

TOWN OF LURAY, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2010

TOWN OF LURAY, VIRGINIA
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2010

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, 2010**

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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, 2010, 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, 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2010 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.

The Management's Discussion and Analysis and required supplementary information as listed in the table of contents, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Luray, Virginia's basic financial statements. The supporting schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements of the Town of Luray, Virginia. The supporting schedules and schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Robinson, Farmer, Cox Associates

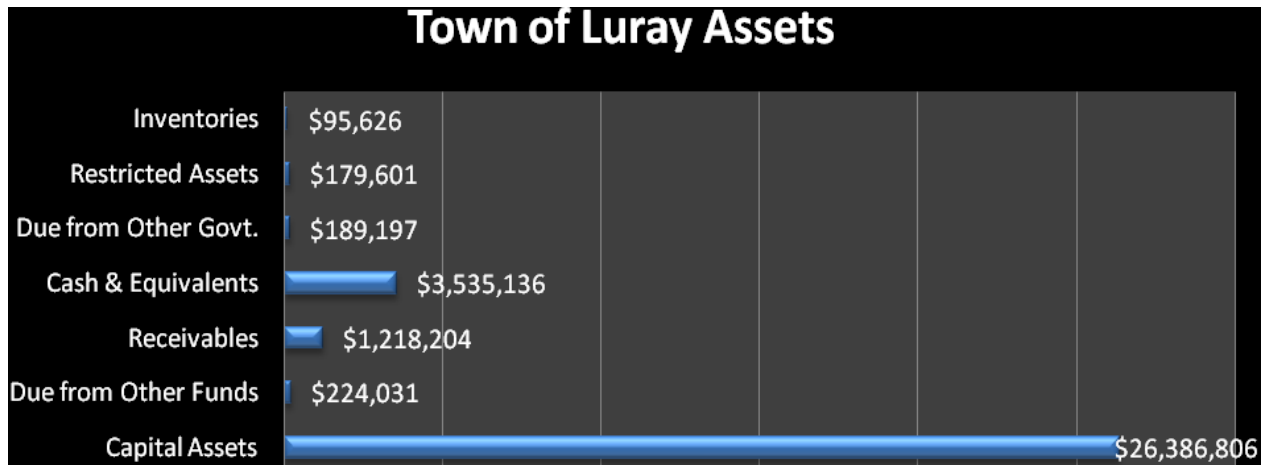
Verona, Virginia
October 17, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS
Town of Luray Annual Audit Report
Fiscal Year Ending June 30, 2010

We are pleased to present the Annual Audit Report for the Town of Luray's fiscal year ending June 30, 2010. 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, 2010. 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, 2010 by \$16,156,866 (net assets). Of this amount, \$3,428,468 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. The unrestricted net assets have increased by \$892,616 over last fiscal year's unrestricted balance of \$2,535,852.

Assets increased by \$5,027,497 over the previous budget year. Assets totaled \$31,828,601 on June 30, 2010, while liabilities only \$15,671,735. 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, 2010, the Town's general fund balance is just over \$3.2 million. This is a decrease of \$66,945 over last year's fund balance of \$3,340,567. At June 30, 2010, the entire fund balance is available for spending at the Town of Luray's discretion (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, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010
Land	\$ 934,809	\$ 940,793	\$ 149,704	\$ 149,704	\$ 1,084,513	\$ 1,090,497
Buildings and improvements	5,765,072	5,781,771	-	-	5,765,072	5,781,771
Infrastructure	5,387,586	5,387,586	-	-	5,387,586	5,387,586
Utility plant in service	-	-	21,772,405	26,573,137	21,772,405	26,573,137
Equipment	1,512,084	1,537,900	-	-	1,512,084	1,537,900
Construction in progress	5,196	802,452	5,232,209	6,540,380	5,237,405	7,342,832
Total	\$ 13,604,747	\$ 14,450,502	\$ 27,154,318	\$ 33,263,221	\$ 40,759,065	\$ 47,713,723
Less:						
Accumulated depreciation	(7,048,157)	(7,502,816)	(13,340,329)	(13,824,101)	(20,388,486)	(21,326,917)
Net capital assets	\$ 6,556,590	\$ 6,947,686	\$ 13,813,989	\$ 19,439,120	\$ 20,370,579	\$ 26,386,806

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

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010
Current and other assets	\$ 3,674,211	\$ 4,063,242	\$ 2,412,189	\$ 1,378,553	\$ 6,086,400	\$ 5,441,795
Capital assets	6,556,590	6,947,686	13,813,989	19,439,120	20,370,579	26,386,806
Total assets	\$ 10,230,801	\$ 11,010,928	\$ 16,226,178	\$ 20,817,673	\$ 26,456,979	\$ 31,828,601
Current and other liabilities	\$ 188,039	\$ 631,014	\$ 1,544,286	\$ 963,474	\$ 1,732,325	\$ 1,594,488
Long-term liabilities	688,934	1,420,402	11,254,649	12,656,845	11,943,583	14,077,247
Total liabilities	\$ 876,973	\$ 2,051,416	\$ 12,798,935	\$ 13,620,319	\$ 13,675,908	\$ 15,671,735
Invested in capital assets, net of related debt	\$ 6,043,229	\$ 5,702,857	\$ 4,201,990	\$ 7,025,040	\$ 10,245,219	\$ 12,727,897
Unrestricted	3,310,599	3,256,655	(774,747)	172,314	2,535,852	3,428,969
Total net assets	\$ 9,353,828	\$ 8,959,512	\$ 3,427,243	\$ 7,197,354	\$ 12,781,071	\$ 16,156,866

Liabilities total \$15,671,735 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, 2010 the total assessed value of real estate in the Town of Luray was \$479,268,900. The legal debt margin would therefore be \$47,926,890. 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, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010
Revenues						
Program revenues						
Charges for services	\$ 315,651	\$ 301,541	\$ 2,082,726	\$ 2,156,779	\$ 2,398,377	\$ 2,458,320
Operating grants and contributions	1,188,949	1,068,993	-	-	1,188,949	1,068,993
Capital grants and contributions	1,026,589	192,504	335,423	3,959,557	1,362,012	4,152,061
General revenues						
Property taxes	1,166,186	1,174,864	-	-	1,166,186	1,174,864
Other local taxes	1,454,912	1,523,260	-	-	1,454,912	1,523,260
Grants and contributions not restricted to specific programs	127,212	74,678	-	-	127,212	74,678
Unrestricted investment earnings	34,526	33,010	429	1,157	34,955	34,167
Other	14,280	20,767	-	-	14,280	20,767
Total revenues	<u>\$ 5,328,305</u>	<u>\$ 4,389,617</u>	<u>\$ 2,418,578</u>	<u>\$ 6,117,493</u>	<u>\$ 7,746,883</u>	<u>\$ 10,507,110</u>
Expenses						
General government administration	\$ 485,549	\$ 505,686	\$ -	\$ -	\$ 485,549	\$ 505,686
Public safety	1,050,693	1,084,592	-	-	1,050,693	1,084,592
Public works	2,016,877	2,042,757	-	-	2,016,877	2,042,757
Health and welfare	21,456	20,080	-	-	21,456	20,080
Parks, recreation and culture	767,811	821,314	-	-	767,811	821,314
Community development	240,196	275,424	-	-	240,196	275,424
Interest on long-term debt	21,508	34,080	-	-	21,508	34,080
Business-type activities	-	-	2,245,157	2,347,382	2,245,157	2,347,382
Total expenses	<u>\$ 4,604,090</u>	<u>\$ 4,783,933</u>	<u>\$ 2,245,157</u>	<u>\$ 2,347,382</u>	<u>\$ 6,849,247</u>	<u>\$ 7,131,315</u>
Change in net assets	<u>\$ 724,215</u>	<u>\$ (394,316)</u>	<u>\$ 173,421</u>	<u>\$ 3,770,111</u>	<u>\$ 897,636</u>	<u>\$ 3,375,795</u>
Net assets, beginning	<u>8,629,613</u>	<u>9,353,828</u>	<u>3,253,822</u>	<u>3,427,243</u>	<u>11,883,435</u>	<u>12,781,071</u>
Net assets, ending	<u><u>\$ 9,353,828</u></u>	<u><u>\$ 8,959,512</u></u>	<u><u>\$ 3,427,243</u></u>	<u><u>\$ 7,197,354</u></u>	<u><u>\$ 12,781,071</u></u>	<u><u>\$ 16,156,866</u></u>

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 \$57,763. Total spending in governmental funds was \$4,783,933.



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 current user rates do not provide adequate revenue to fund operating expenses. The proprietary fund shows operational income of \$173,315. The water fund had an operational income of \$181,508 and the sewer funds an operational loss of \$8,193. Overall operating expenses show a decrease of \$10,722 over the June 30, 2009 proprietary fund statements. In the current fiscal year, water and sewer rates were increased to offset operational expenses. Unrestricted net assets of the water and sewer funds at the end of the fiscal year are \$172,314.

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

- Based on the results of the 2009 Year End Audit Report, the Luray Town Council has enacted rate increases for both water and sewer operations that were effective July 1, 2010. These rate adjustments should make a significant impact on the water and sewer funds. Expectations are that additional rate adjustments may be necessary due to the construction of both the Water Filtration Plant and the Wastewater Treatment Plant upgrades.
- The Water Filtration Plant capital project was completed in FY 2009-2010 with the exception of the parking lot and minor items which will be completed in this fiscal year. Construction began on the project in June 2008. The Town continues with the upgrades to the wastewater treatment plant. This project should be completed in December 2010.
- The Town has completed the eight-hundred thousand dollar downtown revitalization grant. The Town's portion was approximately two-hundred thousand dollars.
- The Town is proceeding with 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 August 2010, the Town of Luray will complete approximately \$900,000 of upgrades to the Ralph H. Dean Recreation Park. These upgrades will enable the Little League to host Regional Tournaments at the Park.
- Approximately \$125,000 of upgrades will be completed to the Luray-Hawksbill Greenway which consists of a parking lot and two restrooms.

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, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,853,544	\$ 681,592	\$ 3,535,136
Receivables (net of allowance for uncollectibles):			
Taxes receivable	620,619	-	620,619
Accounts receivable	145,893	359,997	505,890
Notes receivable	91,695	-	91,695
Due from other funds	224,031	-	224,031
Due from other governmental units	88,744	100,453	189,197
Inventories	38,716	56,910	95,626
Temporarily restricted:			
Cash and cash equivalents	-	145,350	145,350
Other assets:			
Unamortized bond issue costs	-	34,251	34,251
Capital assets:			
Land	940,793	149,704	1,090,497
Buildings and system	4,687,188	-	4,687,188
Land Improvements	1,094,583	-	1,094,583
Machinery and equipment	1,537,900	-	1,537,900
Infrastructure	5,387,586	-	5,387,586
Utility plant in service	-	26,573,137	26,573,137
Construction in progress	802,452	6,540,380	7,342,832
Accumulated depreciation	(7,502,816)	(13,824,101)	(21,326,917)
Total assets	\$ 11,010,928	\$ 20,817,673	\$ 31,828,601
LIABILITIES			
Accounts payable	\$ 55,257	\$ 442,863	\$ 498,120
Retainage Payable	-	159,950	159,950
Customers' deposits	-	76,567	76,567
Accrued interest payable	-	47,737	47,737
Deferred Revenue	520,196	-	520,196
Due to other funds	-	224,031	224,031
OPEB Obligation	19,674	12,326	32,000
Unearned revenue	35,887	-	35,887
Long-term liabilities:			
Due within one year	19,312	5,392,492	5,411,804
Due in more than one year	1,401,090	7,264,353	8,665,443
Total liabilities	\$ 2,051,416	\$ 13,620,319	\$ 15,671,735
NET ASSETS			
Invested in capital assets, net of related debt	\$ 5,703,358	\$ 7,025,040	\$ 12,728,398
Unrestricted	3,256,154	172,314	3,428,468
Total net assets	\$ 8,959,512	\$ 7,197,354	\$ 16,156,866

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, 2010

<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>
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 505,686	\$ -	\$ -	\$ -
Public safety	1,084,592	21,100	135,246	-
Public works	2,042,757	256,431	883,034	8,267
Health and welfare	20,080	-	-	-
Parks, recreation, and cultural	821,314	24,010	45,713	-
Community development	275,424	-	5,000	184,237
Interest on long-term debt	34,080	-	-	-
Total governmental activities	<u>\$ 4,783,933</u>	<u>\$ 301,541</u>	<u>\$ 1,068,993</u>	<u>\$ 192,504</u>
Business-type activities:				
Water	\$ 940,743	\$ 933,890	\$ -	\$ -
Sewer	1,406,639	1,222,889	-	3,959,557
Total business-type activities	<u>\$ 2,347,382</u>	<u>\$ 2,156,779</u>	<u>\$ -</u>	<u>\$ 3,959,557</u>
Total primary government	<u>\$ 7,131,315</u>	<u>\$ 2,458,320</u>	<u>\$ 1,068,993</u>	<u>\$ 4,152,061</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

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	
\$ (505,686)	\$ -	\$ (505,686)	
(928,246)	-	(928,246)	
(895,025)	-	(895,025)	
(20,080)	-	(20,080)	
(751,591)	-	(751,591)	
(86,187)	-	(86,187)	
(34,080)	-	(34,080)	
<u>\$ (3,220,895)</u>	<u>\$ -</u>	<u>\$ (3,220,895)</u>	
\$ -	\$ (6,853)	\$ (6,853)	
-	3,775,807	3,775,807	
<u>\$ -</u>	<u>\$ 3,768,954</u>	<u>\$ 3,768,954</u>	
<u>\$ (3,220,895)</u>	<u>\$ 3,768,954</u>	<u>\$ 548,059</u>	
\$ 1,174,864	\$ -	\$ 1,174,864	
168,469	-	168,469	
151,448	-	151,448	
239,700	-	239,700	
518,750	-	518,750	
88,208	-	88,208	
146,549	-	146,549	
210,136	-	210,136	
33,010	1,157	34,167	
20,767	-	20,767	
74,678	-	74,678	
<u>\$ 2,826,579</u>	<u>\$ 1,157</u>	<u>\$ 2,827,736</u>	
<u>\$ (394,316)</u>	<u>\$ 3,770,111</u>	<u>\$ 3,375,795</u>	
<u>9,353,828</u>	<u>3,427,243</u>	<u>12,781,071</u>	
<u>\$ 8,959,512</u>	<u>\$ 7,197,354</u>	<u>\$ 16,156,866</u>	

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FUND FINANCIAL STATEMENTS

Balance Sheet
Governmental Funds
June 30, 2010

	Primary Government		
	Special Revenue Fund		
	General	CDBG	Total
ASSETS			
Cash and cash equivalents	\$ 2,799,168	\$ 54,376	\$ 2,853,544
Receivables (net of allowance for uncollectibles):			
Taxes receivable	620,619	-	620,619
Accounts receivable	139,587	6,306	145,893
Notes receivable	-	91,695	91,695
Due from other funds	268,494	-	268,494
Due from other governmental units	88,744	-	88,744
Inventories	38,716	-	38,716
Total assets	<u>\$ 3,955,328</u>	<u>\$ 152,377</u>	<u>\$ 4,107,705</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 39,212	\$ 16,045	\$ 55,257
Retainage payable	-	-	-
Due to other funds	-	44,463	44,463
Deferred revenue	606,607	-	606,607
Prepaid Taxes	35,887	-	35,887
Total liabilities	<u>\$ 681,706</u>	<u>\$ 60,508</u>	<u>\$ 742,214</u>
Fund balances:			
Unreserved, reported in:			
General fund	\$ 3,273,622	\$ -	\$ 3,273,622
Special revenue funds	-	91,869	91,869
Total fund balances	<u>\$ 3,273,622</u>	<u>\$ 91,869</u>	<u>\$ 3,365,491</u>
Total liabilities and fund balances	<u>\$ 3,955,328</u>	<u>\$ 152,377</u>	<u>\$ 4,107,705</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, 2010

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 3,365,491
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,947,686
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.	86,411
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,440,076)</u>
Net assets of governmental activities	\$ <u>8,959,512</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, 2010

	Primary Government		
		Special Revenue Fund CDBG	
	General		Total
REVENUES			
General property taxes	\$ 1,160,038	\$ -	\$ 1,160,038
Other local taxes	1,523,260	-	1,523,260
Permits, privilege fees, and regulatory licenses	4,944	-	4,944
Fines and forfeitures	21,100	-	21,100
Revenue from the use of money and property	30,098	2,912	33,010
Charges for services	275,497	-	275,497
Miscellaneous	31,700	-	31,700
Intergovernmental revenues:			
Commonwealth	1,100,335	-	1,100,335
Federal	40,670	184,237	224,907
Total revenues	<u>\$ 4,187,642</u>	<u>\$ 187,149</u>	<u>\$ 4,374,791</u>
EXPENDITURES			
Current:			
General government administration	\$ 441,870	\$ -	\$ 441,870
Public safety	1,073,783	-	1,073,783
Public works	1,821,799	-	1,821,799
Health and welfare	20,080	-	20,080
Parks, recreation, and cultural	1,496,485	-	1,496,485
Community development	97,457	177,967	275,424
Debt service:			
Principal retirement	19,033	-	19,033
Interest and other fiscal charges	34,080	-	34,080
Total expenditures	<u>\$ 5,004,587</u>	<u>\$ 177,967</u>	<u>\$ 5,182,554</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (816,945)</u>	<u>\$ 9,182</u>	<u>\$ (807,763)</u>
OTHER FINANCING SOURCES (USES)			
Issuance of notes payable	<u>\$ 750,000</u>	<u>-</u>	<u>\$ 750,000</u>
Total other financing sources (uses)	<u>\$ 750,000</u>	<u>\$ -</u>	<u>\$ 750,000</u>
Net change in fund balances	\$ (66,945)	\$ 9,182	\$ (57,763)
Fund balances - beginning	3,340,567	82,687	3,423,254
Fund balances - ending	<u>\$ 3,273,622</u>	<u>\$ 91,869</u>	<u>\$ 3,365,491</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, 2010

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

Net change in fund balances - total governmental funds	\$ (57,763)
--	-------------

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.	391,096
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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.	14,826
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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.	(730,967)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	<u>(11,508)</u>
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Change in net assets of governmental activities	\$ <u><u>(394,316)</u></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, 2010

	Enterprise Fund	Enterprise Fund	
	Water	Sewer	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 452,912	\$ 228,680	\$ 681,592
Accounts receivable, net of allowances for uncollectibles	151,724	208,273	359,997
Due from other funds	-	299,662	299,662
Due from other government units	-	100,453	100,453
Inventories	48,926	7,984	56,910
Total current assets	\$ 653,562	\$ 845,052	\$ 1,498,614
Restricted current assets:			
Cash and cash equivalents	\$ 145,350	\$ -	\$ 145,350
Total restricted current assets	\$ 145,350	\$ -	\$ 145,350
Noncurrent assets:			
Other assets:			
Unamortized bond issue costs	\$ -	\$ 34,251	\$ 34,251
Capital assets:			
Land	\$ 114,284	\$ 35,420	\$ 149,704
Construction in progress	-	6,540,380	6,540,380
Utility plant in service	9,581,854	16,991,283	26,573,137
Accumulated Depreciation	(2,637,862)	(11,186,239)	(13,824,101)
Total capital assets	\$ 7,058,276	\$ 12,380,844	\$ 19,439,120
Total noncurrent assets	\$ 7,058,276	\$ 12,415,095	\$ 19,473,371
Total assets	\$ 7,857,188	\$ 13,260,147	\$ 21,117,335
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 10,849	\$ 432,014	\$ 442,863
Retainage payable	159,950	-	159,950
Customers' deposits	76,567	-	76,567
Accrued interest payable	15,731	32,006	47,737
Due to other funds	523,693	-	523,693
OPEB obligation	5,452	6,874	12,326
Bonds payable - current portion	98,399	107,032	205,431
Notes payable - current portion	5,154,711	6,274	5,160,985
Capital lease payable-current portion	13,038	13,038	26,076
Total current liabilities	\$ 6,058,390	\$ 597,238	\$ 6,655,628
Noncurrent liabilities:			
Bonds payable - net of current portion	\$ 1,481,559	\$ 4,707,960	\$ 6,189,519
Notes payable - net of current portion	456,242	456,241	912,483
Bond Premium	58,373	6,563	64,936
Compensated absences	44,650	52,765	97,415
Total noncurrent liabilities	\$ 2,040,824	\$ 5,223,529	\$ 7,264,353
Total liabilities	\$ 8,099,214	\$ 5,820,767	\$ 13,919,981
NET ASSETS			
Invested in capital assets, net of related debt	\$ (58,696)	\$ 7,083,736	\$ 7,025,040
Unrestricted	(183,330)	355,644	172,314
Total net assets	\$ (242,026)	\$ 7,439,380	\$ 7,197,354

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, 2010

	Enterprise Fund	Enterprise Fund	
	Water	Sewer	Total
OPERATING REVENUES			
Charges for services:			
Water revenues	\$ 928,854	\$ -	\$ 928,854
Sewer revenues	-	1,064,045	1,064,045
Connection Fees	4,765	1,500	6,265
Miscellaneous	271	157,344	157,615
Total operating revenues	<u>\$ 933,890</u>	<u>\$ 1,222,889</u>	<u>\$ 2,156,779</u>
OPERATING EXPENSES			
Personal services	\$ 264,732	\$ 387,206	\$ 651,938
Fringe benefits	115,879	145,797	261,676
Contractual services	9,100	12,278	21,378
Other supplies and expenses	23,911	41,979	65,890
Rentals and leases	191	168	359
Insurance claims and expense	9,000	28,000	37,000
Other charges	220,023	241,428	461,451
Depreciation	109,546	374,226	483,772
Total operating expenses	<u>\$ 752,382</u>	<u>\$ 1,231,082</u>	<u>\$ 1,983,464</u>
Operating income (loss)	<u>\$ 181,508</u>	<u>\$ (8,193)</u>	<u>\$ 173,315</u>
NONOPERATING REVENUES (EXPENSES)			
Interest	\$ 1,157	\$ -	\$ 1,157
Interest and fiscal charges	(188,361)	(175,557)	(363,918)
Total nonoperating revenues (expenses)	<u>\$ (187,204)</u>	<u>\$ (175,557)</u>	<u>\$ (362,761)</u>
Income (loss) before contributions and transfers	<u>\$ (5,696)</u>	<u>\$ (183,750)</u>	<u>\$ (189,446)</u>
Capital contributions and construction grants	\$ -	\$ 3,959,557	\$ 3,959,557
Change in net assets	<u>\$ (5,696)</u>	<u>\$ 3,775,807</u>	<u>\$ 3,770,111</u>
Total net assets - beginning	<u>\$ (236,330)</u>	<u>\$ 3,663,573</u>	<u>\$ 3,427,243</u>
Total net assets - ending	<u><u>\$ (242,026)</u></u>	<u><u>\$ 7,439,380</u></u>	<u><u>\$ 7,197,354</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, 2010

	Enterprise Fund	Enterprise Fund	
	Water	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 923,203	\$ 945,044	\$ 1,868,247
Payments to suppliers	(265,252)	(183,435)	(448,687)
Payments to employees	(375,633)	(533,304)	(908,937)
Other receipts (payments)	(748,745)	161,076	(587,669)
Net cash provided (used) by operating activities	\$ (466,427)	\$ 389,381	\$ (77,046)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to utility plant	\$ (603,165)	\$ (5,505,738)	\$ (6,108,903)
Proceeds from indebtedness	-	1,646,665	1,646,665
Principal payments on bonds	(99,745)	(117,450)	(217,195)
Principal payments on lease obligations	(13,038)	(13,038)	(26,076)
Capital contributions	-	3,959,557	3,959,557
Interest payments	(194,996)	(150,028)	(345,024)
Net cash provided (used) by capital and related financing activities	\$ (910,944)	\$ (180,032)	\$ (1,090,976)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends received	\$ 1,157	\$ -	\$ 1,157
Net cash provided (used) by investing activities	\$ 1,157	\$ -	\$ 1,157
Net increase (decrease) in cash and cash equivalents	\$ (1,376,214)	\$ 209,349	\$ (1,166,865)
Cash and cash equivalents - beginning - including restricted	\$ 1,974,476	\$ 19,331	\$ 1,993,807
Cash and cash equivalents - ending - including restricted	\$ 598,262	\$ 228,680	\$ 826,942
Reconciliation of operating income (loss) to net cash used by operating activities:			
Operating income (loss)	\$ 181,508	\$ (8,193)	\$ 173,315
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	\$ 109,546	\$ 374,226	\$ 483,772
(Increase) decrease in accounts receivable	(14,963)	(120,501)	(135,464)
(Increase) decrease in inventories	(3,027)	(105)	(3,132)
Increase (decrease) in customer deposits	4,547	-	4,547
Increase (decrease) in accounts payable	(751,976)	140,523	(611,453)
Increase (decrease) in OPEB obligation	2,960	3,732	6,692
Increase (decrease) accrued vacation leave payable	4,978	(301)	4,677
Total adjustments	\$ (647,935)	\$ 397,574	\$ (250,361)
Net cash provided (used) by operating activities	\$ (466,427)	\$ 389,381	\$ (77,046)

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

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010

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, 2010.

Discretely Presented Component Units - The Town has no discretely presented component units for the fiscal year ended June 30, 2010.

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 2010, 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, 2010

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, 2010 includes amounts not yet billed or received from the second half of the January 1, 2010 levy (due December 5, 2010). 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, 2010 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, 2010. The portion of the allowance attributable to CDBG loans represents 7.38% of the loan receivables balance at June 30, 2010.

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. *Restricted assets***

Unspent proceeds of the Town water system's general obligation bond issued by Virginia Resources Authority (VRA) totaling \$145,350 are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts held by VRA and their use is limited by applicable bond covenants.

8. *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:

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

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

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

9. *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.

10. *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.

11. *Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The Town had no such designations at June 30, 2010.

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.

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010

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 (\$1,440,076) difference for the primary government are as follows:

	Primary Government
Bonds and notes payable	\$ (1,231,290)
OPEB obligation	(19,674)
Capital lease payable	(13,038)
Compensated absences	(176,074)
Net adjustment to reduce <i>fund balance—total governmental funds</i> to arrive at <i>net assets—governmental activities</i>	\$ <u>(1,440,076)</u>

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 \$391,096 difference for the primary government are as follows:

	Primary Government
Capital outlay	\$ 871,935
Depreciation expense	(480,839)
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>391,096</u>

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010

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 “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 (\$730,967) difference in the primary government are as follows:

	Primary Government
Debt issued or incurred:	
Issuance of capital lease payable	\$ (750,000)
Principal repayments:	
Notes payable	\$ <u>19,033</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>(730,967)</u></u>

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 (\$11,508) difference for the primary government are as follows:

	Primary Government
Compensated absences	\$ (501)
OPEB obligation	<u>(11,007)</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>(11,508)</u></u>

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010

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.

B. Excess of expenditures over appropriations

For the year ended June 30, 2010, 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	\$ 169,684
General	Health and Welfare	Tax relief for the elderly	20,080
Total General Fund			<u>\$ 189,764</u>

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010

NOTE 3—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**C. Deficit fund equity**

At June 30, 2010, the water fund had a deficit fund balance of (\$242,026).

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.

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 224,031	\$ -
Water Fund	-	224,031
Total	<u>\$ 224,031</u>	<u>\$ 224,031</u>

NOTE 5—DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governmental units at June 30, 2010, are as follows:

	<u>Primary Government</u>
<u>Commonwealth of Virginia:</u>	
WQIF Grant	\$ 100,453
Sales tax	44,713
Other noncategorical aid	44,031
Total	<u>\$ 189,197</u>

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010

NOTE 6—CAPITAL ASSETS:

Governmental Activities

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Capital assets not being depreciated:				
Land	\$ 934,809	\$ 5,984	\$ -	\$ 940,793
Construction in progress	5,196	813,955	(16,699)	802,452
Total capital assets not being depreciated	\$ 940,005	\$ 819,939	\$ (16,699)	\$ 1,743,245
Other capital assets:				
Buildings and improvements	\$ 4,670,489	\$ 16,699	\$ -	\$ 4,687,188
Land improvements	1,094,583	-	-	1,094,583
Infrastructure	5,387,586	-	-	5,387,586
Furniture, equipment and vehicles	1,512,084	51,996	(26,180)	1,537,900
Total other capital assets	\$ 12,664,742	\$ 68,695	\$ (26,180)	\$ 12,707,257
Less: Accumulated depreciation for:				
Buildings and improvements	\$ (1,978,137)	\$ (84,088)	\$ -	\$ (2,062,225)
Land improvements	(230,054)	(72,904)	-	(302,958)
Infrastructure	(3,840,019)	(179,586)	-	(4,019,605)
Furniture, equipment and vehicles	(999,947)	(144,261)	26,180	(1,118,028)
Total accumulated depreciation	\$ (7,407,997)	\$ (480,839)	\$ 26,180	\$ (7,502,816)
Other capital assets, net	\$ 5,256,745	\$ (412,144)	\$ -	\$ 5,204,441
Net capital assets	\$ 6,196,750	\$ 407,795	\$ (16,699)	\$ 6,947,686

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Business-Type Activities

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Water Fund				
Capital assets not being depreciated:				
Land	\$ 114,284	\$ -	\$ -	\$ 114,284
Construction in progress (WP)	4,185,188	365,381	(4,550,569)	-
Total capital assets not being depreciated	\$ 4,299,472	\$ 365,381	\$ (4,550,569)	\$ 114,284
Other capital assets:				
Utility plant in service	\$ 4,793,501	\$ 4,788,353	\$ -	\$ 9,581,854
Less: Accumulated depreciation	(2,528,316)	(109,546)	-	(2,637,862)
Total other capital assets	\$ 2,265,185	\$ 4,678,807	\$ -	\$ 6,943,992
Net capital assets	\$ 6,564,657	\$ 5,044,188	\$ (4,550,569)	\$ 7,058,276
Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 35,420	\$ -	\$ -	\$ 35,420
Construction in progress (WWTP)	1,072,321	5,468,059	-	6,540,380
Total capital assets not being depreciated	\$ 1,107,741	\$ 5,468,059	\$ -	\$ 6,575,800
Other capital assets:				
Utility plant in service	\$ 16,953,604	\$ 37,679	\$ -	\$ 16,991,283
Less: Accumulated depreciation	(10,812,013)	(374,226)	-	(11,186,239)
Total other capital assets	\$ 6,141,591	\$ (336,547)	\$ -	\$ 5,805,044
Net capital assets	\$ 7,249,332	\$ 5,131,512	\$ -	\$ 12,380,844

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010

NOTE 6—CAPITAL ASSETS: (CONTINUED)

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

Governmental activities:	
General government	\$ 69,906
Public safety	28,634
Public works	242,379
Parks, recreation, and cultural	139,920
Total depreciation expense-governmental activities	<u>\$ 480,839</u>
Business-type activities:	
Water Fund	\$ 109,546
Sewer Fund	374,226
Total depreciation expense-business type activities	<u>\$ 483,772</u>

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NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010

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>Capital Lease Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 6,274	\$ 37,841	\$ 13,038	\$ -
2012	6,562	37,553	-	-
2013	756,863	33,033	-	-
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	12,254	46	-	-
Total	\$ <u>1,231,290</u>	\$ <u>480,683</u>	\$ <u>13,038</u>	\$ <u>-</u>

TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010

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, 2010.

	Balance June 30, 2009	Issuances	Retirements	Balance June 30, 2010
Notes Payable	\$ 487,285	\$ 750,000	\$ 5,995	\$ 1,231,290
Capital Lease Payable	26,076	-	13,038	13,038
Compensated absences	175,573	501	-	176,074
Total	<u>\$ 688,934</u>	<u>\$ 750,501</u>	<u>\$ 19,033</u>	<u>\$ 1,420,402</u>

Details of Long-term Indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Notes Payable:</u>		
\$500,000 Rural Development Community Facilities Loan secured by Deed of Trust on real property located at 45 E. Main Street, Luray, Virginia dated September 13, 2002, bearing interest at 4.50% per annum. Note due in monthly installments of \$2,270 through June 2044.	\$ 481,290	\$ 6,274
\$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.	\$ 750,000	\$ -
<u>Capital Lease Payable:</u>		
\$39,114 John Deere capital lease dated May 21, 2008, bearing zero percent interest. Annual lease payments are due in the amount of \$13,038 through May 21, 2011.	\$ 13,038	\$ 13,038
Compensated Absences	\$ 176,074	\$ -
Total	<u>\$ 1,420,402</u>	<u>\$ 19,312</u>

The amount of assets recorded under capital leases is \$39,114 and related accumulated depreciation is \$7,823 at the end of June 30, 2010.

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010

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

Year Ending June 30,	Bonds Payable		Notes Payable		Capital Lease Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 205,431	\$ 207,749	\$ 5,160,985	\$ 104,541	\$ 26,076	\$ -
2012	316,469	199,745	13,124	41,356	-	-
2013	318,588	191,804	13,727	40,753	-	-
2014	325,793	183,609	14,357	40,123	-	-
2015	338,087	174,107	15,017	39,463	-	-
2016	350,476	163,207	15,707	38,773	-	-
2017	362,961	151,461	16,428	38,052	-	-
2018	380,548	138,793	17,183	37,297	-	-
2019	393,240	125,230	17,973	36,507	-	-
2020	401,042	111,224	18,798	35,682	-	-
2021	391,539	96,817	19,662	34,818	-	-
2022	363,950	84,365	20,565	33,915	-	-
2023	359,831	73,172	21,510	32,970	-	-
2024	339,002	61,548	22,498	31,982	-	-
2025	264,002	51,886	23,532	30,949	-	-
2026	274,002	43,896	24,613	29,867	-	-
2027	284,002	39,780	25,743	28,737	-	-
2028	294,002	30,600	26,926	27,554	-	-
2029	221,985	20,910	28,163	26,317	-	-
2030	210,000	10,710	29,457	25,023	-	-
2031	-	-	30,810	23,670	-	-
2032	-	-	32,225	22,255	-	-
2033	-	-	33,706	20,774	-	-
2034	-	-	35,254	19,226	-	-
2035	-	-	36,874	17,606	-	-
2036	-	-	38,568	15,912	-	-
2037	-	-	40,339	14,141	-	-
2038	-	-	42,193	12,287	-	-
2039	-	-	44,131	10,349	-	-
2040	-	-	46,158	8,322	-	-
2041	-	-	48,279	6,201	-	-
2042	-	-	50,497	3,983	-	-
2043	-	-	48,466	1,663	-	-
Total	\$ <u>6,394,950</u>	\$ <u>2,160,613</u>	\$ <u>6,073,468</u>	\$ <u>931,068</u>	\$ <u>26,076</u>	\$ <u>-</u>

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010

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

	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010
General Obligation Bonds	\$ 4,952,456	\$ 1,647,693	\$ 205,199	\$ 6,394,950
Capital Lease	52,152	-	26,076	26,076
Unamortized Bond Premium	71,837	-	6,901	64,936
Notes Payable	6,085,466	-	11,998	6,073,468
Compensated absences	92,738	4,677	-	97,415
Total	<u>\$ 11,254,649</u>	<u>\$ 1,652,370</u>	<u>\$ 250,174</u>	<u>\$ 12,656,845</u>

Details of Long-term Indebtedness:

	Total Amount	Amount Due Within One Year
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.	\$ 1,150,000	\$ 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.	1,970,000	90,000
\$2,080,038 VRA Revolving Loan, issued June 18, 2009, bearing no interest. Semi-annual payments of \$52,000 to begin July 1, 2011 and are payable through July 1, 2030.	1,790,017	-
\$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.	274,975	17,033
\$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	-
\$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.	429,958	33,398
Sub-total bonds payable	<u>\$ 6,394,950</u>	<u>\$ 205,431</u>

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010

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

Details of Long-term Indebtedness: (continued)

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Notes Payable:</u>		
\$987,492 Rural Development Community Facilities Loan, secured by Deed of Trust on real property located at 45 E. Main Street, Luray, Virginia dated September 13, 2002 bearing interest at 4.50% per annum. Note due in monthly installments of \$4,540 through June 2043.	\$ 925,030	\$ 12,547
\$5,000,000 General Obligation Note, Series 2007, issued on December 17, 2007, bearing a 3.15% interest rate, with interest only payments due monthly. Final installment of principal and interest are due on December 17, 2010.	2,198,288	2,198,288
\$5,000,000 General Obligation Note, Series 2008, issued on February 28, 2008, bearing a 2.53% interest rate, with interest only payments due monthly. Final installment of principal and interest are due on February 28, 2011.	2,950,150	2,950,150
Sub-total notes payable	\$ 6,073,468	\$ 5,160,985
<u>Capital Lease Payable:</u>		
\$39,114 John Deere capital lease dated May 21, 2008, bearing zero percent interest. Annual lease payments are due in the amount of \$13,038 through May 21, 2011.	\$ 26,076	\$ 26,076
Unamortized Bond Premium	\$ 64,936	\$ -
Compensated Absences	\$ 97,415	\$ -
Total	<u>\$ 12,656,845</u>	<u>\$ 5,392,492</u>

The amount of assets recorded under capital leases is \$78,228 and related accumulated depreciation is \$15,645 at the end of June 30, 2010.

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 \$176,074 in the Primary Government, and \$97,415 in the Enterprise Funds.

**NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010**

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 employees of participating employers must participate in the VRS. Benefits vest after five years service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.70% of their average final compensation (AFC) for each year of credited service (1.85% for sheriffs and if the employer elects, for other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5.00% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. 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 that report may be downloaded from our web site at <http://www.varetire.org/PDF/Publications/2009-Annual-Report.pdf> or obtained 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 annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. In addition, the Town is required to contribute the remaining amounts necessary to fund participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The contribution rate for the fiscal year ended 2010 was 10.23% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2010, the Town's annual pension cost of \$273,035 was equal to the Town's required and actual contributions.

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2008	\$ 202,078	100%	\$ -
June 30, 2009	262,126	100%	-
June 30, 2010	273,035	100%	-

NOTE 9—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

C. Annual Pension Cost (continued)

The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2007 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, 2007 was 20 years.

D. Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the Town's plan was 85.25% funded. The actuarial accrued liability for benefits was \$7,963,000, and the actuarial value of assets was \$6,788,463, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,174,537. The covered payroll (annual payroll of active employees covered by the plan) was \$1,723,969, and ratio of the UAAL to the covered payroll was 68.13%.

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 the 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.

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010

NOTE 10—OTHER POST-EMPLOYMENT BENEFITS PROGRAM: (CONTINUED)**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 2010. The Town has elected not to pre-fund OPEB liabilities. The Town is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years.

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

Annual Required Contribution (ARC)	\$ 24,300
Interest on OPEB Obligation	600
Adjustment to ARC	600
Annual OPEB cost	\$ 24,300
Estimated Contributions Made During FY10	(6,600)
Increase in Net OPEB Obligation	\$ 17,700
Net OPEB Obligation - beginning of year	14,300
Net OPEB Obligation - end of year	\$ 32,000

Annual OPEB Cost. For 2010, the Town's expected cash payment of \$6,600 is less than the OPEB cost (expense) of \$24,300 and was \$17,700 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 2010 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net Pension Obligation</u>
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, 2010 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, 2010

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 REVENUE:

Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Unearned revenue totaling \$556,083 is comprised of the following:

- A. Prepaid Property Taxes – Property taxes due subsequent to June 30, 2010, but paid in advance by the taxpayers totaled \$35,887 at June 30, 2010.
- B. Unbilled Property Taxes – Property taxes for the second half of 2010 that had not been billed as of June 30, 2010 amounted to \$520,196.

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010

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.

The Town is currently in litigation with its contractor for the Town's water treatment plant. The claims against the contractor total \$575,568 to date. No amount has been accrued in the financial statements related to this contingent gain. It is the opinion of the Town Attorney that the Town will very likely achieve a favorable outcome in this case.

NOTE 13—DEPOSITS AND INVESTMENTS:Deposits

All cash of the Town is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (a multiple financial institution collateral pool), Section 2.2-4400 et.seq. of the Code of Virginia or covered by federal depository insurance.

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).

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town's \$347,505 investments in repurchase agreements are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department, but not in the Town's name. The Town has no policy regarding custodial credit risk.

Credit Risk of Debt Securities

The Town's rated debt investments as of June 30, 2010 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale. The Town has no policy regarding credit risk.

Locality's Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings				
	AAA	AA	A	A1	Unrated
Repurchase Agreements - Underlying:					
U.S. Agency Securities	\$ 347,505	\$ -	\$ -	\$ -	\$ -
Total	<u>\$ 347,505</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010

NOTE 13—DEPOSITS AND INVESTMENTS: (CONTINUED)Interest Rate Risk

The Town has no policy regarding interest rate risk.

Investment Type	Investment Maturities (in years)				
	Fair Value	Less Than 1 Year	1 - 5 Years	6 - 10 Years	Greater Than 10 Years
Repurchase Agreements:					
U.S. Agencies	\$ 347,505	\$ 347,505	\$ -	\$ -	\$ -
Total	\$ 347,505	\$ 347,505	\$ -	\$ -	\$ -

NOTE 14—RISK MANAGEMENT:

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

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

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

Policies in effect at June 30, 2010, 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

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010

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, 2010, was immaterial to the Town's financial statements.

NOTE 16—SUBSEQUENT EVENT:

The Town is in the process of obtaining permanent financing for SunTrust General Obligation Note, 2007 and SunTrust General Obligation Note, 2008 with outstanding balances of \$2,198,288 and \$2,950,150 respectively. The source of the funds for this payoff will be a Rural Development Series 2010 bond in the amount of approximately \$5,000,000. Terms of the note are not available at the date of this audit.

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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, 2010

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 1,170,700	\$ 1,170,700	\$ 1,160,038	\$ (10,662)
Other local taxes	1,408,000	1,408,000	1,523,260	115,260
Permits, privilege fees, and regulatory licenses	12,000	12,000	4,944	(7,056)
Fines and forfeitures	30,000	30,000	21,100	(8,900)
Revenue from the use of money and property	62,500	62,500	30,098	(32,402)
Charges for services	280,000	280,000	275,497	(4,503)
Miscellaneous	115,498	115,498	31,700	(83,798)
Intergovernmental revenues:				
Commonwealth	1,148,400	1,148,400	1,100,335	(48,065)
Federal	7,000	7,000	40,670	33,670
Total revenues	<u>\$ 4,234,098</u>	<u>\$ 4,234,098</u>	<u>\$ 4,187,642</u>	<u>\$ (46,456)</u>
EXPENDITURES				
Current:				
General government administration	\$ 540,278	\$ 535,183	\$ 441,870	\$ 93,313
Public safety	1,070,850	1,090,170	1,073,783	16,387
Public works	1,708,895	1,670,855	1,821,799	(150,944)
Health and welfare	-	-	20,080	(20,080)
Parks, recreation, and cultural	788,944	1,592,844	1,496,485	96,359
Community development	110,110	98,310	97,457	853
Debt service:				
Principal retirement	5,998	19,100	19,033	67
Interest and other fiscal charges	21,242	34,242	34,080	162
Total expenditures	<u>\$ 4,246,317</u>	<u>\$ 5,040,704</u>	<u>\$ 5,004,587</u>	<u>\$ 36,117</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (12,219)</u>	<u>\$ (806,606)</u>	<u>\$ (816,945)</u>	<u>\$ (10,339)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from indebtedness	\$ -	\$ 750,000	\$ 750,000	\$ -
Total other financing sources and uses	<u>\$ -</u>	<u>\$ 750,000</u>	<u>\$ 750,000</u>	<u>\$ -</u>
Net change in fund balances	\$ (12,219)	\$ (56,606)	\$ (66,945)	\$ (10,339)
Fund balances - beginning	(129,361)	(129,361)	3,340,567	3,469,928
Fund balances - ending	<u>\$ (141,580)</u>	<u>\$ (185,967)</u>	<u>\$ 3,273,622</u>	<u>\$ 3,459,589</u>

Town of Luray, Virginia
Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010

Exhibit 11

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Intergovernmental revenue:	\$ 3,000	\$ 3,000	\$ 2,912	\$ (88)
Federal	\$ 100,000	\$ 276,600	\$ 184,237	\$ (92,363)
Total revenues	<u>\$ 103,000</u>	<u>\$ 279,600</u>	<u>\$ 187,149</u>	<u>\$ (92,451)</u>
EXPENDITURES				
Current:				
Community development:	\$ 50,000	\$ 226,600	\$ 177,967	\$ 48,633
Total expenditures	<u>\$ 50,000</u>	<u>\$ 226,600</u>	<u>\$ 177,967</u>	<u>\$ 48,633</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 53,000</u>	<u>\$ 53,000</u>	<u>\$ 9,182</u>	<u>\$ (43,818)</u>
Net change in fund balances	\$ 53,000	\$ 53,000	\$ 9,182	\$ (43,818)
Fund balances - beginning	-	-	82,687	82,687
Fund balances - ending	<u>\$ 53,000</u>	<u>\$ 53,000</u>	<u>\$ 91,869</u>	<u>\$ 38,869</u>

Schedule of Pension Funding Progress
As of June 30, 2010

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)
06/30/09	\$ 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%
06/30/05	5,129,476	6,271,598	1,142,122	81.79%	1,409,801	81.01%

Other Post-Employment Benefit Program
 Schedule of Funding Progress
 As of June 30, 2010

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

SUPPORTING SCHEDULES

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2010

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 1,038,900	\$ 1,038,900	\$ 1,041,685	\$ 2,785
Real and personal public service corporation taxes	31,000	31,000	29,750	(1,250)
Personal property taxes	83,000	83,000	76,514	(6,486)
Mobile home taxes	800	800	666	(134)
Penalties and interest	17,000	17,000	11,423	(5,577)
Total general property taxes	<u>\$ 1,170,700</u>	<u>\$ 1,170,700</u>	<u>\$ 1,160,038</u>	<u>\$ (10,662)</u>
Other local taxes:				
Local sales and use taxes	\$ 175,000	\$ 175,000	\$ 168,469	\$ (6,531)
Consumers' utility taxes	158,000	158,000	151,448	(6,552)
Business license taxes	250,000	250,000	239,700	(10,300)
Franchise license tax	22,000	22,000	30,390	8,390
Motor vehicle licenses	60,000	60,000	55,973	(4,027)
Bank stock taxes	70,000	70,000	87,846	17,846
Transient occupancy taxes	150,000	150,000	146,549	(3,451)
Restaurant food taxes	500,000	500,000	518,750	18,750
Sprint right of way fees	23,000	23,000	35,927	12,927
Cigarette tax	-	-	88,208	88,208
Total other local taxes	<u>\$ 1,408,000</u>	<u>\$ 1,408,000</u>	<u>\$ 1,523,260</u>	<u>\$ 115,260</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 12,000	\$ 12,000	\$ 4,944	\$ (7,056)
Total permits, privilege fees, and regulatory licenses	<u>\$ 12,000</u>	<u>\$ 12,000</u>	<u>\$ 4,944</u>	<u>\$ (7,056)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 30,000	\$ 30,000	\$ 21,100	\$ (8,900)
Total fines and forfeitures	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 21,100</u>	<u>\$ (8,900)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 50,000	\$ 50,000	\$ 15,243	\$ (34,757)
Revenue from use of property	12,500	12,500	14,855	2,355
Total revenue from use of money and property	<u>\$ 62,500</u>	<u>\$ 62,500</u>	<u>\$ 30,098</u>	<u>\$ (32,402)</u>
Charges for services:				
Charges for sanitation and waste removal	\$ 255,000	\$ 255,000	\$ 251,487	\$ (3,513)
Charges for recreation	25,000	25,000	24,010	(990)
Total charges for services	<u>\$ 280,000</u>	<u>\$ 280,000</u>	<u>\$ 275,497</u>	<u>\$ (4,503)</u>
Miscellaneous revenue:				
Rebates and refunds	\$ 1,000	\$ 1,000	\$ 11,995	\$ 10,995
Donations	18,000	18,000	9,633	(8,367)
Miscellaneous	12,998	12,998	8,570	(4,428)
Greenway development grant	81,500	81,500	1,300	(80,200)
Sale of equipment	2,000	2,000	202	(1,798)
Total miscellaneous revenue	<u>\$ 115,498</u>	<u>\$ 115,498</u>	<u>\$ 31,700</u>	<u>\$ (83,798)</u>
Total revenue from local sources	<u>\$ 3,078,698</u>	<u>\$ 3,078,698</u>	<u>\$ 3,046,637</u>	<u>\$ (32,061)</u>

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2010 (Continued)

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (continued)				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle rental tax	\$ 3,500	\$ 3,500	\$ 59	\$ (3,441)
Personal property tax relief funds	71,000	71,000	74,574	3,574
Total noncategorical aid	<u>\$ 74,500</u>	<u>\$ 74,500</u>	<u>\$ 74,678</u>	<u>\$ 178</u>
Categorical aid:				
Other categorical aid:				
Virginia Commission for the Arts grant	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Aid to localities with police departments	135,000	135,000	121,807	(13,193)
Police impound revenue	300	300	-	(300)
Department of fire programs funds	13,000	13,000	13,439	439
Litter control grant	3,000	3,000	2,316	(684)
Street and highway maintenance funds	915,000	915,000	883,034	(31,966)
Recreational tree grant	2,500	2,500	-	(2,500)
DMV animal friendly plate	100	100	61	(39)
Total other categorical aid	<u>\$ 1,073,900</u>	<u>\$ 1,073,900</u>	<u>\$ 1,025,657</u>	<u>\$ (48,243)</u>
Total categorical aid	<u>\$ 1,073,900</u>	<u>\$ 1,073,900</u>	<u>\$ 1,025,657</u>	<u>\$ (48,243)</u>
Total revenue from the Commonwealth	<u>\$ 1,148,400</u>	<u>\$ 1,148,400</u>	<u>\$ 1,100,335</u>	<u>\$ (48,065)</u>
Categorical aid:				
Forest reserve funds	\$ 2,000	\$ 2,000	\$ -	\$ (2,000)
Byrne justice assistance grant	-	-	2,907	2,907
Disaster grants - public assistance	-	-	29,496	29,496
DMV - ground transportation	5,000	5,000	8,267	3,267
Total categorical aid	<u>\$ 7,000</u>	<u>\$ 7,000</u>	<u>\$ 40,670</u>	<u>\$ 33,670</u>
Total revenue from the federal government	<u>\$ 7,000</u>	<u>\$ 7,000</u>	<u>\$ 40,670</u>	<u>\$ 33,670</u>
Total General Fund	<u>\$ 4,234,098</u>	<u>\$ 4,234,098</u>	<u>\$ 4,187,642</u>	<u>\$ (46,456)</u>
Special Revenue Fund:				
CDBG:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 3,000	\$ 3,000	\$ 2,912	\$ (88)
Total revenue from use of money and property	<u>3,000</u>	<u>3,000</u>	<u>2,912</u>	<u>(88)</u>
Total revenue from local sources	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ 2,912</u>	<u>\$ (88)</u>
Categorical aid:				
CDBG grant	\$ -	\$ 176,600	\$ 114,594	\$ (62,006)
TEA 21 Grant	100,000	100,000	69,643	(30,357)
Total categorical aid	<u>\$ 100,000</u>	<u>\$ 276,600</u>	<u>\$ 184,237</u>	<u>\$ (92,363)</u>
Total revenue from the federal government	<u>\$ 100,000</u>	<u>\$ 276,600</u>	<u>\$ 184,237</u>	<u>\$ (92,363)</u>
Total CDBG Fund	<u>\$ 103,000</u>	<u>\$ 279,600</u>	<u>\$ 187,149</u>	<u>\$ (92,451)</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 129,150	\$ 117,430	\$ 116,283	\$ 1,147
General and financial administration:				
Town manager	\$ 117,564	\$ 120,974	\$ 74,761	\$ 46,213
Legal services	60,000	85,900	85,801	99
Independent auditor	5,100	5,100	5,100	-
Treasurer	225,464	202,524	156,716	45,808
Total general and financial administration	\$ 408,128	\$ 414,498	\$ 322,378	\$ 92,120
Total general government administration	\$ 540,278	\$ 535,183	\$ 441,870	\$ 93,313
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 1,028,650	\$ 1,047,970	\$ 1,034,763	\$ 13,207
Other protection:				
Code Enforcement	\$ 30,200	\$ 30,200	\$ 28,788	\$ 1,412
Safety Officer	12,000	12,000	10,232	1,768
Total other protection	\$ 42,200	\$ 42,200	\$ 39,020	\$ 3,180
Total public safety	\$ 1,070,850	\$ 1,090,170	\$ 1,073,783	\$ 16,387
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 1,049,855	\$ 1,061,955	\$ 1,231,639	\$ (169,684)
Sanitation and waste removal:				
Refuse collection and disposal	\$ 255,000	\$ 243,100	\$ 242,090	\$ 1,010
Maintenance of general buildings and grounds:				
General properties	\$ 404,040	\$ 365,800	\$ 348,070	\$ 17,730
Total public works	\$ 1,708,895	\$ 1,670,855	\$ 1,821,799	\$ (150,944)
Health and welfare:				
Welfare:				
Tax relief for the elderly	\$ -	\$ -	\$ 20,080	\$ (20,080)
Total health and welfare	\$ -	\$ -	\$ 20,080	\$ (20,080)
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 788,944	\$ 1,592,844	\$ 1,496,485	\$ 96,359
Total parks, recreation, and cultural	\$ 788,944	\$ 1,592,844	\$ 1,496,485	\$ 96,359
Community development:				
Planning and community development:				
Planning Commission	\$ 110,110	\$ 98,310	\$ 97,457	\$ 853
Total community development	\$ 110,110	\$ 98,310	\$ 97,457	\$ 853

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2010 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (continued)				
Debt service:				
Principal retirement	\$ 5,998	\$ 19,100	\$ 19,033	\$ 67
Interest and other fiscal charges	21,242	34,242	34,080	162
Total debt service	\$ 27,240	\$ 53,342	\$ 53,113	\$ 229
Total General Fund	\$ 4,246,317	\$ 5,040,704	\$ 5,004,587	\$ 36,117
Special Revenue Fund:				
CDBG Fund:				
Community development:				
CBDG program	\$ 50,000	\$ 226,600	\$ 177,967	\$ 48,633
Total CDBG	\$ 50,000	\$ 226,600	\$ 177,967	\$ 48,633
Total CDBG Fund	\$ 50,000	\$ 226,600	\$ 177,967	\$ 48,633

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 relates to the services the Town provides and the activities it performs.

16 - 19

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 2003; 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			
	2005	2006	2007	2008
Governmental activities:				
Invested in capital assets, net of related debt	\$ 5,212,060	\$ 5,272,691	\$ 5,192,702	\$ 4,977,490
Unrestricted	<u>2,853,824</u>	<u>3,496,943</u>	<u>3,519,479</u>	<u>3,652,123</u>
Total governmental activities net assets	<u>\$ 8,065,884</u>	<u>\$ 8,769,634</u>	<u>\$ 8,712,181</u>	<u>\$ 8,629,613</u>
Business-type activities:				
Invested in capital assets, net of related debt	\$ 3,948,111	\$ 3,596,862	\$ 3,493,370	\$ 3,247,769
Unrestricted	<u>1,064,128</u>	<u>904,105</u>	<u>448,688</u>	<u>6,053</u>
Total business-type activities net assets	<u>\$ 5,012,239</u>	<u>\$ 4,500,967</u>	<u>\$ 3,942,058</u>	<u>\$ 3,253,822</u>
Primary government:				
Invested in capital assets, net of related debt	\$ 9,160,171	\$ 8,869,553	\$ 8,686,072	\$ 8,225,259
Unrestricted	<u>3,917,952</u>	<u>4,401,048</u>	<u>3,968,167</u>	<u>3,658,176</u>
Total primary government net assets	<u>\$ 13,078,123</u>	<u>\$ 13,270,601</u>	<u>\$ 12,654,239</u>	<u>\$ 11,883,435</u>

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

Table 1

Fiscal Year	
2009	2010
\$ 6,043,229	\$ 5,702,857
<u>3,310,599</u>	<u>3,256,655</u>
<u>\$ 9,353,828</u>	<u>\$ 8,959,512</u>
\$ 4,201,990	\$ 7,025,040
<u>(774,747)</u>	<u>172,314</u>
<u>\$ 3,427,243</u>	<u>\$ 7,197,354</u>
\$ 10,245,219	\$ 12,727,897
<u>2,535,852</u>	<u>3,428,969</u>
<u>\$ 12,781,071</u>	<u>\$ 16,156,866</u>

Town of Luray, Virginia

Changes in Net Assets

Last Six Fiscal Years

(accrual basis of accounting)

	Fiscal Year				
	2005	2006	2007	2008	2009
Expenses					
Governmental activities:					
General government	\$ 97,955	\$ 470,270	\$ 338,660	\$ 477,578	\$ 485,549
Public safety	1,053,614	843,505	902,171	1,011,887	1,050,693
Public works	1,690,056	1,081,237	1,742,333	1,978,626	2,016,877
Health and welfare	-	274	8,590	16,213	21,456
Parks, recreation and cultural	569,804	661,780	1,037,616	741,808	767,811
Community development	122,880	33,821	273,778	287,528	240,196
Interest on long-term debt	20,864	21,839	21,999	21,760	21,508
Total governmental activities expenses	\$ 3,555,173	\$ 3,112,726	\$ 4,325,147	\$ 4,535,400	\$ 4,604,090
Business-type activities:					
Water	\$ 818,497	\$ 665,748	\$ 734,132	\$ 760,761	\$ 809,920
Sewer	1,652,566	1,709,474	1,478,729	1,510,447	1,435,237
Total business-type activities expenses	\$ 2,471,063	\$ 2,375,222	\$ 2,212,861	\$ 2,271,208	\$ 2,245,157
Total primary government expenses	\$ 6,026,236	\$ 5,487,948	\$ 6,538,008	\$ 6,806,608	\$ 6,849,247
Program Revenues					
Governmental activities:					
Charges for services:					
Public safety	\$ 65,007	\$ 23,310	\$ 25,013	\$ 29,155	\$ 27,394
Public works	219,655	259,851	218,006	253,034	266,954
Parks, recreation and cultural	18,807	19,300	19,959	21,335	21,303
Operating grants and contributions	870,634	1,000,821	956,129	1,025,569	1,188,949
Capital grants and contributions	153,912	43,574	527,080	231,405	1,026,589
Total governmental activities program revenues	\$ 1,328,015	\$ 1,346,856	\$ 1,746,187	\$ 1,560,498	\$ 2,531,189
Business-type activities:					
Charges for services:					
Water	\$ 743,318	\$ 712,499	\$ 589,665	\$ 699,010	\$ 851,080
Sewer	1,232,053	997,427	744,789	880,533	1,231,646
Operating grants and contributions	-	12,034	-	-	-
Capital grants and contributions	126,200	134,720	225,740	3,405	335,423
Total business-type activities program revenues	\$ 2,101,571	\$ 1,856,680	\$ 1,560,194	\$ 1,582,948	\$ 2,418,149
Total primary government program revenues	\$ 3,429,586	\$ 3,203,536	\$ 3,306,381	\$ 3,143,446	\$ 4,949,338
Net (expenses) / revenues					
Governmental activities	\$ (2,227,158)	\$ (1,765,870)	\$ (2,578,960)	\$ (2,974,902)	\$ (2,072,901)
Business-type activities	(369,492)	(518,542)	(652,667)	(688,260)	172,992
Total primary government net expenses	\$ (2,596,650)	\$ (2,284,412)	\$ (3,231,627)	\$ (3,663,162)	\$ (1,899,909)

Table 2

<u>Fiscal Year</u>
<u>2010</u>

\$	505,686
	1,084,592
	2,042,757
	20,080
	821,314
	275,424
	34,080
\$	<u>4,783,933</u>

\$	940,743
	1,406,639
\$	<u>2,347,382</u>
\$	<u>7,131,315</u>

\$	21,100
	256,431
	24,010
	1,068,993
	192,504
\$	<u>1,563,038</u>

\$	933,890
	1,222,889
	-
	3,959,557
\$	<u>6,116,336</u>
\$	<u>7,679,374</u>

\$	(3,220,895)
	3,768,954
\$	<u>548,059</u>

Town of Luray, Virginia

Changes in Net Assets

Last Six Fiscal Years

(accrual basis of accounting - continued)

	Fiscal Year				
	2005	2006	2007	2008	2009
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes					
Property taxes	\$ 807,812	\$ 915,124	\$ 999,467	\$ 1,213,830	\$ 1,166,186
Local sales and use taxes	159,199	167,317	172,998	175,256	176,571
Consumer utility taxes	81,237	84,462	120,997	162,378	151,269
Business licenses taxes	204,293	254,646	218,773	250,588	267,463
Restaurant food tax	400,375	449,387	459,582	500,980	519,523
Cigarette Tax	-	-	-	-	-
Transient occupancy tax	71,842	88,871	72,344	113,454	152,910
Other local taxes	223,354	254,607	206,147	174,320	187,176
Unrestricted grants and contributions	80,403	84,831	83,895	84,063	127,212
Unrestricted revenues from use of money and property	29,542	94,386	162,461	142,079	34,526
Miscellaneous	41,235	75,989	17,452	75,386	14,280
Gain on disposal of assets	372,419	-	7,391	-	-
Total governmental activities	\$ 2,471,711	\$ 2,469,620	\$ 2,521,507	\$ 2,892,334	\$ 2,797,116
Business-type activities:					
Miscellaneous	\$ 3,821	\$ -	\$ 91,602	\$ -	\$ -
Unrestricted revenues from use of money and property	16,551	7,270	2,156	24	429
Total business-type activities	\$ 20,372	\$ 7,270	\$ 93,758	\$ 24	\$ 429
Total primary government	\$ 2,492,083	\$ 2,476,890	\$ 2,615,265	\$ 2,892,358	\$ 2,797,545
Change in Net Assets					
Governmental activities	\$ 244,553	\$ 703,750	\$ (57,453)	\$ (82,568)	\$ 724,215
Business-type activities	(349,120)	(511,272)	(558,909)	(688,236)	173,421
Total primary government	\$ (104,567)	\$ 192,478	\$ (616,362)	\$ (770,804)	\$ 897,636

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

Table 2

Fiscal Year
2010

\$	1,174,864
	168,469
	151,448
	239,700
	518,750
	88,208
	146,549
	210,136
	74,678
	33,010
	20,767
	-
\$	<u>2,826,579</u>

\$	-
	1,157
\$	<u>1,157</u>
\$	<u><u>2,827,736</u></u>

\$	(394,316)
	3,770,111
\$	<u><u>3,375,795</u></u>

Town of Luray, Virginia

Governmental Activities Tax Revenues by Source

Last Six Fiscal Years

(accrual basis of accounting)

Fiscal Year	Property Tax	Local sales and use Tax	Consumer Utility Tax	Business Licenses Tax	Restaurant Food Tax	Transient Occupancy Tax	Cigarette Tax
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	519,523	218,773	459,582	72,344	72,344
2006	915,124	167,317	84,462	254,646	449,387	88,871	88,871
2005	807,812	159,199	81,237	204,293	400,375	71,842	71,842

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

Table 3

Other Local Taxes		Total	
\$	210,136	\$	2,698,124
	187,176		2,774,008
	174,320		2,704,260
	206,147		2,721,178
	254,607		2,303,285
	223,354		2,019,954

Town of Luray, Virginia

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year				
	2001	2002	2003	2004	2005
General fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	<u>3,062,134</u>	<u>3,146,702</u>	<u>3,115,995</u>	<u>2,702,980</u>	<u>2,884,150</u>
Total general fund	<u>\$ 3,062,134</u>	<u>\$ 3,146,702</u>	<u>\$ 3,115,995</u>	<u>\$ 2,702,980</u>	<u>\$ 2,884,150</u>

Table 4

Fiscal Year				
2006	2007	2008	2009	2010
\$ 774,000	\$ -	\$ -	\$ -	\$ -
2,726,022	3,555,676	3,340,567	3,423,254	3,365,491
<u>\$ 3,500,022</u>	<u>\$ 3,555,676</u>	<u>\$ 3,340,567</u>	<u>\$ 3,423,254</u>	<u>\$ 3,365,491</u>

Town of Luray, Virginia

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

	Fiscal Year				
	2001	2002	2003	2004	2005
Revenues					
General property taxes	\$ 740,839	\$ 750,488	\$ 815,219	\$ 891,590	\$ 813,753
Other local taxes	977,069	1,101,598	1,104,581	1,102,698	1,140,300
Permits, privilege fees and regulatory licenses	2,470	2,950	3,380	4,640	3,870
Fines and forfeitures	96,802	131,135	98,568	99,059	65,007
Revenue from use of money and property	157,822	87,235	59,404	38,848	29,542
Charges for services	278,204	281,445	265,834	246,520	234,592
Miscellaneous	109,284	25,462	12,627	44,177	41,235
Recovered costs	13,036	5,120	8,350	12,042	4,649
Intergovernmental:					
Commonwealth	808,435	843,516	858,049	895,403	919,612
Federal	23,552	80,455	208,392	313,280	185,337
Total revenues	\$ 3,207,513	\$ 3,309,404	\$ 3,434,404	\$ 3,648,257	\$ 3,437,897
Expenditures					
General government administration	\$ 507,255	\$ 345,188	\$ 364,779	\$ 410,941	\$ 495,750
Public safety	799,221	916,720	925,124	1,012,387	1,044,728
Public works	1,207,666	1,312,652	1,494,959	2,335,570	1,641,588
Health and welfare	-	-	-	-	-
Parks, recreation and cultural	428,345	563,871	656,287	599,613	869,814
Community development	1,165	2,445	1,120	2,053	122,880
Capital projects	-	25,333	-	-	-
Debt service					
Principal	-	81,712	21,752	21,752	7,443
Interest and other fiscal charges	7,010	1,338	1,090	363	20,864
Total expenditures	\$ 2,950,662	\$ 3,249,259	\$ 3,465,111	\$ 4,382,679	\$ 4,203,067
Excess of revenues over (under) expenditures	\$ 256,851	\$ 60,145	\$ (30,707)	\$ (734,422)	\$ (765,170)
Other financing sources (uses)					
Proceeds of capital leases	\$ -	\$ -	\$ -	\$ -	\$ -
Notes payable issued	186,530	24,423	-	321,407	172,340
Sale of capital assets	-	-	-	-	774,000
Total other financing sources (uses)	\$ 186,530	\$ 24,423	\$ -	\$ 321,407	\$ 946,340
Net change in fund balances	\$ 443,381	\$ 84,568	\$ (30,707)	\$ (413,015)	\$ 181,170
Debt service as a percentage of noncapital expenditures	0.24%	2.64%	0.66%	0.51%	0.68%

Table 5

Fiscal Year				
2006	2007	2008	2009	2010
\$ 890,426	\$ 1,026,008	\$ 1,199,987	\$ 1,183,333	\$ 1,160,038
1,299,290	1,246,852	1,376,976	1,454,912	1,523,260
29,684	26,075	11,268	11,494	4,944
23,310	25,013	29,155	27,394	21,100
94,386	162,461	142,079	34,526	33,010
249,467	211,890	263,101	276,763	275,497
75,989	75,725	84,339	158,753	31,700
574	15,655	7,349	-	-
951,570	1,010,331	1,089,691	1,122,352	1,100,335
177,656	543,129	235,044	1,027,224	224,907
\$ 3,792,352	\$ 4,343,139	\$ 4,438,989	\$ 5,296,751	\$ 4,374,791
\$ 404,545	\$ 397,357	\$ 410,659	\$ 432,172	\$ 441,870
894,226	956,715	994,416	1,034,193	1,073,783
1,181,439	1,779,693	1,847,605	1,872,654	1,821,799
274	8,590	16,213	21,456	20,080
654,318	844,114	767,959	940,979	1,496,485
33,200	273,778	287,528	1,213,925	275,424
-	-	-	-	-
5,401	5,239	5,480	18,769	19,033
21,839	21,999	21,760	21,508	34,080
\$ 3,195,242	\$ 4,287,485	\$ 4,351,620	\$ 5,555,656	\$ 5,182,554
\$ 597,110	\$ 55,654	\$ 87,369	\$ (258,905)	\$ (807,763)
\$ -	\$ -	\$ 39,114	\$ -	\$ -
18,762	-	-	-	750,000
-	-	-	-	-
\$ 18,762	\$ -	\$ 39,114	\$ -	\$ 750,000
\$ 615,872	\$ 55,654	\$ 126,483	\$ (258,905)	\$ (57,763)
0.86%	0.64%	0.63%	0.73%	1.04%

Town of Luray, Virginia

General Governmental Tax Revenues by Source

Last Ten Fiscal Years

(modified accrual basis of accounting)

Fiscal Year	Property Tax	Local sales and use Tax	Consumer Utility Tax	Business License Tax	Restaurant Food Tax	Transient Occup- ancy Tax
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
2001	740,839	124,211	71,585	205,522	318,065	72,972

Table 6

Cigarette Tax	Other Local Taxes	Total
\$ 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
-	184,714	1,717,908

Town of Luray, Virginia

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

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Mobile Homes	Public Service	Total Taxable Assessed Value
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
2001	222,132,100	28,808,075	19,860,085	339,900	10,012,847	281,153,007

(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

	Estimated Actual Taxable Value (1)	Assessed Value as a Percentage of Actual Value
\$	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%
	281,153,007	100.00%

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
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
2001	0.25	0.40	0.25	0.40

(1) Per \$100 of assessed value

Principal Property Taxpayers
Current Year and the Period Ten Years Prior

Taxpayer	Type Business	Fiscal Year 2010		Fiscal Year 2000	
		2010 Assessed Valuation	% of Total Assessed Valuation	2000 Assessed Valuation	% of Total Assessed Valuation
Luray Caverns Corp	Commercial	\$ 10,937,200	2.08%	\$ 6,284,800	2.67%
Blue Bell Inc.	Manufacturing	8,732,000	1.66%	8,168,400	3.47%
Scott Lee Managing (WalMart)	Commercial	6,121,300	1.16%	-	0.00%
Luray LLC 2006/Wallace Bus.1996	Commercial	4,294,600	0.82%	3,860,700	1.64%
SVC LLC previously Excelsior Care	Commercial	4,029,700	0.77%	2,478,000	1.05%
EMCO Inc. 2006/Fibercraft 1996	Manufacturing	3,920,500	0.75%	3,383,400	1.44%
East Luray LLC	Commercial	3,879,500	0.74%	3,155,400	1.34%
Kentland Foundation Inc.	Commercial	4,463,000	0.85%	2,717,200	1.16%
Luray Village	Housing Complex	3,098,100	0.59%	1,348,400	0.00%
Mehta Prop.LLC 2006/Zalesca Inc.1996	Commercial	1,421,600	0.27%	1,616,400	0.69%
		<u>\$ 50,897,500</u>	<u>9.68%</u>	<u>\$ 33,012,700</u>	<u>14.04%</u>

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

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Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year (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
2010	\$ 1,200,416	\$ 1,149,680	95.77%	\$ -	\$ 1,149,680	95.77%
2009	1,196,710	1,146,593	95.81%	22,883	1,169,476	97.72%
2008	1,187,567	1,131,525	95.28%	45,501	1,177,026	99.11%
2007	1,037,964	970,049	93.46%	59,051	1,029,100	99.15%
2006	959,897	908,292	94.62%	48,773	957,065	99.70%
2005	887,268	861,350	97.08%	23,729	885,079	99.75%
2004	886,163	859,222	96.96%	25,232	884,454	99.81%
2003	810,843	794,919	98.04%	14,852	809,771	99.87%
2002	796,241	789,261	99.12%	5,981	795,242	99.87%
2001	759,353	752,639	99.12%	5,848	758,487	99.89%

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
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	-
2001	-	-	186,530	-

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

Business-Type Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
General Obligation Bonds	Revenue Bonds	Other Notes/ Bonds	Capital Leases			
\$ 11,543,388	\$ -	\$ 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
3,996,349	927,133	-	-	5,110,012	1.03%	1,053

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

Fiscal Year		Gross Bonded Debt		Less: Amounts Reserved for Debt Service		Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value (2)		Net Bonded Debt per Capita (1)
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
2001		5,110,012		-		5,110,012	1.82%		1,053

(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				
	2001	2002	2003	2004	2005
Debt limit	\$ 28,115,301	\$ 28,937,165	\$ 32,521,770	\$ 33,402,996	\$ 31,988,739
Total net debt applicable to limit	5,110,012	5,012,603	4,442,232	6,694,975	7,020,996
Legal debt margin	\$ 23,005,289	\$ 23,924,562	\$ 28,079,538	\$ 26,708,021	\$ 24,967,743
Total net debt applicable to the limit as a percentage of debt limit	18.18%	17.32%	13.66%	20.04%	21.95%

Table 13

Fiscal Year				
2006	2007	2008	2009	2010
\$ 32,450,800	\$ 51,468,307	\$ 47,493,630	\$ 47,779,300	\$ 47,926,890
6,840,099	6,643,417	16,438,237	11,525,207	13,699,708
<u>\$ 25,610,701</u>	<u>\$ 44,824,890</u>	<u>\$ 31,055,393</u>	<u>\$ 36,254,093</u>	<u>\$ 34,227,182</u>
21.08%	12.91%	34.61%	24.12%	28.58%

Legal Debt Margin Calculation for Fiscal Year 2009

Assessed value	\$ 479,268,900
Add back: exempt real property	-
Total assessed value	<u>\$ 479,268,900</u>
Debt limit (10% of total assessed value)	\$ 47,926,890
Net debt applicable to limit	<u>13,699,708</u>
Legal debt margin	<u>\$ 34,227,182</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)	
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
2001	1,898,345	1,211,831	686,514	30,807	244,369	2.49

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

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

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

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Town Population	County Population (1)	Personal Income (1)	Per Capita Personal Income (1)	Unemploy- ment Rate (1)
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%
2001	4,851	23,244	497,998,000	21,425	3.30%

(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 2010			Fiscal Year 2000		
	Employees	Rank	% of Total County Employment	Employees	Rank	% of Total County Employment
Page County Public Schools	588	1	6.37%	641	1	6.55%
Aramark	300	2	3.25%	290	2	2.97%
Emco, Inc.	250	3	2.71%	250	3	2.56%
Luray Caverns Corp	250	3	2.71%	250	3	2.56%
Wrangler/VF Jeanswear	231	5	2.50%	243	5	2.48%
Page Memorial Hospital	185	8	2.00%	207	8	2.12%
Wal-Mart	225	7	2.44%	225	7	2.30%
County of Page, Virginia	240	6	2.60%	226	6	2.31%
Valley Care Management	150	9	1.62%	49	9	0.50%
Totals	<u>2,419</u>		<u>26.19%</u>	<u>2,381</u>		<u>24.35%</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							
	2001	2002	2003	2004	2005	2006	2007	2008
General government	11	10	10	11	10	11	10	10
Public safety								
Police department	15	17	16	17	18	14	11	11
Public works								
General maintenance	16	18	14	14	13	13	12	12
Waste Water Treatment Plant	5	5	4	4	4	5	5	5
Culture and recreation								
Parks and recreation	2	2	3	4	5	4	5	6
Community development								
Planning	0	0	0	0	0	0	0	0
Totals	<u>49</u>	<u>52</u>	<u>47</u>	<u>50</u>	<u>50</u>	<u>47</u>	<u>43</u>	<u>44</u>

Source: Individual town departments

Table 17

Fiscal Year	
2009	2010
10	7
11	11
12	12
6	6
6	6
0	1
45	43

Town of Luray, Virginia

Operating Indicators by Function Last Ten Fiscal Years

Function	Fiscal Year							
	2001	2002	2003	2004	2005	2006	2007	2008
Public safety								
Police department:								
Physical arrests	592	574	644	603	415	157	382	329
Traffic violations	1,482	1,428	1,062	1,109	1,549	356	363	531
Fire and rescue:								
Number of calls answered	685	880	735	859	781	456	836	855
Public works								
General maintenance:								
Trucks/vehicles	9	10	10	10	10	10	14	14
Culture and recreation								
Parks and recreation:								
Youth sports participants	503	536	566	596	632	640	671	721
Community development								
Planning:								
Zoning permits issued	167	162	170	178	197	253	237	236

Source: Individual town departments

Table 18

Fiscal Year	
2009	2010
263	173
411	336
913	922
14	15
721	600
120	127

Town of Luray, Virginia

Capital Asset Statistics by Function Last Ten Fiscal Years

Function	Fiscal Year						
	2001	2002	2003	2004	2005	2006	2007
General government							
Administration buildings	18	18	18	18	18	18	18
Vehicles	2	2	2	1	1	2	2
Public safety							
Police department:							
Patrol units	11	12	12	12	8	8	8
Public works							
General maintenance:							
Trucks/vehicles	9	10	10	10	10	10	13
Waste Water Treatment Plant:							
Vehicles	3	3	3	3	3	3	3
Culture and recreation							
Parks and recreation:							
Vehicles	7 7	8 8	8 8	8 8	8 8	8	8
Parks acreage	190	190	190	190	190	190	190

Source: Individual town departments

Table 19

Fiscal Year		
2008	2009	2010
18	18	18
2	2	2
8	7	8
14	15	15
4	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

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

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

We have audited 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, 2010, which collectively comprise Town of Luray, Virginia's basic financial statements and have issued our report thereon dated October 17, 2010. 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*.

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 17, 2010

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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, 2010. 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, 2010.

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, Finner, Cox Associates

Verona, Virginia
October 17, 2010

Town of Luray, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

<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>
<u>United States Environmental Protection Agency:</u>			
Pass Through Payments:			
State Department of Environmental Quality:			
Capitalization Grants for Clean Water State Revolving Funds	66.458	440-S-08-06	\$ 3,959,557
			\$ 3,959,557
<u>United States Department of Justice:</u>			
Direct Payments:			
Edward Byrne Memorial Justice Assistance grant-ARRA	16.803	2009-SU-B9-0033	\$ 2,907
			\$ 2,907
<u>United States Department of Homeland Security:</u>			
Pass Through Payments:			
State Department of Environmental Quality:			
Disaster grants - public assistance	97.036		\$ 29,496
			\$ 29,496
<u>United States Department of Housing and Community Development:</u>			
Direct Payments:			
Community Development Block Grant	14.218		\$ 114,594
			\$ 114,594
<u>United States Department of Transportation, Federal Highway Administration:</u>			
Pass Through Payments:			
State Department of Transportation:			
State and Community Highway Safety Funds	20.600		\$ 8,267
Highway Planning and Construction	20.205		69,643
			\$ 77,910
Total Federal Assistance			\$ 4,184,464

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

Primary government:	
Governmental funds	\$ 224,907
Proprietary funds	3,959,557
Total primary government	\$ 4,184,464

TOWN OF LURAY, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AS OF JUNE 30, 2010

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, 2010. 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, 2010

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued unqualified

Internal control over financial reporting:

- Material weaknesses identified? yes x no

- Significant deficiencies identified? yes x none reported

Non compliance material to financial statements noted? yes x no

Federal Awards

Internal control over major programs: unqualified

- Material weaknesses identified? yes x no

- Significant deficiencies identified? yes x no

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:

CFDA Numbers

Name of Federal Program or Cluster

66.458 Capitalization Grants for Clean Water State Revolving Funds

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

None

Section III-Federal Award Findings and Questioned Costs

None

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