

TOWN OF BERRYVILLE, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2011

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

Neal White, Chief of Police

David Tyrrell, Director of Utilities

Rick Boor, Director of Public
Works

Celeste Heath, Town Clerk

Deborah Boggs, Utility Clerk

TOWN OF BERRYVILLE, VIRGINIA

Financial Report
Year Ended June 30, 2011

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Year Ended June 30, 2011

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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
BERRYVILLE, VIRGINIA

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, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Berryville, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Berryville, Virginia, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the Town of Berryville, Virginia adopted the provisions of *GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2011, 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 grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedule of pension funding progress 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 schedule of pension funding progress 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 schedule of pension funding progress 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 historic context. Our opinion on the basic financial statements is not affected by the missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Berryville, Virginia's financial statements as a whole. The supporting schedules and statistical information are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Robinson, Farmer, Cox Associates
Fredericksburg, Virginia
November 18, 2011

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Basic Financial Statements

Government-wide Financial Statements

Statement of Net Assets
As of June 30, 2011

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 2,251,283	\$ 6,493,111	\$ 8,744,394
Receivables, net of allowance for uncollectibles	364,561	218,072	582,633
Due from other governments	169,525	1,296,976	1,466,501
Due from (due to) other funds	2,768	(2,768)	-
Bond issue costs	-	16,932	16,932
Capital assets:			
Land	93,209	5,000	98,209
Construction in progress	1,096,092	17,411,172	18,507,264
Other capital assets, net of accumulated depreciation	3,582,883	4,771,074	8,353,957
Capital assets, net	\$ 4,772,184	\$ 22,187,246	\$ 26,959,430
Total assets	\$ 7,560,321	\$ 30,209,569	\$ 37,769,890
Liabilities:			
Accounts payable	\$ 322,140	\$ 2,764,580	\$ 3,086,720
Accrued liabilities	8,447	5,718	14,165
Retainage payable	52,921	664,824	717,745
Unearned revenue	90,000	-	90,000
Accrued interest	3,905	301	4,206
Customer deposits	-	26,200	26,200
Long-term liabilities:			
Due within one year			
Bonds and notes payable	28,295	112,421	140,716
Due in more than one year			
Accrued compensated absences	99,549	53,132	152,681
Bonds payable	2,243,524	6,407,688	8,651,212
Total liabilities	\$ 2,848,781	\$ 10,034,864	\$ 12,883,645
Net Assets:			
Invested in capital assets, net of related debt	\$ 2,500,365	\$ 15,662,137	\$ 18,162,502
Unrestricted	2,211,175	4,512,568	6,723,743
Total net assets	\$ 4,711,540	\$ 20,174,705	\$ 24,886,245

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

TOWN OF BERRYVILLE, VIRGINIA

Statement of Activities
Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 918,743	\$ -	\$ -	\$ -
Public safety	589,880	40,330	95,113	-
Public works	739,597	108,633	36,840	-
Parks, recreation and culture	8,068	-	-	-
Community development	131,450	-	-	-
Contingency	120,978	-	-	-
Interest on long-term debt	94,591	-	-	-
Total governmental activities	\$ 2,603,307	\$ 148,963	\$ 131,953	\$ -
Business-type activities:				
Water	\$ 848,807	\$ 709,093	\$ -	\$ 214,084
Sewer	682,139	1,235,212	-	5,046,807
Total business-type activities	\$ 1,530,946	\$ 1,944,305	\$ -	\$ 5,260,891
Total	\$ 4,134,253	\$ 2,093,268	\$ 131,953	\$ 5,260,891

General Revenues:

General real property taxes
Local sales and use taxes
Business license tax
Bank franchise taxes
Consumer utility 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 and transfers

Change in net assets

Net assets, beginning of year, as restated

Net assets, end of year

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

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (918,743)	\$ -	\$ (918,743)
(454,437)	-	(454,437)
(594,124)	-	(594,124)
(8,068)	-	(8,068)
(131,450)	-	(131,450)
(120,978)	-	(120,978)
(94,591)	-	(94,591)
<u>\$ (2,322,391)</u>	<u>\$ -</u>	<u>\$ (2,322,391)</u>
\$ -	\$ 74,370	\$ 74,370
-	5,599,880	5,599,880
<u>\$ -</u>	<u>\$ 5,674,250</u>	<u>\$ 5,674,250</u>
<u>\$ (2,322,391)</u>	<u>\$ 5,674,250</u>	<u>\$ 3,351,859</u>
\$ 1,179,008	\$ -	\$ 1,179,008
124,813	-	124,813
207,055	-	207,055
112,356	-	112,356
96,020	-	96,020
88,590	-	88,590
97,659	-	97,659
66,570	29,765	96,335
310,701	-	310,701
916,594	-	916,594
<u>\$ 3,199,366</u>	<u>\$ 29,765</u>	<u>\$ 3,229,131</u>
\$ 876,975	\$ 5,704,015	\$ 6,580,990
<u>3,834,565</u>	<u>\$ 14,470,690</u>	<u>18,305,255</u>
<u>\$ 4,711,540</u>	<u>\$ 20,174,705</u>	<u>\$ 24,886,245</u>

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Fund Financial Statements

TOWN OF BERRYVILLE, VIRGINIA**Exhibit 3**

Balance Sheet
Governmental Funds
As of June 30, 2011

	General Fund
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Assets:	
Cash and cash equivalents	\$ 2,251,283
Receivables (net of allowance for uncollectibles):	
Taxes including penalties	345,895
Accounts	18,666
Due from other funds	2,768
Due from other governments	169,525
	<hr/>
Total assets	\$ 2,788,137
	<hr/> <hr/>
Liabilities:	
Accounts payable	\$ 322,140
Accrued liabilities	8,447
Retainage payable	52,921
Deferred revenues	439,014
	<hr/>
Total liabilities	\$ 822,522
	<hr/> <hr/>
Fund Balance:	
Unassigned	\$ 1,965,615
	<hr/>
Total fund balance	\$ 1,965,615
	<hr/>
Total liabilities and fund balance	\$ 2,788,137
	<hr/> <hr/>

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 Assets
As of June 30, 2011

Total fund balances for governmental funds (Exhibit 3) \$ 1,965,615

Total net assets reported for governmental activities in the statement of net assets 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	
Construction in progress	1,096,092	
Depreciable capital assets, net of accumulated depreciation	<u>3,582,883</u>	
Total capital assets		4,772,184

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. (3,905)

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 deferred revenues in the governmental funds and thus are not included in the fund balance. Those assets consist of:

Deferred revenue		349,014
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Compensated absences	\$ (99,549)	
Bonds payable	<u>(2,271,819)</u>	
Total long-term liabilities		<u>(2,371,368)</u>
Total net assets of governmental activities		\$ <u><u>4,711,540</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, 2011

	<u>General Fund</u>
Revenues:	
General property taxes	\$ 874,629
Other local taxes	726,493
Permits, privilege fees and regulatory licenses	90,822
Fines and forfeitures	40,330
Revenue from use of money and property	66,570
Charges for services	17,811
Miscellaneous	195
Recovered costs	916,399
Intergovernmental revenues:	
Commonwealth	433,843
Federal	8,811
Total revenues	\$ <u>3,175,903</u>
Expenditures:	
Current:	
General government administration	\$ 796,362
Public safety	552,020
Public works	664,892
Parks, recreation, and cultural	1,100,238
Community development	128,752
Capital outlay	62,642
Contingency	120,978
Debt service	121,476
Total expenditures	\$ <u>3,547,360</u>
Excess (deficiency) of revenues over expenditures	\$ <u>(371,457)</u>
Net change in fund balances	\$ (371,457)
Fund balances at beginning of year, as restated	<u>2,337,072</u>
Fund balances at end of year	\$ <u><u>1,965,615</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, 2011

Net change in fund balances - total governmental funds (Exhibit 5) \$ (371,457)

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	\$	1,139,175	
Depreciation expense		<u>(193,908)</u>	945,267

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. Details of this item consist of the change in deferred taxes. 304,379

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 assets. Details of this item consist of principal retired on long-term debt. 27,153

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	\$	(28,099)	
Change in interest payable		<u>(268)</u>	<u>(28,367)</u>

Change in net assets of governmental activities \$ 876,975

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

Statement of Net Assets
Proprietary Fund
As of June 30, 2011

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Assets:			
Current assets:			
Cash and cash equivalents	\$ 1,295,722	\$ 5,197,389	\$ 6,493,111
Due from other governments	-	1,296,976	1,296,976
Receivables (net of allowance for uncollectibles)	70,744	147,328	218,072
Total current assets	\$ 1,366,466	\$ 6,641,693	\$ 8,008,159
Noncurrent assets:			
Land	\$ 5,000	\$ -	\$ 5,000
Capital assets, net of accumulated depreciation	2,504,769	2,266,305	4,771,074
Construction in progress	432,114	16,979,058	17,411,172
Bond issue costs	-	16,932	16,932
Total noncurrent assets	\$ 2,941,883	\$ 19,262,295	\$ 22,204,178
Total assets	\$ 4,308,349	\$ 25,903,988	\$ 30,212,337
Liabilities:			
Current liabilities:			
Accounts payable	\$ 65,270	\$ 2,699,310	\$ 2,764,580
Accrued payroll and related liabilities	2,859	2,859	5,718
Accrued interest	234	67	301
Customer deposits	13,650	12,550	26,200
Retainage payable	19,754	645,070	664,824
Due to other funds	2,376	392	2,768
Current portion of long-term debt	91,413	21,008	112,421
Total current liabilities	\$ 195,556	\$ 3,381,256	\$ 3,576,812
Noncurrent liabilities:			
Accrued compensated absence payable	\$ 26,566	\$ 26,566	\$ 53,132
Long-term debt, net of current portion	-	6,407,688	6,407,688
Total noncurrent liabilities	\$ 26,566	\$ 6,434,254	\$ 6,460,820
Total liabilities	\$ 222,122	\$ 9,815,510	\$ 10,037,632
Net Assets:			
Invested in capital assets, net of related debt	\$ 2,845,470	\$ 12,816,667	\$ 15,662,137
Unrestricted	1,240,757	3,271,811	4,512,568
Total net assets	\$ 4,086,227	\$ 16,088,478	\$ 20,174,705

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

Statement of Revenues, Expenses and Changes in Net Assets
 Proprietary Fund
 Year Ended June 30, 2011

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Operating revenues:			
Charges for services	\$ 709,093	\$ 1,235,212	\$ 1,944,305
Operating expenses:			
General administration	\$ 44,637	\$ 45,959	\$ 90,596
Supply purification	339,615	-	339,615
Transmission and distribution	181,430	-	181,430
Wastewater treatment	-	291,707	291,707
Maintenance of sewer lines	-	100,455	100,455
Fringe benefits	92,133	83,880	176,013
Depreciation	166,108	158,275	324,383
Contingency	18,400	-	18,400
Total operating expenses	\$ 842,323	\$ 680,276	\$ 1,522,599
Operating income/(loss)	\$ (133,230)	\$ 554,936	\$ 421,706
Nonoperating revenues (expenses):			
Interest revenue	\$ 9,581	\$ 20,184	\$ 29,765
Interest expense	(6,484)	(1,863)	(8,347)
Net nonoperating revenues	\$ 3,097	\$ 18,321	\$ 21,418
Net Income (loss) before contributions	\$ (130,133)	\$ 573,257	\$ 443,124
Capital contributions and construction grants	\$ 214,084	\$ 5,046,807	\$ 5,260,891
Change in net assets	\$ 83,951	\$ 5,620,064	\$ 5,704,015
Net assets, beginning of year	4,002,276	10,468,414	14,470,690
Net assets, end of year	\$ 4,086,227	\$ 16,088,478	\$ 20,174,705

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

Statement of Cash Flows
 Proprietary Fund
 Year Ended June 30, 2011

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Cash flows from operating activities:			
Receipts from customers	\$ 716,752	\$ 1,221,924	\$ 1,938,676
Payments to and for employees	(352,867)	(324,643)	(677,510)
Payments to suppliers	(253,206)	1,236,259	983,053
Net cash provided (used) by operating activities	\$ 110,679	\$ 2,133,540	\$ 2,244,219
Cash flows from investing activities:			
Investment income	\$ 9,581	\$ 20,184	\$ 29,765
Cash flows from capital and related financing activities:			
Purchase of capital assets	\$ (392,665)	\$ (11,742,354)	\$ (12,135,019)
Capital contributions and grants	214,084	4,413,535	4,627,619
Proceeds from long-term debt	-	5,969,055	5,969,055
Principal payments on long-term debt	(177,865)	-	(177,865)
Interest expense	(6,928)	(1,991)	(8,919)
Net cash provided (used) by capital and related financing activities	\$ (363,374)	\$ (1,361,755)	\$ (1,725,129)
Cash flows from noncapital and related financing activities:			
Net transfers from (to) other funds	\$ 2,376	\$ 392	\$ 2,768
Net increase (decrease) in cash and cash equivalents	\$ (240,738)	\$ 792,361	\$ 551,623
Cash and cash equivalents at beginning of year - including restricted	1,541,460	\$ 4,405,028	5,946,488
Cash and cash equivalents at end of year	\$ 1,300,722	\$ 5,197,389	\$ 6,498,111
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (133,230)	\$ 554,936	\$ 421,706
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	166,108	158,275	324,383
Changes in operating accounts:			
Accounts receivable	7,659	(13,288)	(5,629)
Accounts payable and accrued liabilities	51,381	1,413,423	1,464,804
Accrued leave	16,128	16,128	32,256
Prepaid expenses	3,533	516	4,049
Customer deposits	(900)	3,550	2,650
Net cash provided (used) by operating activities	\$ 110,679	\$ 2,133,540	\$ 2,244,219

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

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements As of June 30, 2011

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Narrative Profile:

The 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 4,185 and a land area of approximately 1.8 square miles.

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

The financial statements of the 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 government'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. The Town has elected not to present MD&A.

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 Assets: The Statement of Net Assets 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 Assets and report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net assets of a government will be broken down into three categories: 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

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

A. Financial Reporting Entity: (Continued)

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.

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 government'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 Assets, 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.

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

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

B. Government-Wide and Fund Financial Statements: (Continued)

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. 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 Town applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

The following is a brief description of the specific funds used by the Town in FY 2011.

1. *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 Funds are:

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

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

B. Government-Wide and Fund Financial Statements: (Continued)

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.

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

C. Basis of Accounting

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. 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 revenues. Sales and utility taxes, which are collected by the State or utilities and subsequently remitted to the Town, are recognized as revenues and receivables upon collection by the State or utility, which is generally in the month preceding receipt by the Town. Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of State and other grants for the purpose of funding specific expenditures, are recognized when measurable and available or at the time of the specific expenditure.

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

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

C. Basis of Accounting: (Continued)

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.
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 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.”

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

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

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 \$23,161 at June 30, 2011 and is comprised solely of property taxes and water and sewer receivables.

H. Capital Assets

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

Property, plant and equipment purchases are stated at cost or estimated cost. Donated property is recorded at the prevailing market 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

I. 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.

J. 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.

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

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

K. Fund Equity

Beginning with fiscal year 2011, the Town implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. 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.

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).

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, 2011 (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, 2011.

NOTE 4—DUE FROM OTHER GOVERNMENTAL UNITS:

At June 30, 2011, the amount due from other governmental units was as follows:

	<u>Primary Government</u>
Clarke County, Virginia	
Construction receivables	\$ 142,155
Commonwealth of Virginia:	
Sales tax	10,745
Virginia Water Quality Improvement Fund	1,296,976
Federal Government:	
Federal Emergency Management Agency	<u>16,625</u>
Total	<u><u>1,466,501</u></u>

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

NOTE 5—CAPITAL ASSETS:

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

Governmental Activities:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Capital assets not being depreciated:				
Land	\$ 93,209	\$ -	\$ -	\$ 93,209
Construction in progress	-	1,096,092	-	1,096,092
Total capital assets not being depreciated	\$ 93,209	\$ 1,096,092	\$ -	\$ 1,189,301
Other capital assets:				
Buildings and improvements	\$ 3,787,959	\$ -	\$ -	\$ 3,787,959
Infrastructure	259,940	-	-	259,940
Equipment	754,751	43,083	-	797,834
Total other capital assets	\$ 4,802,650	\$ 43,083	\$ -	\$ 4,845,733
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 446,071	\$ 94,956	\$ -	\$ 541,027
Infrastructure	139,382	12,477	-	151,859
Equipment	483,489	86,475	-	569,964
Total accumulated depreciation	\$ 1,068,942	\$ 193,908	\$ -	\$ 1,262,850
Other capital assets, net	\$ 3,733,708	\$ (150,825)	\$ -	\$ 3,582,883
Net capital assets	\$ 3,826,917	\$ 945,267	\$ -	\$ 4,772,184

Depreciation expense has been allocated as follows:

General government administration	\$ 113,386
Public safety	25,411
Public works	51,189
Parks, recreation, and culture	3,922
Total depreciation expense	\$ 193,908

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

NOTE 5—CAPITAL ASSETS: (Continued)

Business-Type Activities:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Capital assets not being depreciated:				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Construction in progress	4,606,330	12,804,842	-	17,411,172
Total capital assets not being depreciated	<u>\$ 4,611,330</u>	<u>\$ 12,804,842</u>	<u>\$ -</u>	<u>\$ 17,416,172</u>
Other capital assets:				
Buildings and improvements	\$ 3,918,578	\$ -	\$ -	\$ 3,918,578
Infrastructure	5,212,405	-	-	5,212,405
Equipment	1,683,896	-	-	1,683,896
Total other capital assets	<u>\$ 10,814,879</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,814,879</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ 2,701,060	\$ 85,376	\$ -	\$ 2,786,436
Infrastructure	2,285,839	169,909	-	2,455,748
Equipment	732,523	69,098	-	801,621
Total accumulated depreciation	<u>\$ 5,719,422</u>	<u>\$ 324,383</u>	<u>\$ -</u>	<u>\$ 6,043,805</u>
Other capital assets, net	<u>\$ 5,095,457</u>	<u>\$ (324,383)</u>	<u>\$ -</u>	<u>\$ 4,771,074</u>
Net capital assets	<u><u>\$ 9,706,787</u></u>	<u><u>\$ 12,480,459</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 22,187,246</u></u>

Depreciation expense has been allocated as follows:

Water	\$ 166,108
Sewer	<u>158,275</u>
Total depreciation expense	<u><u>324,383</u></u>

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

NOTE 6—LONG TERM OBLIGATIONS:

The following is a summary of long-term obligations for the fiscal year ended June 30, 2011:

	Amounts Payable July 1, 2010	Increases	Decreases	Amounts Payable June 30, 2011	Amounts Due Within One Year
Governmental Obligations:					
Lease revenue bond	\$ 2,298,972	\$ -	\$ 27,153	\$ 2,271,819	\$ 28,295
Accrued compensated absenses	71,450	28,099	-	99,549	-
Total Governmental Obligations	<u>\$ 2,370,422</u>	<u>\$ 28,099</u>	<u>\$ 27,153</u>	<u>\$ 2,371,368</u>	<u>\$ 28,295</u>
Enterprise Obligations:					
General obligation bonds	\$ 728,919	\$ 5,969,055	\$ 177,865	\$ 6,520,109	\$ 112,421
Accrued compensated absenses	20,876	32,256	-	53,132	-
Total Enterprise Obligations	<u>\$ 749,795</u>	<u>\$ 6,001,311</u>	<u>\$ 177,865</u>	<u>\$ 6,573,241</u>	<u>\$ 112,421</u>
Total Long-Term Obligations	<u>\$ 3,120,217</u>	<u>\$ 6,029,410</u>	<u>\$ 205,018</u>	<u>\$ 8,944,609</u>	<u>\$ 140,716</u>

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

Year Ending June 30,	Town Obligations		Enterprise Obligations	
	Lease Revenue Bond		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2012	\$ 28,295	\$ 93,181	\$ 112,421	\$ 1,268
2013	29,484	91,992	235,000	-
2014	30,724	90,752	470,000	-
2015	32,015	89,461	470,000	-
2016	33,361	88,115	470,000	-
2017-2021	189,059	418,321	2,350,000	-
2022-2026	232,283	375,097	2,350,000	-
2027-2031	285,388	321,992	62,688	-
2032-2036	350,635	256,745	-	-
2037-2041	430,800	176,580	-	-
2042-2046	529,292	78,088	-	-
2047	100,483	1,932	-	-
Total	<u>\$ 2,271,819</u>	<u>\$ 2,082,256</u>	<u>\$ 6,520,109</u>	<u>\$ 1,268</u>

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

NOTE 6—LONG TERM OBLIGATIONS: (CONTINUED)

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

Incurred by Town:

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.

\$ 2,271,819

Accrued compensated absences

99,549

Total governmental obligations

\$ 2,371,368

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. The balance shown is total drawdowns to date.

\$ 6,407,688

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

61,322

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

51,099

Total general obligation bonds

\$ 6,520,109

Accrued compensated absences

\$ 53,132

Total enterprise obligations

\$ 6,573,241

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

NOTE 7—CLAIMS, JUDGEMENTS AND COMPENSATED ABSENCES:

In accordance with GASB Statement 16, *Accounting and Financial Reporting for Claims, Judgments and 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 \$10,442 in the General Fund.

NOTE 8—DEFINED BENEFIT PENSION PLAN:

A. Plan Description:

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

All full-time, salaried permanent (professional) employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees - Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least 10 years of service credit or age 50 with at least five years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

NOTE 8—DEFINED BENEFIT PENSION PLAN: (continued)

A. Plan Description: (continued)

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70 %. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2011 was 7.47% of annual covered payroll.

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

NOTE 8—DEFINED BENEFIT PENSION PLAN: (continued)

C. Annual Pension Cost:

For fiscal year 2011, the Town's annual pension cost of \$101,162 (does not include employee share of \$67,712 which was assumed by the Town for VRS) was equal to the Town's required and actual contributions.

Three-Year Trend Information for Town of Berryville			
<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) *</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/09	\$ 121,612	100%	-
6/30/10	119,926	100%	-
6/30/11	101,162	100%	-

* Includes employer contributions only

The FY 2011 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

D. Funded Status and Funding Progress:

As of June 30, 2010, the most recent actuarial valuation date, the plan was 81.70% funded. The actuarial accrued liability for benefits was \$3,861,997, and the actuarial value of assets was \$3,155,325, resulting in an unfunded actuarial accrued liability (UAAL) of \$706,672. The covered payroll (annual payroll of active employees covered by the plan) was \$1,282,759, and ratio of the UAAL to the covered payroll was 55.09%.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

TOWN OF BERRYVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2011 (Continued)

NOTE 8—DEFERRED REVENUE:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred revenue totaling \$439,014 consists of the following:

- A. Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$344,775 at June 30, 2011.
- B. Property taxes due subsequent to June 30, 2011 but paid in advance by the taxpayer totaled \$4,239 at June 30, 2011.
- C. The Town has collected \$90,000 in proffers from various taxpayers to fund specific capital projects. These funds will be reported as deferred revenue until expended.

NOTE 9—CONTINGENT LIABILITIES:

At June 30, 2011, there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decisions on pending matters not be favorable to the Town.

NOTE 10—EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

For the year ended June 30, 2011, the general fund expenditures exceeded appropriations in the amount of \$964,638.

NOTE 11—FUND BALANCE/NET ASSET ADJUSTMENTS:

Fund balance and net assets were restated as of July 1, 2010 as follows:

	General Fund Balance	Governmental Activities Net Assets
June 30, 2010, as reported	\$ 2,166,423	\$ 3,663,916
Adjustment for accounts payable and expenditures incorrectly reported during the year ended June 30, 2010	<u>170,649</u>	<u>170,649</u>
July 1, 2010, as restated	<u><u>\$ 2,337,072</u></u>	<u><u>\$ 3,834,565</u></u>

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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.

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

General Fund

Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
General property taxes	\$ 879,300	\$ 879,300	\$ 874,629	\$ (4,671)
Other local taxes	720,000	720,000	726,493	6,493
Permits, privilege fees and regulatory licenses	57,500	57,500	90,822	33,322
Fines and forfeitures	30,225	30,225	40,330	10,105
Revenue from use of money and property	77,350	77,350	66,570	(10,780)
Charges for services	18,000	18,000	17,811	(189)
Miscellaneous	1,100	1,100	195	(905)
Recovered costs	5,000	5,000	916,399	911,399
Intergovernmental revenues:				
Commonwealth	323,699	323,699	433,843	110,144
Federal	-	-	8,811	8,811
Total revenues	\$ 2,112,174	\$ 2,112,174	\$ 3,175,903	\$ 1,063,729
Expenditures:				
Current:				
General government administration	\$ 805,898	\$ 805,898	\$ 796,362	\$ 9,536
Public safety	624,125	624,125	552,020	72,105
Public works	675,690	675,690	664,892	10,798
Parks, recreation, and cultural	9,450	9,450	1,100,238	(1,090,788)
Community development	159,500	159,500	128,752	30,748
Capital outlay	72,850	72,850	62,642	10,208
Contingency	113,733	113,733	120,978	(7,245)
Debt service	121,476	121,476	121,476	-
Total expenditures	\$ 2,582,722	\$ 2,582,722	\$ 3,547,360	\$ (964,638)
Excess (deficiency) of revenues over expenditures	\$ (470,548)	\$ (470,548)	\$ (371,457)	\$ 99,091
Net change in fund balances	\$ (470,548)	\$ (470,548)	\$ (371,457)	\$ 99,091
Fund balances at beginning of year, as restated	470,548	470,548	2,337,072	1,866,524
Fund balances at end of year	\$ -	\$ -	\$ 1,965,615	\$ 1,965,615

Virginia Retirement System
Public Employees Retirement System
Schedule of Funding Progress

Valuation as of (1)		Actuarial Value of Assets (AVA) (2)		Actuarial Accrued Liability (AAL) (3)		Unfunded AAL (UAAL) (3) - (2) (4)		Funded Ratio Assets as % of AAL (2)/(3) (5)		Annual Covered Payroll (6)		UAAL as a % of Covered Payroll (4)/(6) (7)
6/30/2010	\$	3,155,325	\$	3,861,997	\$	706,672		81.70%	\$	1,282,759		55.09%
6/30/2009		3,075,470		3,417,466		341,996		89.99%		1,327,268		25.77%
6/30/2008		2,922,504		3,121,230		198,726		93.63%		1,253,448		15.85%

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Supporting Schedules

Schedule of Revenues - Budget and Actual
General Fund
Year Ended June 30, 2011

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	\$ 617,800	\$ 617,800	\$ 547,110	\$ (70,690)
Personal property taxes	103,000	103,000	159,235	56,235
Machinery and tools taxes	155,000	155,000	156,839	1,839
Penalties	1,000	1,000	7,184	6,184
Interest	2,500	2,500	4,261	1,761
Total general property taxes	\$ 879,300	\$ 879,300	\$ 874,629	\$ (4,671)
Other local taxes:				
Local sales and use taxes	\$ 140,000	\$ 140,000	\$ 124,813	\$ (15,187)
Business license tax	130,000	130,000	207,055	77,055
Bank franchise taxes	90,000	90,000	112,356	22,356
Consumer utility tax	190,000	190,000	96,020	(93,980)
Meals tax	80,000	80,000	88,590	8,590
Motor vehicle licenses	90,000	90,000	97,659	7,659
Total other local taxes	\$ 720,000	\$ 720,000	\$ 726,493	\$ 6,493
Permits, privilege fees and regulatory licenses:				
Licenses, zoning and subdivision permits	\$ 57,500	\$ 57,500	\$ 90,822	\$ 33,322
Fines and forfeitures:				
Court fines and forfeitures	\$ 27,500	\$ 27,500	\$ 35,767	\$ 8,267
Parking fines	2,725	2,725	4,563	1,838
Total fines and forfeitures	\$ 30,225	\$ 30,225	\$ 40,330	\$ 10,105
Revenue from use of money and property:				
Revenue from use of money	\$ 35,000	\$ 35,000	\$ 30,750	\$ (4,250)
Revenue from use of property	42,350	42,350	35,820	(6,530)
Total revenue from use of money and property	\$ 77,350	\$ 77,350	\$ 66,570	\$ (10,780)
Charges for services:				
Charges for services - meters	\$ 8,000	\$ 8,000	\$ 10,022	\$ 2,022
Zoning and subdivision fees	10,000	10,000	7,789	(2,211)
Total charges for services	\$ 18,000	\$ 18,000	\$ 17,811	\$ (189)
Miscellaneous revenue:				
Miscellaneous income	\$ 1,100	\$ 1,100	\$ 195	\$ (905)
Recovered costs:				
Barns of Rose Hill	\$ 5,000	\$ 5,000	\$ 916,399	\$ 911,399
Total revenue from local sources	\$ 1,788,475	\$ 1,788,475	\$ 2,733,249	\$ 944,774
Revenue from the Commonwealth:				
Non-categorical aid:				
Communication taxes	\$ -	\$ -	\$ 98,978	\$ 98,978
Personal property tax relief act funds	209,917	209,917	209,917	-
Rolling stock tax	1,632	1,632	1,806	174
Total non-categorical aid	\$ 211,549	\$ 211,549	\$ 310,701	\$ 99,152

Schedule of Revenues - Budget and Actual
 General Fund
 Year Ended June 30, 2011 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
General Fund: (continued)				
Revenue from the Commonwealth: (continued)				
Categorical aid:				
Aid to localities with police departments	\$ 77,650	\$ 77,650	\$ 86,020	\$ 8,370
Litter control grant	1,500	1,500	1,747	247
Street and highway maintenance	25,000	25,000	35,093	10,093
Fire funds	8,000	8,000	282	(7,718)
Total Categorical aid	\$ 112,150	\$ 112,150	\$ 123,142	\$ 10,992
Total revenue from the Commonwealth	\$ 323,699	\$ 323,699	\$ 433,843	\$ 110,144
Revenue from the Federal government:				
Categorical aid:				
Fire funds	\$ -	\$ -	\$ 8,811	\$ 8,811
Total General Fund	\$ 2,112,174	\$ 2,112,174	\$ 3,175,903	\$ 1,063,729

Schedule of Expenditures - Budget and Actual
General Fund
Year Ended June 30, 2011

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	\$ 18,900	\$ -
Training	1,900	1,900	442	1,458
Miscellaneous	1,000	1,000	3,342	(2,342)
Dues	2,250	2,250	2,263	(13)
Town code supplements	3,000	3,000	913	2,087
State code supplements	250	250	-	250
Total town council	\$ 27,300	\$ 27,300	\$ 25,860	\$ 1,440
Town Clerk:				
Compensation	\$ 37,580	\$ 37,580	\$ 38,037	\$ (457)
Education/Training	1,000	1,000	608	392
Dues	180	180	380	(200)
Total town clerk	\$ 38,760	\$ 38,760	\$ 39,025	\$ (265)
Town Manager:				
Compensation	\$ 115,000	\$ 115,000	\$ 117,717	\$ (2,717)
Mileage	100	100	221	(121)
Training	1,000	1,000	607	393
Dues	500	500	275	225
Total town manager	\$ 116,600	\$ 116,600	\$ 118,820	\$ (2,220)
Legal and Professional:				
Professional services	\$ 40,000	\$ 40,000	\$ 36,144	\$ 3,856
Contractual services	14,000	14,000	14,000	-
Engineering services	7,500	7,500	-	7,500
Total legal and professional	\$ 61,500	\$ 61,500	\$ 50,144	\$ 11,356
Personnel:				
Social security	\$ 71,605	\$ 71,605	\$ 74,121	\$ (2,516)
Retirement	85,645	85,645	115,262	(29,617)
Health insurance	132,710	132,710	125,125	7,585
Life insurance	7,675	7,675	2,545	5,130
Unemployment insurance	740	740	1,075	(335)
Workers' compensation insurance	15,625	15,625	16,122	(497)
Total personnel	\$ 314,000	\$ 314,000	\$ 334,250	\$ (20,250)

Schedule of Expenditures - Budget and Actual
 General Fund
 Year Ended June 30, 2011 (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	\$ 76,400	\$ 76,400	\$ 79,234	\$ (2,834)
Surety bonds	300	300	300	-
Training	2,500	2,500	1,182	1,318
Dues	225	225	230	(5)
Miscellaneous	1,000	1,000	-	1,000
Total town treasurer	\$ 80,425	\$ 80,425	\$ 80,946	\$ (521)
Finance/Accounting:				
Compensation	\$ 38,720	\$ 38,720	\$ 47,280	\$ (8,560)
Training	450	450	137	313
Total finance/accounting	\$ 39,170	\$ 39,170	\$ 47,417	\$ (8,247)
Central Administration/Purchasing:				
Maintenance contracts	\$ 32,600	\$ 32,600	\$ 34,432	\$ (1,832)
Advertising	5,000	5,000	5,966	(966)
Postage	10,000	10,000	6,002	3,998
Telecommunications	8,000	8,000	2,148	5,852
Office supplies and equipment	16,500	16,500	11,059	5,441
Newsletter	6,000	6,000	-	6,000
Training	1,000	1,000	1,880	(880)
Dues	1,000	1,000	365	635
Total central administration/purchasing	\$ 80,100	\$ 80,100	\$ 61,852	\$ 18,248
Risk Management:				
Blanket excess liability	\$ 12,670	\$ 12,670	\$ 10,717	\$ 1,953
Automobile insurance	8,890	8,890	8,834	56
Varisk-2	3,445	3,445	2,120	1,325
Semi-multi peril insurance	18,538	18,538	16,377	2,161
Insurance deductibles	3,000	3,000	-	3,000
Total risk management	\$ 46,543	\$ 46,543	\$ 38,048	\$ 8,495
Elections:				
Election officials	\$ 500	\$ 500	\$ -	\$ 500
Office supplies	1,000	1,000	-	1,000
Total elections	\$ 1,500	\$ 1,500	\$ -	\$ 1,500
Total general government administration	\$ 805,898	\$ 805,898	\$ 796,362	\$ 9,536

Schedule of Expenditures - Budget and Actual
 General Fund
 Year Ended June 30, 2011 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
<u>General Fund: (continued)</u>				
Public safety:				
Police department:				
Compensation	\$ 449,780	\$ 449,780	\$ 466,042	\$ (16,262)
Maintenance contracts	5,400	5,400	4,142	1,258
Communication equipment and services	3,515	3,515	989	2,526
Community relations	950	950	756	194
Office supplies	2,000	2,000	2,685	(685)
Gasoline oil	19,380	19,380	19,462	(82)
Repair and maintenance	10,000	10,000	14,909	(4,909)
Police supplies	10,400	10,400	17,618	(7,218)
Uniforms	2,850	2,850	3,874	(1,024)
Medical examinations	500	500	515	(15)
Training	15,000	15,000	10,703	4,297
Professional services	400	400	871	(471)
Dues	1,000	1,000	1,213	(213)
Total police department	\$ 521,175	\$ 521,175	\$ 543,779	\$ (22,604)
Traffic control:				
Contribution - crossing guard	\$ 5,000	\$ 5,000	\$ -	\$ 5,000
Emergency services:				
Contribution - alarm	\$ 2,000	\$ 2,000	\$ -	\$ 2,000
Fire and rescue:				
Professional services - emergency medical tech.	\$ 62,300	\$ 62,300	\$ -	\$ 62,300
Contribution - JHEVFD	25,000	25,000	-	25,000
Fire fund program	8,000	8,000	7,603	397
Total fire and rescue	\$ 95,300	\$ 95,300	\$ 7,603	\$ 87,697
Correction and detention:				
Confinement and prisoners	\$ 250	\$ 250	\$ -	\$ 250
Public defenders fees	400	400	638	(238)
Total correction and detention	\$ 650	\$ 650	\$ 638	\$ 12
Total public safety	\$ 624,125	\$ 624,125	\$ 552,020	\$ 72,105
Public works:				
Maintenance of Streets, Bridges and Sidewalks:				
General administration:				
Compensation	\$ 32,870	\$ 32,870	\$ 38,999	\$ (6,129)
Electricity	3,000	3,000	2,206	794
Fuel oil/heat	3,800	3,800	3,175	625
Telecommunications	3,000	3,000	3,773	(773)
Office supplies	100	100	549	(449)
Vehicle repairs and maintenance	4,750	4,750	2,923	1,827
Medical exams	400	400	352	48
Training	700	700	25	675
Total general administration	\$ 48,620	\$ 48,620	\$ 52,002	\$ (3,382)

Schedule of Expenditures - Budget and Actual
 General Fund
 Year Ended June 30, 2011 (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	\$ 98,875	\$ 98,875	\$ 116,113	\$ (17,238)
Gasoline and oil	19,000	19,000	24,323	(5,323)
Uniforms	2,375	2,375	2,549	(174)
Materials and supplies	4,750	4,750	12,068	(7,318)
Equipment maintenance	12,000	12,000	14,923	(2,923)
Sidewalk maintenance	7,600	7,600	-	7,600
Street sign maintenance	1,425	1,425	280	1,145
Norfolk/Southern ROW	240	240	240	-
Total highways, streets, bridges, and sidewalks	\$ 146,265	\$ 146,265	\$ 170,496	\$ (24,231)
Street lights:				
Electricity - street lights	\$ 80,000	\$ 80,000	\$ 101,193	\$ (21,193)
Snow and ice removal:				
Material and supplies	\$ 20,000	\$ 20,000	\$ 7,946	\$ 12,054
Parking meters:				
Material and supplies	\$ 1,425	\$ 1,425	\$ 2,026	\$ (601)
Street and road cleaning:				
Street cleaning	\$ 4,750	\$ 4,750	\$ 1,697	\$ 3,053
Total maintenance of streets, bridges and sidewalks	\$ 301,060	\$ 301,060	\$ 335,360	\$ (34,300)
Sanitation and Waste Removal:				
Contractual services	\$ 179,805	\$ 179,805	\$ 182,682	\$ (2,877)
Recycling services	74,350	74,350	70,342	4,008
Landfill charges	20,000	20,000	17,425	2,575
Total sanitation and waste removal	\$ 274,155	\$ 274,155	\$ 270,449	\$ 3,706
Maintenance of buildings and grounds:				
General properties:				
Electricity	\$ 6,000	\$ 6,000	\$ 1,398	\$ 4,602
Fuel oil/heat	4,950	4,950	-	4,950
Repair and maintenance	6,175	6,175	8,116	(1,941)
Materials and supplies	1,425	1,425	3,937	(2,512)
Christmas lights	1,425	1,425	484	941
Total general properties	\$ 19,975	\$ 19,975	\$ 13,935	\$ 6,040

Schedule of Expenditures - Budget and Actual
 General Fund
 Year Ended June 30, 2011 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
<u>General Fund: (continued)</u>				
Public works: (continued)				
Maintenance of buildings and grounds: (continued)				
Building services:				
Contractual services	\$ -	\$ -	\$ 52	\$ (52)
Electricity	48,000	48,000	38,148	9,852
Natural gas/heat	12,000	12,000	6,625	5,375
Water/sewer	2,000	2,000	-	2,000
Compensation	10,000	10,000	-	10,000
Shared expenses - Clarke County	8,500	8,500	-	8,500
Materials and supplies	-	-	323	(323)
Total building services	\$ 80,500	\$ 80,500	\$ 45,148	\$ 35,352
Total maintenance of buildings and grounds	\$ 100,475	\$ 100,475	\$ 59,083	\$ 41,392
Total public works	\$ 675,690	\$ 675,690	\$ 664,892	\$ 10,798
Parks, recreation and cultural:				
Christmas lights	\$ 450	\$ 450	\$ -	\$ 450
Rose Hill improvements	2,500	2,500	1,098,914	(1,096,414)
Contributions	6,500	6,500	1,324	5,176
Total parks, recreation and cultural	\$ 9,450	\$ 9,450	\$ 1,100,238	\$ (1,090,788)
Community development:				
Planning:				
Compensation	\$ 99,075	\$ 99,075	\$ 98,009	\$ 1,066
Professional services	20,000	20,000	540	19,460
Office supplies	400	400	251	149
Printing	1,500	1,500	332	1,168
Mileage	500	500	124	376
Training	1,000	1,000	190	810
Dues	500	500	584	(84)
Publications	400	400	-	400
Total planning	\$ 123,375	\$ 123,375	\$ 100,030	\$ 23,345
Board of zoning appeals:				
Compensation	\$ 500	\$ 500	\$ -	\$ 500
Training	500	500	-	500
Total board of zoning appeals	\$ 1,000	\$ 1,000	\$ -	\$ 1,000
Economic development:				
DBI/economic development professional services	\$ 25,000	\$ 25,000	\$ 25,000	\$ -

Schedule of Expenditures - Budget and Actual
 General Fund
 Year Ended June 30, 2011 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
<u>General Fund: (continued)</u>				
Community development: (continued)				
Planning commission:				
Compensation	\$ 6,000	\$ 6,000	\$ 2,300	\$ 3,700
Training	750	750	-	750
Dues	250	250	252	(2)
Total planning commission	\$ 7,000	\$ 7,000	\$ 2,552	\$ 4,448
Berryville Area Development Authority:				
Compensation	\$ 2,500	\$ 2,500	\$ 1,140	\$ 1,360
Training	250	250	-	250
Dues	125	125	-	125
Total Berryville Area Development Authority	\$ 2,875	\$ 2,875	\$ 1,140	\$ 1,735
Architectural Review Board:				
Training	\$ 250	\$ 250	\$ 30	\$ 220
Total community development	\$ 159,500	\$ 159,500	\$ 128,752	\$ 30,748
Capital outlay:				
Police cruiser	\$ 56,000	\$ 56,000	\$ 48,497	\$ 7,503
Other capital outlay	16,850	16,850	14,145	2,705
Total capital outlay	\$ 72,850	\$ 72,850	\$ 62,642	\$ 10,208
Contingency:				
Contingency	\$ 113,733	\$ 113,733	\$ 120,978	\$ (7,245)
Total contingency	\$ 113,733	\$ 113,733	\$ 120,978	\$ (7,245)
Debt service:				
Principal	\$ 27,153	\$ 27,153	\$ 27,153	\$ -
Interest	94,323	94,323	94,323	-
Total debt service	\$ 121,476	\$ 121,476	\$ 121,476	\$ -
Total General Fund	\$ 2,582,722	\$ 2,582,722	\$ 3,547,360	\$ (964,638)

Schedule of Operating Expenses
 Enterprise Funds
 Year Ended June 30, 2011

<u>Fund, Function, Activity and Elements</u>	<u>2011</u>	<u>2010</u>
<u>Water Fund:</u>		
General administration:		
Salaries and wages	\$ 37,302	\$ 34,377
Miss Utility	1,598	661
Repairs and maintenance	1,275	1,542
Postage	3,922	3,724
Office supplies	540	1,088
	<u> </u>	<u> </u>
Total general administration	\$ 44,637	\$ 41,392
	<u> </u>	<u> </u>
Supply purification:		
Salaries and wages	\$ 162,344	\$ 179,399
Repairs and maintenance	38,919	37,166
Electricity	49,115	41,370
Heating service	3,743	2,541
Equipment and supplies	14,852	7,601
Materials and supplies - chemicals	28,102	19,988
Sludge removal	14,180	19,160
Permits, fees and testing	22,251	16,514
Other operating expenses	6,109	10,804
	<u> </u>	<u> </u>
Total supply purification	\$ 339,615	\$ 334,543
	<u> </u>	<u> </u>
Transmission and distribution:		
Salaries and wages	\$ 77,479	\$ 73,325
Repairs and maintenance - water lines	85,253	61,569
Materials and supplies	18,698	11,305
	<u> </u>	<u> </u>
Total transmission and distribution	\$ 181,430	\$ 146,199
	<u> </u>	<u> </u>
Fringe benefits:		
Social security	\$ 19,880	\$ 21,827
Retirement	28,749	23,702
Health insurance	34,118	35,295
Group life insurance	633	2,046
Workers' compensation	8,273	7,285
Unemployment insurance	480	279
	<u> </u>	<u> </u>
Total fringe benefits	\$ 92,133	\$ 90,434
	<u> </u>	<u> </u>
Depreciation	\$ 166,108	\$ 174,664
	<u> </u>	<u> </u>
Contingency	\$ 18,400	\$ 1,250
	<u> </u>	<u> </u>
Total Water Fund	\$ 842,323	\$ 788,482
	<u> </u>	<u> </u>

TOWN OF BERRYVILLE, VIRGINIA

Schedule 3

Page 2 of 2

Schedule of Operating Expenses

Enterprise Funds

Year Ended June 30, 2011 (Continued)

<u>Fund, Function, Activity and Elements</u>	<u>2011</u>	<u>2010</u>
<u>Sewer Fund:</u>		
General administration:		
Salaries and wages	\$ 37,474	\$ 34,746
Repairs and maintenance	1,912	1,188
Postage	5,299	4,756
Office supplies	1,274	697
Total general administration	<u>\$ 45,959</u>	<u>\$ 41,387</u>
Wastewater treatment:		
Salaries and wages	\$ 149,281	\$ 57,487
Professional services	625	3,077
Repairs and maintenance	36,177	27,238
Electricity	75,281	68,656
Materials and supplies - chemicals	-	2,255
Equipment and supplies	10,369	2,488
Permits, fees and testing	18,078	24,262
Other operating expenses	1,896	871
Total wastewater treatment	<u>\$ 291,707</u>	<u>\$ 186,334</u>
Maintenance of sewer lines:		
Salaries and wages	\$ 71,260	\$ 73,869
Repairs and maintenance - sewer lines	26,097	24,394
Materials and supplies	3,098	1,890
Total maintenance of sewer lines	<u>\$ 100,455</u>	<u>\$ 100,153</u>
Fringe benefits:		
Social security	\$ 18,441	\$ 12,546
Retirement	26,858	13,476
Health insurance	32,330	21,029
Group life insurance	591	1,164
Workers' compensation	479	159
Unemployment insurance	5,181	4,566
Total fringe benefits	<u>\$ 83,880</u>	<u>\$ 52,940</u>
Depreciation	<u>\$ 158,275</u>	<u>\$ 160,756</u>
Total Sewer Fund	<u><u>\$ 680,276</u></u>	<u><u>\$ 541,570</u></u>

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Statistical Information

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 For- feitures	Use of Money and Property	Charges for Services	Miscel- laneous	Recovered Costs	Inter- govern- mental	Total
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
2006	1,067,540	781,037	48,018	54,810	156,005	11,525	40,121	-	117,251	2,276,307
2005	1,058,751	691,504	68,928	57,361	48,266	10,755	6,093	-	109,040	2,050,698
2004	855,604	608,694	23,684	35,199	39,747	11,182	15,681	-	115,085	1,704,876
2003	786,085	589,537	19,660	36,082	49,520	10,407	89,188	-	148,554	1,729,033
2002	767,480	538,725	20,416	50,202	47,808	9,755	35,096	-	111,540	1,581,022

TOWN OF BERRYVILLE, VIRGINIA

Table 2

**Governmental Expenditures by Source
Last Ten Fiscal Years**

Fiscal year	General Govern- ment	Parks, Recreation, and Culture				Community Development	Capital Outlay & Contingency		Debt Service	Total
		Public Safety	Public Works							
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		
2006	635,159	547,833	473,545	10,916	101,425	66,704	-	1,835,582		
2005	512,179	488,654	410,628	6,008	102,716	96,804	-	1,616,989		
2004	399,628	434,474	401,975	10,675	84,282	337,089	100,000	1,768,123		
2003	381,569	423,274	432,856	8,150	96,467	63,805	-	1,406,121		
2002	395,508	425,994	396,484	8,449	76,976	259,754	-	1,563,165		

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Compliance

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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
Berryville, Virginia

We have audited the 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, 2011, which collectively comprise the Town of Berryville, Virginia's basic financial statements, and have issued our report thereon dated November 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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 Town's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain other matters that we reported to the management of Town of Berryville, Virginia in a separate letter dated November 18, 2011.

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

Robinson, Farmer, Cox Associates
Fredericksburg, Virginia
November 18, 2011