Luray

The Town where Caverns meet the Sky.

TOWN OF LURAY, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2018

TOWN OF LURAY, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2018

COUNCIL

Barry Presgraves, Mayor

Leah Pence	Leroy C. Lancaster
Ron Vickers	Jerry Dofflemyer
Jerry Schiro	Joey Sours

OFFICIALS

Steven Burke ....Town Manager

Mary Broyles ....Clerk-Treasurer

Jason A. Botkins, Litten & Sipe, LLP ....Town Attorney

Danielle Babb.. Clerk of Council

TOWN OF LURAY, VIRGINIA
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2018

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INDEPENDENT AUDITORS' REPORT

TO THE HONORABLE MEMBERS OF
THE TOWN COUNCIL
TOWN OF LURAY, 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 Town of Luray, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

*Opinion*s

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 Town of Luray, Virginia, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 2 to the financial statements, in 2018, the Town adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions and* 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 2 to the financial statements, in 2018, the Town restated beginning balances to reflect the requirements of GASB Statement No. 75. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding progress on pages 4-8, 84, and 85-96, 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.

Supplemental and Other Information

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

The other supplementary information is the responsibility of management and was derived from and relates 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 financials 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 other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2018, on our consideration of Town of Luray, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Luray, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Luray, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Staunton, Virginia
November 1, 2018

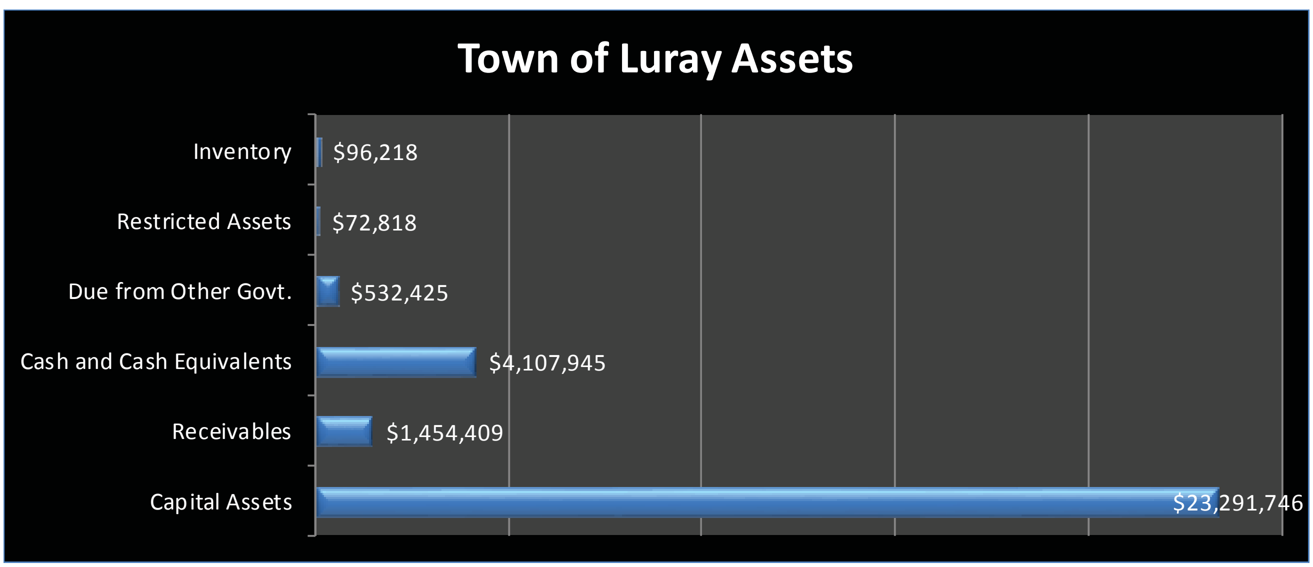
MANAGEMENT'S DISCUSSION AND ANALYSIS
Town of Luray Annual Audit Report

Fiscal Year Ending June 30, 2018

We are pleased to present the Annual Audit Report for the Town of Luray's fiscal year ending June 30, 2018. The audit was conducted by Robinson, Farmer, Cox Associates, a certified public accounting firm in Staunton, Virginia. The firm has audited our financial records and prepared statements of the governmental activities, business type activities, and each major fund. The Town received an unmodified opinion on the financial statements based on the results of this audit. Additionally, the compliance tests performed by the firm disclosed no reportable instances of noncompliance. The following management discussion provides an overall review of the Town's financial activities for the fiscal year ending June 30, 2018. The intent of the discussion and analysis is to examine the Town's financial performance as a whole. Readers should also review the basic financial statements to enhance their understanding of the Town's performance.

The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows at the close of the fiscal year ending June 30, 2018 by $15,105,567 (net position). Of this amount, $2,875,239 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. The unrestricted net position has increased by $762,965 over last fiscal year's unrestricted balance of $2,112,544. A significant portion of this change is due to actuarially determined changes in the deferred inflows and outflows related to measurement of the net pension liability. Refer to Note 9 for additional information and related pension disclosures.

Assets and deferred outflows of resources increased by $595,480 over the previous budget year. Assets and deferred outflows of resources totaled $29,954,484 on June 30, 2018, while liabilities and deferred inflows only $14,848,917. As you will note on the adjacent chart the largest assets are held in capital assets, this category includes land, buildings, improvements, etc.



At June 30, 2018, the Town's general fund balance is $3,579,706. This is an increase of $331,021 over last year's fund balance of $3,248,685. At June 30, 2018, the fund balance available for spending at the Town of Luray's discretion amounted to $3,506,425 (unassigned fund balance).

Luray's investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding, represents approximately 80 percent of total net position. The Town uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Town of Luray, Virginia's
Capital Assets

	Governmental Activities		Business-type Activities		Total	
	June 30, 2017	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	June 30, 2018
Land	$ 982,315	$ 982,315	$ 149,704	$ 149,704	$ 1,132,019	$ 1,132,019
Buildings and improvements	8,035,888	8,244,448	-	-	8,035,888	8,244,448
Infrastructure	5,595,117	5,595,117	-	-	5,595,117	5,595,117
Utility plant in service	-	-	34,240,422	34,394,223	34,240,422	34,394,223
Equipment	2,058,477	2,283,852	-	-	2,058,477	2,283,852
Construction in progress	672,650	1,535,759	53,257	53,257	725,907	1,589,016
Total	$ 17,344,447	$ 18,641,491	$ 34,443,383	$ 34,597,184	$ 51,787,830	$ 53,238,675
Accumulated depreciation	(10,468,952)	(10,916,658)	(18,254,644)	(19,030,271)	(28,723,596)	(29,946,929)
Net capital assets	$ 6,875,495	$ 7,724,833	$ 16,188,739	$ 15,566,913	$ 23,064,234	$ 23,291,746

Town of Luray, Virginia's
Net Position

	Governmental Activities		Business-type Activities		Total	
	June 30, 2017, as restated	June 30, 2018	June 30, 2017, as restated	June 30, 2018	June 30, 2017, as restated	June 30, 2018
Current and other assets	$ 4,330,051	$ 4,682,914	$ 1,408,526	$ 1,608,498	$ 5,738,577	$ 6,291,412
Capital assets	6,875,495	7,724,833	16,188,739	15,566,913	23,064,234	23,291,746
Total assets	$ 11,205,546	$ 12,407,747	$ 17,597,265	$ 17,175,411	$ 28,802,811	$ 29,583,158
Deferred outflows of resources	$ 306,840	$ 199,656	$ 249,353	$ 171,670	$ 556,193	$ 371,326
Current and other liabilities	$ 160,266	$ 173,212	$ 204,430	$ 192,052	$ 364,696	$ 365,264
Long-term liabilities	3,014,938	3,256,281	10,708,023	10,089,964	13,722,961	13,346,245
Total liabilities	$ 3,175,204	$ 3,429,493	$ 10,912,453	$ 10,282,016	$ 14,087,657	$ 13,711,509
Deferred inflows of resources	$ 912,273	$ 988,242	$ 166,788	$ 149,166	$ 1,079,061	$ 1,137,408
Net investment in capital assets	$ 5,664,357	$ 5,967,874	$ 6,337,026	$ 6,184,095	$ 12,001,383	$ 12,151,969
Restricted (CDBG)	78,359	78,359	-		78,359	78,359
Unrestricted	1,682,193	2,143,435	430,351	731,804	2,112,544	2,875,239
Total net position	$ 7,424,909	$ 8,189,668	$ 6,767,377	$ 6,915,899	$ 14,192,286	$ 15,105,567

Liabilities and deferred inflows of resources total $14,848,917 and are composed primarily of long term debt. The remainder of the liabilities include accounts payable, customer deposits, accrued interest, and unearned tax revenue. The Town is well below the legal margin of debt. This margin is established by computing the total assessed value of real estate within the Town. Ten percent of that total less the net debt applicable to limit is considered the legal margin of debt. On June 30, 2018, the total assessed value of real estate in the Town of Luray was $430,164,500. The legal debt margin would therefore be $32,077,217 ($43,016,450 ten percent of assessed value less $10,939,233 net debt). As the above information demonstrates, Luray is well below that margin.

Town of Luray, Virginia's
Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	June 30, 2017, as restated	June 30, 2018	June 30, 2017, as restated	June 30, 2018	June 30, 2017, as restated	June 30, 2018
Revenues:						
Program revenues:						
Charges for services	$ 351,743	$ 365,978	$ 2,955,382	$ 3,012,763	$ 3,307,125	$ 3,378,741
Operating grants and contributions	1,282,700	1,283,971	-	-	1,282,700	1,283,971
Capital grants and contributions	25,567	704,561	8,045	16,535	33,612	721,096
General revenues:						
Property taxes	1,515,039	1,502,082	-	-	1,515,039	1,502,082
Other local taxes	2,056,779	1,975,467	-	-	2,056,779	1,975,467
Grants and contributions not restrictied to specific programs	79,344	75,316	-	-	79,344	75,316
Unrestricted investment:						
Earnings	23,613	15,882	-	-	23,613	15,882
Other	31,882	57,401	-	-	31,882	57,401
Total revenues	$ 5,366,667	$ 5,980,658	$ 2,963,427	$ 3,029,298	$ 8,330,094	$ 9,009,956
Expenses:						
General government administration	$ 511,407	$ 569,084	$ -	$ -	$ 511,407	$ 569,084
Public safety	1,078,372	1,181,158	-	-	1,078,372	1,181,158
Public works	2,127,714	2,370,672	-	-	2,127,714	2,370,672
Health and welfare	17,361	17,950	-	-	17,361	17,950
Parks, recreation, and culture	946,573	994,845	-	-	946,573	994,845
Community development	53,834	41,971	-	-	53,834	41,971
Interest on long-term debt	43,889	40,219	-	-	43,889	40,219
Business-type activities	-	-	2,933,548	2,880,776	2,933,548	2,880,776
Total expenses	$ 4,779,150	$ 5,215,899	$ 2,933,548	$ 2,880,776	$ 7,712,698	$ 8,096,675
Change in net position	$ 587,517	$ 764,759	$ 29,879	$ 148,522	$ 617,396	$ 913,281
Net position, beginning	7,266,416	7,424,909	6,817,274	6,767,377	14,083,690	14,192,286
Effect of change in accounting principle	(429,024)	-	(79,776)	-	(508,800)	-
Net position, ending	$ 7,424,909	$ 8,189,668	$ 6,767,377	$ 6,915,899	$ 14,192,286	$ 15,105,567

Overview of the Financial Statements

Aside from identifying any issues related to non-compliance with standard accounting procedures, the auditors examined the Town's operations and records. As a result of this work certain yearly financial statements were composed and are included in the audit report. These statements demonstrate the overall financial position of the Town, the degree of budgetary compliance and focus on the in-flow and out-flow of resources (cash-flow) within the Town. Furthermore, they identify the balance of expendable resources at the end of the fiscal year. The auditor's financial statements are comprised of three components:

- Government-wide financial statements,
- Fund financial statements, and
- Notes to the financial statements.

Government-wide financial statements - The Government-wide financial statements are designed to provide readers with a broad overview of the Town's finances. The reports are very similar to the private sector in that all current year revenue and expenses are taken into account regardless of when cash is received or paid. Two financial statements are used to present this information: 1) the *statement of net position* and 2) the *statement of activities*. The statement of net position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. The statement of activities presents information showing how the Town's net position changed during the fiscal year. The statement is focused on the gross and net cost of various government functions which are supported by general tax and other revenue. The *statement of activities* presents expenses before revenues, emphasizing that in government, revenues are generated for the express purpose of providing services. Both the *statement of net position* and the *statement of activities* focus on functions that are primarily funded by taxes and intergovernmental revenues. Such activities include general government administration, public safety, public works, parks and recreation and cultural, and community development. Business-type activities of the Town include the Water and Sewer Funds.

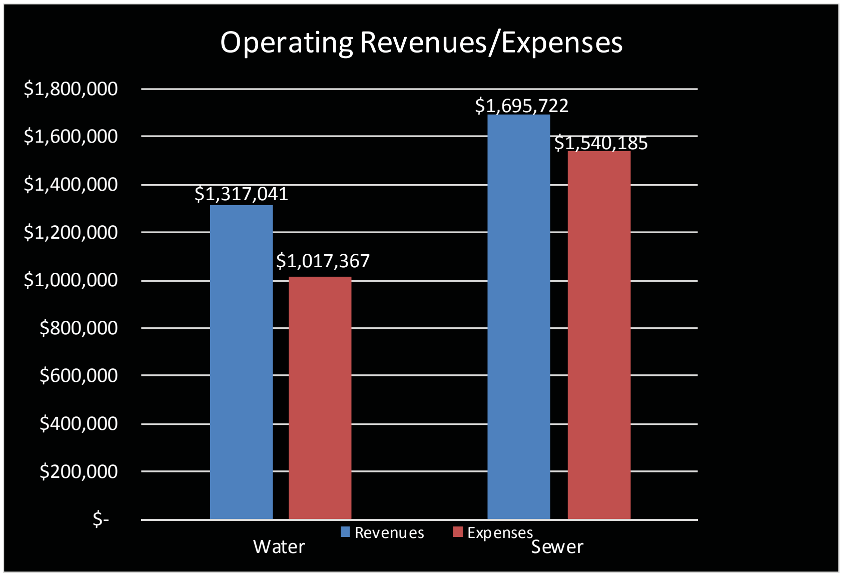
The Town's *net position* is divided into three categories: (1) net investment in capital assets; (2) restricted; and (3) unrestricted. The preceding chart of Luray's assets provided a breakout of assets. At the end of the current fiscal year, the Town is able to report positive balances in all categories of *net position,* both for the Town as a whole and as well as for its separate governmental and business-type activities.

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 of Luray, Virginia, like other 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 three categories: Governmental funds, Proprietary funds, and Fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as the statement of activities in the government-wide financial statements. This chart demonstrates spending distribution among the various governmental funds. Unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on the balance of expendable resources available at the end of the fiscal year.

Such information may be useful in evaluating a government's near-term financing requirements. Governmental activities increased the Town's net position by $764,759. Total spending in governmental funds was $5,215,899.



Proprietary funds are the enterprise or business type funds. The Town uses enterprise funds to account for the water and sewer activities operated by the Town. The proprietary fund shows operational income of $455,211. The water fund had an operational income of $299,674 and the sewer funds an operational income of $155,537. Overall operating expenses show a decrease of $37,186 compared to the June 30, 2017 proprietary fund statements. Unrestricted net position of the water and sewer funds at the end of the fiscal year is $731,804.

Fiduciary funds are used to account for assets held by a government in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Since fiduciary funds report assets held in a trustee or agency capacity for others, these funds cannot be used to support the government's own programs. The Town has no fiduciary funds at this time.

Economic Factors in Next Year's Budget

- The Town will continue to promote economic development through the Revolving Loan Program which was established as a part of the Community Development Block Grant. The purpose of the Revolving Loan Program is an ongoing effort to revitalize the downtown area.
- The Town plans to complete the Main Street Bridge project. The $3.5 million project is being funded through the Federal Highway Administration, Virginia Department of Transportation and Town funds.
- The Town continues with the next phases of the Main Street Electric Conduit Project.
- The Hawksbill Greenway Foundation will continue the evaluation of the proposed expansion of Phase V of the Hawksbill Greenway Trail.
- The Town will continue upgrading water meters, valves and sewer infrastructures as needed.
- The Town is pursuing the extension of Depot Phase V of the Luray Train Depot rehabilitation project in order to complete the remaining exhibits.
- The Town continues to work with VDOT to complete intersection improvements on West Main at Northcott and US211. This will be funded through state construction monies, smart scale funding, other state funds, and local funds.
- The Town will continue work on the West Main-Memorial Drive Improvement Project, including the traffic signal implementation. Further work on this corridor will continue in the coming years. This is funded with VDOT Revenue Sharing and local funds.

Requests for Information

This financial report is designed to provide a general overview of the Town of Luray, Virginia's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town of Luray, Town Manager, 45 E. Main Street; Luray, Virginia 22835.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Position
June 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 3,013,208	$ 1,094,737	$ 4,107,945
Receivables (net of allowance for uncollectibles):			
Taxes receivable	825,435	-	825,435
Accounts receivable	160,206	463,227	623,433
Notes receivable	5,541	-	5,541
Due from other governmental units	532,425	-	532,425
Inventories	49,482	46,736	96,218
Prepaid expenses	23,799	3,798	27,597
Temporarily restricted:			
Cash and cash equivalents	72,818	-	72,818
Capital assets, net of accumulated depreciation:			
Land	982,315	149,704	1,132,019
Buildings and improvements	3,592,636	-	3,592,636
Land Improvements	459,190	-	459,190
Machinery and equipment	565,341	-	565,341
Infrastructure	589,592	-	589,592
Utility plant in service	-	15,363,952	15,363,952
Construction in progress	1,535,759	53,257	1,589,016
Total assets	$ 12,407,747	$ 17,175,411	$ 29,583,158
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	$ -	$ 79,297	$ 79,297
Pension related items	180,502	89,045	269,547
OPEB related items	19,154	3,328	22,482
Total deferred outflows of resources	$ 199,656	$ 171,670	$ 371,326
LIABILITIES			
Accounts payable	$ 159,493	$ 33,064	$ 192,557
Accrued liabilities	8,144	9,473	17,617
Customers' deposits	-	115,150	115,150
Accrued interest payable	5,575	34,365	39,940
Long-term liabilities:			
Due within one year	161,413	474,629	636,042
Due in more than one year	3,094,868	9,615,335	12,710,203
Total liabilities	$ 3,429,493	$ 10,282,016	$ 13,711,509
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	$ 708,680	$ -	$ 708,680
Pension related items	234,883	140,845	375,728
OPEB related items	44,679	8,321	53,000
Total deferred inflows of resources	$ 988,242	$ 149,166	$ 1,137,408
NET POSITION			
Net investment in capital assets	$ 5,967,874	$ 6,184,095	$ 12,151,969
Restricted for:			
Community development block grant expenditures	78,359	-	78,359
Unrestricted	2,143,435	731,804	2,875,239
Total net position	$ 8,189,668	$ 6,915,899	$ 15,105,567

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

Town of Luray, Virginia

Statement of Activities
Year Ended June 30, 2018

			Program Revenues	
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	$ 569,084	$ -	$ -	$ -
Public safety	1,181,158	14,664	146,332	-
Public works	2,370,672	281,233	1,130,418	704,561
Health and welfare	17,950	-	-	-
Parks, recreation, and cultural	994,845	70,081	2,721	-
Community development	41,971	-	4,500	-
Interest on long-term debt	40,219	-	-	-
Total governmental activities	$ 5,215,899	$ 365,978	$ 1,283,971	$ 704,561
Business-type activities:				
Water	$ 1,241,892	$ 1,317,041	$ -	$ 8,195
Sewer	1,638,884	1,695,722	-	8,340
Total business-type activities	$ 2,880,776	$ 3,012,763	$ -	$ 16,535
Total primary government	$ 8,096,675	$ 3,378,741	$ 1,283,971	$ 721,096

General revenues:
General property taxes
Other local taxes:
Local sales and use tax
Consumers' utility tax
Business licenses tax
Restaurant food tax
Cigarette Tax
Transient Occupancy tax
Bank stock tax
Other local taxes
Unrestricted revenues from use of money and property
Miscellaneous
Grants and contributions not restricted to specific programs
Total general revenues
Change in net position
Net position - beginning, as restated
Net position - ending

The notes to the 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
$ (569,084)	$ -	$ (569,084)
(1,020,162)	-	(1,020,162)
(254,460)	-	(254,460)
(17,950)	-	(17,950)
(922,043)	-	(922,043)
(37,471)	-	(37,471)
(40,219)	-	(40,219)
$ (2,861,389)	$ -	$ (2,861,389)
$ -	$ 83,344	$ 83,344
-	65,178	65,178
$ -	$ 148,522	$ 148,522
$ (2,861,389)	$ 148,522	$ (2,712,867)
$ 1,502,082	$ -	$ 1,502,082
192,407	-	192,407
141,750	-	141,750
299,467	-	299,467
685,746	-	685,746
128,487	-	128,487
217,350	-	217,350
200,873	-	200,873
109,387	-	109,387
15,882	-	15,882
57,401	-	57,401
75,316	-	75,316
$ 3,626,148	$ -	$ 3,626,148
$ 764,759	$ 148,522	$ 913,281
7,424,909	6,767,377	14,192,286
$ 8,189,668	$ 6,915,899	$ 15,105,567

FUND FINANCIAL STATEMENTS

Balance Sheet
Governmental Funds
June 30, 2018

	Primary Government		
	General Fund	Special Revenue Fund CDBG	Total
ASSETS			
Cash and cash equivalents	$ 3,013,208	$ -	$ 3,013,208
Receivables (net of allowance for uncollectibles):			
Taxes receivable	825,435	-	825,435
Accounts receivable	160,206	-	160,206
Notes receivable	-	5,541	5,541
Due from other governmental units	532,425	-	532,425
Inventories	49,482	-	49,482
Prepaid items	23,799	-	23,799
Restricted assets:			
Cash and cash equivalents	-	72,818	72,818
Total assets	$ 4,604,555	$ 78,359	$ 4,682,914
LIABILITIES			
Accounts payable	$ 159,493	$ -	$ 159,493
Accrued liabilities	8,144	-	8,144
Total liabilities	$ 167,637	$ -	$ 167,637
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	$ 857,212	$ -	$ 857,212
Total deferred inflows of resources	$ 857,212	$ -	$ 857,212
FUND BALANCES			
Nonspendable:			
Inventory	$ 49,482	$ -	$ 49,482
Prepaid items	23,799	-	23,799
Restricted:			
Community development block grant fund	-	78,359	78,359
Unassigned	3,506,425	-	3,506,425
Total fund balances	$ 3,579,706	$ 78,359	$ 3,658,065
Total liabilities, deferred inflows of resources, and fund balances	$ 4,604,555	$ 78,359	$ 4,682,914

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

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

Amounts reported for governmental activities in the statement of net position are different because:				
Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds			$	3,658,065
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				
Land	$	982,315		
Buildings and system		3,592,636		
Land Improvements		459,190		
Machinery and equipment		565,341		
Infrastructure		589,592		
Construction in progress		1,535,759		
				7,724,833
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the				
Unavailable revenue - property taxes	$	148,532		
				148,532
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds				
Pension related items	$	180,502		
OPEB related items		19,154		
				199,656
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.				
Notes payable	$	(1,701,920)		
Accrued interest		(5,575)		
Capital leases payable		(55,039)		
Compensated absences		(143,509)		
Net pension liability		(902,385)		
Net OPEB liabilities		(453,428)		
				(3,261,856)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.				
Pension related items	$	(234,883)		
OPEB related items		(44,679)		
				(279,562)
Net position of governmental activities			$	8,189,668

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

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

	Primary Government		
	General Fund	Special Revenue Fund CDBG	Total
REVENUES			
General property taxes	$ 1,496,762	$ -	$ 1,496,762
Other local taxes	1,975,467	-	1,975,467
Permits, privilege fees, and regulatory licenses	10,220	-	10,220
Fines and forfeitures	14,664	-	14,664
Revenue from the use of money and property	15,882	-	15,882
Charges for services	341,094	-	341,094
Miscellaneous	57,401	-	57,401
Intergovernmental:			
Commonwealth	1,349,908	-	1,349,908
Federal	713,940	-	713,940
Total revenues	$ 5,975,338	$ -	$ 5,975,338
EXPENDITURES			
Current:			
General government administration	$ 562,217	$ -	$ 562,217
Public safety	1,294,311	-	1,294,311
Public works	3,341,106	-	3,341,106
Health and welfare	17,950	-	17,950
Parks, recreation, and cultural	893,347	-	893,347
Community development	40,466	-	40,466
Debt service:			
Principal retirement	343,093	-	343,093
Interest and other fiscal charges	40,741	-	40,741
Total expenditures	$ 6,533,231	$ -	$ 6,533,231
Excess (deficiency) of revenues over (under) expenditures	$ (557,893)	$ -	$ (557,893)
OTHER FINANCING SOURCES (USES)			
Issuance of notes payable	$ 888,914	$ -	$ 888,914
Total other financing sources (uses)	$ 888,914	$ -	$ 888,914
Net change in fund balances	$ 331,021	$ -	$ 331,021
Fund balances beginning	3,248,685	78,359	3,327,044
Fund balances ending	$ 3,579,706	$ 78,359	$ 3,658,065

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

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

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

Net change in fund balances - total governmental funds		$ 331,021
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.		
Capital outlays	$ 1,297,044	
Depreciation expense	(447,706)	
		849,338
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	$ 5,320	
		5,320
The issuance of long-term debt (e.g. bonds, leases) 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. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Issuance of long-term debt	$ (888,914)	
Principal repayments	343,093	
Accrued interest	522	
		(545,299)
use of current financial resources and, therefore are not reported as expenditures in governmental funds.		
Change in compensated absences	$ (17,282)	
Pension expense	152,222	
OPEB expense	(10,561)	
		124,379
Change in net position of governmental activities		$ 764,759

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

Statement of Net Position
Proprietary Funds
June 30, 2018

		Enterprise Funds	
	Water	Sewer	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 151,996	$ 942,741	$ 1,094,737
Accounts receivable, net of allowances for uncollectibles	207,143	256,084	463,227
Due from other funds	-	75,000	75,000
Inventories	40,443	6,293	46,736
Prepaid expenses	1,899	1,899	3,798
Total current assets	$ 401,481	$ 1,282,017	$ 1,683,498
Noncurrent assets:			
Capital assets:			
Land	$ 114,284	$ 35,420	$ 149,704
Construction in progress	53,257	-	53,257
Utility plant in service	9,860,665	24,533,558	34,394,223
Accumulated Depreciation	(4,539,005)	(14,491,266)	(19,030,271)
Total net capital assets	$ 5,489,201	$ 10,077,712	$ 15,566,913
Total noncurrent assets	$ 5,489,201	$ 10,077,712	$ 15,566,913
Total assets	$ 5,890,682	$ 11,359,729	$ 17,250,411
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	$ 19,715	$ 59,582	$ 79,297
Pension related items	40,141	48,904	89,045
OPEB related items	1,509	1,819	3,328
Total deferred outflows of resources	$ 61,365	$ 110,305	$ 171,670
LIABILITIES			
Current liabilities:			
Accounts payable	$ 12,901	$ 20,163	$ 33,064
Accrued liabilities	9,404	69	9,473
Customers' deposits	115,150	-	115,150
Accrued interest payable	14,304	20,061	34,365
Due to other funds	75,000	-	75,000
Bonds payable - current portion, net of original issue premium	92,631	290,217	382,848
Notes payable - current portion	82,795	8,986	91,781
Total current liabilities	$ 402,185	$ 339,496	$ 741,681
Noncurrent liabilities:			
Bonds payable - net of current portion, net of original issue premium	$ 773,533	$ 2,921,747	$ 3,695,280
Notes payable - net of current portion	4,897,571	394,635	5,292,206
Compensated absences	33,700	43,410	77,110
Net OPEB liabilities	48,122	52,450	100,572
Net pension liability	204,083	246,084	450,167
Total noncurrent liabilities	$ 5,957,009	$ 3,658,326	$ 9,615,335
Total liabilities	$ 6,359,194	$ 3,997,822	$ 10,357,016
DEFERRED INFLOWS OF RESOURCES			
Pension related items	$ 40,043	$ 100,802	$ 140,845
OPEB related items	3,772	4,549	8,321
Total deferred inflows of resources	$ 43,815	$ 105,351	$ 149,166
NET POSITION			
Net investment in capital assets	$ (337,614)	$ 6,521,709	$ 6,184,095
Unrestricted	(113,348)	845,152	731,804
Total net position (deficit)	$ (450,962)	$ 7,366,861	$ 6,915,899

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

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2018

	Enterprise Funds		
	Water	Sewer	Total
OPERATING REVENUES			
Charges for services:			
Water revenues	$ 1,317,041	$ -	$ 1,317,041
Sewer revenues	-	1,535,196	1,535,196
Miscellaneous	-	160,526	160,526
Total operating revenues	$ 1,317,041	$ 1,695,722	$ 3,012,763
OPERATING EXPENSES			
Personal services	$ 324,982	$ 343,377	$ 668,359
Fringe benefits	79,454	190,092	269,546
Contractual services	11,474	11,959	23,433
Other supplies and expenses	39,711	23,462	63,173
Rentals and leases	-	-	-
Insurance claims and expense	13,500	22,000	35,500
Other charges	304,335	417,579	721,914
Depreciation	243,911	531,716	775,627
Total operating expenses	$ 1,017,367	$ 1,540,185	$ 2,557,552
Operating income (loss)	$ 299,674	$ 155,537	$ 455,211
NONOPERATING REVENUES (EXPENSES)			
Interest expense	$ (224,525)	$ (98,699)	$ (323,224)
Total nonoperating revenues (expenses)	$ (224,525)	$ (98,699)	$ (323,224)
Income (loss) before contributions	$ 75,149	$ 56,838	$ 131,987
Capital contributions and construction grants	8,195	8,340	16,535
Change in net position	$ 83,344	$ 65,178	$ 148,522
Total net position - beginning, as restated	(534,306)	7,301,683	6,767,377
Total net position - ending	$ (450,962)	$ 7,366,861	$ 6,915,899

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

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

	Enterprise Funds		
	Water	**Sewer**	**Total**
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	$ 1,296,301	$ 1,684,275	$ 2,980,576
Payments to suppliers	(365,989)	(474,561)	(840,550)
Payments to employees	(473,200)	(556,420)	(1,029,620)
Net cash provided by (used for) operating activities	$ 457,112	$ 653,294	$ 1,110,406
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases to utility plant	$ (43,689)	$ (110,112)	$ (153,801)
Principal payments on bonds and notes	(167,702)	(290,762)	(458,464)
Capital contributions	8,195	8,340	16,535
Bond premiums	(7,549)	(13,616)	(21,165)
Interest expense	(222,025)	(93,236)	(315,261)
Net cash provided by (used for) capital and related financing activities	$ (432,770)	$ (499,386)	$ (932,156)
Net increase (decrease) in cash and cash equivalents	$ 24,342	$ 153,908	$ 178,250
Cash and cash equivalents - beginning	127,654	788,833	916,487
Cash and cash equivalents - ending	$ 151,996	$ 942,741	$ 1,094,737
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	$ 299,674	$ 155,537	$ 455,211
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	$ 243,911	$ 531,716	$ 775,627
(Increase) decrease in accounts receivable	(15,203)	(11,447)	(26,650)
(Increase) decrease in inventories	3,706	5,020	8,726
(Increase) decrease in prepaid expenses	(1,899)	(1,899)	(3,798)
(Increase) decrease in deferred outflows of resources	32,708	34,240	66,948
Increase (decrease) in customer deposits	(5,537)	-	(5,537)
Increase (decrease) in accounts payable	1,224	(2,682)	(1,458)
Increase (decrease) in net OPEB liabilities	(2,542)	(3,689)	(6,231)
Increase (decrease) in accrued liabilities	(2,530)	(82)	(2,612)
Increase (decrease) in compensated absences	3,320	(6,171)	(2,851)
Increase (decrease) in net pension liability	(49,254)	(80,093)	(129,347)
Increase (decrease) in deferred inflows of resources	(50,466)	32,844	(17,622)
Total adjustments	$ 157,438	$ 497,757	$ 655,195
Net cash provided by (used for) operating activities	$ 457,112	$ 653,294	$ 1,110,406

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Town conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

A. Financial reporting entity

Town of Luray, Virginia (the town) is a municipal corporation governed by an elected seven-member Town Council. The accompanying financial statements present the government and 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. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended Component Units - The Town has no blended component units for the fiscal year ended June 30, 2018.

Discretely Presented Component Units - The Town has no discretely presented component units for the fiscal year ended June 30, 2018.

Jointly Governed Organizations - The Luray-Page County Airport Authority operates the Luray Caverns Airport. There are five authority members in total. Two members are appointed by the Town, two are appointed by the County of Page, Virginia, and one at-large member is appointed jointly. The Town does have the ability to impose its will on the Airport Authority through its appointments of members, approval of budgets, and its ability to modify the decisions of the authority. However, the Town does not retain an ongoing financial interest or an ongoing financial responsibility in the Authority. The day-to-day activity of the airport is overseen by the authority. The Town contributes to the insurance expense of the authority on an annual basis, but overall this amount is immaterial to the financial statements of the Town. In fiscal year 2011, the Town incurred a moral obligation in the amount of $836,300 to repay USDA debt. The debt was issued to the Economic Development Authority of Page County, Virginia for the benefit of the Luray-Page County Airport Authority.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business–type activities*, which rely to a significant extent on fees and charges for support.

Statement of Net Position – The Statement of Net Position is designed to display the financial position of the primary government (governmental and business-type activities). Governments will report all capital assets in the government-wide Statement of Net Position and will 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

B. Government-wide and fund financial statements (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).

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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.

C. 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 one way or another 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. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports, including the original budget and a comparison of final budget and actual results.

D. Measurement focus, basis of accounting, and financial statement presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

D. Measurement focus, basis of accounting, and financial statement presentation (continued)

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the Town, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the Town.

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in another fund.

Special revenue fund accounts for and reports the proceeds of the specific revenue sources that are legally restricted to expenditures for specified purposes. The CDBG fund is a special revenue fund of the Town.

The government reports the following major proprietary funds:

The *water fund* accounts for the activities of the Town's water system. The fund reports the operations of the Town's water distribution system.

The *sewer fund* accounts for the activities of the Town's sewer system. The fund reports the operations of the Town's sewage treatment plant, sewage pumping station and collection system.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

D. Measurement focus, basis of accounting, and financial statement presentation (continued)

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise funds are charges to customers for sales and services. The water and sewer funds also recognize the portion of tap fees intended to recover the cost of connecting new customers to the system as operating revenue. Operating expenses for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

E. Assets, liabilities, and deferred outflows/inflows of resources net position/fund balance

1. Cash and cash equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Receivables and payables

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

3. Inventory

Inventory is valued using the *first in, first out* method.

4. Property taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate and personal property taxes are payable in two installments on June 5th and December 5th. The Town bills and collects its own property taxes.

The taxes receivable balance at June 30, 2018 includes amounts not yet billed or received from the second half of the January 1, 2018 levy (due December 5, 2018). These items are included in unavailable revenue since these taxes are restricted for use until fiscal year 2019.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

E. Assets, liabilities, and deferred outflows/inflows of resources net position/fund balance (continued)

5. 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 $130,741 at June 30, 2018 and is composed of property taxes, refuse, CDBG, and water and sewer accounts receivable. The portion of the allowance for property taxes in the amount of $24,568 represents 1.606% of the total levies for the previous year. The portion of the allowance attributable to refuse and water and sewer represents 14.681% of the accounts receivable balance at June 30, 2018. The portion of the allowance attributable to CDBG loans represents 78.998% of the loan receivables balance at June 30, 2018.

6. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

7. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current or previous year.

Property, plant, and equipment and infrastructure of the primary government, is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	40
Structures, lines, and accessories	33
Machinery and equipment	3-10
Infrastructure	30

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

E. Assets, liabilities, and deferred outflows/inflows of resources net position/fund balance (continued)

8. Compensated absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide financial statements. No expenditure is reported for these amounts in the fund financial statements. In accordance with the provisions of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement. The Town accrues salary-related payments associated with the payment of compensated absences.

9. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. 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. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

10. 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;

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

E. Assets, liabilities, and deferred outflows/inflows of resources net position/fund balance (continued)

10. Fund equity (continued)

- 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 an ordinance. 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).

In the general fund, the Town strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 20% of the actual GAAP basis expenditures and other financing sources and uses.

11. 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.

12. 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)

E. Assets, liabilities, and deferred outflows/inflows of resources net position/fund balance (continued)

13. 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 (expenditure/expense) until then. The Town has several items that qualify for reporting in this category. One item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred charge on refunding as of June 30, 2018 amounted to $79,297. The second item is comprised of certain items related to the measurement of the net pension liability and net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

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 and the net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

14. Pensions

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

E. Assets, liabilities, and deferred outflows/inflows of resources net position/fund balance (continued)

15. Other Postemployment Benefits (OPEB)

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to employees of participating political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Line of Duty Act Program

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) was established pursuant to §9.1-400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The LODA Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. For purposes of measuring the net LODA OPEB liability, deferred outflows of resources and deferred inflows of resources related to the LODA OPEB, and related LODA OPEB expense, information about the fiduciary net position of the VRS LODA Program OPEB Plan and the additions to/deductions from the VRS LODA Program OPEB Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Medical, Dental, and Prescription Insurance – Pay as You Go Program

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined based on an actuarial valuation. Benefit payments are recognized when due and payable in accordance with the benefit terms.

NOTE 2 – ADOPTION OF ACCOUNTING PRINCIPLES:

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

	Governmental Activities	Business-type Activities	Total Primary Government
Net Position as reported at June 30, 2017	$ 7,853,933	$ 6,847,153	$ 14,701,086
Implementation of GASB 75:			
To increase the total OPEB liability for health insurance based on revised actuarial valuation:			
Net OPEB obligation as reported at June 30, 2017	39,368	24,032	63,400
Total OPEB liability as of June 30, 2017 as restated	(75,299)	(42,901)	(118,200)
To record the Group Life Insurance (GLI) net OPEB liability and related deferred outflow of resourses as of June 30, 2017:			
Net GLI OPEB liability as reported at June 30, 2017	-	-	-
Net GLI OPEB liability as of June 30, 2017, as restated	(128,097)	(63,903)	(192,000)
Deferred outflows of resources related to GLI OPEB reported at June 30, 2017	-	-	-
Deferred outflows of resources related to GLI OPEB at June 30, 2017, as restated	6,004	2,996	9,000
To record the LODA net OPEB liability and related deferred outflow of resources as of June 30, 2017:			
Net LODA OPEB liability as reported at June 30, 2017	-	-	-
Net LODA OPEB liability as of June 30, 2017, as restated	(281,000)	-	(281,000)
Deferred outflows of resources related to LODA OPEB reported at June 30, 2017	-	-	-
Deferred outflows of resources related to LODA OPEB at June 30, 2017, as restated	10,000	-	10,000
Net Position as restated at June 30, 2017	$ 7,424,909	$ 6,767,377	$ 14,192,286

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgetary Information

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

1. Prior to March 30, 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. All funds have legally adopted budgets.
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 function level. The appropriation for each department or category can be revised only by the Town Council. The Town Manager is authorized to transfer budgeted amounts within general government departments.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30 for all Town units.
8. All budgetary data presented in the accompanying financial statements is the revised budget as of June 30.

B. Excess of expenditures over appropriations

For the year ended June 30, 2018, no departments had expenditures which exceeded appropriations.

C. Deficit fund equity

At June 30, 2018, the water fund had a net position deficit of ($450,962).

NOTE 4 – INTERFUND OBLIGATIONS:

Interfund receivables/payables are the net result of temporary overdrafts in the operating and payroll bank accounts of one fund which is offset by positive amounts in other funds. At June 30, 2018, interfund obligations were as follows:

Fund	Due From	Due To
Sewer	$ 75,000	$ -
Water	-	75,000
Total	$ 75,000	$ 75,000

NOTE 5 – DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governmental units at June 30, 2018, are as follows:

		Primary Government
Commonwealth of Virginia:		
Sales tax	$	37,247
Communications tax		11,343
Railroad rolling stock tax		23
Other noncategorical aid		82
Federal Government:		
Ground transportation safety		2,537
Highway planning and construction		481,193
Total	$	532,425

NOTE 6 – CAPITAL ASSETS:

Governmental Activities

		Balance July 1, 2017		Increases		Decreases		Balance June 30, 2018
Capital assets not being depreciated:								
Land	$	982,315	$	-	$	-	$	982,315
Construction in progress		672,650		1,039,138		(176,029)		1,535,759
Total capital assets not being depreciated	$	1,654,965	$	1,039,138	$	(176,029)	$	2,518,074
Capital assets being depreciated:								
Buildings and improvements	$	6,586,022	$	196,045	$	-	$	6,782,067
Land improvements		1,449,866		12,515		-		1,462,381
Infrastructure		5,595,117		-		-		5,595,117
Machinery and equipment		2,058,477		225,375		-		2,283,852
Total capital assets being depreciated	$	15,689,482	$	433,935	$	-	$	16,123,417
Accumulated depreciation:								
Buildings and improvements	$	(3,036,171)	$	(153,260)	$	-	$	(3,189,431)
Land improvements		(910,677)		(92,514)		-		(1,003,191)
Infrastructure		(4,919,517)		(86,008)		-		(5,005,525)
Machinery and equipment		(1,602,587)		(115,924)		-		(1,718,511)
Total accumulated depreciation	$	(10,468,952)	$	(447,706)	$	-	$	(10,916,658)
Capital assets being depreciated, net	$	5,220,530	$	(13,771)	$	-	$	5,206,759
Net capital assets	$	6,875,495	$	1,025,367	$	(176,029)	$	7,724,833

NOTE 6 – CAPITAL ASSETS: (CONTINUED)

Business-type Activities

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Water Fund				
Capital assets not being depreciated:				
Land	$ 114,284	$ -	$ -	$ 114,284
Construction in progress (WP)	53,257	-	-	53,257
Total capital assets not being depreciated	$ 167,541	$ -	$ -	$ 167,541
Capital assets being depreciated:				
Utility plant in service	$ 9,816,976	$ 43,689	$ -	$ 9,860,665
Accumulated depreciation	(4,295,094)	(243,911)	-	(4,539,005)
Capital assets being depreciated, net	$ 5,521,882	$ (200,222)	$ -	$ 5,321,660
Net capital assets	$ 5,689,423	$ (200,222)	$ -	$ 5,489,201
Sewer Fund				
Capital assets not being depreciated:				
Land	$ 35,420	$ -	$ -	$ 35,420
Total capital assets not being depreciated	$ 35,420	$ -	$ -	$ 35,420
Capital assets being depreciated:				
Utility plant in service	$ 24,423,446	$ 110,112	$ -	$ 24,533,558
Accumulated depreciation	(13,959,550)	(531,716)	-	(14,491,266)
Capital assets being depreciated, net	$ 10,463,896	$ (421,604)	$ -	$ 10,042,292
Net capital assets	$ 10,499,316	$ (421,604)	$ -	$ 10,077,712

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

Governmental activities:	
General government administration	$ 26,012
Public safety	38,355
Public works	237,163
Parks, recreation, and cultural	144,671
Community development	1,505
Total depreciation expense-governmental activities	$ 447,706
Business-type activities:	
Water Fund	$ 243,911
Sewer Fund	531,716
Total depreciation expense-business-type activities	$ 775,627

NOTE 7 – LONG-TERM OBLIGATIONS:

Primary Government—Governmental Activities:

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2018.

	Balance July 1, 2017 As Restated	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2018
Notes Payable	$ 1,107,157	$ 888,914	$ 294,151	$ 1,701,920
Capital lease	103,981	-	48,942	55,039
Compensated Absences	126,227	17,282	-	143,509
Net OPEB Liability	484,396	30,765	61,733	453,428
Net Pension Liability	1,193,177	752,063	1,042,855	902,385
Total	$ 3,014,938	$ 1,689,024	$ 1,447,681	$ 3,256,281

Details of Long-term Obligations:

	Total Amount	Amount Due Within One Year
Notes Payable:		
$500,000 Rural Development Community Facilities Loan secured by Deed of Trust on real property located at 45 E. Main Street, Luray, Virginia dated September 13, 2002, bearing interest at 4.50% per annum. Note due in monthly installments of $2,270 through June 2044.	$ 421,975	$ 8,986
$266,158 General Obligation Note, Series 2015, issued on July 7, 2015 to refinance the existing General Obligation Note, Series 2013, bearing a 2.750% interest rate, with quarterly interest payments and one annual principal payment of $25,000. Final payment of all remaining principal and interest is due July 7, 2020.	216,158	25,000
$327,000 General Obligation Note, Series 2014, issued on September 30, 2014 to finance real estate acquisition, bearing interest at 1.69%. Interest only payments are due quarterly and a final payment of all principal and interest will be due on September 30, 2024.	327,000	-
$159,000 General Obligation Note, Series 2015, issued July 7, 2015 to finance capital projects, bearing a 1.99% interest rate, with quarterly interest payments and one annual principal payment of $53,000. Final payment of all remaining principal and interest is due July 1, 2018.	53,000	53,000

NOTE 7 – LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government—Governmental Activities: (Continued)

Details of Long-term Obligations: (Continued)

		Total Amount		Amount Due Within One Year
Notes Payable (Continued):				
$2,500,000 General Obligation Note, Series 2014, issued November 7, 2017 to fund the Town's Main Street Bridge Project, bearing a 2.99% interest rate, based on the aggregate amount of principal advances, which is due monthly. All outstanding principal and interest is due December 4, 2020. As of June 30, 2018 $762,131 had been drawn down and the remaining principal available totaled $1,737,869.		602,145		-
$107,680 Promissory Note, issued October 31, 2017 to finance capital projects, bearing a 2.99% interest rate, with quarterly principal and interest payments of $9,421.59. Final payment of all remaining principal and interest is due October 3, 2020. The note is secured by two vehicles and a money security interest in software.		81,642		35,637
Subtotal Notes Payable	$	1,701,920	$	122,623
Capital Lease:				
$94,298 Capital Lease for the lease/purchase of 3 2017 police vehicles, issued July 8, 2016, bearing interest at 5.6%. Annual principal and interest payments of $33,160 through July 8, 2019.	$	31,402	$	31,402
$39,500 Capital Lease for the lease/purchase of a Vermeer Chipper, issued July 12, 2016, bearing interest at 4.75%. Annual principal and interest payments of $8,925 through July 12, 2022.		23,637		7,388
Compensated Absences		143,509		-
Net OPEB liabilities		453,428		-
Net Pension Liability		902,385		-
Total	$	3,256,281	$	161,413

NOTE 7 – LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government—Governmental Activities: (Continued)

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

	Notes Payable		Capital Lease Payable	
Year Ending June 30,	Principal	Interest	Principal	Interest
2019	$ 122,623	$ 52,415	$ 38,790	$ 3,295
2020	673,262	40,970	7,869	1,056
2021	185,275	26,973	8,380	545
2022	10,283	25,296	-	-
2023	10,755	24,824	-	-
2024	11,249	24,330	-	-
2025	338,766	17,559	-	-
2026	12,306	14,934	-	-
2027	12,872	14,368	-	-
2028	13,463	13,777	-	-
2029	14,081	13,159	-	-
2030	14,728	12,512	-	-
2031	15,405	11,835	-	-
2032	16,113	11,127	-	-
2033	16,853	10,387	-	-
2034	17,627	9,613	-	-
2035	18,437	8,803	-	-
2036	19,284	7,956	-	-
2037	20,170	7,070	-	-
2038	21,096	6,144	-	-
2039	22,065	5,175	-	-
2040	23,079	4,161	-	-
2041	24,139	3,101	-	-
2042	25,248	1,992	-	-
2043	30,756	831	-	-
2044	11,985	46	-	-
Total	$ 1,701,920	$ 369,358	$ 55,039	$ 4,896

NOTE 7 – LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government-Business-type Activities:

	Balance July 1, 2017, as restated	Additions	Reductions	Balance June 30, 2018
General Obligation Bonds	$ 4,223,498	$ -	$ 370,172	$ 3,853,326
Unamortized Bond Premium	245,967	-	21,165	224,802
Notes Payable	5,472,279	-	88,292	5,383,987
Compensated Absences	79,961	-	2,851	77,110
Net OPEB Liabilities	106,804	5,635	11,867	100,572
Net Pension Liability	579,514	389,315	518,662	450,167
Total	$ 10,708,023	$ 394,950	$ 1,013,009	$ 10,089,964

Details of Long-term Obligations:

	Total Amount	Amount Due Within One Year
General Obligation Bonds:		
$1,985,000 VRA Revolving Loan, issued June 17, 2009, bearing interest at 3.90% per annum. Semi-annual payments of varying amounts to begin October 1, 2009 and are payable through April 1, 2026.	$ 1,160,000	$ 125,000
$2,080,038 VRA Revolving Loan, issued June 18, 2009, bearing no interest. Semi-annual payments of $52,000 to begin July 1, 2011 and are payable through July 1, 2030.	1,248,023	104,002
$372,381 VRA Revolving Loan, issued June 7, 2004, bearing interest at 3.50% per annum. Semi-annual payments of $13,303 to begin July 1, 2004 and are payable through July 1, 2023. The Town remitted the first payment prior to June 30, 2004.	120,632	22,482
$860,000 Taxable General Obligation Water System Bond, Series 2000, approved April 28, 2000, bearing interest at 4.25% per annum, with principal and interest due in semi-annual payments of $25,481, with final maturity not later than December 31, 2021.	119,671	46,364
$1,530,000 VRA General Obligation Refunding Bond, Series 2012, issued August 2, 2012, bearing interest at 2.927% per annum, with principal and interest due semi-annually, with final maturity not later than October 1, 2029.	1,205,000	85,000
Total general obligation bonds	$ 3,853,326	$ 382,848

NOTE 7 – LONG-TERM LIABILITIES: (CONTINUED)

Primary Government-Business-type Activities: (Continued)

Details of Long-term Obligations: (Continued)

	Total Amount	Amount Due Within One Year
Notes Payable:		
$987,492 Rural Development Community Facilities Loan, secured by Deed of Trust on real property located at 45 E. Main Street, Luray, Virginia dated September 13, 2002 bearing interest at 4.50% per annum. Note due in monthly installments of $4,540 through June 2043.	$ 807,242	$ 17,972
$5,000,000 General Obligation Note, Series 2010, issued on November 17, 2010, bearing a 3.75% interest rate with an annual interest only payment due on November 17, 2011. Monthly payments of $20,350 to begin on December 17, 2011 and are payable through November 17, 2050.	4,576,745	73,809
Total notes payable	$ 5,383,987	$ 91,781
Unamortized Bond Premium	$ 224,802	$ -
Compensated Absences	77,110	-
Net OPEB Liabilities	100,572	-
Net Pension Liability	450,167	-
Total	$ 10,089,964	$ 474,629

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NOTE 7 – LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government-Business-type Activities: (Continued)

Year Ending	General Obligation Bonds		Notes Payable	
June 30,	Principal	Interest	Principal	Interest
2019	$ 382,848	$ 112,957	$ 91,781	$ 206,898
2020	390,634	99,456	95,423	203,257
2021	383,050	85,554	99,210	199,470
2022	353,950	73,595	103,148	195,532
2023	349,831	62,892	107,244	191,436
2024	329,002	51,760	111,503	187,177
2025	269,002	42,216	115,932	182,748
2026	279,002	33,969	120,538	178,142
2027	269,002	26,034	125,329	173,351
2028	274,002	18,787	130,311	168,369
2029	284,002	11,481	135,492	163,188
2030	289,001	3,866	140,880	157,800
2031	-	-	146,484	152,196
2032	-	-	152,313	146,367
2033	-	-	158,375	140,305
2034	-	-	164,680	134,000
2035	-	-	171,237	127,443
2036	-	-	178,057	120,623
2037	-	-	185,151	113,529
2038	-	-	192,529	106,151
2039	-	-	200,202	98,478
2040	-	-	208,184	90,496
2041	-	-	216,486	82,194
2042	-	-	225,121	73,559
2043	-	-	229,755	64,577
2044	-	-	188,203	55,997
2045	-	-	195,383	48,817
2046	-	-	202,837	41,363
2047	-	-	210,576	33,624
2048	-	-	218,610	25,590
2049	-	-	226,950	17,250
2050	-	-	235,608	8,592
2051	-	-	100,455	946
Total	$ 3,853,326	$ 622,567	$ 5,383,987	$ 3,889,465

NOTE 8 – CAPITAL LEASES:

The Town has entered into lease agreements for financing vehicles and equipment. The lease agreements qualify as capital leases for accounting purposes and therefore, have been recorded at the present value of future minimum lease payments as of the inception date.

The assets acquired through the capital leases are as follows:

		Governmental Activities
Asset:		
2016 Ford Fusion	$	28,040
2017 SUV Interceptors (3)		101,236
Vermeer Chipper		44,625
Less: Accumulated depreciation		(34,438)
Total	$	139,463

The future minimum lease obligation and the net present value of minimum lease payments as of June 30, 2018 are as follows:

Year Ended June 30,		Governmental Activities
2019	$	42,085
2020		8,925
2021		8,925
Total minimum lease payments	$	59,935
Less: Amount representing interest		(4,896)
Present value of minimum lease payments	$	55,039

NOTE 9 – COMPENSATED ABSENCES:

Town employees earn sick leave at the rate of one day per month and such leave if not used may be accumulated up to 120 days. Maximum payout of sick leave at retirement is $2,500. Vacation leave is earned at various rates depending on the date of employment and number of years of service. Vacation leave accrued in one year must be taken by the end of the following year or it will be lost. Upon separation or retirement, a full-time employee shall be paid for all accrued annual leave, up to the maximum allowed. The Town has outstanding accrued compensated absences totaling $143,509 in the governmental activities and $77,110 in the business-type activities.

NOTE 10 – PENSION PLAN:

Plan Description

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

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**
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.	**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.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • 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 10 – PENSION PLAN: (CONTINUED)

Plan Description (Continued)

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS (CONTINUED)</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr><td>About Plan 1 (Cont.)</td><td>About Plan 2 (Cont.)</td><td>About the Hybrid Retirement Plan (Cont.)

• 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.</td></tr>
<tr><td>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, and they have not taken a refund.

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.

The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</td><td>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.

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.

The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</td><td>Eligible Members
Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
• Political subdivision 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.

*Non-Eligible Members
Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:
• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</td></tr>
</table>

NOTE 10 – PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
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.	**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.	***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.
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.	**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.

NOTE 10 – PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
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.	**Creditable Service** Same as Plan 1.	**Creditable Service** **Defined Benefit Component:** 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. **Defined Contribution Component:** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

NOTE 10 – PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
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. Members are always 100% vested in the contributions that they make.	**Vesting** Same as Plan 1.	**Vesting** **Defined Benefit Component:** 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. **Defined Contribution Component:** 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. Members are always 100% vested in the contributions that they make.

NOTE 10 – PENSION PLAN: (CONTINUED)

Plan Description (Continued)

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS (CONTINUED)</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr><td>Vesting (Cont.)</td><td>Vesting (Cont.)</td><td>Vesting (Cont.)
<u>Defined Contribution Component:</u> (Cont.)
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.
• 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.

Distribution is not required by law until age 70½.</td></tr>
<tr><td>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.</td><td>Calculating the Benefit
See definition under Plan 1.</td><td>Calculating the Benefit
<u>Defined Benefit Component:</u>
See definition under Plan 1.</td></tr>
</table>

NOTE 10 – PENSION PLAN: (CONTINUED)

Plan Description (Continued)

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS (CONTINUED)</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr><td>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.</td><td>Calculating the Benefit (Cont.)</td><td>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.</td></tr>
<tr><td>Average Final Compensation
A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</td><td>Average Final Compensation
A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</td><td>Average Final Compensation
Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</td></tr>
<tr><td>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%.

Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.

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.</td><td>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.

Sheriffs and regional jail superintendents: Same as Plan 1.

Political subdivision hazardous duty employees: Same as Plan 1.</td><td>Service Retirement Multiplier
<u>Defined Benefit Component:</u>
VRS: The retirement multiplier for the defined benefit component is 1.00%.

For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Sheriffs and regional jail superintendents: Not applicable.

Political subdivision hazardous duty employees: Not applicable.

<u>Defined Contribution Component:</u>
Not applicable.</td></tr>
</table>

NOTE 10 – PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Normal Retirement Age **VRS:** Age 65. **Political subdivisions hazardous duty employees:** Age 60.	**Normal Retirement Age** **VRS:** Normal Social Security retirement age. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Normal Retirement Age** **Defined Benefit Component:** **VRS:** Same as Plan 2. **Political subdivisions hazardous duty employees:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
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. **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.	**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. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Earliest Unreduced Retirement Eligibility** **Defined Benefit Component:** **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. **Political subdivisions hazardous duty employees:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
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.	**Earliest Reduced Retirement Eligibility** **VRS:** Age 60 with at least five years (60 months) of creditable service.	**Earliest Reduced Retirement Eligibility** **Defined Benefit Component:** **VRS:** 60 with at least five years (60 months) of creditable service.

NOTE 10 – PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 10 – PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Cost-of-Living Adjustment (COLA) in Retirement (Cont.) **Exceptions to COLA Effective Dates:** The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • 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.	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)** **Exceptions to COLA Effective Dates:** Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)** **Exceptions to COLA Effective Dates:** Same as Plan 1 and Plan 2.

NOTE 10 – PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
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.	**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.	**Disability Coverage** Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. 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.
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. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **Defined Benefit Component:** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. **Defined Contribution Component:** Not applicable.

Pension Plan Data

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

NOTE 10 – PENSION PLAN: (CONTINUED)

Employees Covered by Benefit Terms

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	34
Inactive members:	
Vested inactive members	1
Non-vested inactive members	3
Inactive members active elsewhere in VRS	27
Total inactive members	31
Active members	44
Total covered employees	109

Contributions

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

The Town's contractually required employer contribution rate for the year ended June 30, 2018 was 10.44% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were $197,954 and $201,439 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

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

NOTE 10 – PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.35%
Investment rate of return	7.0%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Largest 10 – Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NOTE 10 – PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees (Continued)

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

Largest 10 – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

NOTE 10 – PENSION PLAN: (CONTINUED)

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% – 4.75%
Investment rate of return	7.0%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Largest 10 –Hazardous Duty: 70% of deaths are assumed to be service related

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NOTE 10 – PENSION PLAN: (CONTINUED)

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

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

Largest 10 – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP- 2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP- 2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

NOTE 10 – PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

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

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

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.5%.

Discount Rate

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

NOTE 10 – PENSION PLAN: (CONTINUED)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	$ 11,045,205	$ 9,272,514	$ 1,772,691
Changes for the year:			
Service cost	$ 263,637	$ -	$ 263,637
Interest	754,116	-	754,116
Differences between expected and actual experience	101,929	-	101,929
Assumption changes	(125,332)		(125,332)
Contributions - employer	-	201,439	(201,439)
Contributions - employee	-	101,789	(101,789)
Net investment income	-	1,118,816	(1,118,816)
Benefit payments, including refunds of employee contributions	(544,249)	(544,249)	-
Administrative expenses	-	(6,564)	6,564
Other changes	-	(991)	991
Net changes	$ 450,101	$ 870,240	$ (420,139)
Balances at June 30, 2017	$ 11,495,306	$ 10,142,754	$ 1,352,552

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 Net Pension Liability	$ 2,782,932	$ 1,352,552	$ 160,018

NOTE 10 – PENSION PLAN: (CONTINUED)

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

For the year ended June 30, 2018, the Town recognized pension expense of ($42,277). At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 71,593	$ 146,271
Change in assumptions	-	88,031
Net difference between projected and actual earnings on pension plan investments	-	141,426
Employer contributions subsequent to the measurement date	197,954	-
Total	$ 269,547	$ 375,728

$197,954 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30,	
2019	$ (239,890)
2020	32,347
2021	(904)
2022	(95,688)
2023	-
Thereafter	-

NOTE 11 – GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN):

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS

Eligible Employees

The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:

- City of Richmond
- City of Portsmouth
- City of Roanoke
- City of Norfolk
- Roanoke City School Board

Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

Benefit Amounts

The benefits payable under the Group Life Insurance Program have several components.

- **Natural Death Benefit** - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- **Accidental Death Benefit** – The accidental death benefit is double the natural death benefit.
- **Other Benefit Provisions** – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
    - Accidental dismemberment benefit
    - Safety belt benefit
    - Repatriation benefit
    - Felonious assault benefit
    - Accelerated death benefit option

NOTE 11 – GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)
Reduction in Benefit Amounts The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.
Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at $8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently $8,111.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the entity were $10,000 and $10,089 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the entity reported a liability of $159,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was 0.01052% as compared to 0.01096% at June 30, 2016.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of $1,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

NOTE 11 – GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

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

At June 30, 2018, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 4,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	6,000
Change in assumptions	-	8,000
Changes in proportion	-	7,000
Employer contributions subsequent to the measurement date	10,000	-
Total	$ 10,000	$ 25,000

$10,000 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	
2019	$ (5,000)
2020	(5,000)
2021	(5,000)
2022	(5,000)
2023	(3,000)
Thereafter	(2,000)

NOTE 11 – GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5% – 5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

Mortality Rates – General State Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

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

NOTE 11 – GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality Rates – General State Employees (Continued)

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Mortality Rates – Teachers

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

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

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

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

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

NOTE 11 – GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality Rates – SPORS Employees

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

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

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

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

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

Mortality Rates – VaLORS Employees

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

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

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

NOTE 11 – GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality Rates – VaLORS Employees (Continued)

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Mortality Rates – JRS Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

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

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

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

NOTE 11 – GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality Rates – Largest Ten Locality Employers – General Employees

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

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

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

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

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

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

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

NOTE 11 – GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

NOTE 11 – GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

NET GLI OPEB Liability

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

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

NOTE 11 – GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

NET GLI OPEB Liability (Continued)

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

Long-Term Expected Rate of Return

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

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

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

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

NOTE 11 – GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

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

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

		Rate	
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
Town's proportionate share of the Group Life Insurance Program Net OPEB Liability	$ 205,000	$ 159,000	$ 121,000

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 12 – LINE OF DUTY ACT (LODA) PROGRAM:

Plan Description

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VALORS) are automatically covered by the Line of Duty Act Program (LODA). As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

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

LINE OF DUTY ACT PROGRAM PLAN PROVISIONS
Eligible Employees The eligible employees of the Line of Duty Act Program are paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VALORS).

NOTE 12 – LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)

Plan Description (Continued)

LINE OF DUTY ACT PROGRAM PLAN PROVISIONS (CONTINUED)
Benefit Amounts The Line of Duty Act Program provides death and health insurance benefits for eligible individuals: • **Death** – The Line of Duty Act program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: o $100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after. o $25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date. o An additional $20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001. • **Health Insurance** – The Line of Duty Act program provides health insurance benefits. o Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program. o Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors, and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by the Line of Duty Act.

Contributions

The contribution requirements for the Line of Duty Act Program are governed by §9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Line of Duty Act Program for the year ended June 30, 2018 was $567.37 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the Line of Duty Act Program from the entity were $12,482 and $10,780 for the years ended June 30, 2018 and June 30, 2017, respectively.

NOTE 12 – LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)

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

At June 30, 2018, the entity reported a liability of $263,000 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2017 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of that date. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2017, the entity's proportion was 0.09995% as compared to 0.10104% at June 30, 2016.

For the year ended June 30, 2018, the entity recognized LODA OPEB expense of $20,000. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the entity reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	$ -	$ 28,000
Employer contributions subsequent to the measurement date	12,482	-
Total	$ 12,482	$ 28,000

$12,482 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

Year Ended June 30	
2019	$ (3,000)
2020	(3,000)
2021	(3,000)
2022	(3,000)
2023	(3,000)
Thereafter	(13,000)

NOTE 12 – LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.50%-5.35%
SPORS employees	3.50%-4.75%
VaLORS employees	3.50%-4.75%
Locality employees	3.50%-4.75%
Medical cost trend rates assumption:	
Under age 65	7.75%-5.00%
Ages 65 and older	5.75%-5.00%
Investment rate of return	3.56%, net of OPEB plan investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 3.56%. However, since the difference was minimal, a more conservative 3.56% investment return assumption has been used. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.56% was used since it approximates the risk-free rate of return.

Mortality rates – General State Employees

Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:
RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115% of rates; females 130% of rates.

NOTE 12 – LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)

Actuarial Assumptions (Continued)

Mortality rates – General State Employees (Continued)

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Mortality rates – SPORS Employees

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

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

Post-Disablement:
RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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

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

NOTE 12 – LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)

Actuarial Assumptions (Continued)

Mortality rates – VaLORS Employees

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

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

Post-Disablement:
RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Mortality Rates – Largest Ten Locality Employers with Public Safety Employees

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

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

Post-Disablement:
RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

NOTE 12 – LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)

Actuarial Assumptions (Continued)

Mortality Rates – Largest Ten Locality Employers with Public Safety Employees (Continued)

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Mortality Rates – Non-Largest Ten Locality Employers with Public Safety Employees

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

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

Post-Disablement:
RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

NOTE 12 – LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)

Changes to the LODA Program Associated with HB 1345 (2016) and HB 2243 (2017)

The following changes were made to the LODA Program as a result of legislation in 2016 and 2017, but were specifically not considered in the June 30, 2016 actuarial valuation results which were rolled forward to the measurement date of June 30, 2017. There was no current actuarial experience on which to base the adjustments and the combined impact of the changes was not considered to be material to the final results. These changes will be factored into future actuarial valuations for the LODA Program.

- The discontinuance of spouse health care coverage, if a covered spouse divorces a disabled employee or a covered surviving spouse remarries.
- The potential for VRS's periodic review of the disability status of a disabled employee.
- For those beneficiaries who become eligible for health care benefits as the result of a disability occurring after June 30, 2017, the suspension of health care benefits in years when VRS certifies current income exceeds salary at the time of the disability, indexed for inflation.
- The extension of health care benefits for dependent children to age 26.
- The expansion of the definition of presumption of death or disability to include infectious diseases.

Net LODA OPEB Liability

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

	LODA Program
Total LODA OPEB Liability	$ 266,252
Plan Fiduciary Net Position	3,461
Employers' Net OPEB Liability (Asset)	$ 262,791
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.30%

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

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.56% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 7.00% assumption. Instead, the assumed annual rate of return of 3.56% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index published monthly by the Board of Governors of the Federal Reserve System as of the measurement date of June 30, 2017.

NOTE 12 – LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.56%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Discount Rate

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 3.56%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56%) or one percentage point higher (4.56%) than the current rate:

	Discount Rate		
	1% Decrease (2.56%)	Current (3.56%)	1% Increase (4.56%)
Town's proportionate share of the total LODA Net OPEB Liability	$ 298,000	$ 263,000	$ 234,000

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate

Because the Line of Duty Act Program contains a provision for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer's proportionate share of the net LODA OPEB liability using the health care trend rate of 7.75% decreasing to 5.00%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.75% decreasing to 4.00%) or one percentage point higher (8.75% decreasing to 6.00%) than the current rate:

	Health Care Trend Rates		
	1% Decrease (6.75% decreasing to 4.00%)	Current (7.75% decreasing to 5.00%)	1% Increase (8.75% decreasing to 6.00%)
Town's proportionate share of the total LODA Net OPEB Liability	$ 223,000	$ 263,000	$ 312,000

LODA OPEB Fiduciary Net Position

Detailed information about the Line of Duty Act Program Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 13 – MEDICAL, DENTAL, AND PRESCRIPTION INSURANCE – PAY AS YOU GO (OPEB PLAN):

Plan Description

In addition to the pension benefits described in Note 10, the Town administers a single-employer defined benefit healthcare plan, the Town of Luray OPEB Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the Town's pension plans. The plan does not issue a publicly available financial report.

Benefits Provided

Postemployment benefits are provided to eligible retirees include Medical, Dental, and Prescription insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. All permanent employees of the Town who meet eligibility requirements of the pension plan are eligible to receive post-employment health care benefits.

Plan Membership

At July 1, 2017 (the measurement date), the following employees were covered by the benefit terms:

Total active employees with coverage	44
Total	44

Contributions

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Town Council. The amount paid by the Town for OPEB as the benefits came due during the year ended June 30, 2018 was $1,600.

Total OPEB Liability

The Town's total OPEB liability was measured as of July 1, 2017. The total OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Salary Increases	2.50% increases annually
Discount Rate	3.56%
Investment Rate of Return	Not applicable

Mortality rates for Active employees and healthy retirees were based on RP-2014 Fully Generational Mortality Table, with base year 2006, using two-dimensional improvement scale MP-2017.

The date of the most recent actuarial experience study for which significant assumptions were based is not available.

NOTE 13 – MEDICAL, DENTAL, AND PRESCRIPTION INSURANCE – PAY AS YOU GO (OPEB PLAN): (CONTINUED)

Discount Rate

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments has been set equal to 3.56% and represents the Municipal Go AA 20-year yield curve rate as of June 30, 2017.

Changes in Total OPEB Liability

		Primary Government Total OPEB Liability
Balances at June 30, 2017	$	118,200
Changes for the year:		
Service cost		10,800
Interest		4,600
Benefit payments		(1,600)
Net changes		13,800
Balances at June 30, 2018	$	132,000

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following amounts present the total OPEB liability of the Town, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56%) or one percentage point higher (4.56%) than the current discount rate:

Rate					
	1% Decrease (2.56%)		Current Discount Rate (3.56%)		1% Increase (4.56%)
$	146,300	$	132,000	$	119,300

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Town, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current healthcare cost trend rates:

Rates					
	1% Decrease (6.00%)		Healthcare Cost Trend (7.00%)		1% Increase (8.00%)
$	115,800	$	132,000	$	151,400

NOTE 13 – MEDICAL, DENTAL, AND PRESCRIPTION INSURANCE – PAY AS YOU GO (OPEB PLAN): (CONTINUED)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2018, the Town recognized OPEB expense in the amount of $22,600. At June 30, 2018, the Town did not report any deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Additional disclosures on changes in net OPEB liability, related ratios, and employer contributions can be found on the required supplementary information following the notes to the financial statements.

NOTE 14 – DEFERRED/UNAVAILABLE REVENUE:

Deferred/unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Under the accrual basis, assessments for future periods are deferred. Deferred/unavailable revenue is comprised of the following:

	Government-wide Statements	Balance Sheet
	Governmental Activities	Governmental Funds
Deferred/unavailable revenue:		
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	$ -	$ 148,532
2nd half assessments due in December	662,127	662,127
Prepaid property taxes due after June 30 but paid in advance by taxpayers	46,553	46,553
Total deferred/unavailable revenue	$ 708,680	$ 857,212

NOTE 15 – CONTINGENT LIABILITIES (INCLUDING FEDERALLY ASSISTED PROGRAMS – COMPLIANCE AUDITS):

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

NOTE 16 – 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 the 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), 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).

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town's investing activities are managed under the custody of the Treasurer. The Town has no policy regarding custodial credit risk.

NOTE 17 – RISK MANAGEMENT:

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town joined together with other local governments in Virginia to form the Virginia Municipal Group Self Insurance Association, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The Town pays an annual premium to the Association for its workers compensation insurance. The Town also joined together with other local governments in Virginia to form the Virginia Municipal Liability Pool a public entity risk pool currently operating as a common property and liability program for participating local governments. The Town pays annual premiums to the Pool for its automobile, liability, property, boiler and machinery, and fidelity crime coverage.

In the event of a loss deficit and depletion of all available excess insurance, these pools may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The Town continues to carry commercial insurance for employee health and accident insurance. Settled claims resulting from this risk have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 17 – RISK MANAGEMENT: (CONTINUED)

Policies in effect at June 30, 2018, are as follows:

Insurer	Description		Limit
Virginia Municipal Liability Pool	Public Officials Liability	$	1,000,000/no aggregate limit
Virginia Municipal Liability Pool	Excess Liability (Umbrella)		5,000,000
Virginia Municipal Liability Pool	Extortion		10,000
Virginia Municipal Liability Pool	Theft, Disappearance, and Destruction		500,000
Virginia Municipal Liability Pool	Computer Fraud		25,000
Virginia Municipal Liability Pool	Money, and Counterfeit Papers		500,000
Virginia Municipal Liability Pool	Forgery		500,000
Virginia Municipal Liability Pool	Public Employee Dishonesty		500,000

NOTE 18 – RELATED PARTY TRANSACTIONS:

The Town buys materials and supplies from Lancaster Enterprises, a proprietorship owned and operated by Council member Leroy Lancaster. The total amount purchased from this business enterprise during the year ended June 30, 2018 was immaterial to the Town's financial statements.

NOTE 19 – LITIGATION:

At June 30, 2018, there were no matters of litigation involving the Town or which would materially affect the Town's financial position should any court decisions on pending matters not be favorable to such entities.

NOTE 20 – CONSTRUCTION CONTRACTS OUTSTANDING:

The town had the following material construction contract outstanding at June 30, 2018:

Project		Original Contract Amount		Amount Spent as of June 30, 2018		Amount of Contract Remaining at Year End
Orders Construction Company	$	3,856,020	$	774,960	$	3,081,060

NOTE 21 – UPCOMING PRONOUNCEMENTS:

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

NOTE 21 – UPCOMING PRONOUNCEMENTS: (CONTINUED)

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

Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

REQUIRED SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
General property taxes	$ 1,528,448	$ 1,528,448	$ 1,496,762	$ (31,686)
Other local taxes	2,043,150	2,043,150	1,975,467	(67,683)
Permits, privilege fees, and regulatory licenses	14,000	14,000	10,220	(3,780)
Fines and forfeitures	16,000	16,000	14,664	(1,336)
Revenue from the use of money and property	66,120	66,120	15,882	(50,238)
Charges for services	352,950	352,950	341,094	(11,856)
Miscellaneous	220,150	220,150	57,401	(162,749)
Intergovernmental:				
Commonwealth	1,566,838	1,566,838	1,349,908	(216,930)
Federal	1,455,000	1,455,000	713,940	(741,060)
Total revenues	$ 7,262,656	$ 7,262,656	$ 5,975,338	$ (1,287,318)
EXPENDITURES				
Current:				
General government administration	$ 632,276	$ 626,245	$ 562,217	$ 64,028
Public safety	1,362,832	1,365,597	1,294,311	71,286
Public works	4,984,337	4,808,178	3,341,106	1,467,072
Health and welfare	20,000	20,000	17,950	2,050
Parks, recreation, and cultural	894,192	897,730	893,347	4,383
Community development	96,356	90,678	40,466	50,212
Debt service:				
Principal retirement	131,020	343,093	343,093	-
Interest and other fiscal charges	106,810	76,302	40,741	35,561
Total expenditures	$ 8,227,823	$ 8,227,823	$ 6,533,231	$ 1,694,592
Excess (deficiency) of revenues over (under) expenditures	$ (965,167)	$ (965,167)	$ (557,893)	$ 407,274
OTHER FINANCING SOURCES (USES)				
Issuance of notes payable	$ 965,167	$ 965,167	$ 888,914	$ (76,253)
Total other financing sources (uses)	$ 965,167	$ 965,167	$ 888,914	$ (76,253)
Change in fund balance	$ -	$ -	$ 331,021	$ 331,021
Fund balance, beginning of year	-	-	3,248,685	3,248,685
Fund balance, end of year	$ -	$ -	$ 3,579,706	$ 3,579,706

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

	2017	2016	2015	2014
Total pension liability				
Service cost	$ 263,637	$ 239,366	$ 221,298	$ 210,184
Interest	754,116	728,501	749,586	710,918
Differences between expected and actual experience	101,929	(28,214)	(791,690)	-
Changes in assumptions	(125,332)	-	-	-
Benefit payments, including refunds of employee contributions	(544,249)	(603,203)	(357,629)	(379,757)
Net change in total pension liability	$ 450,101	$ 336,450	$ (178,435)	$ 541,345
Total pension liability - beginning	11,045,205	10,708,755	10,887,190	10,345,845
Total pension liability - ending (a)	$ 11,495,306	$ 11,045,205	$ 10,708,755	$ 10,887,190
Plan fiduciary net position				
Contributions - employer	$ 201,439	$ 290,105	$ 295,788	$ 312,158
Contributions - employee	101,789	98,216	100,169	116,821
Net investment income	1,118,816	159,197	411,708	1,212,124
Benefit payments, including refunds of employee contributions	(544,249)	(603,203)	(357,629)	(379,757)
Administrative expense	(6,564)	(5,856)	(5,508)	(6,430)
Other	(991)	(68)	(87)	64
Net change in plan fiduciary net position	$ 870,240	$ (61,609)	$ 444,441	$ 1,254,980
Plan fiduciary net position - beginning	9,272,514	9,334,123	8,889,682	7,634,702
Plan fiduciary net position - ending (b)	$ 10,142,754	$ 9,272,514	$ 9,334,123	8,889,682
Political subdivision's net pension liability - ending (a) - (b)	$ 1,352,552	$ 1,772,691	$ 1,374,632	$ 1,997,508
Plan fiduciary net position as a percentage of the total pension liability	88.23%	83.95%	87.16%	81.65%
Covered payroll	$ 1,940,160	$ 1,970,110	$ 2,008,408	$ 1,918,614
Political subdivision's net pension liability as a percentage of covered payroll	69.71%	89.98%	68.44%	103.44%

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
Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	$ 197,954	$ 197,954	$ -	$ 1,923,099	10.29%
2017	201,439	201,439	-	1,940,160	10.38%
2016	290,105	290,105	-	1,970,110	14.73%
2015	295,788	295,788	-	2,008,408	14.73%
2014	312,158	312,158	-	1,918,614	16.27%
2013	311,043	311,043	-	1,911,756	16.27%
2012	188,281	188,281	-	1,822,665	10.33%
2011	183,164	183,164	-	1,773,127	10.33%
2010	183,397	183,397	-	1,792,741	10.23%
2009	196,070	196,070	-	1,721,118	11.39%

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

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

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

Largest 10 – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Largest 10 – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

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

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2017	0.01052%	$ 159,000	$ 1,940,160	8.20%	48.86%

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

Schedule of Employer Contributions
Group Life Insurance Program
For the Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	$ 10,000	$ 10,000	$ -	$ 1,923,099	0.52%
2017	10,089	10,089	-	1,940,160	0.52%
2016	10,442	10,442	-	1,970,110	0.53%
2015	10,645	10,645	-	2,008,408	0.53%
2014	10,169	10,169	-	1,918,614	0.53%
2013	10,132	10,132	-	1,911,756	0.53%
2012	8,020	8,020	-	1,822,665	0.44%
2011	7,802	7,802	-	1,773,127	0.44%
2010	6,454	6,454	-	1,792,741	0.36%
2009	6,196	6,196	-	1,721,118	0.36%

Notes to Required Supplementary Information
Group Life Insurance Program
Year Ended June 30, 2018

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

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

General State Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Teachers

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

SPORS Employees

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

VaLORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

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

JRS Employees

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

Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Schedule of Employer's Share of Net LODA OPEB Liability
Line of Duty Act Program (LODA)
Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net LODA OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) (3)	Covered-Employee Payroll * (4)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total LODA OPEB Liability (6)
2017	0.09995%	$ 263,000	$ 671,497	39.17%	1.30%

* The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan. However, when volunteers and part-time employees make up a significant percentage of the employer's members in the plan, the employer may determine that covered-employee payroll is misleading and, therefore, not applicable for disclosure.

Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.

Schedule of Employer Contributions
Line of Duty Act Program (LODA)
Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Covered-Employee Payroll * (4)	Contributions as a % of Covered - Employee Payroll (5)
2018	$ 12,482	$ 12,482	$ -	$ 677,057	2%
2017	10,780	10,780	-	671,497	2%
2016	9,858	9,858	-	666,044	1%
2015	9,858	9,858	-	678,595	1%
2014	10,439	10,439	-	629,165	2%
2013	9,483	9,483	-	641,016	1%
2012	4,444	4,444	-	612,429	1%
2011	N/A	N/A	N/A	N/A	N/A
2010	N/A	N/A	N/A	N/A	N/A
2009	N/A	N/A	N/A	N/A	N/A

* The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of employees in the OPEB plan. However, when volunteers and part-time employees make up a significant percentage of the employer's members in the plan, the employer may determine that covered-employee payroll is misleading and, therefore, not applicable for disclosure.

FY 2011 was the first year for the Line of Duty Act Program (LODA), however there were no contributions.

Notes to Required Supplementary Information
Line of Duty Act Program (LODA)
Year Ended June 30, 2018

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

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

General State Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

SPORS Employees

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

VaLORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Employees in the Largest Ten Locality Employers with Public Safety Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Employees in the Non-Largest Ten Locality Employers with Public Safety Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Schedule of Changes in Total OPEB Liability and Related Ratios
Primary Government
For the Year Ended June 30, 2018

		2018
Total OPEB liability		
Service cost	$	10,800
Interest		4,600
Changes in assumptions		-
Differences between expected and actual experience		-
Benefit payments		(1,600)
Net change in total OPEB liability	$	13,800
Total OPEB liability - beginning		118,200
Total OPEB liability - ending	$	132,000
Covered payroll	$	N/A
Town's total OPEB liability (asset) as a percentage of covered payroll		N/A

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

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

Valuation Date: 7/1/2017
Measurement Date: 7/1/2017

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age actuarial cost method
Discount Rate	3.56% as of June 30, 2017
Healthcare Trend Rate	7.00% for fiscal year end 2018, decreasing .50% per year to an ultimate rate of 5.00%
Salary Increase Rates	2.5% as of June 30, 2017
Retirement Age	The average age at retirement is 62
Mortality Rates	RP-2014 Fully Generational Mortality Table, with base year 2006, using two-dimensional improvement scale MP-2017.

OTHER SUPPLEMENTARY INFORMATION

Schedule of Revenues - Budget and Actual
Governmental Funds
Year Ended June 30, 2018

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Intergovernmental:				
Revenue from local sources:				
General property taxes:				
Real property taxes	$ 1,277,865	$ 1,277,865	$ 1,239,253	$ (38,612)
Real and personal public service corporation taxes	57,300	57,300	56,339	(961)
Personal property taxes	171,133	171,133	176,333	5,200
Mobile home taxes	650	650	647	(3)
Penalties and interest	21,500	21,500	24,190	2,690
Total general property taxes	$ 1,528,448	$ 1,528,448	$ 1,496,762	$ (31,686)
Other local taxes:				
Local sales and use taxes	$ 199,500	$ 199,500	$ 192,407	$ (7,093)
Consumers' utility taxes	147,000	147,000	141,750	(5,250)
Business license taxes	312,500	312,500	299,467	(13,033)
Franchise license tax	31,000	31,000	32,621	1,621
Motor vehicle licenses	56,000	56,000	58,580	2,580
Bank stock taxes	199,500	199,500	200,873	1,373
Transient occupancy taxes	236,500	236,500	217,350	(19,150)
Restaurant food taxes	686,150	686,150	685,746	(404)
Sprint right of way fees	25,000	25,000	18,186	(6,814)
Cigarette tax	150,000	150,000	128,487	(21,513)
Total other local taxes	$ 2,043,150	$ 2,043,150	$ 1,975,467	$ (67,683)
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	$ 14,000	$ 14,000	$ 10,220	$ (3,780)
Total permits, privilege fees, and regulatory licenses	$ 14,000	$ 14,000	$ 10,220	$ (3,780)
Fines and forfeitures:				
Court fines and forfeitures	$ 16,000	$ 16,000	$ 13,629	$ (2,371)
Parking fines	-	-	1,035	1,035
Total fines and forfeitures	$ 16,000	$ 16,000	$ 14,664	$ (1,336)
Revenue from use of money and property:				
Revenue from use of money	$ 6,000	$ 6,000	$ 134	$ (5,866)
Revenue from use of property	60,120	60,120	15,748	(44,372)
Total revenue from use of money and property	$ 66,120	$ 66,120	$ 15,882	$ (50,238)
Charges for services:				
Charges for sanitation and waste removal	$ 275,000	$ 275,000	$ 271,013	$ (3,987)
Charges for recreation	77,950	77,950	70,081	(7,869)
Total charges for services	$ 352,950	$ 352,950	$ 341,094	$ (11,856)
Miscellaneous:				
Rebates and refunds	$ 7,400	$ 7,400	$ 3,948	$ (3,452)
Donations	40,100	40,100	42,494	2,394
Miscellaneous	19,150	19,150	9,709	(9,441)
Proffers	150,000	150,000	-	(150,000)
Greenway development grant	500	500	1,250	750
Sale of equipment	3,000	3,000	-	(3,000)
Total miscellaneous	$ 220,150	$ 220,150	$ 57,401	$ (162,749)
Total revenue from local sources	$ 4,240,818	$ 4,240,818	$ 3,911,490	$ (329,328)

Schedule of Revenues - Budget and Actual
Governmental Funds
Year Ended June 30, 2018 (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:				
Noncategorical aid:				
Rolling stock tax	$ 4,000	$ 4,000	$ 30	$ (3,970)
Auto rental tax	450	450	712	262
Personal property tax relief funds	74,575	74,575	74,574	(1)
Total noncategorical aid	$ 79,025	$ 79,025	$ 75,316	$ (3,709)
Categorical aid:				
Other categorical aid:				
Virginia Commission for the Arts grant	$ 5,000	$ 5,000	$ 4,500	$ (500)
Disaster grants - public assistance	100	100	-	(100)
VDOT Revenue Sharing - Valley Health	235,000	235,000	-	(235,000)
Aid to localities with police departments	119,888	119,888	119,888	-
Department of fire programs funds	14,500	14,500	17,065	2,565
Litter control grant	2,775	2,775	2,706	(69)
Street and highway maintenance funds	1,110,500	1,110,500	1,130,418	19,918
DMV animal friendly plate	50	50	15	(35)
Total other categorical aid	$ 1,487,813	$ 1,487,813	$ 1,274,592	$ (213,221)
Total categorical aid	$ 1,487,813	$ 1,487,813	$ 1,274,592	$ (213,221)
Total revenue from the Commonwealth	$ 1,566,838	$ 1,566,838	$ 1,349,908	$ (216,930)
Revenue from the federal government:				
Categorical aid:				
TEA-21 Grant	$ 85,000	$ 85,000	$ -	$ (85,000)
Federal highway planning and construction	1,368,500	1,368,500	704,561	(663,939)
Law Enforcement Block Grant	1,500	1,500	-	(1,500)
Wildland fire management	-	-	9,379	9,379
Total categorical aid	$ 1,455,000	$ 1,455,000	$ 713,940	$ (741,060)
Total General Fund	$ 7,262,656	$ 7,262,656	$ 5,975,338	$ (1,287,318)

Town of Luray, Virginia

Schedule 2
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Schedule of Expenditures - Budget and Actual
Governmental Funds
Year Ended June 30, 2018

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Town Council	$ 178,270	$ 171,613	$ 170,765	$ 848
General and financial administration:				
Town manager	$ 96,510	$ 86,989	$ 59,260	$ 27,729
Legal services	30,000	42,177	42,177	-
Independent auditor	6,000	6,000	5,900	100
Treasurer	321,496	319,466	284,115	35,351
Total general and financial administration	$ 454,006	$ 454,632	$ 391,452	$ 63,180
Total general government administration	$ 632,276	$ 626,245	$ 562,217	$ 64,028
Public safety:				
Law enforcement and traffic control:				
Police department	$ 1,323,032	$ 1,323,032	$ 1,254,176	$ 68,856
Total law enforcement and traffic control	$ 1,323,032	$ 1,323,032	$ 1,254,176	$ 68,856
Fire and rescue services:				
Volunteer emergency operations	$ 14,300	$ 17,065	$ 17,065	$ -
Total fire and rescue services	$ 14,300	$ 17,065	$ 17,065	$ -
Other protection:				
Safety Officer	$ 25,500	$ 25,500	$ 23,070	$ 2,430
Total other protection	$ 25,500	$ 25,500	$ 23,070	$ 2,430
Total public safety	$ 1,362,832	$ 1,365,597	$ 1,294,311	$ 71,286
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	$ 4,032,927	$ 3,856,621	$ 2,438,005	$ 1,418,616
Sanitation and waste removal:				
Refuse collection and disposal	$ 275,000	$ 275,000	$ 272,934	$ 2,066
Maintenance of general buildings and grounds:				
General properties	$ 676,410	$ 676,557	$ 630,167	$ 46,390
Total public works	$ 4,984,337	$ 4,808,178	$ 3,341,106	$ 1,467,072
Health and welfare:				
Welfare:				
Tax relief for the elderly	$ 20,000	$ 20,000	$ 17,950	$ 2,050
Total health and welfare	$ 20,000	$ 20,000	$ 17,950	$ 2,050
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	$ 894,192	$ 897,730	$ 893,347	$ 4,383
Total parks, recreation, and cultural	$ 894,192	$ 897,730	$ 893,347	$ 4,383
Community development:				
Planning and community development:				
Planning Commission	$ 96,356	$ 90,678	$ 40,466	$ 50,212
Total community development	$ 96,356	$ 90,678	$ 40,466	$ 50,212

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

Fund, Function, Activity, and Elements	**Original Budget**	**Final Budget**	**Actual**	**Variance with Final Budget - Positive (Negative)**
General Fund: (continued)				
Debt service:				
Principal retirement	$ 131,020	$ 343,093	$ 343,093	$ -
Interest and other fiscal charges	106,810	76,302	40,741	35,561
Total debt service	$ 237,830	$ 419,395	$ 383,834	$ 35,561
Total General Fund	$ 8,227,823	$ 8,227,823	$ 6,533,231	$ 1,694,592

STATISTICAL INFORMATION

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Town of Luray, Virginia

Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2009	**2010**	**2011**	**2012**
Governmental activities:				
Net investment in capital assets	$ 6,043,229	$ 5,703,358	$ 5,751,140	$ 5,674,643
Restricted	-	-	-	-
Unrestricted	3,310,599	3,256,154	3,039,161	2,786,609
Total governmental activities net position	$ 9,353,828	$ 8,959,512	$ 8,790,301	$ 8,461,252
Business-type activities:				
Net investment in capital assets	$ 4,201,990	$ 7,025,040	$ 7,348,362	$ 6,977,198
Unrestricted	(774,747)	172,314	3,733	247,072
Total business-type activities net position	$ 3,427,243	$ 7,197,354	$ 7,352,095	$ 7,224,270
Primary government:				
Net investment in capital assets	$ 10,245,219	$ 12,728,398	$ 13,099,502	$ 12,651,841
Restricted	-	-	-	-
Unrestricted	2,535,852	3,428,468	3,042,894	3,033,681
Total primary government net position	$ 12,781,071	$ 16,156,866	$ 16,142,396	$ 15,685,522

Table 1

Fiscal Year					
2013	2014	2015	2016	2017	2018
$ 5,745,435	$ 5,793,353	$ 5,785,314	$ 5,526,182	$ 5,664,357	$ 5,967,874
91,435	78,566	78,399	78,359	78,359	78,359
2,386,033	2,344,212	1,069,049	1,661,875	2,111,217	2,143,435
$ 8,222,903	$ 8,216,131	$ 6,932,762	$ 7,266,416	$ 7,853,933	$ 8,189,668
$ 6,792,425	$ 6,787,088	$ 6,688,986	$ 6,538,164	$ 6,337,026	$ 6,184,095
472,871	622,239	(118,375)	279,110	510,127	731,804
$ 7,265,296	$ 7,409,327	$ 6,570,611	$ 6,817,274	$ 6,847,153	$ 6,915,899
$ 12,537,860	$ 12,580,441	$ 12,474,300	$ 12,064,346	$ 12,001,383	$ 12,151,969
91,435	78,566	78,399	78,359	78,359	78,359
2,858,904	2,966,451	950,674	1,940,985	2,621,344	2,875,239
$ 15,488,199	$ 15,625,458	$ 13,503,373	$ 14,083,690	$ 14,701,086	$ 15,105,567

Town of Luray, Virginia

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2009	2010	2011	2012
Expenses				
Governmental activities:				
General government administration	$ 485,549	$ 505,686	$ 500,906	$ 514,606
Public safety	1,050,693	1,084,592	1,073,077	1,111,020
Public works	2,016,877	2,042,757	2,061,180	2,085,022
Health and welfare	21,456	20,080	16,794	16,956
Parks, recreation and cultural	767,811	821,314	855,668	921,154
Community development	240,196	275,424	104,148	101,811
Interest on long-term debt	21,508	34,080	36,267	31,840
Total governmental activities expenses	$ 4,604,090	$ 4,783,933	$ 4,648,040	$ 4,782,409
Business-type activities:				
Water	$ 809,920	$ 940,743	$ 1,143,368	$ 1,152,492
Sewer	1,435,237	1,406,639	1,449,556	1,579,828
Total business-type activities expenses	$ 2,245,157	$ 2,347,382	$ 2,592,924	$ 2,732,320
Total primary government expenses	$ 6,849,247	$ 7,131,315	$ 7,240,964	$ 7,514,729
Program Revenues				
Governmental activities:				
Charges for services:				
Public safety	$ 27,394	$ 21,100	$ 13,192	$ 20,458
Public works	266,954	256,431	278,022	286,764
Parks, recreation and cultural	21,303	24,010	34,916	50,987
Operating grants and contributions	1,188,949	1,068,993	1,207,087	1,113,750
Capital grants and contributions	1,026,589	192,504	7,373	7,130
Total governmental activities program revenues	$ 2,531,189	$ 1,563,038	$ 1,540,590	$ 1,479,089
Business-type activities:				
Charges for services:				
Water	$ 851,080	$ 933,890	$ 1,045,554	$ 1,013,473
Sewer	1,231,646	1,222,889	1,376,999	1,357,779
Capital grants and contributions	335,423	3,959,557	325,053	234,293
Total business-type activities program revenues	$ 2,418,149	$ 6,116,336	$ 2,747,606	$ 2,605,545
Total primary government program revenues	$ 4,949,338	$ 7,679,374	$ 4,288,196	$ 4,084,634
Net (expenses) / revenues				
Governmental activities	$ (2,072,901)	$ (3,220,895)	$ (3,107,450)	$ (3,303,320)
Business-type activities	172,992	3,768,954	154,682	(126,775)
Total primary government net expenses	$ (1,899,909)	$ 548,059	$ (2,952,768)	$ (3,430,095)

Table 2

Fiscal Year					
2013	**2014**	**2015**	**2016**	**2017**	**2018**
$ 607,559	$ 618,941	$ 559,526	$ 490,376	$ 511,407	$ 569,084
1,146,605	1,146,412	1,141,749	1,050,020	1,078,372	1,181,158
2,063,184	2,081,369	2,091,393	2,286,890	2,127,714	2,370,672
18,625	20,768	18,501	16,240	17,361	17,950
956,077	932,451	904,215	884,352	946,573	994,845
102,796	122,476	105,981	103,653	53,834	41,971
30,621	31,611	36,851	41,774	43,889	40,219
$ 4,925,467	$ 4,954,028	$ 4,858,216	$ 4,873,305	$ 4,779,150	$ 5,215,899
$ 1,141,888	$ 1,157,276	$ 1,259,401	$ 1,206,662	$ 1,315,590	$ 1,241,892
1,575,688	1,556,848	1,689,150	1,621,493	1,617,958	1,638,884
$ 2,717,576	$ 2,714,124	$ 2,948,551	$ 2,828,155	$ 2,933,548	$ 2,880,776
$ 7,643,043	$ 7,668,152	$ 7,806,767	$ 7,701,460	$ 7,712,698	$ 8,096,675
$ 14,144	$ 12,112	$ 16,390	$ 5,574	$ 15,892	$ 14,664
277,493	270,711	262,098	276,428	276,494	281,233
35,300	45,485	51,812	64,027	59,357	70,081
1,126,002	1,157,138	1,196,572	1,217,272	1,282,700	1,283,971
74,281	208,033	172,730	72,629	25,567	704,561
$ 1,527,220	$ 1,693,479	$ 1,699,602	$ 1,635,930	$ 1,660,010	$ 2,354,510
$ 1,191,472	$ 1,281,618	$ 1,199,345	$ 1,344,042	$ 1,283,027	$ 1,317,041
1,557,240	1,568,612	1,598,892	1,722,166	1,672,355	1,695,722
9,890	7,925	7,305	8,610	8,045	16,535
$ 2,758,602	$ 2,858,155	$ 2,805,542	$ 3,074,818	$ 2,963,427	$ 3,029,298
$ 4,285,822	$ 4,551,634	$ 4,505,144	$ 4,710,748	$ 4,623,437	$ 5,383,808
$ (3,398,247)	$ (3,260,549)	$ (3,158,614)	$ (3,237,345)	$ (3,119,140)	$ (2,861,389)
41,026	144,031	(143,009)	246,663	29,879	148,522
$ (3,357,221)	$ (3,116,518)	$ (3,301,623)	$ (2,990,682)	$ (3,089,261)	$ (2,712,867)

Town of Luray, Virginia

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting - continued)

	Fiscal Year 2009	2010	2011	2012
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property taxes	$ 1,166,186	$ 1,174,864	$ 1,125,076	$ 1,180,066
Local sales and use taxes	176,571	168,469	173,565	183,465
Consumer utility taxes	151,269	151,448	153,642	145,694
Business licenses taxes	267,463	239,700	254,998	260,514
Restaurant food tax	519,523	518,750	547,070	558,832
Cigarette Tax	-	88,208	181,225	147,233
Transient occupancy tax	152,910	146,549	146,363	148,632
Bank stock tax	-	-	-	-
Other local taxes	187,176	210,136	230,650	224,798
Unrestricted grants and contributions	127,212	74,678	78,717	78,493
Unrestricted revenues from use of of money and property	34,526	33,010	24,767	21,779
Miscellaneous	14,280	20,767	15,728	24,765
Recovered costs	-	-	6,438	-
Gain on disposal of assets	-	-	-	-
Total governmental activities	$ 2,797,116	$ 2,826,579	$ 2,938,239	$ 2,974,271
Business-type activities:				
Unrestricted revenues from use of money and property	$ 429	$ 1,157	$ 59	$ -
Gain on disposal of assets	-	-	-	(1,050)
Total business-type activities	$ 429	$ 1,157	$ 59	$ (1,050)
Total primary government	$ 2,797,545	$ 2,827,736	$ 2,938,298	$ 2,973,221
Change in Net Position				
Governmental activities	$ 724,215	$ (394,316)	$ (169,211)	$ (329,049)
Business-type activities	173,421	3,770,111	154,741	(127,825)
Total primary government	$ 897,636	$ 3,375,795	$ (14,470)	$ (456,874)

Table 2

Fiscal Year					
2013	2014	2015	2016	2017	2018
$ 1,312,095	$ 1,382,004	$ 1,443,186	$ 1,498,702	$ 1,515,039	$ 1,502,082
159,355	156,643	168,298	168,914	206,361	192,407
149,709	147,712	148,027	144,071	142,047	141,750
297,759	278,404	284,248	300,375	330,702	299,467
589,201	586,310	634,526	670,423	708,845	685,746
145,997	137,920	141,497	148,921	145,436	128,487
160,217	157,008	155,698	182,944	220,370	217,350
-	-	164,956	199,234	191,122	200,873
233,560	245,431	136,646	111,071	111,896	109,387
78,820	79,277	83,678	78,681	79,344	75,316
20,827	19,234	20,282	24,946	23,613	15,882
12,358	62,041	197,481	42,717	31,882	57,401
-	-	-	-	-	-
-	1,793	-	-	-	-
$ 3,159,898	$ 3,253,777	$ 3,578,523	$ 3,570,999	$ 3,706,657	$ 3,626,148
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ -
$ 3,159,898	$ 3,253,777	$ 3,578,523	$ 3,570,999	$ 3,706,657	$ 3,626,148
$ (238,349)	$ (6,772)	$ 419,909	$ 333,654	$ 587,517	$ 764,759
41,026	144,031	(143,009)	246,663	29,879	148,522
$ (197,323)	$ 137,259	$ 276,900	$ 580,317	$ 617,396	$ 913,281

Town of Luray, Virginia

Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year	Property Tax	Local sales and use Tax	Consumer Utility Tax	Business Licenses Tax	Restaurant Food Tax	Transient Occupancy Tax
2018	$ 1,502,082	$ 192,407	$ 141,750	$ 299,467	$ 685,746	$ 217,350
2017	1,515,039	206,361	142,047	330,702	708,845	220,370
2016	1,498,702	168,914	144,071	300,375	670,423	182,944
2015	1,443,186	168,298	148,027	284,248	634,526	155,698
2014	1,382,004	156,643	147,712	278,404	586,310	157,008
2013	1,312,095	159,355	149,709	297,759	589,201	160,217
2012	1,180,066	183,465	145,694	260,514	558,832	147,233
2011	1,125,076	173,565	153,642	254,998	547,070	146,363
2010	1,174,864	168,469	151,448	239,700	518,750	146,549
2009	1,166,186	176,571	151,269	267,463	519,523	152,910

Table 3

Cigarette Tax	Bank Stock Tax	Other Local Taxes	Total
$ 128,487	$ 200,873	$ 109,387	$ 3,477,549
145,436	191,122	111,896	3,571,818
148,921	199,234	111,071	3,424,655
141,497	164,956	136,646	3,277,082
137,920	-	245,431	3,091,432
145,997	-	233,560	3,047,893
148,632	-	224,798	2,849,234
181,225	-	230,650	2,812,589
88,208	-	210,136	2,698,124
-	-	187,176	2,621,098

Town of Luray, Virginia

Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2009	2010	2011	2012
General fund				
Nonspendable	$ -	$ -	$ 40,954	$ 44,572
Unassigned	3,423,254	3,365,491	3,028,046	2,769,998
Total general fund	$ 3,423,254	$ 3,365,491	$ 3,069,000	$ 2,814,570
All other governmental funds				
Restricted	$ 82,687	$ 91,869	$ 87,482	$ 89,457
Total all other governmental funds	$ 82,687	$ 91,869	$ 87,482	$ 89,457

Table 4

	Fiscal Year					
	2013	2014	2015	2016	2017	2018
	$ 43,228	$ 35,366	$ 33,898	$ 44,601	$ 47,546	$ 73,281
	2,399,080	2,363,277	2,695,348	2,976,885	3,201,139	3,506,425
	$ 2,442,308	$ 2,398,643	$ 2,729,246	$ 3,021,486	$ 3,248,685	$ 3,579,706
	$ 91,435	$ 78,566	$ 78,399	$ 78,359	$ 78,359	$ 78,359
	$ 91,435	$ 78,566	$ 78,399	$ 78,359	$ 78,359	$ 78,359

Town of Luray, Virginia

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2009	2010	2011	2012
Revenues				
General property taxes	$ 1,183,333	$ 1,160,038	$ 1,148,368	$ 1,154,297
Other local taxes	1,454,912	1,523,260	1,687,513	1,669,168
Permits, privilege fees and regulatory licenses	11,494	4,944	13,388	21,301
Fines and forfeitures	27,394	21,100	13,192	20,458
Revenue from use of money and property	34,526	33,010	24,767	21,779
Charges for services	276,763	275,497	299,550	316,450
Miscellaneous	158,753	31,700	93,063	48,347
Recovered costs	-	-	6,438	-
Intergovernmental:				
Commonwealth	1,122,352	1,100,335	1,150,969	1,168,661
Federal	1,027,224	224,907	64,873	7,130
Total revenues	$ 5,296,751	$ 4,374,791	$ 4,502,121	$ 4,427,591
Expenditures				
General government administration	$ 432,172	$ 441,870	$ 452,551	$ 465,875
Public safety	1,034,193	1,073,783	1,053,048	1,105,702
Public works	1,872,654	1,821,799	1,833,727	1,953,282
Health and welfare	21,456	20,080	16,794	16,956
Parks, recreation and cultural	940,979	1,496,485	999,951	883,498
Community development	1,213,925	275,424	104,879	102,578
Debt service				
Principal	18,769	19,033	213,913	120,315
Interest and other fiscal charges	21,508	34,080	36,267	31,840
Total expenditures	$ 5,555,656	$ 5,182,554	$ 4,711,130	$ 4,680,046
Excess deficiency of revenues over (under) expenditures	$ (258,905)	$ (807,763)	$ (209,009)	$ (252,455)
Other financing sources (uses)				
Transfers in	$ -	$ -	$ -	$ -
Transfers out	-	-	-	-
Issuance of capital leases	-	-	-	-
Notes payable issued	-	750,000	-	-
Total other financing sources (uses)	$ -	$ 750,000	$ -	$ -
Net change in fund balances	$ (258,905)	$ (57,763)	$ (209,009)	$ (252,455)
Debt service as a percentage of noncapital expenditures	0.73%	1.04%	5.61%	3.36%

	Fiscal Year					
	2013	**2014**	**2015**	**2016**	**2017**	**2018**
	$ 1,259,426	$ 1,374,297	$ 1,460,424	$ 1,497,639	$ 1,504,916	$ 1,496,762
	1,735,798	1,709,428	1,833,896	1,925,953	2,056,779	1,975,467
	8,080	3,975	5,525	15,831	12,054	10,220
	14,144	12,112	16,390	5,574	15,892	14,664
	20,827	19,234	20,282	24,946	23,613	15,882
	304,713	312,221	308,385	324,624	323,797	341,094
	20,693	62,041	197,481	42,717	31,882	57,401
	-	-	-	-	-	-
	1,187,492	1,227,420	1,260,758	1,295,400	1,351,738	1,349,908
	83,276	217,028	192,222	73,182	35,873	713,940
	$ 4,634,449	$ 4,937,756	$ 5,295,363	$ 5,205,866	$ 5,356,544	$ 5,975,338
	$ 571,040	$ 572,595	$ 531,344	$ 497,894	$ 526,471	$ 562,217
	1,123,134	1,131,285	1,218,678	1,212,686	1,251,411	1,294,311
	2,204,613	2,309,081	2,639,203	2,397,086	2,278,044	3,341,106
	18,625	20,768	18,501	16,240	17,361	17,950
	837,140	778,724	772,907	774,703	888,836	893,347
	112,356	119,967	108,668	116,124	65,689	40,466
	448,362	32,603	210,672	420,976	217,664	343,093
	30,621	31,060	36,612	38,379	41,947	40,741
	$ 5,345,891	$ 4,996,083	$ 5,536,585	$ 5,474,088	$ 5,287,423	$ 6,533,231
	$ (711,442)	$ (58,327)	$ (241,222)	$ (268,222)	$ 69,121	$ (557,893)
	$ 804	$ -	$ -	$ -	$ -	$ -
	(804)	-	-	-	-	-
	-	-	-	28,585	133,798	-
	341,158	-	571,658	531,837	24,280	888,914
	$ 341,158	$ -	$ 571,658	$ 560,422	$ 158,078	$ 888,914
	$ (370,284)	$ (58,327)	$ 330,436	$ 292,200	$ 227,199	$ 331,021
	9.84%	1.29%	4.68%	9.80%	5.73%	7.91%

Town of Luray, Virginia

General Governmental Tax Revenues by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	Property Tax	Local sales and use Tax	Consumer Utility Tax	Business License Tax	Restaurant Food Tax
2018	$ 1,496,762	$ 192,407	$ 141,750	$ 299,467	$ 685,746
2017	1,504,916	206,361	142,047	330,702	708,845
2016	1,497,639	168,914	144,071	300,375	670,423
2015	1,460,424	168,298	148,027	284,248	634,526
2014	1,374,297	156,643	147,712	278,404	586,310
2013	1,259,426	159,355	149,709	297,759	589,201
2012	1,154,297	183,465	145,694	260,514	558,832
2011	1,148,368	173,565	153,642	254,998	547,070
2010	1,160,038	168,469	151,448	239,700	518,750
2009	1,183,333	176,571	151,269	267,463	519,523

Table 6

	Transient Occupancy Tax		Cigarette Tax		Bank Stock Tax		Other Local Taxes		Total
$	217,350	$	128,487	$	200,873	$	109,387	$	3,472,229
	220,370		145,436		191,122		111,896		3,561,695
	182,944		148,921		199,234		111,071		3,423,592
	155,698		141,497		164,956		136,646		3,294,320
	157,008		137,920		-		245,431		3,083,725
	160,217		145,997		-		233,560		2,995,224
	148,632		147,233		-		224,798		2,823,465
	146,363		181,225		-		230,650		2,835,881
	146,549		88,208		-		210,136		2,683,298
	152,910		-		-		187,176		2,638,245

Town of Luray, Virginia

Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Mobile Homes
2018	$ 430,164,500	$ 24,187,210	$ 8,631,780	$ 264,700
2017	429,756,500	23,809,450	8,822,440	270,700
2016	428,328,900	23,284,440	8,134,130	270,700
2015	440,341,200	22,242,270	6,627,770	298,100
2014	439,895,000	22,206,970	6,319,380	298,100
2013	439,923,500	22,516,330	8,166,920	295,700
2012	439,424,800	29,639,180	8,088,850	292,500
2011	438,035,700	29,580,220	7,770,455	358,100
2010	479,268,900	28,582,120	8,013,960	346,400
2009	477,793,000	29,080,774	8,271,900	345,500

Source: Commissioner of Revenue, County of Page, Virginia.

Table 7

Public Service	Total Taxable Assessed Value	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
$ 19,281,196	$ 482,529,386	$ 507,925,669	95.00%
19,511,060	482,170,150	491,753,720	98.05%
19,399,193	479,417,363	488,969,097	98.05%
20,312,493	489,821,833	499,641,442	98.03%
18,374,869	487,094,319	496,903,978	98.03%
17,918,474	488,820,924	498,631,218	98.03%
16,535,917	493,981,247	503,780,420	98.05%
14,066,627	489,811,102	499,579,298	98.04%
13,509,784	529,721,164	540,408,860	98.02%
12,536,576	528,027,750	538,682,534	98.02%

Property Tax Rates (1)
Direct and Overlapping Governments
Last Ten Fiscal Years

	Direct Rates			
Fiscal Year	**Real Estate**	**Personal Property**	**Mobile Homes**	**Machinery and Tools**
2018	0.29	0.62	0.29	0.62
2017	0.29	0.62	0.29	0.62
2016	0.29	0.62	0.29	0.62
2015	.28/.29	0.40/.62	0.28/.29	0.40/.62
2014	0.28	0.40	0.28	0.40
2013	.24/.28	0.40	.24/.28	0.40
2012	0.24	0.40	0.24	0.40
2011	0.22/0.24	0.40	0.22/0.24	0.40
2010	0.22	0.40	0.22	0.40
2009	0.22	0.40	0.22	0.40

(1) Per $100 of assessed value.

Principal Property Taxpayers
Current Year and the Period Ten Years Prior

		Fiscal Year 2018		Fiscal Year 2009	
Taxpayer	**Type Business**	**2017 Assessed Valuation**	**% of Total Assessed Valuation**	**2008 Assessed Valuation**	**% of Total Assessed Valuation**
Luray Caverns Corp	Commercial	$ 15,062,400	3.12%	$ 10,724,000	2.03%
Blue Bell Inc.	Manufacturing	8,038,200	1.67%	8,732,000	1.65%
Scott Lee Managing (WalMart)	Commercial	7,432,400	1.54%	6,121,300	1.16%
Kentland Foundation Inc.	Commercial	5,275,200	1.09%	3,841,100	0.73%
SVC LLC previously Excelsior Care	Commercial	4,481,000	0.93%	4,029,700	0.76%
East Luray LLC	Commercial	4,067,400	0.84%	3,116,300	0.59%
EMCO Inc. 2006/Fibercraft 1996	Manufacturing	3,609,800	0.75%	3,920,500	0.74%
Baker Development	Land Developers	2,295,400	0.48%	-	0.00%
10 Wallace Ave LLC	Commercial	2,031,200	0.42%	-	0.00%
Rugby Square Associates	Housing Complex	1,712,100	0.35%	-	0.00%
Luray Village	Housing Complex	1,556,400	0.32%	3,098,100	0.59%
Mehta Prop.LLC 2006/Zalesca Inc.1996	Commercial	1,296,700	0.27%	1,421,600	0.27%
Luray LLC 2006/Wallace Bus.1996	Commercial	-	0.00%	4,294,600	0.81%
		$ 56,858,200	11.78%	$ 49,299,200	9.37%

Source: Commissioner of Revenue, County of Page, Virginia.

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2018	$ 1,530,062	$ 1,444,897	94.43%	$ -	$ 1,444,897	94.43%
2017	1,522,812	1,462,323	96.03%	17,594	1,479,917	97.18%
2016	1,525,037	1,459,040	95.67%	37,491	1,496,531	98.13%
2015	1,465,110	1,418,204	96.80%	26,072	1,444,276	98.58%
2014	1,399,552	1,348,052	96.32%	37,677	1,385,729	99.01%
2013	1,307,657	1,239,362	94.78%	58,747	1,298,109	99.27%
2012	1,211,427	1,142,622	94.32%	64,939	1,207,561	99.68%
2011	1,200,430	1,136,408	94.67%	60,405	1,196,813	99.70%
2010	1,200,416	1,149,680	95.77%	48,396	1,198,076	99.81%
2009	1,196,710	1,146,593	95.81%	47,637	1,194,230	99.79%

Source: Commissioner of Revenue, County of Page, Virginia and Town Treasurer's office.

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Town of Luray, Virginia

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

	Governmental Activities		Business-type Activities			
Fiscal Year	Other Notes/ Bonds	Capital Leases	General Obligation Bonds	Other Notes/ Bonds	Capital Leases	Total Primary Government
2018	$ 1,701,920	$ 55,039	$ 3,853,326	$ 5,383,987	$ -	$ 10,994,272
2017	1,107,157	103,981	4,223,498	5,472,279	-	10,906,915
2016	1,252,273	18,451	4,576,099	5,557,204	-	11,404,027
2015	1,131,278	-	4,921,228	5,638,892	-	11,691,398
2014	770,292	-	5,253,985	5,717,462	-	11,741,739
2013	802,895	-	5,584,460	5,793,330	-	12,180,685
2012	910,099	-	6,057,744	5,865,739	-	12,833,582
2011	1,030,414	-	11,264,744	912,484	-	13,207,642
2010	1,231,290	13,038	11,543,388	925,030	26,076	13,738,822
2009	487,285	26,076	10,100,894	937,028	52,152	11,603,435

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

(1) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 14.

Table 11

Percentage of Personal Income (1)	Net Bonded Debt Per Capita (1)
2.04%	$ 2,282
2.08%	2,228
2.18%	2,338
2.10%	2,406
2.17%	2,416
2.08%	2,488
2.21%	2,577
2.35%	2,652
2.45%	2,758
2.06%	2,339

Ratio of Net General Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Net Bonded Debt (3)	Ratio of Net Bonded Debt to Assessed Value (2)	Net Bonded Debt per Capita (1)
2018	$ 10,939,233	$ -	$ 10,939,233	2.27%	$ 2,271
2017	10,802,934	-	10,802,934	2.24%	2,207
2016	11,385,576	-	11,385,576	2.37%	2,334
2015	11,691,398	-	11,691,398	2.39%	2,406
2014	11,741,739	-	11,741,739	2.41%	2,416
2013	12,180,685	-	12,180,685	2.49%	2,488
2012	12,833,582	-	12,833,582	2.60%	2,577
2011	13,207,642	-	13,207,642	2.70%	2,652
2010	13,699,708	-	13,699,708	2.59%	2,750
2009	11,525,207	-	11,525,207	2.18%	2,324

(1) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 14.
(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 7.
(3) Includes all long-term general obligation bonded debt; excludes revenue bonds, capital leases, and compensated absences.

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Town of Luray, Virginia

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	2009	2010	2011	2012
Debt limit	$ 52,802,775	$ 47,926,890	$ 43,803,570	$ 43,942,480
Total net debt applicable to limit	11,525,207	13,699,708	13,207,642	12,833,582
Legal debt margin	$ 41,277,568	$ 34,227,182	$ 30,595,928	$ 31,108,898
Total net debt applicable to the limit as a percentage of debt limit	21.83%	28.58%	30.15%	29.21%

Table 13

	Fiscal Year					
	2013	2014	2015	2016	2017	2018
	$ 43,992,350	$ 43,989,500	$ 44,034,120	$ 42,832,890	$ 42,975,650	$ 43,016,450
	12,180,685	11,741,739	11,691,398	11,385,576	10,802,934	10,939,233
	$ 31,811,665	$ 32,247,761	$ 32,342,722	$ 31,447,314	$ 32,172,716	$ 32,077,217
	27.69%	26.69%	26.55%	26.58%	25.14%	25.43%

Legal Debt Margin Calculation for Fiscal Year 2016

Assessed value	$ 430,164,500
Add back: exempt real property	-
Total assessed value	$ 430,164,500
Debt limit (10% of total assessed value)	$ 43,016,450
Net debt applicable to limit	10,939,233
Legal debt margin	$ 32,077,217

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Town Population	County Population (1)	Personal Income (1)	Per Capita Personal Income (1)	Unemploy-ment Rate (1)
2018	4,817	23,731	$ 538,290,273	$ 22,683	3.80%
2017	4,895	23,586	524,576,226	22,241	5.60%
2016	4,878	23,719	523,786,677	22,083	4.60%
2015	4,860	24,083	556,895,292	23,124	6.90%
2014	4,860	24,079	539,971,575	22,425	7.60%
2013	4,896	24,215	586,027,215	24,201	8.20%
2012	4,980	24,042	581,840,442	24,201	9.10%
2011	4,980	24,042	561,098,000	23,338	9.30%
2010	4,981	24,164	561,280,000	23,228	9.10%
2009	4,960	24,164	562,170,000	23,265	8.80%

Source: Weldon Cooper Center for Public Service, Bureau of Labor Statistics, and www.census.gov/quickfacts.

(1) Data available for the County of Page, Virginia.

Principal Employers
Current Year and Nine Years Ago

	Fiscal Year 2018			Fiscal Year 2009		
Employer	**Employees**	**Rank**	**% of Total County Employment**	**Employees**	**Rank**	**% of Total County Employment**
Page County Public Schools	603	1	10.90%	696	1	7.53%
Delaware North (Prev. Aramark)	287	2	5.19%	290	2	3.14%
County of Page, Virginia	224	3	4.05%	254	6	2.75%
Emco, Inc.	212	4	3.83%	250	3	2.71%
Wrangler/VF Jeanswear	210	5	3.80%	231	5	2.50%
Luray Caverns Corp	205	6	3.71%	250	3	2.71%
Walmart	202	7	3.65%	205	7	2.22%
Valley Health (Page Memorial Hospital)	200	8	3.62%	199	8	2.15%
Valley Care Management	75	9	1.36%	0	N/A	0.00%
Town of Luray, Virginia	60	10	1.08%	0	N/A	0.00%
Totals	2,278		41.20%	2,375		25.71%

Source: Weldon Cooper Center for Public Service

Town of Luray, Virginia

Full-time Equivalent Town Government Employees by Function
Last Ten Fiscal Years

Function	2009	2010	2011	2012	2013	2014
	Fiscal Year					
General government	10	7	7	7	9	9
Public safety						
Police department	11	11	11	11	11	12
Public works						
General maintenance	12	12	12	12	12	12
Waste Water Treatment Plant	6	6	6	6	5	6
Culture and recreation						
Parks and recreation	6	6	6	6	5	6
Community development						
Planning	0	1	1	1	1	1
Totals	45	43	43	43	43	46

Source: Individual Town departments.

Table 16

Fiscal Year			
2015	**2016**	**2017**	**2018**
9	9	8	9
11	11	11	11
12	12	12	12
6	5	5	5
6	6	6	7
1	1	0	0
45	44	42	44

Town of Luray, Virginia

Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year 2009	2010	2011	2012	2013	2014
Public safety						
Police department:						
Physical arrests	263	173	187	141	208	89
Traffic violations	411	336	639	386	178	261
Fire and rescue:						
Number of calls answered	913	922	1,002	906	1,005	908
Public works						
General maintenance:						
Trucks/vehicles	14	15	15	17	17	17
Culture and recreation						
Parks and recreation:						
Youth sports participants	721	600	600	625	625	900
Community development						
Planning:						
Zoning permits issued	120	127	106	89	81	67

Source: Individual Town departments.

Table 17

Fiscal Year			
2015	**2016**	**2017**	**2018**
64	194	303	375
213	197	311	243
946	947	1,055	1,038
17	18	18	18
800	815	800	800
62	76	97	93

Town of Luray, Virginia

Capital Asset Statistics by Function
Last Ten Fiscal Years

	Fiscal Year					
Function	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
General government						
Administration buildings	18	18	18	18	18	19
Vehicles	2	2	2	1	1	2
Public safety						
Police department:						
Patrol units	7	8	8	8	8	8
Other vehicles						
Public works						
General maintenance:						
Trucks/vehicles	15	15	15	17	17	17
Waste Water Treatment Plant:						
Vehicles	3	3	3	4	5	4
Culture and recreation						
Parks and recreation:						
Vehicles	8	8	8	9	9	10
Parks acreage	190	190	190	190	190	190
Swimming pools				1	1	1

Source: Individual Town departments.

Table 18

Fiscal Year			
2015	**2016**	**2017**	**2018**
19	19	19	19
2	2	2	2
8	8	10	10
		2	2
17	18	18	18
4	4	4	4
10	10	9	9
190	190	190	190
1	1	1	1

COMPLIANCE

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

THE HONORABLE MEMBERS OF
THE TOWN COUNCIL
TOWN OF LURAY, 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 Luray, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Town of Luray, Virginia's basic financial statements, and have issued our report thereon dated November 1, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Luray, 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 Luray, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Luray, 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 Luray, 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

Staunton, Virginia
November 1, 2018