

TOWN OF BERRYVILLE, VIRGINIA



**FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020**

TOWN OF BERRYVILLE, VIRGINIA

Keith R. Dalton, Town Manager

Greg Jacobs, Director of
Finance/Treasurer

Christina Dunkle, Director of Community
Development

Neal White, Chief of Police

David Tyrrell, Director of Utilities

Rick Boor, Director of Public Works

Jodi Kern, Utility Clerk

Paul Culp, Town Clerk

TOWN OF BERRYVILLE, VIRGINIA

Financial Report
Year Ended June 30, 2020

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Berryville, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Berryville, Virginia, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-10, 53, and 54-59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Supplementary and Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2021, on our consideration of the Town of Berryville, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Town of Berryville, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Berryville, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox, Associates
Charlottesville, Virginia
March 19, 2021

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TOWN OF BERRYVILLE, VIRGINIA MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Town of Berryville (the "Town") we offer the readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2020. Please read it in conjunction with the Town's basic financial statements, which follow this section.

Financial Highlights

The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$36,563,292 (net position). Of this amount, \$12,971,004 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.

The Town's total net position increased by \$717,838, of which the governmental activities accounted for a \$191,536 increase and business-type activities accounted for a \$526,302 increase.

At the end of the current fiscal year, unrestricted net position for governmental activities was \$3,385,686 or 89.22% of the governmental activities expenditures less any capital outlay projects.

The unassigned ending fund balance for the Town's general fund was \$3,965,858, an increase of \$228,088 over the prior year.

The Town's total debt decreased by \$283,985 (2.39%) during the current fiscal year. The key factor in this net decrease was the payment of General Obligation Bonds.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide the readers with a broad overview of the Town's finances, in a manner similar to a private sector business. The *statement of net position* presents information on all of the Town's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of how the financial position of the Town may be changing. Increases in net position may indicate an improved financial position; however, even decreases in net position may reflect a changing manner in which the Town may have previously accumulated funds.

The *statement of activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the changes occur, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government administration, public safety, public works, parks, recreation and culture, and community development.

Overview of the Financial Statements: (Continued)

Government-wide financial statements: (Continued)

The two Proprietary (business-type) Fund financial statements provide information on the activities in the Town's Water and Sewer Funds. Activities that are funded through the Water Fund include water system administration and billing, water treatment, and maintenance of treatment, distribution, and storage facilities. Activities that are funded through the Sewer Fund include sewer system administration and billing, wastewater treatment, and maintenance of treatment and collection facilities. User fees (water and sewer bills) and availability fees comprise the income for these funds.

The Town has no separate component units (e.g. school board, industrial development authority, etc.) that would be included in its government-wide financial statements.

The government-wide financial statements can be found on pages 11 through 13 of this report.

Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term affect of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The basic governmental fund financial statements can be found on pages 14 through 17 of this report.

The Town maintains two **Proprietary Funds**. These *enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements, to account for its public utilities.

The basic proprietary fund financial statements can be found on pages 18 through 20 of this report.

The Town adopts an annual appropriated budget for its General Fund and its two Proprietary Funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with this budget.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 21 through 70 of this report.

Overview of the Financial Statements: (Continued)

Other information

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

Required supplementary information can be found on pages 71 through 78 of this report.

Government-wide Financial Analysis

As noted earlier, net position may, over time, serve as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$36.5 million at the close of the most recent fiscal year. A large portion of the Town's net position (\$22.6 million, 61.91% of total) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided by other sources, since the capital assets themselves cannot be used to liquidate these liabilities (i.e. the Town's investment in capital assets are of a permanent nature as assets acquired are not generally sold or otherwise disposed of during their useful life).

The following table summarizes the Town's Statement of Net Position:

Town of Berryville, Virginia
Summary of Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 5,135,375	\$ 4,804,029	\$ 10,538,647	\$ 9,412,254	\$ 15,674,022	\$ 14,216,283
Capital assets	4,163,032	4,312,524	28,668,580	29,716,958	32,831,612	34,029,482
Total assets	\$ 9,298,407	\$ 9,116,553	\$ 39,207,227	\$ 39,129,212	\$ 48,505,634	\$ 48,245,765
Deferred outflows of resources	\$ 247,055	\$ 211,619	\$ 116,427	\$ 100,877	\$ 363,482	\$ 312,496
Long-term liabilities outstanding	\$ 2,911,650	\$ 2,807,225	\$ 8,663,058	\$ 9,051,468	\$ 11,574,708	\$ 11,858,693
Other liabilities	54,214	132,821	71,281	111,607	125,495	244,428
Total liabilities	\$ 2,965,864	\$ 2,940,046	\$ 8,734,339	\$ 9,163,075	\$ 11,700,203	\$ 12,103,121
Deferred inflows of resources	\$ 576,770	\$ 576,834	\$ 28,851	\$ 32,852	\$ 605,621	\$ 609,686
Net investment in capital assets	\$ 2,193,135	\$ 2,303,292	\$ 20,443,580	\$ 21,021,958	\$ 22,636,715	\$ 23,325,250
Restricted	485,573	335,573	470,000	470,000	955,573	805,573
Unrestricted	3,324,120	3,172,427	9,646,884	8,542,204	12,971,004	11,714,631
Total net position	\$ 6,002,828	\$ 5,811,292	\$ 30,560,464	\$ 30,034,162	\$ 36,563,292	\$ 35,845,454

A portion of the Town's net position is restricted for debt service (\$955,573, 2.61% of total) may be used to meet the Town's ongoing obligations to Virginia Resources Authority.

Government-wide Financial Analysis: (Continued)

The remaining balance of unrestricted net position (\$12.9 million, 35.48% of total) may be used to meet the Town's ongoing obligations to citizens and creditors.

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

As noted previously, the Town's net position increased by \$717,838 during the current fiscal year, attributable to the \$191,536 increase in governmental activities net position, and \$526,302 increase in business-type activities.

Town of Berryville, Virginia						
Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Charges for services	\$ 140,864	\$ 139,585	\$ 3,452,592	\$ 2,577,362	\$ 3,593,456	\$ 2,716,947
Operating grants & contributions	679,785	715,858	5,583	-	685,368	715,858
Capital grants & contributions	-	-	-	-	-	-
General real property taxes	1,508,021	1,459,123	-	-	1,508,021	1,459,123
Other taxes	1,083,911	1,075,292	-	-	1,083,911	1,075,292
Unrestricted revenues from the use of money & property	220,173	196,677	79,439	79,414	299,612	276,091
Grants & contributions not restricted to specific programs	305,518	292,050	-	-	305,518	292,050
Miscellaneous	38,603	208,494	-	-	38,603	208,494
Total Revenues	\$ 3,976,875	\$ 4,087,079	\$ 3,537,614	\$ 2,656,776	\$ 7,514,489	\$ 6,743,855
Expenses:						
General government administration	\$ 1,363,212	\$ 1,099,294	\$ -	\$ -	\$ 1,363,212	\$ 1,099,294
Public safety	812,701	771,365	-	-	812,701	771,365
Public works	1,343,225	1,367,418	-	-	1,343,225	1,367,418
Parks, recreation & cultural	46,536	48,808	-	-	46,536	48,808
Community development	137,591	117,778	-	-	137,591	117,778
Interest on long-term debt	82,074	83,663	-	-	82,074	83,663
Water fund	-	-	1,179,728	1,137,130	1,179,728	1,137,130
Sewer fund	-	-	1,831,584	2,080,739	1,831,584	2,080,739
Total Expenses	\$ 3,785,339	\$ 3,488,326	\$ 3,011,312	\$ 3,217,869	\$ 6,796,651	\$ 6,706,195
Change in net position	\$ 191,536	\$ 598,753	\$ 526,302	\$ (561,093)	\$ 717,838	\$ 37,660
Net position, beginning of year	5,811,292	5,212,539	30,034,162	30,595,255	35,845,454	35,807,794
Net position, end of year	\$ 6,002,828	\$ 5,811,292	\$ 30,560,464	\$ 30,034,162	\$ 36,563,292	\$ 35,845,454

Business-type activities increased the Town's net position by \$526,302. Similar to how changes arise in the governmental activities, business-type activities also experience budgetary differences; however, as a public utility function comprises the Town's business-type activities there is more of a direct correlation to the revenues generated relative to the expenses incurred because of service demands.

Financial Analysis of the Town's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund: The focus of the Town's governmental fund is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's general fund reported a fund balance of \$4,451,431, an increase of \$378,088 in comparison to the prior year, due to cash flow involved in the VDOT street maintenance project and capital projects carried over from the prior fiscal year. Of this total amount, \$3,965,858 or 89.09% constitutes unassigned fund balance, which is available for spending at the Town's discretion. The Town is required to restrict \$110,573 of fund balance for debt service obligations related to the Joint Government Center. The remaining balance of \$375,000 is restricted for proffers revenue, which was not spent as of June 30, 2020.

Proprietary Funds: The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The total net position of the water and sewer funds was \$30,560,464. Unrestricted net position at the end of the year was \$9,646,884, an increase of \$1,104,680 from last year's unrestricted net position.

General Fund Budgetary Highlights

During the fiscal year the Town's general fund revenue exceeded budget by \$229,609. Of this amount \$15,749 can be attributed to general property taxes.

Capital Asset and Debt Administration

Capital Assets: The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2020, amounts to \$32,831,612 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and machinery and equipment as well as construction in progress.

Capital assets, net of accumulated depreciation, are illustrated in the following table:

Town of Berryville, Virginia
Capital Assets (net of accumulated depreciation)
As of June 30, 2020

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 93,209	\$ 93,209	\$ 76,000	\$ 76,000	\$ 169,209	\$ 169,209
Buildings & improvements	3,819,272	3,951,432	26,344,702	27,149,887	30,163,974	31,101,319
Infrastructure	77,849	37,433	1,739,377	1,913,408	1,817,226	1,950,841
Equipment	172,702	230,450	508,501	577,663	681,203	808,113
Total	\$ 4,163,032	\$ 4,312,524	\$ 28,668,580	\$ 29,716,958	\$ 32,831,612	\$ 34,029,482

Additional information on the Town's capital assets can be found in Note 5 on pages 31 and 32 of this report.

Capital Asset and Debt Administration: (Continued)

Long-term obligations: At the end of the current fiscal year, the Town had total outstanding obligations of \$11,574,708 and details are summarized in the following table:

**Town of Berryville, Virginia
Outstanding Obligations
For the Year Ended June 30, 2020**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Long-term obligations:						
Lease revenue bond	\$ 1,969,897	\$ 2,009,232	\$ -	\$ -	\$ 1,969,897	\$ 2,009,232
General obligation bonds	-	-	8,225,000	8,695,000	8,225,000	8,695,000
Net pension liability	619,980	489,219	305,365	240,196	925,345	729,415
Net OPEB liability	86,876	78,048	42,654	40,952	129,530	119,000
Compensated absences	234,897	230,726	90,039	75,320	324,936	306,046
Total	\$ 2,911,650	\$ 2,807,225	\$ 8,663,058	\$ 9,051,468	\$ 11,574,708	\$ 11,858,693

Obligations associated with governmental activities increased by \$104,425 in 2020. The governmental activities obligations increase was due to the increase of \$130,761 in the net pension liability.

The obligations associated with business-type activities decreased by \$388,410 in 2020 due to VRA loan payments.

The Town is subject to a statutory debt limitation. The legal debt margin is limited to 10% of total assessed value. The margin is computed as all bonded debt and long-term notes except for enterprise indebtedness over total value of taxed real property. The Town was in compliance with debt limitations as of June 30, 2020.

Additional information on the Town’s long-term debt and compliance can be found in Note 6.

Economic Factors and Next Year’s Budgets and Rates:

Berryville serves as the center of commercial, residential, institutional, and industrial activity for Clarke County.

Both the Town and County are committed to preserving and enhancing Berryville’s historic downtown and maintaining Clarke County’s exquisite countryside. Preservation of our community’s charming character and natural beauty has required extraordinary effort and a high level of cooperation between the Town and County.

The Town experienced a slight increase in real property assessments in 2020 with an overall 1.30% increase. Preliminary forecasts for 2021 assessments indicate moderate but positive growth.

For tax year 2021, the Town Council adopted a .1774/\$100 real estate tax rate, this did not increase from tax year 2020. The personal property rate remained the same as the prior year at \$1.25/\$100. The machinery and tools tax rate remained the same as the prior year at \$1.30/\$100.

Effective November 22, 2019, the Town’s water rate was \$8.15 per 1,000 gallons, and the Town’s sewer rate was \$17.27 per 1,000 gallons. Administrative monthly fees are \$2.50 each for water and sewer use.

Requests for Information

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

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Basic Financial Statements

Government-wide Financial Statements

Statement of Net Position
As of June 30, 2020

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 4,377,996	\$ 9,521,925	\$ 13,899,921
Restricted cash and cash equivalents	110,573	470,000	580,573
Receivables, net of allowance for uncollectibles	674,893	306,003	980,896
Due from other governments	27,049	5,583	32,632
Prepaid items	-	180,000	180,000
Internal balances	(55,136)	55,136	-
Capital assets:			
Land	93,209	76,000	169,209
Other capital assets, net of accumulated depreciation	4,069,823	28,592,580	32,662,403
Capital assets, net	\$ 4,163,032	\$ 28,668,580	\$ 32,831,612
Total assets	\$ 9,298,407	\$ 39,207,227	\$ 48,505,634
Deferred Outflows of Resources:			
OPEB related items	\$ 18,151	\$ 8,911	\$ 27,062
Pension related items	228,904	107,516	336,420
Total deferred outflows of resources	\$ 247,055	\$ 116,427	\$ 363,482
Liabilities:			
Accounts payable	\$ 14,342	\$ 586	\$ 14,928
Accrued liabilities	32,641	14,665	47,306
Unearned revenue	3,845	-	3,845
Accrued interest	3,386	-	3,386
Customer deposits	-	56,030	56,030
Long-term liabilities:			
Due within one year:			
Bonds payable	40,988	470,000	510,988
Due in more than one year:			
Compensated absences	234,897	90,039	324,936
Net OPEB liability	86,876	42,654	129,530
Net pension liability	619,980	305,365	925,345
Bonds payable	1,928,909	7,755,000	9,683,909
Total liabilities	\$ 2,965,864	\$ 8,734,339	\$ 11,700,203
Deferred Inflows of Resources:			
OPEB related items	\$ 5,531	\$ 2,717	\$ 8,248
Pension related items	37,922	26,134	64,056
Deferred revenue-property taxes	533,317	-	533,317
Total deferred inflows of resources	\$ 576,770	\$ 28,851	\$ 605,621
Net Position:			
Net investment in capital assets	\$ 2,193,135	\$ 20,443,580	\$ 22,636,715
Restricted for proffers	375,000	-	375,000
Restricted for debt reserve	110,573	470,000	580,573
Unrestricted	3,324,120	9,646,884	12,971,004
Total net position	\$ 6,002,828	\$ 30,560,464	\$ 36,563,292

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

TOWN OF BERRYVILLE, VIRGINIA

Statement of Activities
Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government administration	\$ 1,363,212	\$ -	\$ -	\$ -
Public safety	812,701	25,091	105,216	-
Public works	1,343,225	115,773	574,569	-
Parks, recreation and cultural	46,536	-	-	-
Community development	137,591	-	-	-
Interest on long-term debt	82,074	-	-	-
Total governmental activities	\$ 3,785,339	\$ 140,864	\$ 679,785	\$ -
Business-type activities:				
Water	\$ 1,179,728	\$ 1,512,907	\$ 1,256	\$ -
Sewer	1,831,584	1,939,685	4,327	-
Total business-type activities	\$ 3,011,312	\$ 3,452,592	\$ 5,583	\$ -
Total	\$ 6,796,651	\$ 3,593,456	\$ 685,368	\$ -

General Revenues:

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

Change in net position

Net position, beginning of year

Net position, end of year

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,363,212)	\$ -	\$ (1,363,212)
(682,394)	-	(682,394)
(652,883)	-	(652,883)
(46,536)	-	(46,536)
(137,591)	-	(137,591)
(82,074)	-	(82,074)
<u>\$ (2,964,690)</u>	<u>\$ -</u>	<u>\$ (2,964,690)</u>
\$ -	\$ 334,435	\$ 334,435
-	112,428	112,428
<u>\$ -</u>	<u>\$ 446,863</u>	<u>\$ 446,863</u>
<u>\$ (2,964,690)</u>	<u>\$ 446,863</u>	<u>\$ (2,517,827)</u>
\$ 1,508,021	\$ -	\$ 1,508,021
216,188	-	216,188
226,560	-	226,560
14,082	-	14,082
130,426	-	130,426
97,050	-	97,050
6,247	-	6,247
294,075	-	294,075
99,283	-	99,283
220,173	79,439	299,612
305,518	-	305,518
38,603	-	38,603
<u>\$ 3,156,226</u>	<u>\$ 79,439</u>	<u>\$ 3,235,665</u>
\$ 191,536	\$ 526,302	\$ 717,838
<u>5,811,292</u>	<u>30,034,162</u>	<u>35,845,454</u>
<u>\$ 6,002,828</u>	<u>\$ 30,560,464</u>	<u>\$ 36,563,292</u>

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Fund Financial Statements

Balance Sheet
 Governmental Fund
 As of June 30, 2020

	<u>General Fund</u>
Assets:	
Cash and cash equivalents	\$ 4,377,996
Receivables (net of allowance for uncollectibles):	
Taxes including penalties	631,623
Accounts	43,270
Due from other governments	27,049
Restricted assets:	
Cash and cash equivalents	110,573
Total assets	\$ <u>5,190,511</u>
Liabilities:	
Accounts payable	\$ 14,342
Accrued liabilities	32,641
Unearned revenue	3,845
Due to other funds	55,136
Total liabilities	\$ <u>105,964</u>
Deferred Inflows of Resources:	
Unavailable revenue-property taxes	\$ <u>633,116</u>
Fund Balance:	
Restricted for proffers	\$ 375,000
Restricted for debt service	110,573
Unassigned	3,965,858
Total fund balance	\$ <u>4,451,431</u>
Total liabilities, deferred inflows of resources and fund balance	\$ <u>5,190,511</u>

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

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
As of June 30, 2020

Total fund balance for governmental fund (Exhibit 3) \$ 4,451,431

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$ 93,209	
Depreciable capital assets, net of accumulated depreciation	4,069,823	4,163,032

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. (3,386)

Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Unavailable revenue-property taxes		99,799
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Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Pension related items	\$ 228,904	
OPEB related items	18,151	247,055

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

Compensated absences	\$ (234,897)	
Net OPEB liability	(86,876)	
Net pension liability	(619,980)	
Bonds payable	(1,969,897)	(2,911,650)

Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.

Pension related items	\$ (37,922)	
OPEB related items	(5,531)	(43,453)

Total net position of governmental activities	\$	<u>6,002,828</u>
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The accompanying notes to financial statements are an integral part of this statement.

Statement of Revenues, Expenditures, and Changes in Fund Balance
 Governmental Fund
 Year Ended June 30, 2020

	<u>General Fund</u>
Revenues:	
General property taxes	\$ 1,478,399
Other local taxes	1,083,911
Permits, privilege fees and regulatory licenses	35,642
Fines and forfeitures	25,091
Revenue from use of money and property	220,173
Charges for services	80,131
Miscellaneous	38,603
Intergovernmental:	
Commonwealth	965,837
Federal	19,466
Total revenues	<u>\$ 3,947,253</u>
Expenditures:	
Current:	
General government administration	\$ 1,041,314
Public safety	747,073
Public works	1,195,535
Parks, recreation, and cultural	9,952
Community development	133,217
Capital outlay	288,809
Contingency	31,789
Debt service	121,476
Total expenditures	<u>\$ 3,569,165</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 378,088</u>
Net change in fund balance	\$ 378,088
Fund balances at beginning of year	<u>4,073,343</u>
Fund balances at end of year	<u><u>\$ 4,451,431</u></u>

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

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
of Governmental Fund to the Statement of Activities
Year Ended June 30, 2020

Net change in fund balances - total governmental fund (Exhibit 5)		\$	378,088
<p>Governmental activities report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current year.</p>			
Capital outlay		\$	94,489
Depreciation expense			<u>(243,981)</u>
			(149,492)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. The change in unavailable property taxes is reported as revenues in the governmental funds.</p>			
Property taxes			29,622
<p>The issuance of long-term debt (e.g. bonds, leases, notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Details of this item consist of principal retired on long-term debt.</p>			
			39,335
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. The following is a summary of items supporting this adjustment:</p>			
Change in compensated absences		\$	(4,171)
Pension expense			(103,542)
OPEB expense			1,629
Change in interest payable			<u>67</u>
			<u>(106,017)</u>
Change in net position of governmental activities		\$	<u><u>191,536</u></u>

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

Statement of Net Position
 Proprietary Fund
 As of June 30, 2020

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Assets:			
Current assets:			
Cash and cash equivalents	\$ 3,067,768	\$ 6,454,157	\$ 9,521,925
Restricted cash and cash equivalents	-	470,000	470,000
Prepaid expenses	-	180,000	180,000
Due from other governments	1,256	4,327	5,583
Receivables (net of allowance for uncollectibles)	101,208	204,795	306,003
Due from other funds	-	65,187	65,187
Total current assets	\$ 3,170,232	\$ 7,378,466	\$ 10,548,698
Noncurrent assets:			
Land	\$ 5,000	\$ 71,000	\$ 76,000
Capital assets, net of accumulated depreciation	1,504,014	27,088,566	28,592,580
Total noncurrent assets	\$ 1,509,014	\$ 27,159,566	\$ 28,668,580
Total assets	\$ 4,679,246	\$ 34,538,032	\$ 39,217,278
Deferred Outflows of Resources:			
OPEB related items	\$ 3,279	\$ 5,632	\$ 8,911
Pension related items	47,239	60,277	107,516
Total deferred outflows of resources	\$ 50,518	\$ 65,909	\$ 116,427
Liabilities:			
Current liabilities:			
Accounts payable	\$ 126	\$ 460	\$ 586
Accrued payroll and related liabilities	9,808	4,857	14,665
Due to other funds	10,051	-	10,051
Customer deposits	10,083	45,947	56,030
Current portion of long-term debt	-	470,000	470,000
Total current liabilities	\$ 30,068	\$ 521,264	\$ 551,332
Noncurrent liabilities:			
Compensated absences	\$ 31,658	\$ 58,381	\$ 90,039
Net OPEB liability	15,699	26,955	42,654
Net pension liability	120,296	185,069	305,365
Long-term debt, net of current portion	-	7,755,000	7,755,000
Total noncurrent liabilities	\$ 167,653	\$ 8,025,405	\$ 8,193,058
Total liabilities	\$ 197,721	\$ 8,546,669	\$ 8,744,390
Deferred Inflows of Resources:			
OPEB related items	\$ 1,000	\$ 1,717	\$ 2,717
Pension related items	7,575	18,559	26,134
Total deferred inflows of resources	\$ 8,575	\$ 20,276	\$ 28,851
Net Position:			
Net investment in capital assets	\$ 1,509,014	\$ 18,934,566	\$ 20,443,580
Restricted for debt reserve	-	470,000	470,000
Unrestricted	3,014,454	6,632,430	9,646,884
Total net position	\$ 4,523,468	\$ 26,036,996	\$ 30,560,464

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

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Fund
 Year Ended June 30, 2020

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Operating revenues:			
Charges for services	\$ 1,512,907	\$ 1,939,685	\$ 3,452,592
Federal	1,256	4,327	5,583
Total operating revenues	\$ 1,514,163	\$ 1,944,012	\$ 3,458,175
Operating expenses:			
General administration	\$ 66,554	\$ 42,688	\$ 109,242
Supply purification	351,085	-	351,085
Transmission and distribution	228,365	-	228,365
Wastewater treatment	-	686,276	686,276
Maintenance of sewer lines	-	104,344	104,344
Fringe benefits	107,138	139,185	246,323
Depreciation	191,395	856,983	1,048,378
Contingency	235,191	2,108	237,299
Total operating expenses	\$ 1,179,728	\$ 1,831,584	\$ 3,011,312
Operating income (loss)	\$ 334,435	\$ 112,428	\$ 446,863
Nonoperating revenues (expenses):			
Interest revenue	\$ 29,673	\$ 49,766	\$ 79,439
Total nonoperating revenues (expenses)	\$ 29,673	\$ 49,766	\$ 79,439
Income (loss) before contributions	\$ 364,108	\$ 162,194	\$ 526,302
Change in net position	\$ 364,108	\$ 162,194	\$ 526,302
Net position, beginning of year	4,159,360	25,874,802	30,034,162
Net position, end of year	\$ 4,523,468	\$ 26,036,996	\$ 30,560,464

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

Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2020

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Cash flows from operating activities:			
Receipts from customers	\$ 1,484,385	\$ 1,874,302	\$ 3,358,687
Payments to and for employees	(418,128)	(422,001)	(840,129)
Payments to suppliers	(563,729)	(626,083)	(1,189,812)
Net cash provided by (used for) operating activities	\$ 502,528	\$ 826,218	\$ 1,328,746
Cash flows from investing activities:			
Investment income	\$ 29,673	\$ 49,766	\$ 79,439
Cash flows from capital and related financing activities:			
Principal payments on long-term debt	\$ -	\$ (470,000)	\$ (470,000)
Net cash provided by (used for) capital and related financing activities	\$ -	\$ (470,000)	\$ (470,000)
Net increase (decrease) in cash and cash equivalents	\$ 532,201	\$ 405,984	\$ 938,185
Cash and cash equivalents at beginning of year - including restricted	2,535,567	6,518,173	9,053,740
Cash and cash equivalents at end of year - including restricted	\$ 3,067,768	\$ 6,924,157	\$ 9,991,925
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 334,435	\$ 112,428	\$ 446,863
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	191,395	856,983	1,048,378
Changes in operating accounts:			
Accounts receivable	(26,117)	(66,508)	(92,625)
Due from other governments	(1,256)	(4,327)	(5,583)
Prepaid expenses	-	(90,000)	(90,000)
Deferred outflows - GLI OPEB	(1,488)	(2,685)	(4,173)
Deferred outflows - pension	(10,980)	(397)	(11,377)
Accounts payable and accrued liabilities	(10,722)	(28,324)	(39,046)
Compensated absences	5,154	9,565	14,719
Net OPEB liability	(311)	2,013	1,702
Net pension liability	31,891	33,278	65,169
Deferred inflows - GLI OPEB	(480)	(588)	(1,068)
Deferred inflows - pension	(6,588)	3,655	(2,933)
Customer deposits	(2,405)	1,125	(1,280)
Net cash provided by (used for) operating activities	\$ 502,528	\$ 826,218	\$ 1,328,746

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

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Narrative Profile:

Town of Berryville, located in central Clarke County, Virginia, approximately 60 miles west of Washington, D.C., was chartered in 1798. The town has a population of 4,297 and a land area of approximately 1.8 square miles.

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

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

A. Financial Reporting Entity

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

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

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

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

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

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

A. Financial Reporting Entity (Continued)

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

Accounting principles generally accepted in the United States require financial statements to present the primary government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The Town has no component units that meet the requirements for blending. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize they are legally separate from the primary government. The Town does not have any discretely presented component units.

B. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide and fund financial statements. The focus is on both the Town as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary funds (by category) and the component units, if applicable. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information. The Town generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The Town may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, community development, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, community development, etc.) or a business-type activity. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

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

B. Government-wide and Fund Financial Statements (Continued)

revenues. The Town does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

Internal service charges, if applicable, are eliminated and the net income or loss from internal service activities is allocated to the various functional expense categories based on the internal charges to each function.

In the fund financial statements, financial transactions and accounts of the Town are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustment necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements.

Proprietary fund operating revenues consist of charges for services and related revenues. Nonoperating revenues consist of contributions, grants, investment earnings and other revenues not directly derived from the providing of services.

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The following is a brief description of the specific funds used by the Town in 2020.

A. *Governmental Funds* - Governmental Funds account for the expendable financial resources, other than those accounted for in Proprietary and Fiduciary Funds. The Governmental Funds utilize the modified accrual basis of accounting where the measurement focus is upon determination of financial position and changes in financial position, rather than upon net income determination as would apply to a commercial enterprise. The individual Governmental Fund is:

General Fund - The General Fund is the primary operating fund of the Town. This fund is used to account for and report all financial resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, and interest income. The General Fund is considered a major fund for reporting purposes.

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

B. Government-wide and Fund Financial Statements (Continued)

- B. *Proprietary Funds* - Proprietary Funds account for operations that are financed in a manner similar to private business enterprises. The Proprietary Funds utilize the accrual basis of accounting where the measurement focus is upon determination of net income, financial position, and cash flows. Proprietary Funds consist of the water and sewer enterprise funds.

C. Basis of Accounting

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

1. *Governmental Funds* - Governmental funds utilize the modified accrual basis of accounting under which revenues and related assets are recorded when measurable and available to finance operations during the year. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts, except that property taxes not collected within 45 days after year-end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the State or utilities and subsequently remitted to the Town, are recognized as revenues and receivables upon collection by the State or utility, which is generally in the month preceding receipt by the Town. Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of State and other grants for the purpose of funding specific expenditures, are recognized when measurable and available or at the time of the specific expenditure.

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

2. *Proprietary Funds* - The accrual basis of accounting is used for the Enterprise Funds. Under the accrual method, revenues are recognized in the accounting period in which they are earned, while expenses are recognized in the accounting period in which the related liability is incurred.

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

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

D. Budgets and Budgetary Accounting

The following procedures are used by the Town in establishing the budgetary data reflected in the financial statements:

1. Prior to May 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department or category level. The appropriation for each department or category can be revised only by the Town Council. The Town Administrator is authorized to transfer budgeted amounts within departments.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30 for all Town funds unless they are carried forward by a resolution of Town Council.
8. All budgetary data presented in the accompanying financial statements reflect budget revisions as of June 30.

E. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash and cash equivalents include all cash on hand and in banks, certificates of deposit, and highly liquid investments with original maturities of three months or less.

F. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as “advances to/from other funds” (i.e. the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

G. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$12,644 at June 30, 2020 and is comprised of solely of property taxes.

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

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

H. Prepaid Items

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

I. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of assets constructed. The Town did not have any capitalized interest as of June 30, 2020.

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

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

J. Use of Estimates

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

K. Net Position

Net position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

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

L. Net Position Flow Assumption

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

M. Compensated Absences

The Town accrues compensated absences (annual benefits) when vested. The amounts include all balances earned by employees which would be paid upon employee terminations, resignations or retirements.

N. Long-term Obligations

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

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

O. Fund Equity

The following classifications of fund balance describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable fund balance* - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- *Restricted fund balance* - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

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

O. Fund Equity (Continued)

- *Committed fund balance* - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- *Assigned fund balance* - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- *Unassigned fund balance* - amounts that are available for any purpose; positive amounts are only reported in the general fund.

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

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

P. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town only has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the pension and OPEB plan and contributions to the pension and OPEB plan made during the current year and subsequent to the net pension liability and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

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

P. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has multiple items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability and net OPEB liability are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

Q. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Town's Retirement Plan and the additions to/deductions from the Town's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

R. Other Postemployment Benefits (OPEB)

Group Life Insurance

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the GLI OPEB Plan and the additions to/deductions from the VRS OPEB Plans' net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 2—PROPERTY TAXES RECEIVABLE:

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

NOTE 3—DEPOSITS AND INVESTMENTS:

Deposits:

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

Investments:

Statutes authorize the Town to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, banker’s acceptances, repurchase agreements and the State Treasurer’s Local Government Investment Pool (LGIP). The Town had no investments at June 30, 2020.

NOTE 4—DUE FROM OTHER GOVERNMENTAL UNITS:

At June 30, 2020, the amount due from other governmental units was as follows:

	Primary Government	
	Governmental Activities	Business-type Activities
Other local governments:		
Clarke County	\$ 27,049	\$ 5,583
Total	\$ 27,049	\$ 5,583

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 5—CAPITAL ASSETS:

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

Governmental Activities:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
Capital assets not being depreciated:				
Land	\$ 93,209	\$ -	\$ -	\$ 93,209
Total capital assets not being depreciated	<u>\$ 93,209</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,209</u>
Other capital assets:				
Buildings and improvements	\$ 5,543,012	\$ -	\$ -	\$ 5,543,012
Infrastructure	259,940	44,133	-	304,073
Equipment	1,433,935	50,356	-	1,484,291
Total other capital assets	<u>\$ 7,236,887</u>	<u>\$ 94,489</u>	<u>\$ -</u>	<u>\$ 7,331,376</u>
Accumulated depreciation:				
Buildings and improvements	\$ 1,591,580	\$ 132,160	\$ -	\$ 1,723,740
Infrastructure	222,507	3,717	-	226,224
Equipment	1,203,485	108,104	-	1,311,589
Total accumulated depreciation	<u>\$ 3,017,572</u>	<u>\$ 243,981</u>	<u>\$ -</u>	<u>\$ 3,261,553</u>
Other capital assets, net	<u>\$ 4,219,315</u>	<u>\$ (149,492)</u>	<u>\$ -</u>	<u>\$ 4,069,823</u>
Net capital assets	<u>\$ 4,312,524</u>	<u>\$ (149,492)</u>	<u>\$ -</u>	<u>\$ 4,163,032</u>

Depreciation expense has been allocated as follows:

General government administration	\$ 87,501
Public safety	28,175
Public works	91,721
Parks, recreation, and cultural	<u>36,584</u>
Total depreciation expense	<u>\$ 243,981</u>

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 5—CAPITAL ASSETS: (Continued)

Business-type Activities:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Water Fund				
Capital assets not being depreciated:				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Total capital assets not being depreciated	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,000</u>
Other capital assets:				
Buildings and improvements	\$ 3,416,605	\$ -	\$ -	\$ 3,416,605
Infrastructure	1,574,855	-	-	1,574,855
Equipment	1,481,398	-	-	1,481,398
Total other capital assets	<u>\$ 6,472,858</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,472,858</u>
Accumulated depreciation:				
Buildings and improvements	\$ 2,866,960	\$ 76,445	\$ -	\$ 2,943,405
Infrastructure	925,016	69,584	-	994,600
Equipment	985,473	45,366	-	1,030,839
Total accumulated depreciation	<u>\$ 4,777,449</u>	<u>\$ 191,395</u>	<u>\$ -</u>	<u>\$ 4,968,844</u>
Other capital assets, net	<u>\$ 1,695,409</u>	<u>\$ (191,395)</u>	<u>\$ -</u>	<u>\$ 1,504,014</u>
Net capital assets	<u><u>\$ 1,700,409</u></u>	<u><u>\$ (191,395)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,509,014</u></u>
Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 71,000	\$ -	\$ -	\$ 71,000
Total capital assets not being depreciated	<u>\$ 71,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,000</u>
Other capital assets:				
Buildings and improvements	\$ 29,676,554	\$ -	\$ -	\$ 29,676,554
Infrastructure	4,323,494	-	-	4,323,494
Equipment	456,180	-	-	456,180
Total other capital assets	<u>\$ 34,456,228</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,456,228</u>
Accumulated depreciation:				
Buildings and improvements	\$ 3,076,312	\$ 728,740	\$ -	\$ 3,805,052
Infrastructure	3,059,925	104,447	-	3,164,372
Equipment	374,442	23,796	-	398,238
Total accumulated depreciation	<u>\$ 6,510,679</u>	<u>\$ 856,983</u>	<u>\$ -</u>	<u>\$ 7,367,662</u>
Other capital assets, net	<u>\$ 27,945,549</u>	<u>\$ (856,983)</u>	<u>\$ -</u>	<u>\$ 27,088,566</u>
Net capital assets	<u><u>\$ 28,016,549</u></u>	<u><u>\$ (856,983)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 27,159,566</u></u>

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligations for the fiscal year ended June 30, 2020:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Governmental Activities Obligations:					
Direct Borrowings and Direct Placements					
Lease revenue bond	\$ 2,009,232	\$ -	\$ 39,335	\$ 1,969,897	\$ 40,988
Net pension liability	489,219	580,384	449,623	619,980	-
Net OPEB liability	78,048	22,033	13,205	86,876	-
Compensated absences	230,726	4,171	-	234,897	-
Total Governmental Activities Obligations	<u>\$ 2,807,225</u>	<u>\$ 606,588</u>	<u>\$ 502,163</u>	<u>\$ 2,911,650</u>	<u>\$ 40,988</u>
Business-type Activities Obligations:					
Direct Borrowings and Direct Placements					
General obligation bonds	\$ 8,695,000	\$ -	\$ 470,000	\$ 8,225,000	\$ 470,000
Net pension liability	240,196	285,863	220,694	305,365	-
Net OPEB liability	40,952	10,818	9,116	42,654	-
Compensated absences	75,320	14,719	-	90,039	-
Total Business-type Activities Obligations	<u>\$ 9,051,468</u>	<u>\$ 311,400</u>	<u>\$ 699,810</u>	<u>\$ 8,663,058</u>	<u>\$ 470,000</u>
Total Long-term Obligations	<u>\$ 11,858,693</u>	<u>\$ 917,988</u>	<u>\$ 1,201,973</u>	<u>\$ 11,574,708</u>	<u>\$ 510,988</u>

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

Year Ending June 30,	<u>Governmental Activities</u> <u>Obligations</u>		<u>Business-type Activities</u> <u>Obligations</u>	
	<u>Direct Borrowings</u> <u>and Placements</u>		<u>Direct Borrowings</u> <u>and Placements</u>	
	<u>Lease</u> <u>Revenue Bond</u>		<u>General</u> <u>Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 40,988	\$ 80,488	\$ 470,000	-
2022	42,711	78,765	470,000	-
2023	44,507	76,969	470,000	-
2024	46,378	75,098	470,000	-
2025	48,328	73,148	470,000	-
2026-2030	273,875	333,505	2,350,000	-
2031-2035	336,490	270,890	2,350,000	-
2036-2040	413,420	193,960	1,175,000	-
2041-2045	507,939	99,441	-	-
2046-2047	215,261	8,656	-	-
Total	<u>\$ 1,969,897</u>	<u>\$ 1,290,920</u>	<u>\$ 8,225,000</u>	<u>\$ -</u>

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS: (Continued)

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

Governmental Activities Obligations:

Lease Revenue Bond:

\$2,327,000 Lease Revenue Bond issued May 2008, due in monthly installments of \$10,123 beginning June 2009 through May 2047, including interest at 4.125%. This lease revenue bond was issued through the Industrial Development Authority of Clarke County, Virginia, for purposes of funding construction of the Town’s municipal building.

\$ 1,969,897

Net pension liability

619,980

Net OPEB liability

86,876

Compensated absences

234,897

Total governmental activities obligations

\$ 2,911,650

Business-type Activities Obligations:

General Obligation Bonds:

\$11,750,000 General Obligation Revenue Bond Series 2010, issued March 2010 for purposes of funding new wastewater treatment plant, due in semi-annual installments of \$235,000 beginning February 2013 through August 2037 with no interest.

\$ 8,225,000

Net pension liability

305,365

Net OPEB liability

42,654

Compensated absences

90,039

Total business-type activities obligations

\$ 8,663,058

In the event of default for any general obligation bond the Lender may declare the entire unpaid principal and interest at the issuance as due and payable.

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 7—COMPENSATED ABSENCES:

The Town has accrued the liability arising from outstanding claims and judgments and compensated absences. Town employees earn vacation based upon length of service. The Town has outstanding accrued vacation pay totaling \$234,897 in the general government activities and \$90,039 in business-type activities.

NOTE 8—PENSION PLAN:

Plan Description:

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

Benefit Structures

The System administers three different benefit structures for covered employees - Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- b. Employees hired on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 8—PENSION PLAN: (CONTINUED)

Benefit Structures: (Continued)

- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of service credit are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of service credit are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 8—PENSION PLAN: (CONTINUED)

Employees Covered by Benefit Terms

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	29
Inactive members:	
Vested inactive members	8
Non-vested inactive members	7
Inactive members active elsewhere in VRS	<u>20</u>
Total inactive members	35
Active members	<u>30</u>
Total covered employees	<u><u>94</u></u>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The Town's contractually required employer contribution rate for the year ended June 30, 2020 was 12.15% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$192,272 and \$184,701 for the years ended June 30, 2020 and June 30, 2019, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The Town's net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019.

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 8—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates:

All Others (Non-10 Largest) - Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 8—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees: (Continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town’s Retirement Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50% - 4.75%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 8—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits: (Continued)

Mortality rates:

All Others (Non-10 Largest) - Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 8—PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.63%

* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 8—PENSION PLAN: (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Town was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2019, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2018	\$ 6,771,259	\$ 6,041,844	\$ 729,415
Changes for the year:			
Service cost	\$ 187,147	\$ -	\$ 187,147
Interest	465,258	-	465,258
Changes of assumptions	209,668	-	209,668
Differences between expected and actual experience	(1,294)	-	(1,294)
Contributions - employer	-	184,538	(184,538)
Contributions - employee	-	75,253	(75,253)
Net investment income	-	409,232	(409,232)
Benefit payments, including refunds of employee contributions	(249,423)	(249,423)	-
Administrative expenses	-	(3,913)	3,913
Other changes	-	(258)	258
Net changes	\$ 611,356	\$ 415,429	\$ 195,927
Balances at June 30, 2019	\$ 7,382,615	\$ 6,457,273	\$ 925,342

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 8—PENSION PLAN: (CONTINUED)

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

The following presents the net pension liability of the Town using the discount rate of 6.75%, as well as what the Town’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Town of Berryville, Virginia Net Pension Liability	\$ 1,865,540	\$ 925,342	\$ 172,662

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

For the year ended June 30, 2020, the Town recognized pension expense of \$347,509. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,618	\$ 808
Change in assumptions	131,434	-
Net difference between projected and actual earnings on pension plan investments	-	57,152
Changes in proportion	6,096	6,096
Employer contributions subsequent to the measurement date	192,272	-
Total	\$ 336,420	\$ 64,056

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 8—PENSION PLAN: (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: (Continued)

\$192,272 was reported as deferred outflows of resources related to pensions resulting from the Town's contributions, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	<u>Primary Government</u>
2021	\$ 80,862
2022	(1,706)
2023	(1,849)
2024	2,785
2025	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTE 9—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN):

Plan Description

The Group Life Insurance (GLI) Plan was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Plan. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured plan, it is not included as part of the GLI Plan OPEB.

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 9—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Eligible Employees

The GLI Plan was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the plan. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,463 as of June 30, 2020.

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the entity were \$8,535 and \$8,116 for the years ended June 30, 2020 and June 30, 2019, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB

At June 30, 2020, the entity reported a liability of \$129,530 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the participating employer's proportion was .00796% as compared to .00783% at June 30, 2018.

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 9—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN):

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB: (Continued)

For the year ended June 30, 2020, the participating employer recognized GLI OPEB expense of \$3,324. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 8,615	\$ 1,681
Net difference between projected and actual earnings on GLI OPEB program investments	-	2,661
Change in assumptions	8,178	3,906
Changes in proportion	1,734	-
Employer contributions subsequent to the measurement date	<u>8,535</u>	<u>-</u>
Total	<u>\$ 27,062</u>	<u>\$ 8,248</u>

\$8,535 was reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2021	\$ 789
2022	789
2023	1,916
2024	2,944
2025	2,990
Thereafter	851

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 9—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN):

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

Inflation	2.50%
Salary increases, including inflation:	
Locality - General employees	3.50%-5.35%
Locality - Hazardous Duty employees	3.50%-4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of OPEB liabilities.

Mortality Rates - Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 9—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN):

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - General Employees: (Continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 9—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN):

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees: (Continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2019, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

	GLI OPEB Plan
Total GLI OPEB Liability	\$ 3,390,238
Plan Fiduciary Net Position	1,762,972
GLI Net OPEB Liability (Asset)	<u>\$ 1,627,266</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.00%

The total GLI OPEB liability is calculated by the System’s actuary, and each plan’s fiduciary net position is reported in the System’s financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System’s notes to the financial statements and required supplementary information.

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 9—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN):

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.63%

*The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 9—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN):

Sensitivity of the Employer’s Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the employer’s proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer’s proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Town's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 170,167	\$ 129,530	\$ 96,575

GLI Program Fiduciary Net Position

Detailed information about the GLI Plan’s Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 10—DEFERRED/UNAVAILABLE REVENUE:

Deferred/Unavailable revenue represent amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Under the accrual basis, assessments for future periods are deferred. Unavailable revenue totaling \$533,317 is comprised of the following:

	Government-wide Statements	Balance Sheet
	Governmental Activities	Governmental Fund
Deferred/Unavailable revenue:		
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	\$ -	\$ 99,799
2nd half assessment - property tax	515,833	515,833
Prepaid property taxes due after June 30 but paid in advance by taxpayers	17,484	17,484
Total unavailable/deferred revenue	<u>\$ 533,317</u>	<u>\$ 633,116</u>

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

NOTE 11—UPCOMING PRONOUNCEMENTS:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

Required Supplementary Information

Note to Required Supplementary Information:

Presented Budgets were prepared in accordance with Accounting Principles Generally Accepted in the United States of America.

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 General Fund
 Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
General property taxes	\$ 1,462,650	\$ 1,462,650	\$ 1,478,399	\$ 15,749
Other local taxes	1,037,817	1,037,817	1,083,911	46,094
Permits, privilege fees and regulatory licenses	36,500	36,500	35,642	(858)
Fines and forfeitures	44,500	44,500	25,091	(19,409)
Revenue from use of money and property	149,500	149,500	220,173	70,673
Charges for services	24,000	24,000	80,131	56,131
Miscellaneous	6,000	6,000	38,603	32,603
Intergovernmental:				
Commonwealth	956,677	956,677	965,837	9,160
Federal	-	-	19,466	19,466
Total revenues	<u>\$ 3,717,644</u>	<u>\$ 3,717,644</u>	<u>\$ 3,947,253</u>	<u>\$ 229,609</u>
Expenditures:				
Current:				
General government administration	\$ 1,138,010	\$ 1,138,010	\$ 1,041,314	\$ 96,696
Public safety	710,505	710,505	747,073	(36,568)
Public works	1,308,968	1,308,968	1,195,535	113,433
Parks, recreation, and cultural	7,500	7,500	9,952	(2,452)
Community development	177,785	177,785	133,217	44,568
Capital outlay	463,365	463,365	288,809	174,556
Contingency	100,335	100,335	31,789	68,546
Debt service	121,476	121,476	121,476	-
Total expenditures	<u>\$ 4,027,944</u>	<u>\$ 4,027,944</u>	<u>\$ 3,569,165</u>	<u>\$ 458,779</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (310,300)</u>	<u>\$ (310,300)</u>	<u>\$ 378,088</u>	<u>\$ 688,388</u>
Net change in fund balances	\$ (310,300)	\$ (310,300)	\$ 378,088	\$ 688,388
Fund balances at beginning of year	<u>310,300</u>	<u>310,300</u>	<u>4,073,343</u>	<u>3,763,043</u>
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,451,431</u>	<u>\$ 4,451,431</u>

Schedule of Changes in Net Pension Liability and Related Ratios
Pension Plan
For the Measurement Dates of June 30, 2014 through June 30, 2019

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 187,147	\$ 179,120	\$ 174,368	\$ 152,759	\$ 166,211	\$ 157,906
Interest	465,258	437,474	380,892	366,252	343,686	320,296
Changes in benefit terms	-	-	161,064	-	-	-
Changes in assumptions	209,668	-	(19,399)	-	-	-
Differences between expected and actual experience	(1,294)	26,084	344,826	(114,675)	(31,092)	-
Benefit payments	(249,423)	(242,093)	(224,784)	(165,609)	(147,241)	(140,878)
Net change in total pension liability	\$ 611,356	\$ 400,585	\$ 816,967	\$ 238,727	\$ 331,564	\$ 337,324
Total pension liability - beginning	6,771,259	6,370,674	5,553,707	5,314,980	4,983,416	4,646,092
Total pension liability - ending (a)	\$ 7,382,615	\$ 6,771,259	\$ 6,370,674	\$ 5,553,707	\$ 5,314,980	\$ 4,983,416
Plan fiduciary net position						
Contributions - employer	\$ 184,538	\$ 161,440	\$ 157,093	\$ 154,359	\$ 119,961	\$ 136,088
Contributions - employee	75,253	72,554	75,379	67,595	69,866	73,323
Net investment income	409,232	417,291	615,033	87,873	214,380	625,028
Benefit payments	(249,423)	(242,093)	(224,784)	(165,609)	(147,241)	(140,878)
Administrator charges	(3,913)	(3,534)	(3,473)	(2,962)	(2,842)	(3,286)
Other	(258)	(375)	(551)	(37)	(45)	32
Net change in plan fiduciary net position	\$ 415,429	\$ 405,283	\$ 618,697	\$ 141,219	\$ 254,079	\$ 690,307
Plan fiduciary net position - beginning	6,041,844	5,636,561	5,017,864	4,876,645	4,622,566	3,932,259
Plan fiduciary net position - ending (b)	\$ 6,457,273	\$ 6,041,844	\$ 5,636,561	\$ 5,017,864	\$ 4,876,645	\$ 4,622,566
Town's net pension liability (asset) - ending (a) - (b)	\$ 925,342	\$ 729,415	\$ 734,113	\$ 535,843	\$ 438,335	\$ 360,850
Plan fiduciary net position as a percentage of the total pension liability	87.47%	89.23%	88.48%	90.35%	91.75%	92.76%
Covered payroll	\$ 1,560,787	\$ 1,489,831	\$ 1,436,612	\$ 1,376,791	\$ 1,407,165	\$ 1,476,761
Town's net pension liability (asset) as a percentage of covered payroll	59.29%	48.96%	51.10%	38.92%	31.15%	24.44%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
Pension Plan

Years Ended June 30, 2011 through June 30, 2020

<u>Date</u>	<u>Contractually Required Contribution (1)</u>	<u>Contributions in Relation to Contractually Required Contribution (2)</u>	<u>Contribution Deficiency (Excess) (3)</u>	<u>Employer's Covered Payroll (4)</u>	<u>Contributions as a % of Covered Payroll (5)</u>
2020	\$ 192,272	\$ 192,272	\$ -	\$ 1,641,335	11.71%
2019	184,701	184,701	-	1,560,787	11.83%
2018	164,626	164,626	-	1,489,831	11.05%
2017	158,746	158,746	-	1,436,612	11.05%
2016	168,382	168,382	-	1,376,791	12.23%
2015	120,453	120,453	-	1,407,165	8.56%
2014	137,043	137,043	-	1,476,761	9.28%
2013	135,666	135,666	-	1,461,916	9.28%
2012	100,632	100,632	-	1,347,150	7.47%
2011	101,160	101,160	-	1,354,220	7.47%

Notes to Required Supplementary Information
Pension Plan
For the Year Ended June 30, 2020

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non-10 Largest) - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

All Others (Non-10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Schedule of Town's Share of Net OPEB Liability
 Group Life Insurance (GLI) Plan
 Measurement Dates of June 30, 2017 through June 30, 2019

<u>Date</u>	<u>Employer's Proportion of the Net GLI OPEB Liability</u>	<u>Employer's Proportionate Share of the Net GLI OPEB Liability</u>	<u>Employer's Covered Payroll</u>	<u>Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4)</u>	<u>Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability</u>
2019	0.00796%	\$ 129,530	\$ 1,560,787	8.30%	52.00%
2018	0.00783%	119,000	1,489,831	7.99%	51.22%
2017	0.00779%	117,000	1,436,612	8.14%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
 Group Life Insurance (GLI) Plan
 Years Ended June 30, 2017 through June 30, 2020

<u>Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
2020	\$ 8,535	\$ 8,535	\$ -	\$ 1,641,335	0.52%
2019	8,116	8,116	-	1,560,787	0.52%
2018	7,747	7,747	-	1,489,831	0.52%
2017	7,470	7,470	-	1,436,612	0.52%

Schedule is intended to show information for 10 years. Information prior to 2017 is not available. However, additional years will be included as they become available.

Notes to Required Supplementary Information
 Group Life Insurance (GLI) Plan
 Year Ended June 30, 2020

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Supporting Schedules

Schedule of Revenues - Budget and Actual
 General Fund
 Year Ended June 30, 2020

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 1,010,650	\$ 1,010,650	\$ 1,010,604	\$ (46)
Personal property taxes	294,000	294,000	295,441	1,441
Machinery and tools taxes	150,000	150,000	163,685	13,685
Penalties	6,000	6,000	7,119	1,119
Interest	2,000	2,000	1,550	(450)
Total general property taxes	<u>\$ 1,462,650</u>	<u>\$ 1,462,650</u>	<u>\$ 1,478,399</u>	<u>\$ 15,749</u>
Other local taxes:				
Local sales and use taxes	\$ 200,000	\$ 200,000	\$ 216,188	\$ 16,188
Lodging tax	10,000	10,000	6,247	(3,753)
Business license tax	200,000	200,000	226,560	26,560
Cigarette tax	50,000	50,000	14,082	(35,918)
Bank franchise taxes	135,000	135,000	130,426	(4,574)
Consumer utility tax	95,000	95,000	97,050	2,050
Meals tax	257,817	257,817	294,075	36,258
Motor vehicle licenses	90,000	90,000	99,283	9,283
Total other local taxes	<u>\$ 1,037,817</u>	<u>\$ 1,037,817</u>	<u>\$ 1,083,911</u>	<u>\$ 46,094</u>
Permits, privilege fees and regulatory licenses:				
Licenses, zoning and subdivision permits	\$ 36,500	\$ 36,500	\$ 35,642	\$ (858)
Fines and forfeitures:				
Court fines and forfeitures	\$ 42,000	\$ 42,000	\$ 21,438	\$ (20,562)
Parking fines	2,500	2,500	3,653	1,153
Total fines and forfeitures	<u>\$ 44,500</u>	<u>\$ 44,500</u>	<u>\$ 25,091</u>	<u>\$ (19,409)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 61,000	\$ 61,000	\$ 124,927	\$ 63,927
Revenue from use of property	88,500	88,500	95,246	6,746
Total revenue from use of money and property	<u>\$ 149,500</u>	<u>\$ 149,500</u>	<u>\$ 220,173</u>	<u>\$ 70,673</u>
Charges for services:				
Charges for services - meters	\$ 14,000	\$ 14,000	\$ 13,975	\$ (25)
Zoning and subdivision fees	10,000	10,000	66,156	56,156
Total charges for services	<u>\$ 24,000</u>	<u>\$ 24,000</u>	<u>\$ 80,131</u>	<u>\$ 56,131</u>

Schedule of Revenues - Budget and Actual
 General Fund
 Year Ended June 30, 2020 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
General Fund: (continued)				
Revenue from local sources: (continued)				
Miscellaneous:				
Miscellaneous income	\$ 6,000	\$ 6,000	\$ 38,603	\$ 32,603
Total revenue from local sources	\$ 2,760,967	\$ 2,760,967	\$ 2,961,950	\$ 200,983
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Communication taxes	\$ 80,000	\$ 80,000	\$ 77,351	\$ (2,649)
Personal property tax relief act funds	-	-	209,917	209,917
Rolling stock tax	1,850	1,850	1,845	(5)
Total noncategorical aid	\$ 81,850	\$ 81,850	\$ 289,113	\$ 207,263
Categorical aid:				
Aid to localities with police departments	\$ 289,182	\$ 289,182	\$ 86,913	\$ (202,269)
Litter control grant	2,500	2,500	1,979	(521)
Street and highway maintenance	568,615	568,615	572,590	3,975
Fire funds	14,530	14,530	15,242	712
Total categorical aid	\$ 874,827	\$ 874,827	\$ 676,724	\$ (198,103)
Total revenue from the Commonwealth	\$ 956,677	\$ 956,677	\$ 965,837	\$ 9,160
Revenue from the Federal government:				
Categorical aid:				
Fire and police funds	\$ -	\$ -	\$ 3,061	\$ 3,061
CARES Act funds	-	-	16,405	16,405
Total revenue from the Federal government	\$ -	\$ -	\$ 19,466	\$ 19,466
Total General Fund	\$ 3,717,644	\$ 3,717,644	\$ 3,947,253	\$ 229,609

Schedule of Expenditures - Budget and Actual
 General Fund
 Year Ended June 30, 2020

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
General Fund:				
General government administration:				
Town Council:				
Compensation	\$ 20,350	\$ 20,350	\$ 20,346	\$ 4
Training	4,000	4,000	3,834	166
Miscellaneous	1,000	1,000	1,210	(210)
Dues	3,000	3,000	2,506	494
Town code supplements	<u>5,000</u>	<u>5,000</u>	<u>5,477</u>	<u>(477)</u>
Total town council	<u>\$ 33,350</u>	<u>\$ 33,350</u>	<u>\$ 33,373</u>	<u>\$ (23)</u>
Town Clerk:				
Compensation	\$ 50,810	\$ 50,810	\$ 45,056	\$ 5,754
Education/Training	3,500	3,500	601	2,899
Dues	<u>100</u>	<u>100</u>	<u>30</u>	<u>70</u>
Total town clerk	<u>\$ 54,410</u>	<u>\$ 54,410</u>	<u>\$ 45,687</u>	<u>\$ 8,723</u>
Town Manager:				
Compensation	\$ 159,315	\$ 159,315	\$ 141,968	\$ 17,347
Mileage	150	150	-	150
Training	1,500	1,500	-	1,500
Dues	<u>17,950</u>	<u>17,950</u>	<u>963</u>	<u>16,987</u>
Total town manager	<u>\$ 178,915</u>	<u>\$ 178,915</u>	<u>\$ 142,931</u>	<u>\$ 35,984</u>
Legal and Professional:				
Professional services	\$ 35,000	\$ 35,000	\$ 29,281	\$ 5,719
Contractual services	15,750	15,750	15,650	100
Engineering services	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total legal and professional	<u>\$ 55,750</u>	<u>\$ 55,750</u>	<u>\$ 44,931</u>	<u>\$ 10,819</u>
Personnel:				
Retirement	\$ 126,000	\$ 126,000	\$ 133,730	\$ (7,730)
Health insurance	218,060	218,060	182,156	35,904
Life insurance	14,935	14,935	14,362	573
Unemployment insurance	205	205	332	(127)
Workers' compensation insurance	19,180	19,180	35,889	(16,709)
Line of Duty act	6,800	6,800	8,425	(1,625)
Employment screening	<u>750</u>	<u>750</u>	<u>456</u>	<u>294</u>
Total personnel	<u>\$ 385,930</u>	<u>\$ 385,930</u>	<u>\$ 375,350</u>	<u>\$ 10,580</u>

Schedule of Expenditures - Budget and Actual
 General Fund
 Year Ended June 30, 2020 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
General Fund: (continued)				
General government administration: (continued)				
Town Treasurer:				
Compensation	\$ 142,100	\$ 142,100	\$ 134,514	\$ 7,586
Surety bonds	415	415	393	22
Cigarette stamps	6,500	6,500	-	6,500
Training	5,000	5,000	2,600	2,400
Dues	300	300	175	125
Miscellaneous	5,000	5,000	2,250	2,750
Total town treasurer	<u>\$ 159,315</u>	<u>\$ 159,315</u>	<u>\$ 139,932</u>	<u>\$ 19,383</u>
Finance/Accounting:				
Compensation	\$ 132,410	\$ 132,410	\$ 128,164	\$ 4,246
Training	3,500	3,500	1,099	2,401
Total finance/accounting	<u>\$ 135,910</u>	<u>\$ 135,910</u>	<u>\$ 129,263</u>	<u>\$ 6,647</u>
Central Administration/Purchasing:				
Maintenance contracts	\$ 33,000	\$ 33,000	\$ 38,303	\$ (5,303)
Advertising	10,000	10,000	4,619	5,381
Postage	8,500	8,500	9,207	(707)
Telecommunications	2,350	2,350	1,349	1,001
Office supplies and equipment	23,530	23,530	21,188	2,342
Newsletter	1,000	1,000	-	1,000
Training	2,500	2,500	3,417	(917)
Dues	500	500	-	500
Total central administration/purchasing	<u>\$ 81,380</u>	<u>\$ 81,380</u>	<u>\$ 78,083</u>	<u>\$ 3,297</u>
Risk Management:				
Blanket excess liability	\$ 9,200	\$ 9,200	\$ 14,043	\$ (4,843)
Automobile insurance	9,500	9,500	9,875	(375)
Semi-multi peril insurance	31,350	31,350	25,122	6,228
Total risk management	<u>\$ 50,050</u>	<u>\$ 50,050</u>	<u>\$ 49,040</u>	<u>\$ 1,010</u>
Elections:				
Election officials	\$ 1,000	\$ 1,000	\$ 811	\$ 189
Office supplies	2,000	2,000	1,913	87
Total elections	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ 2,724</u>	<u>\$ 276</u>
Total general government administration	<u>\$ 1,138,010</u>	<u>\$ 1,138,010</u>	<u>\$ 1,041,314</u>	<u>\$ 96,696</u>

Schedule of Expenditures - Budget and Actual
 General Fund
 Year Ended June 30, 2020 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
General Fund: (continued)				
Public safety:				
Police department:				
Compensation	\$ 557,000	\$ 557,000	\$ 607,188	\$ (50,188)
Maintenance contracts	20,430	20,430	20,572	(142)
Communication equipment and services	4,625	4,625	3,710	915
Community relations	2,000	2,000	909	1,091
Office supplies	2,600	2,600	1,614	986
Gasoline oil	14,500	14,500	13,153	1,347
Repair and maintenance	12,000	12,000	10,798	1,202
Police supplies	14,500	14,500	7,610	6,890
Uniforms	4,000	4,000	3,257	743
Medical examinations	500	500	-	500
Training	12,500	12,500	23,755	(11,255)
Professional services	400	400	-	400
Employment screening	500	500	-	500
Dues	700	700	865	(165)
Total police department	<u>\$ 646,255</u>	<u>\$ 646,255</u>	<u>\$ 693,431</u>	<u>\$ (47,176)</u>
Traffic control:				
Contribution - crossing guard	\$ 2,500	\$ 2,500	\$ 2,500	\$ -
Emergency services:				
Contribution - alarm	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Fire and rescue:				
Contribution - JHEVFD	\$ 30,000	\$ 30,000	\$ 30,000	\$ -
Fire fund program	14,500	14,500	15,242	(742)
Fire capital	10,000	10,000	-	10,000
Total fire and rescue	<u>\$ 54,500</u>	<u>\$ 54,500</u>	<u>\$ 45,242</u>	<u>\$ 9,258</u>
Correction and detention:				
Confinement and prisoners	\$ 250	\$ 250	\$ -	\$ 250
Public defenders fees	2,000	2,000	900	1,100
Total correction and detention	<u>\$ 2,250</u>	<u>\$ 2,250</u>	<u>\$ 900</u>	<u>\$ 1,350</u>
Total public safety	<u>\$ 710,505</u>	<u>\$ 710,505</u>	<u>\$ 747,073</u>	<u>\$ (36,568)</u>
Public works:				
Maintenance of streets, bridges and sidewalks:				
General administration:				
Compensation	\$ 46,830	\$ 46,830	\$ 47,585	\$ (755)
Fuel oil/heat	1,500	1,500	943	557
Telecommunications	5,000	5,000	4,918	82
Office supplies	3,165	3,165	2,901	264
Vehicle repairs and maintenance	7,000	7,000	2,975	4,025
Medical exams	1,000	1,000	662	338
Training	500	500	490	10
Total general administration	<u>\$ 64,995</u>	<u>\$ 64,995</u>	<u>\$ 60,474</u>	<u>\$ 4,521</u>

Schedule of Expenditures - Budget and Actual
 General Fund
 Year Ended June 30, 2020 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
General Fund: (continued)				
Public works: (continued)				
Maintenance of streets, bridges and sidewalks: (continued)				
Highways, streets, bridges and sidewalks:				
Compensation	\$ 140,500	\$ 140,500	\$ 140,269	\$ 231
Gasoline and oil	20,000	20,000	19,519	481
Uniforms	4,000	4,000	3,606	394
Materials and supplies	4,000	4,000	5,659	(1,659)
Equipment maintenance	12,000	12,000	16,055	(4,055)
Sidewalk maintenance	15,000	15,000	-	15,000
Street maintenance	558,615	558,615	485,109	73,506
Street sign maintenance	700	700	169	531
Norfolk/Southern ROW	1,075	1,075	1,094	(19)
Total highways, streets, bridges, and sidewalks	<u>\$ 755,890</u>	<u>\$ 755,890</u>	<u>\$ 671,480</u>	<u>\$ 84,410</u>
Street lights:				
Electricity - street lights	\$ 60,000	\$ 60,000	\$ 57,786	\$ 2,214
Snow and ice removal:				
Material and supplies	\$ 18,000	\$ 18,000	\$ -	\$ 18,000
Parking meters:				
Material and supplies	\$ 1,500	\$ 1,500	\$ 159	\$ 1,341
Street and road cleaning:				
Street cleaning	\$ 1,000	\$ 1,000	\$ -	\$ 1,000
Total maintenance of streets, bridges and sidewalks	<u>\$ 901,385</u>	<u>\$ 901,385</u>	<u>\$ 789,899</u>	<u>\$ 111,486</u>
Sanitation and waste removal:				
Contractual services	\$ 194,000	\$ 194,000	\$ 193,211	\$ 789
Recycling services	65,000	65,000	77,407	(12,407)
Landfill charges	40,000	40,000	36,123	3,877
Total sanitation and waste removal	<u>\$ 299,000</u>	<u>\$ 299,000</u>	<u>\$ 306,741</u>	<u>\$ (7,741)</u>
Maintenance of buildings and grounds:				
General properties:				
Repair and maintenance	\$ 19,100	\$ 19,100	\$ 21,160	\$ (2,060)
Materials and supplies	500	500	-	500
Christmas lights	500	500	-	500
Total general properties	<u>\$ 20,100</u>	<u>\$ 20,100</u>	<u>\$ 21,160</u>	<u>\$ (1,060)</u>

Schedule of Expenditures - Budget and Actual
 General Fund
 Year Ended June 30, 2020 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
General Fund: (continued)				
Public works: (continued)				
Maintenance of buildings and grounds: (continued)				
Building services:				
Compensation	\$ 12,864	\$ 12,864	\$ 5	\$ 12,859
Contractual services	19,777	19,777	19,173	604
Electricity	18,892	18,892	19,346	(454)
Natural gas/heat	2,550	2,550	2,337	213
Materials and supplies	6,804	6,804	6,616	188
Water/sewer	2,728	2,728	2,756	(28)
Shared expenses - Clarke County	17,222	17,222	19,662	(2,440)
Telecommunications	7,646	7,646	7,840	(194)
Total building services	<u>\$ 88,483</u>	<u>\$ 88,483</u>	<u>\$ 77,735</u>	<u>\$ 10,748</u>
Total maintenance of buildings and grounds	<u>\$ 108,583</u>	<u>\$ 108,583</u>	<u>\$ 98,895</u>	<u>\$ 9,688</u>
Total public works	<u>\$ 1,308,968</u>	<u>\$ 1,308,968</u>	<u>\$ 1,195,535</u>	<u>\$ 113,433</u>
Parks, recreation and cultural:				
Christmas lights	\$ 1,500	\$ 1,500	\$ 1,217	\$ 283
Rose Hill improvements	5,000	5,000	7,828	(2,828)
Contributions	1,000	1,000	907	93
Total parks, recreation and cultural	<u>\$ 7,500</u>	<u>\$ 7,500</u>	<u>\$ 9,952</u>	<u>\$ (2,452)</u>
Community development:				
Planning:				
Compensation	\$ 88,810	\$ 88,810	\$ 88,046	\$ 764
Professional services	5,000	5,000	14,420	(9,420)
Office supplies	100	100	128	(28)
Printing	100	100	544	(444)
Mileage	500	500	113	387
Training	500	500	156	344
Dues	500	500	-	500
Total planning	<u>\$ 95,510</u>	<u>\$ 95,510</u>	<u>\$ 103,407</u>	<u>\$ (7,897)</u>
Board of zoning appeals:				
Compensation	\$ 500	\$ 500	\$ 10	\$ 490
Training	500	500	-	500
Total board of zoning appeals	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 10</u>	<u>\$ 990</u>
Economic development:				
DBI/economic development professional services	<u>\$ 71,500</u>	<u>\$ 71,500</u>	<u>\$ 25,000</u>	<u>\$ 46,500</u>

Schedule of Expenditures - Budget and Actual
 General Fund
 Year Ended June 30, 2020 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
General Fund: (continued)				
Community development: (continued)				
Planning commission:				
Compensation	\$ 5,000	\$ 5,000	\$ 2,660	\$ 2,340
Training	1,000	1,000	-	1,000
Dues	250	250	-	250
Total planning commission	<u>\$ 6,250</u>	<u>\$ 6,250</u>	<u>\$ 2,660</u>	<u>\$ 3,590</u>
Berryville Area Development Authority:				
Compensation	\$ 2,500	\$ 2,500	\$ 1,533	\$ 967
Training	250	250	492	(242)
Dues	275	275	115	160
Total Berryville Area Development Authority	<u>\$ 3,025</u>	<u>\$ 3,025</u>	<u>\$ 2,140</u>	<u>\$ 885</u>
Architectural Review Board:				
Training	\$ 500	\$ 500	-	\$ 500
Total community development	<u>\$ 177,785</u>	<u>\$ 177,785</u>	<u>\$ 133,217</u>	<u>\$ 44,568</u>
Capital outlay:				
Police cruiser	\$ 52,600	\$ 52,600	\$ 45,600	\$ 7,000
Main street	73,265	73,265	-	73,265
Other capital outlay	295,500	295,500	243,209	52,291
Total capital outlay	<u>\$ 463,365</u>	<u>\$ 463,365</u>	<u>\$ 288,809</u>	<u>\$ 174,556</u>
Contingency:				
Shared cost for operation of joint government center	\$ 100,335	\$ 100,335	\$ 31,789	\$ 68,546
Total contingency	<u>\$ 100,335</u>	<u>\$ 100,335</u>	<u>\$ 31,789</u>	<u>\$ 68,546</u>
Debt service:				
Principal	\$ 39,152	\$ 39,152	\$ 39,335	\$ (183)
Interest	82,324	82,324	82,141	183
Total debt service	<u>\$ 121,476</u>	<u>\$ 121,476</u>	<u>\$ 121,476</u>	<u>\$ -</u>
Total General Fund	<u><u>\$ 4,027,944</u></u>	<u><u>\$ 4,027,944</u></u>	<u><u>\$ 3,569,165</u></u>	<u><u>\$ 458,779</u></u>

Schedule of Operating Expenses (With Comparative Amounts for 2018)

Enterprise Funds

Year Ended June 30, 2020

Fund, Function, Activity and Elements	2020	2019
<u>Water Fund:</u>		
General administration:		
Salaries and wages	\$ 54,441	\$ 43,554
Miss Utility	1,813	693
Rate study	2,777	15,476
Repairs and maintenance	2,308	2,538
Postage	4,816	2,423
Office supplies	399	743
	<u>\$ 66,554</u>	<u>\$ 65,427</u>
Total general administration		
	<u>\$ 66,554</u>	<u>\$ 65,427</u>
Supply purification:		
Salaries and wages	\$ 149,584	\$ 115,255
Repairs and maintenance	55,044	70,219
Electricity	61,239	53,789
Heating service	1,565	973
Equipment and supplies	11,219	13,200
Materials and supplies - chemicals	24,703	25,336
Sludge removal	21,200	16,150
Permits, fees and testing	9,288	11,656
Other operating expenses	17,243	14,900
	<u>\$ 351,085</u>	<u>\$ 321,478</u>
Total supply purification		
	<u>\$ 351,085</u>	<u>\$ 321,478</u>
Transmission and distribution:		
Salaries and wages	\$ 126,371	\$ 98,878
Repairs and maintenance - water lines	90,063	44,090
Materials and supplies	11,931	17,513
	<u>\$ 228,365</u>	<u>\$ 160,481</u>
Total transmission and distribution		
	<u>\$ 228,365</u>	<u>\$ 160,481</u>
Fringe benefits:		
Social security	\$ 4,096	\$ 3,473
Retirement	43,840	22,442
Health insurance	50,212	38,664
Group life insurance	1,159	1,751
Workers' compensation	7,731	4,407
Unemployment insurance	100	65
	<u>\$ 107,138</u>	<u>\$ 70,802</u>
Total fringe benefits		
	<u>\$ 107,138</u>	<u>\$ 70,802</u>
Depreciation	<u>\$ 191,395</u>	<u>\$ 195,001</u>
Capital outlay	<u>\$ 235,191</u>	<u>\$ 323,941</u>
Total Water Fund	<u>\$ 1,179,728</u>	<u>\$ 1,137,130</u>

Schedule of Operating Expenses (With Comparative Amounts for 2018)

Enterprise Funds

Year Ended June 30, 2020 (Continued)

Fund, Function, Activity and Elements	2020	2019
<u>Sewer Fund:</u>		
General administration:		
Salaries and wages	\$ 32,328	\$ 48,173
Rate study	2,777	15,476
Repairs and maintenance	2,308	2,538
Postage	4,561	7,416
Office supplies	714	1,103
Total general administration	\$ 42,688	\$ 74,706
Wastewater treatment:		
Salaries and wages	\$ 207,931	\$ 238,268
Professional services	70,517	66,306
Repairs and maintenance	161,629	227,160
Electricity	133,940	164,550
Materials and supplies - chemicals	55,227	76,095
Equipment and supplies	20,673	21,091
Permits, fees and testing	29,437	31,023
Other operating expenses	6,922	7,220
Total wastewater treatment	\$ 686,276	\$ 831,713
Maintenance of sewer lines:		
Salaries and wages	\$ 86,234	\$ 93,164
Repairs and maintenance - sewer lines	18,110	13,752
Materials and supplies	-	987
Total maintenance of sewer lines	\$ 104,344	\$ 107,903
Fringe benefits:		
Social security	\$ 2,215	\$ 3,476
Retirement	70,882	40,801
Health insurance	52,499	63,766
Group life insurance	2,273	2,989
Workers' compensation	113	95
Unemployment insurance	12,203	5,811
Total fringe benefits	\$ 140,185	\$ 116,938
Depreciation	\$ 856,983	\$ 859,479
Capital outlay	\$ 2,108	\$ 90,000
Total Sewer Fund	\$ 1,832,584	\$ 2,080,739

Statistical Information

TOWN OF BERRYVILLE, VIRGINIA

Governmental Revenues by Source
Last Ten Fiscal Years

Fiscal Year	General Property Taxes		Other Local Taxes	Permits, Fees and Licenses	Fines and Forfeitures	Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental	Total
2020	\$ 1,478,399	\$ 1,083,911	\$ 35,642	\$ 25,091	\$ 220,173	\$ 80,131	\$ 38,603	\$ -	\$ 985,303	\$ 3,947,253	
2019	1,452,521	1,075,292	40,124	45,295	196,677	54,166	208,494	-	1,007,908	4,080,477	
2018	1,406,862	1,041,772	34,091	40,056	157,448	29,768	62,168	-	934,443	3,706,608	
2017	1,356,375	1,066,288	29,599	33,319	114,433	66,337	155,666	-	943,911	3,765,928	
2016	1,316,194	983,615	34,745	23,936	88,845	31,273	43,129	-	914,243	3,435,980	
2015	1,165,459	934,720	30,965	35,352	98,699	34,918	34,702	-	901,393	3,236,208	
2014	941,675	770,294	28,716	31,710	46,912	14,389	52,424	-	907,472	2,793,592	
2013	882,457	726,993	29,433	44,245	54,830	29,326	40,884	-	845,141	2,653,309	
2012	873,690	828,078	51,419	45,997	57,716	20,116	188,443	-	602,820	2,668,279	
2011	874,629	726,493	90,822	40,330	66,570	17,811	195	916,399	442,654	3,175,903	

TOWN OF BERRYVILLE, VIRGINIA

Table 2

Governmental Expenditures by Function
Last Ten Fiscal Years

Fiscal Year	General Government	Public Safety	Public Works	Parks, Recreation, and Culture	Community Development	Capital		Total
						Outlay and Contingency	Debt Service	
2020	\$ 1,041,314	\$ 747,073	\$ 1,195,535	\$ 9,952	\$ 133,217	\$ 320,598	\$ 121,476	\$ 3,569,165
2019	1,002,806	693,981	1,296,136	10,149	119,360	311,865	121,476	3,555,773
2018	854,044	652,446	1,062,132	11,832	129,247	96,237	121,476	2,927,414
2017	809,484	672,520	1,159,153	13,757	133,847	64,962	121,476	2,975,199
2016	795,715	688,324	1,054,750	8,228	186,298	104,988	121,476	2,959,779
2015	819,437	675,521	1,245,952	10,222	149,509	102,203	121,476	3,124,320
2014	811,097	676,255	885,330	7,135	126,914	101,579	121,476	2,729,786
2013	815,620	626,573	1,111,714	7,375	111,478	157,314	121,476	2,951,550
2012	900,572	676,428	660,363	248,227	116,815	374,951	121,476	3,098,832
2011	796,362	552,020	664,892	1,100,238	128,752	183,620	121,476	3,547,360

Compliance



**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

**To the Honorable Members of the Town Council
Town of Berryville, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, and each major fund of Town of Berryville, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Town of Berryville, Virginia's basic financial statements, and have issued our report thereon dated March 19, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Berryville, Virginia's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Berryville, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Berryville, Virginia's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Berryville, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Farmer, Cox, Associates

Charlottesville, Virginia

March 19, 2021