

TOWN OF LURAY, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2011

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**TOWN OF LURAY, VIRGINIA**  
**FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2011**

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COUNCIL

Barry Presgraves, Mayor

Jerry Schiro

Leroy C. Lancaster

Ron Vickers

Mary Menefee

Lonnie Arrington

Earl Racer

OFFICIALS

Richard Black ..... 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, 2011**

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## INDEPENDENT AUDITORS' REPORT

### TO THE HONORABLE MEMBERS OF THE TOWN COUNCIL TOWN OF LURAY, VIRGINIA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Luray, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Luray, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2011 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis and schedules of funding progress in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistence 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 management's discussion and analysis and schedules of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Luray, Virginia's financial statements as a whole. The supporting schedules and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The supporting schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedure applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The statistical 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.

*Robinson, Farmer, Cox Associates*

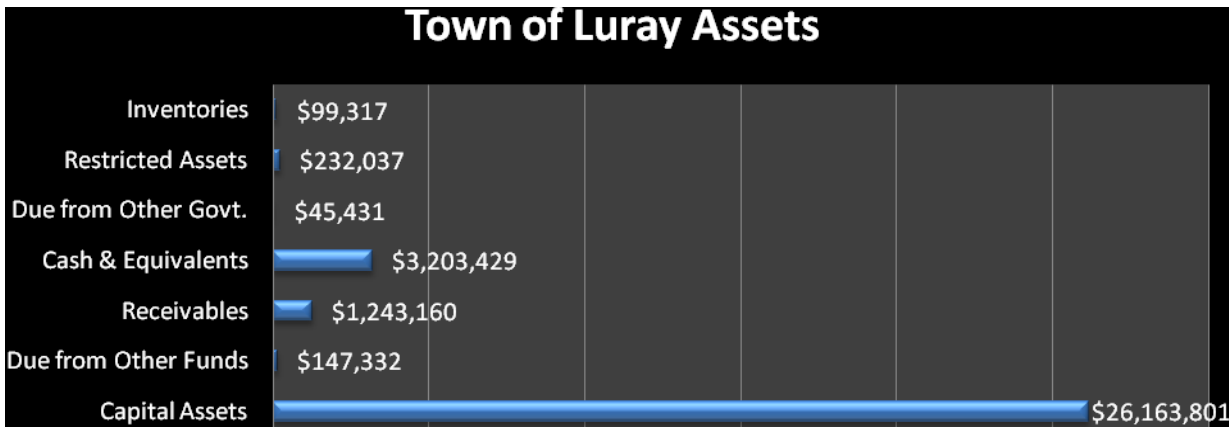
Verona, Virginia  
October 15, 2011

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Town of Luray Annual Audit Report**  
**Fiscal Year Ending June 30, 2011**

We are pleased to present the Annual Audit Report for the Town of Luray's fiscal year ending June 30, 2011. The audit was conducted by Robinson, Farmer, Cox, Associates, a certified public accounting firm in Verona, 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, 2011. 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 of the Town exceeded its liabilities at the close of the fiscal year ending June 30, 2011 by \$16,142,396 (net assets). Of this amount, \$3,042,894 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. The unrestricted net assets have decreased by \$385,547 over last fiscal year's unrestricted balance of \$3,428,468.

Assets decreased by \$694,094 over the previous budget year. Assets totaled \$31,134,507 on June 30, 2011, while liabilities only \$14,992,111. 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, 2011, the Town's general fund balance is just over \$3 million. This is a decrease of \$204,622 over last year's fund balance of \$3,273,622. At June 30, 2011, the fund balance available for spending at the Town of Luray's discretion amounted to \$3,028,046 (unreserved 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, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011
Land	\$ 940,793	\$ 940,793	\$ 149,704	\$ 149,704	\$ 1,090,497	\$ 1,090,497
Buildings and improvements	5,781,771	6,844,924	-	-	5,781,771	6,844,924
Infrastructure	5,387,586	5,387,586	-	-	5,387,586	5,387,586
Utility plant in service	-	-	26,573,137	26,603,985	26,573,137	26,603,985
Equipment	1,537,900	1,576,511	-	-	1,537,900	1,576,511
Construction in progress	802,452	-	6,540,380	7,031,298	7,342,832	7,031,298
Total	\$ 14,450,502	\$ 14,749,814	\$ 33,263,221	\$ 33,784,987	\$ 47,713,723	\$ 48,534,801
Less:						
Accumulated depreciation	(7,502,816)	(7,968,260)	(13,824,101)	(14,402,740)	(21,326,917)	(22,371,000)
Net capital assets	\$ 6,947,686	\$ 6,781,554	\$ 19,439,120	\$ 19,382,247	\$ 26,386,806	\$ 26,163,801

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

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011
Current and other assets	\$ 4,063,242	\$ 3,911,332	\$ 1,378,553	\$ 912,042	\$ 5,441,795	\$ 4,823,374
Capital assets	6,947,686	6,781,554	19,439,120	19,382,247	26,386,806	26,163,801
Total assets	\$ 11,010,928	\$ 10,692,886	\$ 20,817,673	\$ 20,294,289	\$ 31,828,601	\$ 30,987,175
Current and other liabilities	\$ 631,014	\$ 691,731	\$ 963,474	\$ 605,414	\$ 1,594,488	\$ 1,297,145
Long-term liabilities	1,420,402	1,210,854	12,656,845	12,336,780	14,077,247	13,547,634
Total liabilities	\$ 2,051,416	\$ 1,902,585	\$ 13,620,319	\$ 12,942,194	\$ 15,671,735	\$ 14,844,779
Invested in capital assets, net of related debt	\$ 5,702,857	\$ 5,751,140	\$ 7,025,040	\$ 7,348,362	\$ 12,727,897	\$ 13,099,502
Unrestricted	3,256,655	3,039,161	172,314	3,733	3,428,969	3,042,894
Total net assets	\$ 8,959,512	\$ 8,790,301	\$ 7,197,354	\$ 7,352,095	\$ 16,156,866	\$ 16,142,396

Liabilities total \$14,992,111 and are composed primarily of long term debt. The remainder of the liabilities include accounts payable, compensated absences on the books for employees and short term debt. The Town is well below the legal margin of debt. This margin 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, 2011 the total assessed value of real estate in the Town of Luray was \$438,035,700. The legal debt margin would therefore be \$43,803,570. As the above information demonstrates, Luray is well below that margin.

**Town of Luray, Virginia's  
Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011
Revenues						
Program revenues						
Charges for services	\$ 301,541	\$ 326,130	\$ 2,156,779	\$ 2,422,553	\$ 2,458,320	\$ 2,748,683
Operating grants and contributions	1,068,993	1,207,087	-	-	1,068,993	1,207,087
Capital grants and contributions	192,504	7,373	3,959,557	325,053	4,152,061	332,426
General revenues						
Property taxes	1,174,864	1,125,076	-	-	1,174,864	1,125,076
Other local taxes	1,523,260	1,687,513	-	-	1,523,260	1,687,513
Grants and contributions not restricted to specific programs	74,678	78,717	-	-	74,678	78,717
Unrestricted investment earnings	33,010	24,767	1,157	59	34,167	24,826
Other	20,767	22,166	-	-	20,767	22,166
Total revenues	\$ 4,389,617	\$ 4,478,829	\$ 6,117,493	\$ 2,747,665	\$ 10,507,110	\$ 7,226,494
Expenses						
General government administration	\$ 505,686	\$ 500,906	\$ -	\$ -	\$ 505,686	\$ 500,906
Public safety	1,084,592	1,073,077	-	-	1,084,592	1,073,077
Public works	2,042,757	2,061,180	-	-	2,042,757	2,061,180
Health and welfare	20,080	16,794	-	-	20,080	16,794
Parks, recreation and culture	821,314	855,668	-	-	821,314	855,668
Community development	275,424	104,148	-	-	275,424	104,148
Interest on long-term debt	34,080	36,267	-	-	34,080	36,267
Business-type activities	-	-	2,347,382	2,592,924	2,347,382	2,592,924
Total expenses	\$ 4,783,933	\$ 4,648,040	\$ 2,347,382	\$ 2,592,924	\$ 7,131,315	\$ 7,240,964
Change in net assets	\$ (394,316)	\$ (169,211)	\$ 3,770,111	\$ 154,741	\$ 3,375,795	\$ (14,470)
Net assets, beginning	9,353,828	8,959,512	3,427,243	7,197,354	12,781,071	16,156,866
Net assets, ending	\$ 8,959,512	\$ 8,790,301	\$ 7,197,354	\$ 7,352,095	\$ 16,156,866	\$ 16,142,396

### **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 assets and 2) the statement of activities. The statement of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. The statement of activities presents information showing how the Town's net assets 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 assets 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 assets are divided into three categories: (1) invested in capital assets, net of debt; (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 assets, 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 assets by \$209,009. Total spending in governmental funds was \$4,648,040.



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 \$250,262. The water fund had an operational income of \$164,791 and the sewer funds an operational income of \$85,471. Overall operating expenses show an increase of \$188,827 over the June 30, 2010 proprietary fund statements. Unrestricted net assets of the water and sewer funds at the end of the fiscal year are \$3,733.

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 Water Filtration Plant capital project was completed in FY 2010-2011. Construction began on the project in June 2008. Upgrades to the wastewater treatment plant project should be completed in Fiscal Year 2011-2012.
- The Town is proceeding with the construction of Phase IV of the Luray Train Depot rehabilitation project.
- The Town will continue to promote economic development by investing in our downtown area.
- The Town of Luray is currently involved jointly with the County of Page to improve the Luray Caverns Airport. This investment will exceed \$800,000 in economic development efforts.
- In Fiscal Year 2011-2012, the Town of Luray will complete the maintenance building and the installation of utilities at the Ralph H. Dean Recreation Park.
- The Town will be erecting a four (4) bay equipment building at Lake Arrowhead.
- 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.
- On July 21, 2010, the Town of Luray received its letter of substantial completion for the eight-hundred thousand dollar downtown revitalization grant project.

### **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 Assets  
June 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,949,354	\$ 254,075	\$ 3,203,429
Receivables (net of allowance for uncollectibles):			
Taxes receivable	653,912	-	653,912
Accounts receivable	146,852	367,567	514,419
Notes receivable	74,829	-	74,829
Due from other governmental units	45,431	-	45,431
Inventories	40,954	58,363	99,317
Temporarily restricted:			
Cash and cash equivalents	-	201,136	201,136
Other assets:			
Unamortized bond issue costs	-	30,901	30,901
Capital assets:			
Land	940,793	149,704	1,090,497
Buildings and system	5,691,741	-	5,691,741
Land Improvements	1,153,183	-	1,153,183
Machinery and equipment	1,576,511	-	1,576,511
Infrastructure	5,387,586	-	5,387,586
Utility plant in service	-	26,603,985	26,603,985
Construction in progress	-	7,031,298	7,031,298
Accumulated depreciation	(7,968,260)	(14,402,740)	(22,371,000)
Total assets	\$ 10,692,886	\$ 20,294,289	\$ 30,987,175
<b>LIABILITIES</b>			
Accounts payable	\$ 74,183	\$ 49,223	\$ 123,406
Accrued liabilities	10,189	-	10,189
Retainage Payable	-	307,745	307,745
Customers' deposits	-	83,296	83,296
Accrued interest payable	-	165,150	165,150
Deferred Revenue	576,086	-	576,086
Unearned revenue	31,273	-	31,273
Long-term liabilities:			
Due within one year	6,562	362,688	369,250
Due in more than one year	1,204,292	11,974,092	13,178,384
Total liabilities	\$ 1,902,585	\$ 12,942,194	\$ 14,844,779
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 5,751,140	\$ 7,348,362	\$ 13,099,502
Unrestricted	3,039,161	3,733	3,042,894
Total net assets	\$ 8,790,301	\$ 7,352,095	\$ 16,142,396

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, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>PRIMARY GOVERNMENT:</b>				
Governmental activities:				
General government administration	\$ 500,906	\$ -	\$ -	\$ -
Public safety	1,073,077	13,192	196,935	-
Public works	2,061,180	278,022	918,036	7,373
Health and welfare	16,794	-	-	-
Parks, recreation, and cultural	855,668	34,916	87,116	-
Community development	104,148	-	5,000	-
Interest on long-term debt	36,267	-	-	-
Total governmental activities	<u>\$ 4,648,040</u>	<u>\$ 326,130</u>	<u>\$ 1,207,087</u>	<u>\$ 7,373</u>
Business-type activities:				
Water	\$ 1,143,368	\$ 1,045,554	\$ -	\$ -
Sewer	1,449,556	1,376,999	-	325,053
Total business-type activities	<u>\$ 2,592,924</u>	<u>\$ 2,422,553</u>	<u>\$ -</u>	<u>\$ 325,053</u>
Total primary government	<u>\$ 7,240,964</u>	<u>\$ 2,748,683</u>	<u>\$ 1,207,087</u>	<u>\$ 332,426</u>

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

Recovered costs

Grants and contributions not restricted to specific programs

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (500,906)	\$ -	\$ (500,906)
(862,950)	-	(862,950)
(857,749)	-	(857,749)
(16,794)	-	(16,794)
(733,636)	-	(733,636)
(99,148)	-	(99,148)
(36,267)	-	(36,267)
<u>\$ (3,107,450)</u>	<u>\$ -</u>	<u>\$ (3,107,450)</u>
\$ -	\$ (97,814)	\$ (97,814)
-	252,496	252,496
<u>\$ -</u>	<u>\$ 154,682</u>	<u>\$ 154,682</u>
<u>\$ (3,107,450)</u>	<u>\$ 154,682</u>	<u>\$ (2,952,768)</u>
\$ 1,125,076	\$ -	\$ 1,125,076
173,565	-	173,565
153,642	-	153,642
254,998	-	254,998
547,070	-	547,070
181,225	-	181,225
146,363	-	146,363
230,650	-	230,650
24,767	59	24,826
15,728	-	15,728
6,438	-	6,438
78,717	-	78,717
<u>\$ 2,938,239</u>	<u>\$ 59</u>	<u>\$ 2,938,298</u>
<u>\$ (169,211)</u>	<u>\$ 154,741</u>	<u>\$ (14,470)</u>
<u>8,959,512</u>	<u>7,197,354</u>	<u>16,156,866</u>
<u>\$ 8,790,301</u>	<u>\$ 7,352,095</u>	<u>\$ 16,142,396</u>

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## **FUND FINANCIAL STATEMENTS**



Balance Sheet  
Governmental Funds  
June 30, 2011

	Primary Government		
	Special Revenue Fund		
	General	CDBG	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,936,701	\$ 12,653	\$ 2,949,354
Receivables (net of allowance for uncollectibles):			
Taxes receivable	653,912	-	653,912
Accounts receivable	146,852	-	146,852
Notes receivable	-	74,829	74,829
Due from other governmental units	45,431	-	45,431
Inventories	40,954	-	40,954
Total assets	<u>\$ 3,823,850</u>	<u>\$ 87,482</u>	<u>\$ 3,911,332</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 74,183	\$ -	\$ 74,183
Accrued liabilities	10,189	-	10,189
Deferred revenue	639,205	-	639,205
Prepaid Taxes	31,273	-	31,273
Total liabilities	<u>\$ 754,850</u>	<u>\$ -</u>	<u>\$ 754,850</u>
Fund balances:			
Nonspendable:			
Inventory	\$ 40,954	\$ -	\$ 40,954
Restricted:			
Community development block grant fund	-	87,482	87,482
Unassigned, reported in:			
General fund	3,028,046	-	3,028,046
Total fund balances	<u>\$ 3,069,000</u>	<u>\$ 87,482</u>	<u>\$ 3,156,482</u>
Total liabilities and fund balances	<u>\$ 3,823,850</u>	<u>\$ 87,482</u>	<u>\$ 3,911,332</u>

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 Assets  
June 30, 2011

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 3,156,482
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,781,554
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. This amount represents deferred revenue.	63,119
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,210,854)</u>
Net assets of governmental activities	<u>\$ 8,790,301</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, 2011

	Primary Government		
	General	Special Revenue Fund CDBG	Total
<b>REVENUES</b>			
General property taxes	\$ 1,148,368	\$ -	\$ 1,148,368
Other local taxes	1,687,513	-	1,687,513
Permits, privilege fees, and regulatory licenses	13,388	-	13,388
Fines and forfeitures	13,192	-	13,192
Revenue from the use of money and property	21,793	2,974	24,767
Charges for services	299,550	-	299,550
Miscellaneous	93,063	-	93,063
Recovered costs	6,438	-	6,438
Commonwealth	1,150,969	-	1,150,969
Federal	64,873	-	64,873
Total revenues	<u>\$ 4,499,147</u>	<u>\$ 2,974</u>	<u>\$ 4,502,121</u>
<b>EXPENDITURES</b>			
Current:			
General government administration	\$ 452,551	\$ -	\$ 452,551
Public safety	1,053,048	-	1,053,048
Public works	1,833,727	-	1,833,727
Health and welfare	16,794	-	16,794
Parks, recreation, and cultural	999,951	-	999,951
Community development	97,518	7,361	104,879
Debt service:			
Principal retirement	213,913	-	213,913
Interest and other fiscal charges	36,267	-	36,267
Total expenditures	<u>\$ 4,703,769</u>	<u>\$ 7,361</u>	<u>\$ 4,711,130</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (204,622)</u>	<u>\$ (4,387)</u>	<u>\$ (209,009)</u>
Net change in fund balances	\$ (204,622)	\$ (4,387)	\$ (209,009)
Fund balances - beginning	3,273,622	91,869	3,365,491
Fund balances - ending	<u>\$ 3,069,000</u>	<u>\$ 87,482</u>	<u>\$ 3,156,482</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, 2011

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

Net change in fund balances - total governmental funds	\$ (209,009)
--	--------------

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.	(166,131)
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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. This amount represents deferred revenue.	(23,292)
---	----------

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 assets. Also, governmental funds report the effect of issuance costs, 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.	213,913
--	---------

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>15,308</u>
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Change in net assets of governmental activities	<u>\$ (169,211)</u>
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The notes to the financial statements are an integral part of this statement.

Statement of Net Assets  
 Proprietary Funds  
 June 30, 2011

	Enterprise Fund	Enterprise Fund	
	Water	Sewer	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ -	\$ 254,075	\$ 254,075
Accounts receivable, net of allowances for uncollectibles	161,081	206,486	367,567
Due from other funds	-	147,332	147,332
Inventories	50,097	8,266	58,363
Total current assets	\$ 211,178	\$ 616,159	\$ 827,337
Restricted current assets:			
Cash and cash equivalents	\$ -	\$ 201,136	\$ 201,136
Total restricted current assets	\$ -	\$ 201,136	\$ 201,136
Noncurrent assets:			
Other assets:			
Unamortized bond issue costs	\$ -	\$ 30,901	\$ 30,901
Capital assets:			
Land	\$ 114,284	\$ 35,420	\$ 149,704
Construction in progress	-	7,031,298	7,031,298
Utility plant in service	9,612,702	16,991,283	26,603,985
Accumulated Depreciation	(2,863,415)	(11,539,325)	(14,402,740)
Total capital assets	\$ 6,863,571	\$ 12,518,676	\$ 19,382,247
Total noncurrent assets	\$ 6,863,571	\$ 12,549,577	\$ 19,413,148
Total assets	\$ 7,074,749	\$ 13,366,872	\$ 20,441,621
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 19,978	\$ 29,245	\$ 49,223
Retainage payable	-	307,745	307,745
Customers' deposits	83,296	-	83,296
Accrued interest payable	134,084	31,066	165,150
Due to other funds	147,332	-	147,332
Bonds payable - current portion	99,541	216,636	316,177
Notes payable - current portion	39,949	6,562	46,511
Total current liabilities	\$ 524,180	\$ 591,254	\$ 1,115,434
Noncurrent liabilities:			
Bonds payable - net of current portion	\$ 1,380,402	\$ 4,568,165	\$ 5,948,567
Notes payable - net of current portion	5,416,293	449,680	5,865,973
Bond Premium	51,872	5,921	57,793
Compensated absences	34,236	50,460	84,696
Net OPEB obligation	7,547	9,516	17,063
Total noncurrent liabilities	\$ 6,890,350	\$ 5,083,742	\$ 11,974,092
Total liabilities	\$ 7,414,530	\$ 5,674,996	\$ 13,089,526
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ (124,486)	\$ 7,472,848	\$ 7,348,362
Unrestricted	(215,295)	219,028	3,733
Total net assets	\$ (339,781)	\$ 7,691,876	\$ 7,352,095

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

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

	Enterprise Fund	Enterprise Fund	
	Water	Sewer	Total
<b>OPERATING REVENUES</b>			
Charges for services:			
Water revenues	\$ 1,036,909	\$ -	\$ 1,036,909
Sewer revenues	-	1,237,805	1,237,805
Connection Fees	7,615	-	7,615
Miscellaneous	1,030	139,194	140,224
Total operating revenues	<u>\$ 1,045,554</u>	<u>\$ 1,376,999</u>	<u>\$ 2,422,553</u>
<b>OPERATING EXPENSES</b>			
Personal services	\$ 239,977	\$ 391,536	\$ 631,513
Fringe benefits	113,638	150,476	264,114
Contractual services	9,008	9,060	18,068
Other supplies and expenses	36,288	15,738	52,026
Rentals and leases	240	38	278
Insurance claims and expense	26,183	20,000	46,183
Other charges	229,876	351,594	581,470
Depreciation	225,553	353,086	578,639
Total operating expenses	<u>\$ 880,763</u>	<u>\$ 1,291,528</u>	<u>\$ 2,172,291</u>
Operating income (loss)	<u>\$ 164,791</u>	<u>\$ 85,471</u>	<u>\$ 250,262</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest	\$ 59	\$ -	\$ 59
Interest and fiscal charges	(262,605)	(158,028)	(420,633)
Total nonoperating revenues (expenses)	<u>\$ (262,546)</u>	<u>\$ (158,028)</u>	<u>\$ (420,574)</u>
Income (loss) before contributions and transfers	<u>\$ (97,755)</u>	<u>\$ (72,557)</u>	<u>\$ (170,312)</u>
Capital contributions and construction grants	\$ -	\$ 325,053	\$ 325,053
Change in net assets	<u>\$ (97,755)</u>	<u>\$ 252,496</u>	<u>\$ 154,741</u>
Total net assets - beginning	<u>\$ (242,026)</u>	<u>\$ 7,439,380</u>	<u>\$ 7,197,354</u>
Total net assets - ending	<u><u>\$ (339,781)</u></u>	<u><u>\$ 7,691,876</u></u>	<u><u>\$ 7,352,095</u></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, 2011

	Enterprise Fund	Enterprise Fund	
	Water	Sewer	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 1,041,896	\$ 1,340,045	\$ 2,381,941
Payments to suppliers	(679,127)	(343,865)	(1,022,992)
Payments to employees	(361,388)	(539,858)	(901,246)
Other receipts (payments)	(150,335)	141,836	(8,499)
Net cash provided by (used in) operating activities	\$ (148,954)	\$ 598,158	\$ 449,204
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Additions to utility plant	\$ (30,848)	\$ (490,918)	\$ (521,766)
Proceeds from indebtedness	5,000,000	180,843	5,180,843
Principal payments on bonds	(5,254,728)	(217,307)	(5,472,035)
Principal payments on lease obligations	(13,038)	(13,038)	(26,076)
Capital contributions	-	325,053	325,053
Interest payments	(150,753)	(156,260)	(307,013)
Net cash provided by (used in) capital and related financing activities	\$ (449,367)	\$ (371,627)	\$ (820,994)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends received	\$ 59	\$ -	\$ 59
Net cash provided by (used in) investing activities	\$ 59	\$ -	\$ 59
Net increase (decrease) in cash and cash equivalents	\$ (598,262)	\$ 226,531	\$ (371,731)
Cash and cash equivalents - beginning - including restricted	\$ 598,262	\$ 228,680	\$ 826,942
Cash and cash equivalents - ending - including restricted	\$ -	\$ 455,211	\$ 455,211
<b>Reconciliation of operating income (loss) to net cash used by operating activities:</b>			
Operating income (loss)	\$ 164,791	\$ 85,471	\$ 250,262
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	\$ 225,553	\$ 353,086	\$ 578,639
(Increase) decrease in accounts receivable	(9,357)	102,240	92,883
(Increase) decrease in due from other funds	-	152,330	152,330
(Increase) decrease in inventories	(1,171)	(282)	(1,453)
Increase (decrease) in customer deposits	6,729	-	6,729
Increase (decrease) in accounts payable	(153,460)	(99,483)	(252,943)
Increase (decrease) in OPEB obligation	2,095	2,642	4,737
Increase (decrease) accrued payroll	2,641	4,459	7,100
Increase (decrease) accrued vacation leave payable	(10,414)	(2,305)	(12,719)
Increase (decrease) in due to other funds	(376,361)	-	(376,361)
Total adjustments	\$ (313,745)	\$ 512,687	\$ 198,942
Net cash provided by (used in) operating activities	\$ (148,954)	\$ 598,158	\$ 449,204

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

TOWN OF LURAY, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2011

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**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. The 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, 2011.

**Discretely Presented Component Units** - The Town has no discretely presented component units for the fiscal year ended June 30, 2011.

**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 assets 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*.



NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2011

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**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.

**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.

Additionally, the government reports the following fund types:

*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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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 as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. 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.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

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

**D. Assets, liabilities, and net assets 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, 2011 includes amounts not yet billed or received from the second half of the January 1, 2011 levy (due December 5, 2011). These items are included in deferred revenue since these taxes are restricted for use until fiscal year 2011.

**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 \$24,548 at June 30, 2011 and is composed of property taxes, refuse, CDBG, and water and sewer accounts receivable. The portion of the allowance for property taxes represents .38% of the total levies for the previous year. The portion of the allowance attributable to refuse and water and sewer represents 3.05% of the accounts receivable balance at June 30, 2011. The portion of the allowance attributable to CDBG loans represents 7.38% of the loan receivables balance at June 30, 2011.

**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 assets 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 assets lives 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 of the primary government, is depreciated using the straight line method over the following estimated useful lives:

<b><u>Assets</u></b>	<b><u>Years</u></b>
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 assets 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 assets. Bond premiums and discounts, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**10. Fund equity**

Beginning with fiscal year 2011, the Town implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2011

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)****D. Assets, liabilities, and net assets or equity (continued)****11. 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.

**12. Net Assets**

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets.

**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 assets**

The governmental fund balance sheet includes a reconciliation between *fund balance—total governmental funds* and *net assets—governmental activities* as reported in the government-wide statements of net assets. 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 (\$1,210,854) difference for the primary government are as follows:

	<b>Primary Government</b>
Bonds and notes payable	\$ (1,030,414)
OPEB obligation	(27,237)
Compensated absences	(153,203)
Net adjustment to reduce <i>fund balance—total governmental funds</i> to arrive at <i>net assets—governmental activities</i>	\$ <u>(1,210,854)</u>

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2011

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**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 assets 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 (\$166,131) difference for the primary government are as follows:

	<b>Primary Government</b>
Capital outlay	\$ 299,314
Depreciation expense	<u>(465,445)</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u><u>(166,131)</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 assets. Also, governmental funds report the effect of issuance costs, 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 \$213,913 difference in the primary government are as follows:

	<b>Primary Government</b>
Principal repayments:	
Notes payable	\$ <u>213,913</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u><u>213,913</u></u>

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2011

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**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 \$15,308 difference for the primary government are as follows:

	<u>Primary Government</u>
Compensated absences	\$ 22,871
OPEB obligation	<u>(7,563)</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>15,308</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 budget data presented in the accompanying financial statements is the revised budget as of June 30.



NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2011

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

For the year ended June 30, 2011, the following departments 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	\$ 127,340
Total General Fund			<u>\$ 127,340</u>

**C. Deficit fund equity**

At June 30, 2011, the water fund had a net asset deficit of (\$339,781).

**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, 2011, the water fund had a balance due to the general fund in the amount of \$147,332.

**NOTE 5—DUE FROM OTHER GOVERNMENTAL UNITS:**

Amounts due from other governmental units at June 30, 2011, are as follows:

	<u>Primary Government</u>
<u>Commonwealth of Virginia:</u>	
Sales tax	\$ 32,996
Other noncategorical aid	12,435
Total	<u>\$ 45,431</u>

## TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2011**NOTE 6—CAPITAL ASSETS:**

## Governmental Activities

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Capital assets not being depreciated:				
Land	\$ 940,793	\$ -	\$ -	\$ 940,793
Construction in progress	802,452	260,702	(1,063,154)	-
Total capital assets not being depreciated	\$ 1,743,245	\$ 260,702	\$ (1,063,154)	\$ 940,793
Other capital assets:				
Buildings and improvements	\$ 4,687,187	\$ 1,004,554	\$ -	\$ 5,691,741
Land improvements	1,094,583	58,600	-	1,153,183
Infrastructure	5,387,586	-	-	5,387,586
Furniture, equipment and vehicles	1,537,899	38,612	-	1,576,511
Total other capital assets	\$ 12,707,255	\$ 1,101,766	\$ -	\$ 13,809,021
Less: Accumulated depreciation for:				
Buildings and improvements	\$ (2,062,224)	\$ (110,752)	\$ -	\$ (2,172,976)
Land improvements	(302,958)	(72,904)	-	(375,862)
Infrastructure	(4,019,605)	(178,394)	-	(4,197,999)
Furniture, equipment and vehicles	(1,118,028)	(103,395)	-	(1,221,423)
Total accumulated depreciation	\$ (7,502,815)	\$ (465,445)	\$ -	\$ (7,968,260)
Other capital assets, net	\$ 5,204,440	\$ 636,321	\$ -	\$ 5,840,761
Net capital assets	\$ 6,947,685	\$ 897,023	\$ (1,063,154)	\$ 6,781,554

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2011

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**NOTE 6—CAPITAL ASSETS: (CONTINUED)**

## Business-Type Activities

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
<b>Water Fund</b>				
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	\$ 9,581,854	\$ 62,845	\$ (31,997)	\$ 9,612,702
Less: Accumulated depreciation	(2,637,862)	(225,553)	-	(2,863,415)
Total other capital assets	\$ 6,943,992	\$ (162,708)	\$ (31,997)	\$ 6,749,287
Net capital assets	\$ 7,058,276	\$ (162,708)	\$ (31,997)	\$ 6,863,571
<b>Sewer Fund</b>				
Capital assets not being depreciated:				
Land	\$ 35,420	\$ -	\$ -	\$ 35,420
Construction in progress (WWTP)	6,540,380	490,918	-	7,031,298
Total capital assets not being depreciated	\$ 6,575,800	\$ 490,918	\$ -	\$ 7,066,718
Other capital assets:				
Utility plant in service	\$ 16,991,283	\$ -	\$ -	\$ 16,991,283
Less: Accumulated depreciation	(11,186,239)	(353,086)	-	(11,539,325)
Total other capital assets	\$ 5,805,044	\$ (353,086)	\$ -	\$ 5,451,958
Net capital assets	\$ 12,380,844	\$ 137,832	\$ -	\$ 12,518,676

TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2011

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**NOTE 6—CAPITAL ASSETS: (CONTINUED)**

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

Governmental activities:	
General government	\$ 48,204
Public safety	31,425
Public works	252,531
Parks, recreation, and cultural	132,799
Community development	486
Total depreciation expense-governmental activities	<u>\$ 465,445</u>
Business-type activities:	
Water Fund	\$ 225,553
Sewer Fund	353,086
Total depreciation expense-business type activities	<u>\$ 578,639</u>

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NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2011

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**NOTE 7—LONG-TERM LIABILITIES:****Primary Government—Governmental Activity Indebtedness:**

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>
2012	\$ 6,562	\$ 28,817
2013	562,262	26,480
2014	7,179	20,061
2015	7,508	19,732
2016	7,853	19,387
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	12,253	46
Total	<u>\$ 1,030,414</u>	<u>\$ 427,553</u>

TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2011

**NOTE 7—LONG-TERM LIABILITIES: (CONTINUED)**

**Primary Government—Governmental Activity Indebtedness: (continued)**

The following is a summary of long-term debt transactions of the Town for the year ended June 30, 2011.

	Balance July 1, 2010	Issuances	Retirements	Balance June 30, 2011
Notes payable	\$ 1,231,290	\$ -	\$ 200,876	\$ 1,030,414
Capital lease payable	13,038	-	13,038	-
Compensated absences	176,074	-	22,871	153,203
Net OPEB obligation	19,674	7,563	-	27,237
Total	<u>\$ 1,420,402</u>	<u>\$ -</u>	<u>\$ 236,785</u>	<u>\$ 1,210,854</u>

Details of Long-term Indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<b><u>Notes Payable:</u></b>		
\$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.	\$ 475,015	\$ 6,562
\$750,000 General Obligation Note, Series 2010, issued on March 30, 2010, bearing a 2.25% interest rate, with interest only payments of \$1,406.25 due monthly. Final installment of principal and interest are due on March 30, 2013.	<u>555,399</u>	<u>-</u>
Subtotal Notes Payable	\$ 1,030,414	\$ 6,562
Compensated Absences	<u>\$ 153,203</u>	<u>\$ -</u>
Net OPEB obligation	<u>\$ 27,237</u>	<u>\$ -</u>
Total	<u>\$ 1,210,854</u>	<u>\$ 6,562</u>

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2011

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**NOTE 7—LONG-TERM LIABILITIES: (CONTINUED)****Primary Government-Enterprise Activity Indebtedness: (continued)**

Year Ending June 30,	Bonds Payable		Notes Payable	
	Principal	Interest	Principal	Interest
2012	\$ 316,177	\$ 199,606	\$ 46,511	\$ 341,176
2013	318,283	191,676	72,685	225,995
2014	325,475	183,496	75,565	223,115
2015	337,756	174,008	78,560	220,120
2016	350,130	163,122	81,674	217,006
2017	362,601	151,391	84,912	213,768
2018	380,172	138,738	88,280	210,400
2019	392,848	125,191	91,782	206,898
2020	400,633	111,202	95,423	203,257
2021	393,051	96,812	99,210	199,470
2022	363,950	84,365	103,148	195,532
2023	359,831	73,172	107,244	191,436
2024	339,002	61,548	111,503	187,177
2025	264,002	51,886	115,932	182,748
2026	274,002	43,896	120,538	178,142
2027	284,002	39,780	125,329	173,351
2028	294,002	30,600	130,311	168,369
2029	298,826	20,910	135,492	163,188
2030	210,001	10,710	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	-	-	100,764	946
Total	\$ 6,264,744	\$ 1,952,109	\$ 5,912,484	\$ 5,541,045

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2011

**NOTE 7—LONG-TERM LIABILITIES: (CONTINUED)****Primary Government-Enterprise Activity Indebtedness: (continued)**

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011
General Obligation Bonds	\$ 6,394,950	\$ 180,843	\$ 311,049	\$ 6,264,744
Capital Lease	26,076	-	26,076	-
Unamortized Bond Premium	64,936	-	7,143	57,793
Notes Payable	6,073,468	5,000,000	5,160,984	5,912,484
Compensated Absences	97,415	-	12,719	84,696
Net Opeb Obligation	12,326	4,737	-	17,063
Total	<u>\$ 12,669,171</u>	<u>\$ 5,185,580</u>	<u>\$ 5,517,971</u>	<u>\$ 12,336,780</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.

<u>Total Amount</u>	<u>Amount Due Within One Year</u>
\$ 1,085,000	\$ 65,000

\$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.

1,880,000	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.

1,866,859	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.

257,942	17,634
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\$3,325,000 FmHA General Obligation Bond, Series 2001, issued December 14, 2001, bearing interest at 6.0% per annum. Monthly payments of \$20,498 to begin November 12, 2003. Payable through November 2030.

780,000	-
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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 semiannually, with final maturity not later than December 31, 2021.

394,943	34,541
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Sub-total bonds payable

\$ 6,264,744	\$ 316,177
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TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2011

**NOTE 7—LONG-TERM LIABILITIES: (CONTINUED)**

**Primary Government-Enterprise Activity Indebtedness: (continued)**

Details of Long-term Indebtedness: (continued)

	<b><u>Total Amount</u></b>	<b><u>Amount Due Within One Year</u></b>
<b><u>Notes Payable:</u></b>		
\$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.	\$ 912,484	\$ 13,124
 \$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.	 <u>5,000,000</u>	 <u>33,387</u>
Sub-total notes payable	\$ <u>5,912,484</u>	\$ <u>46,511</u>
Unamortized Bond Premium	\$ <u>57,793</u>	\$ <u>-</u>
Compensated Absences	\$ <u>84,696</u>	\$ <u>-</u>
Net OPEB Obligation	\$ <u>17,063</u>	\$ <u>-</u>
Total	\$ <u><u>12,336,780</u></u>	\$ <u><u>362,688</u></u>

**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 \$153,203 in the Primary Government, and \$84,696 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 have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least 10 years of service credit or age 50 with at least five years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

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

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2011

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**NOTE 9—DEFINED BENEFIT PENSION PLAN: (CONTINUED)****A. Plan Description (Continued)**

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

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

**B. Funding Policy**

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2011 was 15.33% of annual covered payroll.

**C. Annual Pension Cost**

For fiscal year 2011, the Town's annual pension cost of \$272,563 was equal to the Town's required and actual contributions.

<b>Fiscal Year Ending</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
June 30, 2009	\$ 262,126	100%	\$ -
June 30, 2010	273,035	100%	-
June 30, 2011	272,563	100%	-

The FY11 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and projected salary increases include an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2011

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**NOTE 9—DEFINED BENEFIT PENSION PLAN: (CONTINUED)**

**D. Funded Status and Funding Progress**

As of June 30, 2010, the most recent actuarial valuation date, the plan was 76.16% funded. The actuarial accrued liability for benefits was \$9,000,641, and the actuarial value of assets was \$6,855,274, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,145,367. The covered payroll (annual payroll of active employees covered by the plan) was \$1,801,079, and ratio of the UAAL to the covered payroll was 119.12%.

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 POST-EMPLOYMENT 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.

**B. Funding Policy**

The Luray Town Government 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 \$24,300 for fiscal year 2011. 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.

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2011

**NOTE 10—OTHER POST-EMPLOYMENT BENEFITS PROGRAM: (CONTINUED)****C. Annual OPEB Cost and Net OPEB Obligation (Continued)**

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)	\$	24,300
Interest on OPEB Obligation		1,400
Adjustment to ARC		1,400
Annual OPEB cost	\$	24,300
Estimated Contributions Made During FY11		(12,000)
Increase in Net OPEB Obligation	\$	12,300
Net OPEB Obligation - beginning of year		32,000
Net OPEB Obligation - end of year	\$	44,300

Annual OPEB Cost. For 2011, the Town's expected cash payment of \$12,000 is less than the OPEB cost (expense) of \$24,300 and was \$12,300 short of the ARC. The Government's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 are as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
June 30, 2011	\$ 24,300	49%	\$ 44,300
June 30, 2010	\$ 24,300	27%	\$ 32,000
June 30, 2009	\$ 24,300	41%	\$ 14,300

**D. Funded Status and Funding Progress**

The funded status of the plan as of June 30, 2011 (based on the June 30, 2008 actuarial valuation) is as follows:

Actuarial accrued liability (AAL)	\$	220,400
Actuarial value of plan assets		-
Unfunded actuarial accrued liability		220,400
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

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2011

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**NOTE 10—OTHER POST-EMPLOYMENT BENEFITS PROGRAM: (CONTINUED)****D. Funded Status and Funding Progress (Continued)**

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

**NOTE 11—UNEARNED/DEFERRED REVENUE:**

Unearned/deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Unearned/deferred revenue totaling \$607,359 is comprised of the following:

- A. Prepaid Property Taxes – Property taxes due subsequent to June 30, 2011, but paid in advance by the taxpayers totaled \$31,273 at June 30, 2011.
- B. Unbilled Property Taxes – Property taxes for the second half of 2011 that had not been billed as of June 30, 2011 amounted to \$576,086.

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2011

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**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. According, all deposits are considered fully collateralized.

Investments

Statutes authorize the Town to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP). The Town had no investments at June 30, 2011.

**NOTE 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.

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2011

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**NOTE 14—RISK MANAGEMENT: (CONTINUED)**

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, 2011, 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—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, 2011, was immaterial to the Town's financial statements.

**NOTE 16—SUBSEQUENT EVENTS:**

In preparing these financial statements, management of the Town has evaluated events and transactions for potential recognition or disclosure through October 15, 2011, the date the financial statements were available to be issued.



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## **REQUIRED SUPPLEMENTARY INFORMATION**



## General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2011

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 1,113,160	\$ 1,113,160	\$ 1,148,368	\$ 35,208
Other local taxes	1,605,000	1,605,000	1,687,513	82,513
Permits, privilege fees, and regulatory licenses	12,000	12,000	13,388	1,388
Fines and forfeitures	30,000	30,000	13,192	(16,808)
Revenue from the use of money and property	87,620	87,620	21,793	(65,827)
Charges for services	290,000	290,000	299,550	9,550
Miscellaneous	371,200	371,200	93,063	(278,137)
Recovered costs	10,000	10,000	6,438	(3,562)
Intergovernmental revenues:				
Commonwealth	1,113,174	1,113,174	1,150,969	37,795
Federal	444,000	444,000	64,873	(379,127)
Total revenues	<u>\$ 5,076,154</u>	<u>\$ 5,076,154</u>	<u>\$ 4,499,147</u>	<u>\$ (577,007)</u>
EXPENDITURES				
Current:				
General government administration	\$ 538,515	\$ 567,215	\$ 452,551	\$ 114,664
Public safety	1,095,600	1,095,700	1,053,048	42,652
Public works	2,158,205	1,886,005	1,833,727	52,278
Health and welfare	-	25,000	16,794	8,206
Parks, recreation, and cultural	812,944	1,031,344	999,951	31,393
Community development	102,470	102,470	97,518	4,952
Debt service:				
Principal retirement	318,420	301,420	213,913	87,507
Interest and other fiscal charges	21,000	38,000	36,267	1,733
Total expenditures	<u>\$ 5,047,154</u>	<u>\$ 5,047,154</u>	<u>\$ 4,703,769</u>	<u>\$ 343,385</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 29,000</u>	<u>\$ 29,000</u>	<u>\$ (204,622)</u>	<u>\$ (233,622)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>\$ (29,000)</u>	<u>\$ (29,000)</u>	<u>\$ -</u>	<u>\$ 29,000</u>
Total other financing sources and uses	<u>\$ (29,000)</u>	<u>\$ (29,000)</u>	<u>\$ -</u>	<u>\$ 29,000</u>
Net change in fund balances	\$ -	\$ -	\$ (204,622)	\$ (204,622)
Fund balances - beginning	-	-	3,273,622	3,273,622
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,069,000</u>	<u>\$ 3,069,000</u>

## Special Revenue Fund

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

For the Year Ended June 30, 2011

	<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>
<b>REVENUES</b>				
Revenue from the use of money and property	\$ -	\$ -	\$ 2,974	\$ 2,974
Intergovernmental revenues:				
Federal	-	7,364	-	(7,364)
Total revenues	\$ -	\$ 7,364	\$ 2,974	\$ (4,390)
<b>EXPENDITURES</b>				
Current:				
Community development:	\$ -	\$ 7,364	\$ 7,361	\$ 3
Total expenditures	\$ -	\$ 7,364	\$ 7,361	\$ 3
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (4,387)	\$ (4,387)
Net change in fund balances	\$ -	\$ -	\$ (4,387)	\$ (4,387)
Fund balances - beginning	-	-	91,869	91,869
Fund balances - ending	\$ -	\$ -	\$ 87,482	\$ 87,482

Schedule of Pension Funding Progress  
As of June 30, 2011

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## 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 )
06/30/10	\$ 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%
06/30/07	6,072,020	6,845,783	773,763	88.70%	1,525,448	50.72%
06/30/06	5,427,614	6,191,349	763,735	87.66%	1,369,139	55.78%

Other Post-Employment Benefit Program  
 Schedule of Funding Progress  
 As of June 30, 2011

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Fiscal Year	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 )
2009	07/01/08	\$ -	\$ 220,400	\$ 220,400	0.00%	\$ -	N/A
2010	07/01/08	\$ -	\$ 220,400	\$ 220,400	0.00%	\$ -	N/A
2011	07/01/08	\$ -	\$ 220,400	\$ 220,400	0.00%	\$ -	N/A

## **SUPPORTING SCHEDULES**





Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2011

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 981,360	\$ 981,360	\$ 1,027,653	\$ 46,293
Real and personal public service corporation taxes	31,000	31,000	30,975	(25)
Personal property taxes	83,000	83,000	78,718	(4,282)
Mobile home taxes	800	800	790	(10)
Penalties and interest	17,000	17,000	10,232	(6,768)
Total general property taxes	<u>\$ 1,113,160</u>	<u>\$ 1,113,160</u>	<u>\$ 1,148,368</u>	<u>\$ 35,208</u>
Other local taxes:				
Local sales and use taxes	\$ 175,000	\$ 175,000	\$ 173,565	\$ (1,435)
Consumers' utility taxes	158,000	158,000	153,642	(4,358)
Business license taxes	250,000	250,000	254,998	4,998
Franchise license tax	22,000	22,000	29,745	7,745
Motor vehicle licenses	60,000	60,000	55,249	(4,751)
Bank stock taxes	70,000	70,000	107,274	37,274
Transient occupancy taxes	172,000	172,000	146,363	(25,637)
Restaurant food taxes	525,000	525,000	547,070	22,070
Sprint right of way fees	23,000	23,000	38,382	15,382
Cigarette tax	150,000	150,000	181,225	31,225
Total other local taxes	<u>\$ 1,605,000</u>	<u>\$ 1,605,000</u>	<u>\$ 1,687,513</u>	<u>\$ 82,513</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 12,000	\$ 12,000	\$ 13,388	\$ 1,388
Total permits, privilege fees, and regulatory licenses	<u>\$ 12,000</u>	<u>\$ 12,000</u>	<u>\$ 13,388</u>	<u>\$ 1,388</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 30,000	\$ 30,000	\$ 13,082	\$ (16,918)
Parking fines	-	-	110	110
Total fines and forfeitures	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 13,192</u>	<u>\$ (16,808)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 30,000	\$ 30,000	\$ 4,632	\$ (25,368)
Revenue from use of property	57,620	57,620	17,161	(40,459)
Total revenue from use of money and property	<u>\$ 87,620</u>	<u>\$ 87,620</u>	<u>\$ 21,793</u>	<u>\$ (65,827)</u>
Charges for services:				
Charges for sanitation and waste removal	\$ 265,000	\$ 265,000	\$ 264,634	\$ (366)
Charges for recreation	25,000	25,000	34,916	9,916
Total charges for services	<u>\$ 290,000</u>	<u>\$ 290,000</u>	<u>\$ 299,550</u>	<u>\$ 9,550</u>
Miscellaneous revenue:				
Rebates and refunds	\$ 1,000	\$ 1,000	\$ 10,765	\$ 9,765
Donations	285,000	285,000	3,335	(281,665)
Miscellaneous	13,200	13,200	4,963	(8,237)
Greenway development grant	70,000	70,000	74,000	4,000
Sale of equipment	2,000	2,000	-	(2,000)
Total miscellaneous revenue	<u>\$ 371,200</u>	<u>\$ 371,200</u>	<u>\$ 93,063</u>	<u>\$ (278,137)</u>
Recovered costs:				
Insurance recoveries	\$ 10,000	\$ 10,000	\$ 6,438	\$ (3,562)
Total recovered costs	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 6,438</u>	<u>\$ (3,562)</u>
Total revenue from local sources	<u>\$ 3,518,980</u>	<u>\$ 3,518,980</u>	<u>\$ 3,283,305</u>	<u>\$ (235,675)</u>

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011 (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>
<b>General Fund: (continued)</b>				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle rental tax	\$ 3,500	\$ 3,500	\$ 4,143	\$ 643
Personal property tax relief funds	74,574	74,574	74,574	-
Total noncategorical aid	<u>\$ 78,074</u>	<u>\$ 78,074</u>	<u>\$ 78,717</u>	<u>\$ 643</u>
Other categorical aid:				
Virginia Commission for the Arts grant	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Disaster grants - public assistance	-	-	7,079	7,079
Aid to localities with police departments	100,000	100,000	120,376	20,376
Other police grants	25,000.00	25,000.00	4,995.00	(20,005)
Police impound revenue	300	300	-	(300)
Department of fire programs funds	13,500	13,500	14,064	564
Litter control grant	3,000	3,000	2,671	(329)
Street and highway maintenance funds	885,700	885,700	918,036	32,336
Recreational tree grant	2,500	2,500	-	(2,500)
DMV animal friendly plate	100	100	31	(69)
Total other categorical aid	<u>\$ 1,035,100</u>	<u>\$ 1,035,100</u>	<u>\$ 1,072,252</u>	<u>\$ 37,152</u>
Total categorical aid	<u>\$ 1,035,100</u>	<u>\$ 1,035,100</u>	<u>\$ 1,072,252</u>	<u>\$ 37,152</u>
Total revenue from the Commonwealth	<u>\$ 1,113,174</u>	<u>\$ 1,113,174</u>	<u>\$ 1,150,969</u>	<u>\$ 37,795</u>
Revenue from the federal government:				
Categorical aid:				
TEA-21 Grant	\$ 442,000	\$ 442,000	\$ -	\$ (442,000)
Forest reserve funds	2,000	2,000	-	(2,000)
DMV - ground transportation	-	-	7,373	7,373
Wildland fire management	-	-	57,500	57,500
Total categorical aid	<u>\$ 444,000</u>	<u>\$ 444,000</u>	<u>\$ 64,873</u>	<u>\$ (379,127)</u>
Total revenue from the federal government	<u>\$ 444,000</u>	<u>\$ 444,000</u>	<u>\$ 64,873</u>	<u>\$ (379,127)</u>
Total General Fund	<u>\$ 5,076,154</u>	<u>\$ 5,076,154</u>	<u>\$ 4,499,147</u>	<u>\$ (577,007)</u>
<b>Special Revenue Fund:</b>				
<b>CDBG:</b>				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 2,974	\$ 2,974
Total revenue from use of money and property	<u>-</u>	<u>-</u>	<u>2,974</u>	<u>2,974</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,974</u>	<u>\$ 2,974</u>
Categorical aid:				
CDBG grant	\$ -	\$ 7,364	\$ -	\$ (7,364)
Total categorical aid	<u>\$ -</u>	<u>\$ 7,364</u>	<u>\$ -</u>	<u>\$ (7,364)</u>
Total revenue from the federal government	<u>\$ -</u>	<u>\$ 7,364</u>	<u>\$ -</u>	<u>\$ (7,364)</u>
Total CDBG Fund	<u>\$ -</u>	<u>\$ 7,364</u>	<u>\$ 2,974</u>	<u>\$ (4,390)</u>

Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2011

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
General government administration:				
Legislative:				
Town Council	\$ 128,841	\$ 133,941	\$ 132,400	\$ 1,541
General and financial administration:				
Town manager	\$ 111,624	\$ 109,324	\$ 58,377	\$ 50,947
Legal services	60,000	84,000	83,677	323
Independent auditor	5,100	5,100	5,050	50
Treasurer	232,950	234,850	173,047	61,803
Total general and financial administration	\$ 409,674	\$ 433,274	\$ 320,151	\$ 113,123
Total general government administration	\$ 538,515	\$ 567,215	\$ 452,551	\$ 114,664
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 1,053,400	\$ 1,053,800	\$ 1,016,151	\$ 37,649
Other protection:				
Code Enforcement	\$ 30,200	\$ 30,200	\$ 29,372	\$ 828
Safety Officer	12,000	11,700	7,525	4,175
Total other protection	\$ 42,200	\$ 41,900	\$ 36,897	\$ 5,003
Total public safety	\$ 1,095,600	\$ 1,095,700	\$ 1,053,048	\$ 42,652
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 1,038,105	\$ 1,077,105	\$ 1,204,445	\$ (127,340)
Total maintenance of highways, streets, bridges & sidewalks	\$ 1,038,105	\$ 1,077,105	\$ 1,204,445	\$ (127,340)
Sanitation and waste removal:				
Refuse collection and disposal	\$ 265,000	\$ 265,000	\$ 253,586	\$ 11,414
Total sanitation and waste removal	265,000	265,000	253,586	11,414
Maintenance of general buildings and grounds:				
General properties	\$ 855,100	\$ 543,900	\$ 375,696	\$ 168,204
Total maintenance of general buildings and grounds	855,100	543,900	375,696	168,204
Total public works	\$ 2,158,205	\$ 1,886,005	\$ 1,833,727	\$ 52,278
Health and welfare:				
Welfare:				
Tax relief for the elderly	\$ -	\$ 25,000	\$ 16,794	\$ 8,206
Total health and welfare	\$ -	\$ 25,000	\$ 16,794	\$ 8,206
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 812,944	\$ 1,031,344	\$ 999,951	\$ 31,393
Total parks, recreation, and cultural	\$ 812,944	\$ 1,031,344	\$ 999,951	\$ 31,393
Community development:				
Planning and community development:				
Planning Commission	\$ 102,470	\$ 102,470	\$ 97,518	\$ 4,952
Total community development	\$ 102,470	\$ 102,470	\$ 97,518	\$ 4,952

Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2011 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (continued)</b>				
Debt service:				
Principal retirement	\$ 318,420	\$ 301,420	\$ 213,913	\$ 87,507
Interest and other fiscal charges	<u>21,000</u>	<u>38,000</u>	<u>36,267</u>	<u>1,733</u>
Total debt service	<u>\$ 339,420</u>	<u>\$ 339,420</u>	<u>\$ 250,180</u>	<u>\$ 89,240</u>
Total General Fund	<u><u>\$ 5,047,154</u></u>	<u><u>\$ 5,047,154</u></u>	<u><u>\$ 4,703,769</u></u>	<u><u>\$ 343,385</u></u>
<b>Special Revenue Fund:</b>				
<b>CDBG Fund:</b>				
Community development:				
CDBG program	\$ -	\$ 7,364	\$ 7,361	\$ 3
Total CDBG	<u>\$ -</u>	<u>\$ 7,364</u>	<u>\$ 7,361</u>	<u>\$ 3</u>
Total CDBG Fund	<u><u>\$ -</u></u>	<u><u>\$ 7,364</u></u>	<u><u>\$ 7,361</u></u>	<u><u>\$ 3</u></u>

## **STATISTICAL INFORMATION**



## STATISTICAL SECTION

### Contents

### Tables

#### Financial Trends

These tables contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.

1 - 6

#### Revenue Capacity

These tables contain information to help the reader assess the factors affecting the Town's ability to generate its property and sales taxes.

7 - 10

#### Debt Capacity

These tables present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue debt in the future.

11 - 14

#### Demographic and Economic Information

This table offers demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place and to help make comparisons over time and with other governments.

15

#### Operating Information

These tables contain information about the Town's operations and resources to help the reader understand how the Town's financial information relate to the services the Town provides and the activities it performs.

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#### *Sources:*

Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year. The Town implemented GASB Statement 34 in fiscal year 2001; schedules presenting government-wide information include information beginning in that year.



**Town of Luray, Virginia**

**Net Assets by Component**

**Last Six Fiscal Years**

*(accrual basis of accounting)*

	Fiscal Year			
	2006	2007	2008	2009
Governmental activities:				
Invested in capital assets, net of related debt	\$ 5,272,691	\$ 5,192,702	\$ 4,977,490	\$ 6,043,229
Unrestricted	3,496,943	3,519,479	3,652,123	3,310,599
Total governmental activities net assets	<u>\$ 8,769,634</u>	<u>\$ 8,712,181</u>	<u>\$ 8,629,613</u>	<u>\$ 9,353,828</u>
Business-type activities:				
Invested in capital assets, net of related debt	\$ 3,596,862	\$ 3,493,370	\$ 3,247,769	\$ 4,201,990
Unrestricted	904,105	448,688	6,053	(774,747)
Total business-type activities net assets	<u>\$ 4,500,967</u>	<u>\$ 3,942,058</u>	<u>\$ 3,253,822</u>	<u>\$ 3,427,243</u>
Primary government:				
Invested in capital assets, net of related debt	\$ 8,869,553	\$ 8,686,072	\$ 8,225,259	\$ 10,245,219
Unrestricted	4,401,048	3,968,167	3,658,176	2,535,852
Total primary government net assets	<u>\$ 13,270,601</u>	<u>\$ 12,654,239</u>	<u>\$ 11,883,435</u>	<u>\$ 12,781,071</u>

Note: Accrual-basis financial information is available back to fiscal year 2003 when the Town implemented GASB 34.

**Table 1**

---

Fiscal Year	
2010	2011
\$ 5,703,358	\$ 5,751,140
3,256,154	3,039,161
<u>\$ 8,959,512</u>	<u>\$ 8,790,301</u>
\$ 7,025,040	\$ 7,348,362
172,314	3,733
<u>\$ 7,197,354</u>	<u>\$ 7,352,095</u>
\$ 12,728,398	\$ 13,099,502
3,428,468	3,042,894
<u>\$ 16,156,866</u>	<u>\$ 16,142,396</u>

# Town of Luray, Virginia

## Changes in Net Assets

Last Six Fiscal Years

(accrual basis of accounting)

	Fiscal Year				
	2006	2007	2008	2009	2010
<b>Expenses</b>					
Governmental activities:					
General government	\$ 470,270	\$ 338,660	\$ 477,578	\$ 485,549	\$ 505,686
Public safety	843,505	902,171	1,011,887	1,050,693	1,084,592
Public works	1,081,237	1,742,333	1,978,626	2,016,877	2,042,757
Health and welfare	274	8,590	16,213	21,456	20,080
Parks, recreation and cultural	661,780	1,037,616	741,808	767,811	821,314
Community development	33,821	273,778	287,528	240,196	275,424
Interest on long-term debt	21,839	21,999	21,760	21,508	34,080
Total governmental activities expenses	\$ 3,112,726	\$ 4,325,147	\$ 4,535,400	\$ 4,604,090	\$ 4,783,933
Business-type activities:					
Water	\$ 665,748	\$ 734,132	\$ 760,761	\$ 809,920	\$ 940,743
Sewer	1,709,474	1,478,729	1,510,447	1,435,237	1,406,639
Total business-type activities expenses	\$ 2,375,222	\$ 2,212,861	\$ 2,271,208	\$ 2,245,157	\$ 2,347,382
Total primary government expenses	\$ 5,487,948	\$ 6,538,008	\$ 6,806,608	\$ 6,849,247	\$ 7,131,315
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
Public safety	\$ 23,310	\$ 25,013	\$ 29,155	\$ 27,394	\$ 21,100
Public works	259,851	218,006	253,034	266,954	256,431
Parks, recreation and cultural	19,300	19,959	21,335	21,303	24,010
Operating grants and contributions	1,000,821	956,129	1,025,569	1,188,949	1,068,993
Capital grants and contributions	43,574	527,080	231,405	1,026,589	192,504
Total governmental activities program revenues	\$ 1,346,856	\$ 1,746,187	\$ 1,560,498	\$ 2,531,189	\$ 1,563,038
Business-type activities:					
Charges for services:					
Water	\$ 712,499	\$ 589,665	\$ 699,010	\$ 851,080	\$ 933,890
Sewer	997,427	744,789	880,533	1,231,646	1,222,889
Operating grants and contributions	12,034	-	-	-	-
Capital grants and contributions	134,720	225,740	3,405	335,423	3,959,557
Total business-type activities program revenues	\$ 1,856,680	\$ 1,560,194	\$ 1,582,948	\$ 2,418,149	\$ 6,116,336
Total primary government program revenues	\$ 3,203,536	\$ 3,306,381	\$ 3,143,446	\$ 4,949,338	\$ 7,679,374
Net (expenses) / revenues					
Governmental activities	\$ (1,765,870)	\$ (2,578,960)	\$ (2,974,902)	\$ (2,072,901)	\$ (3,220,895)
Business-type activities	(518,542)	(652,667)	(688,260)	172,992	3,768,954
Total primary government net expenses	\$ (2,284,412)	\$ (3,231,627)	\$ (3,663,162)	\$ (1,899,909)	\$ 548,059

**Table 2**

<b>Fiscal Year</b>	
<b>2011</b>	
\$	500,906
	1,073,077
	2,061,180
	16,794
	855,668
	104,148
	36,267
\$	<u>4,648,040</u>
\$	1,143,368
	1,449,556
\$	<u>2,592,924</u>
\$	<u>7,240,964</u>
\$	13,192
	278,022
	34,916
	1,207,087
	7,373
\$	<u>1,540,590</u>
\$	1,045,554
	1,376,999
	-
	325,053
\$	<u>2,747,606</u>
\$	<u>4,288,196</u>
\$	(3,107,450)
	154,682
\$	<u>(2,952,768)</u>

**Town of Luray, Virginia**

Changes in Net Assets

Last Six Fiscal Years

(accrual basis of accounting - continued)

	Fiscal Year				
	2006	2007	2008	2009	2010
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental activities:					
Taxes					
Property taxes	\$ 915,124	\$ 999,467	\$ 1,213,830	\$ 1,166,186	\$ 1,174,864
Local sales and use taxes	167,317	172,998	175,256	176,571	168,469
Consumer utility taxes	84,462	120,997	162,378	151,269	151,448
Business licenses taxes	254,646	218,773	250,588	267,463	239,700
Restaurant food tax	449,387	459,582	500,980	519,523	518,750
Cigarette Tax	-	-	-	-	88,208
Transient occupancy tax	88,871	72,344	113,454	152,910	146,549
Other local taxes	254,607	206,147	174,320	187,176	210,136
Unrestricted grants and contributions	84,831	83,895	84,063	127,212	74,678
Unrestricted revenues from use of money and property	94,386	162,461	142,079	34,526	33,010
Miscellaneous	75,989	17,452	75,386	14,280	20,767
Recovered costs	-	-	-	-	-
Gain on disposal of assets	-	7,391	-	-	-
Total governmental activities	\$ 2,469,620	\$ 2,521,507	\$ 2,892,334	\$ 2,797,116	\$ 2,826,579
Business-type activities:					
Miscellaneous	\$ -	\$ 91,602	\$ -	\$ -	\$ -
Unrestricted revenues from use of money and property	7,270	2,156	24	429	1,157
Total business-type activities	\$ 7,270	\$ 93,758	\$ 24	\$ 429	\$ 1,157
Total primary government	\$ 2,476,890	\$ 2,615,265	\$ 2,892,358	\$ 2,797,545	\$ 2,827,736
<b>Change in Net Assets</b>					
Governmental activities	\$ 703,750	\$ (57,453)	\$ (82,568)	\$ 724,215	\$ (394,316)
Business-type activities	(511,272)	(558,909)	(688,236)	173,421	3,770,111
Total primary government	\$ 192,478	\$ (616,362)	\$ (770,804)	\$ 897,636	\$ 3,375,795

Note: Accrual-basis financial information is available back to fiscal year 2003 when the Town implemented GASB 34.

**Table 2**

---

<b>Fiscal Year</b>
<b>2011</b>

---

\$ 1,125,076  
173,565  
153,642  
254,998  
547,070  
181,225  
146,363  
230,650  
78,717

24,767  
15,728  
6,438

-  


---

\$ 2,938,239

\$ -

59  


---

\$ 59  


---

\$ 2,938,298

\$ (169,211)  
154,741  


---

\$ (14,470)  


---

## Town of Luray, Virginia

### Governmental Activities Tax Revenues by Source

Last Six Fiscal Years

*(accrual basis of accounting)*

---

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Local sales and use Tax</b>	<b>Consumer Utility Tax</b>	<b>Business Licenses Tax</b>	<b>Restaurant Food Tax</b>	<b>Transient Occupancy Tax</b>	<b>Cigarette Tax</b>
2011	\$ 1,125,076	\$ 173,565	\$ 153,642	\$ 254,998	\$ 547,070	\$ 146,363	\$ 181,225
2010	1,174,864	168,469	151,448	239,700	518,750	146,549	88,208
2009	1,166,186	176,571	151,269	267,463	519,523	152,910	152,910
2008	1,213,830	175,256	162,378	250,588	500,980	113,454	113,454
2007	999,467	172,998	88,208	218,773	459,582	72,344	72,344
2006	915,124	167,317	84,462	254,646	449,387	88,871	88,871

Note: Accrual-basis financial information is available back to fiscal year 2003 when the Town implemented GASB 34.

**Table 3**

---

<b>Other Local Taxes</b>		<b>Total</b>	
\$	230,650	\$	2,812,589
	210,136		2,698,124
	187,176		2,774,008
	174,320		2,704,260
	206,147		2,289,863
	254,607		2,303,285



**Town of Luray, Virginia**

Fund Balances of Governmental Funds

Last Ten Fiscal Years

*(modified accrual basis of accounting)*

---

	Fiscal Year				
	2002	2003	2004	2005	2006
General fund					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	774,000
Unassigned	3,146,702	3,115,995	2,702,980	2,884,150	2,726,022
Total general fund	\$ <u>3,146,702</u>	\$ <u>3,115,995</u>	\$ <u>2,702,980</u>	\$ <u>2,884,150</u>	\$ <u>3,500,022</u>

Table 4

Fiscal Year				
2007	2008	2009	2010	2011
\$ -	\$ -	\$ -	\$ -	\$ 40,954
-	-	-	-	87,482
3,555,676	3,340,567	3,423,254	3,365,491	3,028,046
<u>\$ 3,555,676</u>	<u>\$ 3,340,567</u>	<u>\$ 3,423,254</u>	<u>\$ 3,365,491</u>	<u>\$ 3,156,482</u>

**Town of Luray, Virginia**

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

	Fiscal Year				
	2002	2003	2004	2005	2006
<b>Revenues</b>					
General property taxes	\$ 750,488	\$ 815,219	\$ 891,590	\$ 813,753	\$ 890,426
Other local taxes	1,101,598	1,104,581	1,102,698	1,140,300	1,299,290
Permits, privilege fees and regulatory licenses	2,950	3,380	4,640	3,870	29,684
Fines and forfeitures	131,135	98,568	99,059	65,007	23,310
Revenue from use of money and property	87,235	59,404	38,848	29,542	94,386
Charges for services	281,445	265,834	246,520	234,592	249,467
Miscellaneous	25,462	12,627	44,177	41,235	75,989
Recovered costs	5,120	8,350	12,042	4,649	574
Intergovernmental:					
Commonwealth	843,516	858,049	895,403	919,612	951,570
Federal	80,455	208,392	313,280	185,337	177,656
Total revenues	<u>\$ 3,309,404</u>	<u>\$ 3,434,404</u>	<u>\$ 3,648,257</u>	<u>\$ 3,437,897</u>	<u>\$ 3,792,352</u>
<b>Expenditures</b>					
General government administration	\$ 345,188	\$ 364,779	\$ 410,941	\$ 495,750	\$ 404,545
Public safety	916,720	925,124	1,012,387	1,044,728	894,226
Public works	1,312,652	1,494,959	2,335,570	1,641,588	1,181,439
Health and welfare	-	-	-	-	274
Parks, recreation and cultural	563,871	656,287	599,613	869,814	654,318
Community development	2,445	1,120	2,053	122,880	33,200
Capital projects	25,333	-	-	-	-
Debt service					
Principal	81,712	21,752	21,752	7,443	5,401
Interest and other fiscal charges	1,338	1,090	363	20,864	21,839
Total expenditures	<u>\$ 3,249,259</u>	<u>\$ 3,465,111</u>	<u>\$ 4,382,679</u>	<u>\$ 4,203,067</u>	<u>\$ 3,195,242</u>
Excess of revenues over (under) expenditures	<u>\$ 60,145</u>	<u>\$ (30,707)</u>	<u>\$ (734,422)</u>	<u>\$ (765,170)</u>	<u>\$ 597,110</u>
<b>Other financing sources (uses)</b>					
Proceeds of capital leases	\$ -	\$ -	\$ -	\$ -	\$ -
Notes payable issued	24,423	-	321,407	172,340	18,762
Sale of capital assets	-	-	-	774,000	-
Total other financing sources (uses)	<u>\$ 24,423</u>	<u>\$ -</u>	<u>\$ 321,407</u>	<u>\$ 946,340</u>	<u>\$ 18,762</u>
Net change in fund balances	<u>\$ 84,568</u>	<u>\$ (30,707)</u>	<u>\$ (413,015)</u>	<u>\$ 181,170</u>	<u>\$ 615,872</u>
Debt service as a percentage of noncapital expenditures	2.64%	0.66%	0.51%	0.68%	0.86%

Table 5

Fiscal Year				
2007	2008	2009	2010	2011
\$ 1,026,008	\$ 1,199,987	\$ 1,183,333	\$ 1,160,038	\$ 1,148,368
1,246,852	1,376,976	1,454,912	1,523,260	1,687,513
26,075	11,268	11,494	4,944	13,388
25,013	29,155	27,394	21,100	13,192
162,461	142,079	34,526	33,010	24,767
211,890	263,101	276,763	275,497	299,550
75,725	84,339	158,753	31,700	93,063
15,655	7,349	-	-	6,438
1,010,331	1,089,691	1,122,352	1,100,335	1,150,969
543,129	235,044	1,027,224	224,907	64,873
<u>\$ 4,343,139</u>	<u>\$ 4,438,989</u>	<u>\$ 5,296,751</u>	<u>\$ 4,374,791</u>	<u>\$ 4,502,121</u>
\$ 397,357	\$ 410,659	\$ 432,172	\$ 441,870	\$ 452,551
956,715	994,416	1,034,193	1,073,783	1,053,048
1,779,693	1,847,605	1,872,654	1,821,799	1,833,727
8,590	16,213	21,456	20,080	16,794
844,114	767,959	940,979	1,496,485	999,951
273,778	287,528	1,213,925	275,424	104,879
-	-	-	-	-
5,239	5,480	18,769	19,033	213,913
21,999	21,760	21,508	34,080	36,267
<u>\$ 4,287,485</u>	<u>\$ 4,351,620</u>	<u>\$ 5,555,656</u>	<u>\$ 5,182,554</u>	<u>\$ 4,711,130</u>
<u>\$ 55,654</u>	<u>\$ 87,369</u>	<u>\$ (258,905)</u>	<u>\$ (807,763)</u>	<u>\$ (209,009)</u>
\$ -	\$ 39,114	\$ -	\$ -	\$ -
-	-	-	750,000	-
-	-	-	-	-
<u>\$ -</u>	<u>\$ 39,114</u>	<u>\$ -</u>	<u>\$ 750,000</u>	<u>\$ -</u>
<u>\$ 55,654</u>	<u>\$ 126,483</u>	<u>\$ (258,905)</u>	<u>\$ (57,763)</u>	<u>\$ (209,009)</u>
0.64%	0.63%	0.73%	1.04%	5.61%

## Town of Luray, Virginia

### General Governmental Tax Revenues by Source

Last Ten Fiscal Years

*(modified accrual basis of accounting)*

---

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Local sales and use Tax</b>	<b>Consumer Utility Tax</b>	<b>Business License Tax</b>	<b>Restaurant Food Tax</b>	<b>Transient Occup- ancy Tax</b>
2011	\$ 1,148,368	\$ 173,565	\$ 153,642	\$ 254,998	\$ 547,070	\$ 146,363
2010	1,160,038	168,469	151,448	239,700	518,750	146,549
2009	1,183,333	176,571	151,269	267,463	519,523	152,910
2008	1,119,987	175,256	162,378	250,588	500,980	113,454
2007	1,026,008	172,998	120,997	218,773	459,582	72,344
2006	890,426	167,317	84,462	254,646	449,387	88,871
2005	813,753	159,199	81,237	204,293	400,375	71,842
2004	891,590	151,808	104,989	200,858	371,111	74,330
2003	815,219	134,961	77,352	208,890	353,130	73,270
2002	750,488	127,466	78,294	193,518	396,279	80,900

**Table 6**

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<b>Cigarette Tax</b>	<b>Other Local Taxes</b>	<b>Total</b>
\$ 181,225	\$ 230,650	\$ 2,835,881
88,208	210,136	2,683,298
-	187,176	2,638,245
-	174,320	2,496,963
-	202,158	2,272,860
-	254,607	2,189,716
-	223,354	1,954,053
-	199,602	1,994,288
-	256,978	1,919,800
-	225,141	1,852,086

## Town of Luray, Virginia

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

---

<b>Fiscal Year</b>	<b>Real Estate</b>	<b>Personal Property</b>	<b>Machinery and Tools</b>	<b>Mobile Homes</b>	<b>Public Service</b>	<b>Total Taxable Assessed Value</b>
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
2003	259,529,300	31,745,358	23,815,010	353,900	9,774,127	325,217,695
2002	224,748,400	31,223,951	22,726,971	353,600	10,318,723	289,371,645

(1) Commissioner of Revenue was unable to provide this information prior to the reassessment performed in 2003 for real estate.

Source: Commissioner of Revenue, County of Page, Virginia

Table 7

---

	<b>Estimated Actual Taxable Value (1)</b>	<b>Assessed Value as a Percentage of Actual Value</b>
\$	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%
	325,217,695	100.00%
	289,371,645	100.00%



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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
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
2003	0.26	0.40	0.26	0.40
2002	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 2011		Fiscal Year 2001	
		2011 Assessed Valuation	% of Total Assessed Valuation	2001 Assessed Valuation	% of Total Assessed Valuation
Luray Caverns Corp	Commercial	\$ 11,761,400	2.23%	\$ 6,264,600	2.16%
Blue Bell Inc.	Manufacturing	8,087,000	1.53%	8,169,800	2.82%
Scott Lee Managing (WalMart)	Commercial	6,588,400	1.25%	4,207,700	1.45%
Luray LLC 2006/Wallace Bus.1996	Commercial	3,211,400	0.61%	3,860,700	1.33%
SVC LLC previously Excelsior Care	Commercial	4,021,300	0.76%	2,478,000	0.86%
EMCO Inc. 2006/Fibercraft 1996	Manufacturing	3,683,200	0.70%	3,390,300	1.17%
East Luray LLC	Commercial	4,032,200	0.76%	3,155,400	1.09%
Kentland Foundation Inc.	Commercial	5,235,500	0.99%	2,717,200	0.94%
Baker Development	Land Developers	2,765,200	0.52%	-	0.00%
Luray Village	Housing Complex	1,724,700	0.33%	1,348,400	0.47%
Mehta Prop.LLC 2006/Zalesca Inc.1996	Commercial	1,495,400	0.28%	1,583,100	0.55%
		<u>\$ 52,605,700</u>	<u>9.96%</u>	<u>\$ 37,175,200</u>	<u>15.81%</u>

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

Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year (1)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2011	\$ 1,200,430	\$ 1,136,408	94.67%	\$ -	\$ 1,136,408	94.67%
2010	1,200,416	1,149,680	95.77%	13,132	1,162,812	96.87%
2009	1,196,710	1,146,593	95.81%	33,705	1,180,298	98.63%
2008	1,187,567	1,131,525	95.28%	47,315	1,178,840	99.27%
2007	1,037,964	970,049	93.46%	59,961	1,030,010	99.23%
2006	959,897	908,292	94.62%	49,016	957,308	99.73%
2005	887,268	861,350	97.08%	24,442	885,792	99.83%
2004	886,163	859,222	96.96%	25,825	885,047	99.87%
2003	810,843	794,919	98.04%	14,927	809,846	99.88%
2002	796,241	789,261	99.12%	6,047	795,308	99.88%

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

(1) In 1998, the Town began collecting real estate taxes in two installments.

**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
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	-
2003	-	-	25,823	-
2002	-	-	102,019	-

Note: Details regarding the County'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			
\$ 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
3,927,663	861,525	27,222	-	4,842,233	0.96%	992
4,017,982	892,602	-	-	5,012,603	1.00%	1,034

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

<b>Fiscal Year</b>		<b>Gross Bonded Debt</b>		<b>Less: Amounts Reserved for Debt Service</b>		<b>Net Bonded Debt (3)</b>	<b>Ratio of Net General Obligation Debt to Assessed Value (2)</b>		<b>Net Bonded Debt per Capita (1)</b>
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
2003		4,442,232		-		4,442,232	1.37%		910
2002		5,012,603		-		5,012,603	1.73%		1,034

(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				
	2002	2003	2004	2005	2006
Debt limit	\$ 28,937,165	\$ 32,521,770	\$ 33,402,996	\$ 31,988,739	\$ 32,450,800
Total net debt applicable to limit	5,012,603	4,442,232	6,694,975	7,020,996	6,840,099
Legal debt margin	\$ <u>23,924,562</u>	\$ <u>28,079,538</u>	\$ <u>26,708,021</u>	\$ <u>24,967,743</u>	\$ <u>25,610,701</u>
Total net debt applicable to the limit as a percentage of debt limit	17.32%	13.66%	20.04%	21.95%	21.08%

Table 13

Fiscal Year				
2007	2008	2009	2010	2011
\$ 51,468,307	\$ 52,598,586	\$ 47,779,300	\$ 47,926,890	\$ 43,803,570
6,643,417	16,438,237	11,525,207	13,699,708	13,207,642
<u>\$ 44,824,890</u>	<u>\$ 36,160,349</u>	<u>\$ 36,254,093</u>	<u>\$ 34,227,182</u>	<u>\$ 30,595,928</u>
12.91%	31.25%	24.12%	28.58%	30.15%

## Legal Debt Margin Calculation for Fiscal Year 2011

Assessed value	\$ 438,035,700
Add back: exempt real property	-
Total assessed value	<u>\$ 438,035,700</u>
Debt limit (10% of total assessed value)	\$ 43,803,570
Net debt applicable to limit	<u>13,207,642</u>
Legal debt margin	<u>\$ 30,595,928</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)			
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
2003		1,941,634		1,248,100		693,534	31,077	239,771	2.56
2002		2,047,252		1,431,008		616,244	34,531	269,022	2.03

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

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<b>Fiscal Year</b>	<b>Town Population</b>	<b>County Population (1)</b>	<b>Personal Income (1)</b>	<b>Per Capita Personal Income (1)</b>	<b>Unemploy- ment Rate (1)</b>
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%
2003	4,879	23,633	505,922,000	21,407	6.90%
2002	4,848	23,355	500,252,000	21,419	6.10%

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

Source: Weldon Cooper Center for Public Services

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Principal Employers  
Current Year and Nine Years Ago

Employer	Fiscal Year 2011			Fiscal Year 2001		
	Employees	Rank	% of Total County Employment	Employees	Rank	% of Total County Employment
Page County Public Schools	851	1	9.21%	641	1	6.55%
Aramark	325	2	3.52%	525	2	5.37%
Emco, Inc.	257	3	2.78%	250	3	2.56%
Luray Caverns Corp	160	9	1.73%	250	3	2.56%
Wrangler/VF Jeanswear	222	4	2.40%	243	5	2.48%
Page Memorial Hospital	185	6	2.00%	207	8	2.12%
Wal-Mart	221	5	2.39%	225	7	2.30%
County of Page, Virginia	174	7	1.88%	226	6	2.31%
Valley Care Management	165	8	1.79%	132	9	1.35%
Totals	<u>2,560</u>		<u>27.71%</u>	<u>2,699</u>		<u>27.60%</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							
	2002	2003	2004	2005	2006	2007	2008	2009
General government	10	10	11	10	11	10	10	10
Public safety								
Police department	17	16	17	18	14	11	11	11
Public works								
General maintenance	18	14	14	13	13	12	12	12
Waste Water Treatment Plant	5	4	4	4	5	5	5	6
Culture and recreation								
Parks and recreation	2	3	4	5	4	5	6	6
Community development								
Planning	0	0	0	0	0	0	0	0
Totals	<u>52</u>	<u>47</u>	<u>50</u>	<u>50</u>	<u>47</u>	<u>43</u>	<u>44</u>	<u>45</u>

Source: Individual town departments

Table 17

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Fiscal Year	
2010	2011
7	7
11	11
12	12
6	6
6	6
1	1
43	43



## Town of Luray, Virginia

### Operating Indicators by Function Last Ten Fiscal Years

Function	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
Public safety								
Police department:								
Physical arrests	574	644	603	415	157	382	329	263
Traffic violations	1,428	1,062	1,109	1,549	356	363	531	411
Fire and rescue:								
Number of calls answered	880	735	859	781	456	836	855	913
Public works								
General maintenance:								
Trucks/vehicles	10	10	10	10	10	14	14	14
Culture and recreation								
Parks and recreation:								
Youth sports participants	536	566	596	632	640	671	721	721
Community development								
Planning:								
Zoning permits issued	162	170	178	197	253	237	236	120

Source: Individual town departments

Table 18

Fiscal Year	
2010	2011
173	187
336	639
922	1,002
15	15
600	600
127	106

## Town of Luray, Virginia

### Capital Asset Statistics by Function Last Ten Fiscal Years

Function	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
General government							
Administration buildings	18	18	18	18	18	18	18
Vehicles	2	2	1	1	2	2	2
Public safety							
Police department:							
Patrol units	12	12	12	8	8	8	8
Public works							
General maintenance:							
Trucks/vehicles	10	10	10	10	10	13	14
Waste Water Treatment Plant:							
Vehicles	3	3	3	3	3	3	4
Culture and recreation							
Parks and recreation:							
Vehicles	8	8	8	8	8	8	8
Parks acreage	190	190	190	190	190	190	190

Source: Individual town departments

Table 19

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Fiscal Year		
2009	2010	2011
18	18	18
2	2	2
7	8	8
15	15	15
3	3	3
8	8	8
190	190	190

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## COMPLIANCE



# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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### THE HONORABLE MEMBERS OF THE TOWN COUNCIL TOWN OF LURAY, VIRGINIA

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Luray, Virginia as of and for the year ended June 30, 2011, which collectively comprise Town of Luray, Virginia's basic financial statements and have issued our report thereon dated October 15, 2011. 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.

#### **Internal Control Over Financial Reporting:**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town of Luray, Virginia's financial statements will not be prevented, or detected and corrected on a timely basis.

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

#### **Compliance and Other Matters:**

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

We noted certain matters that we reported to management of the Town of Luray, Virginia in a separate letter dated October 15, 2011.



This report is intended solely for the information and use of the Town Council, management and federal warding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Robinson, Farrow, Cox Associates*

Verona, Virginia  
October 15, 2011

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

### THE TOWN COUNCIL TOWN OF LURAY, VIRGINIA

#### Compliance

We have audited Town of Luray, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each the Town of Luray, Virginia's major federal programs for the year ended June 30, 2011. Town of Luray, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of Luray, Virginia's management. Our responsibility is to express an opinion on the Town of Luray, Virginia's compliance based on our audit.

We conducted our audit of compliance 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Luray, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Town of Luray, Virginia's compliance with those requirements.

In our opinion, Town of Luray, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

#### Internal Control Over Compliance

Management of the Town of Luray, Virginia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Luray, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Luray, Virginia's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

*Robinson, Farnum, Cox Associates*

Verona, Virginia  
October 15, 2011

**Town of Luray, Virginia**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2011**

<u>Federal Granting Agency/Pass-through Agency/Program</u>	<u>Federal Catalog Number</u>	<u>Pass-through Identifying Number</u>	<u>Total Federal Expenditures</u>
<b><u>United States Department of Agriculture:</u></b>			
<b>Direct payments:</b>			
Water and Waste Disposal Systems for Rural Communities	10.760		\$ 5,000,000
ARRA - Supplementary Revenue Assistance (Wildland Fire Management)	10.688		57,500
			\$ 5,057,500
<b><u>United States Environmental Protection Agency:</u></b>			
<b>Pass Through Payments:</b>			
<b>State Department of Environmental Quality:</b>			
Capitalization Grants for Clean Water State Revolving Funds	66.458	440-S-08-06	\$ 325,053
			\$ 325,053
<b><u>United States Department of Transportation, Federal Highway Administration:</u></b>			
<b>Pass Through Payments:</b>			
<b>State Department of Transportation:</b>			
State and Community Highway Safety Funds	20.600		\$ 7,373
			\$ 7,373
Total Federal Assistance			\$ 5,389,926

Federal expenditures, revenues, and capital contributions are reported in the Town's basic financial statements as follows:

<b>Primary government:</b>			
Governmental funds			\$ 64,873
Proprietary funds			5,325,053
Total primary government			\$ 5,389,926

**TOWN OF LURAY, VIRGINIA**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AS OF JUNE 30, 2011**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity:**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the activity of all federal award programs for the Town as of June 30, 2011. The Town's reporting entity is defined in note 1(A) of the Town's financial statements.

Federal award programs include direct expenditures, monies passed through to other governmental entities, and nonmonetary assistance.

**B. Basis of Presentation:**

The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Town.

**C. Basis of Accounting:**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

**D. Matching Costs:**

Matching costs, the nonfederal share of certain program costs, are not included in the Schedule.

**II. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

The regulations and guidelines governing the preparation of federal financial reports vary by federal agency and among programs administered by the agency. As a result, the amounts reported in federal financial reports may not agree with the amounts reported in the accompanying schedule.

**TOWN OF LURAY, VIRGINIA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2011**

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**Section I-Summary of Auditors' Results**

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**Financial Statements:**

Type of auditors' report issued unqualified

Internal control over financial reporting:

- Material weakness(es) identified?        yes   x   no

- Significant deficiency(ies) identified?        yes   x   none reported

Non compliance material to financial statements noted?        yes   x   no

**Federal Awards:**

Internal control over major programs:

- Material weakness(es) identified?        yes   x   no

- Significant deficiency(ies) identified?        yes   x   none reported

Type of auditors' report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported  
in accordance with section 510(a) of Circular A-133?        yes   x   no

**Identification of major programs:**

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
66.458 .....	Capitalization Grants for Clean Water State Revolving Funds
10.760 .....	Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?   x   yes        no

**Section II-Financial Statement Findings**

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None

**Section III-Federal Award Findings and Questioned Costs**

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None

**Section IV-Summary Schedule of Prior Year Findings**

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There were no prior year findings.

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