

TOWN OF LURAY, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2014

TOWN OF LURAY, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2014

COUNCIL

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John Meaney

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Charles Hoke 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, 2014**

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Town of Luray, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Town of Luray, Virginia, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of pension and OPEB funding progress on pages 4-8, 52-53, and 54-55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2014, on our consideration of Town of Luray, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Luray, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

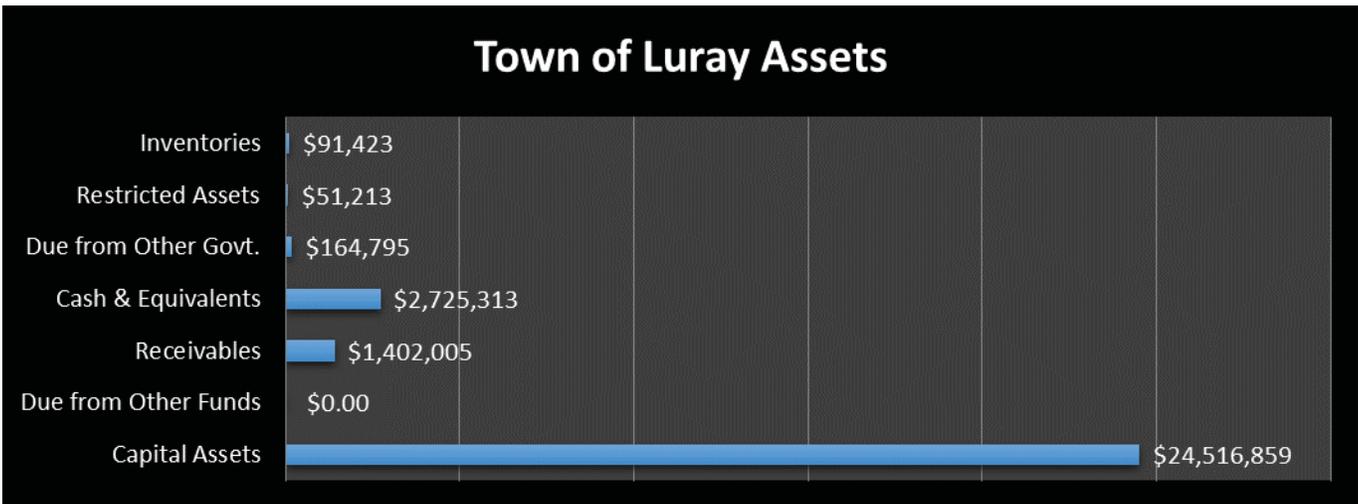
Staunton, Virginia
October 17, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS
Town of Luray Annual Audit Report
Fiscal Year Ending June 30, 2014

We are pleased to present the Annual Audit Report for the Town of Luray's fiscal year ending June 30, 2014. The audit was conducted by Robinson, Farmer, Cox Associates, a certified public accounting firm in Staunton, Virginia. The firm has audited our financial records and prepared statements of the governmental activities, business type activities, and each major fund. The Town received an unmodified opinion on the financial statements based on the results of this audit. Additionally, the compliance tests performed by the firm disclosed no reportable instances of noncompliance. The following management discussion provides an overall review of the Town's financial activities for the fiscal year ending June 30, 2014. The intent of the discussion and analysis is to examine the Town's financial performance as a whole. Readers should also review the basic financial statements to enhance their understanding of the Town's performance.

The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows at the close of the fiscal year ending June 30, 2014 by \$15,625,458 (net position). Of this amount, \$2,966,451 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. The unrestricted net position has increased by \$107,547 over last fiscal year's unrestricted balance of \$2,858,904.

Assets decreased by \$145,771 over the previous budget year. Assets and deferred outflows of resources totaled \$29,066,392 on June 30, 2014, while liabilities and deferred inflows only \$13,440,934. 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, 2014, the Town's general fund balance is just under \$2.4 million. This is a decrease of \$43,665 over last year's fund balance of \$2,442,308. At June 30, 2014, the fund balance available for spending at the Town of Luray's discretion amounted to \$2,363,277 (unassigned fund balance).

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

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

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014
Land	\$ 940,793	\$ 982,315	\$ 149,704	\$ 149,704	\$ 1,090,497	\$ 1,132,019
Buildings and improvements	7,209,528	7,288,662	-	-	7,209,528	7,288,662
Infrastructure	5,404,436	5,404,436	-	-	5,404,436	5,404,436
Utility plant in service	-	-	33,908,428	33,946,596	33,908,428	33,946,596
Equipment	1,696,908	1,746,358	-	-	1,696,908	1,746,358
Construction in progress	152,955	458,316	-	-	152,955	458,316
Total	\$ 15,404,620	\$ 15,880,087	\$ 34,058,132	\$ 34,096,300	\$ 49,462,752	\$ 49,976,387
Accumulated depreciation	(8,856,290)	(9,316,442)	(15,554,280)	(16,143,086)	(24,410,570)	(25,459,528)
Net capital assets	\$ 6,548,330	\$ 6,563,645	\$ 18,503,852	\$ 17,953,214	\$ 25,052,182	\$ 24,516,859

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

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014
Current and other assets	\$ 3,429,980	\$ 3,492,899	\$ 615,217	\$ 941,850	\$ 4,045,197	\$ 4,434,749
Capital assets	6,548,330	6,563,645	18,503,852	17,953,214	25,052,182	24,516,859
Deferred outflow of resources	-	-	125,517	114,784	125,517	114,784
Total assets	\$ 9,978,310	\$ 10,056,544	\$ 19,244,586	\$ 19,009,848	\$ 29,222,896	\$ 29,066,392
Current and other liabilities	\$ 108,277	\$ 224,702	\$ 170,634	\$ 211,362	\$ 278,911	\$ 436,064
Long-term liabilities	1,000,727	973,987	11,808,656	11,389,159	12,809,383	12,363,146
Deferred inflow of resources	646,403	641,724	-	-	646,403	641,724
Total liabilities	\$ 1,755,407	\$ 1,840,413	\$ 11,979,290	\$ 11,600,521	\$ 13,734,697	\$ 13,440,934
Net investment in capital assets	\$ 5,745,435	\$ 5,793,353	\$ 6,792,425	\$ 6,787,088	\$ 12,537,860	\$ 12,580,441
Restricted (CDBG)	91,435	78,566	-	-	91,435	78,566
Unrestricted	2,386,033	2,344,212	472,871	622,239	2,858,904	2,966,451
Total net position	\$ 8,222,903	\$ 8,216,131	\$ 7,265,296	\$ 7,409,327	\$ 15,488,199	\$ 15,625,458

Liabilities and deferred inflows of resources total \$13,440,934 and are composed primarily of long term debt. The remainder of the liabilities include accounts payable, customer deposits, accrued interest, and unearned tax revenue. The Town is well below the legal margin of debt. This margin is established by computing the total assessed value of real estate within the Town. Ten percent of that total is considered the legal margin of debt. On June 30, 2014 the total assessed value of real estate in the Town of Luray was \$439,895,000. The legal debt margin would therefore be \$43,989,500. As the above information demonstrates, Luray is well below that margin.

Town of Luray, Virginia's
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014
Revenues						
Program revenues						
Charges for services	\$ 326,937	\$ 328,308	\$ 2,748,712	\$ 2,850,230	\$ 3,075,649	\$ 3,178,538
Operating grants and contributions	1,126,002	1,157,138	-	-	1,126,002	1,157,138
Capital grants and contributions	74,281	208,033	9,890	7,925	84,171	215,958
General revenues						
Property taxes	1,312,095	1,382,004	-	-	1,312,095	1,382,004
Other local taxes	1,735,798	1,709,428	-	-	1,735,798	1,709,428
Gain on disposal of capital assets		1,793				1,793
Grants and contributions not restricted to specific programs	78,820	79,277	-	-	78,820	79,277
Unrestricted investment						
Earnings	20,827	19,234	-	-	20,827	19,234
Other	12,358	62,041	-	-	12,358	62,041
Total revenues	\$ 4,687,118	\$ 4,947,256	\$ 2,758,602	\$ 2,858,155	\$ 7,445,720	\$ 7,805,411
Expenses						
General government						
administration	\$ 607,559	\$ 618,941	\$ -	\$ -	\$ 607,559	\$ 618,941
Public safety	1,146,605	1,146,412	-	-	1,146,605	1,146,412
Public works	2,063,184	2,081,369	-	-	2,063,184	2,081,369
Health and welfare	18,625	20,768	-	-	18,625	20,768
Parks, recreation, and culture	956,077	932,451	-	-	956,077	932,451
Community development	102,796	122,476	-	-	102,796	122,476
Interest on long-term debt	30,621	31,611	-	-	30,621	31,611
Business-type activities	-	-	2,717,576	2,714,124	2,717,576	2,714,124
Total expenses	\$ 4,925,467	\$ 4,954,028	\$ 2,717,576	\$ 2,714,124	\$ 7,643,043	\$ 7,668,152
Change in net position	\$ (238,349)	\$ (6,772)	\$ 41,026	\$ 144,031	\$ (197,323)	\$ 137,259
Net position, beginning	8,461,252	8,222,903	7,224,270	7,265,296	15,685,522	15,488,199
Net position, ending	\$ 8,222,903	\$ 8,216,131	\$ 7,265,296	\$ 7,409,327	\$ 15,488,199	\$ 15,625,458

Overview of the Financial Statements

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

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

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

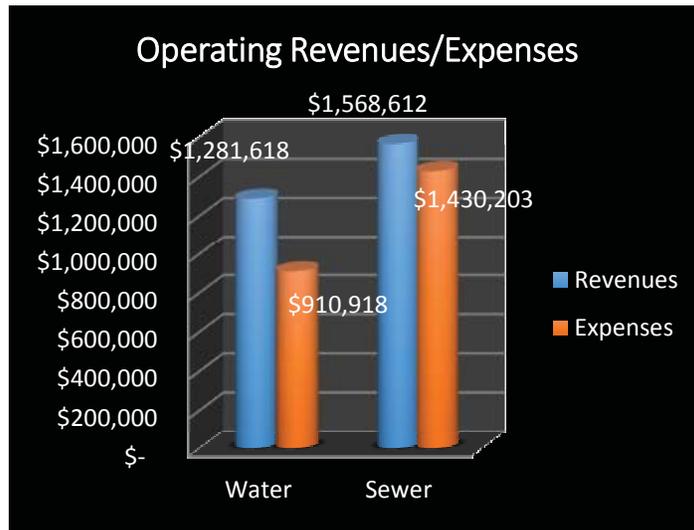
The Town's *net position* is divided into three categories: (1) net investment in capital assets; (2) restricted; and (3) unrestricted. The preceding chart of Luray's assets provided a breakout of assets. At the end of the current fiscal year, the Town is able to report positive balances in all categories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

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Luray, Virginia, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Such information may be useful in evaluating a government's near-term financing requirements. Governmental activities decreased the Town's net position by \$6,772. Total spending in governmental funds was \$4,954,028.



Proprietary funds are the enterprise or business type funds. The Town uses enterprise funds to account for the water and sewer activities operated by the Town. The proprietary fund shows operational income of \$509,109. The water fund had an operational income of \$370,700 and the sewer funds an operational income of \$138,409. Overall operating expenses show an increase of \$49,776 over the June 30, 2013 proprietary fund statements. Unrestricted net position of the water and sewer funds at the end of the fiscal year is \$622,239.

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

Economic Factors in Next Year’s Budget

- The Town plans to complete the Luray Train Depot rehabilitation project provided funding is available.
- The Town will continue to promote economic development through the Revolving Loan Program which was established as a part of the Community Development Block Grant. The purpose of the Revolving Loan Program is an ongoing effort to revitalize the downtown area.
- The Town plans to upgrade a water pump station in Forest Hills Subdivision.
- The Town will begin the planning process for the rehabilitation of the Main Street Bridge which will be funded through a 1.62 million dollar grant.
- The Town will continue with the next phase of the Main Street Electric Conduit Project.
- The Town will continue with upgrading the water meters, valves and sewer infrastructures.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Position
June 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,289,530	\$ 435,783	\$ 2,725,313
Receivables (net of allowance for uncollectibles):			
Taxes receivable	784,529	-	784,529
Accounts receivable	128,031	462,092	590,123
Notes receivable	27,353	-	27,353
Internal balances	12,082	(12,082)	-
Due from other governmental units	164,795	-	164,795
Inventories	35,366	56,057	91,423
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	51,213	-	51,213
Capital assets, net of accumulated depreciation:			
Land	982,315	149,704	1,132,019
Buildings and system	3,242,934	-	3,242,934
Land Improvements	821,109	-	821,109
Machinery and equipment	259,981	-	259,981
Infrastructure	798,990	-	798,990
Utility plant in service	-	17,803,510	17,803,510
Construction in progress	458,316	-	458,316
Total assets	<u>\$ 10,056,544</u>	<u>\$ 18,895,064</u>	<u>\$ 28,951,608</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	\$ -	\$ 114,784	\$ 114,784
Total deferred outflows of resources	<u>\$ -</u>	<u>\$ 114,784</u>	<u>\$ 114,784</u>
LIABILITIES			
Accounts payable	\$ 215,424	\$ 70,755	\$ 286,179
Accrued liabilities	4,601	-	4,601
Retainage Payable	4,677	-	4,677
Customers' deposits	-	96,950	96,950
Accrued interest payable	551	43,657	44,208
Long-term liabilities:			
Due within one year	32,508	411,316	443,824
Due in more than one year	940,928	10,977,843	11,918,771
Total liabilities	<u>\$ 1,198,689</u>	<u>\$ 11,600,521</u>	<u>\$ 12,799,210</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 641,724	\$ -	\$ 641,724
Total deferred inflows of resources	<u>\$ 641,724</u>	<u>\$ -</u>	<u>\$ 641,724</u>
NET POSITION			
Net investment in capital assets	\$ 5,793,353	\$ 6,787,088	\$ 12,580,441
Restricted for:			
Community development block grant expenditures	78,566	-	78,566
Unrestricted	2,344,212	622,239	2,966,451
Total net position	<u>\$ 8,216,131</u>	<u>\$ 7,409,327</u>	<u>\$ 15,625,458</u>

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

Town of Luray, Virginia

Statement of Activities
 Year Ended June 30, 2014

<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	\$ 618,941	\$ -	\$ -	-
Public safety	1,146,412	12,112	143,576	-
Public works	2,081,369	270,711	998,815	208,033
Health and welfare	20,768	-	-	-
Parks, recreation, and cultural	932,451	45,485	9,747	-
Community development	122,476	-	5,000	-
Interest on long-term debt	31,611	-	-	-
Total governmental activities	<u>\$ 4,954,028</u>	<u>\$ 328,308</u>	<u>\$ 1,157,138</u>	<u>\$ 208,033</u>
Business-type activities:				
Water	\$ 1,157,276	\$ 1,281,618	\$ -	\$ 7,925
Sewer	1,556,848	1,568,612	-	-
Total business-type activities	<u>\$ 2,714,124</u>	<u>\$ 2,850,230</u>	<u>\$ -</u>	<u>\$ 7,925</u>
Total primary government	<u>\$ 7,668,152</u>	<u>\$ 3,178,538</u>	<u>\$ 1,157,138</u>	<u>\$ 215,958</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
 Gain on disposal of capital assets
 Grants and contributions not restricted to specific programs
 Total general revenues
 Change in net position
 Net position - beginning
 Net position - ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (618,941)	\$ -	\$ (618,941)
(990,724)	-	(990,724)
(603,810)	-	(603,810)
(20,768)	-	(20,768)
(877,219)	-	(877,219)
(117,476)	-	(117,476)
(31,611)	-	(31,611)
<u>\$ (3,260,549)</u>	<u>\$ -</u>	<u>\$ (3,260,549)</u>
\$ -	\$ 132,267	\$ 132,267
-	11,764	11,764
<u>\$ -</u>	<u>\$ 144,031</u>	<u>\$ 144,031</u>
<u>\$ (3,260,549)</u>	<u>\$ 144,031</u>	<u>\$ (3,116,518)</u>
\$ 1,382,004	\$ -	\$ 1,382,004
156,643	-	156,643
147,712	-	147,712
278,404	-	278,404
586,310	-	586,310
137,920	-	137,920
157,008	-	157,008
245,431	-	245,431
19,234	-	19,234
62,041	-	62,041
1,793	-	1,793
79,277	-	79,277
<u>\$ 3,253,777</u>	<u>\$ -</u>	<u>\$ 3,253,777</u>
<u>\$ (6,772)</u>	<u>\$ 144,031</u>	<u>\$ 137,259</u>
<u>8,222,903</u>	<u>7,265,296</u>	<u>15,488,199</u>
<u>\$ 8,216,131</u>	<u>\$ 7,409,327</u>	<u>\$ 15,625,458</u>

FUND FINANCIAL STATEMENTS

Balance Sheet
 Governmental Funds
 June 30, 2014

	Primary Government		
	General	Special Revenue Fund CDBG	Total
ASSETS			
Cash and cash equivalents	\$ 2,289,530	\$ -	\$ 2,289,530
Receivables (net of allowance for uncollectibles):			
Taxes receivable	784,529	-	784,529
Accounts receivable	128,031	-	128,031
Notes receivable	-	27,353	27,353
Due from other funds	12,082	-	12,082
Due from other governmental units	164,795	-	164,795
Inventories	35,366	-	35,366
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	-	51,213	51,213
Total assets	<u>\$ 3,414,333</u>	<u>\$ 78,566</u>	<u>\$ 3,492,899</u>
LIABILITIES			
Accounts payable	\$ 215,424	\$ -	\$ 215,424
Accrued liabilities	4,601	-	4,601
Retainage payable	4,677	-	4,677
Total liabilities	<u>\$ 224,702</u>	<u>\$ -</u>	<u>\$ 224,702</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	\$ 790,988	\$ -	\$ 790,988
Total deferred inflows of resources	<u>\$ 790,988</u>	<u>\$ -</u>	<u>\$ 790,988</u>
FUND BALANCES			
Nonspendable:			
Inventory	\$ 35,366	\$ -	\$ 35,366
Restricted:			
Community development block grant fund	-	78,566	78,566
Unassigned:	2,363,277	-	2,363,277
Total fund balances	<u>\$ 2,398,643</u>	<u>\$ 78,566</u>	<u>\$ 2,477,209</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,414,333</u>	<u>\$ 78,566</u>	<u>\$ 3,492,899</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 Position
June 30, 2014

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 2,477,209
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,563,645
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	149,264
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(973,987)</u>
Net position of governmental activities	<u>\$ 8,216,131</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
 Year Ended June 30, 2014

	Primary Government		
	General	Special Revenue Fund CDBG	Total
REVENUES			
General property taxes	\$ 1,374,297	\$ -	\$ 1,374,297
Other local taxes	1,709,428	-	1,709,428
Permits, privilege fees, and regulatory licenses	3,975	-	3,975
Fines and forfeitures	12,112	-	12,112
Revenue from the use of money and property	18,571	663	19,234
Charges for services	312,221	-	312,221
Miscellaneous	62,041	-	62,041
Intergovernmental revenues:			
Commonwealth	1,227,420	-	1,227,420
Federal	217,028	-	217,028
Total revenues	<u>\$ 4,937,093</u>	<u>\$ 663</u>	<u>\$ 4,937,756</u>
EXPENDITURES			
Current:			
General government administration	\$ 572,595	\$ -	\$ 572,595
Public safety	1,131,285	-	1,131,285
Public works	2,309,081	-	2,309,081
Health and welfare	20,768	-	20,768
Parks, recreation, and cultural	778,724	-	778,724
Community development	106,435	13,532	119,967
Debt service:			
Principal retirement	32,603	-	32,603
Interest and other fiscal charges	31,060	-	31,060
Total expenditures	<u>\$ 4,982,551</u>	<u>\$ 13,532</u>	<u>\$ 4,996,083</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (45,458)</u>	<u>\$ (12,869)</u>	<u>\$ (58,327)</u>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	\$ 1,793	\$ -	\$ 1,793
Total other financing sources (uses)	<u>\$ 1,793</u>	<u>\$ -</u>	<u>\$ 1,793</u>
Net change in fund balances	\$ (43,665)	\$ (12,869)	\$ (56,534)
Fund balances beginning	2,442,308	91,435	2,533,743
Fund balances ending	<u>\$ 2,398,643</u>	<u>\$ 78,566</u>	<u>\$ 2,477,209</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
Year Ended June 30, 2014

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

Net change in fund balances - total governmental funds	\$ (56,534)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.	15,315
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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.	7,707
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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 position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	32,603
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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>(5,863)</u>
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Change in net position of governmental activities	<u><u>\$ (6,772)</u></u>
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The notes to the financial statements are an integral part of this statement.

Statement of Net Position
 Proprietary Funds
 June 30, 2014

	Enterprise Funds		
	Water	Sewer	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 207,790	\$ 227,993	\$ 435,783
Accounts receivable, net of allowances for uncollectibles	211,667	250,425	462,092
Due from other funds	-	373,759	373,759
Inventories	49,518	6,539	56,057
Total current assets	<u>\$ 468,975</u>	<u>\$ 858,716</u>	<u>\$ 1,327,691</u>
Noncurrent assets:			
Capital assets:			
Land	\$ 114,284	\$ 35,420	\$ 149,704
Utility plant in service	9,733,314	24,213,282	33,946,596
Accumulated Depreciation	<u>(3,566,957)</u>	<u>(12,576,129)</u>	<u>(16,143,086)</u>
Total capital assets	<u>\$ 6,280,641</u>	<u>\$ 11,672,573</u>	<u>\$ 17,953,214</u>
Total noncurrent assets	<u>\$ 6,280,641</u>	<u>\$ 11,672,573</u>	<u>\$ 17,953,214</u>
Total assets	<u>\$ 6,749,616</u>	<u>\$ 12,531,289</u>	<u>\$ 19,280,905</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	\$ 32,858	\$ 81,926	\$ 114,784
Total deferred charge on refunding	<u>\$ 32,858</u>	<u>\$ 81,926</u>	<u>\$ 114,784</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 35,558	\$ 35,197	\$ 70,755
Customers' deposits	96,950	-	96,950
Accrued interest payable	16,909	26,748	43,657
Due to other funds	385,841	-	385,841
Bonds payable - current portion, net of original issue premium	77,288	255,469	332,757
Notes payable - current portion	71,051	7,508	78,559
Total current liabilities	<u>\$ 683,597</u>	<u>\$ 324,922</u>	<u>\$ 1,008,519</u>
Noncurrent liabilities:			
Bonds payable - net of current portion, net of original issue premium	\$ 1,149,501	\$ 4,081,190	\$ 5,230,691
Notes payable - net of current portion	5,210,627	428,276	5,638,903
Compensated absences	26,417	54,792	81,209
Net OPEB obligation	11,180	15,860	27,040
Total noncurrent liabilities	<u>\$ 6,397,725</u>	<u>\$ 4,580,118</u>	<u>\$ 10,977,843</u>
Total liabilities	<u>\$ 7,081,322</u>	<u>\$ 4,905,040</u>	<u>\$ 11,986,362</u>
NET POSITION			
Net investment in capital assets	\$ (194,968)	\$ 6,982,056	\$ 6,787,088
Unrestricted	<u>(103,880)</u>	<u>726,119</u>	<u>622,239</u>
Total net position (deficit)	<u>\$ (298,848)</u>	<u>\$ 7,708,175</u>	<u>\$ 7,409,327</u>

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

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Funds
 Year Ended June 30, 2014

	Enterprise Funds		
	Water	Sewer	Total
OPERATING REVENUES			
Charges for services:			
Water revenues	\$ 1,281,555	\$ -	\$ 1,281,555
Sewer revenues	-	1,475,171	1,475,171
Miscellaneous	63	93,441	93,504
Total operating revenues	<u>\$ 1,281,618</u>	<u>\$ 1,568,612</u>	<u>\$ 2,850,230</u>
OPERATING EXPENSES			
Personal services	\$ 266,199	\$ 424,487	\$ 690,686
Fringe benefits	123,004	181,344	304,348
Contractual services	9,221	9,222	18,443
Other supplies and expenses	29,665	14,979	44,644
Rentals and leases	550	1	551
Insurance claims and expense	16,000	27,000	43,000
Other charges	222,340	428,303	650,643
Depreciation	243,939	344,867	588,806
Total operating expenses	<u>\$ 910,918</u>	<u>\$ 1,430,203</u>	<u>\$ 2,341,121</u>
Operating income (loss)	<u>\$ 370,700</u>	<u>\$ 138,409</u>	<u>\$ 509,109</u>
NONOPERATING REVENUES (EXPENSES)			
Interest and fiscal charges	<u>\$ (246,358)</u>	<u>\$ (126,645)</u>	<u>\$ (373,003)</u>
Total nonoperating revenues (expenses)	<u>\$ (246,358)</u>	<u>\$ (126,645)</u>	<u>\$ (373,003)</u>
Income (loss) before contributions and transfers	<u>\$ 124,342</u>	<u>\$ 11,764</u>	<u>\$ 136,106</u>
Capital contributions and construction grants	<u>\$ 7,925</u>	<u>\$ -</u>	<u>\$ 7,925</u>
Change in net position	<u>\$ 132,267</u>	<u>\$ 11,764</u>	<u>\$ 144,031</u>
Total net position - beginning	<u>\$ (431,115)</u>	<u>\$ 7,696,411</u>	<u>\$ 7,265,296</u>
Total net position - ending	<u>\$ (298,848)</u>	<u>\$ 7,708,175</u>	<u>\$ 7,409,327</u>

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

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2014

	Enterprise Funds		
	Water	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,258,340	\$ 1,414,405	\$ 2,672,745
Payments to suppliers	(278,962)	(464,855)	(743,817)
Payments to employees	(383,694)	(600,306)	(984,000)
Other receipts (payments)	24,566	122,617	147,183
Net cash provided by (used in) operating activities	<u>\$ 620,250</u>	<u>\$ 471,861</u>	<u>\$ 1,092,111</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to utility plant	\$ (38,168)	\$ -	\$ (38,168)
Principal payments on bonds and notes	(178,983)	(227,360)	(406,343)
Capital contributions	7,925	-	7,925
Bond premiums	-	113,759	113,759
Interest payments	(254,634)	(249,067)	(503,701)
Net cash provided by (used in) capital and related financing activities	<u>\$ (463,860)</u>	<u>\$ (362,668)</u>	<u>\$ (826,528)</u>
Net increase (decrease) in cash and cash equivalents	\$ 156,390	\$ 109,193	\$ 265,583
Cash and cash equivalents - beginning - including restricted	\$ 51,400	\$ 118,800	\$ 170,200
Cash and cash equivalents - ending - including restricted	<u>\$ 207,790</u>	<u>\$ 227,993</u>	<u>\$ 435,783</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 370,700	\$ 138,409	\$ 509,109
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	\$ 243,939	\$ 344,867	\$ 588,806
(Increase) decrease in accounts receivable	(26,980)	(32,790)	(59,770)
(Increase) decrease in inventories	(1,186)	(94)	(1,280)
Increase (decrease) in customer deposits	3,765	-	3,765
Increase (decrease) in accounts payable	24,444	14,744	39,188
Increase (decrease) in OPEB obligation	59	1,200	1,259
Increase (decrease) in accrued payroll	437	836	1,273
Increase (decrease) in compensated absences	5,072	4,689	9,761
Total adjustments	<u>\$ 249,550</u>	<u>\$ 333,452</u>	<u>\$ 583,002</u>
Net cash provided by (used in) operating activities	<u>\$ 620,250</u>	<u>\$ 471,861</u>	<u>\$ 1,092,111</u>

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

TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. Financial reporting entity

Town of Luray, Virginia (the town) is a municipal corporation governed by an elected seven-member Town Council. The accompanying financial statements present the government and 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, 2014.

Discretely Presented Component Units - The Town has no discretely presented component units for the fiscal year ended June 30, 2014.

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

B. Government-wide and fund financial statements

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

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

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. Budgetary comparison schedules

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports, including the original budget and a comparison of final budget and actual results.

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

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

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

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.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

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

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

The government reports the following major governmental funds:

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

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

The government reports the following major proprietary funds:

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

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

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

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

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

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g. restricted bond and grant proceeds) and unrestricted resources, in order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

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

E. Assets, liabilities, and net position or equity

1. Deposits and investments

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

2. Receivables and payables

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

3. Inventory

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

4. Property taxes

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

The taxes receivable balance at June 30, 2014 includes amounts not yet billed or received from the second half of the January 1, 2014 levy (due December 5, 2014). These items are included in unavailable/unearned revenue since these taxes are restricted for use until fiscal year 2015.

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 \$40,701 at June 30, 2014 and is composed of property taxes, refuse, CDBG, and water and sewer accounts receivable. The portion of the allowance for property taxes represents .99% of the total levies for the previous year. The portion of the allowance attributable to refuse and water and sewer represents 1.17% of the accounts receivable balance at June 30, 2014. The portion of the allowance attributable to CDBG loans represents 43.245% of the loan receivables balance at June 30, 2014.

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.

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014 (CONTINUED)

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

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

7. Capital assets

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

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

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

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

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

8. Compensated absences

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

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

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

9. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

10. Fund equity

The Town reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

When fund balance resources are available for a specific purpose in more than one classification, it is the Town's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

Town Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Town Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

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

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

10. Fund equity (continued)

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

11. Net position

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

12. Net position flow assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

13. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Town only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred charge on refunding as of June 30, 2014 amounted to \$114,784.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one type of item that qualifies for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources.

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014 (CONTINUED)

NOTE 2—RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between *fund balance—total governmental funds* and *net position—governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$973,987) difference for the primary government are as follows:

	Primary Government
Notes payable	\$ (770,292)
Accrued interest payable	(551)
OPEB obligation	(43,160)
Compensated absences	<u>(159,984)</u>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net position-governmental activities</i>	\$ <u><u>(973,987)</u></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 position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$15,315 difference for the primary government are as follows:

	Primary Government
Capital outlay	\$ 475,467
Depreciation expense	<u>(460,152)</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ <u><u>15,315</u></u>

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014 (CONTINUED)

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 position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$32,603 difference in the primary government are as follows:

	Primary Government
Principal repayments:	
Notes payable	\$ <u>32,603</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ <u><u>32,603</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 (\$5,863) difference for the primary government are as follows:

	Primary Government
Accrued interest payable	\$ (551)
Compensated absences	(1,571)
OPEB obligation	<u>(3,741)</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ <u><u>(5,863)</u></u>

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014 (CONTINUED)

NOTE 3—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgetary Information

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

1. Prior to March 30, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. All funds have legally adopted budgets.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the function level. The appropriation for each department or category can be revised only by the Town Council. The Town Manager is authorized to transfer budgeted amounts within general government departments.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30 for all Town units.
8. All budgetary data presented in the accompanying financial statements is the revised budget as of June 30.

B. Excess of expenditures over appropriations

For the year ended June 30, 2014, the following department had expenditures which exceeded appropriations:

<u>Fund</u>	<u>Function</u>	<u>Department</u>	Excess of Expenditures over Appropriations
General	Public works	Highways, streets, bridges and sidewalks	\$ 51,532
Total General Fund			\$ <u>51,532</u>

C. Deficit fund equity

At June 30, 2014, the water fund had a net position deficit of (\$298,848).

TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

NOTE 4—INTERFUND OBLIGATIONS:

Interfund receivables/payables are the net result of temporary overdrafts in the operating and payroll bank accounts of one fund which is offset by positive amounts in other funds. At June 30, 2014, interfund obligations were as follows:

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

NOTE 5—DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governmental units at June 30, 2014, are as follows:

	<u>Primary Government</u>
<u>Commonwealth of Virginia:</u>	
Sales tax	\$ 29,681
Communications tax	13,096
Fire programs funds	2,324
Other noncategorical aid	108
<u>Federal Government:</u>	
Tea-21 depot grant	102,159
Highway planning and construction	17,427
Total	<u>\$ 164,795</u>

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TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

NOTE 6—CAPITAL ASSETS:

Governmental Activities

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital assets not being depreciated:				
Land	\$ 940,793	\$ 41,522	\$ -	\$ 982,315
Construction in progress	152,955	384,495	(79,134)	458,316
Total capital assets not being depreciated	<u>\$ 1,093,748</u>	<u>\$ 426,017</u>	<u>\$ (79,134)</u>	<u>\$ 1,440,631</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 5,775,502	\$ 63,294	\$ -	\$ 5,838,796
Land improvements	1,434,026	15,840	-	1,449,866
Infrastructure	5,404,436	-	-	5,404,436
Furniture, equipment and vehicles	1,696,908	49,450	-	1,746,358
Total other capital assets	<u>\$ 14,310,872</u>	<u>\$ 128,584</u>	<u>\$ -</u>	<u>\$ 14,439,456</u>
Accumulated depreciation for:				
Buildings and improvements	\$ (2,439,926)	\$ (155,936)	\$ -	\$ (2,595,862)
Land improvements	(537,952)	(90,805)	-	(628,757)
Infrastructure	(4,490,644)	(114,802)	-	(4,605,446)
Furniture, equipment and vehicles	(1,387,768)	(98,609)	-	(1,486,377)
Total accumulated depreciation	<u>\$ (8,856,290)</u>	<u>\$ (460,152)</u>	<u>\$ -</u>	<u>\$ (9,316,442)</u>
Capital assets being depreciated, net	<u>\$ 5,454,582</u>	<u>\$ (331,568)</u>	<u>\$ -</u>	<u>\$ 5,123,014</u>
Net capital assets	<u>\$ 6,548,330</u>	<u>\$ 94,449</u>	<u>\$ (79,134)</u>	<u>\$ 6,563,645</u>

TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Business-type Activities

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Water Fund				
Capital assets not being depreciated:				
Land	\$ 114,284	\$ -	\$ -	\$ 114,284
Total capital assets not being depreciated	\$ 114,284	\$ -	\$ -	\$ 114,284
Capital assets being depreciated:				
Utility plant in service	\$ 9,695,146	\$ 38,168	\$ -	\$ 9,733,314
Accumulated depreciation	(3,323,018)	(243,939)	-	(3,566,957)
Capital assets being depreciated, net	\$ 6,372,128	\$ (205,771)	\$ -	\$ 6,166,357
Net capital assets	\$ 6,486,412	\$ (205,771)	\$ -	\$ 6,280,641

Sewer Fund

Capital assets not being depreciated:				
Land	\$ 35,420	\$ -	\$ -	\$ 35,420
Total capital assets not being depreciated	\$ 35,420	\$ -	\$ -	\$ 35,420
Capital assets being depreciated:				
Utility plant in service	\$ 24,213,282	\$ -	\$ -	\$ 24,213,282
Accumulated depreciation	(12,231,262)	(344,867)	-	(12,576,129)
Capital assets being depreciated, net	\$ 11,982,020	\$ (344,867)	\$ -	\$ 11,637,153
Net capital assets	\$ 12,017,440	\$ (344,867)	\$ -	\$ 11,672,573

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

Governmental activities:

General government administration	\$ 42,226
Public safety	21,379
Public works	217,086
Parks, recreation, and cultural	177,956
Community development	1,505
Total depreciation expense-governmental activities	\$ 460,152

Business-type activities:

Water Fund	\$ 243,939
Sewer Fund	344,867
Total depreciation expense-business-type activities	\$ 588,806

TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014 (CONTINUED)

NOTE 7—LONG-TERM OBLIGATIONS:

Primary Government—Governmental Activity Obligations:

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2014.

	Balance July 1, 2013	Issuances	Retirements	Balance June 30, 2014
Notes Payable	\$ 802,895	\$ -	\$ 32,603	\$ 770,292
Compensated Absences	158,413	1,571	-	159,984
Net OPEB Obligation	39,419	10,725	6,984	43,160
Total	<u>\$ 1,000,727</u>	<u>\$ 12,296</u>	<u>\$ 39,587</u>	<u>\$ 973,436</u>

Details of Long-term Obligations:

Notes Payable:

\$500,000 Rural Development Community Facilities Loan secured by Deed of Trust on real property located at 45 E. Main Street, Luray, Virginia dated September 13, 2002, bearing interest at 4.50% per annum. Note due in monthly installments of \$2,270 through June 2044.

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
	\$ 454,134	\$ 7,508

\$341,158 General Obligation Note, Series 2013, issued on March 19, 2013 to refinance the existing General Obligation Note, Series 2010, bearing a 3.5% interest rate, with two annual principal payments of \$25,000 and a final payment of principal and interest due March 19, 2016. The first installment of principal only was due March 19, 2014.

	<u>316,158</u>	<u>25,000</u>
Subtotal Notes Payable	\$ 770,292	\$ 32,508
Compensated Absences	159,984	-
Net OPEB Obligation	<u>43,160</u>	<u>-</u>
Total	<u>\$ 973,436</u>	<u>\$ 32,508</u>

TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014 (CONTINUED)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government—Governmental Activity Obligations: (Continued)

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

Year Ending June 30,	Notes Payable	
	Principal	Interest
2015	\$ 32,508	\$ 19,732
2016	299,352	21,621
2017	8,214	19,026
2018	8,592	18,648
2019	8,986	18,254
2020	9,399	17,841
2021	9,831	17,409
2022	10,283	16,957
2023	10,755	16,485
2024	11,249	15,991
2025	11,766	15,474
2026	12,306	14,934
2027	12,872	14,368
2028	13,463	13,777
2029	14,081	13,159
2030	14,728	12,512
2031	15,405	11,835
2032	16,113	11,127
2033	16,853	10,387
2034	17,627	9,613
2035	18,437	8,803
2036	19,284	7,956
2037	20,170	7,070
2038	21,096	6,144
2039	22,065	5,175
2040	23,079	4,161
2041	24,139	3,101
2042	25,248	1,992
2043	30,756	831
2044	11,635	46
Total	\$ <u>770,292</u>	\$ <u>354,429</u>

TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government-Enterprise Activity Obligations:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014
General Obligation Bonds	\$ 5,584,460	\$ -	\$ 330,475	\$ 5,253,985
Unamortized Bond Premium	333,637	-	24,174	309,463
Notes Payable	5,793,330	-	75,868	5,717,462
Compensated Absences	71,448	9,761	-	81,209
Net OPEB Obligation	25,781	3,575	2,316	27,040
Total	<u>\$ 11,808,656</u>	<u>\$ 13,336</u>	<u>\$ 432,833</u>	<u>\$ 11,389,159</u>

Details of Long-term Obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>General Obligation Bonds:</u>		
\$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.	\$ 1,595,000	\$ 100,000
\$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.	1,664,030	104,002
\$372,381 VRA Revolving Loan, issued June 7, 2004, bearing interest at 3.50% per annum. Semi-annual payments of \$13,303 to begin July 1, 2004 and are payable through July 1, 2023. The Town remitted the first payment prior to June 30, 2004.	203,150	19,568
\$860,000 Taxable General Obligation Water System Bond, Series 2000, approved April 28, 2000, bearing interest at 4.25% per annum, with principal and interest due semi-annually, with final maturity not later than December 31, 2021.	286,805	39,186
\$1,530,000 VRA General Obligation Refunding Bond, Series 2012, issued August 2, 2012, bearing interest at 2.927% per annum, with principal and interest due semi-annually, with final maturity not later than October 1, 2029.	<u>1,505,000</u>	<u>70,001</u>
Sub-total bonds payable	<u>\$ 5,253,985</u>	<u>\$ 332,757</u>

TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014 (CONTINUED)

NOTE 7—LONG-TERM LIABILITIES: (CONTINUED)

Primary Government-Enterprise Activity Obligations: (Continued)

Details of Long-term Obligations: (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.	\$ 871,568	\$ 15,016
 \$5,000,000 General Obligation Note, Series 2010, issued on November 17, 2010, bearing a 3.75% interest rate with an annual interest only payment due on November 17, 2011. Monthly payments of \$20,350 to begin on December 17, 2011 and are payable through November 17, 2050.	 <u>4,845,894</u>	 <u>63,543</u>
Sub-total notes payable	\$ <u>5,717,462</u>	\$ <u>78,559</u>
Unamortized Bond Premium	\$ 309,463	\$ -
Compensated Absences	81,209	-
Net OPEB Obligation	<u>27,040</u>	-
Total	<u>\$ 11,389,159</u>	<u>\$ 411,316</u>

TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014 (CONTINUED)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government-Enterprise Activity Obligations: (Continued)

Year Ending June 30,	Bonds Payable		Notes Payable	
	Principal	Interest	Principal	Interest
2015	\$ 332,757	\$ 158,243	\$ 78,559	\$ 220,120
2016	345,131	148,500	81,674	217,006
2017	352,601	137,851	84,912	213,768
2018	370,172	126,040	88,280	210,400
2019	382,848	112,957	91,782	206,898
2020	390,634	99,456	95,423	203,257
2021	383,050	85,554	99,210	199,470
2022	353,950	73,595	103,148	195,532
2023	349,831	62,892	107,244	191,436
2024	329,002	51,760	111,503	187,177
2025	269,002	42,216	115,932	182,748
2026	279,002	33,969	120,538	178,142
2027	269,002	26,034	125,329	173,351
2028	274,002	18,787	130,311	168,369
2029	284,002	11,481	135,492	163,188
2030	288,999	3,866	140,880	157,800
2031	-	-	146,484	152,196
2032	-	-	152,313	146,367
2033	-	-	158,375	140,305
2034	-	-	164,680	134,000
2035	-	-	171,237	127,443
2036	-	-	178,057	120,623
2037	-	-	185,151	113,529
2038	-	-	192,529	106,151
2039	-	-	200,202	98,478
2040	-	-	208,184	90,496
2041	-	-	216,486	82,194
2042	-	-	225,121	73,559
2043	-	-	229,755	64,577
2044	-	-	188,203	55,997
2045	-	-	195,383	48,817
2046	-	-	202,837	41,363
2047	-	-	210,576	33,624
2048	-	-	218,610	25,590
2049	-	-	226,950	17,250
2050	-	-	235,608	8,592
2051	-	-	100,504	946
Total	\$ 5,253,985	\$ 1,193,201	\$ 5,717,462	\$ 4,750,759

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

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 \$159,984 in the Primary Government and \$81,209 in the Enterprise Funds.

NOTE 9—PENSION PLAN:

A. Plan Description

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

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

Within the VRS Plan, the System administers three different benefit plans for local government employees – Plan 1, Plan 2, and, Hybrid. Each plan has different eligibility and benefit structures as set out below:

VRS – PLAN 1

- 1. Plan Overview** - VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
- 2. Eligible Members** - Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
- 3. Hybrid Opt-In Election** - VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

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

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

Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

NOTE 9—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

4. **Retirement Contributions** - Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
5. **Creditable Service** - Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
6. **Vesting** - Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

7. **Calculating the Benefit** - The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.

NOTE 9—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

10. Normal Retirement Age - Age 65.

11. Earliest Unreduced Retirement Eligibility - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

12. Earliest Reduced Retirement Eligibility - Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

13. Cost-of-Living Adjustment (COLA) in Retirement - The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

14. Eligibility - For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

15. Exceptions to COLA Effective Dates - The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

NOTE 9—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

- 16. Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

- 17. Purchase of Prior Service** - Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

VRS – PLAN 2

- 1. Plan Overview** - VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
- 2. Eligible Members** - Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
- 3. Hybrid Opt-In Election** - VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

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

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

Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

- 4. Retirement Contributions** – Same as VRS Plan 1—Refer to Section 4.

NOTE 9—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

VRS – PLAN 2 (CONTINUED)

5. **Creditable Service** – Same as VRS Plan 1– Refer to Section 5.
6. **Vesting** – Same as VRS Plan 1–Refer to Section 6.
7. **Calculating the Benefit** – Same as VRS Plan 1–Refer to Section 7.
8. **Average Final Compensation** - A member’s average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - Same as Plan1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.
10. **Normal Retirement Age** - Normal Social Security retirement age.
11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.
12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.
13. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.
14. **Eligibility** – Same as VRS Plan 1–Refer to Section 14.
15. **Exceptions to COLA Effective Dates** – Same as VRS Plan 1–Refer to Section 15.
16. **Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. **Purchase of Prior Service** – Same as VRS Plan 1–Refer to Section 17.

NOTE 9—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN

1. **Plan Overview** - The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)
 - The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.
 - The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
 - In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
2. **Eligible Members** - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
 - State employees*
 - School division employees
 - Political subdivision employees*
 - Judges appointed or elected to an original term on or after January 1, 2014
 - Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014
3. ***Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:
 - Members of the State Police Officers’ Retirement System (SPORS)
 - Members of the Virginia Law Officers’ Retirement System (VaLORS)
 - Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

NOTE 9—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

4. Retirement Contributions - A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

5. Creditable Service

Defined Benefit Component - Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contribution Component - Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

6. Vesting

Defined Benefit Component - Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contribution Component - Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

NOTE 9—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

7. Calculating the Benefit

Defined Benefit Component – Same as VRS Plan 1—Refer to Section 7.

Defined Contribution Component - The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

8. Average Final Compensation – Same as VRS Plan 2—Refer to Section 8. It is used in the retirement formula for the defined benefit component of the plan.

9. Service Retirement Multiplier - The retirement multiplier is 1.0%.

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

10. Normal Retirement Age

Defined Benefit Component – Same as VRS Plan 2—Refer to Section 10.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

11. Earliest Unreduced Retirement Eligibility

Defined Benefit Component - Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

12. Earliest Reduced Retirement Eligibility

Defined Benefit Component - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

NOTE 9—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

13. Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component – Same as VRS Plan 2—Refer to Section 13.

Defined Contribution Component – Not Applicable.

14. Eligibility – Same as VRS Plan 1 and VRS Plan 2—Refer to Section 14.

15. Exceptions to COLA Effective Dates – Same as VRS Plan 1 and VRS Plan 2—Refer to Section 15.

16. Disability Coverage - Eligible political subdivision and school division members (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. Purchase of Prior Service

Defined Benefit Component - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 17.

Defined Contribution Component – Not Applicable.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014 (CONTINUED)

NOTE 9—PENSION PLAN: (CONTINUED)

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2014 was 16.27% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2014, the Town's annual pension cost of \$306,013 was equal to the Town's required and actual contributions

Three Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	\$ 306,013	100%	\$ -
June 30, 2013	308,660	100%	-
June 30, 2012	279,415	100%	-

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

NOTE 9—PENSION PLAN: (CONTINUED)

D. Funding Status and Progress

As of June 30, 2013, the most recent actuarial valuation date, the Town's plan was 70.16% funded. The actuarial accrued liability for benefits was \$10,345,845, and the actuarial value of assets was \$7,258,932, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,086,913. The covered payroll (annual payroll of active employees covered by the plan) was \$1,853,758 and ratio of the UAAL to the covered payroll was 166.52%.

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

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS PROGRAM:

A. Plan Description

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

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

B. Funding Policy

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

C. Annual OPEB Cost and Net OPEB Obligation

The annual cost of other post employment benefits (OPEB) GASB 45 is calculated based on the annual required contribution (ARC). The estimated pay as you go cost for OPEB benefits is \$14,300 for fiscal year 2014. The Town has elected not to pre-fund OPEB liabilities. The ARC is an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years.

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014 (CONTINUED)

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

C. Annual OPEB Cost and Net OPEB Obligation (Continued)

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

Annual Required Contribution (ARC)	\$ 14,400
Interest on OPEB Obligation	2,600
Adjustment to ARC	<u>(2,700)</u>
Annual OPEB cost	\$ 14,300
Estimated Contributions Made During FY14	<u>(9,300)</u>
Increase in Net OPEB Obligation	\$ 5,000
Net OPEB Obligation - beginning of year	<u>65,200</u>
Net OPEB Obligation - end of year	<u><u>\$ 70,200</u></u>

For 2014, the Town’s expected cash payment of \$9,300 is less than the OPEB cost (expense) of \$14,300 and was \$5,000 short of the ARC. The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$ 14,300	65%	\$ 70,200
June 30, 2013	14,300	52%	65,200
June 30, 2012	18,500	65%	58,400

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2014 is as follows:

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

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

D. Funded Status and Funding Progress (Continued)

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—DEFERRED/UNAVAILABLE REVENUE:

Deferred/unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred/unavailable revenue totaling \$641,724 is comprised of the following:

- A. Prepaid Property Taxes – Property taxes due subsequent to June 30, 2014, but paid in advance by the taxpayers totaled \$35,453 at June 30, 2014.
- B. Unbilled Property Taxes – Property taxes for the second half of 2014 that had not been billed as of June 30, 2014 amounted to \$606,271.

Under the modified accrual basis of accounting, such amounts are measurable, but not available. In addition to the above, this includes taxes due but not yet collected of \$149,264.

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.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

NOTE 13—DEPOSITS AND INVESTMENTS:

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”) Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

Statutes authorize the Town to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

Custodial Credit Risk

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

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.

TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 (CONTINUED)

NOTE 14—RISK MANAGEMENT: (CONTINUED)

Policies in effect at June 30, 2014, 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
Virginia Municipal Liability Pool	Extortion	10,000
Virginia Municipal Liability Pool	Forgery	100,000
Virginia Municipal Liability Pool	Public Employee Dishonesty	100,000

NOTE 15—RELATED PARTY TRANSACTIONS:

The Town buys materials and supplies from Lancaster Enterprises, a proprietorship owned and operated by Council member Leroy Lancaster. The total amount purchased from this business enterprise during the year ended June 30, 2014 was immaterial to the Town's financial statements.

NOTE 16—LITIGATION:

At June 30, 2014, there were no matters of litigation involving the Town or which would materially affect the Town's financial position should any court decisions on pending matters not be favorable to such entities.

NOTE 17—UPCOMING PRONOUNCEMENTS:

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

NOTE 18—SUBSEQUENT EVENT:

On August 29, 2014 the Town issued three Tax Exempt General Obligation Bank Qualified Loans totaling \$2,750,000. The interest only loans carry interest rates of 1.69% to 2.19%, with maturities between 3 to 5 years. The proceeds of the loan issuances will be used to fund engineering and construction costs for the replacement of the West Main Street Bridge.

REQUIRED SUPPLEMENTARY INFORMATION

General Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property taxes	\$ 1,373,235	\$ 1,373,235	\$ 1,374,297	\$ 1,062
Other local taxes	1,714,343	1,714,343	1,709,428	(4,915)
Permits, privilege fees, and regulatory licenses	10,000	10,000	3,975	(6,025)
Fines and forfeitures	24,056	24,056	12,112	(11,944)
Revenue from the use of money and property	64,377	64,377	18,571	(45,806)
Charges for services	307,029	307,029	312,221	5,192
Miscellaneous	30,915	30,915	62,041	31,126
Intergovernmental revenues:				
Commonwealth	1,210,220	1,211,220	1,227,420	16,200
Federal	326,000	326,000	217,028	(108,972)
Total revenues	<u>\$ 5,060,175</u>	<u>\$ 5,061,175</u>	<u>\$ 4,937,093</u>	<u>\$ (124,082)</u>
EXPENDITURES				
Current:				
General government administration	\$ 599,998	\$ 628,898	\$ 572,595	\$ 56,303
Public safety	1,170,778	1,146,178	1,131,285	14,893
Public works	2,260,423	2,280,296	2,309,081	(28,785)
Health and welfare	20,000	20,770	20,768	2
Parks, recreation, and cultural	785,280	803,792	778,724	25,068
Community development	114,086	114,991	106,435	8,556
Debt service:				
Principal retirement	77,220	32,936	32,603	333
Interest and other fiscal charges	32,390	32,313	31,060	1,253
Total expenditures	<u>\$ 5,060,175</u>	<u>\$ 5,060,174</u>	<u>\$ 4,982,551</u>	<u>\$ 77,623</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 1,001</u>	<u>\$ (45,458)</u>	<u>\$ (46,459)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ (1,001)	\$ -	\$ 1,001
Sale of capital assets	-	-	1,793	1,793
Total other financing sources and uses	<u>\$ -</u>	<u>\$ (1,001)</u>	<u>\$ 1,793</u>	<u>\$ 2,794</u>
Change in fund balance	\$ -	\$ -	\$ (43,665)	\$ (43,665)
Fund balance, beginning of year	-	-	2,442,308	2,442,308
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,398,643</u>	<u>\$ 2,398,643</u>

Special Revenue Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from the use of money and property	\$ 1,500	\$ 1,500	\$ 663	\$ (837)
Total revenues	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>\$ 663</u>	<u>\$ (837)</u>
EXPENDITURES				
Current:				
Community development:	\$ 40,000	\$ 40,000	\$ 13,532	\$ 26,468
Total expenditures	<u>\$ 40,000</u>	<u>\$ 40,000</u>	<u>\$ 13,532</u>	<u>\$ 26,468</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (38,500)</u>	<u>\$ (38,500)</u>	<u>\$ (12,869)</u>	<u>\$ 25,631</u>
Change in fund balance	\$ (38,500)	\$ (38,500)	\$ (12,869)	\$ 25,631
Fund balance, beginning of year	-	-	91,435	91,435
Fund balance, end of year	<u><u>\$ (38,500)</u></u>	<u><u>\$ (38,500)</u></u>	<u><u>\$ 78,566</u></u>	<u><u>\$ 117,066</u></u>

Schedule of Pension Funding Progress
June 30, 2014

Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
06/30/13	\$ 7,258,932	\$ 10,345,845	\$ 3,086,913	70.16%	\$ 1,853,758	166.52%
06/30/12	6,941,424	10,347,871	3,406,447	67.08%	1,822,955	186.86%
06/30/11	6,983,166	9,779,906	2,796,740	71.40%	1,773,461	157.70%
06/30/10	6,855,274	9,000,641	2,145,367	76.16%	1,801,079	119.12%
06/30/09	6,788,463	7,963,000	1,174,537	85.25%	1,723,969	68.13%

Other Postemployment Benefit Program
 Schedule of Funding Progress
 June 30, 2014

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

SUPPORTING INFORMATION

Schedule of Revenues - Budget and Actual
Governmental Funds
Year Ended June 30, 2014

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 1,242,911	\$ 1,242,911	\$ 1,231,546	\$ (11,365)
Real and personal public service corporation taxes	40,000	40,000	51,564	11,564
Personal property taxes	79,500	79,500	74,529	(4,971)
Mobile home taxes	820	820	594	(226)
Penalties and interest	10,004	10,004	16,064	6,060
Total general property taxes	<u>\$ 1,373,235</u>	<u>\$ 1,373,235</u>	<u>\$ 1,374,297</u>	<u>\$ 1,062</u>
Other local taxes:				
Local sales and use taxes	\$ 171,847	\$ 171,847	\$ 156,643	\$ (15,204)
Consumers' utility taxes	148,912	148,912	147,712	(1,200)
Business license taxes	299,397	299,397	278,404	(20,993)
Franchise license tax	25,700	25,700	29,547	3,847
Motor vehicle licenses	53,500	53,500	57,409	3,909
Bank stock taxes	88,000	88,000	133,795	45,795
Transient occupancy taxes	166,675	166,675	157,008	(9,667)
Restaurant food taxes	583,712	583,712	586,310	2,598
Sprint right of way fees	28,600	28,600	24,680	(3,920)
Cigarette tax	148,000	148,000	137,920	(10,080)
Total other local taxes	<u>\$ 1,714,343</u>	<u>\$ 1,714,343</u>	<u>\$ 1,709,428</u>	<u>\$ (4,915)</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 10,000	\$ 10,000	\$ 3,975	\$ (6,025)
Total permits, privilege fees, and regulatory licenses	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 3,975</u>	<u>\$ (6,025)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 23,981	\$ 23,981	\$ 12,112	\$ (11,869)
Parking fines	75	75	-	(75)
Total fines and forfeitures	<u>\$ 24,056</u>	<u>\$ 24,056</u>	<u>\$ 12,112</u>	<u>\$ (11,944)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 2,800	\$ 2,800	\$ 3,197	\$ 397
Revenue from use of property	61,577	61,577	15,374	(46,203)
Total revenue from use of money and property	<u>\$ 64,377</u>	<u>\$ 64,377</u>	<u>\$ 18,571</u>	<u>\$ (45,806)</u>
Charges for services:				
Charges for sanitation and waste removal	\$ 270,429	\$ 270,429	\$ 266,736	\$ (3,693)
Charges for recreation	36,600	36,600	45,485	8,885
Total charges for services	<u>\$ 307,029</u>	<u>\$ 307,029</u>	<u>\$ 312,221</u>	<u>\$ 5,192</u>
Miscellaneous revenue:				
Rebates and refunds	\$ 10,500	\$ 10,500	\$ 9,616	\$ (884)
Donations	11,500	11,500	46,668	35,168
Miscellaneous	7,915	7,915	4,257	(3,658)
Greenway development grant	1,000	1,000	1,500	500
Total miscellaneous revenue	<u>\$ 30,915</u>	<u>\$ 30,915</u>	<u>\$ 62,041</u>	<u>\$ 31,126</u>
Total revenue from local sources	<u>\$ 3,523,955</u>	<u>\$ 3,523,955</u>	<u>\$ 3,492,645</u>	<u>\$ (31,310)</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
Year Ended June 30, 2014 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (continued)				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle rental tax	\$ 4,400	\$ 4,400	\$ 4,703	\$ 303
Personal property tax relief funds	74,570	74,570	74,574	4
Total noncategorical aid	<u>\$ 78,970</u>	<u>\$ 78,970</u>	<u>\$ 79,277</u>	<u>\$ 307</u>
Categorical aid:				
Other categorical aid:				
Virginia Commission for the Arts grant	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Disaster grants - public assistance	-	-	4,318	4,318
Aid to localities with police departments	116,000	116,000	116,152	152
Other police grants	25,000	26,000	3,728	(22,272)
Department of fire programs funds	13,000	13,000	14,701	1,701
Litter control grant	2,200	2,200	2,853	653
Street and highway maintenance funds	970,000	970,000	998,815	28,815
Recreational tree grant	-	-	2,500	2,500
DMV animal friendly plate	50	50	76	26
Total other categorical aid	<u>\$ 1,131,250</u>	<u>\$ 1,132,250</u>	<u>\$ 1,148,143</u>	<u>\$ 15,893</u>
Total categorical aid	<u>\$ 1,131,250</u>	<u>\$ 1,132,250</u>	<u>\$ 1,148,143</u>	<u>\$ 15,893</u>
Total revenue from the Commonwealth	<u>\$ 1,210,220</u>	<u>\$ 1,211,220</u>	<u>\$ 1,227,420</u>	<u>\$ 16,200</u>
Revenue from the federal government:				
Categorical aid:				
TEA-21 Grant	\$ 200,000	\$ 200,000	\$ 184,600	\$ (15,400)
Federal highway emergency relief	-	-	8,995	8,995
Federal highway planning and construction	126,000	126,000	17,427	(108,573)
DMV - ground transportation	-	-	6,006	6,006
Total categorical aid	<u>\$ 326,000</u>	<u>\$ 326,000</u>	<u>\$ 217,028</u>	<u>\$ (108,972)</u>
Total General Fund	<u>\$ 5,060,175</u>	<u>\$ 5,061,175</u>	<u>\$ 4,937,093</u>	<u>\$ (124,082)</u>
Special Revenue Fund:				
CDBG:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 1,500	\$ 1,500	\$ 663	\$ (837)
Total revenue from use of money and property	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>\$ 663</u>	<u>\$ (837)</u>
Total CDBG Fund	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>\$ 663</u>	<u>\$ (837)</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
Year Ended June 30, 2014

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 138,781	\$ 141,281	\$ 139,886	\$ 1,395
General and financial administration:				
Town manager	\$ 89,245	\$ 127,440	\$ 104,213	\$ 23,227
Legal services	58,000	50,000	50,000	-
Independent auditor	5,500	5,500	5,433	67
Treasurer	301,172	300,477	269,423	31,054
Total general and financial administration	<u>\$ 453,917</u>	<u>\$ 483,417</u>	<u>\$ 429,069</u>	<u>\$ 54,348</u>
Board of elections:				
Electoral board and officials	\$ 7,300	\$ 4,200	\$ 3,640	\$ 560
Total general government administration	<u>\$ 599,998</u>	<u>\$ 628,898</u>	<u>\$ 572,595</u>	<u>\$ 56,303</u>
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 1,125,528	\$ 1,135,498	\$ 1,122,060	\$ 13,438
Other protection:				
Code Enforcement	\$ 31,970	\$ -	\$ -	\$ -
Safety Officer	13,280	10,680	9,225	1,455
Total other protection	<u>\$ 45,250</u>	<u>\$ 10,680</u>	<u>\$ 9,225</u>	<u>\$ 1,455</u>
Total public safety	<u>\$ 1,170,778</u>	<u>\$ 1,146,178</u>	<u>\$ 1,131,285</u>	<u>\$ 14,893</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 1,292,683	\$ 1,343,037	\$ 1,394,569	\$ (51,532)
Sanitation and waste removal:				
Refuse collection and disposal	\$ 265,500	\$ 261,300	\$ 260,615	\$ 685
Maintenance of general buildings and grounds:				
General properties	\$ 702,240	\$ 675,959	\$ 653,897	\$ 22,062
Total public works	<u>\$ 2,260,423</u>	<u>\$ 2,280,296</u>	<u>\$ 2,309,081</u>	<u>\$ (28,785)</u>
Health and welfare:				
Welfare:				
Tax relief for the elderly	\$ 20,000	\$ 20,770	\$ 20,768	\$ 2
Total health and welfare	<u>\$ 20,000</u>	<u>\$ 20,770</u>	<u>\$ 20,768</u>	<u>\$ 2</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 785,280	\$ 803,792	\$ 778,724	\$ 25,068
Total parks, recreation, and cultural	<u>\$ 785,280</u>	<u>\$ 803,792</u>	<u>\$ 778,724</u>	<u>\$ 25,068</u>
Community development:				
Planning and community development:				
Planning Commission	\$ 114,086	\$ 114,991	\$ 106,435	\$ 8,556
Total community development	<u>\$ 114,086</u>	<u>\$ 114,991</u>	<u>\$ 106,435</u>	<u>\$ 8,556</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
Year Ended June 30, 2014 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (continued)				
Debt service:				
Principal retirement	\$ 77,220	\$ 32,936	\$ 32,603	\$ 333
Interest and other fiscal charges	32,390	32,313	31,060	1,253
Total debt service	\$ 109,610	\$ 65,249	\$ 63,663	\$ 1,586
Total General Fund	\$ 5,060,175	\$ 5,060,174	\$ 4,982,551	\$ 77,623
Special Revenue Fund:				
CDBG Fund:				
Community development:				
CDBG program	\$ 40,000	\$ 40,000	\$ 13,532	\$ 26,468
Total CDBG Fund	\$ 40,000	\$ 40,000	\$ 13,532	\$ 26,468
Total Primary Government	\$ 5,100,175	\$ 5,100,174	\$ 4,996,083	\$ 104,091

STATISTICAL SECTION

Town of Luray, Virginia

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

	Fiscal Year				
	2005	2006	2007	2008	2009
Governmental activities:					
Net investment in capital assets	\$ 5,212,060	\$ 5,272,691	\$ 5,192,702	\$ 4,977,490	\$ 6,043,229
Restricted	-	-	-	-	-
Unrestricted	2,853,824	3,496,943	3,519,479	3,652,123	3,310,599
Total governmental activities net position	<u>\$ 8,065,884</u>	<u>\$ 8,769,634</u>	<u>\$ 8,712,181</u>	<u>\$ 8,629,613</u>	<u>\$ 9,353,828</u>
Business-type activities:					
Net investment in capital assets	\$ 3,948,111	\$ 3,596,862	\$ 3,493,370	\$ 3,247,769	\$ 4,201,990
Unrestricted	1,064,128	904,105	448,688	6,053	(774,747)
Total business-type activities net position	<u>\$ 5,012,239</u>	<u>\$ 4,500,967</u>	<u>\$ 3,942,058</u>	<u>\$ 3,253,822</u>	<u>\$ 3,427,243</u>
Primary government:					
Net investment in capital assets	\$ 9,160,171	\$ 8,869,553	\$ 8,686,072	\$ 8,225,259	\$ 10,245,219
Restricted	-	-	-	-	-
Unrestricted	3,917,952	4,401,048	3,968,167	3,658,176	2,535,852
Total primary government net position	<u>\$ 13,078,123</u>	<u>\$ 13,270,601</u>	<u>\$ 12,654,239</u>	<u>\$ 11,883,435</u>	<u>\$ 12,781,071</u>

Table 1

Fiscal Year				
2010	2011	2012	2013	2014
\$ 5,703,358	\$ 5,751,140	\$ 5,674,643	\$ 5,745,435	\$ 5,793,353
-	-	-	91,435	78,566
<u>3,256,154</u>	<u>3,039,161</u>	<u>2,786,609</u>	<u>2,386,033</u>	<u>2,344,212</u>
<u>\$ 8,959,512</u>	<u>\$ 8,790,301</u>	<u>\$ 8,461,252</u>	<u>\$ 8,222,903</u>	<u>\$ 8,216,131</u>
\$ 7,025,040	\$ 7,348,362	\$ 6,977,198	\$ 6,792,425	\$ 6,787,088
<u>172,314</u>	<u>3,733</u>	<u>247,072</u>	<u>472,871</u>	<u>622,239</u>
<u>\$ 7,197,354</u>	<u>\$ 7,352,095</u>	<u>\$ 7,224,270</u>	<u>\$ 7,265,296</u>	<u>\$ 7,409,327</u>
\$ 12,728,398	\$ 13,099,502	\$ 12,651,841	\$ 12,537,860	\$ 12,580,441
-	-	-	91,435	78,566
<u>3,428,468</u>	<u>3,042,894</u>	<u>3,033,681</u>	<u>2,858,904</u>	<u>2,966,451</u>
<u>\$ 16,156,866</u>	<u>\$ 16,142,396</u>	<u>\$ 15,685,522</u>	<u>\$ 15,488,199</u>	<u>\$ 15,625,458</u>

Town of Luray, Virginia

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

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

Table 2

		Fiscal Year									
		2009	2010	2011	2012	2013	2014				
\$	485,549	\$	505,686	\$	500,906	\$	514,606	\$	607,559	\$	618,941
	1,050,693		1,084,592		1,073,077		1,111,020		1,146,605		1,146,412
	2,016,877		2,042,757		2,061,180		2,085,022		2,063,184		2,081,369
	21,456		20,080		16,794		16,956		18,625		20,768
	767,811		821,314		855,668		921,154		956,077		932,451
	240,196		275,424		104,148		101,811		102,796		122,476
	21,508		34,080		36,267		31,840		30,621		31,611
\$	<u>4,604,090</u>	\$	<u>4,783,933</u>	\$	<u>4,648,040</u>	\$	<u>4,782,409</u>	\$	<u>4,925,467</u>	\$	<u>4,954,028</u>
\$	809,920	\$	940,743	\$	1,143,368	\$	1,152,492	\$	1,141,888	\$	1,157,276
	1,435,237		1,406,639		1,449,556		1,579,828		1,575,688		1,556,848
\$	<u>2,245,157</u>	\$	<u>2,347,382</u>	\$	<u>2,592,924</u>	\$	<u>2,732,320</u>	\$	<u>2,717,576</u>	\$	<u>2,714,124</u>
\$	<u>6,849,247</u>	\$	<u>7,131,315</u>	\$	<u>7,240,964</u>	\$	<u>7,514,729</u>	\$	<u>7,643,043</u>	\$	<u>7,668,152</u>
\$	27,394	\$	21,100	\$	13,192	\$	20,458	\$	14,144	\$	12,112
	266,954		256,431		278,022		286,764		277,493		270,711
	21,303		24,010		34,916		50,987		35,300		45,485
	1,188,949		1,068,993		1,207,087		1,113,750		1,126,002		1,157,138
	1,026,589		192,504		7,373		7,130		74,281		208,033
\$	<u>2,531,189</u>	\$	<u>1,563,038</u>	\$	<u>1,540,590</u>	\$	<u>1,479,089</u>	\$	<u>1,527,220</u>	\$	<u>1,693,479</u>
\$	851,080	\$	933,890	\$	1,045,554	\$	1,013,473	\$	1,191,472	\$	1,281,618
	1,231,646		1,222,889		1,376,999		1,357,779		1,557,240		1,568,612
	-		-		-		-		-		-
	335,423		3,959,557		325,053		234,293		9,890		7,925
\$	<u>2,418,149</u>	\$	<u>6,116,336</u>	\$	<u>2,747,606</u>	\$	<u>2,605,545</u>	\$	<u>2,758,602</u>	\$	<u>2,858,155</u>
\$	<u>4,949,338</u>	\$	<u>7,679,374</u>	\$	<u>4,288,196</u>	\$	<u>4,084,634</u>	\$	<u>4,285,822</u>	\$	<u>4,551,634</u>
\$	(2,072,901)	\$	(3,220,895)	\$	(3,107,450)	\$	(3,303,320)	\$	(3,398,247)	\$	(3,260,549)
	172,992		3,768,954		154,682		(126,775)		41,026		144,031
\$	<u>(1,899,909)</u>	\$	<u>548,059</u>	\$	<u>(2,952,768)</u>	\$	<u>(3,430,095)</u>	\$	<u>(3,357,221)</u>	\$	<u>(3,116,518)</u>

Town of Luray, Virginia

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting - continued)

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

Table 2

		Fiscal Year									
		2009	2010	2011	2012	2013	2014				
\$	1,166,186	\$	1,174,864	\$	1,125,076	\$	1,180,066	\$	1,312,095	\$	1,382,004
	176,571		168,469		173,565		183,465		159,355		156,643
	151,269		151,448		153,642		145,694		149,709		147,712
	267,463		239,700		254,998		260,514		297,759		278,404
	519,523		518,750		547,070		558,832		589,201		586,310
	-		88,208		181,225		147,233		145,997		137,920
	152,910		146,549		146,363		148,632		160,217		157,008
	187,176		210,136		230,650		224,798		233,560		245,431
	127,212		74,678		78,717		78,493		78,820		79,277
	34,526		33,010		24,767		21,779		20,827		19,234
	14,280		20,767		15,728		24,765		12,358		62,041
	-		-		6,438		-		-		-
	-		-		-		-		-		1,793
\$	<u>2,797,116</u>	\$	<u>2,826,579</u>	\$	<u>2,938,239</u>	\$	<u>2,974,271</u>	\$	<u>3,159,898</u>	\$	<u>3,253,777</u>
\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
	429		1,157		59		-		-		-
	-		-		-		(1,050)		-		-
\$	<u>429</u>	\$	<u>1,157</u>	\$	<u>59</u>	\$	<u>(1,050)</u>	\$	<u>-</u>	\$	<u>-</u>
\$	<u>2,797,545</u>	\$	<u>2,827,736</u>	\$	<u>2,938,298</u>	\$	<u>2,973,221</u>	\$	<u>3,159,898</u>	\$	<u>3,253,777</u>
\$	724,215	\$	(394,316)	\$	(169,211)	\$	(329,049)	\$	(238,349)	\$	(6,772)
	173,421		3,770,111		154,741		(127,825)		41,026		144,031
\$	<u>897,636</u>	\$	<u>3,375,795</u>	\$	<u>(14,470)</u>	\$	<u>(456,874)</u>	\$	<u>(197,323)</u>	\$	<u>137,259</u>

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

Fiscal Year	Property Tax	Local sales and use Tax	Consumer Utility Tax	Business Licenses Tax	Restaurant Food Tax	Transient Occupancy Tax	Cigarette Tax	Other Local Taxes	Total
2014	\$ 1,382,004	\$ 156,643	\$ 147,712	\$ 278,404	\$ 586,310	\$ 157,008	\$ 137,920	\$ 245,431	\$ 3,091,432
2013	1,312,095	159,355	149,709	297,759	589,201	160,217	145,997	233,560	3,047,893
2012	1,180,066	183,465	145,694	260,514	558,832	147,233	148,632	224,798	2,849,234
2011	1,125,076	173,565	153,642	254,998	547,070	146,363	181,225	230,650	2,812,589
2010	1,174,864	168,469	151,448	239,700	518,750	146,549	88,208	210,136	2,698,124
2009	1,166,186	176,571	151,269	267,463	519,523	152,910	-	187,176	2,621,098
2008	1,213,830	175,256	162,378	250,588	500,980	113,454	-	174,320	2,590,806
2007	999,467	172,998	88,208	218,773	459,582	72,344	-	206,147	2,217,519
2006	915,124	167,317	84,462	254,646	449,387	88,871	-	254,607	2,214,414
2005	807,812	159,199	81,237	204,293	400,375	71,842	-	223,354	1,948,112

Town of Luray, Virginia

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

	Fiscal Year			
	2005	2006	2007	2008
General fund				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Unassigned	<u>2,884,150</u>	<u>2,726,022</u>	<u>3,555,676</u>	<u>3,340,567</u>
Total general fund	<u>\$ 2,884,150</u>	<u>\$ 3,500,022</u>	<u>\$ 3,555,676</u>	<u>\$ 3,340,567</u>
All other governmental funds				
Restricted	\$ -	\$ -	\$ -	\$ 44,531
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,531</u>

Table 4

Fiscal Year						
2009	2010	2011	2012	2013	2014	
\$ -	\$ -	\$ 40,954	\$ 44,572	\$ 43,228	\$ 35,366	
<u>3,423,254</u>	<u>3,365,491</u>	<u>3,028,046</u>	<u>2,769,998</u>	<u>2,399,080</u>	<u>2,363,277</u>	
<u><u>\$ 3,423,254</u></u>	<u><u>\$ 3,365,491</u></u>	<u><u>\$ 3,069,000</u></u>	<u><u>\$ 2,904,027</u></u>	<u><u>\$ 2,442,308</u></u>	<u><u>\$ 2,398,643</u></u>	
\$ 82,687	\$ 91,869	\$ 87,482	\$ 89,457	\$ 91,435	\$ 78,566	
<u>82,687</u>	<u>91,869</u>	<u>87,482</u>	<u>89,457</u>	<u>91,435</u>	<u>78,566</u>	
<u><u>\$ 82,687</u></u>	<u><u>\$ 91,869</u></u>	<u><u>\$ 87,482</u></u>	<u><u>\$ 89,457</u></u>	<u><u>\$ 91,435</u></u>	<u><u>\$ 78,566</u></u>	

Town of Luray, Virginia

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

	Fiscal Year				
	2005	2006	2007	2008	2009
Revenues					
General property taxes	\$ 813,753	\$ 890,426	\$ 1,026,008	\$ 1,199,987	\$ 1,183,333
Other local taxes	1,140,300	1,299,290	1,246,852	1,376,976	1,454,912
Permits, privilege fees and regulatory licenses	3,870	29,684	26,075	11,268	11,494
Fines and forfeitures	65,007	23,310	25,013	29,155	27,394
Revenue from use of money and property	29,542	94,386	162,461	142,079	34,526
Charges for services	234,592	249,467	211,890	263,101	276,763
Miscellaneous	41,235	75,989	75,725	84,339	158,753
Recovered costs	4,649	574	15,655	7,349	-
Intergovernmental:					
Commonwealth	919,612	951,570	1,010,331	1,089,691	1,122,352
Federal	185,337	177,656	543,129	235,044	1,027,224
Total revenues	\$ 3,437,897	\$ 3,792,352	\$ 4,343,139	\$ 4,438,989	\$ 5,296,751
Expenditures					
General government administration	\$ 495,750	\$ 404,545	\$ 397,357	\$ 410,659	\$ 432,172
Public safety	1,044,728	894,226	956,715	994,416	1,034,193
Public works	1,641,588	1,181,439	1,779,693	1,847,605	1,872,654
Health and welfare	-	274	8,590	16,213	21,456
Parks, recreation and cultural	869,814	654,318	844,114	767,959	940,979
Community development	122,880	33,200	273,778	287,528	1,213,925
Debt service					
Principal	7,443	5,401	5,239	5,480	18,769
Interest and other fiscal charges	20,864	21,839	21,999	21,760	21,508
Total expenditures	\$ 4,203,067	\$ 3,195,242	\$ 4,287,485	\$ 4,351,620	\$ 5,555,656
Excess of revenues over (under) expenditures	\$ (765,170)	\$ 597,110	\$ 55,654	\$ 87,369	\$ (258,905)
Other financing sources (uses)					
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	-	-
Issuance of capital leases	-	-	-	39,114	-
Notes payable issued	172,340	18,762	-	-	-
Sale of capital assets	774,000	-	-	-	-
Total other financing sources (uses)	\$ 946,340	\$ 18,762	\$ -	\$ 39,114	\$ -
Net change in fund balances	\$ 181,170	\$ 615,872	\$ 55,654	\$ 126,483	\$ (258,905)
Debt service as a percentage of noncapital expenditures	0.68%	0.86%	0.64%	0.63%	0.73%

Table 5

		Fiscal Year							
		2010	2011	2012	2013	2014			
\$	1,160,038	\$	1,148,368	\$	1,154,297	\$	1,259,426	\$	1,374,297
	1,523,260		1,687,513		1,669,168		1,735,798		1,709,428
	4,944		13,388		21,301		8,080		3,975
	21,100		13,192		20,458		14,144		12,112
	33,010		24,767		21,779		20,827		19,234
	275,497		299,550		316,450		304,713		312,221
	31,700		93,063		48,347		20,693		62,041
	-		6,438		-		-		-
	1,100,335		1,150,969		1,168,661		1,187,492		1,227,420
	224,907		64,873		7,130		83,276		217,028
\$	<u>4,374,791</u>	\$	<u>4,502,121</u>	\$	<u>4,427,591</u>	\$	<u>4,634,449</u>	\$	<u>4,937,756</u>
\$	441,870	\$	452,551	\$	465,875	\$	571,040	\$	572,595
	1,073,783		1,053,048		1,105,702		1,123,134		1,131,285
	1,821,799		1,833,727		1,953,282		2,204,613		2,309,081
	20,080		16,794		16,956		18,625		20,768
	1,496,485		999,951		883,498		837,140		778,724
	275,424		104,879		102,578		112,356		119,967
	19,033		213,913		120,315		448,362		32,603
	34,080		36,267		31,840		30,621		31,060
\$	<u>5,182,554</u>	\$	<u>4,711,130</u>	\$	<u>4,680,046</u>	\$	<u>5,345,891</u>	\$	<u>4,996,083</u>
\$	<u>(807,763)</u>	\$	<u>(209,009)</u>	\$	<u>(252,455)</u>	\$	<u>(711,442)</u>	\$	<u>(58,327)</u>
\$	-	\$	-	\$	-	\$	804	\$	-
	-		-		-		(804)		-
	-		-		-		-		-
	750,000		-		-		341,158		-
	-		-		-		-		-
\$	<u>750,000</u>	\$	<u>-</u>	\$	<u>-</u>	\$	<u>341,158</u>	\$	<u>-</u>
\$	<u>(57,763)</u>	\$	<u>(209,009)</u>	\$	<u>(252,455)</u>	\$	<u>(370,284)</u>	\$	<u>(58,327)</u>
	1.04%		5.61%		3.36%		9.84%		1.29%

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
2014	\$ 1,374,297	\$ 156,643	\$ 147,712	\$ 278,404	\$ 586,310
2013	1,259,426	159,355	149,709	297,759	589,201
2012	1,154,297	183,465	145,694	260,514	558,832
2011	1,148,368	173,565	153,642	254,998	547,070
2010	1,160,038	168,469	151,448	239,700	518,750
2009	1,183,333	176,571	151,269	267,463	519,523
2008	1,119,987	175,256	162,378	250,588	500,980
2007	1,026,008	172,998	120,997	218,773	459,582
2006	890,426	167,317	84,462	254,646	449,387
2005	813,753	159,199	81,237	204,293	400,375

Table 6

Transient Occup- ancy Tax	Cigarette Tax	Other Local Taxes	Total
\$ 157,008	\$ 137,920	\$ 245,431	\$ 3,083,725
160,217	145,997	233,560	2,995,224
148,632	147,233	224,798	2,823,465
146,363	181,225	230,650	2,835,881
146,549	88,208	210,136	2,683,298
152,910	-	187,176	2,638,245
113,454	-	174,320	2,496,963
72,344	-	202,158	2,272,860
88,871	-	254,607	2,189,716
71,842	-	223,354	1,954,053

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
2014	\$ 439,895,000	\$ 22,206,970	\$ 6,319,380	\$ 298,100	\$ 18,374,869	\$ 487,094,319
2013	439,923,500	22,516,330	8,166,920	295,700	17,918,474	488,820,924
2012	439,424,800	29,639,180	8,088,850	292,500	16,535,917	493,981,247
2011	438,035,700	29,580,220	7,770,455	358,100	14,066,627	489,811,102
2010	479,268,900	28,582,120	8,013,960	346,400	13,509,784	529,721,164
2009	477,793,000	29,080,774	8,271,900	345,500	12,536,576	528,027,750
2008	474,936,300	31,073,340	8,014,345	371,800	11,590,071	525,985,856
2007	469,886,300	30,424,500	6,123,385	307,100	7,941,781	514,683,066
2006	274,594,900	33,106,283	6,123,385	372,400	10,311,030	324,507,998
2005	268,111,900	33,696,190	8,040,695	359,200	9,679,406	319,887,391

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

Table 7

	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
\$	496,903,978	98.03%
	498,631,218	98.03%
	503,780,420	98.05%
	499,579,298	98.04%
	540,408,860	98.02%
	538,682,534	98.02%
	536,576,935	98.03%
	525,161,530	98.00%
	330,631,464	98.15%
	323,104,734	99.00%

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
2014	0.28	0.40	0.28	0.40
2013	.24/.28	0.40	.24/.28	0.40
2012	0.24	0.40	0.24	0.40
2011	0.22/0.24	0.40	0.22/0.24	0.40
2010	0.22	0.40	0.22	0.40
2009	0.22	0.40	0.22	0.40
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

(1) Per \$100 of assessed value.

Principal Property Taxpayers
 Current Year and the Period Nine Years Prior

Taxpayer	Type Business	Fiscal Year 2014		Fiscal Year 2004	
		2014 Assessed Valuation	% of Total Assessed Valuation	2004 Assessed Valuation	% of Total Assessed Valuation
Luray Caverns Corp	Commercial	\$ 14,093,900	2.67%	\$ 8,136,300	2.81%
Blue Bell Inc.	Manufacturing	8,094,300	1.53%	6,344,900	2.19%
Scott Lee Managing (WalMart)	Commercial	6,943,700	1.32%	4,506,200	1.56%
Luray LLC 2006/Wallace Bus.1996	Commercial	3,465,200	0.66%	3,905,500	1.35%
SVC LLC previously Excelsior Care	Commercial	4,021,300	0.76%	2,910,400	1.01%
EMCO Inc. 2006/Fiberkraft 1996	Manufacturing	3,683,200	0.70%	3,646,200	1.26%
East Luray LLC	Commercial	4,032,200	0.76%	2,037,200	0.70%
Kentland Foundation Inc.	Commercial	5,257,400	1.00%	2,770,300	0.96%
Baker Development	Land Developers	2,702,400	0.51%	836,000	0.29%
Luray Village	Housing Complex	1,724,700	0.33%	1,807,800	0.62%
Mehta Prop.LLC 2006/Zalesca Inc.1996	Commercial	1,495,400	0.28%	1,702,900	0.59%
		<u>\$ 55,513,700</u>	<u>10.51%</u>	<u>\$ 38,603,700</u>	<u>16.42%</u>

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

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2014	\$ 1,399,552	\$ 1,273,819	91.02%	\$ -	\$ 1,273,819	91.02%
2013	1,307,657	1,239,362	94.78%	21,287	1,260,649	96.41%
2012	1,211,427	1,142,622	94.32%	39,397	1,182,019	97.57%
2011	1,200,430	1,136,408	94.67%	40,247	1,176,655	98.02%
2010	1,200,416	1,149,680	95.77%	30,741	1,180,421	98.33%
2009	1,196,710	1,146,593	95.81%	41,519	1,188,112	99.28%
2008	1,187,567	1,131,525	95.28%	52,706	1,184,231	99.72%
2007	1,037,964	970,049	93.46%	65,229	1,035,278	99.74%
2006	959,897	908,292	94.62%	50,466	958,758	99.88%
2005	887,268	861,350	97.08%	25,195	886,545	99.92%

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

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Years	Governmental Activities			Business-type Activities			Total Primary Government	Percentage of Personal Income (1)	Net Bonded Debt Per Capita (1)
	Other Notes/ Bonds	Capital Leases	General Obligation Bonds	Other Notes/ Bonds	Capital Leases				
2014	\$ 770,292	\$ -	\$ 5,253,985	\$ 5,717,462	\$ -	\$ -	\$ 11,741,739	2.17%	\$ 2,416
2013	802,895	-	5,584,460	5,793,330	-	-	12,180,685	2.08%	2,488
2012	910,099	-	6,057,744	5,865,739	-	-	12,833,582	2.21%	2,577
2011	1,030,414	-	11,264,744	912,484	-	-	13,207,642	2.35%	2,652
2010	1,231,290	13,038	11,543,388	925,030	26,076	-	13,738,822	2.45%	2,758
2009	487,285	26,076	10,100,894	937,028	52,152	-	11,603,435	2.06%	2,339
2008	493,016	39,114	14,996,725	948,496	78,226	-	16,555,577	2.60%	3,332
2007	498,496	-	5,185,459	959,462	-	-	6,643,417	1.08%	1,347
2006	503,735	-	5,028,666	969,946	-	-	6,502,347	1.21%	1,337
2005	490,374	-	5,549,873	980,748	-	-	7,020,995	1.31%	1,443

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

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

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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 Bonded Debt to Assessed Value (2)	Net Bonded Debt per Capita (1)
2014	\$ 11,741,739	\$ -	\$ 11,741,739	2.41%	\$ 2,416
2013	12,180,685	-	12,180,685	2.49%	2,488
2012	12,833,582	-	12,833,582	2.60%	2,577
2011	13,207,642	-	13,207,642	2.70%	2,652
2010	13,699,708	-	13,699,708	2.59%	2,750
2009	11,525,207	-	11,525,207	2.18%	2,324
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

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

Town of Luray, Virginia

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Debt limit	\$ 31,988,739	\$ 32,450,800	\$ 51,468,307	\$ 52,598,586	\$ 47,779,300
Total net debt applicable to limit	<u>7,020,996</u>	<u>6,840,099</u>	<u>6,643,417</u>	<u>16,438,237</u>	<u>11,525,207</u>
Legal debt margin	<u>\$ 24,967,743</u>	<u>\$ 25,610,701</u>	<u>\$ 44,824,890</u>	<u>\$ 36,160,349</u>	<u>\$ 36,254,093</u>
Total net debt applicable to the limit as a percentage of debt limit	21.95%	21.08%	12.91%	31.25%	24.12%

Table 13

Fiscal Year				
2010	2011	2012	2013	2014
\$ 47,926,890	\$ 43,803,570	\$ 43,942,480	\$ 43,992,350	\$ 43,989,500
<u>13,699,708</u>	<u>13,207,642</u>	<u>12,833,582</u>	<u>12,180,685</u>	<u>11,741,739</u>
<u>\$ 34,227,182</u>	<u>\$ 30,595,928</u>	<u>\$ 31,108,898</u>	<u>\$ 31,811,665</u>	<u>\$ 32,247,761</u>
28.58%	30.15%	29.21%	27.69%	26.69%

Legal Debt Margin Calculation for Fiscal Year 2014

Assessed value	\$ 439,895,000
Add back: exempt real property	-
Total assessed value	<u>\$ 439,895,000</u>
Debt limit (10% of total assessed value)	\$ 43,989,500
Net debt applicable to limit	<u>11,741,739</u>
Legal debt margin	<u>\$ 32,247,761</u>

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Town Population	County Population (1)	Personal Income (1)	Per Capita Personal Income (1)	Unemployment Rate (1)
2014	4,860	24,079	\$ 539,971,575	\$ 22,425	7.60%
2013	4,896	24,215	586,027,215	24,201	8.20%
2012	4,980	24,042	581,840,442	24,201	9.10%
2011	4,980	24,042	561,098,000	23,338	9.30%
2010	4,981	24,164	561,280,000	23,228	9.10%
2009	4,960	24,164	562,170,000	23,265	8.80%
2008	4,968	23,117	636,907,000	24,411	4.40%
2007	4,933	23,117	614,699,000	23,635	3.60%
2006	4,865	23,117	535,463,000	23,163	4.90%
2005	4,865	23,117	535,463,000	23,163	4.90%

Source: Weldon Cooper Center for Public Service.

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

Principal Employers
 Current Year and Nine Years Ago

Employer	Fiscal Year 2014			Fiscal Year 2005		
	Employees	Rank	% of Total County Employment	Employees	Rank	% of Total County Employment
Page County Public Schools	624	1	6.76%	641	1	6.55%
Aramark	280	2	3.03%	525	2	5.37%
Wrangler/VF Jeanswear	231	3	2.50%	243	5	2.48%
Wal-Mart	209	4	2.26%	225	7	2.30%
Page Memorial Hospital	200	5	2.17%	207	8	2.12%
Luray Caverns Corp	250	6	2.71%	250	3	2.56%
Emco, Inc.	178	7	1.93%	250	3	2.56%
County of Page, Virginia	194	8	2.10%	226	6	2.31%
Valley Care Management	182	9	1.97%	132	9	1.35%
Town of Luray, Virginia	54	10	0.58%	51	10	0.52%
Totals	2,402		26.01%	2,750		28.12%

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

Source: Individual town departments.

Table 16

Fiscal Year		
<u>2012</u>	<u>2013</u>	<u>2014</u>
7	9	9
11	11	12
12	12	12
6	5	6
6	5	6
<u>1</u>	<u>1</u>	<u>1</u>
<u><u>43</u></u>	<u><u>43</u></u>	<u><u>46</u></u>

Town of Luray, Virginia

Operating Indicators by Function Last Ten Fiscal Years

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

Source: Individual town departments.

Table 17

Fiscal Year			
2011	2012	2013	2014
187	141	208	89
639	386	178	261
1,002	906	1,005	908
15	17	17	17
600	625	625	900
106	89	81	67

Town of Luray, Virginia

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year						
	2005	2006	2007	2008	2009	2010	2011
General government							
Administration buildings	18	18	18	18	18	18	18
Vehicles	1	2	2	2	2	2	2
Public safety							
Police department:							
Patrol units	8	8	8	8	7	8	8
Public works							
General maintenance:							
Trucks/vehicles	10	10	13	14	15	15	15
Waste Water Treatment Plant:							
Vehicles	3	3	3	4	3	3	3
Culture and recreation							
Parks and recreation:							
Vehicles	8	8	8	8	8	8	8
Parks acreage	190	190	190	190	190	190	190
Swimming pools							

Source: Individual town departments.

Table 18

Fiscal Year		
2012	2013	2014
18 1	18 1	19 2
8	8	8
17	17	17
3	3	4
9 190 1	9 190 1	10 190 1

COMPLIANCE

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, and each major fund of Town of Luray, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Town of Luray, Virginia's basic financial statements, and have issued our report thereon dated October 17, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Luray, Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Luray, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Luray, Virginia's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Staunton, Virginia
October 17, 2014