

TOWN OF BERRYVILLE, VIRGINIA



FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2018



**TOWN OF BERRYVILLE, VIRGINIA**

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Keith R. Dalton, Town Manager

Desiree Moreland, Assistant Town  
Manager/Treasurer

Christina Dunkle, Assistant Town  
Manager for Community Development  
and Operations/Planner

Neal White, Chief of Police

David Tyrrell, Director of Utilities

Rick Boor, Director of Public Works

Deborah Boggs, Utility Clerk

Mia Jackson, Town Clerk



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TOWN OF BERRYVILLE, VIRGINIA

Financial Report  
Year Ended June 30, 2018

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Table of Contents

	<u>Page</u>
Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-10
<b><u>Basic Financial Statements:</u></b>	
<i><u>Government-wide Financial Statements</u></i>	
Exhibit 1 Statement of Net Position	11
Exhibit 2 Statement of Activities	12-13
<i><u>Fund Financial Statements</u></i>	
Exhibit 3 Balance Sheet—Governmental Funds	14
Exhibit 4 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	15
Exhibit 5 Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds	16
Exhibit 6 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Exhibit 7 Statement of Net Position—Proprietary Fund	18
Exhibit 8 Statement of Revenues, Expenses, and Changes in Net Position—Proprietary Fund	19
Exhibit 9 Statement of Cash Flows—Proprietary Fund	20
Notes to Financial Statements	21-70

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TOWN OF BERRYVILLE, VIRGINIA

Financial Report  
Year Ended June 30, 2018

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Table of Contents (Continued)

	<u>Page</u>	
<b><u>Required Supplementary Information:</u></b>		
Exhibit 10	Schedule of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual—General Fund	71
Exhibit 11	Schedule of Changes in Net Pension Liability and Related Ratios	72
Exhibit 12	Schedule of Employer Contributions	73
Exhibit 13	Notes to Required Supplementary Information	74
Exhibit 14	Schedule of Town's Share of Net OPEB Liability-Group Life Insurance Program	75
Exhibit 15	Schedule of Employer Contributions-Group Life Insurance Program	76
Exhibit 13	Notes to Required Supplementary Information-Group Life Insurance Program	77-78
<b><u>Other Supplementary Information:</u></b>		
<i><u>Supporting Schedules</u></i>		
Schedule 1	Schedule of Revenues—Budget and Actual—General Funds	79-80
Schedule 2	Schedule of Expenditures—Budget and Actual—General Funds	81-86
Schedule 3	Schedule of Operating Expenses—Enterprise Funds	87-88
<i><u>Statistical Information</u></i>		
Table 1	Governmental Revenues by Source—Last Ten Fiscal Years	89
Table 2	Governmental Expenditures by Function—Last Ten Fiscal Years	90
<b><u>Compliance:</u></b>		
	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 <i>Government Auditing Standards</i>	91-92

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## Independent Auditors' Report

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

### 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, 2018, 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, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Change in Accounting Principle*

As described in Note 12 to the financial statements, in 2018, the Town adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

## *Restatement of Beginning Balances*

As described in Note 12 to the financial statements, in 2018, the Town restated beginning balances to reflect the requirements of GASB Statement No. 75. Our opinion is not modified with respect to this matter.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-10, 71, and 72-78 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.

### *Supplementary and Other Information*

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 November 2, 2018, 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, Fawcett, Cox Associates*  
Charlottesville, Virginia  
November 2, 2018

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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, 2018. 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 \$35,807,794 (net position). Of this amount, \$11,421,669 (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 \$798,674, of which the governmental activities accounted for a \$713,822 increase and business-type activities accounted for an \$84,852 increase.

At the end of the current fiscal year, unrestricted net position for governmental activities was \$2,879,512 or 95.44% of the governmental activities expenditures less any capital outlay projects.

The unassigned ending fund balance for the Town's general fund was \$3,374,921, an increase of \$779,001 over the prior year.

The Town's total debt decreased by \$218,372 (1.75%) 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 \$35.8 million at the close of the most recent fiscal year. A large portion of the Town's net position (\$23.8 million, 66.43% 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	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 4,220,418	\$ 3,415,100	\$ 9,438,450	\$ 8,760,399	\$ 13,658,868	\$ 12,175,499
Capital assets	4,281,289	4,268,269	30,748,098	31,680,626	35,029,387	35,948,895
Total assets	\$ 8,501,707	\$ 7,683,369	\$ 40,186,548	\$ 40,441,025	\$ 48,688,255	\$ 48,124,394
Deferred outflows of resources	\$ 255,727	\$ 188,200	\$ 133,759	\$ 102,193	\$ 389,486	\$ 290,393
Long-term liabilities outstanding	\$ 2,835,949	\$ 2,624,249	\$ 9,557,493	\$ 9,870,565	\$ 12,393,442	\$ 12,494,814
Other liabilities	125,756	136,205	114,203	87,663	239,959	223,868
Total liabilities	\$ 2,961,705	\$ 2,760,454	\$ 9,671,696	\$ 9,958,228	\$ 12,633,401	\$ 12,718,682
Deferred inflows of resources	\$ 583,190	\$ 532,216	\$ 53,356	\$ 30,882	\$ 636,546	\$ 563,098
Net investment in capital assets	\$ 2,234,309	\$ 2,185,064	\$ 21,583,098	\$ 22,045,626	\$ 23,817,407	\$ 24,230,690
Restricted	98,718	98,525	470,000	470,000	568,718	568,525
Unrestricted	2,879,512	2,295,310	8,542,157	8,038,482	11,421,669	10,333,792
Total net position	\$ 5,212,539	\$ 4,578,899	\$ 30,595,255	\$ 30,554,108	\$ 35,807,794	\$ 35,133,007

A portion of the Town's net position is restricted for debt service (\$568,718, 1.59% 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 (\$11.4 million, 31.90% 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 \$798,674 during the current fiscal year, generally attributable to the \$713,822 increase in governmental activities net position.

### Town of Berryville, Virginia Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Revenues:</b>						
Charges for services	\$ 103,915	\$ 129,255	\$ 2,957,007	\$ 3,366,746	\$ 3,060,922	\$ 3,496,001
Operating grants & contributions	636,514	643,283	-	-	636,514	643,283
Capital grants & contributions	-	-	1,898	-	1,898	-
General real property taxes	1,431,037	1,366,546	-	-	1,431,037	1,366,546
Other taxes	1,041,772	1,066,288	-	-	1,041,772	1,066,288
Unrestricted revenues from the use of money & property	157,448	114,433	42,918	21,075	200,366	135,508
Grants & contributions not restricted to specific programs	297,929	300,628	-	-	297,929	300,628
Miscellaneous	62,168	155,666	-	-	62,168	155,666
<b>Total Revenues</b>	<b>\$ 3,730,783</b>	<b>\$ 3,776,099</b>	<b>\$ 3,001,823</b>	<b>\$ 3,387,821</b>	<b>\$ 6,732,606</b>	<b>\$ 7,163,920</b>
<b>Expenses:</b>						
General government administration	\$ 1,001,985	\$ 908,237	\$ -	\$ -	\$ 1,001,985	\$ 908,237
Public safety	756,340	670,199	-	-	756,340	670,199
Public works	985,114	1,142,586	-	-	985,114	1,142,586
Parks, recreation & cultural	49,116	51,041	-	-	49,116	51,041
Community development	139,217	131,082	-	-	139,217	131,082
Interest on long-term debt	85,189	86,653	-	-	85,189	86,653
Water fund	-	-	946,540	744,778	946,540	744,778
Sewer fund	-	-	1,970,431	1,845,140	1,970,431	1,845,140
<b>Total Expenses</b>	<b>\$ 3,016,961</b>	<b>\$ 2,989,798</b>	<b>\$ 2,916,971</b>	<b>\$ 2,589,918</b>	<b>\$ 5,933,932</b>	<b>\$ 5,579,716</b>
<b>Change in net position</b>	<b>\$ 713,822</b>	<b>\$ 786,301</b>	<b>\$ 84,852</b>	<b>\$ 797,903</b>	<b>\$ 798,674</b>	<b>\$ 1,584,204</b>
<b>Net position, beginning of year, as restated</b>	<b>4,498,717</b>	<b>3,792,598</b>	<b>30,510,403</b>	<b>29,756,205</b>	<b>35,009,120</b>	<b>33,548,803</b>
<b>Net position, end of year</b>	<b>\$ 5,212,539</b>	<b>\$ 4,578,899</b>	<b>\$ 30,595,255</b>	<b>\$ 30,554,108</b>	<b>\$ 35,807,794</b>	<b>\$ 35,133,007</b>

**Business-type activities** increased the Town's net position by \$84,852. 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 \$3,548,639, an increase of \$779,194 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, \$3,374,921 or 95.10% constitutes unassigned fund balance, which is available for spending at the Town's discretion. The Town is required to restrict \$98,718 of fund balance for debt service obligations related to the Joint Government Center. The remaining balance of \$75,000 is restricted for proffers revenue, which was received in prior years and not spent as of June 30, 2018.

**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 \$30,595,255. Unrestricted net position at the end of the year was \$8,542,157, an increase of \$503,675, from last year's unrestricted net position due to increased wastewater treatment fees.

### General Fund Budgetary Highlights

During the fiscal year the Town's general fund revenue exceeded budget by \$264,600. Of this amount \$82,487 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, 2018, amounts to \$35,029,387 (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, 2018

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 93,209	\$ 93,209	\$ 76,000	\$ 76,000	\$ 169,209	\$ 169,209
Buildings & improvements	3,874,283	3,886,945	27,955,072	28,709,631	31,829,355	32,596,576
Infrastructure	42,033	47,447	2,093,526	2,282,556	2,135,559	2,330,003
Equipment	271,764	240,668	623,500	612,439	895,264	853,107
<b>Total</b>	<b>\$ 4,281,289</b>	<b>\$ 4,268,269</b>	<b>\$ 30,748,098</b>	<b>\$ 31,680,626</b>	<b>\$ 35,029,387</b>	<b>\$ 35,948,895</b>

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 \$12,276,442 and details are summarized in the following table:

**Town of Berryville, Virginia  
Outstanding Obligations  
For the Year Ended June 30, 2018**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Long-term obligations:						
Lease revenue bond	\$ 2,046,980	\$ 2,083,205	\$ -	\$ -	\$ 2,046,980	\$ 2,083,205
General obligation bonds	-	-	9,165,000	9,635,000	9,165,000	9,635,000
Net pension liability	480,110	350,704	254,003	185,137	734,113	535,841
Net OPEB liability	76,737	-	40,263	-	117,000	-
Compensated absences	232,122	190,340	98,227	50,428	330,349	240,768
<b>Total</b>	<b>\$ 2,835,949</b>	<b>\$ 2,624,249</b>	<b>\$ 9,557,493</b>	<b>\$ 9,870,565</b>	<b>\$ 12,393,442</b>	<b>\$ 12,494,814</b>

Obligations associated with governmental activities increased by \$211,700 in 2018. The governmental activities obligations increase was due to the net pension liability increase of \$129,406, as well as an increase to the net OPEB liability of \$76,737.

The obligations associated with business-type activities decreased by \$313,073 in 2018 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, 2018.

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 2018 with an overall 2.46% increase. Preliminary forecasts for 2019 assessments indicate moderate but positive growth.

For tax year 2018, the Town Council adopted a .19/\$100 real estate tax rate, this did not increase from tax year 2017. 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 July 1, 2014, the local meals tax rate increased from 2% to 4%.

Effective March 1, 2015 the Town approved a \$.10 per pack cigarette tax.



## **Economic Factors and Next Year's Budgets and Rates: (Continued)**

Effective July 1, 2015 the Town implemented a Transient Occupancy Tax in the amount of 2% of the total amount paid for room or space rental to any hotel or travel campground.

The Town's water rate was remained the same at \$8.40 per thousand gallons. This rate became effective June 24, 2015.

The Town's sewer rate was adjusted in fiscal year 2014 based on the Business Plan submitted to VRA in March of 2010. An increase of 13.63% (\$11.00 to \$12.50 TG) was effective July 1, 2010. An increase of 12% (\$12.50 to \$14.00 TG) was effective July 1, 2011. An increase of 10.71% (\$14.00 to \$15.50 TG) was effective July 1, 2012. The Town increased the rate 9.68% (\$15.50 to \$17.00 TG) effective July 1, 2013.

## **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**

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*Government-wide Financial Statements*

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Statement of Net Position  
As of June 30, 2018

	Governmental Activities	Business-type Activities	Total
<b>Assets:</b>			
Cash and cash equivalents	\$ 3,564,154	\$ 8,545,674	\$ 12,109,828
Restricted cash and cash equivalents	98,718	470,000	568,718
Receivables, net of allowance for uncollectibles	589,173	266,556	855,729
Due from other governments	34,593	-	34,593
Prepaid items	-	90,000	90,000
Internal balances	(66,220)	66,220	-
Capital assets:			
Land	93,209	76,000	169,209
Other capital assets, net of accumulated depreciation	4,188,080	30,672,098	34,860,178
Capital assets, net	\$ 4,281,289	\$ 30,748,098	\$ 35,029,387
Total assets	\$ 8,501,707	\$ 40,186,548	\$ 48,688,255
<b>Deferred Outflows of Resources:</b>			
OPEB related items	\$ 5,081	\$ 2,666	\$ 7,747
Pension related items	250,646	131,093	381,739
Total deferred outflows of resources	\$ 255,727	\$ 133,759	\$ 389,486
<b>Liabilities:</b>			
Accounts payable	\$ 23,061	\$ 48,128	\$ 71,189
Accrued liabilities	7,827	13,140	20,967
Deferred revenue	3,874	-	3,874
Accrued interest	3,518	-	3,518
Customer deposits	87,476	52,935	140,411
Long-term liabilities:			
Due within one year:			
Bonds payable	37,748	470,000	507,748
Due in more than one year:			
Compensated absences	232,122	98,227	330,349
Net OPEB liability	76,737	40,263	117,000
Net pension liability	480,110	254,003	734,113
Bonds payable	2,009,232	8,695,000	10,704,232
Total liabilities	\$ 2,961,705	\$ 9,671,696	\$ 12,633,401
<b>Deferred Inflows of Resources:</b>			
OPEB related items	\$ 8,526	\$ 4,474	\$ 13,000
Pension related items	88,698	48,882	137,580
Deferred revenue-property taxes	485,966	-	485,966
Total deferred inflows of resources	\$ 583,190	\$ 53,356	\$ 636,546
<b>Net Position:</b>			
Net investment in capital assets	\$ 2,234,309	\$ 21,583,098	\$ 23,817,407
Restricted for debt reserve	98,718	470,000	568,718
Unrestricted	2,879,512	8,542,157	11,421,669
Total net position	\$ 5,212,539	\$ 30,595,255	\$ 35,807,794

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

TOWN OF BERRYVILLE, VIRGINIA

Statement of Activities  
Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
<b>Governmental activities:</b>				
General government administration	\$ 1,001,985	\$ -	\$ -	\$ -
Public safety	756,340	40,056	97,364	-
Public works	985,114	63,859	534,650	-
Parks, recreation and cultural	49,116	-	-	-
Community development	139,217	-	4,500	-
Interest on long-term debt	85,189	-	-	-
<b>Total governmental activities</b>	<b>\$ 3,016,961</b>	<b>\$ 103,915</b>	<b>\$ 636,514</b>	<b>\$ -</b>
<b>Business-type activities:</b>				
Water	\$ 946,540	\$ 955,646	\$ -	\$ -
Sewer	1,970,431	2,001,361	-	1,898
<b>Total business-type activities</b>	<b>\$ 2,916,971</b>	<b>\$ 2,957,007</b>	<b>\$ -</b>	<b>\$ 1,898</b>
<b>Total</b>	<b>\$ 5,933,932</b>	<b>\$ 3,060,922</b>	<b>\$ 636,514</b>	<b>\$ 1,898</b>

**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, as restated

Net position, end of year

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



Exhibit 2

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,001,985)	\$ -	\$ (1,001,985)
(618,920)	-	(618,920)
(386,605)	-	(386,605)
(49,116)	-	(49,116)
(134,717)	-	(134,717)
(85,189)	-	(85,189)
<u>\$ (2,276,532)</u>	<u>\$ -</u>	<u>\$ (2,276,532)</u>
\$ -	\$ 9,106	\$ 9,106
-	32,828	32,828
<u>\$ -</u>	<u>\$ 41,934</u>	<u>\$ 41,934</u>
<u>\$ (2,276,532)</u>	<u>\$ 41,934</u>	<u>\$ (2,234,598)</u>
\$ 1,431,037	\$ -	\$ 1,431,037
199,281	-	199,281
226,962	-	226,962
42,385	-	42,385
137,400	-	137,400
103,604	-	103,604
7,454	-	7,454
219,042	-	219,042
105,644	-	105,644
157,448	42,918	200,366
297,929	-	297,929
62,168	-	62,168
<u>\$ 2,990,354</u>	<u>\$ 42,918</u>	<u>\$ 3,033,272</u>
\$ 713,822	\$ 84,852	\$ 798,674
<u>4,498,717</u>	<u>30,510,403</u>	<u>35,009,120</u>
<u>\$ 5,212,539</u>	<u>\$ 30,595,255</u>	<u>\$ 35,807,794</u>

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*Fund Financial Statements*

Balance Sheet  
 Governmental Funds  
 As of June 30, 2018

	<u>General Fund</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 3,564,154
Receivables (net of allowance for uncollectibles):	
Taxes including penalties	554,332
Accounts	34,841
Due from other governments	34,593
Restricted assets:	
Cash and cash equivalents	98,718
Total assets	\$ <u><u>4,286,638</u></u>
<b>Liabilities:</b>	
Accounts payable	\$ 23,061
Accrued liabilities	7,827
Deferred revenue	3,874
Deposits held	87,476
Due to other funds	66,220
Total liabilities	\$ <u><u>188,458</u></u>
<b>Deferred Inflows of Resources:</b>	
Unavailable revenue-property taxes	\$ <u><u>549,541</u></u>
<b>Fund Balance:</b>	
Restricted for proffers	\$ 75,000
Restricted for debt service	98,718
Unassigned	3,374,921
Total fund balance	\$ <u><u>3,548,639</u></u>
Total liabilities, deferred inflows of resources and fund balance	\$ <u><u>4,286,638</u></u>

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

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
As of June 30, 2018

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Total fund balances for governmental funds (Exhibit 3)		\$	3,548,639
Total net position reported for governmental activities in the statement of net position is different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:			
Land	\$	93,209	
Depreciable capital assets, net of accumulated depreciation		<u>4,188,080</u>	4,281,289
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.			
			(3,518)
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			63,575
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.			
Pension related items	\$	250,646	
OPEB related items		<u>5,081</u>	255,727
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
Compensated absences	\$	(232,122)	
Net OPEB liability		(76,737)	
Net pension liability		(480,110)	
Bonds payable		<u>(2,046,980)</u>	(2,835,949)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.			
Pension related items	\$	(88,698)	
OPEB related items		<u>(8,526)</u>	(97,224)
Total net position of governmental activities			\$ <u><u>5,212,539</u></u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 Year Ended June 30, 2018

	<u>General Fund</u>
<b>Revenues:</b>	
General property taxes	\$ 1,406,862
Other local taxes	1,041,772
Permits, privilege fees and regulatory licenses	34,091
Fines and forfeitures	40,056
Revenue from use of money and property	157,448
Charges for services	29,768
Miscellaneous	62,168
Intergovernmental:	
Commonwealth	928,918
Federal	5,525
Total revenues	<u>\$ 3,706,608</u>
<b>Expenditures:</b>	
Current:	
General government administration	\$ 854,044
Public safety	652,446
Public works	1,062,132
Parks, recreation, and cultural	11,832
Community development	129,247
Capital outlay	95,669
Contingency	568
Debt service	121,476
Total expenditures	<u>\$ 2,927,414</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 779,194</u>
Net change in fund balances	\$ 779,194
Fund balances at beginning of year	<u>2,769,445</u>
Fund balances at end of year	<u><u>\$ 3,548,639</u></u>

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

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Year Ended June 30, 2018

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Net change in fund balances - total governmental funds (Exhibit 5) \$ 779,194

Governmental activities report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current year.

Capital outlay	\$ 244,507	
Depreciation expense	<u>(231,487)</u>	13,020

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. The change in unavailable property taxes is reported as revenues in the governmental funds.

Property taxes		24,175
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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.

36,225

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. The following is a summary of items supporting this adjustment:

Change in compensated absences	\$ (41,782)	
OPEB expense	2,806	
Pension expense	(99,878)	
Change in interest payable	<u>62</u>	<u>(138,792)</u>

Change in net position of governmental activities	\$	<u><u>713,822</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

Statement of Net Position  
 Proprietary Fund  
 As of June 30, 2018

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 2,581,700	\$ 5,963,974	\$ 8,545,674
Restricted cash and cash equivalents	-	470,000	470,000
Prepaid expenses	-	90,000	90,000
Receivables (net of allowance for uncollectibles)	90,772	175,784	266,556
Due from other funds	366	65,854	66,220
Total current assets	\$ 2,672,838	\$ 6,765,612	\$ 9,438,450
Noncurrent assets:			
Land	\$ 5,000	\$ 71,000	\$ 76,000
Capital assets, net of accumulated depreciation	1,878,740	28,793,358	30,672,098
Total noncurrent assets	\$ 1,883,740	\$ 28,864,358	\$ 30,748,098
Total assets	\$ 4,556,578	\$ 35,629,970	\$ 40,186,548
<b>Deferred Outflows of Resources:</b>			
OPEB related items	\$ 1,042	\$ 1,624	\$ 2,666
Pension related items	50,277	80,816	131,093
Total deferred outflows of resources	\$ 51,319	\$ 82,440	\$ 133,759
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	\$ 19,914	\$ 28,214	\$ 48,128
Accrued payroll and related liabilities	6,864	6,276	13,140
Customer deposits	13,843	39,092	52,935
Current portion of long-term debt	-	470,000	470,000
Total current liabilities	\$ 40,621	\$ 543,582	\$ 584,203
Noncurrent liabilities:			
Compensated absences	\$ 36,741	\$ 61,486	\$ 98,227
Net OPEB liability	15,740	24,523	40,263
Net pension liability	97,637	156,366	254,003
Long-term debt, net of current portion	-	8,695,000	8,695,000
Total noncurrent liabilities	\$ 150,118	\$ 8,937,375	\$ 9,087,493
Total liabilities	\$ 190,739	\$ 9,480,957	\$ 9,671,696
<b>Deferred Inflows of Resources:</b>			
OPEB related items	\$ 1,749	\$ 2,725	\$ 4,474
Pension related items	19,295	29,587	48,882
Total deferred inflows of resources	\$ 21,044	\$ 32,312	\$ 53,356
<b>Net Position:</b>			
Net investment in capital assets	\$ 1,883,740	\$ 19,699,358	\$ 21,583,098
Restricted for debt reserve	-	470,000	470,000
Unrestricted	2,512,374	6,029,783	8,542,157
Total net position	\$ 4,396,114	\$ 26,199,141	\$ 30,595,255

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, 2018

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
<b>Operating revenues:</b>			
Charges for services	\$ 955,646	\$ 2,001,361	\$ 2,957,007
<b>Operating expenses:</b>			
General administration	\$ 45,541	\$ 56,488	\$ 102,029
Supply purification	315,923	-	315,923
Transmission and distribution	196,247	-	196,247
Wastewater treatment	-	684,599	684,599
Maintenance of sewer lines	-	117,149	117,149
Fringe benefits	86,992	151,056	238,048
Depreciation	201,744	859,926	1,061,670
Contingency	100,093	101,213	201,306
Total operating expenses	\$ 946,540	\$ 1,970,431	\$ 2,916,971
Operating income (loss)	\$ 9,106	\$ 30,930	\$ 40,036
<b>Nonoperating revenues (expenses):</b>			
Interest revenue	\$ 14,033	\$ 28,885	\$ 42,918
Total nonoperating revenues (expenses)	\$ 14,033	\$ 28,885	\$ 42,918
Income (loss) before contributions	\$ 23,139	\$ 59,815	\$ 82,954
Capital contributions and construction grants	-	1,898	1,898
Change in net position	\$ 23,139	\$ 61,713	\$ 84,852
Net position, beginning of year, as restated	4,372,975	26,137,428	30,510,403
Net position, end of year	\$ 4,396,114	\$ 26,199,141	\$ 30,595,255

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

Statement of Cash Flows  
 Proprietary Fund  
 Year Ended June 30, 2018

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
<b>Cash flows from operating activities:</b>			
Receipts from customers	\$ 959,492	\$ 2,019,692	\$ 2,979,184
Payments to and for employees	(304,238)	(487,676)	(791,914)
Payments to suppliers	(396,530)	(537,032)	(933,562)
Net cash provided by (used for) operating activities	\$ 258,724	\$ 994,984	\$ 1,253,708
<b>Cash flows from investing activities:</b>			
Investment income	\$ 14,033	\$ 28,885	\$ 42,918
<b>Cash flows from capital and related financing activities:</b>			
Purchase of capital assets	\$ (51,519)	\$ (77,622)	\$ (129,141)
Capital contributions and grants	-	1,898	1,898
Principal payments on long-term debt	-	(470,000)	(470,000)
Net cash provided by (used for) capital and related financing activities	\$ (51,519)	\$ (545,724)	\$ (597,243)
<b>Cash flows from noncapital financing activities:</b>			
Net transfers from (to) other funds	\$ (3,131)	\$ 774	\$ (2,357)
Net increase (decrease) in cash and cash equivalents	\$ 218,107	\$ 478,919	\$ 697,026
Cash and cash equivalents at beginning of year - including restricted	2,363,593	5,955,055	8,318,648
Cash and cash equivalents at end of year - including restricted	\$ 2,581,700	\$ 6,433,974	\$ 9,015,674
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>			
Operating income (loss)	\$ 9,106	\$ 30,930	\$ 40,036
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	201,744	859,926	1,061,670
Changes in operating accounts:			
Accounts receivable	7,738	13,594	21,332
Deferred outflow - GLI OPEB	(101)	(157)	(258)
Deferred outflow - pension	(13,135)	(15,765)	(28,900)
Accounts payable and accrued liabilities	11,060	14,635	25,695
Compensated absences	12,916	34,884	47,800
Net OPEB liability	(2,288)	(3,563)	(5,851)
Net pension liability	26,378	42,487	68,865
Deferred inflow - GLI OPEB	1,749	2,725	4,474
Deferred inflow - pension	7,449	10,551	18,000
Customer deposits	(3,892)	4,737	845
Net cash provided by (used for) operating activities	\$ 258,724	\$ 994,984	\$ 1,253,708

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, 2018

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## NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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### 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

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

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

Statement of Net Position: The Statement of Net Position is designed to display the financial position of the primary government (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.

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

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

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

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

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

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

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

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

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

The 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 2018.

- 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)**

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**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, 2018 (Continued)

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

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#### 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 reviews as of June 30.

#### E. Cash and Cash Equivalents

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

#### F. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans). 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 \$21,651 at June 30, 2018 and is comprised of solely of property taxes.



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

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**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, 2018.

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.



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

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**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 Town reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

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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)**

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**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, 2<sup>nd</sup> half installments levied during the fiscal year but due after June 30<sup>th</sup>, and amounts prepaid on the 2<sup>nd</sup> half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2<sup>nd</sup> half installments levied during the fiscal year but due after June 30<sup>th</sup> and amounts prepaid on the 2<sup>nd</sup> 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*

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program 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. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB's 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, 2018 (Continued)

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**NOTE 2—PROPERTY TAXES RECEIVABLE:**

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

**NOTE 3—DEPOSITS AND INVESTMENTS:**

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Deposits:

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

Investments:

Statutes authorize the Town to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP). The Town had no investments at June 30, 2018.

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

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At June 30, 2018, the amount due from other governmental units was as follows:

	<u>Primary Government</u>
Commonwealth of Virginia:	
Sales tax	\$ <u>34,593</u>
Total	\$ <u><u>34,593</u></u>

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (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, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
Capital assets not being depreciated:				
Land	\$ 93,209	\$ -	\$ -	\$ 93,209
Total capital assets not being depreciated	<u>\$ 93,209</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,209</u>
Other capital assets:				
Buildings and improvements	\$ 5,216,877	\$ 116,826	\$ -	\$ 5,333,703
Infrastructure	259,940	-	-	259,940
Equipment	1,279,644	127,681	44,000	1,363,325
Total other capital assets	<u>\$ 6,756,461</u>	<u>\$ 244,507</u>	<u>\$ 44,000</u>	<u>\$ 6,956,968</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 1,329,932	\$ 129,488	\$ -	\$ 1,459,420
Infrastructure	212,493	5,414	-	217,907
Equipment	1,038,976	96,585	44,000	1,091,561
Total accumulated depreciation	<u>\$ 2,581,401</u>	<u>\$ 231,487</u>	<u>\$ 44,000</u>	<u>\$ 2,768,888</u>
Other capital assets, net	<u>\$ 4,175,060</u>	<u>\$ 13,020</u>	<u>\$ -</u>	<u>\$ 4,188,080</u>
Net capital assets	<u><u>\$ 4,268,269</u></u>	<u><u>\$ 13,020</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,281,289</u></u>

Depreciation expense has been allocated as follows:

General government administration	\$ 88,831
Public safety	22,122
Public works	82,922
Parks, recreation, and cultural	<u>37,612</u>
Total depreciation expense	<u><u>\$ 231,487</u></u>

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

NOTE 5—CAPITAL ASSETS: (Continued)

Business-type Activities:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<b>Water Fund</b>				
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>
<b>Other capital assets:</b>				
Buildings and improvements	\$ 3,391,605	\$ 25,000	\$ -	\$ 3,416,605
Infrastructure	1,574,855	-	-	1,574,855
Equipment	1,443,208	26,520	-	1,469,728
Total other capital assets	<u>\$ 6,409,668</u>	<u>\$ 51,520</u>	<u>\$ -</u>	<u>\$ 6,461,188</u>
<b>Less: Accumulated depreciation for:</b>				
Buildings and improvements	\$ 2,714,383	\$ 76,132	\$ -	\$ 2,790,515
Infrastructure	777,919	73,907	-	851,826
Equipment	888,402	51,705	-	940,107
Total accumulated depreciation	<u>\$ 4,380,704</u>	<u>\$ 201,744</u>	<u>\$ -</u>	<u>\$ 4,582,448</u>
Other capital assets, net	<u>\$ 2,028,964</u>	<u>\$ (150,224)</u>	<u>\$ -</u>	<u>\$ 1,878,740</u>
Net capital assets	<u><u>\$ 2,033,964</u></u>	<u><u>\$ (150,224)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,883,740</u></u>
<b>Sewer Fund</b>				
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>
<b>Other capital assets:</b>				
Buildings and improvements	\$ 29,651,554	\$ 25,000	\$ -	\$ 29,676,554
Infrastructure	4,323,494	-	-	4,323,494
Equipment	391,888	52,622	-	444,510
Total other capital assets	<u>\$ 34,366,936</u>	<u>\$ 77,622</u>	<u>\$ -</u>	<u>\$ 34,444,558</u>
<b>Less: Accumulated depreciation for:</b>				
Buildings and improvements	\$ 1,619,145	\$ 728,427	\$ -	\$ 2,347,572
Infrastructure	2,837,874	115,123	-	2,952,997
Equipment	334,255	16,376	-	350,631
Total accumulated depreciation	<u>\$ 4,791,274</u>	<u>\$ 859,926</u>	<u>\$ -</u>	<u>\$ 5,651,200</u>
Other capital assets, net	<u>\$ 29,575,662</u>	<u>\$ (782,304)</u>	<u>\$ -</u>	<u>\$ 28,793,358</u>
Net capital assets	<u><u>\$ 29,646,662</u></u>	<u><u>\$ (782,304)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 28,864,358</u></u>

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

**NOTE 6—LONG-TERM OBLIGATIONS:**

The following is a summary of long-term obligations for the fiscal year ended June 30, 2018:

	Balance July 1, 2017, as restated	Increases	Decreases	Balance June 30, 2018	Amounts Due Within One Year
<b>Governmental Activities Obligations:</b>					
Lease revenue bond	\$ 2,083,205	-	\$ 36,225	\$ 2,046,980	\$ 37,748
Net pension liability	350,704	696,625	567,219	480,110	-
Net OPEB liability	87,887	1,967	13,117	76,737	-
Compensated absences	190,340	41,782	-	232,122	-
<b>Total Governmental Activities Obligations</b>	<b>\$ 2,712,136</b>	<b>\$ 740,374</b>	<b>\$ 616,561</b>	<b>\$ 2,835,949</b>	<b>\$ 37,748</b>
<b>Business-type Activities Obligations:</b>					
General obligation bonds	\$ 9,635,000	-	\$ 470,000	\$ 9,165,000	\$ 470,000
Net pension liability	185,138	369,085	300,220	254,003	-
Net OPEB liability	46,113	1,033	6,883	40,263	-
Compensated absences	50,427	47,800	-	98,227	-
<b>Total Business-type Activities Obligations</b>	<b>\$ 9,916,678</b>	<b>\$ 417,918</b>	<b>\$ 777,103</b>	<b>\$ 9,557,493</b>	<b>\$ 470,000</b>
<b>Total Long-term Obligations</b>	<b>\$ 12,628,814</b>	<b>\$ 1,158,292</b>	<b>\$ 1,393,664</b>	<b>\$ 12,393,442</b>	<b>\$ 507,748</b>

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

Year Ending June 30,	Governmental Activities Obligations		Business-type Activities Obligations	
	Lease Revenue Bond		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2019	\$ 37,748	\$ 83,728	\$ 470,000	-
2020	39,335	82,141	470,000	-
2021	40,988	80,488	470,000	-
2022	42,711	78,765	470,000	-
2023	44,507	76,969	470,000	-
2024-2028	252,223	355,157	2,350,000	-
2029-2033	309,888	297,492	2,350,000	-
2034-2038	380,736	226,644	2,115,000	-
2039-2043	467,782	139,598	-	-
2044-2047	431,062	35,808	-	-
<b>Total</b>	<b>\$ 2,046,980</b>	<b>\$ 1,456,790</b>	<b>\$ 9,165,000</b>	<b>\$ -</b>

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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

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

**Governmental Activities Obligations:**

Lease Revenue Bond:

\$10,123 beginning June 2009 through May 2047, including interest at 4.125%. This lease revenue bond was issued through the Industrial Development Authority of Clarke County, Virginia, for purposes of funding construction of the Town's municipal building.

\$ 2,046,980

Net pension liability

480,110

Net OPEB liability

76,737

Compensated absences

232,122

Total governmental activities obligations

\$ 2,835,949

**Business-type Activities Obligations:**

General Obligation Bonds:

purposes of funding new wastewater treatment plant, due in semi-annual installments of \$235,000 beginning February 2013 through August 2037 with no interest.

\$ 9,165,000

Net pension liability

254,003

Net OPEB liability

40,263

Compensated absences

98,227

Total business-type activities obligations

\$ 9,557,493

**NOTE 7—COMPENSATED ABSENCES:**

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In accordance with GASB Statement 16, *Accounting for Compensated Absences*, the Town has accrued the liability arising from outstanding claims and judgments and compensated absences. Town employees earn vacation based upon length of service. The Town has outstanding accrued vacation pay totaling \$232,122 in the General Fund and \$98,226 in Enterprise Fund.



**NOTE 8—PENSION PLAN:**

*Plan Description:*

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

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>About Plan 1</b> Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</p>	<p><b>About Plan 2</b> Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</p>	<p><b>About the Hybrid Retirement Plan</b> The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</li> <li>• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.</li> </ul>

NOTE 8—PENSION PLAN: (Continued)

*Plan Description (Continued)*

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

NOTE 8—PENSION PLAN: (Continued)

*Plan Description (Continued)*

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

NOTE 8—PENSION PLAN: (Continued)

*Plan Description (Continued)*

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

NOTE 8—PENSION PLAN: (Continued)

*Plan Description (Continued)*

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

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

NOTE 8—PENSION PLAN: (Continued)

*Plan Description (Continued)*

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

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

NOTE 8—PENSION PLAN: (Continued)

*Plan Description (Continued)*

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

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

NOTE 8—PENSION PLAN: (Continued)

*Plan Description (Continued)*

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



TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

NOTE 8—PENSION PLAN: (Continued)

*Plan Description (Continued)*

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

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

NOTE 8—PENSION PLAN: (Continued)

*Plan Description (Continued)*

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

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

NOTE 8—PENSION PLAN: (Continued)

*Plan Description (Continued)*

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

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report-pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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NOTE 8—PENSION PLAN: (Continued)

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*Employees Covered by Benefit Terms*

As of the June 30, 2016 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	26
Inactive members:	
Vested inactive members	7
Non-vested inactive members	6
Inactive members active elsewhere in VRS	<u>19</u>
Total inactive members	32
Active members	<u>29</u>
Total covered employees	<u><u>87</u></u>

*Contributions*

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The Town's contractually required employer contribution rate for the year ended June 30, 2018 was 11.05% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

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 \$164,626 and \$158,746 for the years ended June 30, 2018 and June 30, 2017, respectively.

*Net Pension Liability*

The Town's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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NOTE 8—PENSION PLAN: (Continued)

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*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, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Largest 10 - Non-Hazardous Duty: 20% 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.

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, 2018 (Continued)

NOTE 8—PENSION PLAN: (Continued)

*Actuarial Assumptions - General Employees (Continued)*

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - 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% to 20%

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% to 15%

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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NOTE 8—PENSION PLAN: (Continued)

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*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, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% - 4.75%
Investment rate of return	7.0%, 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Largest 10 - Hazardous Duty: 70% 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.

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.

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

NOTE 8—PENSION PLAN: (Continued)

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

Mortality rates (Continued)

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, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - 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
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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% to 45%



TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (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	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

\* The above allocation provides a one-year return of 7.30%. 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 6.83%, including expected inflation of 2.50%.

*Discount Rate*

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the Town Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

NOTE 8—PENSION PLAN: (Continued)

*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, 2016	\$ 5,553,707	\$ 5,017,864	\$ 535,843
Changes for the year:			
Service cost	\$ 174,368	\$ -	\$ 174,368
Interest	380,892	-	380,892
Changes in benefit terms	161,064	-	161,064
Changes of assumptions	(19,399)	-	(19,399)
Differences between expected and actual experience	344,826	-	344,826
Contributions - employer	-	157,093	(157,093)
Contributions - employee	-	75,379	(75,379)
Net investment income	-	615,033	(615,033)
Benefit payments, including refunds of employee contributions	(224,784)	(224,784)	-
Administrative expenses	-	(3,473)	3,473
Other changes	-	(551)	551
Net changes	<u>\$ 816,967</u>	<u>\$ 618,697</u>	<u>\$ 198,270</u>
Balances at June 30, 2017	<u>\$ 6,370,674</u>	<u>\$ 5,636,561</u>	<u>\$ 734,113</u>

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Town of Berryville, Virginia Net Pension Liability (Asset)	\$ 1,559,574	\$ 734,113	\$ 45,666

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

NOTE 8—PENSION PLAN: (Continued)

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

For the year ended June 30, 2018, the Town recognized pension expense of \$318,008. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Primary Government</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 217,113	\$ 42,395
Change in assumptions	-	12,214
Net difference between projected and actual earnings on pension plan investments	-	82,971
Employer contributions subsequent to the measurement date	<u>164,626</u>	<u>-</u>
Total	<u>\$ 381,739</u>	<u>\$ 137,580</u>

\$164,626 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 ended June 30, 2019. 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>
2019	\$ 30,229
2020	103,695
2021	(1,660)
2022	(52,731)
2023	-
Thereafter	-

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

*Plan Description*

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program 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 Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. 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 program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

<b>GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS</b>
<p><b>Eligible Employees</b></p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"> <li>• City of Richmond</li> <li>• City of Portsmouth</li> <li>• City of Roanoke</li> <li>• City of Norfolk</li> <li>• Roanoke City School Board</li> </ul> <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>
<p><b>Benefit Amounts</b></p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> <li>• <b><u>Natural Death Benefit</u></b> - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.</li> <li>• <b><u>Accidental Death Benefit</u></b> - The accidental death benefit is double the natural death benefit.</li> </ul>

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

*Plan Description (Continued)*

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)
<p><b>Benefit Amounts (Continued)</b></p> <ul style="list-style-type: none"> <li>• <b>Other Benefit Provisions</b> - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:                             <ul style="list-style-type: none"> <li>○ Accidental dismemberment benefit</li> <li>○ Safety belt benefit</li> <li>○ Repatriation benefit</li> <li>○ Felonious assault benefit</li> <li>○ Accelerated death benefit option</li> </ul> </li> </ul>
<p><b>Reduction in Benefit Amounts</b></p> <p>The benefit amounts provided to members covered under the Group Life Insurance Program 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.</p>
<p><b>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</b></p> <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.</p>

**Contributions**

The contribution requirements for the Group Life Insurance Program 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 Group Life Insurance Program 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, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. 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 Group Life Insurance Program from the entity were \$7,747 and \$7,470 for the years ended June 30, 2018 and June 30, 2017, respectively.

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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

*GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB*

At June 30, 2018, the entity reported a liability of \$117,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was .00779% as compared to .00766% at June 30, 2016.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of \$3,000. 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, 2018, 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	\$ -	\$ 3,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	4,000
Change in assumptions	-	6,000
Employer contributions subsequent to the measurement date	<u>7,747</u>	<u>-</u>
Total	<u>\$ 7,747</u>	<u>\$ 13,000</u>

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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

*GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)*

\$7,447 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, 2019. 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>	
2019	\$ (3,000)
2020	(3,000)
2021	(3,000)
2022	(3,000)
2023	(1,000)
Thereafter	-

*Actuarial Assumptions*

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5% - 5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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

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*Actuarial Assumptions: (Continued)*

**Mortality Rates - General State Employees**

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 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; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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 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	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%



TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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

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*Actuarial Assumptions: (Continued)*

**Mortality Rates - Teachers**

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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 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	Adjusted rates to better match experience
Salary Scale	No change

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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

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*Actuarial Assumptions: (Continued)*

**Mortality Rates - SPORS 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.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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

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*Actuarial Assumptions: (Continued)*

**Mortality Rates - VaLORS 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.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
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 match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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

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*Actuarial Assumptions: (Continued)*

**Mortality Rates - JRS Employees**

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 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; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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

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*Actuarial Assumptions: (Continued)*

**Mortality Rates - 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.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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% to 20%

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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

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*Actuarial Assumptions: (Continued)*

**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.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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% to 15%

**Mortality Rates - 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, 2018 (Continued)

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

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*Actuarial Assumptions: (Continued)*

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

**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, 2018 (Continued)

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

*Actuarial Assumptions: (Continued)*

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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% to 45%

**NET GLI OPEB Liability**

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

		<b>Group Life Insurance OPEB Program</b>
		<hr/>
Total GLI OPEB Liability	\$	2,942,426
Plan Fiduciary Net Position		1,437,586
Employers' Net GLI OPEB Liability (Asset)	\$	<hr/> <u>1,504,840</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		48.86%

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, 2018 (Continued)

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

*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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.30%</u>

\*The above allocation provides a one-year return of 7.30%. 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 6.83%, including expected inflation of 2.50%.

*Discount Rate*

The discount rate used to measure the total GLI OPEB liability was 7.00%. 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 ending 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. From July 1, 2019 on, employers are assumed 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, 2018 (Continued)

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

*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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
Town's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 152,000	\$ 117,000	\$ 89,000

*Group Life Insurance Program Fiduciary Net Position*

Detailed information about the Group Life Insurance Program’s Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-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 \$549,541 is comprised of the following:

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

**NOTE 10—DEFERRED/UNAVAILABLE REVENUE: (CONTINUED)**

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2018 but paid in advance by the taxpayers totaled \$6,164 at June 30, 2018.

	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	\$ -	\$ 63,575
2nd half assessment - property tax	479,802	479,802
Prepaid property taxes due after June 30 but paid in advance by taxpayers	6,164	6,164
Total unavailable/deferred revenue	<u>\$ 485,966</u>	<u>\$ 549,541</u>

**NOTE 11—UPCOMING PRONOUNCEMENTS:**

Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring 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. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

**NOTE 11—UPCOMING PRONOUNCEMENTS: (CONTINUED)**

Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, clarifies which liabilities governments should include when disclosing information related to debt. It defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, it requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

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

**NOTE 12—ADOPTION OF ACCOUNTING PRINCIPLES:**

The Town implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to postemployment benefits other than pensions (other postemployment benefits or OPEB). Note disclosure and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve accounting and financial reporting by state and local governments for OPEB. In addition, the Town implemented Governmental Accounting Standards Board Statement No. 85, *Omnibus 2017* during the fiscal year ended June 30, 2018. This Statement addresses practice issues identified during implementation and application of certain GASB statements for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The implementation of these Statements resulted in the following restatement of net position:

	Governmental Activities Net Position	Business-Type Activities Net Position		
		Water Fund	Sewer Fund	Total
June 30, 2017, as reported	\$ 4,578,899	\$ 4,390,061	\$ 26,164,047	\$ 30,554,108
Implementation of GASB Statement No. 75	<u>(80,182)</u>	<u>(17,086)</u>	<u>(26,619)</u>	<u>(43,705)</u>
July 1, 2017, as restated	<u>\$ 4,498,717</u>	<u>\$ 4,372,975</u>	<u>\$ 26,137,428</u>	<u>\$ 30,510,403</u>

## Required Supplementary Information

### Note to Required Supplementary Information:

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

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Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 General Fund  
 Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues:</b>				
General property taxes	\$ 1,324,375	\$ 1,324,375	\$ 1,406,862	\$ 82,487
Other local taxes	992,500	992,500	1,041,772	49,272
Permits, privilege fees and regulatory licenses	32,500	32,500	34,091	1,591
Fines and forfeitures	24,000	24,000	40,056	16,056
Revenue from use of money and property	110,750	110,750	157,448	46,698
Charges for services	22,000	22,000	29,768	7,768
Miscellaneous	6,000	6,000	62,168	56,168
Intergovernmental:				
Commonwealth	929,883	929,883	928,918	(965)
Federal	-	-	5,525	5,525
Total revenues	<u>\$ 3,442,008</u>	<u>\$ 3,442,008</u>	<u>\$ 3,706,608</u>	<u>\$ 264,600</u>
<b>Expenditures:</b>				
Current:				
General government administration	\$ 955,795	\$ 955,795	\$ 854,044	\$ 101,751
Public safety	732,150	732,150	652,446	79,704
Public works	1,315,500	1,315,500	1,062,132	253,368
Parks, recreation, and cultural	12,450	12,450	11,832	618
Community development	146,540	146,540	129,247	17,293
Capital outlay	102,200	102,200	95,669	6,531
Contingency	130,897	130,897	568	130,329
Debt service	121,476	121,476	121,476	-
Total expenditures	<u>\$ 3,517,008</u>	<u>\$ 3,517,008</u>	<u>\$ 2,927,414</u>	<u>\$ 589,594</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (75,000)</u>	<u>\$ (75,000)</u>	<u>\$ 779,194</u>	<u>\$ 854,194</u>
Net change in fund balances	\$ (75,000)	\$ (75,000)	\$ 779,194	\$ 854,194
Fund balances at beginning of year	<u>75,000</u>	<u>75,000</u>	<u>2,769,445</u>	<u>2,694,445</u>
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,548,639</u>	<u>\$ 3,548,639</u>

Schedule of Changes in Net Pension Liability and Related Ratios  
For the Years Ended June 30, 2018 through June 30, 2015

	2017	2016	2015	2014
<b>Total pension liability</b>				
Service cost	\$ 174,368	\$ 152,759	\$ 166,211	\$ 157,906
Interest	380,892	366,252	343,686	320,296
Changes in benefit terms	161,064	-	-	-
Changes in assumptions	(19,399)	-	-	-
Differences between expected and actual experience	344,826	(114,675)	(31,092)	-
Benefit payments, including refunds of employee contributions	(224,784)	(165,609)	(147,241)	(140,878)
<b>Net change in total pension liability</b>	<b>\$ 816,967</b>	<b>\$ 238,727</b>	<b>\$ 331,564</b>	<b>\$ 337,324</b>
<b>Total pension liability - beginning</b>	<b>5,553,707</b>	<b>5,314,980</b>	<b>4,983,416</b>	<b>4,646,092</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 6,370,674</b>	<b>\$ 5,553,707</b>	<b>\$ 5,314,980</b>	<b>\$ 4,983,416</b>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 157,093	\$ 154,359	\$ 119,961	\$ 136,088
Contributions - employee	75,379	67,595	69,866	73,323
Net investment income	615,033	87,873	214,380	625,028
Benefit payments, including refunds of employee contributions	(224,784)	(165,609)	(147,241)	(140,878)
Administrative expense	(3,473)	(2,962)	(2,842)	(3,286)
Other	(551)	(37)	(45)	32
<b>Net change in plan fiduciary net position</b>	<b>\$ 618,697</b>	<b>\$ 141,219</b>	<b>\$ 254,079</b>	<b>\$ 690,307</b>
<b>Plan fiduciary net position - beginning</b>	<b>5,017,864</b>	<b>4,876,645</b>	<b>4,622,566</b>	<b>3,932,259</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 5,636,561</b>	<b>\$ 5,017,864</b>	<b>\$ 4,876,645</b>	<b>\$ 4,622,566</b>
<b>Town's net pension liability (asset) - ending (a) - (b)</b>	<b>\$ 734,113</b>	<b>\$ 535,843</b>	<b>\$ 438,335</b>	<b>\$ 360,850</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>88.48%</b>	<b>90.35%</b>	<b>91.75%</b>	<b>92.76%</b>
<b>Covered payroll</b>	<b>\$ 1,436,612</b>	<b>\$ 1,376,791</b>	<b>\$ 1,407,165</b>	<b>\$ 1,476,761</b>
<b>Town's net pension liability (asset) as a percentage of covered payroll</b>	<b>51.10%</b>	<b>38.92%</b>	<b>31.15%</b>	<b>24.44%</b>

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

For the Years Ended June 30, 2018 through June 30, 2009

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
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%
2010	54,243	54,243	-	1,307,066	4.15%
2009	54,298	54,298	-	1,308,373	4.15%

Current year contributions are from Town records and prior year contributions are from the VRS actuarial valuation performed each year.

Notes to Required Supplementary Information  
For the Year Ended June 30, 2018

**Changes of benefit terms** - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

**Changes of assumptions** - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 - 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% to 20%

Largest 10 - 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
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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% to 15%

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% to 45%

Schedule of Town's Share of Net OPEB Liability  
 Group Life Insurance Program  
 For the Year Ended June 30, 2018

<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>
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 Program  
 For the Years Ended June 30, 2017 and June 30, 2018

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<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>
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 Program  
 For the Year Ended June 30, 2018

**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 following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

#### General State 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 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	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

#### Teachers

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	Adjusted rates to better match experience
Salary Scale	No change

#### SPORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

#### VaLORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
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 50% to 35%

Notes to Required Supplementary Information  
 Group Life Insurance Program  
 For the Year Ended June 30, 2018 (Continued)

**JRS Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

**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% to 20%

**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% to 15%

**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	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

**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% to 45%

*Supporting Schedules*

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Schedule of Revenues - Budget and Actual  
 General Fund  
 Year Ended June 30, 2018

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 916,375	\$ 916,375	\$ 962,800	\$ 46,425
Personal property taxes	241,000	241,000	271,823	30,823
Machinery and tools taxes	155,000	155,000	161,697	6,697
Penalties	6,000	6,000	7,073	1,073
Interest	6,000	6,000	3,469	(2,531)
Total general property taxes	<u>\$ 1,324,375</u>	<u>\$ 1,324,375</u>	<u>\$ 1,406,862</u>	<u>\$ 82,487</u>
Other local taxes:				
Local sales and use taxes	\$ 185,000	\$ 185,000	\$ 199,281	\$ 14,281
Lodging tax	7,500	7,500	7,454	(46)
Business license tax	200,000	200,000	226,962	26,962
Cigarette tax	50,000	50,000	42,385	(7,615)
Bank franchise taxes	125,000	125,000	137,400	12,400
Consumer utility tax	95,000	95,000	103,604	8,604
Meals tax	240,000	240,000	219,042	(20,958)
Motor vehicle licenses	90,000	90,000	105,644	15,644
Total other local taxes	<u>\$ 992,500</u>	<u>\$ 992,500</u>	<u>\$ 1,041,772</u>	<u>\$ 49,272</u>
Permits, privilege fees and regulatory licenses:				
Licenses, zoning and subdivision permits	\$ 32,500	\$ 32,500	\$ 34,091	\$ 1,591
Fines and forfeitures:				
Court fines and forfeitures	\$ 20,000	\$ 20,000	\$ 37,986	\$ 17,986
Parking fines	4,000	4,000	2,070	(1,930)
Total fines and forfeitures	<u>\$ 24,000</u>	<u>\$ 24,000</u>	<u>\$ 40,056</u>	<u>\$ 16,056</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 30,000	\$ 30,000	\$ 73,792	\$ 43,792
Revenue from use of property	80,750	80,750	83,656	2,906
Total revenue from use of money and property	<u>\$ 110,750</u>	<u>\$ 110,750</u>	<u>\$ 157,448</u>	<u>\$ 46,698</u>
Charges for services:				
Charges for services - meters	\$ 12,000	\$ 12,000	\$ 15,393	\$ 3,393
Zoning and subdivision fees	10,000	10,000	14,375	4,375
Total charges for services	<u>\$ 22,000</u>	<u>\$ 22,000</u>	<u>\$ 29,768</u>	<u>\$ 7,768</u>

Schedule of Revenues - Budget and Actual  
 General Fund  
 Year Ended June 30, 2018 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
<b>General Fund: (continued)</b>				
Revenue from local sources: (continued)				
Miscellaneous:				
Miscellaneous income	\$ 6,000	\$ 6,000	\$ 62,168	\$ 56,168
Total revenue from local sources	\$ 2,512,125	\$ 2,512,125	\$ 2,772,165	\$ 260,040
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Communication taxes	\$ 90,000	\$ 90,000	\$ 86,166	\$ (3,834)
Personal property tax relief act funds	209,917	209,917	209,917	-
Rolling stock tax	2,000	2,000	1,846	(154)
Total noncategorical aid	\$ 301,917	\$ 301,917	\$ 297,929	\$ (3,988)
Categorical aid:				
Aid to localities with police departments	\$ 78,936	\$ 78,936	\$ 77,817	\$ (1,119)
Litter control grant	2,000	2,000	1,794	(206)
Street and highway maintenance	528,000	528,000	532,856	4,856
Commission of the arts	5,000	5,000	4,500	(500)
Fire funds	14,030	14,030	14,022	(8)
Total categorical aid	\$ 627,966	\$ 627,966	\$ 630,989	\$ 3,023
Total revenue from the Commonwealth	\$ 929,883	\$ 929,883	\$ 928,918	\$ (965)
Revenue from the Federal government:				
Categorical aid:				
Fire funds	\$ -	\$ -	\$ 5,525	\$ 5,525
Total General Fund	\$ 3,442,008	\$ 3,442,008	\$ 3,706,608	\$ 264,600

Schedule of Expenditures - Budget and Actual  
 General Fund  
 Year Ended June 30, 2018

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
<b>General Fund:</b>				
General government administration:				
Town Council:				
Compensation	\$ 20,350	\$ 20,350	\$ 20,346	\$ 4
Training	1,000	1,000	2,506	(1,506)
Miscellaneous	1,000	1,000	315	685
Dues	3,000	3,000	3,062	(62)
Town code supplements	<u>2,000</u>	<u>2,000</u>	<u>2,669</u>	<u>(669)</u>
Total town council	<u>\$ 27,350</u>	<u>\$ 27,350</u>	<u>\$ 28,898</u>	<u>\$ (1,548)</u>
Town Clerk:				
Compensation	\$ 50,600	\$ 50,600	\$ 44,750	\$ 5,850
Education/Training	1,150	1,150	1,485	(335)
Dues	<u>200</u>	<u>200</u>	<u>30</u>	<u>170</u>
Total town clerk	<u>\$ 51,950</u>	<u>\$ 51,950</u>	<u>\$ 46,265</u>	<u>\$ 5,685</u>
Town Manager:				
Compensation	\$ 140,050	\$ 140,050	\$ 140,960	\$ (910)
Mileage	150	150	31	119
Training	8,200	8,200	7,290	910
Dues	<u>20,900</u>	<u>20,900</u>	<u>932</u>	<u>19,968</u>
Total town manager	<u>\$ 169,300</u>	<u>\$ 169,300</u>	<u>\$ 149,213</u>	<u>\$ 20,087</u>
Legal and Professional:				
Professional services	\$ 35,000	\$ 35,000	\$ 32,248	\$ 2,752
Contractual services	15,150	15,150	15,000	150
Engineering services	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total legal and professional	<u>\$ 55,150</u>	<u>\$ 55,150</u>	<u>\$ 47,248</u>	<u>\$ 7,902</u>
Personnel:				
Retirement	\$ 110,380	\$ 110,380	\$ 105,655	\$ 4,725
Health insurance	171,000	171,000	135,105	35,895
Life insurance	13,085	13,085	12,405	680
Unemployment insurance	225	225	206	19
Workers' compensation insurance	16,000	16,000	16,815	(815)
Line of Duty act	4,500	4,500	4,341	159
Employment screening	<u>750</u>	<u>750</u>	<u>820</u>	<u>(70)</u>
Total personnel	<u>\$ 315,940</u>	<u>\$ 315,940</u>	<u>\$ 275,347</u>	<u>\$ 40,593</u>

## Schedule of Expenditures - Budget and Actual

## General Fund

Year Ended June 30, 2018 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
<b>General Fund: (continued)</b>				
General government administration: (continued)				
Town Treasurer:				
Compensation	\$ 98,930	\$ 98,930	\$ 98,619	\$ 311
Surety bonds	275	275	222	53
Cigarette stamps	6,000	6,000	3,098	2,902
Training	1,500	1,500	1,505	(5)
Dues	300	300	-	300
Miscellaneous	1,950	1,950	3,200	(1,250)
Total town treasurer	<u>\$ 108,955</u>	<u>\$ 108,955</u>	<u>\$ 106,644</u>	<u>\$ 2,311</u>
Finance/Accounting:				
Compensation	\$ 108,950	\$ 108,950	\$ 92,916	\$ 16,034
Training	1,000	1,000	171	829
Total finance/accounting	<u>\$ 109,950</u>	<u>\$ 109,950</u>	<u>\$ 93,087</u>	<u>\$ 16,863</u>
Central Administration/Purchasing:				
Maintenance contracts	\$ 25,000	\$ 25,000	\$ 31,696	\$ (6,696)
Advertising	10,000	10,000	8,625	1,375
Postage	8,000	8,000	6,807	1,193
Telecommunications	3,700	3,700	1,275	2,425
Office supplies and equipment	16,000	16,000	11,366	4,634
Newsletter	250	250	-	250
Training	1,500	1,500	640	860
Dues	500	500	437	63
Total central administration/purchasing	<u>\$ 64,950</u>	<u>\$ 64,950</u>	<u>\$ 60,846</u>	<u>\$ 4,104</u>
Risk Management:				
Blanket excess liability	\$ 9,000	\$ 9,000	\$ 9,105	\$ (105)
Automobile insurance	9,000	9,000	8,008	992
Semi-multi peril insurance	28,500	28,500	27,169	1,331
Insurance deductibles	3,000	3,000	-	3,000
Total risk management	<u>\$ 49,500</u>	<u>\$ 49,500</u>	<u>\$ 44,282</u>	<u>\$ 5,218</u>
Elections:				
Election officials	\$ 650	\$ 650	\$ 697	\$ (47)
Office supplies	2,100	2,100	1,517	583
Total elections	<u>\$ 2,750</u>	<u>\$ 2,750</u>	<u>\$ 2,214</u>	<u>\$ 536</u>
Total general government administration	<u>\$ 955,795</u>	<u>\$ 955,795</u>	<u>\$ 854,044</u>	<u>\$ 101,751</u>

Schedule of Expenditures - Budget and Actual  
 General Fund  
 Year Ended June 30, 2018 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
<b>General Fund: (continued)</b>				
Public safety:				
Police department:				
Compensation	\$ 558,500	\$ 558,500	\$ 506,598	\$ 51,902
Maintenance contracts	13,375	13,375	10,769	2,606
Communication equipment and services	4,125	4,125	4,282	(157)
Community relations	1,200	1,200	860	340
Office supplies	2,600	2,600	860	1,740
Gasoline oil	14,000	14,000	12,447	1,553
Repair and maintenance	14,000	14,000	9,718	4,282
Police supplies	14,500	14,500	10,436	4,064
Uniforms	4,000	4,000	5,962	(1,962)
Medical examinations	500	500	600	(100)
Training	9,500	9,500	7,220	2,280
Professional services	400	400	-	400
Employment screening	1,000	1,000	-	1,000
Dues	700	700	475	225
Total police department	<u>\$ 638,400</u>	<u>\$ 638,400</u>	<u>\$ 570,227</u>	<u>\$ 68,173</u>
Traffic control:				
Contribution - crossing guard	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>\$ -</u>
Emergency services:				
Contribution - alarm	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ -</u>
Fire and rescue:				
Professional services - emergency medical tech.	\$ 33,000	\$ 33,000	\$ 33,000	\$ -
Contribution - JHEVFD	30,000	30,000	30,000	-
Fire fund program	14,000	14,000	13,991	9
Fire capital	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Total fire and rescue	<u>\$ 87,000</u>	<u>\$ 87,000</u>	<u>\$ 76,991</u>	<u>\$ 10,009</u>
Correction and detention:				
Confinement and prisoners	\$ 250	\$ 250	\$ -	\$ 250
Public defenders fees	<u>2,000</u>	<u>2,000</u>	<u>728</u>	<u>1,272</u>
Total correction and detention	<u>\$ 2,250</u>	<u>\$ 2,250</u>	<u>\$ 728</u>	<u>\$ 1,522</u>
Total public safety	<u>\$ 732,150</u>	<u>\$ 732,150</u>	<u>\$ 652,446</u>	<u>\$ 79,704</u>
Public works:				
Maintenance of streets, bridges and sidewalks:				
General administration:				
Compensation	\$ 46,075	\$ 46,075	\$ 43,883	\$ 2,192
Fuel oil/heat	1,500	1,500	1,835	(335)
Telecommunications	4,400	4,400	4,964	(564)
Office supplies	3,000	3,000	2,793	207
Vehicle repairs and maintenance	7,000	7,000	4,168	2,832
Medical exams	800	800	645	155
Training	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
Total general administration	<u>\$ 63,275</u>	<u>\$ 63,275</u>	<u>\$ 58,288</u>	<u>\$ 4,987</u>

Schedule of Expenditures - Budget and Actual  
 General Fund  
 Year Ended June 30, 2018 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
<b>General Fund: (continued)</b>				
Public works: (continued)				
Maintenance of streets, bridges and sidewalks: (continued)				
Highways, streets, bridges and sidewalks:				
Compensation	\$ 137,750	\$ 137,750	\$ 140,349	\$ (2,599)
Gasoline and oil	25,000	25,000	23,052	1,948
Uniforms	4,000	4,000	4,936	(936)
Materials and supplies	4,000	4,000	4,955	(955)
Equipment maintenance	14,000	14,000	11,224	2,776
Sidewalk maintenance	50,000	50,000	29,248	20,752
Street maintenance	513,000	513,000	341,142	171,858
Street sign maintenance	250	250	643	(393)
Norfolk/Southern ROW	1,025	1,025	-	1,025
Total highways, streets, bridges, and sidewalks	<u>\$ 749,025</u>	<u>\$ 749,025</u>	<u>\$ 555,549</u>	<u>\$ 193,476</u>
Street lights:				
Electricity - street lights	\$ 75,000	\$ 75,000	\$ 56,996	\$ 18,004
Snow and ice removal:				
Material and supplies	\$ 18,000	\$ 18,000	\$ 690	\$ 17,310
Parking meters:				
Material and supplies	\$ 1,500	\$ 1,500	\$ 330	\$ 1,170
Street and road cleaning:				
Street cleaning	\$ 1,000	\$ 1,000	\$ -	\$ 1,000
Total maintenance of streets, bridges and sidewalks	<u>\$ 907,800</u>	<u>\$ 907,800</u>	<u>\$ 671,853</u>	<u>\$ 235,947</u>
Sanitation and waste removal:				
Contractual services	\$ 187,700	\$ 187,700	\$ 182,300	\$ 5,400
Recycling services	56,200	56,200	53,928	2,272
Landfill charges	30,000	30,000	32,685	(2,685)
Total sanitation and waste removal	<u>\$ 273,900</u>	<u>\$ 273,900</u>	<u>\$ 268,913</u>	<u>\$ 4,987</u>
Maintenance of buildings and grounds:				
General properties:				
Repair and maintenance	\$ 44,100	\$ 44,100	\$ 24,813	\$ 19,287
Materials and supplies	500	500	320	180
Christmas lights	300	300	-	300
Total general properties	<u>\$ 44,900</u>	<u>\$ 44,900</u>	<u>\$ 25,133</u>	<u>\$ 19,767</u>

## Schedule of Expenditures - Budget and Actual

## General Fund

Year Ended June 30, 2018 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
<b>General Fund: (continued)</b>				
Public works: (continued)				
Maintenance of buildings and grounds: (continued)				
Building services:				
Compensation	\$ 10,000	\$ 10,000	\$ 9,628	\$ 372
Contractual services	20,650	20,650	19,978	672
Electricity	20,200	20,200	19,850	350
Natural gas/heat	3,000	3,000	2,566	434
Materials and supplies	7,500	7,500	13,841	(6,341)
Water/sewer	2,700	2,700	2,730	(30)
Shared expenses - Clarke County	20,600	20,600	19,562	1,038
Telecommunications	4,250	4,250	8,078	(3,828)
Total building services	\$ 88,900	\$ 88,900	\$ 96,233	\$ (7,333)
Total maintenance of buildings and grounds	\$ 133,800	\$ 133,800	\$ 121,366	\$ 12,434
Total public works	\$ 1,315,500	\$ 1,315,500	\$ 1,062,132	\$ 253,368
Parks, recreation and cultural:				
Christmas lights	\$ 1,450	\$ 1,450	\$ 1,972	\$ (522)
Rose Hill improvements	5,000	5,000	3,794	1,206
Contributions	6,000	6,000	6,066	(66)
Total parks, recreation and cultural	\$ 12,450	\$ 12,450	\$ 11,832	\$ 618
Community development:				
Planning:				
Compensation	\$ 86,225	\$ 86,225	\$ 86,237	\$ (12)
Professional services	5,000	5,000	8,794	(3,794)
Office supplies	100	100	276	(176)
Printing	100	100	62	38
Mileage	750	750	246	504
Training	500	500	-	500
Dues	500	500	-	500
Total planning	\$ 93,175	\$ 93,175	\$ 95,615	\$ (2,440)
Board of zoning appeals:				
Compensation	\$ 500	\$ 500	\$ -	\$ 500
Training	500	500	-	500
Total board of zoning appeals	\$ 1,000	\$ 1,000	\$ -	\$ 1,000
Economic development:				
DBI/economic development professional services	\$ 42,500	\$ 42,500	\$ 29,000	\$ 13,500

Schedule of Expenditures - Budget and Actual  
 General Fund  
 Year Ended June 30, 2018 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
<b>General Fund: (continued)</b>				
Community development: (continued)				
Planning commission:				
Compensation	\$ 5,220	\$ 5,220	\$ 2,780	\$ 2,440
Training	1,000	1,000	366	634
Dues	250	250	-	250
Total planning commission	<u>\$ 6,470</u>	<u>\$ 6,470</u>	<u>\$ 3,146</u>	<u>\$ 3,324</u>
Berryville Area Development Authority:				
Compensation	\$ 2,520	\$ 2,520	\$ 1,421	\$ 1,099
Training	250	250	-	250
Dues	125	125	-	125
Total Berryville Area Development Authority	<u>\$ 2,895</u>	<u>\$ 2,895</u>	<u>\$ 1,421</u>	<u>\$ 1,474</u>
Architectural Review Board:				
Training	\$ 500	\$ 500	\$ 65	\$ 435
Total community development	<u>\$ 146,540</u>	<u>\$ 146,540</u>	<u>\$ 129,247</u>	<u>\$ 17,293</u>
Capital outlay:				
Police cruiser	\$ 50,200	\$ 50,200	\$ 48,821	\$ 1,379
Other capital outlay	52,000	52,000	46,848	5,152
Total capital outlay	<u>\$ 102,200</u>	<u>\$ 102,200</u>	<u>\$ 95,669</u>	<u>\$ 6,531</u>
Contingency:				
Shared cost for operation of joint government center	\$ 119,762	\$ 119,762	\$ 568	\$ 119,194
Debt service reserve	11,135	11,135	-	11,135
Total contingency	<u>\$ 130,897</u>	<u>\$ 130,897</u>	<u>\$ 568</u>	<u>\$ 130,329</u>
Debt service:				
Principal	\$ 35,910	\$ 35,910	\$ 36,225	\$ (315)
Interest	85,566	85,566	85,251	315
Total debt service	<u>\$ 121,476</u>	<u>\$ 121,476</u>	<u>\$ 121,476</u>	<u>\$ -</u>
Total General Fund	<u>\$ 3,517,008</u>	<u>\$ 3,517,008</u>	<u>\$ 2,927,414</u>	<u>\$ 589,594</u>



## Schedule of Operating Expenses (With Comparative Amounts for 2017)

## Enterprise Funds

Year Ended June 30, 2018

Fund, Function, Activity and Elements	2018	2017
<b><u>Water Fund:</u></b>		
General administration:		
Salaries and wages	\$ 38,607	\$ 37,195
Miss Utility	1,445	1,290
Repairs and maintenance	2,538	2,145
Postage	2,300	2,241
Office supplies	651	1,035
Total general administration	\$ 45,541	\$ 43,906
Supply purification:		
Salaries and wages	\$ 106,699	\$ 60,410
Repairs and maintenance	60,228	32,164
Electricity	55,952	55,085
Heating service	3,961	589
Equipment and supplies	10,792	11,625
Materials and supplies - chemicals	34,990	29,025
Sludge removal	17,560	17,302
Permits, fees and testing	10,514	10,540
Other operating expenses	15,227	11,011
Total supply purification	\$ 315,923	\$ 227,751
Transmission and distribution:		
Salaries and wages	\$ 107,393	\$ 97,613
Repairs and maintenance - water lines	59,221	70,734
Materials and supplies	29,633	34,134
Total transmission and distribution	\$ 196,247	\$ 202,481
Fringe benefits:		
Social security	\$ 2,794	\$ 2,898
Retirement	41,901	21,103
Health insurance	36,122	39,207
Group life insurance	1,925	2,327
Workers' compensation	4,204	3,928
Unemployment insurance	46	13
Total fringe benefits	\$ 86,992	\$ 69,476
Depreciation	\$ 201,744	\$ 199,051
Capital outlay	\$ 100,093	\$ 2,113
Total Water Fund	\$ 946,540	\$ 744,778

## Schedule of Operating Expenses (With Comparative Amounts for 2017)

Enterprise Funds

Year Ended June 30, 2018 (Continued)

<u>Fund, Function, Activity and Elements</u>	<u>2018</u>	<u>2017</u>
<b><u>Sewer Fund:</u></b>		
General administration:		
Salaries and wages	\$ 46,027	\$ 42,250
Repairs and maintenance	2,538	2,145
Postage	6,846	6,727
Office supplies	<u>1,077</u>	<u>638</u>
Total general administration	<u>\$ 56,488</u>	<u>\$ 51,760</u>
Wastewater treatment:		
Salaries and wages	\$ 263,679	\$ 238,581
Professional services	62,776	59,474
Repairs and maintenance	98,644	148,067
Electricity	140,999	116,839
Materials and supplies - chemicals	72,897	71,790
Equipment and supplies	11,594	18,063
Permits, fees and testing	27,981	24,137
Other operating expenses	<u>6,029</u>	<u>9,379</u>
Total wastewater treatment	<u>\$ 684,599</u>	<u>\$ 686,330</u>
Maintenance of sewer lines:		
Salaries and wages	\$ 100,110	\$ 90,698
Repairs and maintenance - sewer lines	16,515	20,929
Materials and supplies	<u>524</u>	<u>29</u>
Total maintenance of sewer lines	<u>\$ 117,149</u>	<u>\$ 111,656</u>
Fringe benefits:		
Social security	\$ 2,811	\$ 3,105
Retirement	74,374	37,662
Health insurance	64,779	70,607
Group life insurance	3,452	4,444
Workers' compensation	72	17
Unemployment insurance	<u>5,568</u>	<u>5,200</u>
Total fringe benefits	<u>\$ 151,056</u>	<u>\$ 121,035</u>
Depreciation	<u>\$ 859,926</u>	<u>\$ 863,116</u>
Capital outlay	<u>\$ 101,213</u>	<u>\$ 11,243</u>
Total Sewer Fund	<u><u>\$ 1,970,431</u></u>	<u><u>\$ 1,845,140</u></u>

## Statistical Information

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TOWN OF BERRYVILLE, VIRGINIA

Table 1

Governmental Revenues by Source  
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Fees and Licenses	Fines and Forfeitures	Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental	Total
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
2010	1,146,789	762,621	50,284	32,112	76,549	8,995	3,562	-	189,747	2,270,659
2009	1,206,692	751,709	84,766	54,918	98,463	8,193	16,339	-	112,888	2,333,968

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	
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
2010	794,863	658,010	641,026	13,620	133,471	377,099	121,476	2,739,565
2009	764,750	620,564	548,722	8,688	140,128	2,913,217	94,869	5,090,938

## Compliance

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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## 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*

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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, 2018, and the related notes to the financial statements, which collectively comprise Town of Berryville, Virginia's basic financial statements, and have issued our report thereon dated November 2, 2018.

### Internal Control over Financial Reporting

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

*Robinson, Farner, Cox Associates*

Charlottesville, Virginia

November 2, 2018