

TOWN OF BERRYVILLE, VIRGINIA



FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016

TOWN OF BERRYVILLE, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2016

TOWN OF BERRYVILLE, VIRGINIA

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

Ann Phillips, Town Clerk

TOWN OF BERRYVILLE, VIRGINIA

Financial Report
Year Ended June 30, 2016

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-10
<u>Basic Financial Statements:</u>	
<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	21-53

TOWN OF BERRYVILLE, VIRGINIA

Financial Report
Year Ended June 30, 2016

Table of Contents (Continued)

	<u>Page</u>	
<u>Required Supplementary Information:</u>		
Exhibit 10	Schedule of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual—General Fund	54
Exhibit 11	Schedule of Components of and Changes in Net Pension Liability and Related Ratios	55
Exhibit 12	Schedule of Employer Contributions	56
Exhibit 13	Notes to Required Supplementary Information	57
<u>Other Supplementary Information:</u>		
<i><u>Supporting Schedules</u></i>		
Schedule 1	Schedule of Revenues—Budget and Actual—General Funds	58-59
Schedule 2	Schedule of Expenditures—Budget and Actual—General Funds	60-65
Schedule 3	Schedule of Operating Expenses—Enterprise Funds	66-67
<i><u>Statistical Information</u></i>		
Table 1	Governmental Revenues by Source—Last Ten Fiscal Years	68
Table 2	Governmental Expenditures by Function—Last Ten Fiscal Years	69
<u>Compliance:</u>		
	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>	70-71

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Berryville, Virginia, as of and for the year ended June 30, 2016, 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, 2016, 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 10 to the financial statements, in 2016, the Town adopted new accounting guidance, GASB Statement No. 82 Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73. 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 funding on pages 4-10, 54, and 55-57 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.

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 section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supporting schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 section 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 29, 2016, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Berryville, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia

November 29, 2016

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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, 2016. 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 \$33,548,803 (net position). Of this amount, \$7,676,185 (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 \$1,745,454, of which the governmental activities accounted for a \$364,272 increase and business-type activities accounted for a \$1,381,182 increase.

At the end of the current fiscal year, unrestricted net position for governmental activities was \$1,473,326 or 49.78% of the governmental activities expenditures less any capital outlay projects.

The unassigned ending fund balance for the Town's general fund was \$1,817,428, an increase of \$462,798 over the prior year. This increase is due partially to an increase of \$150,735 in property taxes collected over the prior year.

The Town's total debt decreased by \$303,333 (2.42%) 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 53 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 54 through 57 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 \$33.5 million at the close of the most recent fiscal year. A large portion of the Town's net position (\$24.8 million, 74.06% 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	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 2,612,369	\$ 2,168,828	\$ 7,436,427	\$ 5,845,015	\$ 10,048,796	\$ 8,013,843
Capital assets	4,350,952	4,521,136	32,718,346	33,328,454	37,069,298	37,849,590
Total assets	\$ 6,963,321	\$ 6,689,964	\$ 40,154,773	\$ 39,173,469	\$ 47,118,094	\$ 45,863,433
Deferred outflows of resources	\$ 110,595	\$ 78,610	\$ 57,786	\$ 41,712	\$ 168,381	\$ 120,322
Long-term liabilities outstanding	\$ 2,592,195	\$ 2,555,990	\$ 10,306,208	\$ 10,583,221	\$ 12,898,403	\$ 13,139,211
Other liabilities	131,062	143,573	89,319	152,623	220,381	296,196
Total liabilities	\$ 2,723,257	\$ 2,699,563	\$ 10,395,527	\$ 10,735,844	\$ 13,118,784	\$ 13,435,407
Deferred inflows of resources	\$ 558,061	\$ 640,685	\$ 60,827	\$ 104,314	\$ 618,888	\$ 744,999
Net investment in capital assets	\$ 2,232,984	\$ 2,369,835	\$ 22,613,346	\$ 22,953,454	\$ 24,846,330	\$ 25,323,289
Restricted	86,288	72,885	940,000	940,000	1,026,288	1,012,885
Unrestricted	1,473,326	985,606	6,202,859	4,481,569	7,676,185	5,467,175
Total net position	\$ 3,792,598	\$ 3,428,326	\$ 29,756,205	\$ 28,375,023	\$ 33,548,803	\$ 31,803,349

A portion of the Town's net position is restricted for debt service in the enterprise funds (\$1,026,288, 3.06% of total) may be used to meet the Town's ongoing obligations to Virginia Resources Authority.

The remaining balance of unrestricted net position (\$7.7 million, 22.88% of total) may be used to meet the Town's ongoing obligations to citizens and creditors.

Government-wide Financial Analysis: (Continued)

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 \$1,745,454 during the current fiscal year, generally attributable to construction of the new wastewater treatment plant and an increase in user fees to finance that construction.

Town of Berryville, Virginia						
Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Charges for services	\$ 89,954	\$ 101,235	\$ 3,440,775	\$ 2,893,279	\$ 3,530,729	\$ 2,994,514
Opr grants & contributions	611,358	595,790	-	-	611,358	595,790
Cap grants & contributions	-	-	-	386,662	-	386,662
General real property taxes	1,285,996	1,136,275	-	-	1,285,996	1,136,275
Other taxes	983,615	934,720	-	-	983,615	934,720
Unrestricted revenues from the use of money & property	88,845	98,699	13,388	12,682	102,233	111,381
Grants & contributions not restricted to specific programs	302,885	305,603	-	-	302,885	305,603
Miscellaneous	43,129	34,702	-	-	43,129	34,702
Total Revenues	\$ 3,405,782	\$ 3,207,024	\$ 3,454,163	\$ 3,292,623	\$ 6,859,945	\$ 6,499,647
Expenses:						
General government administration	\$ 951,345	\$ 917,033	\$ -	\$ -	\$ 951,345	\$ 917,033
Public safety	691,043	689,556	-	-	691,043	689,556
Public works	1,082,248	1,280,350	-	-	1,082,248	1,280,350
Parks, recreation & cultural	45,512	47,372	-	-	45,512	47,372
Community development	183,277	148,023	-	-	183,277	148,023
Contingency	-	87,153	-	-	0	87,153
Interest on long-term debt	88,085	89,406	-	-	88,085	89,406
Water fund	-	-	755,906	752,263	755,906	752,263
Sewer fund	-	-	1,317,075	943,000	1,317,075	943,000
Total Expenses	\$ 3,041,510	\$ 3,258,893	\$ 2,072,981	\$ 1,695,263	\$ 5,114,491	\$ 4,954,156
Change in net position	\$ 364,272	\$ (51,869)	\$ 1,381,182	\$ 1,597,360	\$ 1,745,454	\$ 1,545,491
Net position, beginning of year	3,428,326	3,480,195	28,375,023	26,777,663	31,803,349	30,257,858
Net position, end of year	<u>\$ 3,792,598</u>	<u>\$ 3,428,326</u>	<u>\$ 29,756,205</u>	<u>\$ 28,375,023</u>	<u>\$ 33,548,803</u>	<u>\$ 31,803,349</u>

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

Business-type activities increased the Town's net position by \$1,381,182. Similar to how changes arise in the governmental activities, business-type activities also experience budgetary differences; however, as a public utility function comprises the Town's business-type activities there is more of a direct correlation to the revenues generated relative to the expenses incurred because of service demands. An increase in capital contributions made up of loan proceeds and an increase in expenses, primarily construction in progress, contributed to the increase in net position.

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 \$1,978,716, an increase of \$476,201 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, \$1,817,428 or 91.85% constitutes unassigned fund balance, which is available for spending at the Town's discretion. The Town is required to restrict \$86,288 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, 2016.

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 \$29,756,205. Unrestricted net position at the end of the year was \$6,202,859, an increase of \$1,381,182, from last year's unrestricted net position due to wastewater treatment plant construction in progress.

General Fund Budgetary Highlights

During the fiscal year the Town's general fund revenue exceeded budget by \$270,799. Of this amount \$99,815 can be attributed to other local taxes. Also, revenues were higher than expected in general property taxes. Fiscal year 2015 governmental expenditures were below budget by \$205,402 largely due to the street maintenance project.

Capital Asset and Debt Administration

Capital Assets: The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2016, amounts to \$37,069,298 (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, 2016

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 93,209	\$ 93,209	\$ 76,000	\$ 76,000	\$ 169,209	\$ 169,209
Construction in progress	-	-	-	29,124,581	-	29,124,581
Buildings & improvements	4,016,354	4,149,060	29,513,566	828,862	33,529,920	4,977,922
Infrastructure	54,182	61,642	2,472,958	2,611,437	2,527,140	2,673,079
Equipment	187,207	217,225	655,822	687,574	843,029	904,799
Total	\$ 4,350,952	\$ 4,521,136	\$ 32,718,346	\$ 33,328,454	\$ 37,069,298	\$ 37,849,590

Additional information on the Town's capital assets can be found in Note 5 on pages 29 and 30 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 \$12,898,403 and details are summarized in the following table:

**Town of Berryville, Virginia
Outstanding Obligations
For the Year Ended June 30, 2016**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Long-term obligations:						
Lease revenue bond	\$ 2,117,968	\$ 2,151,301	\$ -	\$ -	\$ 2,117,968	\$ 2,151,301
General obligation bonds	-	-	10,105,000	10,375,000	10,105,000	10,375,000
Net pension liability	287,904	231,231	150,432	129,619	438,336	-
Compensated absences	186,323	173,457	50,776	78,602	237,099	252,059
Total	<u>\$ 2,592,195</u>	<u>\$ 2,555,989</u>	<u>\$ 10,306,208</u>	<u>\$ 10,583,221</u>	<u>\$ 12,898,403</u>	<u>\$ 12,778,360</u>

Obligations associated with governmental activities increased by \$36,206 in 2016. The governmental activities obligations increase was due to the net pension liability increase of \$56,673.

The obligations associated with business-type activities decreased by \$277,013 in 2016 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, 2016.

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 reduction in real property assessments in 2016 with an overall 1.81% decrease. Preliminary forecasts for 2017 assessments indicate moderate but positive growth.

For tax year 2016, the Town Council adopted a .19/\$100 real estate tax rate, an increase of 2.15%. 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 March 1, 2015 the Town approved a \$.10 per pack cigarette tax.

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.

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

The Town's water rate was increased to \$8.40 per thousand gallons from \$8.00, an increase of 5%. 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, 2016

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 2,050,050	\$ 6,155,973	\$ 8,206,023
Restricted cash and cash equivalents	86,288	940,000	1,026,288
Receivables, net of allowance for uncollectibles	523,903	266,105	790,008
Due from other governments	16,688	-	16,688
Prepaid items	-	9,789	9,789
Internal balances	(64,560)	64,560	-
Capital assets:			
Land	93,209	76,000	169,209
Other capital assets, net of accumulated depreciation	4,257,743	32,642,346	36,900,089
Capital assets, net	\$ 4,350,952	\$ 32,718,346	\$ 37,069,298
Total assets	\$ 6,963,321	\$ 40,154,773	\$ 47,118,094
Deferred Outflows of Resources:			
Post measurement date employer pension contributions	\$ 110,595	\$ 57,786	\$ 168,381
Liabilities:			
Accounts payable	\$ 22,028	\$ 24,960	\$ 46,988
Accrued liabilities	17,918	14,729	32,647
Accrued interest	3,640	-	3,640
Customer deposits	87,476	49,630	137,106
Long-term liabilities:			
Due within one year:			
Bonds payable	34,763	470,000	504,763
Due in more than one year:			
Accrued compensated absences	186,323	50,776	237,099
Net pension liability	287,904	150,432	438,336
Bonds payable	2,083,205	9,635,000	11,718,205
Total liabilities	\$ 2,723,257	\$ 10,395,527	\$ 13,118,784
Deferred Inflows of Resources:			
Items related to measurement of net pension liability	\$ 81,059	\$ 60,827	\$ 141,886
Deferred revenue-property taxes	477,002	-	477,002
Total deferred inflows of resources	\$ 558,061	\$ 60,827	\$ 618,888
Net Position:			
Net investment in capital assets	\$ 2,232,984	\$ 22,613,346	\$ 24,846,330
Restricted for debt reserve	86,288	940,000	1,026,288
Unrestricted	1,473,326	6,202,859	7,676,185
Total net position	\$ 3,792,598	\$ 29,756,205	\$ 33,548,803

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

TOWN OF BERRYVILLE, VIRGINIA

Statement of Activities
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government administration	\$ 951,345	\$ -	\$ -	\$ -
Public safety	691,043	23,936	94,976	-
Public works	1,082,248	66,018	511,382	-
Parks, recreation and cultural	45,512	-	-	-
Community development	183,277	-	5,000	-
Interest on long-term debt	88,085	-	-	-
Total governmental activities	\$ 3,041,510	\$ 89,954	\$ 611,358	\$ -
Business-type activities:				
Water	\$ 755,906	\$ 1,064,644	\$ -	\$ -
Sewer	1,317,075	2,376,131	-	-
Total business-type activities	\$ 2,072,981	\$ 3,440,775	\$ -	\$ -
Total	\$ 5,114,491	\$ 3,530,729	\$ 611,358	\$ -

General Revenues:

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

Change in net position

Net position, beginning of year

Net position, end of year

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (951,345)	\$ -	\$ (951,345)
(572,131)	-	(572,131)
(504,848)	-	(504,848)
(45,512)	-	(45,512)
(178,277)	-	(178,277)
(88,085)	-	(88,085)
<u>\$ (2,340,198)</u>	<u>\$ -</u>	<u>\$ (2,340,198)</u>
\$ -	\$ 308,738	\$ 308,738
-	1,059,056	1,059,056
<u>\$ -</u>	<u>\$ 1,367,794</u>	<u>\$ 1,367,794</u>
<u>\$ (2,340,198)</u>	<u>\$ 1,367,794</u>	<u>\$ (972,404)</u>
\$ 1,285,996	\$ -	\$ 1,285,996
198,308	-	198,308
205,126	-	205,126
56,597	-	56,597
126,382	-	126,382
97,051	-	97,051
7,286	-	7,286
191,354	-	191,354
101,511	-	101,511
88,845	13,388	102,233
302,885	-	302,885
43,129	-	43,129
<u>\$ 2,704,470</u>	<u>\$ 13,388</u>	<u>\$ 2,717,858</u>
\$ 364,272	\$ 1,381,182	\$ 1,745,454
<u>3,428,326</u>	<u>28,375,023</u>	<u>31,803,349</u>
<u>\$ 3,792,598</u>	<u>\$ 29,756,205</u>	<u>\$ 33,548,803</u>

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Fund Financial Statements

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Balance Sheet
 Governmental Funds
 As of June 30, 2016

	<u>General Fund</u>
Assets:	
Cash and cash equivalents	\$ 2,050,050
Receivables (net of allowance for uncollectibles):	
Taxes including penalties	498,412
Accounts	25,491
Due from other governments	16,688
Restricted assets:	
Cash and cash equivalents	86,288
Total assets	<u>\$ 2,676,929</u>
Liabilities:	
Accounts payable	\$ 22,028
Accrued liabilities	17,918
Deposits held	87,476
Due to other funds	64,560
Total liabilities	<u>\$ 191,982</u>
Deferred Inflows of Resources:	
Unavailable revenue-property taxes	<u>\$ 506,231</u>
Fund Balance:	
Restricted for proffers	\$ 75,000
Restricted for debt service	86,288
Unassigned	1,817,428
Total fund balance	<u>\$ 1,978,716</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 2,676,929</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, 2016

Total fund balances for governmental funds (Exhibit 3)	\$	1,978,716
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>4,257,743</u>
		4,350,952
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		(3,640)
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets are offset by unavailable revenues in the governmental funds and thus are not included in the fund balance. Those assets consist of:		
Unavailable revenue-property taxes	\$	29,229
Items related to measurement of net pension liability		<u>(81,059)</u>
		(51,830)
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.		110,595
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences	\$	(186,323)
Net pension liability		(287,904)
Bonds payable		<u>(2,117,968)</u>
		<u>(2,592,195)</u>
Total net position of governmental activities	\$	<u><u>3,792,598</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, 2016

	<u>General Fund</u>
Revenues:	
General property taxes	\$ 1,316,194
Other local taxes	983,615
Permits, privilege fees and regulatory licenses	34,745
Fines and forfeitures	23,936
Revenue from use of money and property	88,845
Charges for services	31,273
Miscellaneous	43,129
Intergovernmental revenues:	
Commonwealth	908,185
Federal	6,058
	<u>3,435,980</u>
Total revenues	\$ <u>3,435,980</u>
Expenditures:	
Current:	
General government administration	\$ 795,715
Public safety	688,324
Public works	1,054,750
Parks, recreation, and cultural	8,228
Community development	186,298
Capital outlay	39,312
Contingency	65,676
Debt service	121,476
	<u>2,959,779</u>
Total expenditures	\$ <u>2,959,779</u>
Excess (deficiency) of revenues over expenditures	\$ <u>476,201</u>
Net change in fund balances	\$ 476,201
Fund balances at beginning of year	<u>1,502,515</u>
Fund balances at end of year	<u>\$ <u>1,978,716</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, 2016

Net change in fund balances - total governmental funds (Exhibit 5) \$ 476,201

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	\$ 68,646	
Depreciation expense	<u>(238,830)</u>	(170,184)

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	\$ (30,198)	
Change in deferred inflows related to the measurement of the net pension liability	<u>92,616</u>	62,418

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.

33,333

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	\$ (12,866)	
Change in deferred outflows - pension contributions subsequent to measurement date	31,985	
Change in net pension liability	(56,673)	
Change in interest payable	<u>58</u>	<u>(37,496)</u>

Change in net position of governmental activities		\$ <u><u>364,272</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, 2016

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Assets:			
Current assets:			
Cash and cash equivalents	\$ 1,922,212	\$ 4,233,761	\$ 6,155,973
Restricted cash and cash equivalents	-	940,000	940,000
Prepaid expenses	-	9,789	9,789
Receivables (net of allowance for uncollectibles)	91,345	174,760	266,105
Due from other funds	-	80,065	80,065
Total current assets	<u>\$ 2,013,557</u>	<u>\$ 5,438,375</u>	<u>\$ 7,451,932</u>
Noncurrent assets:			
Land	\$ 5,000	\$ 71,000	\$ 76,000
Capital assets, net of accumulated depreciation	<u>2,215,791</u>	<u>30,426,555</u>	<u>32,642,346</u>
Total noncurrent assets	<u>\$ 2,220,791</u>	<u>\$ 30,497,555</u>	<u>\$ 32,718,346</u>
Total assets	<u>\$ 4,234,348</u>	<u>\$ 35,935,930</u>	<u>\$ 40,170,278</u>
Deferred Outflows of Resources:			
Post measurement date employer pension contributions	<u>\$ 21,706</u>	<u>\$ 36,080</u>	<u>\$ 57,786</u>
Liabilities:			
Current liabilities:			
Accounts payable	\$ 11,957	\$ 13,003	\$ 24,960
Accrued payroll and related liabilities	5,865	8,864	14,729
Due to other funds	15,505	-	15,505
Customer deposits	11,550	38,080	49,630
Current portion of long-term debt	-	470,000	470,000
Total current liabilities	<u>\$ 44,877</u>	<u>\$ 529,947</u>	<u>\$ 574,824</u>
Noncurrent liabilities:			
Accrued compensated absences payable	\$ 24,933	\$ 25,843	\$ 50,776
Net pension liability	56,507	93,925	150,432
Long-term debt, net of current portion	-	9,635,000	9,635,000
Total noncurrent liabilities	<u>\$ 81,440</u>	<u>\$ 9,754,768</u>	<u>\$ 9,836,208</u>
Total liabilities	<u>\$ 126,317</u>	<u>\$ 10,284,715</u>	<u>\$ 10,411,032</u>
Deferred Inflows of Resources:			
Items related to measurement of net pension liability	<u>\$ 49,012</u>	<u>\$ 11,815</u>	<u>\$ 60,827</u>
Net Position:			
Net investment in capital assets	\$ 2,220,791	\$ 20,392,555	\$ 22,613,346
Restricted for debt reserve	-	940,000	940,000
Unrestricted	<u>1,859,934</u>	<u>4,342,925</u>	<u>6,202,859</u>
Total net position	<u>\$ 4,080,725</u>	<u>\$ 25,675,480</u>	<u>\$ 29,756,205</u>

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, 2016

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Operating revenues:			
Charges for services	\$ 1,064,644	\$ 2,376,131	\$ 3,440,775
Operating expenses:			
General administration	\$ 40,219	\$ 46,845	\$ 87,064
Supply purification	277,179	-	277,179
Transmission and distribution	184,113	-	184,113
Wastewater treatment	-	559,245	559,245
Maintenance of sewer lines	-	122,078	122,078
Fringe benefits	52,907	84,158	137,065
Depreciation	196,983	499,399	696,382
Contingency	4,505	5,350	9,855
Total operating expenses	\$ 755,906	\$ 1,317,075	\$ 2,072,981
Operating income (loss)	\$ 308,738	\$ 1,059,056	\$ 1,367,794
Nonoperating revenues (expenses):			
Interest revenue	\$ 4,736	\$ 8,652	\$ 13,388
Total nonoperating revenues (expenses)	\$ 4,736	\$ 8,652	\$ 13,388
Income (loss) before contributions	\$ 313,474	\$ 1,067,708	\$ 1,381,182
Change in net position	\$ 313,474	\$ 1,067,708	\$ 1,381,182
Net position, beginning of year	3,767,251	24,607,772	28,375,023
Net position, end of year	\$ 4,080,725	\$ 25,675,480	\$ 29,756,205

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

Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2016

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Cash flows from operating activities:			
Receipts from customers	\$ 1,036,821	\$ 2,375,090	\$ 3,411,911
Payments to and for employees	(302,055)	(456,009)	(758,064)
Payments to suppliers	(286,590)	(471,612)	(758,202)
Net cash provided by (used for) operating activities	\$ 448,176	\$ 1,447,469	\$ 1,895,645
Cash flows from investing activities:			
Investment income	\$ 4,736	\$ 8,652	\$ 13,388
Cash flows from capital and related financing activities:			
Purchase of capital assets	\$ (52,300)	\$ (33,974)	\$ (86,274)
Capital contributions and grants	-	386,662	386,662
Issuance of debt	-	200,000	200,000
Principal payments on long-term debt	-	(470,000)	(470,000)
Net cash provided by (used for) capital and related financing activities	\$ (52,300)	\$ 82,688	\$ 30,388
Cash flows from noncapital financing activities:			
Net transfers from (to) other funds	\$ -	\$ (158)	\$ (158)
Net increase (decrease) in cash and cash equivalents	\$ 400,612	\$ 1,538,651	\$ 1,939,263
Cash and cash equivalents at beginning of year - including restricted	1,521,600	\$ 3,635,110	5,156,710
Cash and cash equivalents at end of year - including restricted	\$ 1,922,212	\$ 5,173,761	\$ 7,095,973
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 308,738	\$ 1,059,056	\$ 1,367,794
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	196,983	499,399	696,382
Changes in operating accounts:			
Accounts receivable	(27,823)	(1,041)	(28,864)
Prepaid expenses	-	(9,789)	(9,789)
Deferred outflow - post measurement date contributions	(5,020)	(11,054)	(16,074)
Accounts payable and accrued liabilities	3,464	7,983	11,447
Retainage payable	-	(77,821)	(77,821)
Compensated absences	(14,368)	(13,458)	(27,826)
Net pension liability	5,409	15,404	20,813
Deferred inflow - net difference in pension earnings	(14,992)	(28,495)	(43,487)
Customer deposits	(4,215)	7,285	3,070
Net cash provided by (used for) operating activities	\$ 448,176	\$ 1,447,469	\$ 1,895,645

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

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TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Narrative Profile:

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

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, health and welfare services are provided by Clarke County.

The financial statements of Town of Berryville, Virginia have been prepared in conformity with specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the 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 (government and business-type activities) and its discretely presented component units. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net 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)

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 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.

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

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

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 2016.

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.

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

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

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 deferred inflows of resources. Sales and utility taxes, which are collected by the State or utilities and subsequently remitted to the Town, are recognized as revenues and receivables upon collection by the State or utility, which is generally in the month preceding receipt by the Town. Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of State and other grants for the purpose of funding specific expenditures, are recognized when measurable and available or at the time of the specific expenditure.

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

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

D. Budgets and Budgetary Accounting

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

1. Prior to May 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.

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

D. Budgets and Budgetary Accounting (Continued)

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) or "advance to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

G. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$18,313 at June 30, 2016 and is comprised of property taxes and water and sewer receivables.

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.

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of assets constructed. The Town did not have any capitalized interest as of June 30, 2016.

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.

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.

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

M. Compensated Absences

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

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;
- *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.

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

O. Fund Equity (Continued)

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 only one item that qualifies for reporting in this category. It is comprised of contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. For more detailed information on this item, reference the pension note.

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 two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on the pension item, reference the pension note.

NOTE 2—PROPERTY TAXES RECEIVABLE:

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

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 3—DEPOSITS AND INVESTMENTS:

Deposits:

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

Investments:

Statutes authorize the Town to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP). The Town had no investments at June 30, 2016.

NOTE 4—DUE FROM OTHER GOVERNMENTAL UNITS:

At June 30, 2016, the amount due from other governmental units was as follows:

	<u>Primary Government</u>
Commonwealth of Virginia:	
Sales tax	\$ <u>16,688</u>
Total	\$ <u><u>16,688</u></u>

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (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, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</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	\$ -	\$ -	\$ 5,216,877
Infrastructure	259,940	-	-	259,940
Equipment	1,163,661	68,646	-	1,232,307
Total other capital assets	<u>\$ 6,640,478</u>	<u>\$ 68,646</u>	<u>\$ -</u>	<u>\$ 6,709,124</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 1,067,817	\$ 132,706	\$ -	\$ 1,200,523
Infrastructure	198,298	7,460	-	205,758
Equipment	946,436	98,664	-	1,045,100
Total accumulated depreciation	<u>\$ 2,212,551</u>	<u>\$ 238,830</u>	<u>\$ -</u>	<u>\$ 2,451,381</u>
Other capital assets, net	<u>\$ 4,427,927</u>	<u>\$ (170,184)</u>	<u>\$ -</u>	<u>\$ 4,257,743</u>
Net capital assets	<u>\$ 4,521,136</u>	<u>\$ (170,184)</u>	<u>\$ -</u>	<u>\$ 4,350,952</u>

Depreciation expense has been allocated as follows:

General government administration	\$ 103,877
Public safety	12,391
Public works	85,278
Parks, recreation, and cultural	<u>37,284</u>
Total depreciation expense	<u>\$ 238,830</u>

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 5—CAPITAL ASSETS: (Continued)

Business-type Activities:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Water Fund				
Capital assets not being depreciated:				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Total capital assets not being depreciated	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,000</u>
Other capital assets:				
Buildings and improvements	\$ 3,391,605	\$ -	\$ -	\$ 3,391,605
Infrastructure	1,522,555	52,300	-	1,574,855
Equipment	1,430,984	-	-	1,430,984
Total other capital assets	<u>\$ 6,345,144</u>	<u>\$ 52,300</u>	<u>\$ -</u>	<u>\$ 6,397,444</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 2,562,743	\$ 75,820	\$ -	\$ 2,638,563
Infrastructure	629,186	74,555	-	703,741
Equipment	792,741	46,608	-	839,349
Total accumulated depreciation	<u>\$ 3,984,670</u>	<u>\$ 196,983</u>	<u>\$ -</u>	<u>\$ 4,181,653</u>
Other capital assets, net	<u>\$ 2,360,474</u>	<u>\$ (144,683)</u>	<u>\$ -</u>	<u>\$ 2,215,791</u>
Net capital assets	<u><u>\$ 2,365,474</u></u>	<u><u>\$ (144,683)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,220,791</u></u>
Sewer Fund				
Capital assets not being depreciated:				
Construction in progress	\$ 29,124,581	\$ -	\$ 29,124,581	\$ -
Land	71,000	-	-	71,000
Total capital assets not being depreciated	<u>\$ 29,195,581</u>	<u>\$ -</u>	<u>\$ 29,124,581</u>	<u>\$ 71,000</u>
Other capital assets:				
Buildings and improvements	\$ 526,973	\$ 29,124,581	\$ -	\$ 29,651,554
Infrastructure	4,323,494	-	-	4,323,494
Equipment	345,690	33,974	-	379,664
Total other capital assets	<u>\$ 5,196,157</u>	<u>\$ 29,158,555</u>	<u>\$ -</u>	<u>\$ 34,354,712</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 526,973	\$ 364,057	\$ -	\$ 891,030
Infrastructure	2,605,426	116,224	-	2,721,650
Equipment	296,359	19,118	-	315,477
Total accumulated depreciation	<u>\$ 3,428,758</u>	<u>\$ 499,399</u>	<u>\$ -</u>	<u>\$ 3,928,157</u>
Other capital assets, net	<u>\$ 1,767,399</u>	<u>\$ 28,659,156</u>	<u>\$ -</u>	<u>\$ 30,426,555</u>
Net capital assets	<u><u>\$ 30,962,980</u></u>	<u><u>\$ 28,659,156</u></u>	<u><u>\$ 29,124,581</u></u>	<u><u>\$ 30,497,555</u></u>

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligations for the fiscal year ended June 30, 2016:

	Amounts Payable			Amounts Payable	Amounts Due Within
	July 1, 2015	Increases	Decreases	June 30, 2016	One Year
Governmental Obligations:					
Lease revenue bond	\$ 2,151,301	\$ -	\$ 33,333	\$ 2,117,968	\$ 34,763
Net pension liability	231,231	297,593	240,920	287,904	-
Accrued compensated absences	173,457	12,866	-	186,323	-
Total Governmental Obligations	\$ 2,555,989	\$ 310,459	\$ 274,253	\$ 2,592,195	\$ 34,763
Enterprise Obligations:					
General obligation bonds	\$ 10,375,000	\$ 200,000	\$ 470,000	\$ 10,105,000	\$ 470,000
Net pension liability	129,619	33,978	13,165	150,432	-
Accrued compensated absences	78,602	-	27,826	50,776	-
Total Enterprise Obligations	\$ 10,583,221	\$ 233,978	\$ 510,991	\$ 10,306,208	\$ 470,000
Total Long-term Obligations	\$ 13,139,210	\$ 544,437	\$ 785,244	\$ 12,898,403	\$ 504,763

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

Year Ending June 30,	Governmental Obligations		Enterprise Obligations	
	Lease Revenue Bond		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2017	\$ 34,763	\$ 86,713	\$ 470,000	-
2018	36,225	85,251	470,000	-
2019	37,748	83,728	470,000	-
2020	39,335	82,141	470,000	-
2021	40,988	80,488	470,000	-
2022-2026	232,283	375,097	2,350,000	-
2027-2031	285,388	321,992	2,350,000	-
2032-2036	350,635	256,745	2,350,000	-
2037-2041	430,800	176,580	705,000	-
2042-2046	529,292	78,088	-	-
2047	100,511	1,932	-	-
Total	\$ 2,117,968	\$ 1,628,755	\$ 10,105,000	\$ -

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 6—LONG-TERM OBLIGATIONS: (Continued)

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

Governmental Obligations:

Lease Revenue Bond:

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

\$ 2,117,968

Net pension liability

287,904

Accrued compensated absences

186,323

Total governmental obligations

\$ 2,592,195

Enterprise Obligations:

General Obligation Bonds:

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

\$ 10,105,000

Net pension liability

150,432

Accrued compensated absences

50,776

Total enterprise obligations

\$ 10,306,208

NOTE 7—COMPENSATED ABSENCES:

In accordance with GASB Statement 16, *Accounting for Compensated Absences*, the Town has accrued the liability arising from outstanding claims and judgments and compensated absences. Town employees earn vacation and sick leave based upon length of service. The Town has outstanding accrued vacation pay totaling \$186,323 in the General Fund and \$50,777 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>About Plan 1 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. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2 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. Employees are eligible for 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>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • 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.

NOTE 8—PENSION PLAN: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 (Cont.)</p>	<p>About Plan 2 (Cont.)</p>	<p>About the Hybrid Retirement Plan (Cont.)</p> <ul style="list-style-type: none"> • 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.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election 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>Eligible Members 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>Hybrid Opt-In Election 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>Eligible Members 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"> • Political subdivision employees* • School division employees • 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. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 8—PENSION PLAN: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) 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>Hybrid Opt-In Election (Cont.) 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>*Non-Eligible Members (Cont.) 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>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. 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>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p>Retirement Contributions 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>Creditable Service 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>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> 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><u>Defined Contributions Component:</u> 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>Vesting 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>Vesting Same as Plan 1.</p>	<p>Vesting <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 Contributions 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>

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 Contributions 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"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit 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>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1.</p>

NOTE 8—PENSION PLAN: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Calculating the Benefit (Cont.) 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>Calculating the Benefit (Cont.)</p>	<p>Calculating the Benefit (Cont.) <u>Defined Contribution Component:</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>Average Final Compensation A member’s average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member’s average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: 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>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: 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>Service Retirement Multiplier VRS: 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>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: 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>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 8—PENSION PLAN: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility 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>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility 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>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility 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>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Members may retire with a reduced benefit as early as 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, 2016 (Continued)

NOTE 8—PENSION PLAN: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement 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><u>Eligibility:</u> 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>Cost-of-Living Adjustment (COLA) in Retirement 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><u>Eligibility:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p>

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (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"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • 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. • 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. 	<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, 2016 (Continued)

NOTE 8—PENSION PLAN: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Disability Coverage 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>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage 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>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan2 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>Purchase of Prior Service 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. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p>

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 8—PENSION PLAN: (Continued)

Plan Description (Continued)

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report-pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Employees Covered by Benefit Terms

As of the June 30, 2014 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	18
Inactive members:	
Vested inactive members	7
Non-vested inactive members	6
Inactive members active elsewhere in VRS	<u>15</u>
Total inactive members	28
Active members	<u>31</u>
Total covered employees	<u><u>77</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 contribution rate for the year ended June 30, 2016 was 12.23% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

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 \$168,382 and \$120,322 for the years ended June 30, 2016 and June 30, 2015, respectively.

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 8—PENSION PLAN: (Continued)

Net Pension Liability

The Town's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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, 2014, 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, 2015.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, 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: 14% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 8—PENSION PLAN: (Continued)

Actuarial Assumptions - General Employees (Continued)

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Actuarial Assumptions - Public Safety Employees

The total pension liability for Public Safety employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2014, 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, 2015.

Inflation	2.5%
Salary increases, including inflation	3.5% - 4.75%
Investment rate of return	7.0%, net of pension plan investment expense, 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.

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 8—PENSION PLAN: (Continued)

Actuarial Assumptions - Public Safety Employees (Continued)

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (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:

<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>
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</u>

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 8—PENSION PLAN: (Continued)

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, 2018, 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, 2018 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.

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, 2014	\$ 4,983,416	\$ 4,622,566	\$ 360,850
Changes for the year:			
Service cost	\$ 166,211	\$ -	\$ 166,211
Interest	343,686	-	343,686
Differences between expected and actual experience	(31,092)	-	(31,092)
Contributions - employer	-	119,961	(119,961)
Contributions - employee	-	69,866	(69,866)
Net investment income	-	214,380	(214,380)
Benefit payments, including refunds of employee contributions	(147,241)	(147,241)	-
Administrative expenses	-	(2,842)	2,842
Other changes	-	(45)	45
Net changes	\$ 331,564	\$ 254,079	\$ 77,485
Balances at June 30, 2015	\$ 5,314,980	\$ 4,876,645	\$ 438,335

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 8—PENSION PLAN: (Continued)

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

The following presents the net pension liability of the Town using the discount rate of 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)	1,177,728	438,335	(175,529)

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

For the year ended June 30, 2016, the Town recognized pension expense of \$61,344. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 21,866
Net difference between projected and actual earnings on pension plan investments	-	120,020
Employer contributions subsequent to the measurement date	168,381	-
Total	<u>\$ 168,381</u>	<u>\$ 141,886</u>

\$168,381 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, 2017. 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:

Year ended June 30	Primary Government
2017	\$ (56,605)
2018	(56,605)
2019	(50,793)
2020	22,117
2021	-
Thereafter	-

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

NOTE 9—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. Unavailable revenue totaling \$506,231 is comprised of the following:

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$497,160 at June 30, 2016.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2016 but paid in advance by the taxpayers totaled \$9,071 at June 30, 2016.

NOTE 10—ADOPTION OF ACCOUNTING PRINCIPLES:

Governmental Accounting Standards Board Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*

The Town early implemented provisions of the above Statement during the fiscal year ended June 30, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. No restatement was required as a result of this implementation.

NOTE 11—UPCOMING PRONOUNCEMENTS:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

NOTE 11—UPCOMING PRONOUNCEMENTS: (Continued)

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017.

Statement No. 77, *Tax Abatement Disclosures*, will increase the disclosure of tax abatement agreements to disclose information about the agreements. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, improves financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016.

Statement No. 81, *Irrevocable Split-Interest Agreements*, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

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

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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, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
General property taxes	\$ 1,274,500	\$ 1,274,500	\$ 1,316,194	\$ 41,694
Other local taxes	883,800	883,800	983,615	99,815
Permits, privilege fees and regulatory licenses	28,500	28,500	34,745	6,245
Fines and forfeitures	32,000	32,000	23,936	(8,064)
Revenue from use of money and property	82,500	82,500	88,845	6,345
Charges for services	18,000	18,000	31,273	13,273
Miscellaneous	7,100	7,100	43,129	36,029
Intergovernmental revenues:				
Commonwealth	838,781	838,781	908,185	69,404
Federal	-	-	6,058	6,058
Total revenues	<u>\$ 3,165,181</u>	<u>\$ 3,165,181</u>	<u>\$ 3,435,980</u>	<u>\$ 270,799</u>
Expenditures:				
Current:				
General government administration	\$ 870,985	\$ 870,985	\$ 795,715	\$ 75,270
Public safety	673,564	673,564	688,324	(14,760)
Public works	1,119,217	1,119,217	1,054,750	64,467
Parks, recreation, and cultural	11,400	11,400	8,228	3,172
Community development	176,710	176,710	186,298	(9,588)
Capital outlay	84,118	84,118	39,312	44,806
Contingency	107,707	107,707	65,676	42,031
Debt service	121,480	121,480	121,476	4
Total expenditures	<u>\$ 3,165,181</u>	<u>\$ 3,165,181</u>	<u>\$ 2,959,779</u>	<u>\$ 205,402</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 476,201</u>	<u>\$ 476,201</u>
Net change in fund balances	\$ -	\$ -	\$ 476,201	\$ 476,201
Fund balances at beginning of year	<u>-</u>	<u>-</u>	<u>1,502,515</u>	<u>1,502,515</u>
Fund balances at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,978,716</u></u>	<u><u>\$ 1,978,716</u></u>

Schedule of Components of and Changes in Net Pension Liability and Related Ratios
For the Year Ended June 30, 2016

	2015	2014
Total pension liability		
Service cost	\$ 166,211	\$ 157,906
Interest	343,686	320,296
Changes of benefit terms	-	-
Differences between expected and actual experience	(31,092)	-
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(147,241)	(140,878)
Net change in total pension liability	\$ 331,564	\$ 337,324
Total pension liability - beginning	4,983,416	4,646,092
Total pension liability - ending (a)	\$ 5,314,980	\$ 4,983,416
Plan fiduciary net position		
Contributions - employer	\$ 119,961	\$ 136,088
Contributions - employee	69,866	73,323
Net investment income	214,380	625,028
Benefit payments, including refunds of employee contributions	(147,241)	(140,878)
Administrative expense	(2,842)	(3,286)
Other	(45)	32
Net change in plan fiduciary net position	\$ 254,079	\$ 690,307
Plan fiduciary net position - beginning	4,622,566	3,932,259
Plan fiduciary net position - ending (b)	\$ 4,876,645	\$ 4,622,566
Town's net pension liability (asset) - ending (a) - (b)	\$ 438,335	\$ 360,850
Plan fiduciary net position as a percentage of the total pension liability	91.75%	92.76%
Covered payroll	\$ 1,407,165	\$ 1,476,761
Town's net pension liability (asset) as a percentage of covered payroll	31.15%	24.44%

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

Schedule of Employer Contributions
For the Year Ended June 30, 2016

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)
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%
2008	69,829	69,829	-	1,240,305	5.63%
2007	62,362	62,362	-	1,107,677	5.63%

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, 2016

In 2015, Covered Employee Payroll (as defined by GASB 68) included the total payroll for employees covered under the pension plan whether that payroll is subject to pension coverage or not. This definition was modified in GASB Statement No. 82 and now is the payroll on which contributions to a pension plan are based. The ratios presented use the same measure.

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 was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Supporting Schedules

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Schedule of Revenues - Budget and Actual
 General Fund
 Year Ended June 30, 2016

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 891,000	\$ 891,000	\$ 907,999	\$ 16,999
Personal property taxes	219,000	219,000	228,765	9,765
Machinery and tools taxes	160,000	160,000	165,583	5,583
Penalties	3,000	3,000	6,502	3,502
Interest	1,500	1,500	7,345	5,845
Total general property taxes	<u>\$ 1,274,500</u>	<u>\$ 1,274,500</u>	<u>\$ 1,316,194</u>	<u>\$ 41,694</u>
Other local taxes:				
Local sales and use taxes	\$ 175,000	\$ 175,000	\$ 198,308	\$ 23,308
Lodging tax	17,500	17,500	7,286	(10,214)
Business license tax	185,000	185,000	205,126	20,126
Cigarette tax	1,300	1,300	56,597	55,297
Bank franchise taxes	140,000	140,000	126,382	(13,618)
Consumer utility tax	90,000	90,000	97,051	7,051
Meals tax	185,000	185,000	191,354	6,354
Motor vehicle licenses	90,000	90,000	101,511	11,511
Total other local taxes	<u>\$ 883,800</u>	<u>\$ 883,800</u>	<u>\$ 983,615</u>	<u>\$ 99,815</u>
Permits, privilege fees and regulatory licenses:				
Licenses, zoning and subdivision permits	\$ 28,500	\$ 28,500	\$ 34,745	\$ 6,245
Fines and forfeitures:				
Court fines and forfeitures	\$ 30,000	\$ 30,000	\$ 21,636	\$ (8,364)
Parking fines	2,000	2,000	2,300	300
Total fines and forfeitures	<u>\$ 32,000</u>	<u>\$ 32,000</u>	<u>\$ 23,936</u>	<u>\$ (8,064)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 6,000	\$ 6,000	\$ 15,595	\$ 9,595
Revenue from use of property	76,500	76,500	73,250	(3,250)
Total revenue from use of money and property	<u>\$ 82,500</u>	<u>\$ 82,500</u>	<u>\$ 88,845</u>	<u>\$ 6,345</u>
Charges for services:				
Charges for services - meters	\$ 8,000	\$ 8,000	\$ 12,773	\$ 4,773
Zoning and subdivision fees	10,000	10,000	18,500	8,500
Total charges for services	<u>\$ 18,000</u>	<u>\$ 18,000</u>	<u>\$ 31,273</u>	<u>\$ 13,273</u>

Schedule of Revenues - Budget and Actual
 General Fund
 Year Ended June 30, 2016 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
General Fund: (continued)				
Revenue from local sources: (continued)				
Miscellaneous revenue:				
Miscellaneous income	\$ 7,100	\$ 7,100	\$ 43,129	\$ 36,029
Total revenue from local sources	\$ 2,326,400	\$ 2,326,400	\$ 2,521,737	\$ 195,337
Revenue from the Commonwealth:				
Noncategorical aid:				
Communication taxes	\$ 90,000	\$ 90,000	\$ 90,889	\$ 889
Personal property tax relief act funds	209,917	209,917	209,917	-
Rolling stock tax	2,000	2,000	2,079	79
Total noncategorical aid	\$ 301,917	\$ 301,917	\$ 302,885	\$ 968
Categorical aid:				
Aid to localities with police departments	\$ 74,052	\$ 74,052	\$ 74,955	\$ 903
Litter control grant	2,000	2,000	1,910	(90)
Street and highway maintenance	441,812	441,812	509,472	67,660
Commission of the arts	5,000	5,000	5,000	-
Fire funds	14,000	14,000	13,963	(37)
Total categorical aid	\$ 536,864	\$ 536,864	\$ 605,300	\$ 68,436
Total revenue from the Commonwealth	\$ 838,781	\$ 838,781	\$ 908,185	\$ 69,404
Revenue from the Federal government:				
Categorical aid:				
Fire funds	\$ -	\$ -	\$ 6,058	\$ 6,058
Total General Fund	\$ 3,165,181	\$ 3,165,181	\$ 3,435,980	\$ 270,799

Schedule of Expenditures - Budget and Actual
 General Fund
 Year Ended June 30, 2016

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
General Fund:				
General government administration:				
Town Council:				
Compensation	\$ 18,900	\$ 18,900	\$ 18,650	\$ 250
Training	1,000	1,000	-	1,000
Miscellaneous	1,000	1,000	1,215	(215)
Dues	3,000	3,000	2,930	70
Town code supplements	2,000	2,000	1,712	288
	<u>25,900</u>	<u>25,900</u>	<u>24,507</u>	<u>1,393</u>
Total town council	\$ 25,900	\$ 25,900	\$ 24,507	\$ 1,393
Town Clerk:				
Compensation	\$ 36,800	\$ 36,800	\$ 39,035	\$ (2,235)
Education/Training	1,000	1,000	694	306
Dues	200	200	62	138
	<u>38,000</u>	<u>38,000</u>	<u>39,791</u>	<u>(1,791)</u>
Total town clerk	\$ 38,000	\$ 38,000	\$ 39,791	\$ (1,791)
Town Manager:				
Compensation	\$ 129,000	\$ 129,000	\$ 134,785	\$ (5,785)
Mileage	150	150	-	150
Training	1,000	1,000	-	1,000
Dues	900	900	898	2
	<u>131,050</u>	<u>131,050</u>	<u>135,683</u>	<u>(4,633)</u>
Total town manager	\$ 131,050	\$ 131,050	\$ 135,683	\$ (4,633)
Legal and Professional:				
Professional services	\$ 30,000	\$ 30,000	\$ 32,000	\$ (2,000)
Contractual services	15,300	15,300	15,300	-
Engineering services	5,000	5,000	125	4,875
	<u>50,300</u>	<u>50,300</u>	<u>47,425</u>	<u>2,875</u>
Total legal and professional	\$ 50,300	\$ 50,300	\$ 47,425	\$ 2,875
Personnel:				
Social security	\$ 69,940	\$ 69,940	\$ 13,992	\$ 55,948
Retirement	102,200	102,200	100,205	1,995
Health insurance	146,100	146,100	135,341	10,759
Life insurance	10,785	10,785	10,837	(52)
Unemployment insurance	675	675	407	268
Workers' compensation insurance	24,000	24,000	17,954	6,046
Line of Duty act	3,550	3,550	3,393	157
Employment screening	500	500	292	208
	<u>357,750</u>	<u>357,750</u>	<u>282,421</u>	<u>75,329</u>
Total personnel	\$ 357,750	\$ 357,750	\$ 282,421	\$ 75,329

Schedule of Expenditures - Budget and Actual
 General Fund
 Year Ended June 30, 2016 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
General Fund: (continued)				
General government administration: (continued)				
Town Treasurer:				
Compensation	\$ 90,800	\$ 90,800	\$ 94,889	\$ (4,089)
Surety bonds	300	300	246	54
Training	1,500	1,500	1,193	307
Dues	300	300	-	300
Miscellaneous	2,100	2,100	-	2,100
Total town treasurer	<u>\$ 95,000</u>	<u>\$ 95,000</u>	<u>\$ 96,328</u>	<u>\$ (1,328)</u>
Finance/Accounting:				
Compensation	\$ 58,600	\$ 58,600	\$ 67,709	\$ (9,109)
Training	200	200	39	161
Total finance/accounting	<u>\$ 58,800</u>	<u>\$ 58,800</u>	<u>\$ 67,748</u>	<u>\$ (8,948)</u>
Central Administration/Purchasing:				
Maintenance contracts	\$ 22,350	\$ 22,350	\$ 17,901	\$ 4,449
Advertising	7,000	7,000	11,637	(4,637)
Postage	8,000	8,000	6,663	1,337
Telecommunications	6,335	6,335	5,813	522
Office supplies and equipment	14,000	14,000	13,032	968
Newsletter	1,000	1,000	-	1,000
Training	1,500	1,500	249	1,251
Dues	500	500	340	160
Total central administration/purchasing	<u>\$ 60,685</u>	<u>\$ 60,685</u>	<u>\$ 55,635</u>	<u>\$ 5,050</u>
Risk Management:				
Blanket excess liability	\$ 13,200	\$ 13,200	\$ 9,778	\$ 3,422
Automobile insurance	9,300	9,300	7,296	2,004
Semi-multi peril insurance	26,500	26,500	26,402	98
Insurance deductibles	3,000	3,000	-	3,000
Total risk management	<u>\$ 52,000</u>	<u>\$ 52,000</u>	<u>\$ 43,476</u>	<u>\$ 8,524</u>
Elections:				
Election officials	\$ 500	\$ 500	\$ 630	\$ (130)
Office supplies	1,000	1,000	2,071	(1,071)
Total elections	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>\$ 2,701</u>	<u>\$ (1,201)</u>
Total general government administration	<u>\$ 870,985</u>	<u>\$ 870,985</u>	<u>\$ 795,715</u>	<u>\$ 75,270</u>

Schedule of Expenditures - Budget and Actual
 General Fund
 Year Ended June 30, 2016 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
General Fund: (continued)				
Public safety:				
Police department:				
Compensation	\$ 479,600	\$ 479,600	\$ 520,577	\$ (40,977)
Maintenance contracts	10,500	10,500	7,293	3,207
Communication equipment and services	4,044	4,044	3,939	105
Community relations	900	900	(500)	1,400
Office supplies	2,100	2,100	700	1,400
Gasoline oil	20,000	20,000	8,291	11,709
Repair and maintenance	12,000	12,000	10,990	1,010
Police supplies	13,300	13,300	11,246	2,054
Uniforms	4,000	4,000	5,481	(1,481)
Medical examinations	500	500	147	353
Training	9,500	9,500	7,224	2,276
Professional services	400	400	-	400
Employment screening	1,000	1,000	596	404
Dues	2,050	2,050	364	1,686
Total police department	<u>\$ 559,894</u>	<u>\$ 559,894</u>	<u>\$ 576,348</u>	<u>\$ (16,454)</u>
Traffic control:				
Contribution - crossing guard	\$ 2,500	\$ 2,500	\$ 2,500	\$ -
Emergency services:				
Contribution - alarm	\$ 2,000	\$ 2,000	\$ 2,000	\$ -
Fire and rescue:				
Professional services - emergency medical tech.	\$ 67,920	\$ 67,920	\$ 67,920	\$ -
Contribution - JHEVFD	25,000	25,000	25,000	-
Fire fund program	14,000	14,000	13,963	37
Total fire and rescue	<u>\$ 106,920</u>	<u>\$ 106,920</u>	<u>\$ 106,883</u>	<u>\$ 37</u>
Correction and detention:				
Confinement and prisoners	\$ 250	\$ 250	\$ -	\$ 250
Public defenders fees	2,000	2,000	593	1,407
Total correction and detention	<u>\$ 2,250</u>	<u>\$ 2,250</u>	<u>\$ 593</u>	<u>\$ 1,657</u>
Total public safety	<u>\$ 673,564</u>	<u>\$ 673,564</u>	<u>\$ 688,324</u>	<u>\$ (14,760)</u>
Public works:				
Maintenance of streets, bridges and sidewalks:				
General administration:				
Compensation	\$ 42,700	\$ 42,700	\$ 43,929	\$ (1,229)
Fuel oil/heat	3,325	3,325	936	2,389
Telecommunications	4,400	4,400	4,855	(455)
Office supplies	2,600	2,600	2,260	340
Vehicle repairs and maintenance	7,000	7,000	7,234	(234)
Medical exams	525	525	894	(369)
Training	500	500	643	(143)
Total general administration	<u>\$ 61,050</u>	<u>\$ 61,050</u>	<u>\$ 60,751</u>	<u>\$ 299</u>

Schedule of Expenditures - Budget and Actual
 General Fund
 Year Ended June 30, 2016 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
General Fund: (continued)				
Public works: (continued)				
Maintenance of streets, bridges and sidewalks: (continued)				
Highways, streets, bridges and sidewalks:				
Compensation	\$ 123,855	\$ 123,855	\$ 133,008	\$ (9,153)
Gasoline and oil	37,400	37,400	20,135	17,265
Uniforms	3,000	3,000	3,745	(745)
Materials and supplies	4,000	4,000	6,599	(2,599)
Equipment maintenance	10,000	10,000	13,788	(3,788)
Sidewalk maintenance	6,000	6,000	684	5,316
Street maintenance	431,812	431,812	387,848	43,964
Street sign maintenance	500	500	455	45
Norfolk/Southern ROW	950	950	1,024	(74)
Total highways, streets, bridges, and sidewalks	<u>\$ 617,517</u>	<u>\$ 617,517</u>	<u>\$ 567,286</u>	<u>\$ 50,231</u>
Street lights:				
Electricity - street lights	<u>\$ 79,000</u>	<u>\$ 79,000</u>	<u>\$ 71,134</u>	<u>\$ 7,866</u>
Snow and ice removal:				
Material and supplies	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 2,189</u>	<u>\$ (189)</u>
Parking meters:				
Material and supplies	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>\$ 4,186</u>	<u>\$ (2,686)</u>
Street and road cleaning:				
Street cleaning	<u>\$ 4,000</u>	<u>\$ 4,000</u>	<u>\$ -</u>	<u>\$ 4,000</u>
Total maintenance of streets, bridges and sidewalks	<u>\$ 765,067</u>	<u>\$ 765,067</u>	<u>\$ 705,546</u>	<u>\$ 59,521</u>
Sanitation and waste removal:				
Contractual services	\$ 177,000	\$ 177,000	\$ 178,932	\$ (1,932)
Recycling services	53,000	53,000	52,725	275
Landfill charges	20,000	20,000	21,598	(1,598)
Total sanitation and waste removal	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ 253,255</u>	<u>\$ (3,255)</u>
Maintenance of buildings and grounds:				
General properties:				
Repair and maintenance	\$ 13,100	\$ 13,100	\$ 13,352	\$ (252)
Materials and supplies	1,000	1,000	95	905
Christmas lights	1,200	1,200	1,182	18
Total general properties	<u>\$ 15,300</u>	<u>\$ 15,300</u>	<u>\$ 14,629</u>	<u>\$ 671</u>

Schedule of Expenditures - Budget and Actual
 General Fund
 Year Ended June 30, 2016 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
General Fund: (continued)				
Public works: (continued)				
Maintenance of buildings and grounds: (continued)				
Building services:				
Compensation	\$ 15,000	\$ 15,000	\$ 15,000	\$ -
Contractual services	17,500	17,500	9,624	7,876
Electricity	14,000	14,000	13,966	34
Natural gas/heat	2,500	2,500	1,884	616
Materials and supplies	7,000	7,000	3,283	3,717
Water/sewer	2,850	2,850	2,812	38
Shared expenses - Clarke County	20,000	20,000	25,294	(5,294)
Telecommunications	10,000	10,000	9,457	543
Total building services	<u>\$ 88,850</u>	<u>\$ 88,850</u>	<u>\$ 81,320</u>	<u>\$ 7,530</u>
Total maintenance of buildings and grounds	<u>\$ 104,150</u>	<u>\$ 104,150</u>	<u>\$ 95,949</u>	<u>\$ 8,201</u>
Total public works	<u>\$ 1,119,217</u>	<u>\$ 1,119,217</u>	<u>\$ 1,054,750</u>	<u>\$ 64,467</u>
Parks, recreation and cultural:				
Christmas lights	\$ 400	\$ 400	\$ -	\$ 400
Rose Hill improvements	5,000	5,000	2,244	2,756
Contributions	6,000	6,000	5,984	16
Total parks, recreation and cultural	<u>\$ 11,400</u>	<u>\$ 11,400</u>	<u>\$ 8,228</u>	<u>\$ 3,172</u>
Community development:				
Planning:				
Compensation	\$ 77,435	\$ 77,435	\$ 81,619	\$ (4,184)
Professional services	5,000	5,000	13,889	(8,889)
Office supplies	100	100	187	(87)
Printing	200	200	358	(158)
Mileage	750	750	477	273
Training	500	500	-	500
Dues	600	600	-	600
Total planning	<u>\$ 84,585</u>	<u>\$ 84,585</u>	<u>\$ 96,530</u>	<u>\$ (11,945)</u>
Board of zoning appeals:				
Compensation	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ 500</u>
Economic development:				
DBI/economic development professional services	<u>\$ 82,000</u>	<u>\$ 82,000</u>	<u>\$ 82,000</u>	<u>\$ -</u>

Schedule of Expenditures - Budget and Actual
 General Fund
 Year Ended June 30, 2016 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
General Fund: (continued)				
Community development: (continued)				
Planning commission:				
Compensation	\$ 5,000	\$ 5,000	\$ 3,945	\$ 1,055
Training	1,000	1,000	1,815	(815)
Dues	250	250	-	250
Total planning commission	<u>\$ 6,250</u>	<u>\$ 6,250</u>	<u>\$ 5,760</u>	<u>\$ 490</u>
Berryville Area Development Authority:				
Compensation	\$ 2,500	\$ 2,500	\$ 1,855	\$ 645
Training	250	250	-	250
Dues	125	125	-	125
Total Berryville Area Development Authority	<u>\$ 2,875</u>	<u>\$ 2,875</u>	<u>\$ 1,855</u>	<u>\$ 1,020</u>
Architectural Review Board:				
Training	\$ 500	\$ 500	\$ 153	\$ 347
Total community development	<u>\$ 176,710</u>	<u>\$ 176,710</u>	<u>\$ 186,298</u>	<u>\$ (9,588)</u>
Capital outlay:				
Other capital outlay	\$ 84,118	\$ 84,118	\$ 39,312	\$ 44,806
Contingency:				
Shared cost for operation of joint government center	\$ 85,560	\$ 85,560	\$ 65,676	\$ 19,884
Debt service reserve	12,147	12,147	-	12,147
PPTRA reserve	10,000	10,000	-	10,000
Total contingency	<u>\$ 107,707</u>	<u>\$ 107,707</u>	<u>\$ 65,676</u>	<u>\$ 42,031</u>
Debt service:				
Principal	\$ 33,120	\$ 33,120	\$ 33,333	\$ (213)
Interest	88,360	88,360	88,143	217
Total debt service	<u>\$ 121,480</u>	<u>\$ 121,480</u>	<u>\$ 121,476</u>	<u>\$ 4</u>
Total General Fund	<u>\$ 3,165,181</u>	<u>\$ 3,165,181</u>	<u>\$ 2,959,779</u>	<u>\$ 205,402</u>

Schedule of Operating Expenses (With Comparative Amounts for 2015)

Enterprise Funds

Year Ended June 30, 2016

<u>Fund, Function, Activity and Elements</u>	<u>2016</u>	<u>2015</u>
<u>Water Fund:</u>		
General administration:		
Salaries and wages	\$ 33,856	\$ 34,029
Miss Utility	1,485	562
Repairs and maintenance	1,995	1,685
Postage	2,086	2,183
Office supplies	797	225
Total general administration	<u>\$ 40,219</u>	<u>\$ 38,684</u>
Supply purification:		
Salaries and wages	\$ 99,283	\$ 114,991
Repairs and maintenance	44,867	42,889
Electricity	65,412	54,623
Heating service	825	2,846
Equipment and supplies	4,461	8,487
Materials and supplies - chemicals	29,330	24,808
Sludge removal	12,520	13,350
Permits, fees and testing	8,785	12,963
Other operating expenses	11,696	8,923
Total supply purification	<u>\$ 277,179</u>	<u>\$ 283,880</u>
Transmission and distribution:		
Salaries and wages	\$ 88,401	\$ 77,960
Repairs and maintenance - water lines	66,683	74,235
Materials and supplies	29,029	22,954
Total transmission and distribution	<u>\$ 184,113</u>	<u>\$ 175,149</u>
Fringe benefits:		
Social security	\$ 5,443	\$ 17,081
Retirement	5,064	438
Health insurance	35,396	32,280
Group life insurance	2,175	2,315
Workers' compensation	4,756	5,800
Unemployment insurance	73	207
Total fringe benefits	<u>\$ 52,907</u>	<u>\$ 58,121</u>
Depreciation	<u>\$ 196,983</u>	<u>\$ 196,429</u>
Contingency	<u>\$ 4,505</u>	<u>\$ -</u>
Total Water Fund	<u><u>\$ 755,906</u></u>	<u><u>\$ 752,263</u></u>

Schedule of Operating Expenses (With Comparative Amounts for 2015)
 Enterprise Funds
 Year Ended June 30, 2016 (Continued)

Fund, Function, Activity and Elements	2016	2015
<u>Sewer Fund:</u>		
General administration:		
Salaries and wages	\$ 37,535	\$ 33,867
Repairs and maintenance	1,995	1,685
Postage	6,288	6,269
Office supplies	1,027	842
Total general administration	\$ 46,845	\$ 42,663
Wastewater treatment:		
Salaries and wages	\$ 214,963	\$ 224,641
Professional services	22,847	26,684
Repairs and maintenance	101,890	56,400
Electricity	127,910	124,965
Materials and supplies - chemicals	55,851	67,223
Equipment and supplies	12,342	12,331
Permits, fees and testing	17,380	16,683
Other operating expenses	6,062	6,071
Total wastewater treatment	\$ 559,245	\$ 534,998
Maintenance of sewer lines:		
Salaries and wages	\$ 83,654	\$ 77,609
Repairs and maintenance - sewer lines	35,854	22,977
Materials and supplies	2,570	1,041
Total maintenance of sewer lines	\$ 122,078	\$ 101,627
Fringe benefits:		
Social security	\$ 7,126	\$ 25,456
Retirement	8,546	20,020
Health insurance	58,535	47,707
Group life insurance	3,565	3,468
Workers' compensation	96	299
Unemployment insurance	6,290	7,558
Total fringe benefits	\$ 84,158	\$ 104,508
Depreciation	\$ 499,399	\$ 144,403
Contingency	\$ 5,350	\$ 14,801
Total Sewer Fund	\$ 1,317,075	\$ 943,000

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
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	
2008	1,192,311	772,820	13,345	58,553	142,604	9,385	73,495	-	128,716	2,391,229	
2007	1,137,000	774,422	35,016	73,228	183,142	10,359	56,500	-	138,565	2,408,232	

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	
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
2008	726,951	637,027	540,502	10,674	142,974	155,212	16,068	2,229,408
2007	722,777	548,059	539,679	26,081	139,008	111,814	-	2,087,418

Compliance

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, and each major fund of Town of Berryville, Virginia, as of and for the year ended June 30, 2016, 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 29, 2016.

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, Farmer, Cox Associates
Charlottesville, Virginia
November 29, 2016