area Development</u>	<u>\$ 1 940</u>	<u>\$ 1 340</u>	<u>\$ 600</u>
Zoning:			
Compensation	\$ 800	\$ 800	-
Training	500	-	500
<u>Total Zoning</u>	<u>\$ 1 300</u>	<u>\$ 800</u>	<u>\$ 500</u>
<u>Total Community Development</u>	<u>\$ 75 127</u>	<u>\$ 76 976 ⁰</u>	<u>(1 849)</u>

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

For the Year Ended June 30, 2002

	Budget	Actual	Variance Favorable (Unfavorable)
Nondepartmental:			
Fringe Benefits:			
Social security	\$ 40 602	\$ 41 503	\$ (901)
Retirement	28 267	26 660	1 607
Health insurance	50 052	44 966	5 086
Life insurance	4 111	2 936	1 175
Workers' compensation insurance	9 000	9 050	(50)
<u>Total Fringe Benefits</u>	<u>\$ 132 032</u>	<u>\$ 125 115</u>	<u>\$ 6 917</u>
Combined Insurances:			
Fire boiler insurance	\$ 5 500	\$ 6 369	\$ (869)
Blanket excess liability	2 150	2 160	(10)
VA Risk-2 police liability	3 120	-	3 120
Semi-multi peril insurance	10 740	11 172	(432)
Automobile insurance	7 365	9 611	(2 246)
VA Risk-2 BADA public official insurance	325	-	325
Insurance deductibles	3 500	1 000	2 500
<u>Total Combined Insurances</u>	<u>\$ 32 700</u>	<u>\$ 30 312</u>	<u>\$ 2 388</u>
<u>Total Nondepartmental</u>	<u>\$ 164 732</u>	<u>\$ 155 427</u>	<u>\$ 9 305</u>
Capital Outlay:			
Computer upgrades	\$ -	\$ 2 427	\$ (2 427)
Police cruiser	23 000	2 662	20 338
Office copier	10 500	5 596	4 904
Gazebo roof repairs	4 500	-	4 500
Snow plows	13 000	8 104	4 896
Salt spreader	10 000	-	10 000
Bush hog	2 500	1 925	575
Dump truck	48 000	46 534	1 466
Public works site plan	220 000	-	220 000
Flood plain mitigation	75 000	-	75 000
Contingency	64 015	192 506	(128 491)
<u>Total Capital Outlay</u>	<u>\$ 470 515</u>	<u>\$ 259 754</u>	<u>\$ 210 761</u>
Debt Service:			
Principal	\$ 8 158	\$ -	\$ 8 158
Interest	6 666	-	6 666
<u>Total Debt Service</u>	<u>\$ 14 824</u>	<u>\$ -</u>	<u>\$ 14 824</u>
<u>Total General Fund</u>	<u>\$ 1 804 362</u>	<u>\$ 1 563 165</u>	<u>\$ 241 197</u>

ENTERPRISE FUNDS

SCHEDULE OF EXPENDITURES

For the Years Ended June 30, 2002 and 2001.

	June 30, 2002	June 30, 2001
Water Fund:		
General Administration:		
Salaries and wages	\$ 49 245	\$ 40 931
Professional services	9 770	880
Miss Utility	1 251	1 774
Postage	876	1 225
Office supplies	-	158
<u>Total General Administration</u>	<u>\$ 61 142</u>	<u>\$ 44 968</u>
Supply Purification:		
Salaries and wages	\$ 122 943	\$ 116 531
Repairs and maintenance	13 567	13 608
Electricity	28 545	26 331
Heating service	7 008	4 038
Equipment and supplies	2 549	3 879
Materials and supplies - chemicals	12 044	9 073
Sludge removal	8 398	9 469
Other operating expenses	8 622	10 220
<u>Total Supply Purification</u>	<u>\$ 203 676</u>	<u>\$ 193 149</u>
Transmission and Distribution:		
Salaries and wages	\$ 41 439	\$ 41 846
Repairs and maintenance - water lines	21 162	18 120
Materials and supplies	15 444	17 006
Other transmission and distribution expenses	251	-
<u>Total Transmission and Distribution</u>	<u>\$ 78 296</u>	<u>\$ 76 972</u>
Fringe Benefits:		
Social security	\$ 16 116	\$ 17 313
Retirement	11 634	14 258
Hospitalization	19 143	18 000
Group life insurance	1 274	1 522
Workers' compensation	4 000	3 683
<u>Total Fringe Benefits</u>	<u>\$ 52 167</u>	<u>\$ 54 776</u>
Depreciation	<u>\$ 126 476</u>	<u>\$ 122 965</u>
Contingency	<u>\$ -</u>	<u>\$ 1 721</u>
<u>Total Operating Expenses</u>	<u>\$ 521 757</u>	<u>\$ 494 551</u>

TOWN OF BERRYVILLE, VIRGINIA

26
SCHEDULE 3
(Continued)

ENTERPRISE FUNDS

SCHEDULE OF EXPENDITURES

For the Years Ended June 30, 2002 and 2001

	June 30, 2002	June 30, 2001
Sewer Fund:		
General Administration:		
Salaries and wages	\$ 44 956	\$ 40 077
Professional services	10	-
Postage	578	481
<u>Total General Administration</u>	<u>\$ 45 544</u>	<u>\$ 40 558</u>
Wastewater Treatment:		
Salaries and wages	\$ 40 281	\$ 36 838
Repairs and maintenance	41 882	22 222
Electricity	36 122	36 202
Materials and supplies - lab	867	2 088
Materials and supplies - chemicals	10 287	7 151
Equipment and supplies	1 387	2 238
Other operating expenses	7 729	5 391
<u>Total Wastewater Treatment</u>	<u>\$ 138 555</u>	<u>\$ 112 130</u>
Maintenance of Sewer Lines:		
Salaries and wages	\$ 38 458	\$ 40 050
Repairs and maintenance - sewer lines	20 089	2 794
Materials and supplies	1 267	3 914
<u>Total Maintenance of Sewer Lines</u>	<u>\$ 59 814</u>	<u>\$ 46 758</u>
Fringe Benefits:		
Social security	\$ 9 333	\$ 9 785
Retirement	7 312	8 134
Hospitalization	12 696	11 817
Group life insurance	806	958
Workers' compensation	3 000	2 784
<u>Total Fringe Benefits</u>	<u>\$ 33 147</u>	<u>\$ 33 478</u>
Depreciation	\$ 130 218	\$ 125 340
Contingency	-	-
<u>Total Operating Expenses</u>	<u>\$ 407 278</u>	<u>\$ 358 264</u>

STATISTICAL SECTION
(UNAUDITED)

TOWN OF BERRYVILLE, VIRGINIA

GOVERNMENTAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS

GENERAL FUND
(UNAUDITED)

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Fees and Licenses	Fines and Forfeitures	Use of Money and Property	Charges for Services	Miscellaneous	Inter-governmental	Total
1992-93	\$ 509,574	\$ 327,103	\$ 4,541	\$ 42,481	\$ 14,711	\$ 10,215	\$ 4,515	\$ 46,731	\$ 959,871
* 1993-94	475,884	318,807	4,615	28,646	9,191	8,639	19,341	34,536	899,659
1994-95	503,875	430,294	8,349	39,576	12,887	10,684	5,516	44,611	1,055,792
1995-96	537,999	429,109	9,793	33,995	14,090	8,779	1,361	67,467	1,102,593
1996-97	589,965	429,651	5,335	35,999	20,956	8,948	3,187	82,646	1,176,687
1997-98	623,592	453,799	20,040	41,820	25,639	8,295	18,680	67,609	1,259,474
1998-99	615,132	465,520	9,240	42,919	24,963	8,664	21,413	52,834	1,240,685
1999-00	642,586	507,966	18,570	51,955	27,316	9,101	6,793	103,704	1,367,991
2000-01	712,526	510,098	13,155	47,787	31,121	9,490	23,148	113,369	1,460,694
2001-02	767,480	538,725	20,416	50,202	47,808	9,755	35,096	111,540	1,581,022

TABLE 2

GOVERNMENTAL EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS

GENERAL FUND
(UNAUDITED)

Fiscal Year	General Government	Public Safety	Public Works	Parks and Recreation	Community Development	Non-departmental	Capital Outlay & Contingency	Total
1992-93	\$ 138,889	\$ 251,316	\$ 250,802	\$ 6,578	\$ 45,083	\$ 114,983	\$ 18,535	\$ 826,186
* 1993-94	113,371	231,558	259,218	5,432	42,288	82,495	34,739	769,101
1994-95	135,431	280,501	211,940	5,851	48,598	128,959	94,939	906,219
1995-96	141,853	280,862	238,856	5,552	55,451	131,695	65,023	919,292
1996-97	158,037	284,615	275,211	16,501	50,556	126,443	88,392	999,755
1997-98	165,440	307,756	297,692	11,472	52,006	137,726	62,779	1,034,871
1998-99	188,011	376,235	270,846	7,289	61,845	125,900	216,199	1,246,325
1999-00	214,912	397,033	318,658	5,387	58,643	136,738	95,354	1,226,725
2000-01	201,758	391,214	363,072	9,414	62,206	152,785	199,189	1,379,638
2001-02	240,081	425,994	396,484	8,449	76,976	155,427	259,754	1,563,165

all than removed

* For the ten month period September 1, 1992 to June 30, 1994.

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ANDERSON, WHITE & COMPANY, P.C.

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MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
VIRGINIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

September 5, 2002

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

In planning and performing our audit of the financial statements of the Town of Berryville, Virginia, for the year ended June 30, 2002, we considered the Town's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated September 5, 2002, on the financial statements of the Town of Berryville, Virginia.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Town personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely yours,

Anderson, White & Company, P.C.

3 copies draft report 90 days ^{due} (9.30.02)
25 copies final 105 days ^{due} (10.15.02)
rec'd (11.5.02)

MANAGEMENT LETTER POINTS

Posting of Reimbursable Receivables

Last year we recommended posting disbursements for which the Town will be reimbursed and the subsequent reimbursement to an asset account (101300.0000-reimbursable receivable). We again make this recommendation because by taking this approach, the Town does not overstate revenues when received (103440.0000-reimbursable fees) and expenditures when paid (104910.3005-reimbursable fees) for transactions that are not really Town activity. Also, at any one time, the Town knows the total owed them by reviewing the balance in this account. A system needs to be established to ensure all reimbursable items and the subsequent reimbursements are posted to this receivable account. We encountered some difficulty in determining what amount was owed to the Town as of June 30, 2002.

Implementation of GASB Statement No. 34

The Government Auditing Standards Board has passed GASB Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. This statement will cause dramatic changes in the way local governments report their finances to the public. The minimum reporting requirements are as follows:

- Management’s discussion and analysis (MD&A) of the financial statements.
- Government-wide financial statements on the accrual basis of accounting.
- Fund financial statements as are now prepared.
- Notes to the financial statements.
- Required Supplementary Information, including budgetary comparison schedules, infrastructure condition data, and other data required by previous GASB pronouncements, if applicable.

The statement is effective starting with the fiscal year ending June 30, 2004 for entities with total revenues of less than ten million dollars. We will work together over the next couple of years to ensure all necessary procedures are considered to be ready for implementation of GASB 34.

ANDERSON, WHITE & COMPANY, P.C.

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CERTIFIED PUBLIC ACCOUNTANTS

September 5, 2002

To the Budget and Finance Committee
Town of Berryville, Virginia

We have audited the financial statements of the Town of Berryville, Virginia (the Town) for the year ended June 30, 2002, and have issued our report thereon dated September 5, 2002. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under General Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated August 28, 2000, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of the Town. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Town are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2002. We noted no transactions entered into by the Town during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were computation of the allowance for uncollectible accounts and estimated useful lives of assets for depreciation purposes.

To the Budget and Finance Committee
Page 2
September 5, 2002

Management's estimate of the allowance for uncollectible accounts is based on a formula utilizing historical data. Management's estimate of useful lives is based on experience and commonly used useful lives. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Town's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Town, either individually or in the aggregate, indicate matters that could have a significant effect on the Town's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Town's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the Budget and Finance Committee and management of the Town of Berryville and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Anderson, White & Company, P.C.