

TOWN OF BERRYVILLE, VIRGINIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

ANDERSON, WHITE & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

STAUNTON, VIRGINIA

STUARTS DRAFT, VIRGINIA

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FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

THE TOWN COUNCIL

Richard G. Sponseller, Mayor

Allan W. McWilliams

Lawrence Russell, III

F. Barry Nicholson

H. Allen Kitzelman, 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

Celeste Heath, Town Clerk

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INDEPENDENT AUDITOR'S REPORTS

ANDERSON, WHITE & COMPANY, P.C.

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VIRGINIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

THOMAS A. WHITE, CPA
ANDREW L. CANNADAY, CPA

LAYTON W. YANCEY, CPA
HOWARD H. ANDERSON, CPA

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Berryville, Virginia, as of and for the year ended June 30, 2005, 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'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 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 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, each major fund, and the aggregate remaining fund information of the Town of Berryville, Virginia, as of June 30, 2005, and the respective changes in the financial position and cash flows, where applicable, thereof 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 January 9, 2006, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

The management's discussion and analysis, budgetary comparison, and trend data on pension funding are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. The management's discussion and analysis has not been presented in these financial statements. The budgetary comparison and trend data on pension funding are presented in Exhibits 1 and 2. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying information listed as Other Supplementary Information and Statistical Section in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Other Supplementary 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. The Statistical Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Anderson, White & Company, P. C.

January 9, 2006

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Berryville, Virginia, as of and for the year ended June 30, 2005, which collectively comprise the Town's basic financial statements and have issued our report thereon dated January 9, 2006. 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

Internal Control Over Financial Reporting

In planning and performed 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 opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud 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.

Compliance and Other Matters

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 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 and management and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, White & Company, P.C.

January 9, 2006

BASIC FINANCIAL STATEMENTS

TOWN OF BERRYVILLE, VIRGINIA

STATEMENT OF NET ASSETS
As of June 30, 2005

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Current Assets:			
Cash	\$ 2 077 566	\$ 2 860 848	\$ 4 938 414
Receivables (net of allowance for uncollectibles):			
Real estate and personal property tax	23 673	-	23 673
Utility tax	13 410	-	13 410
Meals tax	5 578	-	5 578
Franchise fees	1 367	-	1 367
Water and sewer service charges	-	219 989	219 989
Other	5 855	-	5 855
Due from other governmental units	20 442	-	20 442
Total Current Assets	\$ 2 147 891	\$ 3 080 837	\$ 5 228 728
Noncurrent Assets:			
Capital assets, net of accumulated depreciation	\$ 482 563	\$ 5 419 458	\$ 5 902 021
Construction in progress	345 642	627 116	972 758
Total Noncurrent Assets	\$ 828 205	\$ 6 046 574	\$ 6 874 779
Total Assets	\$ 2 976 096	\$ 9 127 411	\$ 12 103 507
Liabilities			
Current Liabilities:			
Accounts payable	\$ 35 616	\$ 6 690	\$ 42 306
Customer deposits	-	18 363	18 363
Accrued payroll and related liabilities	20 808	8 431	29 239
Accrued interest	-	3 568	3 568
Deferred revenue	4 214	-	4 214
Current portion of long-term debt	-	180 432	180 432
Total Current Liabilities	\$ 60 638	\$ 217 484	\$ 278 122
Noncurrent Liabilities:			
Compensated absences	\$ 60 794	\$ 27 841	\$ 88 635
Deferred revenue-Outfall Reserve	-	275 000	275 000
Long term debt, net of current portion	-	1 125 544	1 125 544
Total Noncurrent Liabilities	\$ 60 794	\$ 1 428 385	\$ 1 489 179
Total Liabilities	\$ 121 432	\$ 1 645 869	\$ 1 767 301
Net Assets			
Invested in capital assets, net of related debt	\$ 828 205	\$ 4 740 598	\$ 5 568 803
Unrestricted	2 026 459	2 740 944	4 767 403
Total Net Assets	\$ 2 854 664	\$ 7 481 542	\$ 10 336 206

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

TOWN OF BERRYVILLE, VIRGINIA

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General and financial administration	\$ 532 542	\$ 264 181	\$ -	\$ -
Public safety	516 721	50 512	90 244	-
Public works	455 286	31 339	-	-
Parks, recreation and culture	6 966	-	-	-
Community development	102 384	68 928	-	-
Total Governmental Activities	\$ 1 613 899	\$ 414 960	\$ 90 244	\$ -
Business-type activities				
Water	\$ 691 022	\$ 704 586	\$ -	\$ 328 381
Sewer	503 888	458 401	-	812 714
Total Business-Type Activities	\$ 1 194 910	\$ 1 162 987	\$ -	\$ 1 141 095
Total	\$ 2 808 809	\$ 1 577 947	\$ 90 244	\$ 1 141 095

General revenues:

- General property taxes
- Local sales and use taxes
- Bank franchise taxes
- Utility pole franchise fees
- Cable television tax
- Meals tax
- Consumer utility tax
- Railroad rolling stock tax
- Interest income
- Miscellaneous income

Total general revenues

Transfers

Change in net assets

Net Assets, Beginning of Year

Net assets, End of Year

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

**Net (Expenses) Revenue
and Changes in Net Assets**

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (268 361)	\$ -	\$ (268 361)
(375 965)	-	(375 965)
(423 947)	-	(423 947)
(6 966)	-	(6 966)
<u>(33 456)</u>	<u>-</u>	<u>(33 456)</u>
\$ <u>(1 108 695)</u>	\$ <u>-</u>	\$ <u>(1 108 695)</u>
\$ -	\$ 341 945	\$ 341 945
-	767 227	767 227
\$ -	\$ 1 109 172	\$ 1 109 172
\$ <u>(1 108 695)</u>	\$ <u>1 109 172</u>	\$ <u>477</u>
\$ 1 049 056	\$ -	\$ 1 049 056
108 155	-	108 155
90 411	-	90 411
16 433	-	16 433
19 031	-	19 031
59 986	-	59 986
166 040	-	166 040
1 492	-	1 492
19 102	243	19 345
6 093	-	6 093
\$ 1 535 799	\$ 243	\$ 1 536 042
<u>1 024</u>	<u>(1 024)</u>	<u>-</u>
\$ 428 128	\$ 1 108 391	\$ 1 536 519
<u>2 426 536</u>	<u>6 373 151</u>	<u>8 799 687</u>
\$ <u>2 854 664</u>	\$ <u>7 481 542</u>	\$ <u>10 336 206</u>

TOWN OF BERRYVILLE, VIRGINIA

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STATEMENT 3BALANCE SHEET - GOVERNMENTAL FUNDS
As of June 30, 2005

	<u>General Fund</u>
Assets	
Cash	\$ 2 077 566
Receivables (net of allowance for uncollectibles):	
Real estate and personal property tax	23 673
Utility tax	13 410
Meals tax	5 578
Franchise fees	1 367
Other	5 855
Due from other governmental units	<u>20 442</u>
Total Assets	\$ <u>2 147 891</u>
Liabilities	
Accounts payable	\$ 35 616
Accrued payroll and related liabilities	20 808
Deferred revenue	<u>18 978</u>
Total Liabilities	\$ <u>75 402</u>
Fund Balances	
Unreserved	\$ <u>2 072 489</u>
Total Fund Balances	\$ <u>2 072 489</u>
Total Liabilities and Fund Balances	\$ <u>2 147 891</u>

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

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
As of June 30, 2005

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total fund balances - governmental funds	\$ 2 072 489
Capital assets (net of depreciation) used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	828 205
Property taxes receivable not received within forty-five days after year end are not available to fund current-period expenditures and, therefore, are deferred in the funds.	14 764
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds	<u>(60 794)</u>
Net assets of governmental activities	<u>\$ 2 854 664</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2005

	<u>General Fund</u>
Revenues	
General property taxes	\$ 1 058 751
Other local taxes	691 504
Permits, privilege fees and regulatory licenses	68 928
Fines and forfeitures	57 361
Revenue from use of money and property	48 266
Charges for services	10 755
Miscellaneous	6 093
Intergovernmental	109 040
	<u>2 050 698</u>
Total Revenues	\$ 2 050 698
Expenditures	
Current:	
General and financial administration	\$ 512 179
Public safety	488 654
Public works	410 628
Parks, recreation and cultural	6 008
Community development	102 716
Capital outlay	96 804
Debt Service	-
	<u>1 616 989</u>
Total Expenditures	\$ 1 616 989
Excess (Deficiency) of Revenues Over Expenditures	\$ 433 709
Other Financing Sources (Uses)	
Proceeds from loans	\$ -
Sale of equipment and property	-
Operating transfers at net	1 024
	<u>1 024</u>
Total Other Financing Sources (Uses)	\$ 1 024
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	\$ 434 733
Fund Balance, Beginning of Year	<u>1 637 756</u>
Fund Balance, End of Year	\$ 2 072 489

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

TOWN OF BERRYVILLE, VIRGINIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2005

Amounts reported for governmental activities in the Statement of Activities are
are different because:

Net change in fund balance - total governmental funds	\$ 434 733
Deferred revenues for taxes in the funds that provide current financial resources have been included in the Statement of Activities in prior fiscal years	(9 695)
Governmental funds 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 capital outlays exceeded depreciation in the current period.	17 518
The expense for the change in compensated absences liability reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds.	<u>(14 428)</u>
Change in net assets of governmental activities	<u>\$ 428 128</u>

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TOWN OF BERRYVILLE, VIRGINIA

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
As of June 30, 2005

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Assets			
Current Assets:			
Cash	\$ 1 189 322	\$ 1 671 526	\$ 2 860 848
Receivables (net of allowance for uncollectibles):			
Water and sewer service changes	<u>129 443</u>	<u>90 546</u>	<u>219 989</u>
Total Current Assets	<u>\$ 1 318 765</u>	<u>\$ 1 762 072</u>	<u>\$ 3 080 837</u>
Noncurrent Assets:			
Capital assets (net of accumulated depreciation)	\$ 2 865 638	\$ 2 553 820	\$ 5 419 458
Construction in progress	<u>29 666</u>	<u>597 450</u>	<u>627 116</u>
Total Noncurrent Assets	<u>\$ 2 895 304</u>	<u>\$ 3 151 270</u>	<u>\$ 6 046 574</u>
Total Assets	<u>\$ 4 214 069</u>	<u>\$ 4 913 342</u>	<u>\$ 9 127 411</u>
Liabilities			
Current Liabilities:			
Accounts payable	\$ 5 974	\$ 716	\$ 6 690
Accrued payroll and related liabilities	6 374	2 057	8 431
Accrued interest	2 143	1 425	3 568
Customer deposits	16 213	2 150	18 363
Current portion of long-term debt	<u>122 058</u>	<u>58 374</u>	<u>180 432</u>
Total Current Liabilities	<u>\$ 152 762</u>	<u>\$ 64 722</u>	<u>\$ 217 484</u>
Noncurrent Liabilities:			
Accrued compensated absences payable	\$ 15 873	\$ 11 968	\$ 27 841
Deferred revenue-Outfall Reserve	-	275 000	275 000
Long-term debt, net of current portion	<u>749 958</u>	<u>375 586</u>	<u>1 125 544</u>
Total Noncurrent Liabilities	<u>\$ 765 831</u>	<u>\$ 662 554</u>	<u>\$ 1 428 385</u>
Total Liabilities	<u>\$ 918 593</u>	<u>\$ 727 276</u>	<u>\$ 1 645 869</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 2 023 288	\$ 2 717 310	\$ 4 740 598
Unrestricted	<u>1 272 188</u>	<u>1 468 756</u>	<u>2 740 944</u>
Total Net Assets	<u>\$ 3 295 476</u>	<u>\$ 4 186 066</u>	<u>\$ 7 481 542</u>

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

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TOWN OF BERRYVILLE, VIRGINIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 For the Year Ended June 30, 2005

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues			
Charges for services	\$ 661 551	\$ 458 401	\$ 1 119 952
Connection charges and meter fees	24 427	-	24 427
Delinquent account charges	18 608	-	18 608
Total Operating Revenues	\$ 704 586	\$ 458 401	\$ 1 162 987
Operating Expenses			
General administration	\$ 54 970	\$ 61 682	\$ 116 652
Supply purification	241 750	-	241 750
Transmission and distribution	130 097	-	130 097
Wastewater treatment	-	151 573	151 573
Maintenance of sewer lines	-	78 530	78 530
Fringe benefits	76 264	45 259	121 523
Depreciation	154 400	142 292	296 692
Contingency	2 396	-	2 396
Total Operating Expenses	\$ 659 877	\$ 479 336	\$ 1 139 213
Operating Income (Loss)	\$ 44 709	\$ (20 935)	\$ 23 774
Nonoperating Revenues (Expenses)			
Interest income	\$ 243	\$ -	\$ 243
Interest expense and fiscal charges	(31 145)	(24 552)	(55 697)
Total Nonoperating Revenues (Expenses)	\$ (30 902)	\$ (24 552)	\$ (55 454)
Net Income (Loss) Before Contributions and Transfers	\$ 13 807	\$ (45 487)	\$ (31 680)
Net operating transfers	(1 369)	345	(1 024)
Contributions and availability charges	328 381	812 714	1 141 095
Change in Net Assets	\$ 340 819	\$ 767 572	\$ 1 108 391
Net Assets , Beginning of Year	2 954 657	3 418 494	6 373 151
Net Assets, End of Year	\$ 3 295 476	\$ 4 186 066	\$ 7 481 542

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

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TOWN OF BERRYVILLE, VIRGINIA

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2005

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 691 870	\$ 437 297	\$ 1 129 167
Payments to suppliers	(201 957)	(149 906)	(351 863)
Payments to employees	(316 170)	(191 216)	(507 386)
Net Cash Provided (Used) by Operating Activities	<u>\$ 173 743</u>	<u>\$ 96 175</u>	<u>\$ 269 918</u>
Cash Flows From Noncapital Financing Activities			
Net operating transfers	\$ (1 369)	\$ 345	\$ (1 024)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>\$ (1 369)</u>	<u>\$ 345</u>	<u>\$ (1 024)</u>
Cash Flows From Capital and Related Financing Activities			
Capital contributions	\$ 328 381	\$ 1 087 714	\$ 1 416 095
Acquisition and construction of capital assets	(80 860)	(158 715)	(239 575)
Principal paid on capital debt	(108 948)	(64 737)	(173 685)
Interest paid on capital debt	(31 404)	(24 765)	(56 169)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ 107 169</u>	<u>\$ 839 497</u>	<u>\$ 946 666</u>
Cash Flows From Investing Activities			
Interest received	\$ 243	\$ -	\$ 243
Net Cash Provided (Used) by Investing Activities	<u>\$ 243</u>	<u>\$ -</u>	<u>\$ 243</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 279 786</u>	<u>\$ 936 017</u>	<u>\$ 1 215 803</u>
Cash and Cash Equivalents, Beginning of Year	<u>909 536</u>	<u>735 509</u>	<u>1 645 045</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 1 189 322</u></u>	<u><u>\$ 1 671 526</u></u>	<u><u>\$ 2 860 848</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ 44 709	\$ (20 935)	\$ 23 774
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	154 400	142 292	296 692
(Increase) decrease in:			
Accounts receivable	(19 799)	(14 822)	(34 621)
Increase (decrease) in:			
Accounts payable	(17 999)	(4 821)	(22 820)
Accrued payroll and related liabilities	2 162	(1 395)	767
Customer deposits	7 083	(6 282)	801
Accrued compensated absences	3 187	2 138	5 325
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 173 743</u></u>	<u><u>\$ 96 175</u></u>	<u><u>\$ 269 918</u></u>

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

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Account	Balance	Debit	Credit	Balance
1000	1000			1000
1010				
1020				
1030				
1040				
1050				
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1080				
1090				
1100				
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TOWN OF BERRYVILLE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS For the Year Ended June 30, 2005

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Town of Berryville, Virginia (the "Town") have been prepared to conform to generally accepted accounting principles (GAAP) as applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting and reporting policies and practices used by the Town are described below.

A. New Accounting Standards Adopted

In fiscal year 2004, the Town adopted three new statements of financial accounting standards and one new interpretation issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*
- Statement No. 37 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*
- Statement No. 38 – *Certain Financial Statement Disclosures*
- Interpretation No. 6 – *Recognition and Measurements of Certain Liabilities & Expenditures in Governmental Fund Financial Statements*

Statement No. 34 (as amended by Statement No. 37) represents a very significant change in the financial reporting model used by state and local governments.

Statement No. 34 requires government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund or account group, but distinguish between the Town's governmental activities and business-type activities on the statement of net assets and statement of activities. Significantly, the Town's statement of net assets includes both noncurrent assets and noncurrent liabilities of the Town, which were previously recorded in the General Fixed Assets Account Group and the General Long-term Debt Account Group.

The Town's implementation of these standards had the following effect on the Town's financial statements:

- The Town has historically capitalized all capital assets, excluding infrastructure. The Town also has not recorded annual depreciation expense or the related accumulated depreciation. As of July 1, 2003, the Town began to record infrastructure assets and recognized accumulated depreciation on all governmental activity assets that had not previously been recognized.

In addition to the government-wide financial statements, the Town has prepared fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources measurement focus. The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Accordingly, the accounting and financial reporting of the Town's General Fund is similar to that previously presented in the Town's financial statements, although the format of financial statements has been modified by Statement No. 34 to focus on major funds, as opposed to presenting fund types.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)A. New Accounting Standards Adopted (Continued)

Statement No. 34 also requires a budgetary comparison statement to be presented that compares the adopted and modified General Fund budget with actual results.

Statement No. 37 amends GASB Statements No. 21 and No. 34. The amendments either (1) clarify certain provisions that, in retrospect, may not be sufficiently clear for consistent application or (2) modify other provisions that the GASB Board believes may have unintended consequences in some circumstances.

GASB has issued Statement No. 38, *Certain Financial Statement Note Disclosures* which modifies, establishes and rescinds certain financial statement disclosure requirements.

Interpretation 6 is an interpretation of NCGA Statements 1, 4, and 5; NCGA Interpretation 8; and GASB Statement Nos. 10, 16, and 18. It clarifies the existing modified accrual standards for distinguishing the portion of a liability that should be reported as a governmental fund liability/expenditure from the portion that should be reported as a general long-term liability (i.e., government-wide reporting only).

B. Reporting Entity

The Town is governed by an elected mayor and five member council. As required by generally accepted accounting principles, these financial statements present the Town (the primary government) and its component units, entities for which the government is considered to be financially accountable. There are no component units that meet the criteria to be included in this report.

C. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which to a significant extent rely on fees and charges for support. The previous reporting model emphasized fund types (the total of all funds of a particular type). In the new reporting model, as defined by GASB Statement No. 34, the focus is either the Town as a whole or major individual funds (within the fund financial statements).

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Public Safety, Public Works, etc.) or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or 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 or activity, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

TOWN OF BERRYVILLE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)C. Government-wide and Fund Financial Statements (Continued)

The net cost (by function or business-type activity) is normally covered by general revenue (property, sales, franchise taxes, intergovernmental revenues, interest income, etc.).

Separate fund based financial statements are provided for governmental funds and proprietary funds. Individual governmental funds and individual enterprise funds are reported as separate columns in the fund financial statements. The only governmental fund is the general fund.

The government-wide focus is more on the sustainability of the Town as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

D. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Government fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if they are collected within 45 days of the end of the current fiscal period. Grant revenues availability period is generally considered to be one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

Ad valorem, franchise and sales tax revenues in the General Fund are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions; and miscellaneous revenues are recorded as revenues when received in cash as the resulting receivable is immaterial. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005

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

D. Measurement Focus and Basis of Accounting (Continued)

Business type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's water and sewer funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Town has elected for proprietary funds not to apply Financial Accounting Standards Board statements issued after November 30, 1989.

The following funds are used by the Town:

1. Governmental Funds:

The following is a description of the Governmental Funds of the Town:

The General Fund accounts for several of the Town's primary services (Public Safety, Public Works, Public Health, Public Welfare, Parks and Recreation, etc.) and is the primary operating unit of the Town.

2. Proprietary Funds:

The following is a description of the Proprietary Funds of the Town:

The Water Fund and the Sewer Fund account for the operation of the Town's water and sewer utility. Activities of the fund include administration, operation and maintenance of the water and sewer system and billing and collection activities. The Funds also account for the accumulation of resources for, and the payment of, long-term debt principal and interest for revenue bonds and obligations under capital leases when due throughout the year. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the Funds.

3. Non-Current Governmental Assets/Liabilities:

GASB Statement No. 34 eliminates the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide Statement of Net Assets.

TOWN OF BERRYVILLE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)E. Cash, Cash Equivalents and Investments

For purposes of the statement of cash flows, the Town considers all unrestricted investments to be cash equivalents as these balances are used essentially as demand deposit accounts by the individual funds. Certificates of deposit and temporary investments are also reported as cash equivalents.

F. Capital Assets

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed fixed assets are recorded at estimated fair market value at the time received. Public domain (infrastructure) fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems will be recorded at historical cost on a prospective basis as the Town has elected out of recording such assets retrospectively as allowed for Phase 3 governments.

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 the assets constructed. Net revenue bond interest cost incurred during construction periods is capitalized when material.

Property, plant, and equipment of the Town is depreciated using the straight line method over estimated useful lives ranging from three to fifty years.

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.

NOTE 2—CASH AND INVESTMENTS:

All cash of the Town is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 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 total allowance amounted to \$22,888 on June 30, 2005, and is composed of the following:

General Fund	\$ 20 888
Enterprise Funds:	
Water	1 200
Sewer	<u>800</u>
Total	<u>\$ 22 888</u>

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005

NOTE 4—DUE FROM OTHER GOVERNMENTAL UNITS:

At June 30, 2005, the amount due from other governmental units is as follows:

Clarke County, Virginia – sales tax	\$ 20 442
Total	<u>\$ 20 442</u>

NOTE 5—CAPITAL ASSETS:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Capital assets being depreciated:			
Capital assets on July 1, 2004 at cost	\$ 1 498 911	\$ 9 836 643	\$ 11 335 554
Additions	47 726	208 888	256 614
Retirements	-	-	-
Transfers	12 225	-	12 225
Total capital assets being depreciated	<u>\$ 1 558 862</u>	<u>\$ 10 045 531</u>	<u>\$ 11 604 393</u>
Accumulated depreciation on July 1, 2004	\$ (992 818)	\$ (4 329 381)	\$ (5 322 199)
Additions	(83 481)	(296 692)	(380 173)
Retirements	-	-	-
Total accumulated depreciated	<u>\$(1 076 299)</u>	<u>\$(4 626 073)</u>	<u>\$(5 702 372)</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>\$ 482 563</u>	<u>\$ 5 419 458</u>	<u>\$ 5 902 021</u>
Capital assets not being depreciated:			
Construction in progress on July 1, 2004	\$ 304 594	\$ 596 428	\$ 901 022
Additions	53 273	30 688	83 961
Retirements	-	-	-
Transfers	(12 225)	-	(12 225)
Total capital assets not being depreciated	<u>\$ 345 642</u>	<u>\$ 627 116</u>	<u>\$ 972 758</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General and financial administration	\$ 18 531
Public safety	24 713
Public works	39 279
Parks, recreation, and culture	958
Total depreciation expense – governmental activities	<u>\$ 83 481</u>
Business-type activities:	
Water	\$ 154 400
Sewer	142 292
Total depreciation expense – business-type activities	<u>\$ 296 692</u>

TOWN OF BERRYVILLE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005

NOTE 6—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 (VRS)

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 (AFC) 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. AFC is defined as the highest consecutive 36 months of reported compensation. 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 downloaded from their website at <http://www.varetire.org/pdf/2004annurept.pdf> or obtained by writing to the System 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% 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, 2005 was 3.0% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2005, the Town's annual pension cost of \$28,953, was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2003 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 4.00% to 7.00% 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.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005

NOTE 6—DEFINED BENEFIT PENSION PLAN: (Continued)

D. Three-year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2003	\$ 8,435	100%	\$ -
June 30, 2004	8,569	100%	-
June 30, 2005	28,953	100%	-

NOTE 7—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, 2005 was \$60,914.

NOTE 8—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, thirty days comp time, and no limit on the accumulation of sick leave. No benefit is received for unused sick leave upon termination. Accumulated vacation and comp time is paid upon termination. The Town has outstanding accrued compensated absences totaling \$60,794 in the Governmental Activities and \$27,841 in the Business-type Activities.

NOTE 9—LONG-TERM DEBT:

Outstanding long-term debt as of June 30, 2005, includes the following:

Business-type Activities:

General Obligation Bonds:

\$799,436 Taxable General Obligation Water and Sewer System Refunding Bonds issued March 2004, due in monthly installments of \$10,359 beginning May 2004 through December 2011, including interest at 4.61% \$ 696 964

\$705,361 General Obligation Water System Refunding Bonds issued March 2004, due in monthly installments of \$8,590 beginning May 2004 through December 2011, including interest at 2.95%. 609 012

Total Long-term Debt – Business-type Activities \$ 1 305 976

Total interest and fiscal charges of \$55,697 were incurred and expensed during the fiscal year on the above obligations.

TOWN OF BERRYVILLE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005**NOTE 9—LONG-TERM DEBT:** (Continued)

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

Business-type Activities:

<u>Year Ending June 30,</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 180 432	\$ 46 962
2007	187 445	39 949
2008	194 744	32 650
2009	202 342	25 053
2010-2011	210 249	17 145
2010-2011	<u>330 764</u>	<u>10 180</u>
Total	<u>\$ 1 305 976</u>	<u>\$ 171 939</u>

Changes in long-term debt are as follows:

	<u>June 30, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2005</u>
Governmental Activities:				
Accrued compensated absences	\$ <u>46 366</u>	\$ <u>14 428</u>	\$ <u>-</u>	\$ <u>60 794</u>
Total	\$ <u>46 366</u>	\$ <u>14 428</u>	\$ <u>-</u>	\$ <u>60 794</u>
Business-type Activities:				
General obligation bonds	\$ 1 479 661	\$ -	\$ 173 685	\$ 1 305 976
Accrued compensated absences	<u>22 516</u>	<u>5 325</u>	<u>-</u>	<u>27 841</u>
Total	\$ <u>1 502 177</u>	\$ <u>5 325</u>	\$ <u>173 685</u>	\$ <u>1 333 817</u>

NOTE 10—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 on the Balance Sheet – Governmental Funds totaling \$18,978 is comprised of the following:

- A. Deferred Property Tax Revenue
Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$14,764 at June 30, 2005.
- B. Prepaid Property Taxes
Property taxes due subsequent to June 30, 2005 but paid in advance by the taxpayers totaled \$4,214 at June 30, 2005.

NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005

NOTE 10—DEFERRED REVENUE: (Continued)

Deferred revenue per the Statement of Net Assets totaling \$279,214 is comprised of the following:

- A. Prepaid Property Taxes (Governmental Activities)
Property taxes due subsequent to June 30, 2005 but paid in advance by the taxpayers totaled \$4,214 at June 30, 2005.
- B. Deferred Revenue – Outfall Reserve (Business-type Activities)
The Town received \$275,000 under an agreement with the Clarke County Education Foundation, Inc. to fund the location of a new outflow line from its wastewater treatment plant. The funds have been temporarily invested in a CD and the contribution will be recognized upon disbursement of the funds.

NOTE 11—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 12—ESTIMATED UNBILLED REVENUE:

Proprietary funds estimate and record utility services rendered but not yet billed as of June 30, 2005. The receivable was arrived at by taking the cycle billings the Town sent the customer in July and August 2005 and prorating the amount for days applicable to fiscal year ended June 30, 2005. For June 30, 2005, the amount of unbilled services rendered was approximately \$153,550.

NOTE 13—COMMITMENTS:

The Town signed a consent order with the Department of Environmental Quality on October 13, 2004. The order required a small civil charge to be paid and the Town agreed to study its Infiltration and Inflow Control Program and make necessary upgrades to their facility in order to be able to meet all effluent limitations.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF BERRYVILLE, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2005

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
General property taxes	\$ 854 900	\$ 1 058 751	\$ 203 851
Other local taxes	589 300	691 504	102 204
Permits, privilege fees and regulatory licenses	20 000	68 928	48 928
Fines and forfeitures	35 000	57 361	22 361
Revenue from use of money and property	44 050	48 266	4 216
Charges for services	10 000	10 755	755
Miscellaneous	1 000	6 093	5 093
Intergovernmental	134 228	109 040	(25 188)
Total Revenues	<u>\$ 1 688 478</u>	<u>\$ 2 050 698</u>	<u>\$ 362 220</u>
Expenditures			
Current:			
General and financial administration	\$ 529 332	\$ 512 179	\$ 17 153
Public safety	477 845	488 654	(10 809)
Public works	389 443	410 628	(21 185)
Parks, recreation and cultural	9 500	6 008	3 492
Community development	106 559	102 716	3 843
Capital outlay	2 469 484	96 804	2 372 680
Debt Service	72 315	-	72 315
Total Expenditures	<u>\$ 4 054 478</u>	<u>\$ 1 616 989</u>	<u>\$ 2 437 489</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (2 366 000)</u>	<u>\$ 433 709</u>	<u>\$ 2 799 709</u>
Other Financing Sources (Uses)			
Proceeds from loans	\$ 2 100 000	\$ -	\$ (2 100 000)
Sale of equipment and property	1 000	-	(1 000)
Operating transfers at net	-	1 024	1 024
Total Other Financing Sources (Uses)	<u>\$ 2 101 000</u>	<u>\$ 1 024</u>	<u>\$ (2 099 976)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ (265 000)</u>	<u>\$ 434 733</u>	<u>\$ 699 733</u>
Fund Balance, Beginning of Year	<u>265 000</u>	<u>1 637 756</u>	<u>1 372 756</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ 2 072 489</u>	<u>\$ 2 072 489</u>

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

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TOWN OF BERRYVILLE, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR
DEFINED BENEFIT PENSION PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2001	\$ 1 637 959	\$ 1 248 008	\$ (389 951)	131.25%	\$ 745 148	-52.33%
June 30, 2002	1 703 452	1 426 651	(276 801)	119.40%	849 281	-32.59%
June 30, 2003	1 779 053	1 594 169	(184 884)	111.60%	849 906	-21.75%
June 30, 2004	1 861 008	1 694 077	(166 931)	109.85%	839 530	-19.88%

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OTHER SUPPLEMENTARY INFORMATION

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SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Sources of Revenues:			
Revenue from Local Sources:			
General Property Taxes:			
Real property taxes	\$ 497 900	\$ 558 183	\$ 60 283
Personal property taxes	353 000	497 134	144 134
Penalties	1 500	2 130	630
Interest	2 500	1 304	(1 196)
Total General Property Taxes	<u>\$ 854 900</u>	<u>\$ 1 058 751</u>	<u>\$ 203 851</u>
Other Local Taxes:			
Local sales and use taxes	\$ 95 000	\$ 108 155	\$ 13 155
Business licenses	117 500	172 573	55 073
Motor vehicle licenses	55 000	58 875	3 875
Bank franchise taxes	95 000	90 411	(4 589)
Utility pole franchise fees	20 000	16 433	(3 567)
Cable television tax	16 800	19 031	2 231
Meals tax	50 000	59 986	9 986
Consumer utility tax	140 000	166 040	26 040
Total Other Local Taxes	<u>\$ 589 300</u>	<u>\$ 691 504</u>	<u>\$ 102 204</u>
Permits, Privilege Fees and Regulatory:			
Licenses, zoning and subdivision permits	\$ 20 000	\$ 68 928	\$ 48 928
Fines and Forfeitures:			
Court fines and forfeitures	\$ 30 000	\$ 50 512	\$ 20 512
Parking fines	5 000	6 849	1 849
Total Fines and Forfeitures	<u>\$ 35 000</u>	<u>\$ 57 361</u>	<u>\$ 22 361</u>
Revenue from Use of Money and Property:			
Revenue from use of money	\$ 15 000	\$ 19 102	\$ 4 102
Revenue from use of property	29 050	29 164	114
Total Revenue from Use of Money and Property	<u>\$ 44 050</u>	<u>\$ 48 266</u>	<u>\$ 4 216</u>
Charges for Services:			
Charges for parking - meters	\$ 10 000	\$ 10 755	\$ 755
Miscellaneous Revenue			
Miscellaneous revenue	\$ 1 000	\$ 6 093	\$ 5 093
Total Revenue from Local Sources	<u>\$ 1 554 250</u>	<u>\$ 1 941 658</u>	<u>\$ 387 408</u>

TOWN OF BERRYVILLE, VIRGINIA

SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Intergovernmental:			
Revenue from the Commonwealth:			
Noncategorical Aid:			
ABC/wine profits	\$ 7 385	\$ 3 569	\$ (3 816)
Railroad rolling stock taxes	1 645	1 492	(153)
Aid to localities with police departments	<u>71 198</u>	<u>78 244</u>	<u>7 046</u>
Total Noncategorical Aid	<u>\$ 80 228</u>	<u>\$ 83 305</u>	<u>\$ 3 077</u>
Categorical Aid:			
Litter control grant	\$ 1 500	\$ -	\$ (1 500)
Fire fund program	4 000	12 000	8 000
Street and highway maintenance	<u>48 500</u>	<u>13 735</u>	<u>(34 765)</u>
Total Categorical Aid	<u>\$ 54 000</u>	<u>\$ 25 735</u>	<u>\$ (28 265)</u>
Total Revenue from the Commonwealth	<u>\$ 134 228</u>	<u>\$ 109 040</u>	<u>\$ (25 188)</u>
Total Intergovernmental	<u>\$ 134 228</u>	<u>\$ 109 040</u>	<u>\$ (25 188)</u>
Total General Fund	<u>\$ 1 688 478</u>	<u>\$ 2 050 698</u>	<u>\$ 362 220</u>

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2005

	Budget	Actual	Variance Favorable (Unfavorable)
General and Financial Administration:			
Town Council:			
Compensation	\$ 19 800	\$ 19 807	\$ (7)
Office rental	3 000	2 750	250
Training	2 500	1 276	1 224
Local contributions	2 000	7 500	(5 500)
Miscellaneous	1 000	828	172
Town Code Supplements	2 000	772	1 228
State Code Supplements	1 500	1 080	420
Total Town Council	<u>\$ 31 800</u>	<u>\$ 34 013</u>	<u>\$ (2 213)</u>
Town Manager:			
Compensation	\$ 53 738	\$ 55 603	\$ (1 865)
Mileage	250	-	250
Training	2 000	330	1 670
Dues	500	179	321
Total Town Manager	<u>\$ 56 488</u>	<u>\$ 56 112</u>	<u>\$ 376</u>
Legal and Professional Services:			
Professional services	\$ 50 000	\$ 28 572	\$ 21 428
Contractual services	11 500	11 800	(300)
Engineering services	10 000	4 047	5 953
Total Legal and Professional Services	<u>\$ 71 500</u>	<u>\$ 44 419</u>	<u>\$ 27 081</u>
Personnel:			
Social security	\$ 47 300	\$ 49 307	\$ (2 007)
Retirement	49 460	48 051	1 409
Health insurance	78 660	79 071	(411)
Life insurance	7 050	188	6 862
Unemployment insurance	620	917	(297)
Workers' compensation insurance	10 325	7 900	2 425
Total Personnel	<u>\$ 193 415</u>	<u>\$ 185 434</u>	<u>\$ 7 981</u>
Town Treasurer:			
Compensation	\$ 27 102	\$ 27 559	\$ (457)
Professional services	1 500	438	1 062
Surety bonds	300	300	-
Auto decals	800	855	(55)
Training	2 000	1 229	771
Dues	200	110	90
Total Town Treasurer	<u>\$ 31 902</u>	<u>\$ 30 491</u>	<u>\$ 1 411</u>
Finance/Accounting:			
Compensation	\$ 39 617	\$ 43 506	\$ (3 889)
Training	200	316	(116)
Total Finance/Accounting	<u>\$ 39 817</u>	<u>\$ 43 822</u>	<u>\$ (4 005)</u>

TOWN OF BERRYVILLE, VIRGINIA

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
General and Financial Administration: (Continued)			
Central Administration/Purchasing:			
Maintenance contracts	\$ 12 100	\$ 9 916	\$ 2 184
Advertising	7 000	10 284	(3 284)
Postage	7 000	6 667	333
Telephone/internet	8 000	12 910	(4 910)
Office equipment	14 000	26 938	(12 938)
Newsletter	2 500	778	1 722
Training	-	52	(52)
Dues	2 000	1 776	224
Total Central Administration/Purchasing	<u>\$ 52 600</u>	<u>\$ 69 321</u>	<u>\$ (16 721)</u>
Risk Management:			
Fire boiler insurance	\$ 7 500	\$ 8 351	\$ (851)
Blanket excess liability	4 390	4 385	5
Automobile insurance	13 725	12 513	1 212
Varisk-2	3 445	3 131	314
Semi-multi peril insurance	17 250	17 029	221
Insurance deductibles	3 500	1 910	1 590
Total Risk Management	<u>\$ 49 810</u>	<u>\$ 47 319</u>	<u>\$ 2 491</u>
Elections:			
Election officials	\$ 1 000	\$ -	\$ 1 000
Office supplies	1 000	1 248	(248)
Total Elections	<u>\$ 2 000</u>	<u>\$ 1 248</u>	<u>\$ 752</u>
Total General and Financial Administration	<u>\$ 529 332</u>	<u>\$ 512 179</u>	<u>\$ 17 153</u>
Public Safety:			
Police Department:			
Compensation	\$ 362 832	\$ 358 655	\$ 4 177
Maintenance contracts	2 891	2 673	218
Communication equipment and services	4 320	1 261	3 059
Office supplies	4 000	2 048	1 952
Gasoline and oil	7 500	10 130	(2 630)
Repair and maintenance	8 000	6 832	1 168
Police supplies	4 500	5 015	(515)
Uniforms	2 000	6 081	(4 081)
Medical examinations	1 350	2 644	(1 294)
Training	6 000	6 596	(596)
Dues	202	219	(17)
Total Police Department	<u>\$ 403 595</u>	<u>\$ 402 154</u>	<u>\$ 1 441</u>
Traffic Control:			
Contribution - crossing guard	\$ 5 000	\$ 10 000	\$ (5 000)

TOWN OF BERRYVILLE, VIRGINIA

29
SCHEDULE 2
(Continued)SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2005

	Budget	Actual	Variance Favorable (Unfavorable)
Public Safety: (Continued)			
Emergency Services:			
Contribution - alarm	\$ 2 000	\$ 2 000	\$ -
Fire and Rescue:			
Professional services - emergency medical technician	\$ 40 000	\$ 40 000	\$ -
Contribution - JHEVFD	22 500	22 500	-
Fire fund program	4 000	12 000	(8 000)
Total Fire and Rescue	\$ 66 500	\$ 74 500	\$ (8 000)
Correction and Detention:			
Confinement of prisoners	\$ 250	\$ -	\$ 250
Public defender fees	500	-	500
Total Correction and Detention	\$ 750	\$ -	\$ 750
Total Public Safety	\$ 477 845	\$ 488 654	\$ (10 809)
Public Works:			
Maintenance of Streets, Bridges and Sidewalks:			
General Administration:			
Compensation	\$ 26 908	\$ 20 799	\$ 6 109
Electricity	1 100	-	1 100
Fuel oil/heat	1 600	995	605
Telephone	1 250	2 824	(1 574)
Office supplies	50	-	50
Vehicle repairs and maintenance	4 500	6 469	(1 969)
Medical exams	500	465	35
Training	700	730	(30)
Total General Administration	\$ 36 608	\$ 32 282	\$ 4 326
Highways, Streets, Bridges and Sidewalks:			
Compensation	\$ 72 065	\$ 69 041	\$ 3 024
Communication equipment and services	2 000	1 646	354
Gasoline & oil	6 000	9 091	(3 091)
Uniforms	2 500	1 978	522
Materials and supplies	4 000	6 278	(2 278)
Equipment maintenance	6 500	5 544	956
Sidewalk maintenance	10 000	2 724	7 276
Street sign maintenance	1 500	665	835
Norfolk/Southern R-O-W's	365	362	3
Total Highways, Streets, Bridges and Sidewalks	\$ 104 930	\$ 97 329	\$ 7 601
Street Lights:			
Electricity - street lights	\$ 50 000	\$ 49 225	\$ 775

TOWN OF BERRYVILLE, VIRGINIA

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Public Works: (Continued)			
Snow and Ice Removal:			
Material and supplies	\$ 1 000	\$ 2 759	\$ (1 759)
Parking Meters:			
Material and supplies	\$ 700	\$ 42	\$ 658
Street and Road Cleaning:			
Material and supplies	\$ 2 500	\$ 1 772	\$ 728
Total Maintenance of Streets, Bridges and Sidewalks	<u>\$ 195 738</u>	<u>\$ 183 409</u>	<u>\$ 12 329</u>
Sanitation and Waste Removal:			
Contractual services	\$ 121 590	\$ 167 678	\$ (46 088)
Recycling services	51 265	27 250	24 015
Landfill charges	-	4 055	(4 055)
Total Sanitation and Waste Removal	<u>\$ 172 855</u>	<u>\$ 198 983</u>	<u>\$ (26 128)</u>
Maintenance of Buildings and Grounds:			
General Properties:			
Electricity	\$ 4 000	\$ 3 732	\$ 268
Fuel oil/heat	3 500	4 381	(881)
Repair and maintenance	6 500	15 816	(9 316)
Materials and supplies	1 000	161	839
Christmas lights	750	571	179
Total General Properties	<u>\$ 15 750</u>	<u>\$ 24 661</u>	<u>\$ (8 911)</u>
Building Services:			
Contractual services	\$ 5 100	\$ 3 575	\$ 1 525
Total Maintenance of Buildings and Grounds	<u>\$ 20 850</u>	<u>\$ 28 236</u>	<u>\$ (7 386)</u>
Total Public Works	<u>\$ 389 443</u>	<u>\$ 410 628</u>	<u>\$ (21 185)</u>
Parks, Recreation and Cultural:			
Contractual services	\$ 1 000	\$ 792	\$ 208
Christmas lights	500	-	500
Rose Hill improvements	3 000	216	2 784
Contribution	5 000	5 000	-
Total Parks, Recreation and Cultural	<u>\$ 9 500</u>	<u>\$ 6 008</u>	<u>\$ 3 492</u>

TOWN OF BERRYVILLE, VIRGINIA

31
SCHEDULE 2
(Continued)SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Community Development:			
Planning:			
Compensation	\$ 66 684	\$ 68 633	\$ (1 949)
Office rental	3 000	2 750	250
Professional services	-	126	(126)
Office equipment	600	2 395	(1 795)
Printing	1 000	517	483
Mileage	500	57	443
Training	1 100	772	328
Dues	400	480	(80)
Publications	250	-	250
Total Planning	<u>\$ 73 534</u>	<u>\$ 75 730</u>	<u>\$ (2 196)</u>
Board of Zoning Appeals:			
Compensation	\$ 800	\$ 680	\$ 120
Training	500	306	194
Total Board of Zoning Appeals	<u>\$ 1 300</u>	<u>\$ 986</u>	<u>\$ 314</u>
Economic Development:			
Professional services	\$ 20 000	\$ 20 000	\$ -
Planning Commission:			
Compensation	\$ 6 600	\$ 2 845	\$ 3 755
Training	1 400	-	1 400
Dues	250	-	250
Total Planning Commission	<u>\$ 8 250</u>	<u>\$ 2 845</u>	<u>\$ 5 405</u>
Berryville Area Development Authority:			
Compensation	\$ 2 350	\$ 3 067	\$ (717)
Training	500	-	500
Dues	125	88	37
Total Berryville Area Development Authority	<u>\$ 2 975</u>	<u>\$ 3 155</u>	<u>\$ (180)</u>
Architectural Review Board:			
Training	\$ 500	-	\$ 500
Total Community Development	<u>\$ 106 559</u>	<u>\$ 102 716</u>	<u>\$ 3 843</u>

TOWN OF BERRYVILLE, VIRGINIA

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Capital Outlay:			
Town office	\$ 2 365 000	\$ 34 390	2 330 610
Public works site plan	-	18 882	(18 882)
Software upgrades	50 000	43 532	6 468
Capital reserves	20 428	-	20 428
Contingency	34 056	-	34 056
Total Capital Outlay	<u>\$ 2 469 484</u>	<u>\$ 96 804</u>	<u>\$ 2 372 680</u>
Debt service:			
Debt service	<u>\$ 72 315</u>	<u>\$ -</u>	<u>\$ 72 315</u>
Total General Fund	<u>\$ 4 054 478</u>	<u>\$ 1 616 989</u>	<u>\$ 2 437 489</u>

SCHEDULE OF EXPENDITURES
 ENTERPRISE FUNDS
 For the Years Ended June 30, 2005 and 2004

	June 30, 2005	June 30, 2004
Water Fund:		
General Administration:		
Salaries and wages	\$ 51 522	\$ 55 498
Professional services	41	-
Miss Utility	1 232	909
Postage	1 435	1 475
Office supplies	595	-
Training	145	-
Total General Administration	\$ 54 970	\$ 57 882
Supply Purification:		
Salaries and wages	\$ 144 182	\$ 123 166
Repairs and maintenance	23 000	24 496
Electricity	30 754	28 622
Heating service	3 647	2 812
Equipment and supplies	3 059	3 248
Materials and supplies - chemicals	11 647	14 022
Sludge removal	12 075	12 150
Permits, fees and testing	9 374	8 067
Other operating expenses	4 012	3 034
Total Supply Purification	\$ 241 750	\$ 219 617
Transmission and Distribution:		
Salaries and wages	\$ 49 551	\$ 50 600
Repairs and maintenance - water lines	50 183	29 397
Materials and supplies	29 789	30 747
Other transmission and distribution expenses	574	3 184
Total Transmission and Distribution	\$ 130 097	\$ 113 928
Fringe Benefits:		
Social security	\$ 18 557	\$ 17 791
Retirement	20 466	12 571
Health insurance	31 932	26 197
Group life insurance	202	400
Workers' compensation	4 880	5 800
Unemployment insurance	227	141
Total Fringe Benefits	\$ 76 264	\$ 62 900
Depreciation	\$ 154 400	\$ 149 780
Contingency	\$ 2 396	\$ -
Total Operating Expenses	\$ 659 877	\$ 604 107

TOWN OF BERRYVILLE, VIRGINIA

34
SCHEDULE 3
(Continued)SCHEDULE OF EXPENDITURES
ENTERPRISE FUNDS
For the Years Ended June 30, 2005 and 2004

	June 30, 2005	June 30, 2004
Sewer Fund:		
General Administration:		
Salaries and wages	\$ 50 329	\$ 52 941
Professional services	10 452	-
Postage	901	746
Total General Administration	\$ 61 682	\$ 53 687
Wastewater Treatment:		
Salaries and wages	\$ 47 482	\$ 39 244
Professional services	37 131	13 500
Repairs and maintenance	15 521	31 534
Electricity	30 684	33 188
Materials and supplies - chemicals	100	4 319
Equipment and supplies	2 278	2 411
Permits, fees and testing	17 373	10 369
Other operating expenses	1 004	1 014
Total Wastewater Treatment	\$ 151 573	\$ 135 579
Maintenance of Sewer Lines:		
Salaries and wages	\$ 48 889	\$ 47 882
Repairs and maintenance - sewer lines	26 764	16 822
Materials and supplies	2 877	4 826
Total Maintenance of Sewer Lines	\$ 78 530	\$ 69 530
Fringe Benefits:		
Social security	\$ 11 077	\$ 10 925
Retirement	10 620	7 814
Health insurance	19 349	16 427
Group life insurance	113	161
Unemployment insurance	227	140
Workers' compensation	3 873	4 600
Total Fringe Benefits	\$ 45 259	\$ 40 067
Depreciation	\$ 142 292	\$ 137 561
Contingency	\$ -	\$ -
Total Operating Expenses	\$ 479 336	\$ 436 424

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**STATISTICAL SECTION
(UNAUDITED)**

TOWN OF BERRYVILLE, VIRGINIA

GOVERNMENTAL REVENUES BY SOURCE
LAST TEN FISCAL YEARSGENERAL 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
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
2002-03	786 085	589 537	19 660	36 082	49 520	10 407	89 188	148 554	1 729 033
2003-04	855 604	608 694	23 684	35 199	39 747	11 182	15 681	115 085	1 704 876
2004-05	1 058 751	691 504	68 928	57 361	48 266	10 755	6 093	109 040	2 050 698

TABLE 2

GOVERNMENTAL EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARSGENERAL FUND
(UNAUDITED)

Fiscal Year	General Government	Public Safety	Public Works	Parks and Recreation	Community Development	Capital Outlay & Contingency	Debt Service	Total
1995-96 \$	273 548 \$	280 862 \$	238 856 \$	5 552 \$	55 451 \$	65 023 \$	- \$	919 292
1996-97	284 480	284 615	275 211	16 501	50 556	88 392	-	999 755
1997-98	303 166	307 756	297 692	11 472	52 006	62 779	-	1 034 871
1998-99	313 911	376 235	270 846	7 289	61 845	216 199	-	1 246 325
1999-00	351 650	397 033	318 658	5 387	58 643	95 354	-	1 226 725
2000-01	354 543	391 214	363 072	9 414	62 206	199 189	-	1 379 638
2001-02	395 508	425 994	396 484	8 449	76 976	259 754	-	1 563 165
2002-03	381 569	423 274	432 856	8 150	96 467	63 805	-	1 406 121
2003-04	399 628	434 474	401 975	10 675	84 282	337 089	100 000	1 768 123
2004-05	512 179	488 654	410 628	6 008	102 716	96 804	-	1 616 989

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