



TOWN OF LURAY, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013

TOWN OF LURAY, VIRGINIA
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2013

COUNCIL

Barry Presgraves, Mayor

John Meaney

Leroy C. Lancaster

Ron Vickers

Mary Menefee

Lonnie Arrington

Joey Sours

OFFICIALS

Charles Hoke..... Temporary Town Manager

Mary Broyles..... Clerk-Treasurer

Jason Spitler, Bushey and Spitler. Town Attorney

Danielle Babb Clerk of Council

**TOWN OF LURAY, VIRGINIA
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2013**

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

TO THE HONORABLE MEMBERS OF THE TOWN COUNCIL TOWN OF 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 the Town of Luray, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Luray, Virginia, as of June 30, 2013, 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.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2013, the Town adopted new accounting guidance, GASB Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 65, *Items Previously Reported as Assets and Liabilities*. 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 on pages 4-8, budgetary comparison information, and schedules of pension and OPEB funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2013, on our consideration of the 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Luray, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Staunton, Virginia
November 1, 2013

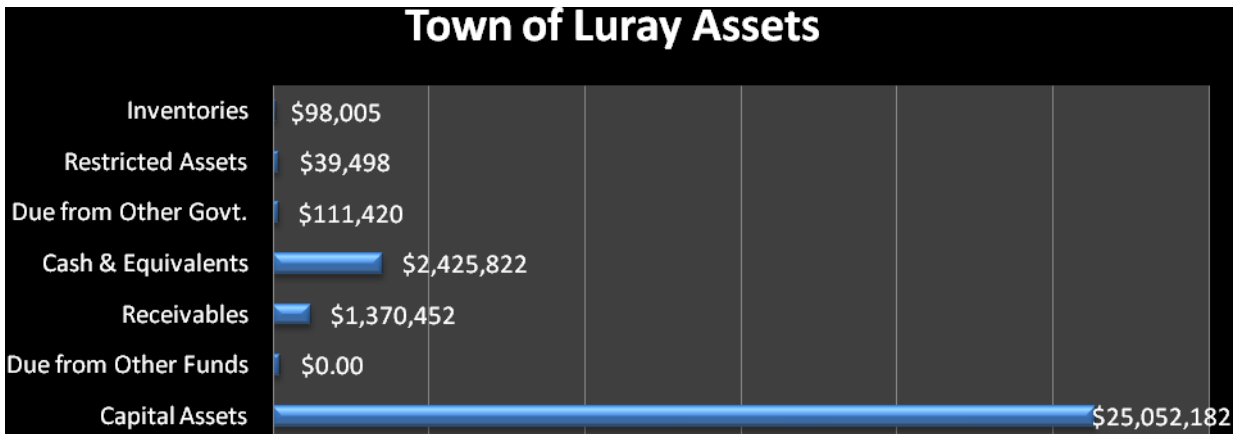
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MANAGEMENT'S DISCUSSION AND ANALYSIS
Town of Luray Annual Audit Report
Fiscal Year Ending June 30, 2013

We are pleased to present the Annual Audit Report for the Town of Luray's fiscal year ending June 30, 2013. 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 unqualified 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, 2013. 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, 2013 by \$15,488,199 (net position). Of this amount, \$2,858,904 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. The unrestricted net position has decreased by \$174,777 over last fiscal year's unrestricted balance of \$3,033,681.

Assets decreased by \$651,290 over the previous budget year. Assets and deferred outflows of resources totaled \$29,222,896 on June 30, 2013, while liabilities and deferred inflows only \$13,734,697. 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, 2013, the Town's general fund balance is just over \$2.4 million. This is a decrease of \$372,262 over last year's fund balance of \$2,814,570. At June 30, 2013, the fund balance available for spending at the Town of Luray's discretion amounted to \$2,399,080 (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 assets. 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, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013
Land	\$ 940,793	\$ 940,793	\$ 149,704	\$ 149,704	\$ 1,090,497	\$ 1,090,497
Buildings and improvements	6,928,685	7,209,528	-	-	6,928,685	7,209,528
Infrastructure	5,387,586	5,404,436	-	-	5,387,586	5,404,436
Utility plant in service	-	-	33,777,158	33,908,428	33,777,158	33,908,428
Equipment	1,654,223	1,696,908	-	-	1,654,223	1,696,908
Construction in progress	100,560	152,955	-	-	100,560	152,955
Total	\$ 15,011,847	\$ 15,404,620	\$ 33,926,862	\$ 34,058,132	\$ 48,938,709	\$ 49,462,752
Accumulated depreciation	(8,427,105)	(8,856,290)	(14,975,407)	(15,554,280)	(23,402,512)	(24,410,570)
Net capital assets	\$ 6,584,742	\$ 6,548,330	\$ 18,951,455	\$ 18,503,852	\$ 25,536,197	\$ 25,052,182

**Town of Luray, Virginia's
Net Position**

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013
Current and other assets	\$ 3,670,077	\$ 3,429,980	\$ 542,395	\$ 615,217	\$ 4,212,472	\$ 4,045,197
Capital assets	6,584,742	6,548,330	18,951,455	18,503,852	25,536,197	25,052,182
Deferred outflow of resources	-	-	-	125,517	-	125,517
Total assets	\$ 10,254,819	\$ 9,978,310	\$ 19,493,850	\$ 19,244,586	\$ 29,748,669	\$ 29,222,896
Current and other liabilities	\$ 677,162	\$ 108,277	\$ 194,267	\$ 170,634	\$ 871,429	\$ 278,911
Long-term liabilities	1,116,405	1,000,727	12,075,313	11,808,656	13,191,718	12,809,383
Deferred inflow of resources	-	646,403	-	-	-	646,403
Total liabilities	\$ 1,793,567	\$ 1,755,407	\$ 12,269,580	\$ 11,979,290	\$ 14,063,147	\$ 13,734,697
Net investment in capital assets	\$ 5,674,643	\$ 5,745,435	\$ 6,977,198	\$ 6,792,425	\$ 12,651,841	\$ 12,537,860
Restricted (CDBG)	-	91,435	-	-	-	91,435
Unrestricted	2,786,609	2,386,033	247,072	472,871	3,033,681	2,858,904
Total net position	\$ 8,461,252	\$ 8,222,903	\$ 7,224,270	\$ 7,265,296	\$ 15,685,522	\$ 15,488,199

Liabilities total \$13,734,697 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 is considered the legal margin of debt. On June 30, 2013 the total assessed value of real estate in the Town of Luray was \$439,923,500. The legal debt margin would therefore be \$43,992,350. 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, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013
Revenues						
Program revenues						
Charges for services	\$ 358,209	\$ 326,937	\$ 2,371,252	\$ 2,748,712	\$ 2,729,461	\$ 3,075,649
Operating grants and contributions	1,113,750	1,126,002	-	-	1,113,750	1,126,002
Capital grants and contributions	7,130	74,281	234,293	9,890	241,423	84,171
General revenues						
Property taxes	1,180,066	1,312,095	-	-	1,180,066	1,312,095
Other local taxes	1,669,168	1,735,798	-	-	1,669,168	1,735,798
Grants and contributions not restricted to specific programs	78,493	78,820	-	-	78,493	78,820
Unrestricted investment earnings	21,779	20,827	-	-	21,779	20,827
Other	24,765	12,358	(1,050)	-	23,715	12,358
Total revenues	\$ 4,453,360	\$ 4,687,118	\$ 2,604,495	\$ 2,758,602	\$ 7,057,855	\$ 7,445,720
Expenses						
General government administration	\$ 514,606	\$ 607,559	\$ -	\$ -	\$ 514,606	\$ 607,559
Public safety	1,111,020	1,146,605	-	-	1,111,020	1,146,605
Public works	2,085,022	2,063,184	-	-	2,085,022	2,063,184
Health and welfare	16,956	18,625	-	-	16,956	18,625
Parks, recreation and culture	921,154	956,077	-	-	921,154	956,077
Community development	101,811	102,796	-	-	101,811	102,796
Interest on long-term debt	31,840	30,621	-	-	31,840	30,621
Business-type activities	-	-	2,732,320	2,717,576	2,732,320	2,717,576
Total expenses	\$ 4,782,409	\$ 4,925,467	\$ 2,732,320	\$ 2,717,576	\$ 7,514,729	\$ 7,643,043
Change in net position	\$ (329,049)	\$ (238,349)	\$ (127,825)	\$ 41,026	\$ (456,874)	\$ (197,323)
Net position, beginning	8,790,301	8,461,252	7,352,095	7,224,270	16,142,396	15,685,522
Net position, ending	\$ 8,461,252	\$ 8,222,903	\$ 7,224,270	\$ 7,265,296	\$ 15,685,522	\$ 15,488,199

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.

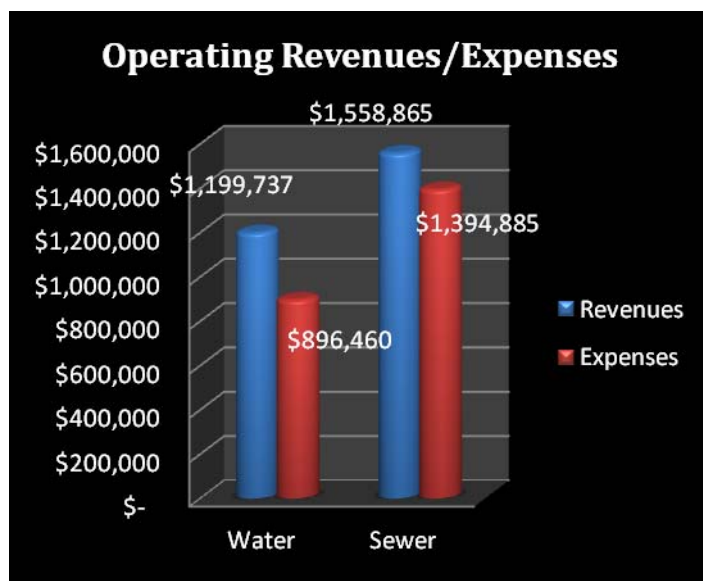
The Town's net position is divided into three categories: (1) net investment in capital assets; (2) restricted; and (3) unrestricted. The preceding chart of Luray's assets provided a breakout of assets. At the end of the current fiscal year, the Town is able to report positive balances in all categories 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 decreased the Town's net position by \$238,349. Total spending in governmental funds was \$4,925,467.



The 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 \$457,367. The water fund had an operational income of \$295,012 and the sewer funds an operational income of \$162,355. Overall operating expenses show a decrease of \$20,636 over the June 30, 2012 proprietary fund statements. Unrestricted net position of the water and sewer funds at the end of the fiscal year is \$472,871.

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 proceed with the Luray Train Depot rehabilitation project provided funding is received for future improvements.
- 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 upgrade a water pump station in Forest Hills Subdivision.
- The Town will begin the planning process for the rehabilitation of the Main Street Bridge which will be funded through a 1.62 million dollar grant.
- The Town will continue with the next phase of the Main Street Electric Conduit Project.
- The Town will continue with upgrading the water meters, valves and sewer infrastructures.

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.

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BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Position
June 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,255,622	\$ 170,200	\$ 2,425,822
Receivables (net of allowance for uncollectibles):			
Taxes receivable	774,153	-	774,153
Accounts receivable	142,674	402,322	544,996
Notes receivable	51,303	-	51,303
Internal balances	12,082	(12,082)	-
Due from other governmental units	111,420	-	111,420
Inventories	43,228	54,777	98,005
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	39,498	-	39,498
Capital assets, net of accumulated depreciation:			
Land	940,793	149,704	1,090,497
Buildings and system	3,335,576	-	3,335,576
Land Improvements	896,074	-	896,074
Machinery and equipment	309,140	-	309,140
Infrastructure	913,792	-	913,792
Utility plant in service	-	18,354,148	18,354,148
Construction in progress	152,955	-	152,955
Total assets	<u>\$ 9,978,310</u>	<u>\$ 19,119,069</u>	<u>\$ 29,097,379</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	\$ -	\$ 125,517	\$ 125,517
Total deferred outflows of resources	<u>\$ -</u>	<u>\$ 125,517</u>	<u>\$ 125,517</u>
LIABILITIES			
Accounts payable	\$ 102,747	\$ 30,294	\$ 133,041
Accrued liabilities	2,752	-	2,752
Retainage Payable	2,778	-	2,778
Customers' deposits	-	93,185	93,185
Accrued interest payable	-	47,155	47,155
Long-term liabilities:			
Due within one year	32,179	406,041	438,220
Due in more than one year	968,548	11,402,615	12,371,163
Total liabilities	<u>\$ 1,109,004</u>	<u>\$ 11,979,290</u>	<u>\$ 13,088,294</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	\$ 646,403	\$ -	\$ 646,403
Total deferred inflows of resources	<u>\$ 646,403</u>	<u>\$ -</u>	<u>\$ 646,403</u>
NET POSITION			
Net investment in capital assets	\$ 5,745,435	\$ 6,792,425	\$ 12,537,860
Restricted for:			
Community development block grant expenditures	91,435	-	91,435
Unrestricted	2,386,033	472,871	2,858,904
Total net position	<u>\$ 8,222,903</u>	<u>\$ 7,265,296</u>	<u>\$ 15,488,199</u>

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

Town of Luray, Virginia

**Statement of Activities
For the Year Ended June 30, 2013**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 607,559	\$ -	\$ -	-
Public safety	1,146,605	14,144	139,108	-
Public works	2,063,184	277,493	970,264	74,281
Health and welfare	18,625	-	-	-
Parks, recreation, and cultural	956,077	35,300	11,630	-
Community development	102,796	-	5,000	-
Interest on long-term debt	30,621	-	-	-
Total governmental activities	\$ 4,925,467	\$ 326,937	\$ 1,126,002	\$ 74,281
Business-type activities:				
Water	\$ 1,141,888	\$ 1,191,472	\$ -	\$ 8,265
Sewer	1,575,688	1,557,240	-	1,625
Total business-type activities	\$ 2,717,576	\$ 2,748,712	\$ -	\$ 9,890
Total primary government	\$ 7,643,043	\$ 3,075,649	\$ 1,126,002	\$ 84,171

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
 - 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
- 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
\$ (607,559)	\$ -	\$ (607,559)
(993,353)	-	(993,353)
(741,146)	-	(741,146)
(18,625)	-	(18,625)
(909,147)	-	(909,147)
(97,796)	-	(97,796)
(30,621)	-	(30,621)
<u>\$ (3,398,247)</u>	<u>\$ -</u>	<u>\$ (3,398,247)</u>
\$ -	\$ 57,849	\$ 57,849
-	(16,823)	(16,823)
<u>\$ -</u>	<u>\$ 41,026</u>	<u>\$ 41,026</u>
<u>\$ (3,398,247)</u>	<u>\$ 41,026</u>	<u>\$ (3,357,221)</u>
\$ 1,312,095	\$ -	\$ 1,312,095
159,355	-	159,355
149,709	-	149,709
297,759	-	297,759
589,201	-	589,201
145,997	-	145,997
160,217	-	160,217
233,560	-	233,560
20,827	-	20,827
12,358	-	12,358
78,820	-	78,820
<u>\$ 3,159,898</u>	<u>\$ -</u>	<u>\$ 3,159,898</u>
<u>\$ (238,349)</u>	<u>\$ 41,026</u>	<u>\$ (197,323)</u>
<u>8,461,252</u>	<u>7,224,270</u>	<u>15,685,522</u>
<u>\$ 8,222,903</u>	<u>\$ 7,265,296</u>	<u>\$ 15,488,199</u>

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FUND FINANCIAL STATEMENTS

Balance Sheet
Governmental Funds
June 30, 2013

	Primary Government		
	Special Revenue Fund CDBG		
	General		Total
ASSETS			
Cash and cash equivalents	\$ 2,254,988	\$ 634	\$ 2,255,622
Receivables (net of allowance for uncollectibles):			
Taxes receivable	774,153	-	774,153
Accounts receivable	142,674	-	142,674
Notes receivable	-	51,303	51,303
Due from other funds	12,082	-	12,082
Due from other governmental units	111,420	-	111,420
Inventories	43,228	-	43,228
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	-	39,498	39,498
Total assets	\$ 3,338,545	\$ 91,435	\$ 3,429,980
LIABILITIES			
Liabilities:			
Accounts payable	\$ 102,747	\$ -	\$ 102,747
Accrued liabilities	2,752	-	2,752
Retainage payable	2,778	-	2,778
Total liabilities	\$ 108,277	\$ -	\$ 108,277
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	\$ 787,960	\$ -	\$ 787,960
Total deferred inflows of resources	\$ 787,960	\$ -	\$ 787,960
FUND BALANCES			
Nonspendable:			
Inventory	\$ 43,228	\$ -	\$ 43,228
Restricted:			
Community development block grant fund	-	91,435	91,435
Unassigned:	2,399,080	-	2,399,080
Total fund balances	\$ 2,442,308	\$ 91,435	\$ 2,533,743
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,338,545	\$ 91,435	\$ 3,429,980

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, 2013

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 2,533,743
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,548,330
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	141,557
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,000,727)</u>
Net position of governmental activities	<u>\$ 8,222,903</u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	Primary Government		
	Special Revenue Fund		
	General	CDBG	Total
REVENUES			
General property taxes	\$ 1,259,426	\$ -	\$ 1,259,426
Other local taxes	1,735,798	-	1,735,798
Permits, privilege fees, and regulatory licenses	8,080	-	8,080
Fines and forfeitures	14,144	-	14,144
Revenue from the use of money and property	19,653	1,174	20,827
Charges for services	304,713	-	304,713
Miscellaneous	20,693	-	20,693
Commonwealth	1,187,492	-	1,187,492
Federal	83,276	-	83,276
Total revenues	<u>\$ 4,633,275</u>	<u>\$ 1,174</u>	<u>\$ 4,634,449</u>
EXPENDITURES			
Current:			
General government administration	\$ 571,040	\$ -	\$ 571,040
Public safety	1,123,134	-	1,123,134
Public works	2,204,613	-	2,204,613
Health and welfare	18,625	-	18,625
Parks, recreation, and cultural	837,140	-	837,140
Community development	112,356	-	112,356
Debt service:			
Principal retirement	448,362	-	448,362
Interest and other fiscal charges	30,621	-	30,621
Total expenditures	<u>\$ 5,345,891</u>	<u>\$ -</u>	<u>\$ 5,345,891</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (712,616)</u>	<u>\$ 1,174</u>	<u>\$ (711,442)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 804	\$ 804
Transfers out	(804)	-	(804)
Issuance of notes payable	341,158	-	341,158
Total other financing sources (uses)	<u>\$ 340,354</u>	<u>\$ 804</u>	<u>\$ 341,158</u>
Net change in fund balances	\$ (372,262)	\$ 1,978	\$ (370,284)
Fund balances beginning	2,814,570	89,457	2,904,027
Fund balances ending	<u>\$ 2,442,308</u>	<u>\$ 91,435</u>	<u>\$ 2,533,743</u>

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

Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2013

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

Net change in fund balances - total governmental funds	\$ (370,284)
--	--------------

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 depreciation exceeded capital outlays in the current period.	(34,740)
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The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net position.	(1,672)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	52,669
--	--------

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.	107,204
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	<u>8,474</u>
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Change in net position of governmental activities	<u><u>\$ (238,349)</u></u>
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The notes to the financial statements are an integral part of this statement.

Statement of Net Position
 Proprietary Funds
 June 30, 2013

	Enterprise Fund	Enterprise Fund	
	Water	Sewer	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 51,400	\$ 118,800	\$ 170,200
Accounts receivable, net of allowances for uncollectibles	184,687	217,635	402,322
Due from other funds	-	373,759	373,759
Inventories	48,332	6,445	54,777
Total current assets	\$ 284,419	\$ 716,639	\$ 1,001,058
Noncurrent assets:			
Capital assets:			
Land	\$ 114,284	\$ 35,420	\$ 149,704
Utility plant in service	9,695,146	24,213,282	33,908,428
Accumulated Depreciation	(3,323,018)	(12,231,262)	(15,554,280)
Total capital assets	\$ 6,486,412	\$ 12,017,440	\$ 18,503,852
Total noncurrent assets	\$ 6,486,412	\$ 12,017,440	\$ 18,503,852
Total assets	\$ 6,770,831	\$ 12,734,079	\$ 19,504,910
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	\$ 36,144	\$ 89,373	\$ 125,517
Total deferred charge on refunding	\$ 36,144	\$ 89,373	\$ 125,517
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 10,677	\$ 19,617	\$ 30,294
Customers' deposits	93,185	-	93,185
Accrued interest payable	17,913	29,242	47,155
Due to other funds	385,841	-	385,841
Bonds payable - current portion, net of original issue premium	110,295	220,181	330,476
Notes payable - current portion	68,386	7,179	75,565
Total current liabilities	\$ 686,297	\$ 276,219	\$ 962,516
Noncurrent liabilities:			
Bonds payable - net of current portion, net of original issue premium	\$ 1,237,346	\$ 4,350,275	\$ 5,587,621
Notes payable - net of current portion	5,281,981	435,784	5,717,765
Compensated absences	21,345	50,103	71,448
Net OPEB obligation	11,121	14,660	25,781
Total noncurrent liabilities	\$ 6,551,793	\$ 4,850,822	\$ 11,402,615
Total liabilities	\$ 7,238,090	\$ 5,127,041	\$ 12,365,131
NET POSITION			
Net investment in capital assets	\$ (211,596)	\$ 7,004,021	\$ 6,792,425
Unrestricted	(219,519)	692,390	472,871
Total net position (deficit)	\$ (431,115)	\$ 7,696,411	\$ 7,265,296

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

Statement of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Funds
 For the Year Ended June 30, 2013

	Enterprise Fund	Enterprise Fund	
	Water	Sewer	Total
OPERATING REVENUES			
Charges for services:			
Water revenues	\$ 1,187,087	\$ -	\$ 1,187,087
Sewer revenues	-	1,338,842	1,338,842
Miscellaneous	4,385	218,398	222,783
Total operating revenues	<u>\$ 1,191,472</u>	<u>\$ 1,557,240</u>	<u>\$ 2,748,712</u>
OPERATING EXPENSES			
Personal services	\$ 269,225	\$ 412,488	\$ 681,713
Fringe benefits	122,204	171,929	294,133
Contractual services	8,114	8,876	16,990
Other supplies and expenses	41,956	16,200	58,156
Rentals and leases	1	100	101
Insurance claims and expense	20,000	35,000	55,000
Other charges	198,996	407,383	606,379
Depreciation	235,964	342,909	578,873
Total operating expenses	<u>\$ 896,460</u>	<u>\$ 1,394,885</u>	<u>\$ 2,291,345</u>
Operating income (loss)	<u>\$ 295,012</u>	<u>\$ 162,355</u>	<u>\$ 457,367</u>
NONOPERATING REVENUES (EXPENSES)			
Interest and fiscal charges	\$ (227,113)	\$ (136,963)	\$ (364,076)
Bond issuance costs	(18,315)	(43,840)	(62,155)
Total nonoperating revenues (expenses)	<u>\$ (245,428)</u>	<u>\$ (180,803)</u>	<u>\$ (426,231)</u>
Income (loss) before contributions and transfers	<u>\$ 49,584</u>	<u>\$ (18,448)</u>	<u>\$ 31,136</u>
Capital contributions and construction grants	\$ 8,265	\$ 1,625	\$ 9,890
Transfers in	-	9,114	9,114
Transfers out	(9,114)	-	(9,114)
Change in net position	<u>\$ 48,735</u>	<u>\$ (7,709)</u>	<u>\$ 41,026</u>
Total net position - beginning	<u>\$ (479,850)</u>	<u>\$ 7,704,120</u>	<u>\$ 7,224,270</u>
Total net position - ending	<u>\$ (431,115)</u>	<u>\$ 7,696,411</u>	<u>\$ 7,265,296</u>

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

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013

	Enterprise Fund	Enterprise Fund	
	Water	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,173,340	\$ 1,426,297	\$ 2,599,637
Payments to suppliers	(235,871)	(710,788)	(946,659)
Payments to employees	(399,309)	(582,464)	(981,773)
Other receipts (payments)	(1,178)	122,617	121,439
Net cash provided by (used in) operating activities	\$ 536,982	\$ 255,662	\$ 792,644
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	\$ (9,114)	\$ -	\$ (9,114)
Transfers from other funds	-	9,114	9,114
Net cash provided by (used in) noncapital financing activities	\$ (9,114)	\$ 9,114	\$ -
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to utility plant	\$ (56,643)	\$ (74,627)	\$ (131,270)
Proceeds from indebtedness	832,804	697,196	1,530,000
Principal payments on bonds and notes	(1,062,458)	(1,013,236)	(2,075,694)
Capital contributions	8,265	1,625	9,890
Bond premiums	135,886	113,759	249,645
Bond issue cost	(18,315)	(43,840)	(62,155)
Deferred amount on refunding	(39,430)	-	(39,430)
Interest payments	(276,577)	(117,256)	(393,833)
Net cash provided by (used in) capital and related financing activities	\$ (476,468)	\$ (436,379)	\$ (912,847)
Net increase (decrease) in cash and cash equivalents	\$ 51,400	\$ (171,603)	\$ (120,203)
Cash and cash equivalents - beginning - including restricted	\$ -	\$ 290,403	\$ 290,403
Cash and cash equivalents - ending - including restricted	\$ 51,400	\$ 118,800	\$ 170,200
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 295,012	\$ 162,355	\$ 457,367
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	\$ 235,964	\$ 342,909	\$ 578,873
(Increase) decrease in accounts receivable	(18,637)	(10,441)	(29,078)
(Increase) decrease in due from other funds	-	(226,427)	(226,427)
(Increase) decrease in inventories	(1,128)	1,484	356
Increase (decrease) in customer deposits	4,890	-	4,890
Increase (decrease) in accounts payable	(6,734)	(18,286)	(25,020)
Increase (decrease) in OPEB obligation	1,171	2,115	3,286
Increase (decrease) accrued payroll	395	791	1,186
Increase (decrease) accrued vacation leave payable	(8,275)	1,162	(7,113)
Increase (decrease) in due to other funds	34,324	-	34,324
Total adjustments	\$ 241,970	\$ 93,307	\$ 335,277
Net cash provided by (used in) operating activities	\$ 536,982	\$ 255,662	\$ 792,644

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

TOWN OF LURAY, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. Financial Reporting Entity

The Town of Luray, Virginia (government) is a municipal corporation governed by an elected seven-member Town Council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. 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, 2013.

Discretely Presented Component Units - The Town has no discretely presented component units for the fiscal year ended June 30, 2013.

Jointly Governed Organizations - The Luray-Page Town Airport Commission operates the Luray Caverns Airport. There are eight commission members in total. Four members are appointed by the Town and four are appointed by the County of Page, Virginia. The Town does have the ability to impose its will on the Airport Commission through its appointments of members, approval of budgets, and its ability to modify the decisions of the commission. However, the Town does not retain an ongoing financial interest or an ongoing financial responsibility in the Commission. The day-to-day activity of the airport is overseen by Luray Caverns. The Town contributes to the insurance expense of the Commission 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 Airport Commission.

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.

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*.

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

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

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. 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.

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 deferred revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the Town, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the Town.

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of 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 all financial resources of the general government, except those required to be accounted for in another fund.

Special revenue funds account for 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.

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

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

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.

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.

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g. restricted bond and grant proceeds) and unrestricted resources, in order to calculate the amounts to report as restricted – net position and unrestricted – net position in the 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)

D. Assets, liabilities, and net position or equity

1. *Deposits and investments*

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

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, 2013 includes amounts not yet billed or received from the second half of the January 1, 2013 levy (due December 5, 2013). These items are included in unavailable/unearned revenue since these taxes are restricted for use until fiscal year 2014.

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 \$52,311 at June 30, 2013 and is composed of property taxes, refuse, CDBG, and water and sewer accounts receivable. The portion of the allowance for property taxes represents 1.59% of the total levies for the previous year. The portion of the allowance attributable to refuse and water and sewer represents 5.17% of the accounts receivable balance at June 30, 2013. The portion of the allowance attributable to CDBG loans represents 12.47% of the loan receivables balance at June 30, 2013.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**D. Assets, liabilities, and net position or equity (continued)****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 estimated fair market 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:

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

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.

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

D. Assets, liabilities, and net position or equity (continued)

9. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other 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;
- 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.

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

D. Assets, liabilities, and net position or equity (continued)

10. Fund equity (continued)

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 to 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.

12. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Town only has one item that qualifies for reporting in this category. It 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, 2013 amounted to \$125,517.

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 one type of item that qualifies 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.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)****13. *Financial Reporting of Deferred Outflows or Resources, Deferred Inflows of Resources, and Net Position, Statement No. 63 of the Governmental Accounting Standards Board***

The Town implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement provides guidance for reporting deferred inflows and outflows of resources. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on an entity's net position. With the implementation of this Statement, certain terminology has changed and financial statement descriptions have changed from "net assets" to "net position." The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

14. *Items Previously Reported as Assets and Liabilities, Statement No. 65 of the Governmental Accounting Standards Board*

The Town implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

NOTE 2—RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**

The governmental fund balance sheet includes a reconciliation between *fund balance—total governmental funds* and *net position—governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this (\$1,000,727) difference for the primary government are as follows:

	Primary Government
Notes payable	\$ (802,895)
OPEB obligation	(39,419)
Compensated absences	<u>(158,413)</u>
Net adjustment to reduce <i>fund balance—total governmental funds</i> to arrive at <i>net position—governmental activities</i>	<u>\$ (1,000,727)</u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**NOTE 2—RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS: (CONTINUED)****B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances—total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “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.” The details of this (\$34,740) difference for the primary government are as follows:

	Primary Government
Capital outlay	\$ 396,954
Depreciation expense	<u>(431,694)</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ <u><u>(34,740)</u></u>

Another element of that reconciliation states that “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.” The details of this \$107,204 difference in the primary government are as follows:

	Primary Government
Debt issued or incurred:	
Issuance of notes payable	\$ (341,158)
Principal repayments:	
Notes payable	\$ <u>448,362</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ <u><u>107,204</u></u>

NOTE 2—RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS: (CONTINUED)**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (continued)**

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$8,474 difference for the primary government are as follows:

	Primary Government
Compensated absences	\$ 11,988
OPEB obligation	<u>(3,514)</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ <u><u>8,474</u></u>

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.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 3—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY: (CONTINUED)**B. Excess of expenditures over appropriations**

For the year ended June 30, 2013, the following department had expenditures which exceeded appropriations:

<u>Fund</u>	<u>Function</u>	<u>Department</u>	<u>Excess of Expenditures over Appropriations</u>
General	Public works	Highways, streets, bridges and sidewalks	\$ 175,703
Total General Fund			<u>\$ 175,703</u>

C. Deficit fund equity

At June 30, 2013, the water fund had a net position deficit of (\$431,115).

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, 2013, interfund obligations were as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 12,082	\$ -
Sewer Fund	373,759	-
Water Fund	-	385,841
Total	<u>\$ 385,841</u>	<u>\$ 385,841</u>

NOTE 5—DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governmental units at June 30, 2013, are as follows:

	<u>Primary Government</u>
<u>Commonwealth of Virginia:</u>	
Sales tax	\$ 29,759
Communications tax	12,500
Fire programs funds	2,184
Other noncategorical aid	31
<u>Federal Government:</u>	
Tea-21 depot grant	66,946
Total	<u>\$ 111,420</u>

TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013NOTE 6—CAPITAL ASSETS:

Governmental Activities

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets not being depreciated:				
Land	\$ 940,793	\$ -	\$ -	\$ 940,793
Construction in progress	100,560	52,395	-	152,955
Total capital assets not being depreciated	\$ 1,041,353	\$ 52,395	\$ -	\$ 1,093,748
Other capital assets:				
Buildings and improvements	\$ 5,775,502	\$ -	\$ -	\$ 5,775,502
Land improvements	1,153,183	280,843	-	1,434,026
Infrastructure	5,387,586	16,850	-	5,404,436
Furniture, equipment and vehicles	1,654,223	46,866	(4,181)	1,696,908
Total other capital assets	\$ 13,970,494	\$ 344,559	\$ (4,181)	\$ 14,310,872
Accumulated depreciation for:				
Buildings and improvements	\$ (2,306,262)	\$ (133,664)	\$ -	\$ (2,439,926)
Land improvements	(452,672)	(85,280)	-	(537,952)
Infrastructure	(4,376,393)	(114,251)	-	(4,490,644)
Furniture, equipment and vehicles	(1,291,778)	(98,499)	2,509	(1,387,768)
Total accumulated depreciation	\$ (8,427,105)	\$ (431,694)	\$ 2,509	\$ (8,856,290)
Other capital assets, net	\$ 5,543,389	\$ (87,135)	\$ (1,672)	\$ 5,454,582
Net capital assets	\$ 6,584,742	\$ (34,740)	\$ (1,672)	\$ 6,548,330

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**NOTE 6—CAPITAL ASSETS: (CONTINUED)**

Business-Type Activities

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
<i>Water Fund</i>				
Capital assets not being depreciated:				
Land	\$ 114,284	\$ -	\$ -	\$ 114,284
Total capital assets not being depreciated	\$ 114,284	\$ -	\$ -	\$ 114,284
Other capital assets:				
Utility plant in service	\$ 9,638,503	\$ 56,643	\$ -	\$ 9,695,146
Accumulated depreciation	(3,087,054)	(235,964)	-	(3,323,018)
Total other capital assets	\$ 6,551,449	\$ (179,321)	\$ -	\$ 6,372,128
Net capital assets	\$ 6,665,733	\$ (179,321)	\$ -	\$ 6,486,412
<i>Sewer Fund</i>				
Capital assets not being depreciated:				
Land	\$ 35,420	\$ -	\$ -	\$ 35,420
Total capital assets not being depreciated	\$ 35,420	\$ -	\$ -	\$ 35,420
Other capital assets:				
Utility plant in service	\$ 24,138,655	\$ 74,627	\$ -	\$ 24,213,282
Accumulated depreciation	(11,888,353)	(342,909)	-	(12,231,262)
Total other capital assets	\$ 12,250,302	\$ (268,282)	\$ -	\$ 11,982,020
Net capital assets	\$ 12,285,722	\$ (268,282)	\$ -	\$ 12,017,440

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

Governmental activities:	
General government administration	\$ 42,726
Public safety	26,099
Public works	198,392
Parks, recreation, and cultural	163,991
Community development	486
Total depreciation expense-governmental activities	\$ 431,694
Business-type activities:	
Water Fund	\$ 235,964
Sewer Fund	342,909
Total depreciation expense-business type activities	\$ 578,873

TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**NOTE 7—LONG-TERM OBLIGATIONS:****Primary Government—Governmental Activity Indebtedness:**

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2013.

	Balance July 1, 2012	Issuances	Retirements	Balance June 30, 2013
Notes payable	\$ 910,099	\$ 341,158	\$ 448,362	\$ 802,895
Compensated absences	170,401	-	11,988	158,413
Net OPEB obligation	35,905	3,514	-	39,419
Total	<u>\$ 1,116,405</u>	<u>\$ 344,672</u>	<u>\$ 460,350</u>	<u>\$ 1,000,727</u>

Details of Long-term Indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Notes Payable:</u>		
\$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.	\$ 461,737	\$ 7,179
\$341,158 General Obligation Note, Series 2013, issued on March 19, 2013 to refinance the existing General Obligation Note, Series 2010, bearing a 3.5% interest rate, with two annual principal payments of \$25,000 and a final payment of principal and interest due March 19, 2016. The first installment of principal only is due March 19, 2014.	341,158	25,000
Subtotal Notes Payable	\$ 802,895	\$ 32,179
Compensated Absences	\$ 158,413	\$ -
Net OPEB obligation	\$ 39,419	\$ -
Total	<u>\$ 1,000,727</u>	<u>\$ 32,179</u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)****Primary Government—Governmental Activity Indebtedness: (Continued)**

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

<u>Year Ending June 30,</u>	<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 32,179	\$ 20,061
2015	32,508	19,732
2016	299,352	21,621
2017	8,214	19,026
2018	8,592	18,648
2019	8,986	18,254
2020	9,399	17,841
2021	9,831	17,409
2022	10,283	16,957
2023	10,755	16,485
2024	11,249	15,991
2025	11,766	15,474
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	12,059	46
Total	<u>\$ 802,895</u>	<u>\$ 374,490</u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)****Primary Government-Enterprise Activity Indebtedness:**

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013
General Obligation Bonds	\$ 6,057,744	\$ 1,530,000	\$ 2,003,284	\$ 5,584,460
Unamortized Bond Premium	147,595	249,646	63,604	333,637
Notes Payable	5,865,739	-	72,409	5,793,330
Compensated Absences	78,561	-	7,113	71,448
Net OPEB Obligation	22,495	3,286	-	25,781
Total	<u>\$ 12,075,313</u>	<u>\$ 1,782,932</u>	<u>\$ 2,146,410</u>	<u>\$ 11,808,656</u>

Details of Long-term Indebtedness:

General Obligation Bonds:

\$1,530,000 VRA General Obligation Bond, Series 2003, issued December 4, 2003, bearing interest at rates from 2.10% to 5.10%, with payments due semi-annually from April 1, 2004 to October 1, 2023. Principal installments are due annually beginning October 1, 2004 through October 1, 2023, with amounts ranging from \$60,000 to \$105,000.

\$	70,000	\$	70,000
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\$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.

1,690,000	95,000
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\$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.

1,768,032	104,002
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\$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.

222,051	18,902
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\$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 semi-annually, with final maturity not later than December 31, 2021.

324,377	37,572
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\$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.

1,510,000	5,000
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Sub-total bonds payable

\$	5,584,460	\$	330,476
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TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 7—LONG-TERM LIABILITIES: (CONTINUED)

Primary Government-Enterprise Activity Indebtedness: (continued)

Details of Long-term Indebtedness: (continued)

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Notes Payable:</u>		
\$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.	\$ 885,926	\$ 14,357
 \$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.	 4,907,404	 61,208
Sub-total notes payable	\$ 5,793,330	\$ 75,565
Unamortized Bond Premium	\$ 333,637	\$ -
Compensated Absences	\$ 71,448	\$ -
Net OPEB Obligation	\$ 25,781	\$ -
Total	\$ <u>11,808,656</u>	\$ <u>406,041</u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)****Primary Government-Enterprise Activity Indebtedness: (Continued)**

Year Ending June 30,	Bonds Payable		Notes Payable	
	Principal	Interest	Principal	Interest
2014	\$ 330,476	\$ 167,127	\$ 75,565	\$ 223,115
2015	332,756	158,243	78,560	220,120
2016	345,131	148,500	81,674	217,006
2017	352,601	137,851	84,912	213,768
2018	370,172	126,040	88,280	210,400
2019	382,848	112,957	91,782	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	288,999	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	-	-	100,806	946
Total	\$ 5,584,460	\$ 1,360,328	\$ 5,793,330	\$ 4,973,874

NOTE 8—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 \$158,413 in the Primary Government, and \$71,448 in the Enterprise Funds.

NOTE 9—DEFINED BENEFIT PENSION PLAN:

A. Plan Description

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

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years service credit. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

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

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

NOTE 9—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

A. Plan Description (continued)

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70 %. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

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

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. 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% member contribution. This could be phased in over a period 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 contributions. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2013 was 16.27% of annual covered payroll.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 9—DEFINED BENEFIT PENSION PLAN: (CONTINUED)**C. Annual Pension Cost**

For fiscal year 2013, the Town's annual pension cost of \$308,660 was equal to the Town's required and actual contributions.

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2011	\$ 272,563	100%	\$ -
June 30, 2012	279,415	100%	-
June 30, 2013	308,660	100%	-

The FY2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and projected salary increases include an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

D. Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was 67.08% funded. The actuarial accrued liability for benefits was \$10,347,871, and the actuarial value of assets was \$6,941,424, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,406,447. The covered payroll (annual payroll of active employees covered by the plan) was \$1,822,955, and ratio of the UAAL to the covered payroll was 186.86%.

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

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS PROGRAM:**A. Plan Description**

The Town of Luray Voluntary Early Retirement Incentive Program (VERIP) is a single-employer defined benefit plan. The Town will pay for the continuation of the employee's Town medical/dental benefits.

To be eligible, employees must meet the age and service criteria for reduced VRS retirement and be a current employee at least 50 years of age and have been employed by the Town in a benefits-eligible position for 10 of the last 13 years prior to retirement.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS PROGRAM: (CONTINUED)**B. Funding Policy**

The Town establishes employer medical contribution rates for all medical plan participants as part of the budgetary process each year. The Town also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. Retirees pay 100% of spousal premiums. Coverage ceases when retirees reach the age of 65. Surviving spouses are not allowed access to the plan.

C. Annual OPEB Cost and Net OPEB Obligation

The annual cost of other post employment benefits (OPEB) GASB 45 is calculated based on the annual required contribution (ARC). The estimated pay as you go cost for OPEB benefits is \$14,300 for fiscal year 2013. The Town has elected not to pre-fund OPEB liabilities. The ARC is an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years.

The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation:

Annual Required Contribution (ARC)	\$	14,400
Interest on OPEB Obligation		2,300
Adjustment to ARC		2,400
Annual OPEB cost	\$	14,300
Estimated Contributions Made During FY13		(7,500)
Increase in Net OPEB Obligation	\$	6,800
Net OPEB Obligation - beginning of year		58,400
Net OPEB Obligation - end of year	\$	65,200

For 2013, the Town's expected cash payment of \$7,500 is less than the OPEB cost (expense) of \$14,300 and was \$6,900 short of the ARC. The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years are as follows:

<u>Fiscal Year Ended</u>		<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>		<u>Net OPEB Obligation</u>
June 30, 2013	\$	14,300	52%	\$	65,200
June 30, 2012		18,500	65%		58,400
June 30, 2011		24,300	27%		44,300

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS PROGRAM: (CONTINUED)**D. Funded Status and Funding Progress**

The funded status of the plan as of June 30, 2013 is as follows:

Actuarial accrued liability (AAL)	\$	166,500
Actuarial value of plan assets		-
Unfunded actuarial accrued liability		166,500
Funded ratio (actuarial value of plan assets/AAL)		0%
Covered payroll (active plan members)		n/a
UAAL as a percentage of covered payroll		n/a

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Cost Method

The Entry Age Normal cost method is used to determine the Plan's liabilities and costs. Under this cost method, the actuarial present value of projected benefits of every active Participant as if the Plan's provisions on the valuation date had always been in effect, is determined as a level percentage of expected annual earnings for each future year of expected service. A normal cost for each year from the assumed entry date is determined by applying this level percentage of pay to the assumed earnings for that year.

Interest Assumptions	Not funded
Discount rate	4.5%
Payroll growth	n/a

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 11—UNEARNED REVENUE:

Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Unearned revenue totaling \$646,403 is comprised of the following:

- A. Prepaid Property Taxes – Property taxes due subsequent to June 30, 2013, but paid in advance by the taxpayers totaled \$34,088 at June 30, 2013.
- B. Unbilled Property Taxes – Property taxes for the second half of 2012 that had not been billed as of June 30, 2013 amounted to \$612,315.

NOTE 12—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 13—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 \$347,505 investments in repurchase agreements are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department, but not in the Town’s name. The Town has no policy regarding custodial credit risk.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 14—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.

Policies in effect at June 30, 2013, are as follows:

<u>Insurer</u>	<u>Description</u>	<u>Limit</u>
Virginia Municipal Liability Pool	Public Officials Liability	\$ 1,000,000/no aggregate limit
Virginia Municipal Liability Pool	Excess Liability (Umbrella)	5,000,000
Erie Insurance	Town Manager	25,000
Fidelity & Deposit Company of Maryland	Extortion	10,000
Fidelity & Deposit Company of Maryland	FmHA Bond (Treasurer)	330,000
Fidelity & Deposit Company of Maryland	Forgery	100,000
Fidelity & Deposit Company of Maryland	Public Employee Dishonesty	100,000

NOTE 15—CURRENT REFUNDING:

On July 2, 2012, the Town issued a \$1,530,000 general obligation refunding bond, Series 2012 and sold it to Virginia Resources Authority (VRA). A portion of proceeds from the issuance and the sale of the Town's refunding bond was used to currently redeem, refinance, and refund the outstanding principal amount of the Town's Series 2001 VRA Bonds in the amount of \$793,542. The net carrying amount (including premium) of the new debt equaled the carrying amount of the old debt. The current refunding was undertaken to reduce total debt service payments over the next 18 years and resulted in total net present value savings of \$129,832 for the Town.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 16—ADVANCE REFUNDING:

On July 2, 2012, the Town issued a \$1,530,000 general obligation refunding bond, Series 2012 and sold it to Virginia Resources Authority (VRA). A portion of proceeds from the issuance and the sale of the Town's refunding bond was used to advance refund \$908,460 of outstanding 2003 VRA bonds which had interest rates ranging from 2.10% to 5.10%. The net proceeds of \$1,779,645.50 (including a \$249,645.50 premium after payment of \$36,162 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt services payment on the refunding bonds. As a result, the 2003 series bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$39,430. This amount is being amortized over the remaining life of the refunding debt. The government advance refunded the 2003 VRA revenue bonds to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$155,075.

NOTE 17—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, 2013, was immaterial to the Town's financial statements.

NOTE 18—LITIGATION:

As of June 30, 2013, a previous employee of the Town had filed a complaint against the Town with the Page County Circuit Court including claims for a money judgment against the Town regarding an alleged breach of an employment agreement. The claimant has requested compensation exceeding \$164,000. The Town has filed its own complaint for a declaratory judgment in the Page County Circuit Court. A settlement in the amount of \$22,229 was reached on November 25, 2013.

NOTE 19—UPCOMING PRONOUNCEMENTS:

The GASB has issued Statement No. 68, "Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27." This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that area administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The Town has not determined the impact of this pronouncement on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
General property taxes	\$ 1,223,250	\$ 1,223,250	\$ 1,259,426	\$ 36,176
Other local taxes	1,747,000	1,747,000	1,735,798	(11,202)
Permits, privilege fees, and regulatory licenses	25,000	25,000	8,080	(16,920)
Fines and forfeitures	30,100	30,100	14,144	(15,956)
Revenue from the use of money and property	97,520	97,520	19,653	(77,867)
Charges for services	307,600	307,600	304,713	(2,887)
Miscellaneous	202,115	202,115	20,693	(181,422)
Intergovernmental revenues:				
Commonwealth	1,179,470	1,179,470	1,187,492	8,022
Federal	390,000	390,000	83,276	(306,724)
Total revenues	<u>\$ 5,202,055</u>	<u>\$ 5,202,055</u>	<u>\$ 4,633,275</u>	<u>\$ (568,780)</u>
EXPENDITURES				
Current:				
General government administration	\$ 619,130	\$ 700,503	\$ 571,040	\$ 129,463
Public safety	1,170,930	1,145,715	1,123,134	22,581
Public works	2,160,230	2,148,081	2,204,613	(56,532)
Health and welfare	20,000	20,000	18,625	1,375
Parks, recreation, and cultural	871,760	854,995	837,140	17,855
Community development	119,830	120,430	112,356	8,074
Debt service:				
Principal retirement	152,020	121,073	448,362	(327,289)
Interest and other fiscal charges	28,800	31,100	30,621	479
Total expenditures	<u>\$ 5,142,700</u>	<u>\$ 5,141,897</u>	<u>\$ 5,345,891</u>	<u>\$ (203,994)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 59,355</u>	<u>\$ 60,158</u>	<u>\$ (712,616)</u>	<u>\$ (772,774)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (59,355)	\$ (60,158)	\$ (804)	\$ 59,354
Issuance of notes payable	-	-	341,158	341,158
Total other financing sources and uses	<u>\$ (59,355)</u>	<u>\$ (60,158)</u>	<u>\$ 340,354</u>	<u>\$ 400,512</u>
Change in fund balance	\$ -	\$ -	\$ (372,262)	\$ (372,262)
Fund balance, beginning of year	-	-	2,814,570	2,814,570
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,442,308</u>	<u>\$ 2,442,308</u>

Special Revenue Fund

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

For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Revenue from the use of money and property	\$ 2,500	\$ 2,500	\$ 1,174	\$ (1,326)
Total revenues	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>\$ 1,174</u>	<u>\$ (1,326)</u>
EXPENDITURES				
Current:				
Community development:	\$ 2,500	\$ 2,500	\$ -	\$ 2,500
Total expenditures	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>\$ -</u>	<u>\$ 2,500</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 1,174	\$ 1,174
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 804	\$ 804
Total other financing sources and uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 804</u>	<u>\$ 804</u>
Change in fund balance	\$ -	\$ -	\$ 1,978	\$ 1,978
Fund balance, beginning of year	-	-	89,457	89,457
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,435</u>	<u>\$ 91,435</u>

Schedule of Pension Funding Progress
As of June 30, 2013

Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
06/30/12	\$ 6,941,424	\$ 10,347,871	\$ 3,406,447	67.08%	\$ 1,822,955	186.86%
06/30/11	6,983,166	9,779,906	2,796,740	71.40%	1,773,461	157.70%
06/30/10	6,855,274	9,000,641	2,145,367	76.16%	1,801,079	119.12%
06/30/09	6,788,463	7,963,000	1,174,537	85.25%	1,723,969	68.13%
06/30/08	6,687,534	7,338,772	651,238	91.13%	1,614,115	40.35%

Other Postemployment Benefit Program
 Schedule of Funding Progress
 As of June 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
7/1/2011	\$ -	\$ 166,500	\$ 166,500	0.00%	\$ -	N/A
7/1/2008	-	220,400	220,400	0.00%	-	N/A

SUPPORTING INFORMATION

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 1,091,450	\$ 1,091,450	\$ 1,125,504	\$ 34,054
Real and personal public service corporation taxes	31,000	31,000	43,110	12,110
Personal property taxes	83,000	83,000	75,300	(7,700)
Mobile home taxes	800	800	692	(108)
Penalties and interest	17,000	17,000	14,820	(2,180)
Total general property taxes	<u>\$ 1,223,250</u>	<u>\$ 1,223,250</u>	<u>\$ 1,259,426</u>	<u>\$ 36,176</u>
Other local taxes:				
Local sales and use taxes	\$ 190,000	\$ 190,000	\$ 159,355	\$ (30,645)
Consumers' utility taxes	165,000	165,000	149,709	(15,291)
Business license taxes	250,000	250,000	297,759	47,759
Franchise license tax	24,000	24,000	27,538	3,538
Motor vehicle licenses	60,000	60,000	55,934	(4,066)
Bank stock taxes	88,000	88,000	121,399	33,399
Transient occupancy taxes	190,000	190,000	160,217	(29,783)
Restaurant food taxes	545,000	545,000	589,201	44,201
Sprint right of way fees	45,000	45,000	28,689	(16,311)
Cigarette tax	190,000	190,000	145,997	(44,003)
Total other local taxes	<u>\$ 1,747,000</u>	<u>\$ 1,747,000</u>	<u>\$ 1,735,798</u>	<u>\$ (11,202)</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 25,000	\$ 25,000	\$ 8,080	\$ (16,920)
Total permits, privilege fees, and regulatory licenses	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ 8,080</u>	<u>\$ (16,920)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 30,000	\$ 30,000	\$ 14,054	\$ (15,946)
Parking fines	100	100	90	(10)
Total fines and forfeitures	<u>\$ 30,100</u>	<u>\$ 30,100</u>	<u>\$ 14,144</u>	<u>\$ (15,956)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 30,000	\$ 30,000	\$ 3,205	\$ (26,795)
Revenue from use of property	67,520	67,520	16,448	(51,072)
Total revenue from use of money and property	<u>\$ 97,520</u>	<u>\$ 97,520</u>	<u>\$ 19,653</u>	<u>\$ (77,867)</u>
Charges for services:				
Charges for sanitation and waste removal	\$ 265,000	\$ 265,000	\$ 269,413	\$ 4,413
Charges for recreation	42,600	42,600	35,300	(7,300)
Total charges for services	<u>\$ 307,600</u>	<u>\$ 307,600</u>	<u>\$ 304,713</u>	<u>\$ (2,887)</u>
Miscellaneous revenue:				
Rebates and refunds	\$ 13,000	\$ 13,000	\$ 2,537	\$ (10,463)
Donations	69,000	69,000	6,705	(62,295)
Miscellaneous	71,275	71,275	9,821	(61,454)
Greenway development grant	45,000	45,000	1,630	(43,370)
Sale of equipment	3,840	3,840	-	(3,840)
Total miscellaneous revenue	<u>\$ 202,115</u>	<u>\$ 202,115</u>	<u>\$ 20,693</u>	<u>\$ (181,422)</u>
Total revenue from local sources	<u>\$ 3,632,585</u>	<u>\$ 3,632,585</u>	<u>\$ 3,362,507</u>	<u>\$ (270,078)</u>

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2013 (Continued)

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (continued)				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle rental tax	\$ 4,000	\$ 4,000	\$ 4,246	\$ 246
Personal property tax relief funds	74,570	74,570	74,574	4
Total noncategorical aid	<u>\$ 78,570</u>	<u>\$ 78,570</u>	<u>\$ 78,820</u>	<u>\$ 250</u>
Other categorical aid:				
Virginia Commission for the Arts grant	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Aid to localities with police departments	116,000	116,000	116,152	152
Other police grants	26,000	26,000	-	(26,000)
Police impound revenue	300	300	-	(300)
Department of fire programs funds	12,500	12,500	13,961	1,461
Litter control grant	3,000	3,000	3,234	234
Street and highway maintenance funds	918,000	918,000	970,264	52,264
Recreational tree grant	20,000	20,000	-	(20,000)
DMV animal friendly plate	100	100	61	(39)
Total other categorical aid	<u>\$ 1,100,900</u>	<u>\$ 1,100,900</u>	<u>\$ 1,108,672</u>	<u>\$ 7,772</u>
Total categorical aid	<u>\$ 1,100,900</u>	<u>\$ 1,100,900</u>	<u>\$ 1,108,672</u>	<u>\$ 7,772</u>
Total revenue from the Commonwealth	<u>\$ 1,179,470</u>	<u>\$ 1,179,470</u>	<u>\$ 1,187,492</u>	<u>\$ 8,022</u>
Revenue from the federal government:				
Categorical aid:				
TEA-21 Grant	\$ 350,000	\$ 350,000	\$ 66,946	\$ (283,054)
Federal highway emergency relief	-	-	8,995	8,995
Forest reserve funds	2,000	2,000	-	(2,000)
DMV - ground transportation	-	-	7,335	7,335
Dam safety, flood prevention & protection	38,000	38,000	-	(38,000)
Total categorical aid	<u>\$ 390,000</u>	<u>\$ 390,000</u>	<u>\$ 83,276</u>	<u>\$ (306,724)</u>
Total General Fund	<u>\$ 5,202,055</u>	<u>\$ 5,202,055</u>	<u>\$ 4,633,275</u>	<u>\$ (568,780)</u>
Special Revenue Fund:				
CDBG:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 2,500	\$ 2,500	\$ 1,174	\$ (1,326)
Total revenue from use of money and property	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>\$ 1,174</u>	<u>\$ (1,326)</u>
Total revenue from local sources	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>\$ 1,174</u>	<u>\$ (1,326)</u>
Total CDBG Fund	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>\$ 1,174</u>	<u>\$ (1,326)</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2013

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 149,500	\$ 146,460	\$ 144,314	\$ 2,146
General and financial administration:				
Town manager	\$ 105,440	\$ 209,053	\$ 146,870	\$ 62,183
Legal services	72,000	59,000	57,729	1,271
Independent auditor	5,500	5,500	5,333	167
Treasurer	286,690	280,490	216,794	63,696
Total general and financial administration	\$ 469,630	\$ 554,043	\$ 426,726	\$ 127,317
Total general government administration	\$ 619,130	\$ 700,503	\$ 571,040	\$ 129,463
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 1,126,590	\$ 1,099,050	\$ 1,079,886	\$ 19,164
Other protection:				
Code Enforcement	\$ 31,970	\$ 31,970	\$ 30,254	\$ 1,716
Safety Officer	12,370	14,695	12,994	1,701
Total other protection	\$ 44,340	\$ 46,665	\$ 43,248	\$ 3,417
Total public safety	\$ 1,170,930	\$ 1,145,715	\$ 1,123,134	\$ 22,581
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 1,086,630	\$ 1,159,945	\$ 1,335,648	\$ (175,703)
Total maintenance of highways, streets, bridges & sidewalks	\$ 1,086,630	\$ 1,159,945	\$ 1,335,648	\$ (175,703)
Sanitation and waste removal:				
Refuse collection and disposal	\$ 268,000	\$ 259,100	\$ 255,950	\$ 3,150
Total sanitation and waste removal	\$ 268,000	\$ 259,100	\$ 255,950	\$ 3,150
Maintenance of general buildings and grounds:				
General properties	\$ 805,600	\$ 729,036	\$ 613,015	\$ 116,021
Total maintenance of general buildings and grounds	\$ 805,600	\$ 729,036	\$ 613,015	\$ 116,021
Total public works	\$ 2,160,230	\$ 2,148,081	\$ 2,204,613	\$ (56,532)
Health and welfare:				
Welfare:				
Tax relief for the elderly	\$ 20,000	\$ 20,000	\$ 18,625	\$ 1,375
Total health and welfare	\$ 20,000	\$ 20,000	\$ 18,625	\$ 1,375
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 871,760	\$ 854,995	\$ 837,140	\$ 17,855
Total parks, recreation, and cultural	\$ 871,760	\$ 854,995	\$ 837,140	\$ 17,855
Community development:				
Planning and community development:				
Planning Commission	\$ 119,830	\$ 120,430	\$ 112,356	\$ 8,074
Total community development	\$ 119,830	\$ 120,430	\$ 112,356	\$ 8,074

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2013 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (continued)				
Debt service:				
Principal retirement	\$ 152,020	\$ 121,073	\$ 448,362	\$ (327,289)
Interest and other fiscal charges	28,800	31,100	30,621	479
Total debt service	<u>\$ 180,820</u>	<u>\$ 152,173</u>	<u>\$ 478,983</u>	<u>\$ (326,810)</u>
Total General Fund	<u>\$ 5,142,700</u>	<u>\$ 5,141,897</u>	<u>\$ 5,345,891</u>	<u>\$ (203,994)</u>
Special Revenue Fund:				
CDBG Fund:				
Community development:				
CBDG program	\$ 2,500	\$ 2,500	\$ -	\$ 2,500
Total CDBG Fund	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>\$ -</u>	<u>\$ 2,500</u>

STATISTICAL SECTION

Town of Luray, Virginia

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year				
	2004	2005	2006	2007	2008
Governmental activities:					
Net investment in capital assets	\$ 5,164,857	\$ 5,212,060	\$ 5,272,691	\$ 5,192,702	\$ 4,977,490
Restricted	-	-	-	-	-
Unrestricted	2,656,474	2,853,824	3,496,943	3,519,479	3,652,123
Total governmental activities net position	\$ <u>7,821,331</u>	\$ <u>8,065,884</u>	\$ <u>8,769,634</u>	\$ <u>8,712,181</u>	\$ <u>8,629,613</u>
Business-type activities:					
Net investment in capital assets	\$ 5,085,220	\$ 3,948,111	\$ 3,596,862	\$ 3,493,370	\$ 3,247,769
Unrestricted	276,139	1,064,128	904,105	448,688	6,053
Total business-type activities net position	\$ <u>5,361,359</u>	\$ <u>5,012,239</u>	\$ <u>4,500,967</u>	\$ <u>3,942,058</u>	\$ <u>3,253,822</u>
Primary government:					
Net investment in capital assets	\$ 10,250,077	\$ 9,160,171	\$ 8,869,553	\$ 8,686,072	\$ 8,225,259
Restricted	-	-	-	-	-
Unrestricted	2,932,613	3,917,952	4,401,048	3,968,167	3,658,176
Total primary government net position	\$ <u>13,182,690</u>	\$ <u>13,078,123</u>	\$ <u>13,270,601</u>	\$ <u>12,654,239</u>	\$ <u>11,883,435</u>

Table 1

Fiscal Year				
2009	2010	2011	2012	2013
\$ 6,043,229	\$ 5,703,358	\$ 5,751,140	\$ 5,674,643	\$ 5,745,435
-	-	-	-	91,435
3,310,599	3,256,154	3,039,161	2,786,609	2,386,033
<u>\$ 9,353,828</u>	<u>\$ 8,959,512</u>	<u>\$ 8,790,301</u>	<u>\$ 8,461,252</u>	<u>\$ 8,222,903</u>
\$ 4,201,990	\$ 7,025,040	\$ 7,348,362	\$ 6,977,198	\$ 6,792,425
(774,747)	172,314	3,733	247,072	472,871
<u>\$ 3,427,243</u>	<u>\$ 7,197,354</u>	<u>\$ 7,352,095</u>	<u>\$ 7,224,270</u>	<u>\$ 7,265,296</u>
\$ 10,245,219	\$ 12,728,398	\$ 13,099,502	\$ 12,651,841	\$ 12,537,860
-	-	-	-	91,435
2,535,852	3,428,468	3,042,894	3,033,681	2,858,904
<u>\$ 12,781,071</u>	<u>\$ 16,156,866</u>	<u>\$ 16,142,396</u>	<u>\$ 15,685,522</u>	<u>\$ 15,488,199</u>

Town of Luray, Virginia

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

	Fiscal Year			
	2004	2005	2006	2007
Expenses				
Governmental activities:				
General government administration	\$ 432,717	\$ 97,955	\$ 470,270	\$ 338,660
Public safety	1,013,643	1,053,614	843,505	902,171
Public works	1,658,364	1,690,056	1,081,237	1,742,333
Health and welfare	-	-	274	8,590
Parks, recreation and cultural	455,732	569,804	661,780	1,037,616
Community development	2,053	122,880	33,821	273,778
Interest on long-term debt	363	20,864	21,839	21,999
Total governmental activities expenses	\$ 3,562,872	\$ 3,555,173	\$ 3,112,726	\$ 4,325,147
Business-type activities:				
Water	\$ 647,100	\$ 818,497	\$ 665,748	\$ 734,132
Sewer	1,529,567	1,652,566	1,709,474	1,478,729
Total business-type activities expenses	\$ 2,176,667	\$ 2,471,063	\$ 2,375,222	\$ 2,212,861
Total primary government expenses	\$ 5,739,539	\$ 6,026,236	\$ 5,487,948	\$ 6,538,008
Program Revenues				
Governmental activities:				
Charges for services:				
Public safety	\$ 99,059	\$ 65,007	\$ 23,310	\$ 25,013
Public works	229,655	219,655	259,851	218,006
Parks, recreation and cultural	21,505	18,807	19,300	19,959
Operating grants and contributions	948,467	870,634	1,000,821	956,129
Capital grants and contributions	164,237	153,912	43,574	527,080
Total governmental activities program revenues	\$ 1,462,923	\$ 1,328,015	\$ 1,346,856	\$ 1,746,187
Business-type activities:				
Charges for services:				
Water	\$ 687,485	\$ 743,318	\$ 712,499	\$ 589,665
Sewer	1,167,438	1,232,053	997,427	744,789
Operating grants and contributions	-	-	12,034	-
Capital grants and contributions	70,550	126,200	134,720	225,740
Total business-type activities program revenues	\$ 1,925,473	\$ 2,101,571	\$ 1,856,680	\$ 1,560,194
Total primary government program revenues	\$ 3,388,396	\$ 3,429,586	\$ 3,203,536	\$ 3,306,381
Net (expenses) / revenues				
Governmental activities	\$ (2,099,949)	\$ (2,227,158)	\$ (1,765,870)	\$ (2,578,960)
Business-type activities	(251,194)	(369,492)	(518,542)	(652,667)
Total primary government net expenses	\$ (2,351,143)	\$ (2,596,650)	\$ (2,284,412)	\$ (3,231,627)

Table 2

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 477,578	\$ 485,549	\$ 505,686	\$ 500,906	\$ 514,606	\$ 607,559
1,011,887	1,050,693	1,084,592	1,073,077	1,111,020	1,146,605
1,978,626	2,016,877	2,042,757	2,061,180	2,085,022	2,063,184
16,213	21,456	20,080	16,794	16,956	18,625
741,808	767,811	821,314	855,668	921,154	956,077
287,528	240,196	275,424	104,148	101,811	102,796
21,760	21,508	34,080	36,267	31,840	30,621
<u>\$ 4,535,400</u>	<u>\$ 4,604,090</u>	<u>\$ 4,783,933</u>	<u>\$ 4,648,040</u>	<u>\$ 4,782,409</u>	<u>\$ 4,925,467</u>
\$ 760,761	\$ 809,920	\$ 940,743	\$ 1,143,368	\$ 1,152,492	\$ 1,141,888
1,510,447	1,435,237	1,406,639	1,449,556	1,579,828	1,575,688
<u>\$ 2,271,208</u>	<u>\$ 2,245,157</u>	<u>\$ 2,347,382</u>	<u>\$ 2,592,924</u>	<u>\$ 2,732,320</u>	<u>\$ 2,717,576</u>
<u>\$ 6,806,608</u>	<u>\$ 6,849,247</u>	<u>\$ 7,131,315</u>	<u>\$ 7,240,964</u>	<u>\$ 7,514,729</u>	<u>\$ 7,643,043</u>
\$ 29,155	\$ 27,394	\$ 21,100	\$ 13,192	\$ 20,458	\$ 14,144
253,034	266,954	256,431	278,022	286,764	277,493
21,335	21,303	24,010	34,916	50,987	35,300
1,025,569	1,188,949	1,068,993	1,207,087	1,113,750	1,126,002
231,405	1,026,589	192,504	7,373	7,130	74,281
<u>\$ 1,560,498</u>	<u>\$ 2,531,189</u>	<u>\$ 1,563,038</u>	<u>\$ 1,540,590</u>	<u>\$ 1,479,089</u>	<u>\$ 1,527,220</u>
\$ 699,010	\$ 851,080	\$ 933,890	\$ 1,045,554	\$ 1,013,473	\$ 1,191,472
880,533	1,231,646	1,222,889	1,376,999	1,357,779	1,557,240
-	-	-	-	-	-
3,405	335,423	3,959,557	325,053	234,293	9,890
<u>\$ 1,582,948</u>	<u>\$ 2,418,149</u>	<u>\$ 6,116,336</u>	<u>\$ 2,747,606</u>	<u>\$ 2,605,545</u>	<u>\$ 2,758,602</u>
<u>\$ 3,143,446</u>	<u>\$ 4,949,338</u>	<u>\$ 7,679,374</u>	<u>\$ 4,288,196</u>	<u>\$ 4,084,634</u>	<u>\$ 4,285,822</u>
\$ (2,974,902)	\$ (2,072,901)	\$ (3,220,895)	\$ (3,107,450)	\$ (3,303,320)	\$ (3,398,247)
(688,260)	172,992	3,768,954	154,682	(126,775)	41,026
<u>\$ (3,663,162)</u>	<u>\$ (1,899,909)</u>	<u>\$ 548,059</u>	<u>\$ (2,952,768)</u>	<u>\$ (3,430,095)</u>	<u>\$ (3,357,221)</u>

Town of Luray, Virginia

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting - continued)

	Fiscal Year			
	2004	2005	2006	2007
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property taxes	\$ 898,528	\$ 807,812	\$ 915,124	\$ 999,467
Local sales and use taxes	151,808	159,199	167,317	172,998
Consumer utility taxes	104,989	81,237	84,462	120,997
Business licenses taxes	200,858	204,293	254,646	218,773
Restaurant food tax	371,111	400,375	449,387	459,582
Cigarette Tax	-	-	-	-
Transient occupancy tax	74,330	71,842	88,871	72,344
Other local taxes	199,602	223,354	254,607	206,147
Unrestricted grants and contributions	95,979	80,403	84,831	83,895
Unrestricted revenues from use of money and property	38,848	29,542	94,386	162,461
Miscellaneous	44,177	41,235	75,989	17,452
Recovered costs	-	-	-	-
Gain on disposal of assets	-	372,419	-	7,391
Total governmental activities	\$ 2,180,230	\$ 2,471,711	\$ 2,469,620	\$ 2,521,507
Business-type activities:				
Miscellaneous	\$ 4,362	\$ 3,821	\$ -	\$ 91,602
Unrestricted revenues from use of money and property	99	16,551	7,270	2,156
Gain on disposal of assets	-	-	-	-
Total business-type activities	\$ 4,461	\$ 20,372	\$ 7,270	\$ 93,758
Total primary government	\$ 2,184,691	\$ 2,492,083	\$ 2,476,890	\$ 2,615,265
Change in Net Position				
Governmental activities	\$ 80,281	\$ 244,553	\$ 703,750	\$ (57,453)
Business-type activities	(246,733)	(349,120)	(511,272)	(558,909)
Total primary government	\$ (166,452)	\$ (104,567)	\$ 192,478	\$ (616,362)

Table 2

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 1,213,830	\$ 1,166,186	\$ 1,174,864	\$ 1,125,076	\$ 1,180,066	\$ 1,312,095
175,256	176,571	168,469	173,565	183,465	159,355
162,378	151,269	151,448	153,642	145,694	149,709
250,588	267,463	239,700	254,998	260,514	297,759
500,980	519,523	518,750	547,070	558,832	589,201
-	-	88,208	181,225	147,233	145,997
113,454	152,910	146,549	146,363	148,632	160,217
174,320	187,176	210,136	230,650	224,798	233,560
84,063	127,212	74,678	78,717	78,493	78,820
142,079	34,526	33,010	24,767	21,779	20,827
75,386	14,280	20,767	15,728	24,765	12,358
-	-	-	6,438	-	-
-	-	-	-	-	-
\$ 2,892,334	\$ 2,797,116	\$ 2,826,579	\$ 2,938,239	\$ 2,974,271	\$ 3,159,898
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
24	429	1,157	59	-	-
-	-	-	-	(1,050)	-
\$ 24	\$ 429	\$ 1,157	\$ 59	\$ (1,050)	\$ -
\$ 2,892,358	\$ 2,797,545	\$ 2,827,736	\$ 2,938,298	\$ 2,973,221	\$ 3,159,898
\$ (82,568)	\$ 724,215	\$ (394,316)	\$ (169,211)	\$ (329,049)	\$ (238,349)
(688,236)	173,421	3,770,111	154,741	(127,825)	41,026
\$ (770,804)	\$ 897,636	\$ 3,375,795	\$ (14,470)	\$ (456,874)	\$ (197,323)

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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	Cigarette Tax	Other Local Taxes	Total
2013	\$ 1,312,095	\$ 159,355	\$ 149,709	\$ 297,759	\$ 589,201	\$ 160,217	\$ 145,997	\$ 233,560	\$ 3,047,893
2012	1,180,066	183,465	145,694	260,514	558,832	147,233	148,632	224,798	2,849,234
2011	1,125,076	173,565	153,642	254,998	547,070	146,363	181,225	230,650	2,812,589
2010	1,174,864	168,469	151,448	239,700	518,750	146,549	88,208	210,136	2,698,124
2009	1,166,186	176,571	151,269	267,463	519,523	152,910	-	187,176	2,621,098
2008	1,213,830	175,256	162,378	250,588	500,980	113,454	-	174,320	2,590,806
2007	999,467	172,998	88,208	218,773	459,582	72,344	-	206,147	2,217,519
2006	915,124	167,317	84,462	254,646	449,387	88,871	-	254,607	2,214,414
2005	807,812	159,199	81,237	204,293	400,375	71,842	-	223,354	1,948,112
2004	898,528	151,808	104,989	200,858	371,111	74,330	-	199,602	2,001,226

Town of Luray, Virginia

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year			
	2004	2005	2006	2007
General fund				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Unassigned	2,702,980	2,884,150	2,726,022	3,555,676
Total general fund	<u>\$ 2,702,980</u>	<u>\$ 2,884,150</u>	<u>\$ 3,500,022</u>	<u>\$ 3,555,676</u>
All other governmental funds				
Restricted	\$ -	\$ -	\$ -	\$ -
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Table 4

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ -	\$ -	\$ -	\$ 40,954	\$ 44,572	\$ 43,228
3,340,567	3,423,254	3,365,491	3,028,046	2,769,998	2,399,080
<u>\$ 3,340,567</u>	<u>\$ 3,423,254</u>	<u>\$ 3,365,491</u>	<u>\$ 3,069,000</u>	<u>\$ 2,904,027</u>	<u>\$ 2,442,308</u>
\$ 44,531	\$ 82,687	\$ 91,869	\$ 87,482	\$ 89,457	\$ 91,435
<u>\$ 44,531</u>	<u>\$ 82,687</u>	<u>\$ 91,869</u>	<u>\$ 87,482</u>	<u>\$ 89,457</u>	<u>\$ 91,435</u>

Town of Luray, Virginia

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

	Fiscal Year				
	2004	2005	2006	2007	2008
Revenues					
General property taxes	\$ 891,590	\$ 813,753	\$ 890,426	\$ 1,026,008	\$ 1,199,987
Other local taxes	1,102,698	1,140,300	1,299,290	1,246,852	1,376,976
Permits, privilege fees and regulatory licenses	4,640	3,870	29,684	26,075	11,268
Fines and forfeitures	99,059	65,007	23,310	25,013	29,155
Revenue from use of money and property	38,848	29,542	94,386	162,461	142,079
Charges for services	246,520	234,592	249,467	211,890	263,101
Miscellaneous	44,177	41,235	75,989	75,725	84,339
Recovered costs	12,042	4,649	574	15,655	7,349
Intergovernmental:					
Commonwealth	895,403	919,612	951,570	1,010,331	1,089,691
Federal	313,280	185,337	177,656	543,129	235,044
Total revenues	<u>\$ 3,648,257</u>	<u>\$ 3,437,897</u>	<u>\$ 3,792,352</u>	<u>\$ 4,343,139</u>	<u>\$ 4,438,989</u>
Expenditures					
General government administration	\$ 410,941	\$ 495,750	\$ 404,545	\$ 397,357	\$ 410,659
Public safety	1,012,387	1,044,728	894,226	956,715	994,416
Public works	2,335,570	1,641,588	1,181,439	1,779,693	1,847,605
Health and welfare	-	-	274	8,590	16,213
Parks, recreation and cultural	599,613	869,814	654,318	844,114	767,959
Community development	2,053	122,880	33,200	273,778	287,528
Debt service					
Principal	21,752	7,443	5,401	5,239	5,480
Interest and other fiscal charges	363	20,864	21,839	21,999	21,760
Total expenditures	<u>\$ 4,382,679</u>	<u>\$ 4,203,067</u>	<u>\$ 3,195,242</u>	<u>\$ 4,287,485</u>	<u>\$ 4,351,620</u>
Excess of revenues over (under) expenditures	<u>\$ (734,422)</u>	<u>\$ (765,170)</u>	<u>\$ 597,110</u>	<u>\$ 55,654</u>	<u>\$ 87,369</u>
Other financing sources (uses)					
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	-	-
Issuance of capital leases	-	-	-	-	39,114
Notes payable issued	321,407	172,340	18,762	-	-
Sale of capital assets	-	774,000	-	-	-
Total other financing sources (uses)	<u>\$ 321,407</u>	<u>\$ 946,340</u>	<u>\$ 18,762</u>	<u>\$ -</u>	<u>\$ 39,114</u>
Net change in fund balances	<u>\$ (413,015)</u>	<u>\$ 181,170</u>	<u>\$ 615,872</u>	<u>\$ 55,654</u>	<u>\$ 126,483</u>
Debt service as a percentage of noncapital expenditures	0.51%	0.68%	0.86%	0.64%	0.63%

Table 5

Fiscal Year				
2009	2010	2011	2012	2013
\$ 1,183,333	\$ 1,160,038	\$ 1,148,368	\$ 1,154,297	\$ 1,259,426
1,454,912	1,523,260	1,687,513	1,669,168	1,735,798
11,494	4,944	13,388	21,301	8,080
27,394	21,100	13,192	20,458	14,144
34,526	33,010	24,767	21,779	20,827
276,763	275,497	299,550	316,450	304,713
158,753	31,700	93,063	48,347	20,693
-	-	6,438	-	-
1,122,352	1,100,335	1,150,969	1,168,661	1,187,492
1,027,224	224,907	64,873	7,130	83,276
<u>\$ 5,296,751</u>	<u>\$ 4,374,791</u>	<u>\$ 4,502,121</u>	<u>\$ 4,427,591</u>	<u>\$ 4,634,449</u>
\$ 432,172	\$ 441,870	\$ 452,551	\$ 465,875	\$ 571,040
1,034,193	1,073,783	1,053,048	1,105,702	1,123,134
1,872,654	1,821,799	1,833,727	1,953,282	2,204,613
21,456	20,080	16,794	16,956	18,625
940,979	1,496,485	999,951	883,498	837,140
1,213,925	275,424	104,879	102,578	112,356
18,769	19,033	213,913	120,315	448,362
21,508	34,080	36,267	31,840	30,621
<u>\$ 5,555,656</u>	<u>\$ 5,182,554</u>	<u>\$ 4,711,130</u>	<u>\$ 4,680,046</u>	<u>\$ 5,345,891</u>
<u>\$ (258,905)</u>	<u>\$ (807,763)</u>	<u>\$ (209,009)</u>	<u>\$ (252,455)</u>	<u>\$ (711,442)</u>
\$ -	\$ -	\$ -	\$ -	\$ 804
-	-	-	-	(804)
-	-	-	-	-
-	750,000	-	-	341,158
-	-	-	-	-
<u>\$ -</u>	<u>\$ 750,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 341,158</u>
<u>\$ (258,905)</u>	<u>\$ (57,763)</u>	<u>\$ (209,009)</u>	<u>\$ (252,455)</u>	<u>\$ (370,284)</u>
0.73%	1.04%	5.61%	3.36%	9.84%

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
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
2008	1,119,987	175,256	162,378	250,588	500,980
2007	1,026,008	172,998	120,997	218,773	459,582
2006	890,426	167,317	84,462	254,646	449,387
2005	813,753	159,199	81,237	204,293	400,375
2004	891,590	151,808	104,989	200,858	371,111

Table 6

Transient Occup- ancy Tax	Cigarette Tax	Other Local Taxes	Total
\$ 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
113,454	-	174,320	2,496,963
72,344	-	202,158	2,272,860
88,871	-	254,607	2,189,716
71,842	-	223,354	1,954,053
74,330	-	199,602	1,994,288

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	Public Service	Total Taxable Assessed Value
2013	\$ 439,923,500	\$ 22,516,330	\$ 8,166,920	\$ 295,700	\$ 17,918,474	\$ 488,820,924
2012	439,424,800	29,639,180	8,088,850	292,500	16,535,917	493,981,247
2011	438,035,700	29,580,220	7,770,455	358,100	14,066,627	489,811,102
2010	479,268,900	28,582,120	8,013,960	346,400	13,509,784	529,721,164
2009	477,793,000	29,080,774	8,271,900	345,500	12,536,576	528,027,750
2008	474,936,300	31,073,340	8,014,345	371,800	11,590,071	525,985,856
2007	469,886,300	30,424,500	6,123,385	307,100	7,941,781	514,683,066
2006	274,594,900	33,106,283	6,123,385	372,400	10,311,030	324,507,998
2005	268,111,900	33,696,190	8,040,695	359,200	9,679,406	319,887,391
2004	265,836,100	33,091,906	23,225,555	383,700	11,492,699	334,029,960

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

Table 7

Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
\$ 498,631,218	98.03%
503,780,420	98.05%
499,579,298	98.04%
540,408,860	98.02%
538,682,534	98.02%
536,576,935	98.03%
525,161,530	98.00%
330,631,464	98.15%
323,104,734	99.00%
336,954,157	99.13%

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

Fiscal Years	Direct Rates			
	Real Estate	Personal Property	Mobile Homes	Machinery and Tools
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
2008	0.22	0.40	0.22	0.40
2007	0.22/0.26	0.40	0.22/0.26	0.40
2006	0.26	0.40	0.26	0.40
2005	0.26	0.40	0.26	0.40
2004	0.26	0.40	0.26	0.40

(1) Per \$100 of assessed value

Principal Property Taxpayers
Current Year and the Period Ten Years Prior

Taxpayer	Type Business	Fiscal Year 2013		Fiscal Year 2003	
		2013 Assessed Valuation	% of Total Assessed Valuation	2003 Assessed Valuation	% of Total Assessed Valuation
Luray Caverns Corp	Commercial	\$ 13,029,100	2.47%	\$ 2,951,800	1.02%
Blue Bell Inc.	Manufacturing	8,094,300	1.53%	6,287,176	2.17%
Scott Lee Managing (WalMart)	Commercial	6,943,700	1.32%	4,506,200	1.56%
Luray LLC 2006/Wallace Bus.1996	Commercial	3,465,200	0.66%	3,905,500	1.35%
SVC LLC previously Excelsior Care	Commercial	4,021,300	0.76%	2,910,400	1.01%
EMCO Inc. 2006/Fibercraft 1996	Manufacturing	3,683,200	0.70%	3,646,200	1.26%
East Luray LLC	Commercial	4,032,200	0.76%	2,999,200	1.04%
Kentland Foundation Inc.	Commercial	5,257,400	1.00%	2,770,300	0.96%
Baker Development	Land Developers	2,702,400	0.51%	-	0.00%
Luray Village	Housing Complex	1,724,700	0.33%	1,807,800	0.62%
Mehta Prop.LLC 2006/Zalesca Inc.1996	Commercial	1,495,400	0.28%	1,702,900	0.59%
		<u>\$ 54,448,900</u>	<u>10.31%</u>	<u>\$ 33,487,476</u>	<u>14.24%</u>

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

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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
2013	\$ 1,307,657	\$ 1,239,362	94.78%	\$ -	\$ 1,239,362	94.78%
2012	1,211,427	1,142,622	94.32%	26,098	1,168,720	96.47%
2011	1,200,430	1,136,408	94.67%	33,480	1,169,888	97.46%
2010	1,200,416	1,149,680	95.77%	27,018	1,176,698	98.02%
2009	1,196,710	1,146,593	95.81%	39,732	1,186,325	99.13%
2008	1,187,567	1,131,525	95.28%	50,270	1,181,795	99.51%
2007	1,037,964	970,049	93.46%	64,890	1,034,939	99.71%
2006	959,897	908,292	94.62%	50,459	958,751	99.88%
2005	887,268	861,350	97.08%	25,187	886,537	99.92%
2004	886,163	859,222	96.96%	26,288	885,510	99.93%

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

Town of Luray, Virginia

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Years	Governmental Activities			
	General Obligation Bonds	Literary Fund Loans	Other Notes/ Bonds	Capital Leases
2013	\$ -	\$ -	\$ 802,895	\$ -
2012	-	-	910,099	-
2011	-	-	1,030,414	-
2010	-	-	1,231,290	13,038
2009	-	-	487,285	26,076
2008	-	-	493,016	39,114
2007	-	-	498,496	-
2006	-	-	503,735	-
2005	-	-	490,374	-
2004	-	-	325,477	-

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

(1) See the Schedule of Demographic and Economic Statistics - Table 15

Table 11

Business-Type Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
General Obligation Bonds	Revenue Bonds	Other Notes/ Bonds	Capital Leases			
\$ 5,584,460	\$ -	\$ 5,793,330	\$ -	\$ 12,180,685	1.93%	2,488
6,057,744	-	5,865,739	-	12,833,582	2.03%	2,577
11,264,744	-	912,484	-	13,207,642	2.35%	2,652
11,543,388	-	925,030	26,076	13,738,822	2.45%	2,758
10,100,894	-	937,028	52,152	11,603,435	2.06%	2,339
14,996,725	-	948,496	78,226	16,555,577	2.60%	3,332
5,185,459	-	959,462	-	6,643,417	1.08%	1,347
5,028,666	-	969,946	-	6,502,347	1.21%	1,337
5,549,873	-	980,748	-	7,020,995	1.31%	1,443
5,726,686	-	642,816	-	6,694,979	1.25%	1,378

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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 General Obligation Debt to Assessed Value (2)		Net Bonded Debt per Capita (1)
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
2008		16,438,237		-		16,438,237	3.13%		3,309
2007		6,643,417		-		6,643,417	1.29%		1,347
2006		6,840,099		-		6,840,099	2.11%		1,406
2005		7,020,996		-		7,020,996	2.19%		1,443
2004		6,694,975		-		6,694,975	2.00%		1,378

(1) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 15

(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.

Town of Luray, Virginia

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year				
	2004	2005	2006	2007	2008
Debt limit	\$ 33,402,996	\$ 31,988,739	\$ 32,450,800	\$ 51,468,307	\$ 52,598,586
Total net debt applicable to limit	<u>6,694,975</u>	<u>7,020,996</u>	<u>6,840,099</u>	<u>6,643,417</u>	<u>16,438,237</u>
Legal debt margin	<u>\$ 26,708,021</u>	<u>\$ 24,967,743</u>	<u>\$ 25,610,701</u>	<u>\$ 44,824,890</u>	<u>\$ 36,160,349</u>
Total net debt applicable to the limit as a percentage of debt limit	20.04%	21.95%	21.08%	12.91%	31.25%

Table 13

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 47,779,300	\$ 47,926,890	\$ 43,803,570	\$ 43,942,480	\$ 43,992,350
<u>11,525,207</u>	<u>13,699,708</u>	<u>13,207,642</u>	<u>12,833,582</u>	<u>12,180,685</u>
<u>\$ 36,254,093</u>	<u>\$ 34,227,182</u>	<u>\$ 30,595,928</u>	<u>\$ 31,108,898</u>	<u>\$ 31,811,665</u>
24.12%	28.58%	30.15%	29.21%	27.69%

Legal Debt Margin Calculation for Fiscal Year 2013

Assessed value	\$ 439,923,500
Add back: exempt real property	-
Total assessed value	<u>\$ 439,923,500</u>
Debt limit (10% of total assessed value)	\$ 43,992,350
Net debt applicable to limit	<u>12,180,685</u>
Legal debt margin	<u>\$ 31,811,665</u>

Pledged-Revenue Coverage
Last Ten Fiscal Years

Water and Sewer Revenue Bonds						
Fiscal Year	Water & Sewer Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest (1)	
2013	\$ 2,748,712	\$ 1,712,472	\$ 1,036,240	\$ -	\$ -	\$ -
2012	2,371,252	1,728,909	642,343	-	-	-
2011	2,422,553	1,593,652	828,901	-	-	-
2010	2,156,779	1,499,693	657,086	-	-	-
2009	2,082,726	1,481,984	600,742	-	-	-
2008	1,579,543	1,471,108	108,435	-	-	-
2007	1,426,057	1,379,409	46,648	-	-	-
2006	1,709,926	1,484,755	225,171	-	-	-
2005	1,979,192	1,541,422	437,770	-	-	-
2004 (2)	1,859,285	1,328,863	530,422	861,525	274,230	0.47

Details regarding the Town's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation, or amortization expenses.

(1) Interest is reflected for all debt paid from water and sewer funds for the year. Breakdown was not available for interest paid on just revenue bonds.

(2) Town refinanced revenue bonds with general obligation debt during fiscal year 2004.

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)
2013	4,896	26,109 \$	631,863,909 \$	24,201	8.20%
2012	4,980	26,109	631,863,909	24,201	9.10%
2011	4,980	26,103	561,098,000	21,496	9.30%
2010	4,981	26,967	561,280,000	20,814	9.10%
2009	4,960	26,097	562,170,000	21,542	8.80%
2008	4,968	26,091	636,907,000	24,411	4.40%
2007	4,933	26,008	614,699,000	23,635	3.60%
2006	4,865	23,649	535,463,000	22,642	4.90%
2005	4,865	23,649	535,463,000	22,642	4.90%
2004	4,860	23,649	535,463,000	22,642	5.30%

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

Source: Weldon Cooper Center for Public Service

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Principal Employers
Current Year and Nine Years Ago

Employer	Fiscal Year 2013			Fiscal Year 2004		
	Employees	Rank	% of Total County Employment	Employees	Rank	% of Total County Employment
Page County Public Schools	637	1	6.90%	641	1	6.55%
Aramark	610	2	6.60%	525	2	5.37%
Emco, Inc.	187	7	2.02%	250	3	2.56%
Luray Caverns Corp	190	6	2.06%	250	3	2.56%
Wrangler/VF Jeanswear	227	3	2.46%	243	5	2.48%
Page Memorial Hospital	200	5	2.17%	207	8	2.12%
Wal-Mart	210	4	2.27%	225	7	2.30%
County of Page, Virginia	184	8	1.99%	226	6	2.31%
Valley Care Management	178	9	1.93%	132	9	1.35%
Town of Luray, Virginia	54	10	0.58%	46	10	0.47%
Totals	<u>2,677</u>		<u>28.98%</u>	<u>2,745</u>		<u>28.07%</u>

Source: Weldon Cooper Center for Public Service

Town of Luray, Virginia

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

Function	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
General government	11	10	11	10	10	10	7	7
Public safety								
Police department	17	18	14	11	11	11	11	11
Public works								
General maintenance	14	13	13	12	12	12	12	12
Waste Water Treatment Plant	4	4	5	5	5	6	6	6
Culture and recreation								
Parks and recreation	4	5	4	5	6	6	6	6
Community development								
Planning	0	0	0	0	0	0	1	1
Totals	50	50	47	43	44	45	43	43

Source: Individual town departments

Table 17

Fiscal Year	
2012	2013
7	9
11	11
12	12
6	5
6	5
1	1
<u>43</u>	<u>43</u>

Town of Luray, Virginia

Operating Indicators by Function Last Ten Fiscal Years

Function	2004	2005	2006	Fiscal Year 2007	2008	2009	2010
Public safety							
Police department:							
Physical arrests	603	415	157	382	329	263	173
Traffic violations	1,109	1,549	356	363	531	411	336
Fire and rescue:							
Number of calls answered	859	781	456	836	855	913	922
Public works							
General maintenance:							
Trucks/vehicles	10	10	10	14	14	14	15
Culture and recreation							
Parks and recreation:							
Youth sports participants	596	632	640	671	721	721	600
Community development							
Planning:							
Zoning permits issued	178	197	253	237	236	120	127

Source: Individual town departments

Table 18

	Fiscal Year	
<u>2011</u>	<u>2012</u>	<u>2013</u>
187	141	208
639	386	178
1,002	906	1,005
15	17	17
600	625	625
106	89	81

Town of Luray, Virginia

Capital Asset Statistics by Function Last Ten Fiscal Years

Function	Fiscal Year						
	2004	2005	2006	2007	2008	2009	2010
General government							
Administration buildings	18	18	18	18	18	18	18
Vehicles	1	1	2	2	2	2	2
Public safety							
Police department:							
Patrol units	12	8	8	8	8	7	8
Public works							
General maintenance:							
Trucks/vehicles	10	10	10	13	14	15	15
Waste Water Treatment Plant:							
Vehicles	3	3	3	3	4	3	3
Culture and recreation							
Parks and recreation:							
Vehicles	8	8	8	8	8	8	8
Parks acreage	190	190	190	190	190	190	190
Swimming pools							

Source: Individual town departments

Table 19

Fiscal Year		
2011	2012	2013
18	18	18
2	1	1
8	8	8
15	17	17
3	3	3
8	9	9
190	190	190
	1	1

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COMPLIANCE

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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, 2013, and the related notes to the financial statements, which collectively comprise the Town of Luray, Virginia's basic financial statements, and have issued our report thereon dated November 1, 2013.

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.

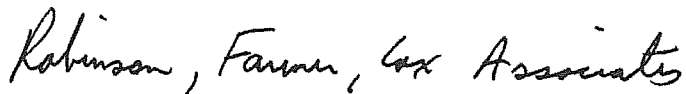
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

A handwritten signature in cursive script that reads "Robinson, Farmer, Cox Associates".

Staunton, Virginia
November 1, 2013