



TOWN OF LURAY, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2019

TOWN OF LURAY, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2019

COUNCIL

Barry Presgraves, Mayor

Leah Pence

Leroy C. Lancaster

Ron Vickers

Jerry Dofflemyer

Jerry Schiro

Joey Sours

OFFICIALS

Steven Burke Town Manager

Mary Broyles Clerk-Treasurer

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

Danielle Babb Clerk of Council

**TOWN OF LURAY, VIRGINIA
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2019**

TABLE OF CONTENTS

| | | <u>Page</u> |
|--|-----------------------|--------------------|
| Independent Auditors' Report | | 1-3 |
| Management's Discussion and Analysis..... | | 4-8 |
| | <u>Exhibit</u> | <u>Page</u> |
| Basic Financial Statements: | | |
| Government-wide Financial Statements: | | |
| Statement of Net Position | 1 | 9 |
| Statement of Activities..... | 2 | 10-11 |
| Fund Financial Statements: | | |
| Balance Sheet—Governmental Funds | 3 | 12 |
| Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position | 4 | 13 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances— Governmental Funds..... | 5 | 14 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 6 | 15 |
| Statement of Net Position—Proprietary Funds | 7 | 16 |
| Statement of Revenues, Expenses, and Changes in Net Position— Proprietary Funds | 8 | 17 |
| Statement of Cash Flows—Proprietary Funds..... | 9 | 18 |
| Notes to Financial Statements | | 19-68 |
| Required Supplementary Information: | | |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance— Budget and Actual—General Fund | 10 | 69 |
| Schedule of Changes in Net Pension Liability and Related Ratios..... | 11 | 70-71 |
| Schedule of Employer Contributions – Pension Plan | 12 | 72 |
| Notes to Required Supplementary Information – Pension Plan..... | 13 | 73 |
| Schedule of Town's Share of Net OPEB Liability – Group Life Insurance Program | 14 | 74 |
| Schedule of Employer Contributions – Group Life Insurance Program | 15 | 75 |
| Notes to Required Supplementary Information – Group Life Insurance Program... | 16 | 76 |

**TOWN OF LURAY, VIRGINIA
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2019 (CONTINUED)**

TABLE OF CONTENTS (CONTINUED)

Required Supplementary Information: (Continued)

| | | |
|--|----|----|
| Schedule of Employer's Share of Net LODA OPEB Liability | 17 | 77 |
| Schedule of Employer Contributions –Line of Duty Act (LODA) Program | 18 | 78 |
| Notes to Required Supplementary Information –Line of Duty Act (LODA) Program | 19 | 79 |
| Schedule of Changes in Total OPEB Liability and Related Ratios | 20 | 80 |
| Notes to Required Supplementary Information – Town OPEB | 21 | 81 |

Schedule **Page**

Other Supplementary Information:

| | | |
|---|---|-------|
| Schedule of Revenues—Budget and Actual Governmental Funds | 1 | 82-83 |
| Schedule of Expenditures—Budget and Actual Governmental Funds | 2 | 84-85 |

Table **Page**

Statistical Information:

| | | |
|--|----|---------|
| Net Position by Component | 1 | 86-87 |
| Changes in Net Position | 2 | 88-91 |
| Governmental Activities Tax Revenues by Source | 3 | 92-93 |
| Fund Balances of Governmental Funds | 4 | 94-95 |
| Changes in Fund Balances of Governmental Funds | 5 | 96-97 |
| General Governmental Tax Revenues by Source | 6 | 98-99 |
| Assessed Value and Estimated Actual Value of Taxable Property..... | 7 | 100-101 |
| Property Tax Rates, Direct and Overlapping Governments..... | 8 | 102 |
| Principal Property Taxpayers | 9 | 103 |
| Property Tax Levies and Collections | 10 | 104 |
| Ratios of Outstanding Debt by Type | 11 | 105-106 |
| Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita | 12 | 107 |
| Legal Debt Margin Information..... | 13 | 108-109 |
| Demographic and Economic Statistics | 14 | 110 |
| Principal Employers | 15 | 111 |

**TOWN OF LURAY, VIRGINIA
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2019 (CONTINUED)**

TABLE OF CONTENTS (CONTINUED)

| | <u>Table</u> | <u>Page</u> |
|---|---------------------|--------------------|
| Statistical Information: (Continued) | | |
| Full-time Equivalent Town Government Employees by Function..... | 16 | 112-113 |
| Operating Indicators by Function | 17 | 114-115 |
| Capital Asset Statistics by Function | 18 | 116-117 |
| Compliance: | | |
| Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | | 118-119 |



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

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, 2019, 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, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 2 to the financial statements, in 2019, the Town adopted new accounting guidance, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding progress on pages 4-8, 69, and 70-81, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplemental and Other Information

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

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic 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 information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2019, on our consideration of Town of Luray, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Luray, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Luray, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

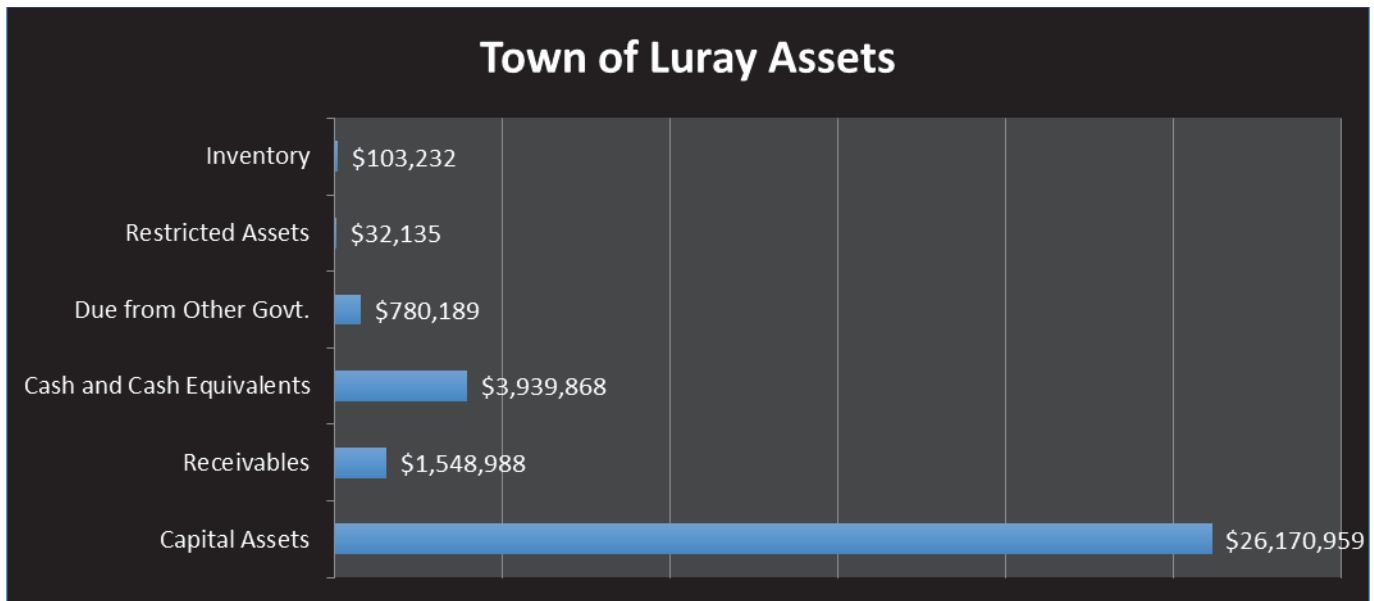
Staunton, Virginia
November 5, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS
Town of Luray Annual Audit Report
Fiscal Year Ending June 30, 2019

We are pleased to present the Annual Audit Report for the Town of Luray's fiscal year ending June 30, 2019. 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, 2019. 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, 2019 by \$18,527,158 (net position). Of this amount, \$2,592,033 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. The unrestricted net position has decreased by \$283,206 over last fiscal year's unrestricted balance of \$2,875,239. A significant portion of this change is due to actuarially determined changes in the deferred inflows and outflows related to measurement of the net pension liability. Refer to Note 9 for additional information and related pension disclosures.

Assets and deferred outflows of resources increased by \$3,113,338 over the previous budget year. Assets and deferred outflows of resources totaled \$33,067,822 on June 30, 2019, while liabilities and deferred inflows only \$14,540,664. 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, 2019, the Town's general fund balance is \$2,777,782. This is a decrease of \$801,924 over last year's fund balance of \$3,579,706. At June 30, 2019, the fund balance available for spending at the Town of Luray's discretion amounted to \$2,701,543 (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 86 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, 2018 | June 30, 2019 | June 30, 2018 | June 30, 2019 | June 30, 2018 | June 30, 2019 |
| Land | \$ 982,315 | \$ 982,315 | \$ 149,704 | \$ 149,704 | \$ 1,132,019 | \$ 1,132,019 |
| Buildings and improvements | 8,244,448 | 8,244,448 | - | - | 8,244,448 | 8,244,448 |
| Infrastructure | 5,595,117 | 6,191,226 | - | - | 5,595,117 | 6,191,226 |
| Utility plant in service | - | - | 34,394,223 | 34,537,747 | 34,394,223 | 34,537,747 |
| Equipment | 2,283,852 | 2,301,494 | - | - | 2,283,852 | 2,301,494 |
| Construction in progress | 1,535,759 | 4,829,545 | 53,257 | | 1,589,016 | 4,829,545 |
| Total | \$ 18,641,491 | \$ 22,549,028 | \$ 34,597,184 | \$ 34,687,451 | \$ 53,238,675 | \$ 57,236,479 |
| Accumulated depreciation | (10,916,658) | (11,249,348) | (19,030,271) | (19,816,172) | (29,946,929) | (31,065,520) |
| Net capital assets | \$ 7,724,833 | \$ 11,299,680 | \$ 15,566,913 | \$ 14,871,279 | \$ 23,291,746 | \$ 26,170,959 |

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

| | Governmental Activities | | Business-type Activities | | Total | |
|----------------------------------|-------------------------|------------------|--------------------------|------------------|------------------|------------------|
| | June 30, 2018 | June 30, 2019 | June 30, 2018 | June 30, 2019 | June 30, 2018 | June 30, 2019 |
| Current and other assets | \$ 4,682,914 | \$ 4,668,044 | \$ 1,608,498 | \$ 1,757,188 | \$ 6,291,412 | \$ 6,425,232 |
| Capital assets | 7,724,833 | 11,299,680 | 15,566,913 | 14,871,279 | 23,291,746 | 26,170,959 |
| Total assets | \$ 12,407,747 | \$ 15,967,724 | \$ 17,175,411 | \$ 16,628,467 | \$ 29,583,158 | \$ 32,596,191 |
| Deferred outflows of resources | \$ 199,656 | \$ 300,467 | \$ 171,670 | \$ 171,164 | \$ 371,326 | \$ 471,631 |
| Current and other liabilities | \$ 173,212 | \$ 948,284 | \$ 192,052 | \$ 189,965 | \$ 365,264 | \$ 1,138,249 |
| Long-term liabilities | 3,256,281 | 2,696,007 | 10,089,964 | 9,429,738 | 13,346,245 | 12,125,745 |
| Total liabilities | \$ 3,429,493 | \$ 3,644,291 | \$ 10,282,016 | \$ 9,619,703 | \$ 13,711,509 | \$ 13,263,994 |
| Deferred inflows of resources | \$ 988,242 | \$ 1,101,354 | \$ 149,166 | \$ 175,316 | \$ 1,137,408 | \$ 1,276,670 |
| Net investment in capital assets | \$ 5,967,874 | \$ 9,883,229 | \$ 6,184,095 | \$ 5,973,537 | \$ 12,151,969 | \$ 15,856,766 |
| Restricted (CDBG) | 78,359 | 78,359 | - | | 78,359 | 78,359 |
| Unrestricted | 2,143,435 | 1,560,958 | 731,804 | 1,031,075 | 2,875,239 | 2,592,033 |
| Total net position | \$ 8,189,668 | \$ 11,522,546 | \$ 6,915,899 | \$ 7,004,612 | \$ 15,105,567 | \$ 18,527,158 |

Liabilities and deferred inflows of resources total \$14,540,664 and are composed primarily of long term debt. The remainder of the liabilities include accounts payable, customer deposits, accrued interest, and unearned tax revenue. The Town is well below the legal margin of debt. This margin is established by computing the total assessed value of real estate within the Town. Ten percent of that total less the net debt applicable to limit is considered the legal margin of debt. On June 30, 2019, the total assessed value of real estate in the Town of Luray was \$429,985,600. The legal debt margin would therefore be \$32,835,688 (\$42,998,560 ten percent of assessed value less \$10,162,872 net debt). As the above information demonstrates, Luray is well below that margin.

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

| | Governmental Activities | | Business-type Activities | | Total | |
|--|----------------------------|------------------|-----------------------------|------------------|------------------|------------------|
| | June 30, 2018 | June 30, 2019 | June 30, 2018 | June 30, 2019 | June 30, 2018 | June 30, 2019 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 365,978 | \$ 352,561 | \$ 3,012,763 | \$ 3,055,871 | \$ 3,378,741 | \$ 3,408,432 |
| Operating grants and contributions | 1,283,971 | 150,723 | - | - | 1,283,971 | 150,723 |
| Capital grants and contributions | 704,561 | 4,434,590 | 16,535 | | 721,096 | 4,434,590 |
| General revenues: | | | | | | |
| Property taxes | 1,502,082 | 1,508,914 | - | - | 1,502,082 | 1,508,914 |
| Other local taxes | 1,975,467 | 2,057,562 | - | - | 1,975,467 | 2,057,562 |
| Grants and contributions not restricted to specific programs | 75,316 | 79,506 | - | 5,080 | 75,316 | 79,506 |
| Unrestricted investment: | | | | | | |
| Earnings | 15,882 | 25,124 | - | - | 15,882 | 25,124 |
| Other | 57,401 | 58,670 | - | - | 57,401 | 58,670 |
| Total revenues | \$ 5,980,658 | \$ 8,667,650 | \$ 3,029,298 | \$ 3,060,951 | \$ 9,009,956 | \$ 11,728,601 |
| Expenses: | | | | | | |
| General government administration | \$ 569,084 | \$ 599,102 | \$ - | \$ - | \$ 569,084 | \$ 599,102 |
| Public safety | 1,181,158 | 1,211,140 | - | - | 1,181,158 | 1,211,140 |
| Public works | 2,370,672 | 2,392,859 | - | - | 2,370,672 | 2,392,859 |
| Health and welfare | 17,950 | 17,725 | - | - | 17,950 | 17,725 |
| Parks, recreation, and culture | 994,845 | 1,044,313 | - | - | 994,845 | 1,044,313 |
| Community development | 41,971 | 34,046 | - | - | 41,971 | 34,046 |
| Interest on long-term debt | 40,219 | 35,587 | - | - | 40,219 | 35,587 |
| Business-type activities | - | - | 2,880,776 | 2,977,318 | 2,880,776 | 2,977,318 |
| Total expenses | \$ 5,215,899 | \$ 5,334,772 | \$ 2,880,776 | \$ 2,977,318 | \$ 8,096,675 | \$ 8,312,090 |
| Change in net position | \$ 764,759 | \$ 3,332,878 | \$ 148,522 | \$ 88,713 | \$ 913,281 | \$ 3,416,511 |
| Net position, beginning | 7,424,909 | 8,189,668 | 6,767,377 | 6,915,899 | 14,192,286 | 15,105,567 |
| Net position, ending | \$ 8,189,668 | \$ 11,522,546 | \$ 6,915,899 | \$ 7,004,612 | \$ 15,105,567 | \$ 18,522,158 |

Overview of the Financial Statements

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

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

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

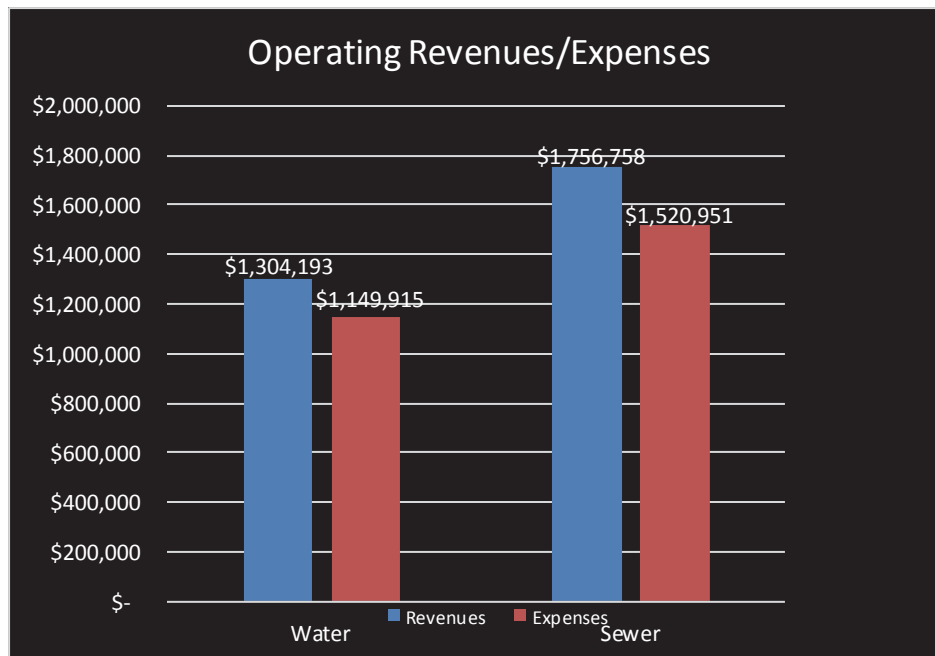
The Town's *net position* is divided into three categories: (1) net investment in capital assets; (2) restricted; and (3) unrestricted. The preceding chart of Luray's assets provided a breakout of assets. At the end of the current fiscal year, the Town is able to report positive balances in all categories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

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

All of the funds of the Town can be divided into three categories: Governmental funds, Proprietary funds, and Fiduciary funds.

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

Such information may be useful in evaluating a government's near-term financing requirements. Governmental activities increased the Town's net position by \$3,332,878. Total spending in governmental funds was \$5,334,772.



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 \$390,085. The water fund had an operational income of \$154,278 and the sewer funds an operational income of \$235,807. Overall operating expenses show an increase of \$113,314 compared to the June 30, 2018 proprietary fund statements. Unrestricted net position of the water and sewer funds at the end of the fiscal year is \$1,031,075.

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

Economic Factors in Next Year's Budget

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

Requests for Information

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Position
June 30, 2019

| | Primary Government | | |
|--|-------------------------|--------------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| Cash and cash equivalents | \$ 2,741,071 | \$ 1,198,797 | \$ 3,939,868 |
| Receivables (net of allowance for uncollectibles): | | | |
| Taxes receivable | 837,091 | - | 837,091 |
| Accounts receivable | 155,095 | 510,578 | 665,673 |
| Notes receivable | 46,224 | - | 46,224 |
| Due from other governmental units | 780,189 | - | 780,189 |
| Inventories | 58,269 | 44,963 | 103,232 |
| Prepaid expenses | 17,970 | 2,850 | 20,820 |
| Restricted: | | | |
| Cash and cash equivalents | 32,135 | - | 32,135 |
| Capital assets, net of accumulated depreciation: | | | |
| Land | 982,315 | 149,704 | 1,132,019 |
| Buildings and improvements | 3,441,742 | - | 3,441,742 |
| Land Improvements | 376,242 | - | 376,242 |
| Machinery and equipment | 550,424 | - | 550,424 |
| Infrastructure | 1,119,412 | - | 1,119,412 |
| Utility plant in service | - | 14,721,575 | 14,721,575 |
| Construction in progress | 4,829,545 | - | 4,829,545 |
| Total assets | <u>\$ 15,967,724</u> | <u>\$ 16,628,467</u> | <u>\$ 32,596,191</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred charge on refunding | \$ - | \$ 68,564 | \$ 68,564 |
| Pension related items | 170,111 | 93,823 | 263,934 |
| OPEB related items | 130,356 | 8,777 | 139,133 |
| Total deferred outflows of resources | <u>\$ 300,467</u> | <u>\$ 171,164</u> | <u>\$ 471,631</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 935,519 | \$ 27,348 | \$ 962,867 |
| Accrued liabilities | 11,216 | 15,770 | 26,986 |
| Customers' deposits | - | 115,440 | 115,440 |
| Accrued interest payable | 1,549 | 31,407 | 32,956 |
| Long-term liabilities: | | | |
| Due within one year | 502,042 | 507,222 | 1,009,264 |
| Due in more than one year | 2,193,965 | 8,922,516 | 11,116,481 |
| Total liabilities | <u>\$ 3,644,291</u> | <u>\$ 9,619,703</u> | <u>\$ 13,263,994</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred revenue - property taxes | \$ 707,348 | \$ - | \$ 707,348 |
| Pension related items | 332,498 | 166,324 | 498,822 |
| OPEB related items | 61,508 | 8,992 | 70,500 |
| Total deferred inflows of resources | <u>\$ 1,101,354</u> | <u>\$ 175,316</u> | <u>\$ 1,276,670</u> |
| NET POSITION | | | |
| Net investment in capital assets | \$ 9,883,229 | \$ 5,973,537 | \$ 15,856,766 |
| Restricted for: | | | |
| Community development block grant expenditures | 78,359 | - | 78,359 |
| Unrestricted | 1,560,958 | 1,031,075 | 2,592,033 |
| Total net position | <u>\$ 11,522,546</u> | <u>\$ 7,004,612</u> | <u>\$ 18,527,158</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, 2019

| Functions/Programs | Expenses | Program Revenues | | |
|-----------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| PRIMARY GOVERNMENT: | | | | |
| Governmental activities: | | | | |
| General government administration | \$ 599,102 | \$ - | \$ - | \$ - |
| Public safety | 1,211,140 | 11,960 | 143,402 | - |
| Public works | 2,392,859 | 276,392 | - | 4,434,590 |
| Health and welfare | 17,725 | - | - | - |
| Parks, recreation, and cultural | 1,044,313 | 64,209 | 2,821 | - |
| Community development | 34,046 | - | 4,500 | - |
| Interest on long-term debt | 35,587 | - | - | - |
| Total governmental activities | <u>\$ 5,334,772</u> | <u>\$ 352,561</u> | <u>\$ 150,723</u> | <u>\$ 4,434,590</u> |
| Business-type activities: | | | | |
| Water | \$ 1,367,104 | \$ 1,304,193 | \$ - | \$ 5,080 |
| Sewer | 1,610,214 | 1,756,758 | - | - |
| Total business-type activities | <u>\$ 2,977,318</u> | <u>\$ 3,060,951</u> | <u>\$ -</u> | <u>\$ 5,080</u> |
| Total primary government | <u>\$ 8,312,090</u> | <u>\$ 3,413,512</u> | <u>\$ 150,723</u> | <u>\$ 4,439,670</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

Bank stock tax

Other local taxes

Unrestricted revenues from use of money and property

Miscellaneous

Grants and contributions not restricted to specific programs

Total general revenues

Change in net position

Net position - beginning

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 |
| \$ (599,102) | \$ - | \$ (599,102) |
| (1,055,778) | - | (1,055,778) |
| 2,318,123 | - | 2,318,123 |
| (17,725) | - | (17,725) |
| (977,283) | - | (977,283) |
| (29,546) | - | (29,546) |
| (35,587) | - | (35,587) |
| <u>\$ (396,898)</u> | <u>\$ -</u> | <u>\$ (396,898)</u> |
| | | |
| \$ - | \$ (57,831) | \$ (57,831) |
| - | 146,544 | 146,544 |
| <u>\$ -</u> | <u>\$ 88,713</u> | <u>\$ 88,713</u> |
| <u>\$ (396,898)</u> | <u>\$ 88,713</u> | <u>\$ (308,185)</u> |
| | | |
| \$ 1,508,914 | \$ - | \$ 1,508,914 |
| 195,600 | - | 195,600 |
| 135,645 | - | 135,645 |
| 330,098 | - | 330,098 |
| 681,755 | - | 681,755 |
| 134,664 | - | 134,664 |
| 204,916 | - | 204,916 |
| 263,527 | - | 263,527 |
| 111,357 | - | 111,357 |
| 25,124 | - | 25,124 |
| 58,670 | - | 58,670 |
| 79,506 | - | 79,506 |
| <u>\$ 3,729,776</u> | <u>\$ -</u> | <u>\$ 3,729,776</u> |
| <u>\$ 3,332,878</u> | <u>\$ 88,713</u> | <u>\$ 3,421,591</u> |
| 8,189,668 | 6,915,899 | 15,105,567 |
| <u>\$ 11,522,546</u> | <u>\$ 7,004,612</u> | <u>\$ 18,527,158</u> |

FUND FINANCIAL STATEMENTS

Balance Sheet
Governmental Funds
June 30, 2019

| | Primary Government | | |
|--|---------------------|---------------------------|---------------------|
| | General Fund | Special Revenue Fund CDBG | Total |
| ASSETS | | | |
| Cash and cash equivalents | \$ 2,741,071 | \$ - | \$ 2,741,071 |
| Receivables (net of allowance for uncollectibles): | | | |
| Taxes receivable | 837,091 | - | 837,091 |
| Accounts receivable | 155,095 | - | 155,095 |
| Notes receivable | - | 46,224 | 46,224 |
| Due from other governmental units | 780,189 | - | 780,189 |
| Inventories | 58,269 | - | 58,269 |
| Prepaid items | 17,970 | - | 17,970 |
| Restricted assets: | | | |
| Cash and cash equivalents | - | 32,135 | 32,135 |
| Total assets | <u>\$ 4,589,685</u> | <u>\$ 78,359</u> | <u>\$ 4,668,044</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 935,519 | \$ - | \$ 935,519 |
| Accrued liabilities | 11,216 | - | 11,216 |
| Total liabilities | <u>\$ 946,735</u> | <u>\$ -</u> | <u>\$ 946,735</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenue - property taxes | \$ 865,168 | \$ - | \$ 865,168 |
| Total deferred inflows of resources | <u>\$ 865,168</u> | <u>\$ -</u> | <u>\$ 865,168</u> |
| FUND BALANCES | | | |
| Nonspendable: | | | |
| Inventory | \$ 58,269 | \$ - | \$ 58,269 |
| Prepaid items | 17,970 | - | 17,970 |
| Restricted: | | | |
| Community development block grant fund | - | 78,359 | 78,359 |
| Unassigned | 2,701,543 | - | 2,701,543 |
| Total fund balances | <u>\$ 2,777,782</u> | <u>\$ 78,359</u> | <u>\$ 2,856,141</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 4,589,685</u> | <u>\$ 78,359</u> | <u>\$ 4,668,044</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, 2019

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds \$ 2,856,141

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

| | | |
|----------------------------|------------------|------------|
| Land | \$ 982,315 | |
| Buildings and improvements | 3,441,742 | |
| Land Improvements | 376,242 | |
| Machinery and equipment | 550,424 | |
| Infrastructure | 1,119,412 | |
| Construction in progress | <u>4,829,545</u> | 11,299,680 |

Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.

| | | |
|--------------------------------------|-------------------|---------|
| Unavailable revenue - property taxes | \$ <u>157,820</u> | 157,820 |
|--------------------------------------|-------------------|---------|

Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

| | | |
|-----------------------|----------------|---------|
| Pension related items | \$ 170,111 | |
| OPEB related items | <u>130,356</u> | 300,467 |

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

| | | |
|------------------------|------------------|-------------|
| Notes payable | \$ (1,400,202) | |
| Accrued interest | (1,549) | |
| Capital leases payable | (16,249) | |
| Compensated absences | (141,244) | |
| Net pension liability | (565,527) | |
| Net OPEB liabilities | <u>(572,785)</u> | (2,697,556) |

Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.

| | | |
|-----------------------|-----------------|-----------|
| Pension related items | \$ (332,498) | |
| OPEB related items | <u>(61,508)</u> | (394,006) |

Net position of governmental activities \$ 11,522,546

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, 2019

| | Primary Government | | |
|---|-----------------------|---------------------------|-----------------------|
| | General Fund | Special Revenue Fund CDBG | Total |
| REVENUES | | | |
| General property taxes | \$ 1,499,626 | \$ - | \$ 1,499,626 |
| Other local taxes | 2,057,562 | - | 2,057,562 |
| Permits, privilege fees, and regulatory licenses | 8,548 | - | 8,548 |
| Fines and forfeitures | 11,960 | - | 11,960 |
| Revenue from the use of money and property | 25,124 | - | 25,124 |
| Charges for services | 332,053 | - | 332,053 |
| Miscellaneous | 58,670 | - | 58,670 |
| Intergovernmental: | | | |
| Commonwealth | 3,934,182 | - | 3,934,182 |
| Federal | 730,637 | - | 730,637 |
| Total revenues | <u>\$ 8,658,362</u> | <u>\$ -</u> | <u>\$ 8,658,362</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government administration | \$ 599,673 | \$ - | \$ 599,673 |
| Public safety | 1,290,700 | - | 1,290,700 |
| Public works | 6,157,201 | - | 6,157,201 |
| Health and welfare | 17,725 | - | 17,725 |
| Parks, recreation, and cultural | 962,582 | - | 962,582 |
| Community development | 32,541 | - | 32,541 |
| Debt service: | | | |
| Principal retirement | 3,480,053 | - | 3,480,053 |
| Interest and other fiscal charges | 59,355 | - | 59,355 |
| Total expenditures | <u>\$ 12,599,830</u> | <u>\$ -</u> | <u>\$ 12,599,830</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (3,941,468)</u> | <u>\$ -</u> | <u>\$ (3,941,468)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Issuance of notes payable | \$ 3,139,544 | \$ - | \$ 3,139,544 |
| Total other financing sources (uses) | <u>\$ 3,139,544</u> | <u>\$ -</u> | <u>\$ 3,139,544</u> |
| Net change in fund balances | \$ (801,924) | \$ - | \$ (801,924) |
| Fund balances beginning | 3,579,706 | 78,359 | 3,658,065 |
| Fund balances ending | <u>\$ 2,777,782</u> | <u>\$ 78,359</u> | <u>\$ 2,856,141</u> |

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

Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2019

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

Net change in fund balances - total governmental funds \$ (801,924)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.

| | | |
|----------------------|------------------|-----------|
| Capital outlays | \$ 4,016,344 | |
| Depreciation expense | <u>(441,497)</u> | |
| | | 3,574,847 |

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

| | | |
|----------------|-----------------|-------|
| Property taxes | \$ <u>9,288</u> | |
| | | 9,288 |

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

| | | |
|----------------------------|----------------|---------|
| Issuance of long-term debt | \$ (3,139,544) | |
| Principal repayments | 3,480,053 | |
| Accrued interest | <u>4,026</u> | |
| | | 344,535 |

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.

| | | |
|--------------------------------|-----------------|----------------|
| Change in compensated absences | \$ 2,265 | |
| Pension expense | 228,854 | |
| OPEB expense | <u>(24,987)</u> | |
| | | <u>206,132</u> |

| | |
|---|----------------------------|
| Change in net position of governmental activities | \$ <u><u>3,332,878</u></u> |
|---|----------------------------|

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

Statement of Net Position
Proprietary Funds
June 30, 2019

| | Enterprise Funds | | |
|---|---------------------|----------------------|----------------------|
| | Water | Sewer | Total |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 51,552 | \$ 1,147,245 | \$ 1,198,797 |
| Accounts receivable, net of allowances for uncollectibles | 250,356 | 260,222 | 510,578 |
| Due from other funds | - | 75,000 | 75,000 |
| Inventories | 38,854 | 6,109 | 44,963 |
| Prepaid expenses | 1,425 | 1,425 | 2,850 |
| Total current assets | <u>\$ 342,187</u> | <u>\$ 1,490,001</u> | <u>\$ 1,832,188</u> |
| Noncurrent assets: | | | |
| Capital assets: | | | |
| Land | \$ 114,284 | \$ 35,420 | \$ 149,704 |
| Utility plant in service | 9,931,842 | 24,605,905 | 34,537,747 |
| Accumulated Depreciation | (4,778,402) | (15,037,770) | (19,816,172) |
| Net capital assets | <u>\$ 5,267,724</u> | <u>\$ 9,603,555</u> | <u>\$ 14,871,279</u> |
| Total noncurrent assets | <u>\$ 5,267,724</u> | <u>\$ 9,603,555</u> | <u>\$ 14,871,279</u> |
| Total assets | <u>\$ 5,609,911</u> | <u>\$ 11,093,556</u> | <u>\$ 16,703,467</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred charge on refunding | \$ 16,429 | \$ 52,135 | \$ 68,564 |
| Pension related items | 42,886 | 50,937 | 93,823 |
| OPEB related items | 4,151 | 4,626 | 8,777 |
| Total deferred outflows of resources | <u>\$ 63,466</u> | <u>\$ 107,698</u> | <u>\$ 171,164</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 10,256 | \$ 17,092 | \$ 27,348 |
| Accrued liabilities | 15,632 | 138 | 15,770 |
| Customers' deposits | 115,440 | - | 115,440 |
| Accrued interest payable | 13,446 | 17,961 | 31,407 |
| Due to other funds | 75,000 | - | 75,000 |
| Bonds payable - current portion, net of original issue premium | 102,172 | 309,627 | 411,799 |
| Notes payable - current portion | 86,024 | 9,399 | 95,423 |
| Total current liabilities | <u>\$ 417,970</u> | <u>\$ 354,217</u> | <u>\$ 772,187</u> |
| Noncurrent liabilities: | | | |
| Bonds payable - net of current portion, net of original issue premium | \$ 663,811 | \$ 2,598,504 | \$ 3,262,315 |
| Notes payable - net of current portion | 4,811,532 | 385,237 | 5,196,769 |
| Compensated absences | 39,520 | 49,167 | 88,687 |
| Net OPEB liabilities | 48,893 | 51,422 | 100,315 |
| Net pension liability | 123,352 | 151,078 | 274,430 |
| Total noncurrent liabilities | <u>\$ 5,687,108</u> | <u>\$ 3,235,408</u> | <u>\$ 8,922,516</u> |
| Total liabilities | <u>\$ 6,105,078</u> | <u>\$ 3,589,625</u> | <u>\$ 9,694,703</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pension related items | \$ 73,012 | \$ 93,312 | \$ 166,324 |
| OPEB related items | 4,080 | 4,912 | 8,992 |
| Total deferred inflows of resources | <u>\$ 77,092</u> | <u>\$ 98,224</u> | <u>\$ 175,316</u> |
| NET POSITION | | | |
| Net investment in capital assets | \$ (379,386) | \$ 6,352,923 | \$ 5,973,537 |
| Unrestricted | (129,407) | 1,160,482 | 1,031,075 |
| Total net position (deficit) | <u>\$ (508,793)</u> | <u>\$ 7,513,405</u> | <u>\$ 7,004,612</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, 2019

| | Enterprise Funds | | |
|---|----------------------------|----------------------------|----------------------------|
| | Water | Sewer | Total |
| OPERATING REVENUES | | | |
| Charges for services: | | | |
| Water revenues | \$ 1,301,558 | \$ - | \$ 1,301,558 |
| Sewer revenues | - | 1,547,658 | 1,547,658 |
| Miscellaneous | 2,635 | 209,100 | 211,735 |
| Total operating revenues | <u>\$ 1,304,193</u> | <u>\$ 1,756,758</u> | <u>\$ 3,060,951</u> |
| OPERATING EXPENSES | | | |
| Personnel services | \$ 363,740 | \$ 370,083 | \$ 733,823 |
| Fringe benefits | 130,677 | 156,730 | 287,407 |
| Contractual services | 9,693 | 10,692 | 20,385 |
| Other supplies and expenses | 54,796 | 11,549 | 66,345 |
| Rentals and leases | - | - | - |
| Insurance claims and expense | 12,000 | 13,149 | 25,149 |
| Other charges | 339,612 | 412,244 | 751,856 |
| Depreciation | 239,397 | 546,504 | 785,901 |
| Total operating expenses | <u>\$ 1,149,915</u> | <u>\$ 1,520,951</u> | <u>\$ 2,670,866</u> |
| Operating income (loss) | <u>\$ 154,278</u> | <u>\$ 235,807</u> | <u>\$ 390,085</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest expense | \$ (217,189) | \$ (89,263) | \$ (306,452) |
| Total nonoperating revenues (expenses) | <u>\$ (217,189)</u> | <u>\$ (89,263)</u> | <u>\$ (306,452)</u> |
| Income (loss) before contributions | <u>\$ (62,911)</u> | <u>\$ 146,544</u> | <u>\$ 83,633</u> |
| Capital contributions and construction grants | 5,080 | - | 5,080 |
| Change in net position | <u>\$ (57,831)</u> | <u>\$ 146,544</u> | <u>\$ 88,713</u> |
| Total net position - beginning | (450,962) | 7,366,861 | 6,915,899 |
| Total net position - ending | <u><u>\$ (508,793)</u></u> | <u><u>\$ 7,513,405</u></u> | <u><u>\$ 7,004,612</u></u> |

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

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2019

| | Enterprise Funds | | |
|---|------------------|--------------|--------------|
| | Water | Sewer | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers and users | \$ 1,258,635 | \$ 1,752,620 | \$ 3,011,255 |
| Payments to suppliers | (416,684) | (450,047) | (866,731) |
| Payments to employees | (534,439) | (628,988) | (1,163,427) |
| Other receipts (payments) | 2,635 | - | 2,635 |
| Net cash provided by (used for) operating activities | \$ 310,147 | \$ 673,585 | \$ 983,732 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Purchases to utility plant | \$ (17,920) | \$ (72,347) | \$ (90,267) |
| Principal payments on bonds and notes | (175,441) | (299,202) | (474,643) |
| Capital contributions | 5,080 | - | 5,080 |
| Bond premiums | (7,549) | (13,616) | (21,165) |
| Interest expense | (214,761) | (83,916) | (298,677) |
| Net cash provided by (used for) capital and related financing activities | \$ (410,591) | \$ (469,081) | \$ (879,672) |
| Net increase (decrease) in cash and cash equivalents | \$ (100,444) | \$ 204,504 | \$ 104,060 |
| Cash and cash equivalents - beginning | 151,996 | 942,741 | 1,094,737 |
| Cash and cash equivalents - ending | \$ 51,552 | \$ 1,147,245 | \$ 1,198,797 |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | | | |
| Operating income (loss) | \$ 154,278 | \$ 235,807 | \$ 390,085 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | |
| Depreciation | \$ 239,397 | \$ 546,504 | \$ 785,901 |
| (Increase) decrease in accounts receivable | (43,213) | (4,138) | (47,351) |
| (Increase) decrease in inventories | 1,589 | 184 | 1,773 |
| (Increase) decrease in prepaid expenses | 474 | 474 | 948 |
| (Increase) decrease in deferred outflows of resources | (5,387) | (4,840) | (10,227) |
| Increase (decrease) in customer deposits | 290 | - | 290 |
| Increase (decrease) in accounts payable | (2,646) | (3,071) | (5,717) |
| Increase (decrease) in net OPEB liabilities | 771 | (1,028) | (257) |
| Increase (decrease) in accrued liabilities | 6,228 | 69 | 6,297 |
| Increase (decrease) in compensated absences | 5,820 | 5,757 | 11,577 |
| Increase (decrease) in net pension liability | (80,731) | (95,006) | (175,737) |
| Increase (decrease) in deferred inflows of resources | 33,277 | (7,127) | 26,150 |
| Total adjustments | \$ 155,869 | \$ 437,778 | \$ 593,647 |
| Net cash provided by (used for) operating activities | \$ 310,147 | \$ 673,585 | \$ 983,732 |

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

TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. Financial reporting entity

Town of Luray, Virginia (the town) is a municipal corporation governed by an elected seven-member Town Council. The accompanying financial statements present the government and entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended Component Units - The Town has no blended component units for the fiscal year ended June 30, 2019.

Discretely Presented Component Units - The Town has no discretely presented component units for the fiscal year ended June 30, 2019.

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

B. Government-wide and fund financial statements

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

Statement of Net Position – The Statement of Net Position is designed to display the financial position of the primary government (governmental and business-type activities). Governments will report all capital assets in the government-wide Statement of Net Position and will report depreciation expense, the cost of “using up” capital assets, in the Statement of Activities. The net position of a government will be broken down into three categories – 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

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

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

Statement of Activities – The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Budgetary comparison schedules

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. The budgetary comparison schedules present the original budget, the final budget, and the actual activity of the major governmental funds.

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.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

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

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

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

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

The government reports the following major governmental funds:

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

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

The government reports the following major proprietary funds:

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

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

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

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

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

1. Cash and cash equivalents

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

2. Receivables and payables

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

3. Inventory

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

4. Property taxes

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

The taxes receivable balance at June 30, 2019 includes amounts not yet billed or received from the second half of the January 1, 2019 levy (due December 5, 2019). These items are included in unavailable revenue since these taxes are restricted for use until fiscal year 2020.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

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

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

5. Allowance for uncollectible accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$141,585 at June 30, 2019 and is composed of property taxes, refuse, CDBG, and water and sewer accounts receivable. The portion of the allowance for property taxes in the amount of \$25,554 represents 1.666% of the total levies for the previous year. The portion of the allowance attributable to refuse and water and sewer represents 24.477% of the accounts receivable balance at June 30, 2019. The portion of the allowance attributable to CDBG loans represents 31.076% of the loan receivables balance at June 30, 2019.

6. Use of estimates

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

7. Capital assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest of \$19,743 was capitalized during the current 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 and improvements | 40 |
| Structures, lines, and accessories | 33 |
| Machinery and equipment | 3-10 |
| Infrastructure | 30 |

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

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

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

8. *Compensated absences*

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

9. *Long-term obligations*

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

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

10. *Fund balance*

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

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

10. Fund balance (continued)

- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

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

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

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

11. Net position

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

12. Net position flow assumption

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

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

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

13. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until then. The Town has several items that qualify for reporting in this category. One item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred charge on refunding as of June 30, 2019 amounted to \$68,564. The second item is comprised of certain items related to the measurement of the net pension liability and net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

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

14. *Pensions*

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

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

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

15. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI and LODA OPEB Plans and the additions to/deductions from the VRS OPEB Plans' net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

NOTE 2 – ADOPTION OF ACCOUNTING PRINCIPLES:

The Town implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* during the fiscal year ended June 30, 2019. This Statement clarifies which liabilities governments should include when disclosing information related to debt. It also requires that additional essential information related to debt be disclosed in the notes to financial statements. No restatement was required as a result of this implementation.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (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, 2019, no departments had expenditures which exceeded appropriations.

C. Deficit fund equity

At June 30, 2019, the water fund had a net position deficit of (\$508,793).

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, 2019, interfund obligations were as follows:

| Fund | Due From | Due To |
|-------|------------------|------------------|
| Sewer | \$ 75,000 | \$ - |
| Water | - | 75,000 |
| Total | \$ <u>75,000</u> | \$ <u>75,000</u> |

TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 5 – DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governmental units at June 30, 2019, are as follows:

| | <u>Primary Government</u> |
|----------------------------------|--------------------------------------|
| <u>Commonwealth of Virginia:</u> | |
| Sales tax | \$ 53,225 |
| Communications tax | 10,460 |
| Railroad rolling stock tax | 32 |
| VDOT revenue sharing | 714,709 |
| Other noncategorical aid | 166 |
| <u>Federal Government:</u> | |
| Ground transportation safety | 1,597 |
| Total | <u>\$ 780,189</u> |

NOTE 6 – CAPITAL ASSETS:

Governmental Activities

| | Balance July 1, 2018 | Increases | Decreases | Balance June 30, 2019 |
|---|----------------------------|---------------------|---------------------|-----------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 982,315 | \$ - | \$ - | \$ 982,315 |
| Construction in progress | 1,535,759 | 3,889,895 | (596,109) | 4,829,545 |
| Total capital assets not being depreciated | <u>\$ 2,518,074</u> | <u>\$ 3,889,895</u> | <u>\$ (596,109)</u> | <u>\$ 5,811,860</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | \$ 6,782,067 | \$ - | \$ - | \$ 6,782,067 |
| Land improvements | 1,462,381 | - | - | 1,462,381 |
| Infrastructure | 5,595,117 | 596,109 | - | 6,191,226 |
| Machinery and equipment | 2,283,852 | 126,449 | (108,807) | 2,301,494 |
| Total capital assets being depreciated | <u>\$ 16,123,417</u> | <u>\$ 722,558</u> | <u>\$ (108,807)</u> | <u>\$ 16,737,168</u> |
| Accumulated depreciation: | | | | |
| Buildings and improvements | \$ (3,189,431) | \$ (150,894) | \$ - | \$ (3,340,325) |
| Land improvements | (1,003,191) | (82,948) | - | (1,086,139) |
| Infrastructure | (5,005,525) | (66,289) | - | (5,071,814) |
| Machinery and equipment | (1,718,511) | (141,366) | 108,807 | (1,751,070) |
| Total accumulated depreciation | <u>\$ (10,916,658)</u> | <u>\$ (441,497)</u> | <u>\$ 108,807</u> | <u>\$ (11,249,348)</u> |
| Capital assets being depreciated, net | <u>\$ 5,206,759</u> | <u>\$ 281,061</u> | <u>\$ -</u> | <u>\$ 5,487,820</u> |
| Net capital assets | <u>\$ 7,724,833</u> | <u>\$ 4,170,956</u> | <u>\$ (596,109)</u> | <u>\$ 11,299,680</u> |

TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)**NOTE 6 – CAPITAL ASSETS: (CONTINUED)**

Business-type Activities

| | Balance July 1, 2018 | Increases | Decreases | Balance June 30, 2019 |
|---|----------------------------|--------------|-------------|-----------------------------|
| Water Fund | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 114,284 | \$ - | \$ - | \$ 114,284 |
| Construction in progress (WP) | 53,257 | 5,850 | (59,107) | - |
| Total capital assets not being depreciated | \$ 167,541 | \$ 5,850 | \$ (59,107) | \$ 114,284 |
| Capital assets being depreciated: | | | | |
| Utility plant in service | \$ 9,860,665 | \$ 71,177 | \$ - | \$ 9,931,842 |
| Accumulated depreciation | (4,539,005) | (239,397) | - | (4,778,402) |
| Capital assets being depreciated, net | \$ 5,321,660 | \$ (168,220) | \$ - | \$ 5,153,440 |
| Net capital assets | \$ 5,489,201 | \$ (162,370) | \$ (59,107) | \$ 5,267,724 |
| 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 | \$ 24,533,558 | \$ 72,347 | \$ - | \$ 24,605,905 |
| Accumulated depreciation | (14,491,266) | (546,504) | - | (15,037,770) |
| Capital assets being depreciated, net | \$ 10,042,292 | \$ (474,157) | \$ - | \$ 9,568,135 |
| Net capital assets | \$ 10,077,712 | \$ (474,157) | \$ - | \$ 9,603,555 |

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

Governmental activities:

| | |
|--|------------|
| General government administration | \$ 25,763 |
| Public safety | 57,654 |
| Public works | 222,345 |
| Parks, recreation, and cultural | 134,230 |
| Community development | 1,505 |
| Total depreciation expense-governmental activities | \$ 441,497 |

Business-type activities:

| | |
|---|------------|
| Water Fund | \$ 239,397 |
| Sewer Fund | 546,504 |
| Total depreciation expense-business-type activities | \$ 785,901 |

TOWN OF LURAY, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)**

NOTE 7 – LONG-TERM OBLIGATIONS:

Primary Government—Governmental Activities:

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2019.

| | Balance July 1, 2018 | Increases/ Issuances | Decreases/ Retirements | Balance June 30, 2019 |
|-----------------------------------|----------------------------|-------------------------|---------------------------|-----------------------------|
| Direct Borrowings and Placements: | | | | |
| Notes Payable | \$ 1,701,920 | \$ 3,139,544 | \$ 3,441,262 | \$ 1,400,202 |
| Other Long-Term Obligations: | | | | |
| Capital lease | \$ 55,039 | \$ - | \$ 38,790 | \$ 16,249 |
| Compensated Absences | 143,509 | - | 2,265 | 141,244 |
| Net OPEB Liability | 453,428 | 201,543 | 82,186 | 572,785 |
| Net Pension Liability | 902,385 | 712,351 | 1,049,209 | 565,527 |
| Total Other Long-Term Obligations | \$ 1,554,361 | \$ 913,894 | \$ 1,172,450 | \$ 1,295,805 |
| Total Long-Term Obligations | \$ 3,256,281 | \$ 4,053,438 | \$ 4,613,712 | \$ 2,696,007 |

Details of Long-term Obligations:

| | Total Amount | Amount Due Within One Year |
|--|-------------------------|---|
| <u>Direct Borrowings and Placements:</u> | | |
| \$500,000 Rural Development Community Facilities Loan secured by Deed of Trust on real property located at 45 E. Main Street, Luray, Virginia dated September 13, 2002, bearing interest at 4.50% per annum. Note due in monthly installments of \$2,270 through June 2044. | \$ 412,990 | \$ 9,399 |
| \$266,158 General Obligation Note, Series 2015, issued on July 7, 2015 to refinance the existing General Obligation Note, Series 2013, bearing a 2.750% interest rate, with quarterly interest payments and one annual principal payment of \$25,000. Final payment of all remaining principal and interest is due July 7, 2020. | 166,158 | - |
| \$327,000 General Obligation Note, Series 2014, issued on September 30, 2014 to finance real estate acquisition, bearing interest at 1.69%. Interest only payments are due quarterly and a final payment of all principal and interest will be due on September 30, 2024. | 327,000 | - |
| \$2,500,000 General Obligation Note, Series 2014, issued November 7, 2017 to fund the Town's Main Street Bridge Project, bearing a 2.99% interest rate, based on the aggregate amount of principal advances, which is due monthly. All outstanding principal and interest is due December 4, 2020. | 446,381 | 446,381 |

TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 7 – LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government—Governmental Activities: (Continued)

Details of Long-term Obligations: (Continued)

| | <u>Total Amount</u> | <u>Amount Due Within One Year</u> |
|--|--------------------------------|--|
| <u>Direct Borrowings and Placements (Continued):</u> | | |
| \$750,000 General Obligation Note, Series 2014, issued May 21, 2019 to fund the Town's Main Street Bridge Project, bearing a 3.69% interest rate, based on the aggregate amount of principal advances. Interest only payments are due quarterly and a final payment of all principal and interest will be due on May 21, 2020. As of June 30, 2019, \$1,675 had been drawn down and the remaining principal available totaled \$748,325. | \$ 1,675 | \$ 1,675 |
| \$107,680 Promissory Note, issued October 31, 2017 to finance capital projects, bearing a 2.99% interest rate, with quarterly principal and interest payments of \$9,421.59. Final payment of all remaining principal and interest is due in May. The note is secured by two vehicles and a money security interest in software. | <u>45,998</u> | <u>36,718</u> |
| Subtotal Direct Borrowing and Placements | \$ <u>1,400,202</u> | \$ <u>494,173</u> |
| <u>Capital Lease:</u> | | |
| \$39,500 Capital Lease for the lease/purchase of a Vermeer Chipper, issued July 12, 2016, bearing interest at 4.75%. Annual principal and interest payments of \$8,925 through July 12, 2022. | \$ 16,249 | \$ 7,869 |
| Compensated Absences | 141,244 | - |
| Net OPEB liabilities | 572,785 | - |
| Net Pension Liability | <u>565,527</u> | <u>-</u> |
| Total | \$ <u><u>2,696,007</u></u> | \$ <u><u>502,042</u></u> |

The Town's outstanding general obligation notes from direct borrowings and direct placements related to governmental activities of \$1,400,202 contain a provision that in the event of default the entire unpaid principal and interest become immediately due and payable. The Town has pledged to secure the payment and performance of the Town's obligations under the bonds with the Town's right, title, and interest to all revenue collected by the Town. In addition, the Town note has pledged the Town Hall building on the Rural Development Community Facilities note in the event of default.

TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 7 – LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government—Governmental Activities: (Continued)

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

| Year Ending June 30, | Direct Borrowings and Placements | | Capital Lease Payable | |
|----------------------|-------------------------------------|-------------------|-----------------------|-----------------|
| | Principal | Interest | Principal | Interest |
| 2020 | \$ 494,173 | \$ 34,269 | \$ 7,869 | \$ 1,056 |
| 2021 | 185,275 | 26,973 | 8,380 | 545 |
| 2022 | 10,283 | 25,296 | - | - |
| 2023 | 10,755 | 24,824 | - | - |
| 2024 | 11,249 | 24,330 | - | - |
| 2025 | 338,766 | 17,559 | - | - |
| 2026 | 12,306 | 14,934 | - | - |
| 2027 | 12,872 | 14,368 | - | - |
| 2028 | 13,463 | 13,777 | - | - |
| 2029 | 14,081 | 13,159 | - | - |
| 2030 | 14,728 | 12,512 | - | - |
| 2031 | 15,405 | 11,835 | - | - |
| 2032 | 16,113 | 11,127 | - | - |
| 2033 | 16,853 | 10,387 | - | - |
| 2034 | 17,627 | 9,613 | - | - |
| 2035 | 18,437 | 8,803 | - | - |
| 2036 | 19,284 | 7,956 | - | - |
| 2037 | 20,170 | 7,070 | - | - |
| 2038 | 21,096 | 6,144 | - | - |
| 2039 | 22,065 | 5,175 | - | - |
| 2040 | 23,079 | 4,161 | - | - |
| 2041 | 24,139 | 3,101 | - | - |
| 2042 | 25,248 | 1,992 | - | - |
| 2043 | 30,756 | 831 | - | - |
| 2044 | 11,979 | 46 | - | - |
| Total | \$ <u>1,400,202</u> | \$ <u>310,242</u> | \$ <u>16,249</u> | \$ <u>1,601</u> |

TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 7 – LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government-Business-type Activities:

| | Balance July 1, 2018 | Additions | Reductions | Balance June 30, 2019 |
|--|----------------------------|------------|--------------|-----------------------------|
| Direct Borrowings and Placements: | | | | |
| General Obligation Bonds | \$ 3,853,326 | \$ - | \$ 382,848 | \$ 3,470,478 |
| Unamortized Bond Premium | 224,802 | - | 21,166 | 203,636 |
| Notes Payable | 5,383,987 | - | 91,795 | 5,292,192 |
| Total Direct Borrowings and Placements | \$ 9,462,115 | \$ - | \$ 495,809 | \$ 8,966,306 |
| Other Long-Term Obligations: | | | | |
| Compensated Absences | \$ 77,110 | \$ 11,577 | \$ - | \$ 88,687 |
| Net OPEB Liabilities | 100,572 | 17,903 | 18,160 | 100,315 |
| Net Pension Liability | 450,167 | 341,670 | 517,407 | 274,430 |
| Total Other Long-Term Obligations | \$ 627,849 | \$ 371,150 | \$ 535,567 | \$ 463,432 |
| Total Long-Term Obligations | \$ 10,089,964 | \$ 371,150 | \$ 1,031,376 | \$ 9,429,738 |

Details of Long-term Obligations:

Direct Borrowings and Placements:

\$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.

\$ 1,035,000 \$ 130,000

\$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.

1,144,021 104,002

\$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.

98,150 23,276

\$860,000 Taxable General Obligation Water System Bond, Series 2000, approved April 28, 2000, bearing interest at 4.25% per annum, with principal and interest due in semi-annual payments of \$25,481, with final maturity not later than December 31, 2021.

73,307 48,356

\$1,530,000 VRA General Obligation Refunding Bond, Series 2012, issued August 2, 2012, bearing interest at 2.927% per annum, with principal and interest due semi-annually, with final maturity not later than October 1, 2029.

1,120,000 85,000

Total general obligation bonds

\$ 3,470,478 \$ 390,634

TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 7 – LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government-Business-type Activities: (Continued)

Details of Long-term Obligations: (Continued)

| | <u>Total Amount</u> | <u>Amount Due Within One Year</u> |
|---|--------------------------------|--|
| <u>Direct Borrowings and Placements (Continued):</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. | \$ 789,272 | \$ 18,798 |
| \$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>4,502,920</u> | <u>76,625</u> |
| Total notes payable | \$ <u>5,292,192</u> | \$ <u>95,423</u> |
| Unamortized Bond Premium | \$ <u>203,636</u> | \$ <u>21,165</u> |
| Total direct borrowings and placements | \$ 5,292,192 | \$ 116,588 |
| Compensated Absences | 88,687 | - |
| Net OPEB Liabilities | 100,315 | - |
| Net Pension Liability | <u>274,430</u> | <u>-</u> |
| Total | \$ <u><u>9,429,738</u></u> | \$ <u><u>507,222</u></u> |

The Town's outstanding notes and general obligation bonds from direct borrowings and direct placements related to business-type activities of \$8,966,306 contain a provision that in the event of default the entire unpaid principal and interest become immediately due and payable. The Town has pledged to secure the payment and performance of the Town's obligations under the general obligation bonds with the Town's right, title, and interest to the revenues collected by the Town. The Town has pledged to secure the payment and performance of the Town's obligation under the note payable with the Town Hall building.

THIS SPACE LEFT BLANK INTENTIONALLY

TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)**NOTE 7 – LONG-TERM OBLIGATIONS: (CONTINUED)****Primary Government-Business-type Activities: (Continued)**

| Year Ending June 30, | Direct Borrowings and Placements | | | |
|-------------------------|----------------------------------|------------|---------------|--------------|
| | General Obligation Bonds | | Notes Payable | |
| | Principal | Interest | Principal | Interest |
| 2020 | \$ 390,634 | \$ 99,456 | \$ 95,423 | \$ 203,257 |
| 2021 | 383,050 | 85,554 | 99,210 | 199,470 |
| 2022 | 353,950 | 73,595 | 103,148 | 195,532 |
| 2023 | 349,831 | 62,892 | 107,244 | 191,436 |
| 2024 | 329,002 | 51,760 | 111,503 | 187,177 |
| 2025 | 269,002 | 42,216 | 115,932 | 182,748 |
| 2026 | 279,002 | 33,969 | 120,538 | 178,142 |
| 2027 | 269,002 | 26,034 | 125,329 | 173,351 |
| 2028 | 274,002 | 18,787 | 130,311 | 168,369 |
| 2029 | 284,002 | 11,481 | 135,492 | 163,188 |
| 2030 | 289,001 | 3,866 | 140,880 | 157,800 |
| 2031 | - | - | 146,484 | 152,196 |
| 2032 | - | - | 152,313 | 146,367 |
| 2033 | - | - | 158,375 | 140,305 |
| 2034 | - | - | 164,680 | 134,000 |
| 2035 | - | - | 171,237 | 127,443 |
| 2036 | - | - | 178,057 | 120,623 |
| 2037 | - | - | 185,151 | 113,529 |
| 2038 | - | - | 192,529 | 106,151 |
| 2039 | - | - | 200,202 | 98,478 |
| 2040 | - | - | 208,184 | 90,496 |
| 2041 | - | - | 216,486 | 82,194 |
| 2042 | - | - | 225,121 | 73,559 |
| 2043 | - | - | 229,755 | 64,577 |
| 2044 | - | - | 188,203 | 55,997 |
| 2045 | - | - | 195,383 | 48,817 |
| 2046 | - | - | 202,837 | 41,363 |
| 2047 | - | - | 210,576 | 33,624 |
| 2048 | - | - | 218,610 | 25,590 |
| 2049 | - | - | 226,950 | 17,250 |
| 2050 | - | - | 235,608 | 8,592 |
| 2051 | - | - | 100,441 | 946 |
| Total | \$ 3,470,478 | \$ 509,610 | \$ 5,292,192 | \$ 3,682,567 |

TOWN OF LURAY, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)**

NOTE 8 – CAPITAL LEASES:

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

The assets acquired through the capital leases are as follows:

| | <u>Governmental Activities</u> |
|--------------------------------|------------------------------------|
| Asset: | |
| 2016 Ford Fusion | \$ 28,040 |
| 2017 SUV Interceptors (3) | 101,236 |
| Vermeer Chipper | 44,625 |
| Less: Accumulated depreciation | <u>(75,165)</u> |
| Total | <u><u>\$ 98,736</u></u> |

The future minimum lease obligation and the net present value of minimum lease payments as of June 30, 2019 are as follows:

| <u>Year Ended June 30,</u> | <u>Governmental Activities</u> |
|---|------------------------------------|
| 2020 | \$ 8,925 |
| 2021 | <u>8,925</u> |
| Total minimum lease payments | \$ 17,850 |
| Less: Amount representing interest | <u>(1,601)</u> |
| Present value of minimum lease payments | <u><u>\$ 16,249</u></u> |

NOTE 9 – COMPENSATED ABSENCES:

Town employees earn sick leave at the rate of one day per month and such leave if not used may be accumulated up to 120 days. Maximum payout of sick leave at retirement is \$2,500. Vacation leave is earned at various rates depending on the date of employment and number of years of service. Vacation leave accrued in one year must be taken by the end of the following year or it will be lost. Upon separation or retirement, a full-time employee shall be paid for all accrued annual leave, up to the maximum allowed. The Town has outstanding accrued compensated absences totaling \$141,244 in the governmental activities and \$88,687 in the business-type activities.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 10 – PENSION PLAN:

Plan Description

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

Benefit Structures

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of creditable service or age 50 with at least 30 years of creditable service. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of creditable service or age 50 with at least 10 years of creditable service. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- b. Employees hired 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 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 – April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 10 – PENSION PLAN: (CONTINUED)

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total creditable service. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of creditable service are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Employees Covered by Benefit Terms

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

| | <u>Number</u> |
|--|----------------------|
| Inactive members or their beneficiaries currently receiving benefits | 34 |
| Inactive members: | |
| Vested inactive members | 5 |
| Non-vested inactive members | 4 |
| Inactive members active elsewhere in VRS | <u>29</u> |
| Total inactive members | 38 |
| Active members | <u>43</u> |
| Total covered employees | <u><u>115</u></u> |

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 10 – PENSION PLAN: (CONTINUED)

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The Town's contractually required employer contribution rate for the year ended June 30, 2019 was 11.08% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$222,677 and \$197,954 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The Town's net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017, and rolled forward to the measurement date of June 30, 2018.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 10 – PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees (Continued)

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 10 – PENSION PLAN: (CONTINUED)***Actuarial Assumptions – General Employees (Continued)***

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-Hazardous Duty:

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

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

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 10 – PENSION PLAN: (CONTINUED)

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 10 – PENSION PLAN: (CONTINUED)***Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits (Continued)***

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Hazardous Duty:

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

All Others (Non 10 Largest) – Hazardous Duty:

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 10 – PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state employer contributions; the Town was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. From July 1, 2018 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)**NOTE 10 – PENSION PLAN: (CONTINUED)*****Changes in Net Pension Liability***

| | Increase (Decrease) | | |
|--|--------------------------------------|--|--|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at June 30, 2017 | \$ 11,495,306 | \$ 10,142,754 | \$ 1,352,552 |
| Changes for the year: | | | |
| Service cost | \$ 253,192 | \$ - | \$ 253,192 |
| Interest | 785,379 | - | 785,379 |
| Differences between expected and actual experience | (520,354) | - | (520,354) |
| Contributions - employer | - | 197,954 | (197,954) |
| Contributions - employee | - | 94,261 | (94,261) |
| Net investment income | - | 745,784 | (745,784) |
| Benefit payments, including refunds of employee contributions | (551,217) | (551,217) | - |
| Administrative expenses | - | (6,528) | 6,528 |
| Other changes | - | (659) | 659 |
| Net changes | \$ (33,000) | \$ 479,595 | \$ (512,595) |
| Balances at June 30, 2018 | \$ 11,462,306 | \$ 10,622,349 | \$ 839,957 |

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

| | Rate | | |
|----------------------------|------------------------|-----------------------------|------------------------|
| | 1% Decrease (6.00%) | Current Discount (7.00%) | 1% Increase (8.00%) |
| Town Net Pension Liability | \$ 2,259,453 | \$ 839,957 | \$ (343,090) |

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 10 – PENSION PLAN: (CONTINUED)***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the year ended June 30, 2019, the Town recognized pension expense of (\$161,211). At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ 41,257 | \$ 361,871 |
| Change in assumptions | - | 50,730 |
| Net difference between projected and actual earnings on pension plan investments | - | 86,221 |
| Employer contributions subsequent to the measurement date | <u>222,677</u> | <u>-</u> |
| Total | <u>\$ 263,934</u> | <u>\$ 498,822</u> |

\$222,677 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

| <u>Year ended June 30,</u> | |
|----------------------------|--------------|
| 2020 | \$ (139,795) |
| 2021 | (173,046) |
| 2022 | (135,704) |
| 2023 | (9,020) |
| 2024 | - |
| Thereafter | - |

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-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, 2019 (CONTINUED)

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

Plan Description

The Group Life Insurance (GLI) Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

The specific information for GLI Program OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The GLI Program was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The GLI Program is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural benefit. In addition to basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of creditable service, the minimum benefit payable was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,279 effective July 1, 2018.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

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

Contributions

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Program from the entity were \$11,000 and \$10,000 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the entity reported a liability of \$154,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was 0.01011% as compared to 0.01052% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of (\$1,000.) Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

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

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

At June 30, 2019, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ 8,000 | \$ 3,000 |
| Net difference between projected and actual earnings on GLI OPEB program investments | - | 5,000 |
| Change in assumptions | - | 6,000 |
| Changes in proportion | - | 12,000 |
| Employer contributions subsequent to the measurement date | <u>11,000</u> | <u>-</u> |
| Total | <u>\$ 19,000</u> | <u>\$ 26,000</u> |

\$11,000 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

| <u>Year Ended June 30</u> | |
|---------------------------|------------|
| 2020 | \$ (4,000) |
| 2021 | (4,000) |
| 2022 | (4,000) |
| 2023 | (3,000) |
| 2024 | (3,000) |
| Thereafter | - |

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

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

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

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

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

Mortality Rates – Largest Ten Locality Employers – General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

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

Actuarial Assumptions: (Continued)

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

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

Actuarial Assumptions: (Continued)

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

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

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2018, NOL amounts for the GLI Program are as follows (amounts expressed in thousands):

| | | Group Life Insurance OPEB Program |
|--|----|--|
| Total GLI OPEB Liability | \$ | 3,113,508 |
| Plan Fiduciary Net Position | | 1,594,773 |
| Employers' Net GLI OPEB Liability (Asset) | \$ | <u>1,518,735</u> |
| Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability | | 51.22% |

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

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

NET GLI OPEB Liability (Continued)

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

Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2018, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

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

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

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

| | Rate | | |
|---|--------------------|-------------------------|--------------------|
| | 1% Decrease | Current Discount | 1% Increase |
| | (6.00%) | (7.00%) | (8.00%) |
| Town's proportionate share of the Group Life Insurance Program Net OPEB Liability | \$ 201,000 | \$ 154,000 | \$ 116,000 |

GLI Program Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

Plan Description

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) was established pursuant to §9.1-400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The LODA Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

The specific information for the LODA Program OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are automatically covered by the Line of Duty Act Program (LODA). As required by statute, the Virginia Retirement System (the System) is responsible for managing assets of the program.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

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

Benefit Amounts

The LODA program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after; \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date; or an additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.

The LODA program also provides health insurance benefits. Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program. Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by LODA.

Contributions

The contribution requirements for the LODA Program are governed by §9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA Program for the year ended June 30, 2019 was \$705.77 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA Program from the entity were \$16,233 and \$12,482 for the years ended June 30, 2019 and June 30, 2018, respectively.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

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

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

At June 30, 2019, the entity reported a liability of \$368,000 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2018 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of that date. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2018, the entity's proportion was 0.11719% as compared to 0.09995% at June 30, 2017.

For the year ended June 30, 2019, the entity recognized LODA OPEB expense of \$35,000. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the entity reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|--|---|
| Differences between expected and actual experience | \$ 53,000 | \$ - |
| Net difference between projected and actual earnings on LODA OPEB plan investments | - | 1,000 |
| Change in assumptions | - | 42,000 |
| Change in proportion | 44,000 | - |
| Employer contributions subsequent to the measurement date | 16,233 | - |
| Total | <u>\$ 113,233</u> | <u>\$ 43,000</u> |

\$16,233 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

Year Ended June 30

| | |
|------------|----------|
| 2020 | \$ 7,000 |
| 2021 | 7,000 |
| 2022 | 7,000 |
| 2023 | 7,000 |
| 2024 | 7,000 |
| Thereafter | 19,000 |

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

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

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

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

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 3.89%. However, since the difference was minimal, a more conservative 3.89% investment return assumption has been used. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.89% was used since it approximates the risk-free rate of return.

Mortality Rates – Largest Ten Locality Employers with Public Safety Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

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

Actuarial Assumptions (Continued)

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

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

Net LODA OPEB Liability

The net OPEB liability (NOL) for the LODA Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2018, NOL amounts for the LODA Program are as follows (amounts expressed in thousands):

| | <u>LODA Program</u> |
|---|----------------------------|
| Total LODA OPEB Liability | \$ 315,395 |
| Plan Fiduciary Net Position | 1,889 |
| Employers' Net OPEB Liability (Asset) | <u>\$ 313,506</u> |
| Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability | 0.60% |

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

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.89% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 7.00% assumption. Instead, the assumed annual rate of return of 3.89% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2018.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.89%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2018, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

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

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

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 3.89%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.89%) or one percentage point higher (4.89%) than the current rate:

| | Discount Rate | | |
|---|------------------------|--------------------|------------------------|
| | 1% Decrease (2.89%) | Current (3.89%) | 1% Increase (4.89%) |
| Town's proportionate share of the total LODA Net OPEB Liability | \$ 421,000 | \$ 368,000 | \$ 324,000 |

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

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

| | Health Care Trend Rates | | |
|---|---|---|---|
| | 1% Decrease (6.75% decreasing to 4.00%) | Current (7.75% decreasing to 5.00%) | 1% Increase (8.75% decreasing to 6.00%) |
| Town's proportionate share of the total LODA Net OPEB Liability | \$ 313,000 | \$ 368,000 | \$ 435,000 |

LODA OPEB Fiduciary Net Position

Detailed information about the LODA Program Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-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, 2019 (CONTINUED)

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

Plan Description

In addition to the pension benefits described in Note 10 and other postemployment benefits described in Notes 11 and 12, the Town administers a single-employer defined benefit healthcare plan, the Town of Luray OPEB Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the Town's pension plans. The plan does not issue a publicly available financial report.

Benefits Provided

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

Plan Membership

At July 1, 2018 (the measurement date), the following employees were covered by the benefit terms:

| | |
|--------------------------------------|----|
| Total active employees with coverage | 44 |
| Total | 44 |

Contributions

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Town Council. The amount paid by the Town for OPEB as the benefits came due during the year ended June 30, 2019 was \$1,600.

Total OPEB Liability

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

Actuarial Assumptions

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

| | |
|---------------------------|-------------------------|
| Salary Increases | 2.5% increases annually |
| Discount Rate | 3.62% |
| Investment Rate of Return | Not applicable |

Mortality rates for Active employees and healthy retirees were based on RP-2014 Fully Generational Mortality Table, with base year 2006, using two-dimensional improvement scale MP-2018.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

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

Discount Rate

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments has been set equal to 3.62% and represents the Municipal Go AA 20-year yield curve rate as of June 30, 2018.

Changes in Total OPEB Liability

| | | Primary Government Total OPEB Liability |
|---|----|--|
| Balances at June 30, 2018 | \$ | 132,000 |
| Changes for the year: | | |
| Service cost | | 11,100 |
| Interest | | 5,100 |
| Difference between expected and actual experience | | 6,300 |
| Other changes | | (1,800) |
| Benefit payments | | (1,600) |
| Net changes | | <u>19,100</u> |
| Balances at June 30, 2019 | \$ | <u>151,100</u> |

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

The following amounts present the total OPEB liability of the Town, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.62%) or one percentage point higher (4.62%) than the current discount rate:

| Rate | | |
|------------------------|----------------------------------|------------------------|
| 1% Decrease (2.62%) | Current Discount Rate (3.62%) | 1% Increase (4.62%) |
| \$ 166,800 | \$ 151,100 | \$ 137,300 |

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

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

| Rates | | |
|------------------------|------------------|------------------------|
| Healthcare Cost | | |
| 1% Decrease (6.00%) | Trend (7.00%) | 1% Increase (8.00%) |
| \$ 132,800 | \$ 151,100 | \$ 173,000 |

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

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

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

For the year ended June 30, 2019, the Town recognized OPEB expense in the amount of \$16,900. At June 30, 2019, the entity reported deferred outflows of resources and deferred inflows of resources related to the OPEB Plan from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ 5,300 | \$ - |
| Changes in assumptions | - | 1,500 |
| Employer contributions subsequent to the measurement date | 1,600 | - |
| Total | <u>\$ 6,900</u> | <u>\$ 1,500</u> |

\$1,600 reported as deferred outflows of resources related to the OPEB Plan resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB Plan will be recognized in OPEB expense in future reporting periods as follows:

Year Ended June 30

| | |
|------------|--------|
| 2020 | \$ 700 |
| 2021 | 700 |
| 2022 | 700 |
| 2023 | 700 |
| 2024 | 700 |
| Thereafter | 300 |

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

NOTE 14 – SUMMARY OF OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS:

The following is a summary of the Town's OPEB plans as of June 30, 2019:

| | <u>Deferred Outflows</u> | <u>Deferred Inflows</u> | <u>Net OPEB Liability</u> | <u>OPEB Expense</u> |
|---|------------------------------|-----------------------------|-------------------------------|-------------------------|
| VRS OPEB Plans: | | | | |
| Group Life Insurance Program (Note 11): | \$ 19,000 | \$ 26,000 | \$ 154,000 | \$ (1,000) |
| Line of Duty Act Program (Note 12) | 113,233 | 43,000 | 368,000 | 35,000 |
| Town Stand-Alone Plan (Note 13) | 6,900 | 1,500 | 151,100 | 16,900 |
| Totals | <u>\$ 139,133</u> | <u>\$ 70,500</u> | <u>\$ 673,100</u> | <u>\$ 50,900</u> |

TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 15 – DEFERRED/UNAVAILABLE REVENUE:

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

| | Government-wide Statements Governmental Activities | Balance Sheet Governmental Funds |
|--|---|---|
| Deferred/unavailable revenue: | | |
| Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures | \$ - | \$ 157,820 |
| 2nd half assessments due in December | 666,600 | 666,600 |
| Prepaid property taxes due after June 30 but paid in advance by taxpayers | 40,748 | 40,748 |
| Total deferred/unavailable revenue | \$ 707,348 | \$ 865,168 |

NOTE 16 – CONTINGENT LIABILITIES (INCLUDING FEDERALLY ASSISTED PROGRAMS – COMPLIANCE AUDITS):

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

NOTE 17 – 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.

TOWN OF LURAY, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)**

NOTE 18 – RISK MANAGEMENT:

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

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

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

Policies in effect at June 30, 2019, 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 | Theft, Disappearance, and Destruction | 500,000 |
| Virginia Municipal Liability Pool | Computer Fraud | 25,000 |
| Virginia Municipal Liability Pool | Money, and Counterfeit Papers | 500,000 |
| Virginia Municipal Liability Pool | Forgery | 500,000 |
| Virginia Municipal Liability Pool | Public Employee Dishonesty | 500,000 |

NOTE 19 – 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, 2019 was immaterial to the Town's financial statements.

NOTE 20 – LITIGATION:

At June 30, 2019, 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.

TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 (CONTINUED)

NOTE 21 – CONSTRUCTION CONTRACTS OUTSTANDING:

The Town had the following material construction contract outstanding at June 30, 2019:

| Project | Original Contract Amount | Amount Spent as of June 30, 2019 | Amount of Contract Remaining at Year End |
|-----------------------------|-----------------------------|-------------------------------------|---|
| Orders Construction Company | \$ 4,136,562 | \$ 4,016,941 | \$ 119,621 |

NOTE 22 – UPCOMING PRONOUNCEMENTS:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

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

REQUIRED SUPPLEMENTARY INFORMATION

General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2019

| | Budgeted Amounts | | | Variance with Final Budget - Positive (Negative) |
|---|-----------------------|-----------------------|-----------------------|---|
| | Original | Final | Actual Amounts | |
| REVENUES | | | | |
| General property taxes | \$ 1,536,764 | \$ 1,536,764 | \$ 1,499,626 | \$ (37,138) |
| Other local taxes | 2,065,202 | 2,065,202 | 2,057,562 | (7,640) |
| Permits, privilege fees, and regulatory licenses | 14,000 | 14,000 | 8,548 | (5,452) |
| Fines and forfeitures | 18,100 | 18,100 | 11,960 | (6,140) |
| Revenue from the use of money and property | 66,320 | 66,320 | 25,124 | (41,196) |
| Charges for services | 344,700 | 344,700 | 332,053 | (12,647) |
| Miscellaneous | 242,350 | 242,350 | 58,670 | (183,680) |
| Intergovernmental: | | | | |
| Commonwealth | 1,578,612 | 3,769,636 | 3,934,182 | 164,546 |
| Federal | 1,336,500 | 373,162 | 730,637 | 357,475 |
| Total revenues | <u>\$ 7,202,548</u> | <u>\$ 8,430,234</u> | <u>\$ 8,658,362</u> | <u>\$ 228,128</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government administration | \$ 673,017 | \$ 666,875 | \$ 599,673 | \$ 67,202 |
| Public safety | 1,347,890 | 1,350,475 | 1,290,700 | 59,775 |
| Public works | 5,910,496 | 6,382,635 | 6,157,201 | 225,434 |
| Health and welfare | 20,000 | 20,000 | 17,725 | 2,275 |
| Parks, recreation, and cultural | 896,679 | 977,082 | 962,582 | 14,500 |
| Community development | 66,875 | 41,407 | 32,541 | 8,866 |
| Debt service: | | | | |
| Principal retirement | 1,511,620 | 3,480,053 | 3,480,053 | - |
| Interest and other fiscal charges | 128,971 | 113,031 | 59,355 | 53,676 |
| Total expenditures | <u>\$ 10,555,548</u> | <u>\$ 13,031,558</u> | <u>\$ 12,599,830</u> | <u>\$ 431,728</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (3,353,000)</u> | <u>\$ (4,601,324)</u> | <u>\$ (3,941,468)</u> | <u>\$ 659,856</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ 900,000 | \$ 900,000 | \$ - | \$ (900,000) |
| Issuance of notes payable | 2,453,000 | 3,701,324 | 3,139,544 | (561,780) |
| Total other financing sources (uses) | <u>\$ 3,353,000</u> | <u>\$ 4,601,324</u> | <u>\$ 3,139,544</u> | <u>\$ (1,461,780)</u> |
| Change in fund balance | \$ - | \$ - | \$ (801,924) | \$ (801,924) |
| Fund balance, beginning of year | - | - | 3,579,706 | 3,579,706 |
| Fund balance, end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,777,782</u> | <u>\$ 2,777,782</u> |

Town of Luray, Virginia

Schedule of Changes in Net Pension Liability and Related Ratios For Measurement Dates of June 30, 2014 through June 30, 2018

| | 2018 | 2017 |
|---|----------------------|----------------------|
| Total pension liability | | |
| Service cost | \$ 253,192 | \$ 263,637 |
| Interest | 785,379 | 754,116 |
| Differences between expected and actual experience | (520,354) | 101,929 |
| Changes in assumptions | - | (125,332) |
| Benefit payments, including refunds of employee contributions | (551,217) | (544,249) |
| Net change in total pension liability | \$ (33,000) | \$ 450,101 |
| Total pension liability - beginning | 11,495,306 | 11,045,205 |
| Total pension liability - ending (a) | \$ 11,462,306 | \$ 11,495,306 |
| Plan fiduciary net position | | |
| Contributions - employer | \$ 197,954 | \$ 201,439 |
| Contributions - employee | 94,261 | 101,789 |
| Net investment income | 745,784 | 1,118,816 |
| Benefit payments, including refunds of employee contributions | (551,217) | (544,249) |
| Administrative expense | (6,528) | (6,564) |
| Other | (659) | (991) |
| Net change in plan fiduciary net position | \$ 479,595 | \$ 870,240 |
| Plan fiduciary net position - beginning | 10,142,754 | 9,272,514 |
| Plan fiduciary net position - ending (b) | \$ 10,622,349 | \$ 10,142,754 |
| Town's net pension liability - ending (a) - (b) | \$ 839,957 | \$ 1,352,552 |
| Plan fiduciary net position as a percentage of the total pension liability | 92.67% | 88.23% |
| Covered payroll | \$ 1,923,099 | \$ 1,940,160 |
| Town's net pension liability as a percentage of covered payroll | 43.68% | 69.71% |

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Exhibit 11

| | 2016 | | 2015 | | 2014 |
|----|------------|----|------------|----|------------|
| \$ | 239,366 | \$ | 221,298 | \$ | 210,184 |
| | 728,501 | | 749,586 | | 710,918 |
| | (28,214) | | (791,690) | | - |
| | - | | - | | - |
| | (603,203) | | (357,629) | | (379,757) |
| \$ | 336,450 | \$ | (178,435) | \$ | 541,345 |
| | 10,708,755 | | 10,887,190 | | 10,345,845 |
| \$ | 11,045,205 | \$ | 10,708,755 | \$ | 10,887,190 |
| | | | | | |
| \$ | 290,105 | \$ | 295,788 | \$ | 312,158 |
| | 98,216 | | 100,169 | | 116,821 |
| | 159,197 | | 411,708 | | 1,212,124 |
| | (603,203) | | (357,629) | | (379,757) |
| | (5,856) | | (5,508) | | (6,430) |
| | (68) | | (87) | | 64 |
| \$ | (61,609) | \$ | 444,441 | \$ | 1,254,980 |
| | 9,334,123 | | 8,889,682 | | 7,634,702 |
| \$ | 9,272,514 | \$ | 9,334,123 | | 8,889,682 |
| | | | | | |
| \$ | 1,772,691 | \$ | 1,374,632 | \$ | 1,997,508 |
| | | | | | |
| | 83.95% | | 87.16% | | 81.65% |
| | | | | | |
| \$ | 1,970,110 | \$ | 2,008,408 | \$ | 1,918,614 |
| | | | | | |
| | 89.98% | | 68.44% | | 103.44% |

Schedule of Employer Contributions - Pension Plan
 Years Ended June 30, 2010 through June 30, 2019

| Date | Contributions in Relation to | | | | | Contributions as a % of Covered Payroll (5) |
|------|--|--|---|---|--|---|
| | Contractually Required Contribution (1) | Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | | |
| 2019 | \$ 222,677 | \$ 222,677 | - | \$ 2,049,596 | | 10.86% |
| 2018 | 197,954 | 197,954 | - | 1,923,099 | | 10.29% |
| 2017 | 201,439 | 201,439 | - | 1,940,160 | | 10.38% |
| 2016 | 290,105 | 290,105 | - | 1,970,110 | | 14.73% |
| 2015 | 295,788 | 295,788 | - | 2,008,408 | | 14.73% |
| 2014 | 312,158 | 312,158 | - | 1,918,614 | | 16.27% |
| 2013 | 311,043 | 311,043 | - | 1,911,756 | | 16.27% |
| 2012 | 188,281 | 188,281 | - | 1,822,665 | | 10.33% |
| 2011 | 183,164 | 183,164 | - | 1,773,127 | | 10.33% |
| 2010 | 183,397 | 183,397 | - | 1,792,741 | | 10.23% |

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

Notes to Required Supplementary Information - Pension Plan
Year Ended June 30, 2019

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

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

Largest 10 – Non-Hazardous Duty:

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

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

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

Largest 10 – Hazardous Duty:

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

All Others (Non 10 Largest) – Hazardous Duty:

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

Schedule of Town's Share of Net OPEB Liability
 Group Life Insurance Program
 For the Measurement Dates of June 30, 2018 and 2017

| Date (1) | Employer's Proportion of the Net GLI OPEB Liability (Asset) (2) | Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3) | Employer's Covered Payroll (4) | Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5) | Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6) |
|---------------------|--|---|---|--|--|
| 2018 | 0.01011% \$ | 154,000 \$ | 1,923,099 | 8.01% | 51.22% |
| 2017 | 0.01052% | 159,000 | 1,940,160 | 8.20% | 48.86% |

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

Schedule of Employer Contributions
 Group Life Insurance Program
 For the Years Ended June 30, 2010 through June 30, 2019

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|-------------|--|---|---|---|--|
| 2019 | \$ 11,000 | \$ 11,000 | \$ - | \$ 2,049,596 | 0.52% |
| 2018 | 10,000 | 10,000 | - | 1,923,099 | 0.52% |
| 2017 | 10,089 | 10,089 | - | 1,940,160 | 0.52% |
| 2016 | 10,442 | 10,442 | - | 1,970,110 | 0.53% |
| 2015 | 10,645 | 10,645 | - | 2,008,408 | 0.53% |
| 2014 | 10,169 | 10,169 | - | 1,918,614 | 0.53% |
| 2013 | 10,132 | 10,132 | - | 1,911,756 | 0.53% |
| 2012 | 8,020 | 8,020 | - | 1,822,665 | 0.44% |
| 2011 | 7,802 | 7,802 | - | 1,773,127 | 0.44% |
| 2010 | 6,454 | 6,454 | - | 1,792,741 | 0.36% |

Notes to Required Supplementary Information
Group Life Insurance Program
Year Ended June 30, 2019

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

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

Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers - Hazardous Duty Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

Schedule of Employer's Share of Net LODA OPEB Liability
Line of Duty Act (LODA) Program
For the Measurement Dates of June 30, 2018 and 2017

| Date (1) | Employer's Proportion of the Net LODA OPEB Liability (Asset) (2) | Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) (3) | Covered- Employee Payroll * (4) | Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll (3)/(4) (5) | Plan Fiduciary Net Position as a Percentage of Total LODA OPEB Liability (6) |
|---------------------|---|--|--|--|---|
| 2018 | 0.11719% \$ | 368,000 \$ | 677,057 | 54.35% | 0.60% |
| 2017 | 0.09995% | 263,000 | 671,497 | 39.17% | 1.30% |

* The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan.

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

Schedule of Employer Contributions

Line of Duty Act (LODA) Program

Years Ended June 30, 2010 through June 30, 2019

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Covered- Employee Payroll * (4) | Contributions as a % of Covered - Employee Payroll (5) |
|------|--|---|---|--|---|
| 2019 | \$ 16,233 | \$ 16,233 | \$ - | \$ 514,229 | 3% |
| 2018 | 12,482 | 12,482 | - | 677,057 | 2% |
| 2017 | 10,780 | 10,780 | - | 671,497 | 2% |
| 2016 | 9,858 | 9,858 | - | 666,044 | 1% |
| 2015 | 9,858 | 9,858 | - | 678,595 | 1% |
| 2014 | 10,439 | 10,439 | - | 629,165 | 2% |
| 2013 | 9,483 | 9,483 | - | 641,016 | 1% |
| 2012 | 4,444 | 4,444 | - | 612,429 | 1% |
| 2011 | N/A | N/A | N/A | N/A | N/A |
| 2010 | N/A | N/A | N/A | N/A | N/A |

* The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of employees in the OPEB plan.

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

Notes to Required Supplementary Information
Line of Duty Act (LODA) Program
Year Ended June 30, 2019

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

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

Employees in the Largest Ten Locality Employers with Public Safety Employees

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

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

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

Schedule of Changes in Total OPEB Liability and Related Ratios
 Primary Government
 Years Ended June 30, 2018 and June 30, 2019

| | <u>2019</u> | <u>2018</u> |
|---|--------------------------|--------------------------|
| Total OPEB liability | | |
| Service cost | \$ 11,100 | \$ 10,800 |
| Interest | 5,100 | 4,600 |
| Other changes | (1,800) | - |
| Differences between expected and actual experience | 6,300 | - |
| Benefit payments | (1,600) | (1,600) |
| Net change in total OPEB liability | \$ 19,100 | \$ 13,800 |
| Total OPEB liability - beginning | <u>132,000</u> | <u>118,200</u> |
| Total OPEB liability - ending | <u><u>\$ 151,100</u></u> | <u><u>\$ 132,000</u></u> |
| Covered payroll | \$ 1,983,000 | \$ 1,983,000 |
| Town's total OPEB liability (asset) as a percentage of covered payroll | 7.62% | 6.66% |

Schedule is intended to show information for 10 years. Information prior to the 2018 valuation is not available. Additional years will be included as they become available.

Notes to Required Supplementary Information - Town OPEB
 Years Ended June 30, 2018 and June 30, 2019

Valuation Date: 7/1/2017
 Measurement Date: 7/1/2018

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

Methods and assumptions used to determine OPEB liability:

| | |
|-----------------------|---|
| Actuarial Cost Method | Entry age actuarial cost method |
| Discount Rate | 3.62% as of June 30, 2018 |
| Healthcare Trend Rate | 11.52% for fiscal year end 2018, then 7.00% for fiscal year ended 2019, decreasing .25% per year to an ultimate rate of 5.00% |
| Salary Increase Rates | 2.5% as of June 30, 2018 |
| Retirement Age | The average age at retirement is 62 |
| Mortality Rates | RP-2014 Fully Generational Mortality Table, with base year 2006, using two-dimensional improvement scale MP-2018. |

OTHER SUPPLEMENTARY INFORMATION

Schedule of Revenues - Budget and Actual
Governmental Funds
Year Ended June 30, 2019

| Fund, Major and Minor Revenue Source | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|--|----------------------------|-------------------------|---------------------|---|
| General Fund: | | | | |
| Intergovernmental: | | | | |
| Revenue from local sources: | | | | |
| General property taxes: | | | | |
| Real property taxes | \$ 1,275,014 | \$ 1,275,014 | \$ 1,240,779 | \$ (34,235) |
| Real and personal public service corporation taxes | 56,600 | 56,600 | 57,449 | 849 |
| Personal property taxes | 184,200 | 184,200 | 178,567 | (5,633) |
| Mobile home taxes | 650 | 650 | 602 | (48) |
| Penalties and interest | 20,300 | 20,300 | 22,229 | 1,929 |
| Total general property taxes | <u>\$ 1,536,764</u> | <u>\$ 1,536,764</u> | <u>\$ 1,499,626</u> | <u>\$ (37,138)</u> |
| Other local taxes: | | | | |
| Local sales and use taxes | \$ 207,000 | \$ 207,000 | \$ 195,600 | \$ (11,400) |
| Consumers' utility taxes | 142,000 | 142,000 | 135,645 | (6,355) |
| Business license taxes | 325,602 | 325,602 | 330,098 | 4,496 |
| Franchise license tax | 25,200 | 25,200 | 35,112 | 9,912 |
| Motor vehicle licenses | 57,200 | 57,200 | 57,654 | 454 |
| Bank stock taxes | 191,200 | 191,200 | 263,527 | 72,327 |
| Transient occupancy taxes | 222,000 | 222,000 | 204,916 | (17,084) |
| Restaurant food taxes | 718,000 | 718,000 | 681,755 | (36,245) |
| Sprint right of way fees | 29,500 | 29,500 | 18,591 | (10,909) |
| Cigarette tax | 147,500 | 147,500 | 134,664 | (12,836) |
| Total other local taxes | <u>\$ 2,065,202</u> | <u>\$ 2,065,202</u> | <u>\$ 2,057,562</u> | <u>\$ (7,640)</u> |
| Permits, privilege fees, and regulatory licenses: | | | | |
| Permits and other licenses | \$ 14,000 | \$ 14,000 | \$ 8,548 | \$ (5,452) |
| Total permits, privilege fees, and regulatory licenses | <u>\$ 14,000</u> | <u>\$ 14,000</u> | <u>\$ 8,548</u> | <u>\$ (5,452)</u> |
| Fines and forfeitures: | | | | |
| Court fines and forfeitures | \$ 18,000 | \$ 18,000 | \$ 11,730 | \$ (6,270) |
| Parking fines | 100 | 100 | 230 | 130 |
| Total fines and forfeitures | <u>\$ 18,100</u> | <u>\$ 18,100</u> | <u>\$ 11,960</u> | <u>\$ (6,140)</u> |
| Revenue from use of money and property: | | | | |
| Revenue from use of money | \$ 5,000 | \$ 5,000 | \$ 6,963 | \$ 1,963 |
| Revenue from use of property | 61,320 | 61,320 | 18,161 | (43,159) |
| Total revenue from use of money and property | <u>\$ 66,320</u> | <u>\$ 66,320</u> | <u>\$ 25,124</u> | <u>\$ (41,196)</u> |
| Charges for services: | | | | |
| Charges for sanitation and waste removal | \$ 280,500 | \$ 280,500 | \$ 267,844 | \$ (12,656) |
| Charges for recreation | 64,200 | 64,200 | 64,209 | 9 |
| Total charges for services | <u>\$ 344,700</u> | <u>\$ 344,700</u> | <u>\$ 332,053</u> | <u>\$ (12,647)</u> |
| Miscellaneous: | | | | |
| Rebates and refunds | \$ 7,400 | \$ 7,400 | \$ 1,359 | \$ (6,041) |
| Donations | 52,100 | 52,100 | 37,486 | (14,614) |
| Miscellaneous | 11,850 | 11,850 | 10,621 | (1,229) |
| Proffers | 165,000 | 165,000 | - | (165,000) |
| Greenway development grant | 1,000 | 1,000 | 1,100 | 100 |
| Sale of equipment | 5,000 | 5,000 | 8,104 | 3,104 |
| Total miscellaneous | <u>\$ 242,350</u> | <u>\$ 242,350</u> | <u>\$ 58,670</u> | <u>\$ (183,680)</u> |
| Total revenue from local sources | <u>\$ 4,287,436</u> | <u>\$ 4,287,436</u> | <u>\$ 3,993,543</u> | <u>\$ (293,893)</u> |

Schedule of Revenues - Budget and Actual
Governmental Funds
Year Ended June 30, 2019 (Continued)

| Fund, Major and Minor Revenue Source | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|---------------------|---------------------|---------------------|---|
| General Fund: (continued) | | | | |
| Revenue from the Commonwealth: | | | | |
| Noncategorical aid: | | | | |
| Rolling stock tax | \$ 4,100 | \$ 4,100 | \$ 4,108 | \$ 8 |
| Auto rental tax | 800 | 800 | 824 | 24 |
| Personal property tax relief funds | 74,574 | 74,574 | 74,574 | - |
| Total noncategorical aid | <u>\$ 79,474</u> | <u>\$ 79,474</u> | <u>\$ 79,506</u> | <u>\$ 32</u> |
| Categorical aid: | | | | |
| Other categorical aid: | | | | |
| Virginia Commission for the Arts grant | \$ 4,500 | \$ 4,500 | \$ 4,500 | \$ - |
| Disaster grants - public assistance | 100 | 100 | - | (100) |
| VDOT Revenue Sharing - Valley Health | 225,000 | 225,000 | 239,310 | 14,310 |
| VDOT Revenue Sharing - Round About | - | - | 109,806 | 109,806 |
| VDOT Revenue Sharing - West Main Bridge | - | 2,191,024 | 2,191,024 | - |
| Aid to localities with police departments | 119,888 | 119,888 | 124,324 | 4,436 |
| Department of fire programs funds | 16,400 | 16,400 | 16,943 | 543 |
| Litter control grant | 2,700 | 2,700 | 2,790 | 90 |
| Street and highway maintenance funds | 1,130,500 | 1,130,500 | 1,164,168 | 33,668 |
| Asset forfeiture fund | - | - | 1,780 | 1,780 |
| DMV animal friendly plate | 50 | 50 | 31 | (19) |
| Total other categorical aid | <u>\$ 1,499,138</u> | <u>\$ 3,690,162</u> | <u>\$ 3,854,676</u> | <u>\$ 164,514</u> |
| Total categorical aid | <u>\$ 1,499,138</u> | <u>\$ 3,690,162</u> | <u>\$ 3,854,676</u> | <u>\$ 164,514</u> |
| Total revenue from the Commonwealth | <u>\$ 1,578,612</u> | <u>\$ 3,769,636</u> | <u>\$ 3,934,182</u> | <u>\$ 164,546</u> |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| TEA-21 Grant | \$ 55,000 | \$ 55,000 | \$ 103,793 | \$ 48,793 |
| Federal highway planning and construction | 1,280,000 | 316,662 | 621,416 | 304,754 |
| Law Enforcement Block Grant | 1,500 | 1,500 | - | (1,500) |
| DMV - ground transportation | - | - | 5,073 | 5,073 |
| Wildland fire management | - | - | 355 | 355 |
| Total categorical aid | <u>\$ 1,336,500</u> | <u>\$ 373,162</u> | <u>\$ 730,637</u> | <u>\$ 357,475</u> |
| Total revenue from the federal government | <u>\$ 1,336,500</u> | <u>\$ 373,162</u> | <u>\$ 730,637</u> | <u>\$ 357,475</u> |
| Total General Fund | <u>\$ 7,202,548</u> | <u>\$ 8,430,234</u> | <u>\$ 8,658,362</u> | <u>\$ 228,128</u> |

Schedule of Expenditures - Budget and Actual
Governmental Funds
Year Ended June 30, 2019

| Fund, Function, Activity, and Elements | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|--|----------------------------|-------------------------|---------------|---|
| General Fund: | | | | |
| General government administration: | | | | |
| Legislative: | | | | |
| Town Council | \$ 185,109 | \$ 177,703 | \$ 175,087 | \$ 2,616 |
| General and financial administration: | | | | |
| Town manager | \$ 115,799 | \$ 115,299 | \$ 91,037 | \$ 24,262 |
| Legal services | 30,000 | 42,169 | 42,169 | - |
| Independent auditor | 6,100 | 6,100 | 6,000 | 100 |
| Treasurer | 332,909 | 322,504 | 285,380 | 37,124 |
| Total general and financial administration | \$ 484,808 | \$ 486,072 | \$ 424,586 | \$ 61,486 |
| Board of elections: | | | | |
| Electoral board and officials | \$ 3,100 | \$ 3,100 | \$ - | \$ 3,100 |
| Total board of elections | \$ 3,100 | \$ 3,100 | \$ - | \$ 3,100 |
| Total general government administration | \$ 673,017 | \$ 666,875 | \$ 599,673 | \$ 67,202 |
| Public safety: | | | | |
| Law enforcement and traffic control: | | | | |
| Police department | \$ 1,305,890 | \$ 1,301,722 | \$ 1,242,059 | \$ 59,663 |
| Total law enforcement and traffic control | \$ 1,305,890 | \$ 1,301,722 | \$ 1,242,059 | \$ 59,663 |
| Fire and rescue services: | | | | |
| Volunteer emergency operations | \$ 16,500 | \$ 16,943 | \$ 16,943 | \$ - |
| Total fire and rescue services | \$ 16,500 | \$ 16,943 | \$ 16,943 | \$ - |
| Other protection: | | | | |
| Safety Officer | \$ 25,500 | \$ 31,810 | \$ 31,698 | \$ 112 |
| Total other protection | \$ 25,500 | \$ 31,810 | \$ 31,698 | \$ 112 |
| Total public safety | \$ 1,347,890 | \$ 1,350,475 | \$ 1,290,700 | \$ 59,775 |
| Public works: | | | | |
| Maintenance of highways, streets, bridges and sidewalks: | | | | |
| Highways, streets, bridges and sidewalks | \$ 5,036,847 | \$ 5,549,217 | \$ 5,385,058 | \$ 164,159 |
| Sanitation and waste removal: | | | | |
| Refuse collection and disposal | \$ 275,000 | \$ 275,000 | \$ 271,067 | \$ 3,933 |
| Maintenance of general buildings and grounds: | | | | |
| General properties | \$ 598,649 | \$ 558,418 | \$ 501,076 | \$ 57,342 |
| Total public works | \$ 5,910,496 | \$ 6,382,635 | \$ 6,157,201 | \$ 225,434 |
| Health and welfare: | | | | |
| Welfare: | | | | |
| Tax relief for the elderly | \$ 20,000 | \$ 20,000 | \$ 17,725 | \$ 2,275 |
| Total health and welfare | \$ 20,000 | \$ 20,000 | \$ 17,725 | \$ 2,275 |
| Parks, recreation, and cultural: | | | | |
| Parks and recreation: | | | | |
| Supervision of parks and recreation | \$ 896,679 | \$ 977,082 | \$ 962,582 | \$ 14,500 |
| Total parks, recreation, and cultural | \$ 896,679 | \$ 977,082 | \$ 962,582 | \$ 14,500 |
| Community development: | | | | |
| Planning and community development: | | | | |
| Planning Commission | \$ 66,875 | \$ 41,407 | \$ 32,541 | \$ 8,866 |
| Total community development | \$ 66,875 | \$ 41,407 | \$ 32,541 | \$ 8,866 |

Schedule of Expenditures - Budget and Actual
Governmental Funds
Year Ended June 30, 2019 (Continued)

| Fund, Function, Activity, and Elements | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|----------------------------|-------------------------|---------------|---|
| General Fund: (continued) | | | | |
| Debt service: | | | | |
| Principal retirement | \$ 1,511,620 | \$ 3,480,053 | \$ 3,480,053 | \$ - |
| Interest and other fiscal charges | 128,971 | 113,031 | 59,355 | 53,676 |
| Total debt service | \$ 1,640,591 | \$ 3,593,084 | \$ 3,539,408 | \$ 53,676 |
| Total General Fund | \$ 10,555,548 | \$ 13,031,558 | \$ 12,599,830 | \$ 431,728 |

STATISTICAL INFORMATION

Town of Luray, Virginia

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

| | Fiscal Year | | | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 2010 | 2011 | 2012 | 2013 |
| Governmental activities: | | | | |
| Net investment in capital assets | \$ 5,703,358 | \$ 5,751,140 | \$ 5,674,643 | \$ 5,745,435 |
| Restricted | - | - | - | 91,435 |
| Unrestricted | 3,256,154 | 3,039,161 | 2,786,609 | 2,386,033 |
| Total governmental activities net position | <u>\$ 8,959,512</u> | <u>\$ 8,790,301</u> | <u>\$ 8,461,252</u> | <u>\$ 8,222,903</u> |
| Business-type activities: | | | | |
| Net investment in capital assets | \$ 7,025,040 | \$ 7,348,362 | \$ 6,977,198 | \$ 6,792,425 |
| Unrestricted | 172,314 | 3,733 | 247,072 | 472,871 |
| Total business-type activities net position | <u>\$ 7,197,354</u> | <u>\$ 7,352,095</u> | <u>\$ 7,224,270</u> | <u>\$ 7,265,296</u> |
| Primary government: | | | | |
| Net investment in capital assets | \$ 12,728,398 | \$ 13,099,502 | \$ 12,651,841 | \$ 12,537,860 |
| Restricted | - | - | - | 91,435 |
| Unrestricted | 3,428,468 | 3,042,894 | 3,033,681 | 2,858,904 |
| Total primary government net position | <u>\$ 16,156,866</u> | <u>\$ 16,142,396</u> | <u>\$ 15,685,522</u> | <u>\$ 15,488,199</u> |

Table 1

| Fiscal Year | | | | | |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| \$ 5,793,353 | \$ 5,785,314 | \$ 5,526,182 | \$ 5,664,357 | \$ 5,967,874 | \$ 9,883,229 |
| 78,566 | 78,399 | 78,359 | 78,359 | 78,359 | 78,359 |
| 2,344,212 | 1,069,049 | 1,661,875 | 2,111,217 | 2,143,435 | 1,560,958 |
| <u>\$ 8,216,131</u> | <u>\$ 6,932,762</u> | <u>\$ 7,266,416</u> | <u>\$ 7,853,933</u> | <u>\$ 8,189,668</u> | <u>\$ 11,522,546</u> |
| | | | | | |
| \$ 6,787,088 | \$ 6,688,986 | \$ 6,538,164 | \$ 6,337,026 | \$ 6,184,095 | \$ 5,973,537 |
| 622,239 | (118,375) | 279,110 | 510,127 | 731,804 | 1,031,075 |
| <u>\$ 7,409,327</u> | <u>\$ 6,570,611</u> | <u>\$ 6,817,274</u> | <u>\$ 6,847,153</u> | <u>\$ 6,915,899</u> | <u>\$ 7,004,612</u> |
| | | | | | |
| \$ 12,580,441 | \$ 12,474,300 | \$ 12,064,346 | \$ 12,001,383 | \$ 12,151,969 | \$ 15,856,766 |
| 78,566 | 78,399 | 78,359 | 78,359 | 78,359 | 78,359 |
| 2,966,451 | 950,674 | 1,940,985 | 2,621,344 | 2,875,239 | 2,592,033 |
| <u>\$ 15,625,458</u> | <u>\$ 13,503,373</u> | <u>\$ 14,083,690</u> | <u>\$ 14,701,086</u> | <u>\$ 15,105,567</u> | <u>\$ 18,527,158</u> |

Town of Luray, Virginia

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

| | Fiscal Year | | | |
|---|---------------------|-----------------------|-----------------------|-----------------------|
| | 2010 | 2011 | 2012 | 2013 |
| Expenses | | | | |
| Governmental activities: | | | | |
| General government administration | \$ 505,686 | \$ 500,906 | \$ 514,606 | \$ 607,559 |
| Public safety | 1,084,592 | 1,073,077 | 1,111,020 | 1,146,605 |
| Public works | 2,042,757 | 2,061,180 | 2,085,022 | 2,063,184 |
| Health and welfare | 20,080 | 16,794 | 16,956 | 18,625 |
| Parks, recreation and cultural | 821,314 | 855,668 | 921,154 | 956,077 |
| Community development | 275,424 | 104,148 | 101,811 | 102,796 |
| Interest on long-term debt | 34,080 | 36,267 | 31,840 | 30,621 |
| Total governmental activities expenses | <u>\$ 4,783,933</u> | <u>\$ 4,648,040</u> | <u>\$ 4,782,409</u> | <u>\$ 4,925,467</u> |
| Business-type activities: | | | | |
| Water | \$ 940,743 | \$ 1,143,368 | \$ 1,152,492 | \$ 1,141,888 |
| Sewer | 1,406,639 | 1,449,556 | 1,579,828 | 1,575,688 |
| Total business-type activities expenses | <u>\$ 2,347,382</u> | <u>\$ 2,592,924</u> | <u>\$ 2,732,320</u> | <u>\$ 2,717,576</u> |
| Total primary government expenses | <u>\$ 7,131,315</u> | <u>\$ 7,240,964</u> | <u>\$ 7,514,729</u> | <u>\$ 7,643,043</u> |
| Program Revenues | | | | |
| Governmental activities: | | | | |
| Charges for services: | | | | |
| Public safety | \$ 21,100 | \$ 13,192 | \$ 20,458 | \$ 14,144 |
| Public works | 256,431 | 278,022 | 286,764 | 277,493 |
| Parks, recreation and cultural | 24,010 | 34,916 | 50,987 | 35,300 |
| Operating grants and contributions | 1,068,993 | 1,207,087 | 1,113,750 | 1,126,002 |
| Capital grants and contributions | 192,504 | 7,373 | 7,130 | 74,281 |
| Total governmental activities program revenues | <u>\$ 1,563,038</u> | <u>\$ 1,540,590</u> | <u>\$ 1,479,089</u> | <u>\$ 1,527,220</u> |
| Business-type activities: | | | | |
| Charges for services: | | | | |
| Water | \$ 933,890 | \$ 1,045,554 | \$ 1,013,473 | \$ 1,191,472 |
| Sewer | 1,222,889 | 1,376,999 | 1,357,779 | 1,557,240 |
| Capital grants and contributions | 3,959,557 | 325,053 | 234,293 | 9,890 |
| Total business-type activities program revenues | <u>\$ 6,116,336</u> | <u>\$ 2,747,606</u> | <u>\$ 2,605,545</u> | <u>\$ 2,758,602</u> |
| Total primary government program revenues | <u>\$ 7,679,374</u> | <u>\$ 4,288,196</u> | <u>\$ 4,084,634</u> | <u>\$ 4,285,822</u> |
| Net (expenses) / revenues | | | | |
| Governmental activities | \$ (3,220,895) | \$ (3,107,450) | \$ (3,303,320) | \$ (3,398,247) |
| Business-type activities | 3,768,954 | 154,682 | (126,775) | 41,026 |
| Total primary government net expenses | <u>\$ 548,059</u> | <u>\$ (2,952,768)</u> | <u>\$ (3,430,095)</u> | <u>\$ (3,357,221)</u> |

Table 2

| Fiscal Year | | | | | |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------------|
| 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| \$ 618,941 | \$ 559,526 | \$ 490,376 | \$ 511,407 | \$ 569,084 | \$ 599,102 |
| 1,146,412 | 1,141,749 | 1,050,020 | 1,078,372 | 1,181,158 | 1,211,140 |
| 2,081,369 | 2,091,393 | 2,286,890 | 2,127,714 | 2,370,672 | 2,392,859 |
| 20,768 | 18,501 | 16,240 | 17,361 | 17,950 | 17,725 |
| 932,451 | 904,215 | 884,352 | 946,573 | 994,845 | 1,044,313 |
| 122,476 | 105,981 | 103,653 | 53,834 | 41,971 | 34,046 |
| 31,611 | 36,851 | 41,774 | 43,889 | 40,219 | 35,587 |
| <u>\$ 4,954,028</u> | <u>\$ 4,858,216</u> | <u>\$ 4,873,305</u> | <u>\$ 4,779,150</u> | <u>\$ 5,215,899</u> | <u>\$ 5,334,772</u> |
| | | | | | |
| \$ 1,157,276 | \$ 1,259,401 | \$ 1,206,662 | \$ 1,315,590 | \$ 1,241,892 | \$ 1,367,104 |
| 1,556,848 | 1,689,150 | 1,621,493 | 1,617,958 | 1,638,884 | 1,610,214 |
| <u>\$ 2,714,124</u> | <u>\$ 2,948,551</u> | <u>\$ 2,828,155</u> | <u>\$ 2,933,548</u> | <u>\$ 2,880,776</u> | <u>\$ 2,977,318</u> |
| <u>\$ 7,668,152</u> | <u>\$ 7,806,767</u> | <u>\$ 7,701,460</u> | <u>\$ 7,712,698</u> | <u>\$ 8,096,675</u> | <u>\$ 8,312,090</u> |
| | | | | | |
| | | | | | |
| \$ 12,112 | \$ 16,390 | \$ 5,574 | \$ 15,892 | \$ 14,664 | \$ 11,960 |
| 270,711 | 262,098 | 276,428 | 276,494 | 281,233 | 276,392 |
| 45,485 | 51,812 | 64,027 | 59,357 | 70,081 | 64,209 |
| 1,157,138 | 1,196,572 | 1,217,272 | 1,282,700 | 1,283,971 | 150,723 |
| 208,033 | 172,730 | 72,629 | 25,567 | 704,561 | 4,434,590 |
| <u>\$ 1,693,479</u> | <u>\$ 1,699,602</u> | <u>\$ 1,635,930</u> | <u>\$ 1,660,010</u> | <u>\$ 2,354,510</u> | <u>\$ 4,937,874</u> |
| | | | | | |
| | | | | | |
| \$ 1,281,618 | \$ 1,199,345 | \$ 1,344,042 | \$ 1,283,027 | \$ 1,317,041 | \$ 1,304,193 |
| 1,568,612 | 1,598,892 | 1,722,166 | 1,672,355 | 1,695,722 | 1,756,758 |
| 7,925 | 7,305 | 8,610 | 8,045 | 16,535 | 5,080 |
| <u>\$ 2,858,155</u> | <u>\$ 2,805,542</u> | <u>\$ 3,074,818</u> | <u>\$ 2,963,427</u> | <u>\$ 3,029,298</u> | <u>\$ 3,066,031</u> |
| <u>\$ 4,551,634</u> | <u>\$ 4,505,144</u> | <u>\$ 4,710,748</u> | <u>\$ 4,623,437</u> | <u>\$ 5,383,808</u> | <u>\$ 8,003,905</u> |
| | | | | | |
| | | | | | |
| \$ (3,260,549) | \$ (3,158,614) | \$ (3,237,345) | \$ (3,119,140) | \$ (2,861,389) | \$ (396,898) |
| 144,031 | (143,009) | 246,663 | 29,879 | 148,522 | 88,713 |
| <u>\$ (3,116,518)</u> | <u>\$ (3,301,623)</u> | <u>\$ (2,990,682)</u> | <u>\$ (3,089,261)</u> | <u>\$ (2,712,867)</u> | <u>\$ (308,185)</u> |

Town of Luray, Virginia

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting - continued)

| | Fiscal Year | | | |
|---|--------------|--------------|--------------|--------------|
| | 2010 | 2011 | 2012 | 2013 |
| General Revenues and Other Changes in Net Position | | | | |
| Governmental activities: | | | | |
| Taxes | | | | |
| Property taxes | \$ 1,174,864 | \$ 1,125,076 | \$ 1,180,066 | \$ 1,312,095 |
| Local sales and use taxes | 168,469 | 173,565 | 183,465 | 159,355 |
| Consumer utility taxes | 151,448 | 153,642 | 145,694 | 149,709 |
| Business licenses taxes | 239,700 | 254,998 | 260,514 | 297,759 |
| Restaurant food tax | 518,750 | 547,070 | 558,832 | 589,201 |
| Cigarette Tax | 88,208 | 181,225 | 147,233 | 145,997 |
| Transient occupancy tax | 146,549 | 146,363 | 148,632 | 160,217 |
| Bank stock tax | - | - | - | - |
| Other local taxes | 210,136 | 230,650 | 224,798 | 233,560 |
| Unrestricted grants and contributions | 74,678 | 78,717 | 78,493 | 78,820 |
| Unrestricted revenues from use of money and property | 33,010 | 24,767 | 21,779 | 20,827 |
| Miscellaneous | 20,767 | 15,728 | 24,765 | 12,358 |
| Recovered costs | - | 6,438 | - | - |
| Gain on disposal of assets | - | - | - | - |
| Total governmental activities | \$ 2,826,579 | \$ 2,938,239 | \$ 2,974,271 | \$ 3,159,898 |
| Business-type activities: | | | | |
| Unrestricted revenues from use of money and property | \$ 1,157 | \$ 59 | \$ - | \$ - |
| Gain on disposal of assets | - | - | (1,050) | - |
| Total business-type activities | \$ 1,157 | \$ 59 | \$ (1,050) | \$ - |
| Total primary government | \$ 2,827,736 | \$ 2,938,298 | \$ 2,973,221 | \$ 3,159,898 |
| Change in Net Position | | | | |
| Governmental activities | \$ (394,316) | \$ (169,211) | \$ (329,049) | \$ (238,349) |
| Business-type activities | 3,770,111 | 154,741 | (127,825) | 41,026 |
| Total primary government | \$ 3,375,795 | \$ (14,470) | \$ (456,874) | \$ (197,323) |

Table 2

| Fiscal Year | | | | | |
|--------------|--------------|--------------|--------------|--------------|--------------|
| 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| \$ 1,382,004 | \$ 1,443,186 | \$ 1,498,702 | \$ 1,515,039 | \$ 1,502,082 | \$ 1,508,914 |
| 156,643 | 168,298 | 168,914 | 206,361 | 192,407 | 195,600 |
| 147,712 | 148,027 | 144,071 | 142,047 | 141,750 | 135,645 |
| 278,404 | 284,248 | 300,375 | 330,702 | 299,467 | 330,098 |
| 586,310 | 634,526 | 670,423 | 708,845 | 685,746 | 681,755 |
| 137,920 | 141,497 | 148,921 | 145,436 | 128,487 | 134,664 |
| 157,008 | 155,698 | 182,944 | 220,370 | 217,350 | 204,916 |
| - | 164,956 | 199,234 | 191,122 | 200,873 | 263,527 |
| 245,431 | 136,646 | 111,071 | 111,896 | 109,387 | 111,357 |
| 79,277 | 83,678 | 78,681 | 79,344 | 75,316 | 79,506 |
| 19,234 | 20,282 | 24,946 | 23,613 | 15,882 | 25,124 |
| 62,041 | 197,481 | 42,717 | 31,882 | 57,401 | 58,670 |
| - | - | - | - | - | - |
| 1,793 | - | - | - | - | - |
| \$ 3,253,777 | \$ 3,578,523 | \$ 3,570,999 | \$ 3,706,657 | \$ 3,626,148 | \$ 3,729,776 |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| \$ 3,253,777 | \$ 3,578,523 | \$ 3,570,999 | \$ 3,706,657 | \$ 3,626,148 | \$ 3,729,776 |
| \$ (6,772) | \$ 419,909 | \$ 333,654 | \$ 587,517 | \$ 764,759 | \$ 3,332,878 |
| 144,031 | (143,009) | 246,663 | 29,879 | 148,522 | 88,713 |
| \$ 137,259 | \$ 276,900 | \$ 580,317 | \$ 617,396 | \$ 913,281 | \$ 3,421,591 |

Town of Luray, Virginia

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

| Fiscal Year | Property Tax | Local sales and use Tax | Consumer Utility Tax | Business Licenses Tax | Restaurant Food Tax | Transient Occupancy Tax |
|------------------------|-------------------------|--|-------------------------------------|--------------------------------------|------------------------------------|--|
| 2019 | \$ 1,508,914 | \$ 195,600 | \$ 135,645 | \$ 330,098 | \$ 681,755 | \$ 204,916 |
| 2018 | 1,502,082 | 192,407 | 141,750 | 299,467 | 685,746 | 217,350 |
| 2017 | 1,515,039 | 206,361 | 142,047 | 330,702 | 708,845 | 220,370 |
| 2016 | 1,498,702 | 168,914 | 144,071 | 300,375 | 670,423 | 182,944 |
| 2015 | 1,443,186 | 168,298 | 148,027 | 284,248 | 634,526 | 155,698 |
| 2014 | 1,382,004 | 156,643 | 147,712 | 278,404 | 586,310 | 157,008 |
| 2013 | 1,312,095 | 159,355 | 149,709 | 297,759 | 589,201 | 160,217 |
| 2012 | 1,180,066 | 183,465 | 145,694 | 260,514 | 558,832 | 147,233 |
| 2011 | 1,125,076 | 173,565 | 153,642 | 254,998 | 547,070 | 146,363 |
| 2010 | 1,174,864 | 168,469 | 151,448 | 239,700 | 518,750 | 146,549 |

Table 3

| Cigarette Tax | Bank Stock Tax | Other Local Taxes | Total |
|--------------------------|---------------------------|----------------------------------|--------------|
| \$ 134,664 | \$ 263,527 | \$ 111,357 | \$ 3,566,476 |
| 128,487 | 200,873 | 109,387 | 3,477,549 |
| 145,436 | 191,122 | 111,896 | 3,571,818 |
| 148,921 | 199,234 | 111,071 | 3,424,655 |
| 141,497 | 164,956 | 136,646 | 3,277,082 |
| 137,920 | - | 245,431 | 3,091,432 |
| 145,997 | - | 233,560 | 3,047,893 |
| 148,632 | - | 224,798 | 2,849,234 |
| 181,225 | - | 230,650 | 2,812,589 |
| 88,208 | - | 210,136 | 2,698,124 |

Town of Luray, Virginia

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

| | Fiscal Year | | | |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|
| | 2010 | 2011 | 2012 | 2013 |
| General fund | | | | |
| Nonspendable | \$ - | \$ 40,954 | \$ 44,572 | \$ 43,228 |
| Unassigned | 3,365,491 | 3,028,046 | 2,769,998 | 2,399,080 |
| Total general fund | <u>\$ 3,365,491</u> | <u>\$ 3,069,000</u> | <u>\$ 2,814,570</u> | <u>\$ 2,442,308</u> |
| All other governmental funds | | | | |
| Restricted | \$ 91,869 | \$ 87,482 | \$ 89,457 | \$ 91,435 |
| Total all other governmental funds | <u>\$ 91,869</u> | <u>\$ 87,482</u> | <u>\$ 89,457</u> | <u>\$ 91,435</u> |

Table 4

| Fiscal Year | | | | | |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| \$ 35,366 | \$ 33,898 | \$ 44,601 | \$ 47,546 | \$ 73,281 | \$ 76,239 |
| 2,363,277 | 2,695,348 | 2,976,885 | 3,201,139 | 3,506,425 | 2,701,543 |
| <u>\$ 2,398,643</u> | <u>\$ 2,729,246</u> | <u>\$ 3,021,486</u> | <u>\$ 3,248,685</u> | <u>\$ 3,579,706</u> | <u>\$ 2,777,782</u> |
| \$ 78,566 | \$ 78,399 | \$ 78,359 | \$ 78,359 | \$ 78,359 | \$ 78,359 |
| <u>\$ 78,566</u> | <u>\$ 78,399</u> | <u>\$ 78,359</u> | <u>\$ 78,359</u> | <u>\$ 78,359</u> | <u>\$ 78,359</u> |

Town of Luray, Virginia

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

| | Fiscal Year | | | |
|---|---------------------|---------------------|---------------------|---------------------|
| | 2010 | 2011 | 2012 | 2013 |
| Revenues | | | | |
| General property taxes | \$ 1,160,038 | \$ 1,148,368 | \$ 1,154,297 | \$ 1,259,426 |
| Other local taxes | 1,523,260 | 1,687,513 | 1,669,168 | 1,735,798 |
| Permits, privilege fees and regulatory licenses | 4,944 | 13,388 | 21,301 | 8,080 |
| Fines and forfeitures | 21,100 | 13,192 | 20,458 | 14,144 |
| Revenue from use of money and property | 33,010 | 24,767 | 21,779 | 20,827 |
| Charges for services | 275,497 | 299,550 | 316,450 | 304,713 |
| Miscellaneous | 31,700 | 93,063 | 48,347 | 20,693 |
| Recovered costs | - | 6,438 | - | - |
| Intergovernmental: | | | | |
| Commonwealth | 1,100,335 | 1,150,969 | 1,168,661 | 1,187,492 |
| Federal | 224,907 | 64,873 | 7,130 | 83,276 |
| Total revenues | <u>\$ 4,374,791</u> | <u>\$ 4,502,121</u> | <u>\$ 4,427,591</u> | <u>\$ 4,634,449</u> |
| Expenditures | | | | |
| General government administration | \$ 441,870 | \$ 452,551 | \$ 465,875 | \$ 571,040 |
| Public safety | 1,073,783 | 1,053,048 | 1,105,702 | 1,123,134 |
| Public works | 1,821,799 | 1,833,727 | 1,953,282 | 2,204,613 |
| Health and welfare | 20,080 | 16,794 | 16,956 | 18,625 |
| Parks, recreation and cultural | 1,496,485 | 999,951 | 883,498 | 837,140 |
| Community development | 275,424 | 104,879 | 102,578 | 112,356 |
| Debt service | | | | |
| Principal | 19,033 | 213,913 | 120,315 | 448,362 |
| Interest and other fiscal charges | 34,080 | 36,267 | 31,840 | 30,621 |
| Total expenditures | <u>\$ 5,182,554</u> | <u>\$ 4,711,130</u> | <u>\$ 4,680,046</u> | <u>\$ 5,345,891</u> |
| Excess deficiency of revenues over (under) expenditures | <u>\$ (807,763)</u> | <u>\$ (209,009)</u> | <u>\$ (252,455)</u> | <u>\$ (711,442)</u> |
| Other financing sources (uses) | | | | |
| Transfers in | \$ - | \$ - | \$ - | \$ 804 |
| Transfers out | - | - | - | (804) |
| Issuance of capital leases | - | - | - | - |
| Notes payable issued | 750,000 | - | - | 341,158 |
| Total other financing sources (uses) | <u>\$ 750,000</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 341,158</u> |
| Net change in fund balances | <u>\$ (57,763)</u> | <u>\$ (209,009)</u> | <u>\$ (252,455)</u> | <u>\$ (370,284)</u> |
| Debt service as a percentage of noncapital expenditures | 1.04% | 5.61% | 3.36% | 9.84% |

Table 5

| Fiscal Year | | | | | |
|--------------|--------------|--------------|--------------|--------------|--------------|
| 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| \$ 1,374,297 | \$ 1,460,424 | \$ 1,497,639 | \$ 1,504,916 | \$ 1,496,762 | \$ 1,499,626 |
| 1,709,428 | 1,833,896 | 1,925,953 | 2,056,779 | 1,975,467 | 2,057,562 |
| 3,975 | 5,525 | 15,831 | 12,054 | 10,220 | 8,548 |
| 12,112 | 16,390 | 5,574 | 15,892 | 14,664 | 11,960 |
| 19,234 | 20,282 | 24,946 | 23,613 | 15,882 | 25,124 |
| 312,221 | 308,385 | 324,624 | 323,797 | 341,094 | 332,053 |
| 62,041 | 197,481 | 42,717 | 31,882 | 57,401 | 58,670 |
| - | - | - | - | - | - |
| 1,227,420 | 1,260,758 | 1,295,400 | 1,351,738 | 1,349,908 | 3,934,182 |
| 217,028 | 192,222 | 73,182 | 35,873 | 713,940 | 730,637 |
| \$ 4,937,756 | \$ 5,295,363 | \$ 5,205,866 | \$ 5,356,544 | \$ 5,975,338 | \$ 8,658,362 |
| \$ 572,595 | \$ 531,344 | \$ 497,894 | \$ 526,471 | 562,217 | \$ 599,673 |
| 1,131,285 | 1,218,678 | 1,212,686 | 1,251,411 | 1,294,311 | 1,290,700 |
| 2,309,081 | 2,639,203 | 2,397,086 | 2,278,044 | 3,341,106 | 6,157,201 |
| 20,768 | 18,501 | 16,240 | 17,361 | 17,950 | 17,725 |
| 778,724 | 772,907 | 774,703 | 888,836 | 893,347 | 962,582 |
| 119,967 | 108,668 | 116,124 | 65,689 | 40,466 | 32,541 |
| 32,603 | 210,672 | 420,976 | 217,664 | 343,093 | 340,509 |
| 31,060 | 36,612 | 38,379 | 41,947 | 40,741 | 59,355 |
| \$ 4,996,083 | \$ 5,536,585 | \$ 5,474,088 | \$ 5,287,423 | 6,533,231 | \$ 9,460,286 |
| \$ (58,327) | \$ (241,222) | \$ (268,222) | \$ 69,121 | (557,893) | \$ (801,924) |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - |
| - | - | 28,585 | 133,798 | - | - |
| - | 571,658 | 531,837 | 24,280 | 888,914 | 3,139,544 |
| \$ - | \$ 571,658 | \$ 560,422 | \$ 158,078 | 888,914 | \$ 3,139,544 |
| \$ (58,327) | \$ 330,436 | \$ 292,200 | \$ 227,199 | 331,021 | \$ 2,337,620 |
| 1.29% | 4.68% | 9.80% | 5.73% | 7.91% | 7.93% |

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 |
|------------------------|-------------------------|--|-------------------------------------|-------------------------------------|------------------------------------|
| 2019 | \$ 1,499,626 | \$ 195,600 | \$ 135,645 | \$ 330,098 | \$ 681,755 |
| 2018 | 1,496,762 | 192,407 | 141,750 | 299,467 | 685,746 |
| 2017 | 1,504,916 | 206,361 | 142,047 | 330,702 | 708,845 |
| 2016 | 1,497,639 | 168,914 | 144,071 | 300,375 | 670,423 |
| 2015 | 1,460,424 | 168,298 | 148,027 | 284,248 | 634,526 |
| 2014 | 1,374,297 | 156,643 | 147,712 | 278,404 | 586,310 |
| 2013 | 1,259,426 | 159,355 | 149,709 | 297,759 | 589,201 |
| 2012 | 1,154,297 | 183,465 | 145,694 | 260,514 | 558,832 |
| 2011 | 1,148,368 | 173,565 | 153,642 | 254,998 | 547,070 |
| 2010 | 1,160,038 | 168,469 | 151,448 | 239,700 | 518,750 |

Table 6

| Transient Occupancy Tax | Cigarette Tax | Bank Stock Tax | Other Local Taxes | Total |
|--|--------------------------|---------------------------|----------------------------------|--------------|
| \$ 204,916 | \$ 134,664 | \$ 263,527 | \$ 111,357 | \$ 3,557,188 |
| 217,350 | 128,487 | 200,873 | 109,387 | 3,472,229 |
| 220,370 | 145,436 | 191,122 | 111,896 | 3,561,695 |
| 182,944 | 148,921 | 199,234 | 111,071 | 3,423,592 |
| 155,698 | 141,497 | 164,956 | 136,646 | 3,294,320 |
| 157,008 | 137,920 | - | 245,431 | 3,083,725 |
| 160,217 | 145,997 | - | 233,560 | 2,995,224 |
| 148,632 | 147,233 | - | 224,798 | 2,823,465 |
| 146,363 | 181,225 | - | 230,650 | 2,835,881 |
| 146,549 | 88,208 | - | 210,136 | 2,683,298 |

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 |
|------------------------|----|------------------------|----|------------------------------|----|------------------------------------|----|-------------------------|
| 2019 | \$ | 429,985,600 | \$ | 24,802,940 | \$ | 8,703,420 | \$ | 262,900 |
| 2018 | | 430,164,500 | | 24,187,210 | | 8,631,780 | | 264,700 |
| 2017 | | 429,756,500 | | 23,809,450 | | 8,822,440 | | 270,700 |
| 2016 | | 428,328,900 | | 23,284,440 | | 8,134,130 | | 270,700 |
| 2015 | | 440,341,200 | | 22,242,270 | | 6,627,770 | | 298,100 |
| 2014 | | 439,895,000 | | 22,206,970 | | 6,319,380 | | 298,100 |
| 2013 | | 439,923,500 | | 22,516,330 | | 8,166,920 | | 295,700 |
| 2012 | | 439,424,800 | | 29,639,180 | | 8,088,850 | | 292,500 |
| 2011 | | 438,035,700 | | 29,580,220 | | 7,770,455 | | 358,100 |
| 2010 | | 479,268,900 | | 28,582,120 | | 8,013,960 | | 346,400 |

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

Table 7

| Public Service | Total Taxable Assessed Value | Estimated Actual Taxable Value | Assessed Value as a Percentage of Actual Value |
|---------------------------|---|---|---|
| \$ 19,693,678 | \$ 483,448,538 | \$ 514,306,955 | 94.00% |
| 19,281,196 | 482,529,386 | 507,925,669 | 95.00% |
| 19,511,060 | 482,170,150 | 491,753,720 | 98.05% |
| 19,399,193 | 479,417,363 | 488,969,097 | 98.05% |
| 20,312,493 | 489,821,833 | 499,641,442 | 98.03% |
| 18,374,869 | 487,094,319 | 496,903,978 | 98.03% |
| 17,918,474 | 488,820,924 | 498,631,218 | 98.03% |
| 16,535,917 | 493,981,247 | 503,780,420 | 98.05% |
| 14,066,627 | 489,811,102 | 499,579,298 | 98.04% |
| 13,509,784 | 529,721,164 | 540,408,860 | 98.02% |

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

| Fiscal Year | Direct Rates | | | |
|----------------|----------------|----------------------|-----------------|------------------------|
| | Real Estate | Personal Property | Mobile Homes | Machinery and Tools |
| 2019 | 0.29 | 0.62 | 0.29 | 0.62 |
| 2018 | 0.29 | 0.62 | 0.29 | 0.62 |
| 2017 | 0.29 | 0.62 | 0.29 | 0.62 |
| 2016 | 0.29 | 0.62 | 0.29 | 0.62 |
| 2015 | 0.28/0.29 | 0.40/0.62 | 0.28/0.29 | 0.40/0.62 |
| 2014 | 0.28 | 0.40 | 0.28 | 0.40 |
| 2013 | 0.24/0.28 | 0.40 | 0.24/0.28 | 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 |

(1) Per \$100 of assessed value.

Principal Property Taxpayers
Current Year and the Period Ten Years Prior

| Taxpayer | Type Business | Fiscal Year 2019 | | Fiscal Year 2010 | |
|--------------------------------------|------------------|-------------------------------|-------------------------------------|-------------------------------|-------------------------------------|
| | | 2018 Assessed Valuation | % of Total Assessed Valuation | 2009 Assessed Valuation | % of Total Assessed Valuation |
| Luray Caverns Corp | Commercial | \$ 15,062,400 | 3.12% | \$ 10,937,200 | 2.06% |
| Blue Bell Inc. | Manufacturing | 8,038,200 | 1.66% | 8,732,000 | 1.65% |
| Scott Lee Managing (WalMart) | Commercial | 7,432,400 | 1.54% | 6,121,300 | 1.16% |
| Kentland Foundation Inc. | Commercial | 5,275,200 | 1.09% | 4,463,000 | 0.84% |
| SVC LLC previously Excelsior Care | Commercial | 4,481,000 | 0.93% | 4,029,700 | 0.76% |
| East Luray LLC | Commercial | 4,067,400 | 0.84% | 3,879,500 | 0.73% |
| EMCO Inc. 2006/Fibercraft 1996 | Manufacturing | 3,609,800 | 0.75% | 3,920,500 | 0.74% |
| Baker Development | Land Developers | 2,152,600 | 0.45% | - | 0.00% |
| 10 Wallace Ave LLC | Commercial | 2,031,200 | 0.42% | - | 0.00% |
| Rugby Square Associates | Housing Complex | 1,712,100 | 0.35% | - | 0.00% |
| Luray Village | Housing Complex | 1,556,400 | 0.32% | 3,098,100 | 0.58% |
| Mehta Prop.LLC 2006/Zalesca Inc.1996 | Commercial | 1,296,700 | 0.27% | 1,421,600 | 0.27% |
| Luray LLC 2006/Wallace Bus.1996 | Commercial | - | 0.00% | 4,294,600 | 0.81% |
| | | <u>\$ 56,715,400</u> | <u>11.73%</u> | <u>\$ 50,897,500</u> | <u>9.61%</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 |
| 2019 | \$ 1,534,386 | \$ 1,478,064 | 96.33% | \$ - | \$ 1,478,064 | 96.33% |
| 2018 | 1,530,062 | 1,444,897 | 94.43% | 40,079 | 1,484,976 | 97.05% |
| 2017 | 1,522,812 | 1,462,323 | 96.03% | 32,837 | 1,495,160 | 98.18% |
| 2016 | 1,525,037 | 1,459,040 | 95.67% | 43,738 | 1,502,778 | 98.54% |
| 2015 | 1,465,110 | 1,418,204 | 96.80% | 30,614 | 1,448,818 | 98.89% |
| 2014 | 1,399,552 | 1,348,052 | 96.32% | 40,909 | 1,388,961 | 99.24% |
| 2013 | 1,307,657 | 1,239,362 | 94.78% | 64,727 | 1,304,089 | 99.73% |
| 2012 | 1,211,427 | 1,142,622 | 94.32% | 65,909 | 1,208,531 | 99.76% |
| 2011 | 1,200,430 | 1,136,408 | 94.67% | 61,186 | 1,197,594 | 99.76% |
| 2010 | 1,200,416 | 1,149,680 | 95.77% | 49,179 | 1,198,859 | 99.87% |

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

THIS PAGE LEFT BLANK INTENTIONALLY

Town of Luray, Virginia

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

| Fiscal Year | Governmental Activities | | Business-type Activities | | | Total Primary Government |
|----------------|--------------------------|-------------------|--------------------------------|--------------------------|-------------------|--------------------------------|
| | Other Notes/ Bonds | Capital Leases | General Obligation Bonds | Other Notes/ Bonds | Capital Leases | |
| 2019 | \$ 1,400,202 | \$ 16,249 | \$ 3,470,478 | \$ 5,292,192 | \$ - | \$ 10,179,121 |
| 2018 | 1,701,920 | 55,039 | 3,853,326 | 5,383,987 | - | 10,994,272 |
| 2017 | 1,107,157 | 103,981 | 4,223,498 | 5,472,279 | - | 10,906,915 |
| 2016 | 1,252,273 | 18,451 | 4,576,099 | 5,557,204 | - | 11,404,027 |
| 2015 | 1,131,278 | - | 4,921,228 | 5,638,892 | - | 11,691,398 |
| 2014 | 770,292 | - | 5,253,985 | 5,717,462 | - | 11,741,739 |
| 2013 | 802,895 | - | 5,584,460 | 5,793,330 | - | 12,180,685 |
| 2012 | 910,099 | - | 6,057,744 | 5,865,739 | - | 12,833,582 |
| 2011 | 1,030,414 | - | 11,264,744 | 912,484 | - | 13,207,642 |
| 2010 | 1,231,290 | 13,038 | 11,543,388 | 925,030 | 26,076 | 13,738,822 |

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

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

Table 11

| Percentage of Personal Income (1) | Net Bonded Debt Per Capita (1) |
|--|---|
| 1.77% | \$ 2,095 |
| 2.10% | \$ 2,246 |
| 2.08% | 2,228 |
| 2.18% | 2,338 |
| 2.10% | 2,406 |
| 2.17% | 2,416 |
| 2.08% | 2,488 |
| 2.21% | 2,577 |
| 2.35% | 2,652 |
| 2.45% | 2,758 |

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) |
|--------------------|--------------------------|--|----------------------------|---|---------------------------------------|
| 2019 | \$ 10,162,872 | \$ - | \$ 10,162,872 | 2.10% | \$ 2,092 |
| 2018 | 10,939,233 | - | 10,939,233 | 2.27% | 2,271 |
| 2017 | 10,802,934 | - | 10,802,934 | 2.24% | 2,207 |
| 2016 | 11,385,576 | - | 11,385,576 | 2.37% | 2,334 |
| 2015 | 11,691,398 | - | 11,691,398 | 2.39% | 2,406 |
| 2014 | 11,741,739 | - | 11,741,739 | 2.41% | 2,416 |
| 2013 | 12,180,685 | - | 12,180,685 | 2.49% | 2,488 |
| 2012 | 12,833,582 | - | 12,833,582 | 2.60% | 2,577 |
| 2011 | 13,207,642 | - | 13,207,642 | 2.70% | 2,652 |
| 2010 | 13,699,708 | - | 13,699,708 | 2.59% | 2,750 |

(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.

THIS PAGE LEFT BLANK INTENTIONALLY

Town of Luray, VirginiaLegal Debt Margin Information
Last Ten Fiscal Years

| | Fiscal Year | | | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 2010 | 2011 | 2012 | 2013 |
| Debt limit | \$ 47,926,890 | \$ 43,803,570 | \$ 43,942,480 | \$ 43,992,350 |
| Total net debt applicable to limit | <u>13,699,708</u> | <u>13,207,642</u> | <u>12,833,582</u> | <u>12,180,685</u> |
| Legal debt margin | <u>\$ 34,227,182</u> | <u>\$ 30,595,928</u> | <u>\$ 31,108,898</u> | <u>\$ 31,811,665</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 28.58% | 30.15% | 29.21% | 27.69% |

Table 13

| Fiscal Year | | | | | |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| \$ 43,989,500 | \$ 44,034,120 | \$ 42,832,890 | \$ 42,975,650 | \$ 43,016,450 | \$ 42,998,560 |
| <u>11,741,739</u> | <u>11,691,398</u> | <u>11,385,576</u> | <u>10,802,934</u> | <u>10,939,233</u> | <u>10,162,872</u> |
| \$ <u><u>32,247,761</u></u> | \$ <u><u>32,342,722</u></u> | \$ <u><u>31,447,314</u></u> | \$ <u><u>32,172,716</u></u> | \$ <u><u>32,077,217</u></u> | \$ <u><u>32,835,688</u></u> |
| 26.69% | 26.55% | 26.58% | 25.14% | 25.43% | 23.64% |

Legal Debt Margin Calculation for Fiscal Year 2019

| | |
|--|-----------------------------|
| Assessed value | \$ 429,985,600 |
| Add back: exempt real property | - |
| Total assessed value | \$ <u>429,985,600</u> |
| Debt limit (10% of total assessed value) | \$ 42,998,560 |
| Net debt applicable to limit | <u>10,162,872</u> |
| Legal debt margin | \$ <u><u>32,835,688</u></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) |
|--------------------|------------------------|------------------------------|----------------------------|---------------------------------------|------------------------------|
| 2019 | 4,858 | 23,933 | \$ 575,756,181 | \$ 24,057 | 3.30% |
| 2018 | 4,817 | 23,731 | 538,290,273 | 22,683 | 3.80% |
| 2017 | 4,895 | 23,586 | 524,576,226 | 22,241 | 5.60% |
| 2016 | 4,878 | 23,719 | 523,786,677 | 22,083 | 4.60% |
| 2015 | 4,860 | 24,083 | 556,895,292 | 23,124 | 6.90% |
| 2014 | 4,860 | 24,079 | 539,971,575 | 22,425 | 7.60% |
| 2013 | 4,896 | 24,215 | 586,027,215 | 24,201 | 8.20% |
| 2012 | 4,980 | 24,042 | 581,840,442 | 24,201 | 9.10% |
| 2011 | 4,980 | 24,042 | 561,098,000 | 23,338 | 9.30% |
| 2010 | 4,981 | 24,164 | 561,280,000 | 23,228 | 9.10% |

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

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

Principal Employers
Current Year and Nine Years Ago

| Employer | Fiscal Year 2019 | | | Fiscal Year 2010 | | |
|--|------------------|------|------------------------------------|------------------|------|------------------------------------|
| | Employees | Rank | % of Total County Employment | Employees | Rank | % of Total County Employment |
| Page County Public Schools | 600 | 1 | 10.85% | 588 | 1 | 6.37% |
| Delaware North (Prev. Aramark) | 275 | 2 | 4.97% | 300 | 2 | 3.25% |
| County of Page, Virginia | 232 | 3 | 4.19% | 240 | 6 | 2.60% |
| Luray Caverns Corp | 220 | 4 | 3.98% | 250 | 3 | 2.71% |
| Emco, Inc. | 218 | 5 | 3.94% | 250 | 3 | 2.71% |
| Valley Health (Page Memorial Hospital) | 197 | 6 | 3.56% | 185 | 8 | 2.00% |
| Walmart | 185 | 7 | 3.34% | 225 | 7 | 2.44% |
| Wrangler/VF Jeanswear | 135 | 8 | 2.44% | 231 | 5 | 2.50% |
| Town of Luray, Virginia | 70 | 9 | 1.27% | 0 | N/A | 0.00% |
| Valley Care Management | 60 | 10 | 1.08% | 150 | 9 | 1.62% |
| Totals | 2,192 | | 39.64% | 2,419 | | 26.19% |

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 | | | | |
|-----------------------------|-------------|-----------|-----------|-----------|-----------|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| General government | 7 | 7 | 7 | 9 | 9 |
| Public safety | | | | | |
| Police department | 11 | 11 | 11 | 11 | 12 |
| Public works | | | | | |
| General maintenance | 12 | 12 | 12 | 12 | 12 |
| Waste Water Treatment Plant | 6 | 6 | 6 | 5 | 6 |
| Culture and recreation | | | | | |
| Parks and recreation | 6 | 6 | 6 | 5 | 6 |
| Community development | | | | | |
| Planning | 1 | 1 | 1 | 1 | 1 |
| Totals | <u>43</u> | <u>43</u> | <u>43</u> | <u>43</u> | <u>46</u> |

Source: Individual Town departments.

Table 16

| Fiscal Year | | | | |
|-------------|------|------|------|------|
| 2015 | 2016 | 2017 | 2018 | 2019 |
| 9 | 9 | 8 | 9 | 9 |
| 11 | 11 | 11 | 11 | 11 |
| 12 | 12 | 12 | 12 | 12 |
| 6 | 5 | 5 | 5 | 7 |
| 6 | 6 | 6 | 7 | 7 |
| 1 | 1 | 0 | 0 | 0 |
| 45 | 44 | 42 | 44 | 46 |

Town of Luray, Virginia

Operating Indicators by Function Last Ten Fiscal Years

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

Source: Individual Town departments.

Table 17

| Fiscal Year | | | | |
|-------------|------|-------|-------|-------|
| 2015 | 2016 | 2017 | 2018 | 2019 |
| 64 | 194 | 303 | 375 | 364 |
| 213 | 197 | 311 | 243 | 240 |
| 946 | 947 | 1,055 | 1,038 | 1,035 |
| 17 | 18 | 18 | 18 | 18 |
| 800 | 815 | 800 | 800 | 775 |
| 62 | 76 | 97 | 93 | 113 |

Town of Luray, Virginia

Capital Asset Statistics by Function Last Ten Fiscal Years

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

Source: Individual Town departments.

Table 18

| Fiscal Year | | | | |
|----------------|----------------|---------------|---------------|----------------|
| 2015 | 2016 | 2017 | 2018 | 2019 |
| 19 2 | 19 2 | 19 2 | 19 2 | 19 1 |
| 8 | 8 | 10 2 | 10 2 | 11 1 |
| 17 | 18 | 18 | 18 | 18 |
| 4 | 4 | 4 | 4 | 4 |
| 10 190 1 | 10 190 1 | 9 190 1 | 9 190 1 | 10 190 1 |

COMPLIANCE



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

**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, 2019, and the related notes to the financial statements, which collectively comprise Town of Luray, Virginia's basic financial statements, and have issued our report thereon dated November 5, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Staunton, Virginia
November 5, 2019