



TOWN OF LURAY, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2016

TOWN OF LURAY, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2016

COUNCIL

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John Meaney

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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, 2016**

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Town of Luray, Virginia, as of and for the year ended June 30, 2016, 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, 2016, 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 1 to the financial statements, in 2016, the Town adopted new accounting guidance, GASB Statement No. 82 Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73. 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, and 64-69, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Luray, Virginia's basic financial statements. The 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 October 10, 2016, on our consideration of Town of Luray, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Luray, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Staunton, Virginia
October 10, 2016

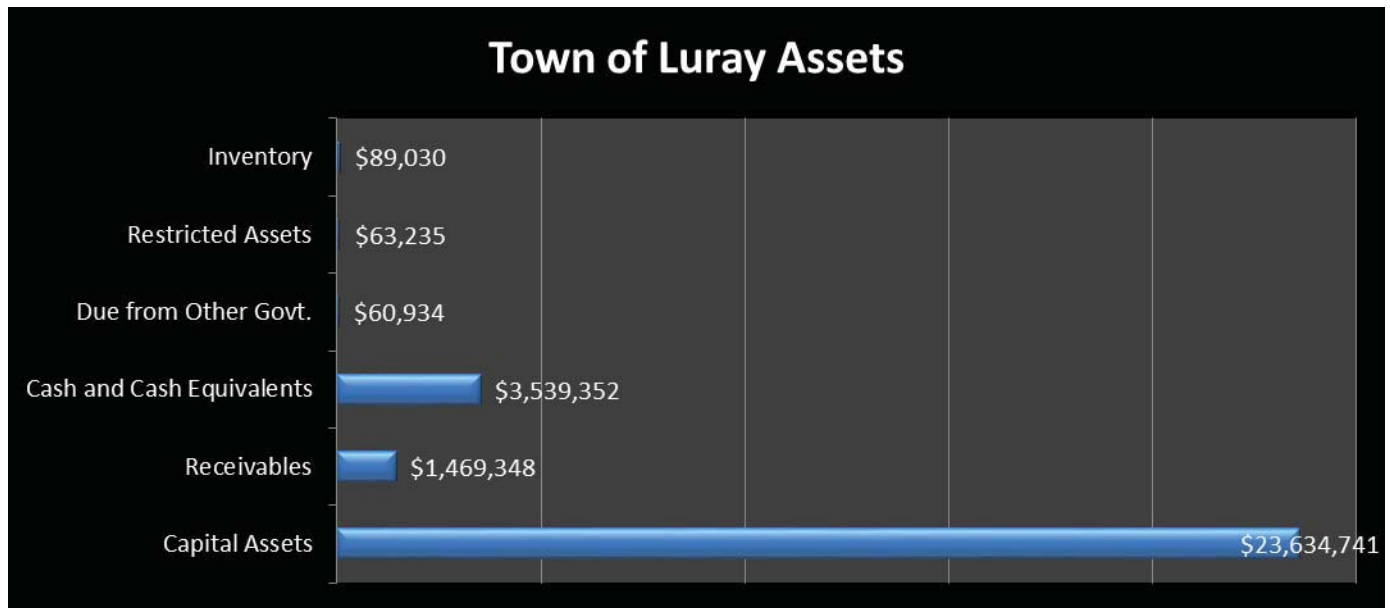
MANAGEMENT'S DISCUSSION AND ANALYSIS
Town of Luray Annual Audit Report

Fiscal Year Ending June 30, 2016

We are pleased to present the Annual Audit Report for the Town of Luray's fiscal year ending June 30, 2016. 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, 2016. 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, 2016 by \$14,083,690 (net position). Of this amount, \$1,940,985 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. The unrestricted net position has increased by \$990,311 over last fiscal year's unrestricted balance of \$950,674. A significant portion of this change is due to a decrease in the actuarially estimated net pension liability. Refer to Note 9 for additional information and related pension disclosures.

Assets and deferred outflows of resources decreased by \$48,315 over the previous budget year. Assets and deferred outflows of resources totaled \$29,247,799 on June 30, 2016, while liabilities and deferred inflows only \$15,164,109. 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, 2016, the Town's general fund balance is just over \$3.0 million. This is an increase of \$292,240 over last year's fund balance of \$2,729,246. At June 30, 2016, the fund balance available for spending at the Town of Luray's discretion amounted to \$2,976,885 (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 85 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, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016
Land	\$ 982,315	\$ 982,315	\$ 149,704	\$ 149,704	\$ 1,132,019	\$ 1,132,019
Buildings and improvements	8,003,388	8,003,388	-	-	8,003,388	8,003,388
Infrastructure	5,485,917	5,485,917	-	-	5,485,917	5,485,917
Utility plant in service	-	-	33,995,486	34,132,713	33,995,486	34,132,713
Equipment	1,782,150	1,846,296	-	-	1,782,150	1,846,296
Construction in progress	367,265	605,701	-	30,167	367,265	635,868
Total	\$ 16,621,035	\$ 16,923,617	\$ 34,145,190	\$ 34,312,584	\$ 50,766,225	\$ 51,236,201
Accumulated depreciation	(9,704,443)	(10,126,711)	(16,711,837)	(17,474,749)	(26,416,280)	(27,601,460)
Net capital assets	<u>\$ 6,916,592</u>	<u>\$ 6,796,906</u>	<u>\$ 17,433,353</u>	<u>\$ 16,837,835</u>	<u>\$ 24,349,945</u>	<u>\$ 23,634,741</u>

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

	Governmental Activities		Business-type Activities		Total	
	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016
Current and other assets	\$ 3,731,760	\$ 4,073,782	\$ 814,325	\$ 1,148,117	\$ 4,546,085	\$ 5,221,899
Capital assets	6,916,592	6,796,906	17,433,353	16,837,835	24,349,945	23,634,741
Total assets	<u>\$ 10,648,352</u>	<u>\$ 10,870,688</u>	<u>\$ 18,247,678</u>	<u>\$ 17,985,952</u>	<u>\$ 28,896,030</u>	<u>\$ 28,856,640</u>
Deferred outflows of resources	<u>\$ 198,859</u>	<u>\$ 195,123</u>	<u>\$ 201,225</u>	<u>\$ 196,036</u>	<u>\$ 400,084</u>	<u>\$ 391,159</u>
Current and other liabilities	\$ 86,092	\$ 146,071	\$ 189,323	\$ 199,145	\$ 275,415	\$ 345,216
Long-term liabilities	2,737,491	2,353,881	11,532,092	10,957,351	14,269,583	13,311,232
Total liabilities	<u>\$ 2,823,583</u>	<u>\$ 2,499,952</u>	<u>\$ 11,721,415</u>	<u>\$ 11,156,496</u>	<u>\$ 14,544,998</u>	<u>\$ 13,656,448</u>
Deferred inflows of resources	<u>\$ 1,090,866</u>	<u>\$ 1,299,443</u>	<u>\$ 156,877</u>	<u>\$ 208,218</u>	<u>\$ 1,247,743</u>	<u>\$ 1,507,661</u>
Net investment in capital assets	\$ 5,785,314	\$ 5,526,182	\$ 6,688,986	\$ 6,538,164	\$ 12,474,300	\$ 12,064,346
Restricted (CDBG)	78,399	78,359	-	-	78,399	78,359
Unrestricted	1,069,049	1,661,875	(118,375)	279,110	950,674	1,940,985
Total net position	<u>\$ 6,932,762</u>	<u>\$ 7,266,416</u>	<u>\$ 6,570,611</u>	<u>\$ 6,817,274</u>	<u>\$ 13,503,373</u>	<u>\$ 14,083,690</u>

Liabilities and deferred inflows of resources total \$15,164,109 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, 2016 the total assessed value of real estate in the Town of Luray was \$428,328,900. The legal debt margin would therefore be \$31,447,314 (\$42,832,890 ten percent of assessed value less \$11,385,576 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, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016
Revenues:						
Program revenues:						
Charges for services	\$ 330,300	\$ 346,029	\$ 2,798,237	\$ 3,066,208	\$ 3,128,537	\$ 3,412,237
Operating grants and contributions	1,196,572	1,217,272	-	-	1,196,572	1,217,272
Capital grants and contributions	172,730	72,629	7,305	8,610	180,035	81,239
General revenues:						
Property taxes	1,443,186	1,498,702	-	-	1,443,186	1,498,702
Other local taxes	1,833,896	1,925,953	-	-	1,833,896	1,925,953
Gain on disposal of capital assets	-	-	-	-	-	-
Grants and contributions not restricted to specific programs	83,678	78,681	-	-	83,678	78,681
Unrestricted investment:						
Earnings	20,282	24,946	-	-	20,282	24,946
Other	197,481	42,717	-	-	197,481	42,717
Total revenues	\$ 5,278,125	\$ 5,206,929	\$ 2,805,542	\$ 3,074,818	\$ 8,083,667	\$ 8,281,747
Expenses:						
General government administration	\$ 559,526	\$ 490,376	\$ -	\$ -	\$ 559,526	\$ 490,376
Public safety	1,141,749	1,050,020	-	-	1,141,749	1,050,020
Public works	2,091,393	2,286,890	-	-	2,091,393	2,286,890
Health and welfare	18,501	16,240	-	-	18,501	16,240
Parks, recreation, and culture	904,215	884,352	-	-	904,215	884,352
Community development	105,981	103,653	-	-	105,981	103,653
Interest on long-term debt	36,851	41,744	-	-	36,851	41,744
Business-type activities	-	-	2,948,551	2,828,155	2,948,551	2,828,155
Total expenses	\$ 4,858,216	\$ 4,873,275	\$ 2,948,551	\$ 2,828,155	\$ 7,806,767	\$ 7,701,430
Change in net position	\$ 419,909	\$ 333,654	\$ (143,009)	\$ 246,663	\$ 276,900	\$ 580,317
Net position, beginning	6,512,853	6,932,762	6,713,620	6,570,611	13,226,473	13,503,373
Net position, ending	\$ 6,932,762	\$ 7,266,416	\$ 6,570,611	\$ 6,817,274	\$ 13,503,373	\$ 14,083,690

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.

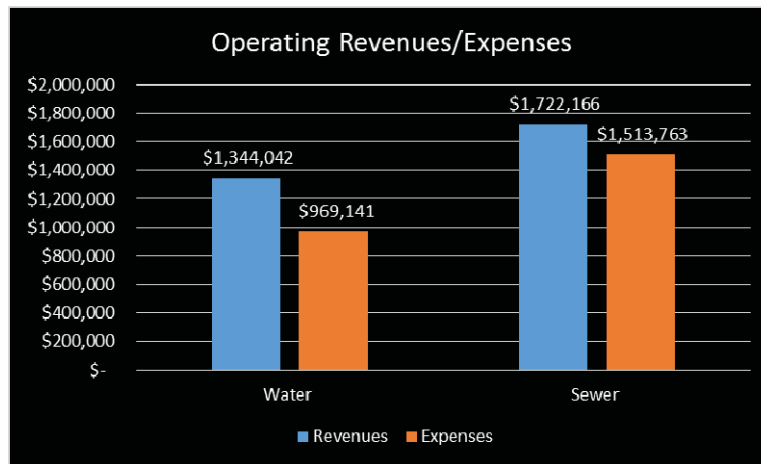
The Town's *net position* is divided into three categories: (1) net investment in capital assets; (2) restricted; and (3) unrestricted. The preceding chart of Luray's assets provided a breakout of assets. At the end of the current fiscal year, the Town is able to report positive balances in all categories 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 \$333,654. Total spending in governmental funds was \$4,873,275.



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 \$583,304. The water fund had an operational income of \$374,901 and the sewer funds an operational income of \$208,403. Overall operating expenses show a decrease of \$99,523 compared to the June 30, 2015 proprietary fund statements. Unrestricted net position of the water and sewer funds at the end of the fiscal year is \$279,110.

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

Economic Factors in Next Year's Budget

- The Town plans to complete the Leaksville Road water line replacement project through the use of local funds.
- 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 continues the planning and funding processes for the replacement of the Main Street Bridge. The project will be funded through a 1.62 million dollar federal grant, plus state and local funding. Construction will begin in 2018.
- The Town continues with the next phases of the Main Street Electric Conduit Project. Completion of Phase 4 and 5 are scheduled for 2016, with Phase 3 beginning in 2017.
- The Town will continue with upgrading the water meters, valves and sewer infrastructures.
- The Town will continue with Phase V of the Luray Train Depot rehabilitation project. Phase V of the project includes additional custom museum displays, roof/skylight repairs, and attic insulation.
- The Town continues to work with VDOT to complete intersection improvements on West Main at Northcott and US211. This will be funded through State Urban Construction monies, other state funds, and local funds.
- The Town will continue work on the West Main-Memorial Drive Improvement Project, including the traffic signal implementation. 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, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,909,951	\$ 629,401	\$ 3,539,352
Receivables (net of allowance for uncollectibles):			
Taxes receivable	803,455	-	803,455
Accounts receivable	164,400	486,369	650,769
Notes receivable	15,124	-	15,124
Internal balances	12,082	(12,082)	-
Due from other governmental units	60,934	-	60,934
Inventories	44,601	44,429	89,030
Restricted assets:			
Cash and cash equivalents	63,235	-	63,235
Capital assets, net of accumulated depreciation:			
Land	982,315	149,704	1,132,019
Buildings and system	3,667,699	-	3,667,699
Land Improvements	633,163	-	633,163
Machinery and equipment	250,597	-	250,597
Infrastructure	657,431	-	657,431
Utility plant in service	-	16,657,964	16,657,964
Construction in progress	605,701	30,167	635,868
Total assets	<u>\$ 10,870,688</u>	<u>\$ 17,985,952</u>	<u>\$ 28,856,640</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	\$ -	\$ 100,765	\$ 100,765
Pension contributions subsequent to measurement date	195,123	95,271	290,394
Total deferred outflows of resources	<u>\$ 195,123</u>	<u>\$ 196,036</u>	<u>\$ 391,159</u>
LIABILITIES			
Accounts payable	\$ 126,858	\$ 31,701	\$ 158,559
Accrued liabilities	13,893	19,099	32,992
Retainage Payable	1,165	-	1,165
Customers' deposits	-	108,845	108,845
Accrued interest payable	4,155	39,500	43,655
Long-term liabilities:			
Due within one year	148,149	437,513	585,662
Due in more than one year	2,205,732	10,519,838	12,725,570
Total liabilities	<u>\$ 2,499,952</u>	<u>\$ 11,156,496</u>	<u>\$ 13,656,448</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 698,932	\$ -	\$ 698,932
Items related to measurement of net pension liability	600,511	208,218	808,729
Total deferred inflows of resources	<u>\$ 1,299,443</u>	<u>\$ 208,218</u>	<u>\$ 1,507,661</u>
NET POSITION			
Net investment in capital assets	\$ 5,526,182	\$ 6,538,164	\$ 12,064,346
Restricted for:			
Community development block grant expenditures	78,359	-	78,359
Unrestricted	1,661,875	279,110	1,940,985
Total net position	<u>\$ 7,266,416</u>	<u>\$ 6,817,274</u>	<u>\$ 14,083,690</u>

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

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Town of Luray, Virginia

Statement of Activities
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 490,376	\$ -	\$ -	\$ -
Public safety	1,050,020	5,574	138,310	-
Public works	2,286,890	276,428	1,071,036	72,629
Health and welfare	16,240	-	-	-
Parks, recreation, and cultural	884,352	64,027	2,926	-
Community development	103,653	-	5,000	-
Interest on long-term debt	41,744	-	-	-
Total governmental activities	\$ 4,873,275	\$ 346,029	\$ 1,217,272	\$ 72,629
Business-type activities:				
Water	\$ 1,206,662	\$ 1,344,042	\$ -	\$ 6,810
Sewer	1,621,493	1,722,166	-	1,800
Total business-type activities	\$ 2,828,155	\$ 3,066,208	\$ -	\$ 8,610
Total primary government	\$ 7,701,430	\$ 3,412,237	\$ 1,217,272	\$ 81,239

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
\$ (490,376)	\$ -	\$ (490,376)
(906,136)	-	(906,136)
(866,797)	-	(866,797)
(16,240)	-	(16,240)
(817,399)	-	(817,399)
(98,653)	-	(98,653)
(41,744)	-	(41,744)
<u>\$ (3,237,345)</u>	<u>\$ -</u>	<u>\$ (3,237,345)</u>
\$ -	\$ 144,190	\$ 144,190
-	102,473	102,473
<u>\$ -</u>	<u>\$ 246,663</u>	<u>\$ 246,663</u>
<u>\$ (3,237,345)</u>	<u>\$ 246,663</u>	<u>\$ (2,990,682)</u>
\$ 1,498,702	\$ -	\$ 1,498,702
168,914	-	168,914
144,071	-	144,071
300,375	-	300,375
670,423	-	670,423
148,921	-	148,921
182,944	-	182,944
199,234	-	199,234
111,071	-	111,071
24,946	-	24,946
42,717	-	42,717
78,681	-	78,681
<u>\$ 3,570,999</u>	<u>\$ -</u>	<u>\$ 3,570,999</u>
\$ 333,654	\$ 246,663	\$ 580,317
6,932,762	6,570,611	13,503,373
<u>\$ 7,266,416</u>	<u>\$ 6,817,274</u>	<u>\$ 14,083,690</u>

FUND FINANCIAL STATEMENTS

Balance Sheet
Governmental Funds
June 30, 2016

	Primary Government		
	Special Revenue		
	General Fund	Fund CDBG	Total
ASSETS			
Cash and cash equivalents	\$ 2,909,951	\$ -	\$ 2,909,951
Receivables (net of allowance for uncollectibles):			
Taxes receivable	803,455	-	803,455
Accounts receivable	164,400	-	164,400
Notes receivable	-	15,124	15,124
Due from other funds	12,082	-	12,082
Due from other governmental units	60,934	-	60,934
Inventories	44,601	-	44,601
Restricted assets:			
Cash and cash equivalents	-	63,235	63,235
Total assets	<u>\$ 3,995,423</u>	<u>\$ 78,359</u>	<u>\$ 4,073,782</u>
LIABILITIES			
Accounts payable	\$ 126,858	\$ -	\$ 126,858
Accrued liabilities	13,893	-	13,893
Retainage payable	1,165	-	1,165
Total liabilities	<u>\$ 141,916</u>	<u>\$ -</u>	<u>\$ 141,916</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	\$ 832,021	\$ -	\$ 832,021
Total deferred inflows of resources	<u>\$ 832,021</u>	<u>\$ -</u>	<u>\$ 832,021</u>
FUND BALANCES			
Nonspendable:			
Inventory	\$ 44,601	\$ -	\$ 44,601
Restricted:			
Community development block grant fund	-	78,359	78,359
Unassigned	2,976,885	-	2,976,885
Total fund balances	<u>\$ 3,021,486</u>	<u>\$ 78,359</u>	<u>\$ 3,099,845</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,995,423</u>	<u>\$ 78,359</u>	<u>\$ 4,073,782</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, 2016

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 3,099,845
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,796,906
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	(467,422)
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.	195,123
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(2,358,036)</u>
Net position of governmental activities	<u>\$ 7,266,416</u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2016

	Primary Government		
	General Fund	Special Revenue Fund CDBG	Total
REVENUES			
General property taxes	\$ 1,497,639	\$ -	\$ 1,497,639
Other local taxes	1,925,953	-	1,925,953
Permits, privilege fees, and regulatory licenses	15,831	-	15,831
Fines and forfeitures	5,574	-	5,574
Revenue from the use of money and property	24,946	-	24,946
Charges for services	324,624	-	324,624
Miscellaneous	42,717	-	42,717
Intergovernmental:			
Commonwealth	1,295,400	-	1,295,400
Federal	73,182	-	73,182
Total revenues	<u>\$ 5,205,866</u>	<u>\$ -</u>	<u>\$ 5,205,866</u>
EXPENDITURES			
Current:			
General government administration	\$ 497,894	\$ -	\$ 497,894
Public safety	1,212,686	-	1,212,686
Public works	2,397,086	-	2,397,086
Health and welfare	16,240	-	16,240
Parks, recreation, and cultural	774,703	-	774,703
Community development	116,084	40	116,124
Debt service:			
Principal retirement	420,976	-	420,976
Interest and other fiscal charges	38,379	-	38,379
Total expenditures	<u>\$ 5,474,048</u>	<u>\$ 40</u>	<u>\$ 5,474,088</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (268,182)</u>	<u>\$ (40)</u>	<u>\$ (268,222)</u>
OTHER FINANCING SOURCES (USES)			
Issuance of capital lease	\$ 28,585	\$ -	\$ 28,585
Issuance of notes payable	531,837	-	531,837
Total other financing sources (uses)	<u>\$ 560,422</u>	<u>\$ -</u>	<u>\$ 560,422</u>
Net change in fund balances	\$ 292,240	\$ (40)	\$ 292,200
Fund balances beginning	2,729,246	78,399	2,807,645
Fund balances ending	<u>\$ 3,021,486</u>	<u>\$ 78,359</u>	<u>\$ 3,099,845</u>

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

Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2016

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

Net change in fund balances - total governmental funds	\$ 292,200
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period.	(119,686)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(215,369)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(139,446)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	<u>515,955</u>
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Change in net position of governmental activities	<u><u>\$ 333,654</u></u>
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The notes to the financial statements are an integral part of this statement.

Statement of Net Position
Proprietary Funds
June 30, 2016

	Enterprise Funds		
	Water	Sewer	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 370,686	\$ 258,715	\$ 629,401
Accounts receivable, net of allowances for uncollectibles	213,000	273,369	486,369
Due from other funds	-	373,759	373,759
Inventories	38,665	5,764	44,429
Total current assets	<u>\$ 622,351</u>	<u>\$ 911,607</u>	<u>\$ 1,533,958</u>
Noncurrent assets:			
Capital assets:			
Land	\$ 114,284	\$ 35,420	\$ 149,704
Construction in progress	30,167	-	30,167
Utility plant in service	9,774,489	24,358,224	34,132,713
Accumulated Depreciation	(4,051,816)	(13,422,933)	(17,474,749)
Total net capital assets	<u>\$ 5,867,124</u>	<u>\$ 10,970,711</u>	<u>\$ 16,837,835</u>
Total noncurrent assets	<u>\$ 5,867,124</u>	<u>\$ 10,970,711</u>	<u>\$ 16,837,835</u>
Total assets	<u>\$ 6,489,475</u>	<u>\$ 11,882,318</u>	<u>\$ 18,371,793</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	\$ 26,287	\$ 74,478	\$ 100,765
Pension contributions subsequent to measurement date	41,932	53,339	95,271
Total deferred outflows of resources	<u>\$ 68,219</u>	<u>\$ 127,817</u>	<u>\$ 196,036</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 11,359	\$ 20,342	\$ 31,701
Accrued liabilities	14,014	5,085	19,099
Customers' deposits	108,845	-	108,845
Accrued interest payable	15,760	23,740	39,500
Due to other funds	385,841	-	385,841
Bonds payable - current portion, net of original issue premium	83,448	269,153	352,601
Notes payable - current portion	76,698	8,214	84,912
Total current liabilities	<u>\$ 695,965</u>	<u>\$ 326,534</u>	<u>\$ 1,022,499</u>
Noncurrent liabilities:			
Bonds payable - net of current portion, net of original issue premium	\$ 969,262	\$ 3,521,369	\$ 4,490,631
Notes payable - net of current portion	5,060,082	412,210	5,472,292
Compensated absences	28,638	51,467	80,105
Net OPEB obligation	11,277	14,425	25,702
Net pension liability	198,549	252,559	451,108
Total noncurrent liabilities	<u>\$ 6,267,808</u>	<u>\$ 4,252,030</u>	<u>\$ 10,519,838</u>
Total liabilities	<u>\$ 6,963,773</u>	<u>\$ 4,578,564</u>	<u>\$ 11,542,337</u>
DEFERRED INFLOWS OF RESOURCES			
Items related to measurement of net pension liability	\$ 65,219	\$ 142,999	\$ 208,218
Total deferred inflows of resources	<u>\$ 65,219</u>	<u>\$ 142,999</u>	<u>\$ 208,218</u>
NET POSITION			
Net investment in capital assets	\$ (296,079)	\$ 6,834,243	\$ 6,538,164
Unrestricted	(175,219)	454,329	279,110
Total net position (deficit)	<u>\$ (471,298)</u>	<u>\$ 7,288,572</u>	<u>\$ 6,817,274</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, 2016

	Enterprise Funds		
	Water	Sewer	Total
OPERATING REVENUES			
Charges for services:			
Water revenues	\$ 1,344,042	\$ -	\$ 1,344,042
Sewer revenues	-	1,525,239	1,525,239
Miscellaneous	-	196,927	196,927
Total operating revenues	<u>\$ 1,344,042</u>	<u>\$ 1,722,166</u>	<u>\$ 3,066,208</u>
OPERATING EXPENSES			
Personal services	\$ 308,068	\$ 398,519	\$ 706,587
Fringe benefits	127,092	109,660	236,752
Contractual services	8,495	8,547	17,042
Other supplies and expenses	48,586	15,646	64,232
Rentals and leases	227	-	227
Insurance claims and expense	14,000	25,000	39,000
Other charges	223,005	433,147	656,152
Depreciation	239,668	523,244	762,912
Total operating expenses	<u>\$ 969,141</u>	<u>\$ 1,513,763</u>	<u>\$ 2,482,904</u>
Operating income (loss)	<u>\$ 374,901</u>	<u>\$ 208,403</u>	<u>\$ 583,304</u>
NONOPERATING REVENUES (EXPENSES)			
Interest expense	<u>\$ (237,521)</u>	<u>\$ (107,730)</u>	<u>\$ (345,251)</u>
Total nonoperating revenues (expenses)	<u>\$ (237,521)</u>	<u>\$ (107,730)</u>	<u>\$ (345,251)</u>
Income (loss) before contributions	<u>\$ 137,380</u>	<u>\$ 100,673</u>	<u>\$ 238,053</u>
Capital contributions and construction grants	<u>6,810</u>	<u>1,800</u>	<u>8,610</u>
Change in net position	<u>\$ 144,190</u>	<u>\$ 102,473</u>	<u>\$ 246,663</u>
Total net position - beginning	<u>(615,488)</u>	<u>7,186,099</u>	<u>6,570,611</u>
Total net position - ending	<u><u>\$ (471,298)</u></u>	<u><u>\$ 7,288,572</u></u>	<u><u>\$ 6,817,274</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, 2016

	Enterprise Funds		
	Water	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,284,856	\$ 1,702,134	\$ 2,986,990
Payments to suppliers	(288,142)	(487,115)	(775,257)
Payments to employees	(451,725)	(558,099)	(1,009,824)
Net cash provided by (used for) operating activities	\$ 544,989	\$ 656,920	\$ 1,201,909
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases to utility plant	\$ (62,842)	\$ (104,552)	\$ (167,394)
Principal payments on bonds and notes	(155,527)	(271,290)	(426,817)
Capital contributions	6,810	1,800	8,610
Bond premiums	(7,549)	(13,615)	(21,164)
Interest expense	(234,999)	(109,329)	(344,328)
Net cash provided by (used for) capital and related financing activities	\$ (454,107)	\$ (496,986)	\$ (951,093)
Net increase (decrease) in cash and cash equivalents	\$ 90,882	\$ 159,934	\$ 250,816
Cash and cash equivalents - beginning - including restricted	279,804	98,781	378,585
Cash and cash equivalents - ending - including restricted	\$ 370,686	\$ 258,715	\$ 629,401
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 374,901	\$ 208,403	\$ 583,304
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	\$ 239,668	\$ 523,244	\$ 762,912
(Increase) decrease in accounts receivable	(66,686)	(20,032)	(86,718)
(Increase) decrease in inventories	4,533	(791)	3,742
(Increase) decrease in deferred outflows of resources	(6,172)	8,076	1,904
Increase (decrease) in customer deposits	7,500	-	7,500
Increase (decrease) in accounts payable	1,638	(3,984)	(2,346)
Increase (decrease) in net OPEB obligation	(448)	(2,209)	(2,657)
Increase (decrease) in accrued liabilities	6,072	958	7,030
Increase (decrease) in compensated absences	(554)	4,620	4,066
Increase (decrease) in net pension liability	(21,177)	(106,992)	(128,169)
Increase (decrease) in deferred inflows of resources	5,714	45,627	51,341
Total adjustments	\$ 170,088	\$ 448,517	\$ 618,605
Net cash provided by (used for) operating activities	\$ 544,989	\$ 656,920	\$ 1,201,909

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

TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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, 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, 2016.

Discretely Presented Component Units - The Town has no discretely presented component units for the fiscal year ended June 30, 2016.

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, 2016 (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. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports, including the original budget and a comparison of final budget and actual results.

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

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

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (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, 2016 (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, 2016 includes amounts not yet billed or received from the second half of the January 1, 2016 levy (due December 5, 2016). These items are included in unavailable revenue since these taxes are restricted for use until fiscal year 2017.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (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 \$94,668 at June 30, 2016 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 \$21,148 represents 1.387% of the total levies for the previous year. The portion of the allowance attributable to refuse and water and sewer represents 9.062% of the accounts receivable balance at June 30, 2016. The portion of the allowance attributable to CDBG loans represents 57.95% of the loan receivables balance at June 30, 2016.

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. No interest was capitalized during the current or previous year.

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

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (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. In accordance with the provisions of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement. The Town accrues salary-related payments associated with the payment of compensated absences.

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 equity*

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

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

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

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

10. Fund equity (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 to unanticipated emergencies of approximately 20% of the actual GAAP basis expenditures and other financing sources and uses.

11. Net position

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

12. Net position flow assumption

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (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 two 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, 2016 amounted to \$100,765. The other item is comprised of contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. For more detailed information on this item, reference the pension note.

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 are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

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, 2016 (CONTINUED)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**F. Adoption of Accounting Principles:**

Governmental Accounting Standards Board Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*

The Town early implemented provisions of the above Statement during the fiscal year ended June 30, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. No restatement was required as a result of this implementation.

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

The governmental fund balance sheet includes a reconciliation between *fund balance—total governmental funds* and *net position—governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$2,358,036) difference for the primary government are as follows:

	Primary Government
Notes payable	\$ (1,252,273)
Capital lease	(18,451)
Accrued interest payable	(4,155)
Net OPEB obligation	(44,598)
Compensated absences	(115,035)
Net pension liability	(923,524)
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net position-governmental activities</i>	\$ <u><u>(2,358,036)</u></u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

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

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

Another element of that reconciliation states that “other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.” The details of this (\$467,422) difference for the primary government are as follows:

	Primary Government
Unavailable revenue - property taxes	\$ 133,089
Items related to measurement of net pension liability	<u>(600,511)</u>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net position-governmental activities</i>	\$ <u><u>(467,422)</u></u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances—total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this (\$119,686) difference for the primary government are as follows:

	Primary Government
Capital outlay	\$ 325,736
Depreciation expense	<u>(445,422)</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ <u><u>(119,686)</u></u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

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

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (continued)

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this (\$139,446) difference in the primary government are as follows:

	Primary Government
Debt issued or incurred:	
Issuance of notes payable	\$ (531,837)
Issuance of capital lease	(28,585)
Principal repayments:	
Notes payable	410,842
Capital lease	10,134
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ <u>(139,446)</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$515,955 difference for the primary government are as follows:

	Primary Government
Accrued interest payable	\$ (3,365)
Compensated absences	29,306
Net OPEB obligation	(957)
Net pension Liability	494,707
Deferred outflows related to pension payments subsequent to the measurement date	(3,736)
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ <u>515,955</u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

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

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (continued)

Another element of that reconciliation states that “revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this (\$215,369) difference for the primary government are as follows:

	Primary Government
Property taxes	\$ 1,063
Changes in deferred inflows related to the measurement of the net pension liability	<u>(216,432)</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ <u><u>(215,369)</u></u>

NOTE 3—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgetary Information

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

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

TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

NOTE 3—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY: (CONTINUED)

B. Excess of expenditures over appropriations

For the year ended June 30, 2016 no departments had expenditures which exceeded appropriations.

C. Deficit fund equity

At June 30, 2016, the water fund had a net position deficit of (\$471,298).

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, 2016, interfund obligations were as follows:

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

NOTE 5—DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governmental units at June 30, 2016, are as follows:

	<u>Primary Government</u>
<u>Commonwealth of Virginia:</u>	
Sales tax	\$ 35,802
Communications tax	12,211
Railroad rolling stock tax	4,089
Other noncategorical aid	42
<u>Federal Government:</u>	
Ground transportation safety	3,744
Highway planning and construction	5,046
Total	<u>\$ 60,934</u>

TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

NOTE 6—CAPITAL ASSETS:

Governmental Activities

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets not being depreciated:				
Land	\$ 982,315	\$ -	\$ -	\$ 982,315
Construction in progress	367,265	238,436	-	605,701
Total capital assets not being depreciated	\$ 1,349,580	\$ 238,436	\$ -	\$ 1,588,016
Capital assets being depreciated:				
Buildings and improvements	\$ 6,553,522	\$ -	\$ -	\$ 6,553,522
Land improvements	1,449,866	-	-	1,449,866
Infrastructure	5,485,917	-	-	5,485,917
Machinery and equipment	1,782,150	87,300	(23,154)	1,846,296
Total other capital assets	\$ 15,271,455	\$ 87,300	\$ (23,154)	\$ 15,335,601
Accumulated depreciation:				
Buildings and improvements	\$ (2,726,548)	\$ (159,275)	\$ -	\$ (2,885,823)
Land improvements	(722,730)	(93,973)	-	(816,703)
Infrastructure	(4,708,818)	(119,668)	-	(4,828,486)
Machinery and equipment	(1,546,347)	(72,506)	23,154	(1,595,699)
Total accumulated depreciation	\$ (9,704,443)	\$ (445,422)	\$ 23,154	\$ (10,126,711)
Capital assets being depreciated, net	\$ 5,567,012	\$ (358,122)	\$ -	\$ 5,208,890
Net capital assets	\$ 6,916,592	\$ (119,686)	\$ -	\$ 6,796,906

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TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Business-type Activities

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Water Fund				
Capital assets not being depreciated:				
Land	\$ 114,284	\$ -	\$ -	\$ 114,284
Construction in progress (WP)	-	30,167	-	30,167
Total capital assets not being depreciated	\$ 114,284	\$ 30,167	\$ -	\$ 144,451
Capital assets being depreciated:				
Utility plant in service	\$ 9,741,814	\$ 32,675	\$ -	\$ 9,774,489
Accumulated depreciation	(3,812,148)	(239,668)	-	(4,051,816)
Capital assets being depreciated, net	\$ 5,929,666	\$ (206,993)	\$ -	\$ 5,722,673
Net capital assets	\$ 6,043,950	\$ (176,826)	\$ -	\$ 5,867,124
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	\$ 24,253,672	\$ 104,552	\$ -	\$ 24,358,224
Accumulated depreciation	(12,899,689)	(523,244)	-	(13,422,933)
Capital assets being depreciated, net	\$ 11,353,983	\$ (418,692)	\$ -	\$ 10,935,291
Net capital assets	\$ 11,389,403	\$ (418,692)	\$ -	\$ 10,970,711

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

Governmental activities:

General government administration	\$ 27,595
Public safety	18,418
Public works	237,328
Parks, recreation, and cultural	160,576
Community development	1,505
Total depreciation expense-governmental activities	\$ 445,422

Business-type activities:

Water Fund	\$ 239,668
Sewer Fund	523,244
Total depreciation expense-business-type activities	\$ 762,912

TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

NOTE 7—LONG-TERM OBLIGATIONS:

Primary Government—Governmental Activities Obligations:

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2016.

	Balance July 1, 2015	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2016
Notes Payable	\$ 1,131,278	\$ 531,837	\$ 410,842	\$ 1,252,273
Capital lease	-	28,585	10,134	18,451
Compensated Absences	144,341	-	29,306	115,035
Net OPEB Obligation	43,641	11,529	10,572	44,598
Net Pension Liability	1,418,231	656,030	1,150,737	923,524
Total	\$ 2,737,491	\$ 1,227,981	\$ 1,611,591	\$ 2,353,881

Details of Long-term Obligations:

	Total Amount	Amount Due Within One Year
Notes Payable:		
\$500,000 Rural Development Community Facilities Loan secured by Deed of Trust on real property located at 45 E. Main Street, Luray, Virginia dated September 13, 2002, bearing interest at 4.50% per annum. Note due in monthly installments of \$2,270 through June 2044.	\$ 438,778	\$ 8,214
\$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.	266,158	25,000
\$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	-
\$1,500,000 General Obligation Note, Series 2014 N-2, issued on August 29, 2014 to fund the Town's Main Street Bridge Project. The Note bears interest at 1.99% based upon the aggregate amount of principal advances, which is due monthly. The entire principal is due August 29, 2018. As of June 30, 2016 principal advances on the note amounted to \$61,337.	61,337	-
\$159,000 General Obligation Note, Series 2015, issued July 7, 2015 to finance capital projects, bearing a 1.99% interest rate, with quarterly interest payments and one annual principal payment of \$53,000. Final payment of all remaining principal and interest is due July 1, 2018.	159,000	106,000
Subtotal Notes Payable	\$ 1,252,273	\$ 139,214

TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government—Governmental Activities Obligations: (Continued)

Details of Long-term Obligations: (Continued)

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Capital Lease:		
\$28,585 Capital Lease for the lease/purchase of a 2016 Ford Fusion, issued August 28, 2015, bearing interest at 6.5%. Annual principal and interest payments of \$10,134 through August 28, 2017.	\$ 18,451	\$ 8,935
Compensated Absences	115,035	-
Net OPEB Obligation	44,598	-
Net Pension Liability	923,524	-
Total	<u>\$ 2,353,881</u>	<u>\$ 148,149</u>

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

Year Ending June 30,	Notes Payable		Capital Lease Payable	
	Principal	Interest	Principal	Interest
2017	\$ 139,214	\$ 38,259	\$ 8,935	\$ 1,199
2018	86,592	35,356	9,516	619
2019	95,323	32,645	-	-
2020	34,399	30,999	-	-
2021	175,989	26,903	-	-
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	11,981	46	-	-
Total	<u>\$ 1,252,273</u>	<u>\$ 413,162</u>	<u>\$ 18,451</u>	<u>\$ 1,818</u>

TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government-Business-type Activities:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016
General Obligation Bonds	\$ 4,921,228	\$ -	\$ 345,129	\$ 4,576,099
Unamortized Bond Premium	288,297	-	21,164	267,133
Notes Payable	5,638,892	-	81,688	5,557,204
Compensated Absences	76,039	4,066	-	80,105
Net OPEB Obligation	28,359	6,771	9,428	25,702
Net Pension Liability	579,277	396,687	524,856	451,108
Total	<u>\$ 11,532,092</u>	<u>\$ 407,524</u>	<u>\$ 982,265</u>	<u>\$ 10,957,351</u>

Details of Long-term Obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>General Obligation Bonds:</u>		
\$1,985,000 VRA Revolving Loan, issued June 17, 2009, bearing interest at 3.90% per annum. Semi-annual payments of varying amounts to begin October 1, 2009 and are payable through April 1, 2026.	\$ 1,390,000	\$ 110,000
\$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.	1,456,026	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.	163,322	20,975
\$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.	206,751	42,624
\$1,530,000 VRA General Obligation Refunding Bond, Series 2012, issued August 2, 2012, bearing interest at 2.927% per annum, with principal and interest due semi-annually, with final maturity not later than October 1, 2029.	<u>1,360,000</u>	<u>75,000</u>
Sub-total general obligation bonds	<u>\$ 4,576,099</u>	<u>\$ 352,601</u>

TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

NOTE 7—LONG-TERM LIABILITIES: (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>Notes Payable:</u>		
\$987,492 Rural Development Community Facilities Loan, secured by Deed of Trust on real property located at 45 E. Main Street, Luray, Virginia dated September 13, 2002 bearing interest at 4.50% per annum. Note due in monthly installments of \$4,540 through June 2043.	\$ 840,847	\$ 16,428
 \$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>4,716,356</u>	<u>68,484</u>
Sub-total notes payable	\$ <u>5,557,203</u>	\$ <u>84,912</u>
Unamortized Bond Premium	\$ 267,133	\$ -
Compensated Absences	80,105	-
Net OPEB Obligation	25,702	-
Net Pension Liability	<u>451,108</u>	<u>-</u>
Total	\$ <u><u>10,957,351</u></u>	\$ <u><u>437,513</u></u>

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TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)**NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)****Primary Government-Business-type Activities: (Continued)**

Year Ending June 30,	General Obligation Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2017	\$ 352,601	\$ 137,851	\$ 84,912	\$ 213,768
2018	370,173	126,040	88,280	210,400
2019	382,849	112,957	91,782	206,898
2020	390,634	99,456	95,423	203,257
2021	383,050	85,554	99,210	199,470
2022	353,950	73,595	103,148	195,532
2023	349,831	62,892	107,244	191,436
2024	329,002	51,760	111,503	187,177
2025	269,002	42,216	115,932	182,748
2026	279,002	33,969	120,538	178,142
2027	269,002	26,034	125,329	173,351
2028	274,002	18,787	130,311	168,369
2029	284,002	11,481	135,492	163,188
2030	288,999	3,866	140,880	157,800
2031	-	-	146,484	152,196
2032	-	-	152,313	146,367
2033	-	-	158,375	140,305
2034	-	-	164,680	134,000
2035	-	-	171,237	127,443
2036	-	-	178,057	120,623
2037	-	-	185,151	113,529
2038	-	-	192,529	106,151
2039	-	-	200,202	98,478
2040	-	-	208,184	90,496
2041	-	-	216,486	82,194
2042	-	-	225,121	73,559
2043	-	-	229,755	64,577
2044	-	-	188,203	55,997
2045	-	-	195,383	48,817
2046	-	-	202,837	41,363
2047	-	-	210,576	33,624
2048	-	-	218,610	25,590
2049	-	-	226,950	17,250
2050	-	-	235,608	8,592
2051	-	-	100,479	946
Total	\$ 4,576,099	\$ 886,458	\$ 5,557,204	\$ 4,313,633

TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

NOTE 8—CAPITAL LEASE:

The Town has entered into a lease agreement for financing a vehicle. The lease agreement qualifies as a capital lease for accounting purposes and therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The asset acquired through the capital lease is as follows:

	<u>Governmental Activities</u>
Asset:	
2016 Ford Fusion	\$ 28,040
Less: Accumulated depreciation	-
Total	<u>\$ 28,040</u>

The future minimum lease obligation and the net present value of minimum lease payments as of June 30, 2016 are as follows:

<u>Year Ended June 30,</u>	<u>Governmental Activities</u>
2017	\$ 10,134
2018	10,135
Total minimum lease payments	\$ 20,269
Less: Amount representing interest	(1,818)
Present value of minimum lease payments	<u>\$ 18,451</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 \$115,035 in the governmental activities and \$80,105 in the business-type activities.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

NOTE 10—PENSION PLAN:***Plan Description***

All full-time, salaried permanent employees of the Town are automatically covered by 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.

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. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

NOTE 10—PENSION PLAN: (CONTINUED)**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 (Cont.)</p>	<p>About Plan 2 (Cont.)</p>	<p>About the Hybrid Retirement Plan (Cont.)</p> <ul style="list-style-type: none"> • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

NOTE 10—PENSION PLAN: (CONTINUED)**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	*Non-Eligible Members (Cont.) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.	Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

NOTE 10—PENSION PLAN: (CONTINUED)***Plan Description (Continued)***

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

NOTE 10—PENSION PLAN: (CONTINUED)**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

NOTE 10—PENSION PLAN: (CONTINUED)*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	Vesting (Cont.) <u>Defined Contributions Component: (Cont.)</u> Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.	Calculating the Benefit See definition under Plan 1.	Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

NOTE 10—PENSION PLAN: (CONTINUED)**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Calculating the Benefit (Cont.) An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	Calculating the Benefit (Cont.)	Calculating the Benefit (Cont.) <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. Sheriffs and regional jail superintendents: Same as Plan 1. Political subdivision hazardous duty employees: Same as Plan 1.	Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component 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. Sheriffs and regional jail superintendents: Not applicable. Political subdivision hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Not applicable.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

NOTE 10—PENSION PLAN: (CONTINUED)**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

NOTE 10—PENSION PLAN: (CONTINUED)**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

NOTE 10—PENSION PLAN: (CONTINUED)***Plan Description (Continued)***

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

NOTE 10—PENSION PLAN: (CONTINUED)**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

NOTE 10—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Employees Covered by Benefit Terms

As of the June 30, 2014 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	31
Inactive members:	
Vested inactive members	2
Non-vested inactive members	5
Inactive members active elsewhere in VRS	<u>23</u>
Total inactive members	61
Active members	<u>45</u>
Total covered employees	<u><u>106</u></u>

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. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The Town's contractually required contribution rate for the year ended June 30, 2016 was 14.74% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

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 \$290,394 and \$295,788 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability

The Town's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

NOTE 10—PENSION PLAN: (CONTINUED)

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, 2014, 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, 2015.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, 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: 14% of deaths are assumed to be service related

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

NOTE 10—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees (Continued)

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2014, 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, 2015.

Inflation	2.5%
Salary increases, including inflation	3.5% – 4.75%
Investment rate of return	7.0%, net of pension plan investment expense, 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, 2016 (CONTINUED)

NOTE 10—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – Public Safety Employees (Continued)

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (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:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</u>

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

NOTE 10—PENSION PLAN: (CONTINUED)

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. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Town Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed 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.

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, 2014	\$ 10,887,190	\$ 8,889,682	\$ 1,997,508
Changes for the year:			
Service cost	\$ 221,298	\$ -	\$ 221,298
Interest	749,586	-	749,586
Differences between expected and actual experience	(791,690)	-	(791,690)
Contributions - employer	-	295,788	(295,788)
Contributions - employee	-	100,169	(100,169)
Net investment income	-	411,708	(411,708)
Benefit payments, including refunds of employee contributions	(357,629)	(357,629)	-
Administrative expenses	-	(5,508)	5,508
Other changes	-	(87)	87
Net changes	\$ (178,435)	\$ 444,441	\$ (622,876)
Balances at June 30, 2015	\$ 10,708,755	\$ 9,334,123	\$ 1,374,632

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

NOTE 10—PENSION PLAN: (CONTINUED)***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		
	(6.00%)	(7.00%)	(8.00%)
Town Net Pension Liability	\$ 2,738,346	\$ 1,374,632	\$ 237,151

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the Town recognized pension expense of (\$59,315). At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 572,385
Net difference between projected and actual earnings on pension plan investments	-	236,344
Employer contributions subsequent to the measurement date	290,394	-
Total	\$ 290,394	\$ 808,729

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

NOTE 10—PENSION PLAN: (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$290,394 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 ended June 30, 2017. 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>		
2017	\$	(312,201)
2018		(312,201)
2019		(226,671)
2020		42,344
Thereafter		-

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS PROGRAM:

A. Plan Description

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

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

B. Funding Policy

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

C. Annual OPEB Cost and Net OPEB Obligation

The annual cost of other post employment benefits (OPEB) GASB 45 is calculated based on the annual required contribution (ARC). The estimated pay as you go cost for OPEB benefits is \$18,300 for fiscal year 2016. The Town has elected not to pre-fund OPEB liabilities. The ARC is an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

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

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

Annual Required Contribution (ARC)	\$	18,400
Interest on OPEB Obligation		2,900
Adjustment to ARC		(3,000)
Annual OPEB cost	\$	<u>18,300</u>
Contributions Made During FY16		<u>(20,000)</u>
Increase in Net OPEB Obligation	\$	(1,700)
Net OPEB Obligation - beginning of year		72,000
Net OPEB Obligation - end of year	\$	<u><u>70,300</u></u>

For 2016, the Town's expected cash payment of \$20,000 is more than the OPEB cost (expense) of \$18,300 and was \$1,600 more than the ARC. The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2016	\$ 18,300	109%	\$ 70,300
June 30, 2015	18,300	90%	72,000
June 30, 2014	14,300	65%	70,200

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2016 is as follows:

Actuarial accrued liability (AAL)	\$	250,600
Actuarial value of plan assets	\$	-
Unfunded actuarial accrued liability	\$	250,600
Funded ratio (actuarial value of plan assets/AAL)		0%
Covered payroll (active plan members)	\$	1,993,200
UAAL as a percentage of covered payroll		12.57%

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

D. Funded Status and Funding Progress (Continued)

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

E. Actuarial Methods and Assumptions

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

Cost Method

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

Interest Assumptions	Not funded
Discount rate	4.0%
Payroll growth	n/a

NOTE 12—DEFERRED/UNAVAILABLE REVENUE:

Deferred/unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred/unavailable revenue totaling \$832,021 is comprised of the following:

- A. Prepaid Property Taxes – Property taxes due subsequent to June 30, 2016, but paid in advance by the taxpayers totaled \$42,825 at June 30, 2016.
- B. Unavailable Property Taxes – Property taxes for the second half of 2016 that had not been billed as of June 30, 2016 amounted to \$656,107.

Under the modified accrual basis of accounting, such amounts are measurable, but not available. In addition to the above, this includes taxes due but not yet collected of \$133,089.

NOTE 13—CONTINGENT LIABILITIES (INCLUDING FEDERALLY ASSISTED PROGRAMS – COMPLIANCE AUDITS):

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

NOTE 14—DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

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

Custodial Credit Risk

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

NOTE 15—RISK MANAGEMENT:

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

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

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

TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

NOTE 15—RISK MANAGEMENT: (CONTINUED)

Policies in effect at June 30, 2016, 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 Distruction	500,000
Virginia Municipal Liability Pool	Computer Fraud	25,000
Virginia Municipal Liability Pool	Money, and Counterfit Papers	500,000
Virginia Municipal Liability Pool	Forgery	500,000
Virginia Municipal Liability Pool	Public Employee Dishonesty	500,000

NOTE 16—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, 2016 was immaterial to the Town's financial statements.

NOTE 17—LITIGATION:

At June 30, 2016, there were no matters of litigation involving the Town or which would materially affect the Town's financial position should any court decisions on pending matters not be favorable to such entities.

NOTE 18—UPCOMING PRONOUNCEMENTS:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 (CONTINUED)

NOTE 18—UPCOMING PRONOUNCEMENTS: (CONTINUED)

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

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

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REQUIRED SUPPLEMENTARY INFORMATION

General Fund

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

Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
REVENUES				
General property taxes	\$ 1,502,282	\$ 1,502,282	\$ 1,497,639	\$ (4,643)
Other local taxes	1,720,000	1,720,000	1,925,953	205,953
Permits, privilege fees, and regulatory licenses	5,000	5,000	15,831	10,831
Fines and forfeitures	14,100	14,100	5,574	(8,526)
Revenue from the use of money and property	65,957	65,957	24,946	(41,011)
Charges for services	310,165	310,165	324,624	14,459
Miscellaneous	189,360	189,360	42,717	(146,643)
Intergovernmental:				
Commonwealth	1,423,370	1,423,370	1,295,400	(127,970)
Federal	886,500	886,500	73,182	(813,318)
Total revenues	<u>\$ 6,116,734</u>	<u>\$ 6,116,734</u>	<u>\$ 5,205,866</u>	<u>\$ (910,868)</u>
EXPENDITURES				
Current:				
General government administration	\$ 605,336	\$ 570,056	\$ 497,894	\$ 72,162
Public safety	1,241,765	1,232,029	1,212,686	19,343
Public works	3,529,307	3,220,391	2,397,086	823,305
Health and welfare	20,000	17,000	16,240	760
Parks, recreation, and cultural	782,374	787,241	774,703	12,538
Community development	115,280	117,010	116,084	926
Debt service:				
Principal retirement	129,987	480,507	420,976	59,531
Interest and other fiscal charges	50,685	50,500	38,379	12,121
Total expenditures	<u>\$ 6,474,734</u>	<u>\$ 6,474,734</u>	<u>\$ 5,474,048</u>	<u>\$ 1,000,686</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (358,000)</u>	<u>\$ (358,000)</u>	<u>\$ (268,182)</u>	<u>\$ 89,818</u>
OTHER FINANCING SOURCES (USES)				
Issuance of capital lease	\$ -	\$ -	\$ 28,585	\$ 28,585
Issuance of notes payable	358,000	358,000	531,837	173,837
Total other financing sources (uses)	<u>\$ 358,000</u>	<u>\$ 358,000</u>	<u>\$ 560,422</u>	<u>\$ 202,422</u>
Change in fund balance	\$ -	\$ -	\$ 292,240	\$ 292,240
Fund balance, beginning of year	-	-	2,729,246	2,729,246
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,021,486</u>	<u>\$ 3,021,486</u>

Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
REVENUES				
Revenue from the use of money and property	\$ 200	\$ 200	\$ -	\$ (200)
Total revenues	<u>\$ 200</u>	<u>\$ 200</u>	<u>\$ -</u>	<u>\$ (200)</u>
EXPENDITURES				
Current:				
Community development:	\$ 200	\$ 200	\$ 40	\$ 160
Total expenditures	<u>\$ 200</u>	<u>\$ 200</u>	<u>\$ 40</u>	<u>\$ 160</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (40)	\$ (40)
Change in fund balance	\$ -	\$ -	\$ (40)	\$ (40)
Fund balance, beginning of year	-	-	78,399	78,399
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78,359</u>	<u>\$ 78,359</u>

Other Postemployment Benefit Program
 Schedule of OPEB Funding Progress
 June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
7/1/2014	\$ -	\$ 250,600	\$ 250,600	0.00%	\$ 1,993,200	12.57%
7/1/2011	-	166,500	166,500	0.00%	-	N/A
7/1/2008	-	220,400	220,400	0.00%	-	N/A

Schedule of Components of and Changes in Net Pension Liability and Related Ratios
Year Ended June 30, 2016

	2015	2014
Total pension liability		
Service cost	\$ 221,298	\$ 210,184
Interest	749,586	710,918
Differences between expected and actual experience	(791,690)	-
Benefit payments, including refunds of employee contributions	(357,629)	(379,757)
Net change in total pension liability	\$ (178,435)	\$ 541,345
Total pension liability - beginning	10,887,190	10,345,845
Total pension liability - ending (a)	\$ 10,708,755	\$ 10,887,190
Plan fiduciary net position		
Contributions - employer	\$ 295,788	\$ 312,158
Contributions - employee	100,169	116,821
Net investment income	411,708	1,212,124
Benefit payments, including refunds of employee contributions	(357,629)	(379,757)
Administrative expense	(5,508)	(6,430)
Other	(87)	64
Net change in plan fiduciary net position	\$ 444,441	\$ 1,254,980
Plan fiduciary net position - beginning	8,889,682	7,634,702
Plan fiduciary net position - ending (b)	\$ 9,334,123	\$ 8,889,682
Political subdivision's net pension liability - ending (a) - (b)	\$ 1,374,632	\$ 1,997,508
Plan fiduciary net position as a percentage of the total pension liability	87.16%	81.65%
Covered payroll	\$ 2,008,408	\$ 1,931,044
Political subdivision's net pension liability as a percentage of covered payroll	68.44%	103.44%

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.

Schedule of Employer Contributions
Year Ended June 30, 2016

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)		
2016	\$ 290,394	\$ 290,394	\$ -	\$ 1,970,110		14.74%
2015	295,788	295,788	-	2,008,408		14.73%
2014	312,158	312,158	-	1,931,044		16.17%
2013	301,606	301,606	-	1,853,758		16.27%
2012	279,459	279,459	-	1,822,955		15.33%
2011	271,872	271,872	-	1,773,461		15.33%
2010	274,304	274,304	-	1,801,079		15.23%
2009	262,560	262,560	-	1,723,969		15.23%
2008	202,733	202,733	-	1,614,115		12.56%
2007	188,698	188,698	-	1,525,448		12.37%

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
Year Ended June 30, 2016

In 2015, Covered Employee Payroll (as defined by GASB 68) included the total payroll for employees covered under the pension plan whether that payroll is subject to pension coverage or not. This definition was modified in GASB Statement No. 82 and now is the payroll on which contributions to a pension plan are based. The ratios presented use the same measure.

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

OTHER SUPPLEMENTARY INFORMATION

Schedule of Revenues - Budget and Actual
Governmental Funds
Year Ended June 30, 2016

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	\$ 1,277,209	\$ 1,277,209	\$ 1,262,467	\$ (14,742)
Real and personal public service corporation taxes	51,500	51,500	56,518	5,018
Personal property taxes	155,973	155,973	155,452	(521)
Mobile home taxes	600	600	600	-
Penalties and interest	17,000	17,000	22,602	5,602
Total general property taxes	\$ 1,502,282	\$ 1,502,282	\$ 1,497,639	\$ (4,643)
Other local taxes:				
Local sales and use taxes	\$ 160,000	\$ 160,000	\$ 168,914	\$ 8,914
Consumers' utility taxes	149,000	149,000	144,071	(4,929)
Business license taxes	282,000	282,000	300,375	18,375
Franchise license tax	28,000	28,000	30,557	2,557
Motor vehicle licenses	56,000	56,000	56,363	363
Bank stock taxes	130,000	130,000	199,234	69,234
Transient occupancy taxes	160,000	160,000	182,944	22,944
Restaurant food taxes	590,000	590,000	670,423	80,423
Sprint right of way fees	25,000	25,000	24,151	(849)
Cigarette tax	140,000	140,000	148,921	8,921
Total other local taxes	\$ 1,720,000	\$ 1,720,000	\$ 1,925,953	\$ 205,953
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 5,000	\$ 5,000	\$ 15,831	\$ 10,831
Total permits, privilege fees, and regulatory licenses	\$ 5,000	\$ 5,000	\$ 15,831	\$ 10,831
Fines and forfeitures:				
Court fines and forfeitures	\$ 14,000	\$ 14,000	\$ 5,504	\$ (8,496)
Parking fines	100	100	70	(30)
Total fines and forfeitures	\$ 14,100	\$ 14,100	\$ 5,574	\$ (8,526)
Revenue from use of money and property:				
Revenue from use of money	\$ 3,200	\$ 3,200	\$ 5,580	\$ 2,380
Revenue from use of property	62,757	62,757	19,366	(43,391)
Total revenue from use of money and property	\$ 65,957	\$ 65,957	\$ 24,946	\$ (41,011)
Charges for services:				
Charges for sanitation and waste removal	\$ 268,465	\$ 268,465	\$ 260,597	\$ (7,868)
Charges for recreation	41,700	41,700	64,027	22,327
Total charges for services	\$ 310,165	\$ 310,165	\$ 324,624	\$ 14,459
Miscellaneous:				
Rebates and refunds	\$ 7,500	\$ 7,500	\$ 15,540	\$ 8,040
Donations	7,000	7,000	2,630	(4,370)
Miscellaneous	7,360	7,360	23,390	16,030
Proffers	165,000	165,000	-	(165,000)
Greenway development grant	1,000	1,000	400.00	(600)
Sale of equipment	1,500	1,500	757	(743)
Total miscellaneous	\$ 189,360	\$ 189,360	\$ 42,717	\$ (146,643)
Total revenue from local sources	\$ 3,806,864	\$ 3,806,864	\$ 3,837,284	\$ 30,420

Schedule of Revenues - Budget and Actual
Governmental Funds
Year Ended June 30, 2016 (Continued)

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (continued)				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle rental tax	\$ 4,700	\$ 4,700	\$ 4,107	\$ (593)
Personal property tax relief funds	74,570	74,570	74,574	4
Total noncategorical aid	<u>\$ 79,270</u>	<u>\$ 79,270</u>	<u>\$ 78,681</u>	<u>\$ (589)</u>
Categorical aid:				
Other categorical aid:				
Virginia Commission for the Arts grant	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
VDOT Revenue Sharing - Valley Health	165,000	165,000	-	(165,000)
Aid to localities with police departments	116,150	116,150	116,152	2
Other police grants	8,000	8,000	6,091	(1,909)
Department of fire programs funds	15,000	15,000	15,514	514
Litter control grant	2,500	2,500	2,880	380
Street and highway maintenance funds	1,029,890	1,029,890	1,071,036	41,146
Recreational tree grant	2,500	2,500	-	(2,500)
DMV animal friendly plate	60	60	46	(14)
Total other categorical aid	<u>\$ 1,344,100</u>	<u>\$ 1,344,100</u>	<u>\$ 1,216,719</u>	<u>\$ (127,381)</u>
Total categorical aid	<u>\$ 1,344,100</u>	<u>\$ 1,344,100</u>	<u>\$ 1,216,719</u>	<u>\$ (127,381)</u>
Total revenue from the Commonwealth	<u>\$ 1,423,370</u>	<u>\$ 1,423,370</u>	<u>\$ 1,295,400</u>	<u>\$ (127,970)</u>
Revenue from the federal government:				
Categorical aid:				
TEA-21 Grant	\$ 85,000	\$ 85,000	\$ -	\$ (85,000)
Federal highway planning and construction	800,000	800,000	66,987	(733,013)
Law Enforcement Block Grant	1,500	1,500	-	(1,500)
DMV - ground transportation	-	-	5,642	5,642
Wildland fire management	-	-	553	553
Total categorical aid	<u>\$ 886,500</u>	<u>\$ 886,500</u>	<u>\$ 73,182</u>	<u>\$ (813,318)</u>
Total General Fund	<u>\$ 6,116,734</u>	<u>\$ 6,116,734</u>	<u>\$ 5,205,866</u>	<u>\$ (910,868)</u>
Special Revenue Fund:				
CDBG:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 200	\$ 200	\$ -	\$ (200)
Total revenue from use of money and property	<u>\$ 200</u>	<u>\$ 200</u>	<u>\$ -</u>	<u>\$ (200)</u>
Total CDBG Fund	<u>\$ 200</u>	<u>\$ 200</u>	<u>\$ -</u>	<u>\$ (200)</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
Year Ended June 30, 2016

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 142,690	\$ 146,325	\$ 144,410	\$ 1,915
General and financial administration:				
Town manager	\$ 91,695	\$ 93,693	\$ 70,076	\$ 23,617
Legal services	58,000	28,689	27,973	716
Independent auditor	5,700	5,700	5,433	267
Treasurer	306,701	293,920	248,273	45,647
Total general and financial administration	\$ 462,096	\$ 422,002	\$ 351,755	\$ 70,247
Board of elections:				
Electoral board and officials	\$ 550	\$ 1,729	\$ 1,729	\$ -
Total board of elections	\$ 550	\$ 1,729	\$ 1,729	\$ -
Total general government administration	\$ 605,336	\$ 570,056	\$ 497,894	\$ 72,162
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 1,223,865	\$ 1,214,129	\$ 1,197,047	\$ 17,082
Other protection:				
Safety Officer	\$ 17,900	\$ 17,900	\$ 15,639	\$ 2,261
Total other protection	\$ 17,900	\$ 17,900	\$ 15,639	\$ 2,261
Total public safety	\$ 1,241,765	\$ 1,232,029	\$ 1,212,686	\$ 19,343
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 2,691,767	\$ 2,366,288	\$ 1,554,397	\$ 811,891
Sanitation and waste removal:				
Refuse collection and disposal	\$ 264,465	\$ 269,606	\$ 268,748	\$ 858
Maintenance of general buildings and grounds:				
General properties	\$ 573,075	\$ 584,497	\$ 573,941	\$ 10,556
Total public works	\$ 3,529,307	\$ 3,220,391	\$ 2,397,086	\$ 823,305
Health and welfare:				
Welfare:				
Tax relief for the elderly	\$ 20,000	\$ 17,000	\$ 16,240	\$ 760
Total health and welfare	\$ 20,000	\$ 17,000	\$ 16,240	\$ 760
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 782,374	\$ 787,241	\$ 774,703	\$ 12,538
Total parks, recreation, and cultural	\$ 782,374	\$ 787,241	\$ 774,703	\$ 12,538
Community development:				
Planning and community development:				
Planning Commission	\$ 115,280	\$ 117,010	\$ 116,084	\$ 926
Total community development	\$ 115,280	\$ 117,010	\$ 116,084	\$ 926

Schedule of Expenditures - Budget and Actual
Governmental Funds
Year Ended June 30, 2016 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (continued)				
Debt service:				
Principal retirement	\$ 129,987	\$ 480,507	\$ 420,976	\$ 59,531
Interest and other fiscal charges	50,685	50,500	38,379	12,121
Total debt service	\$ 180,672	\$ 531,007	\$ 459,355	\$ 71,652
Total General Fund	\$ 6,474,734	\$ 6,474,734	\$ 5,474,048	\$ 1,000,686
Special Revenue Fund:				
CDBG Fund:				
Community development:				
CDBG program	\$ 200	\$ 200	\$ 40	\$ 160
Total CDBG Fund	\$ 200	\$ 200	\$ 40	\$ 160

STATISTICAL INFORMATION

Town of Luray, Virginia

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

	Fiscal Year			
	2007	2008	2009	2010
Governmental activities:				
Net investment in capital assets	\$ 5,192,702	\$ 4,977,490	\$ 6,043,229	\$ 5,703,358
Restricted	-	-	-	-
Unrestricted	3,519,479	3,652,123	3,310,599	3,256,154
Total governmental activities net position	<u>\$ 8,712,181</u>	<u>\$ 8,629,613</u>	<u>\$ 9,353,828</u>	<u>\$ 8,959,512</u>
Business-type activities:				
Net investment in capital assets	\$ 3,493,370	\$ 3,247,769	\$ 4,201,990	\$ 7,025,040
Unrestricted	448,688	6,053	(774,747)	172,314
Total business-type activities net position	<u>\$ 3,942,058</u>	<u>\$ 3,253,822</u>	<u>\$ 3,427,243</u>	<u>\$ 7,197,354</u>
Primary government:				
Net investment in capital assets	\$ 8,686,072	\$ 8,225,259	\$ 10,245,219	\$ 12,728,398
Restricted	-	-	-	-
Unrestricted	3,968,167	3,658,176	2,535,852	3,428,468
Total primary government net position	<u>\$ 12,654,239</u>	<u>\$ 11,883,435</u>	<u>\$ 12,781,071</u>	<u>\$ 16,156,866</u>

Table 1

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 5,751,140	\$ 5,674,643	\$ 5,745,435	\$ 5,793,353	\$ 5,785,314	\$ 5,526,182
-	-	91,435	78,566	78,399	78,359
3,039,161	2,786,609	2,386,033	2,344,212	1,069,049	1,661,875
<u>\$ 8,790,301</u>	<u>\$ 8,461,252</u>	<u>\$ 8,222,903</u>	<u>\$ 8,216,131</u>	<u>\$ 6,932,762</u>	<u>\$ 7,266,416</u>
\$ 7,348,362	\$ 6,977,198	\$ 6,792,425	\$ 6,787,088	\$ 6,688,986	\$ 6,538,164
3,733	247,072	472,871	622,239	(118,375)	279,110
<u>\$ 7,352,095</u>	<u>\$ 7,224,270</u>	<u>\$ 7,265,296</u>	<u>\$ 7,409,327</u>	<u>\$ 6,570,611</u>	<u>\$ 6,817,274</u>
\$ 13,099,502	\$ 12,651,841	\$ 12,537,860	\$ 12,580,441	\$ 12,474,300	\$ 12,064,346
-	-	91,435	78,566	78,399	78,359
3,042,894	3,033,681	2,858,904	2,966,451	950,674	1,940,985
<u>\$ 16,142,396</u>	<u>\$ 15,685,522</u>	<u>\$ 15,488,199</u>	<u>\$ 15,625,458</u>	<u>\$ 13,503,373</u>	<u>\$ 14,083,690</u>

Town of Luray, Virginia

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

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

Table 2

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 500,906	\$ 514,606	\$ 607,559	\$ 618,941	\$ 559,526	\$ 490,376
1,073,077	1,111,020	1,146,605	1,146,412	1,141,749	1,050,020
2,061,180	2,085,022	2,063,184	2,081,369	2,091,393	2,286,890
16,794	16,956	18,625	20,768	18,501	16,240
855,668	921,154	956,077	932,451	904,215	884,352
104,148	101,811	102,796	122,476	105,981	103,653
36,267	31,840	30,621	31,611	36,851	41,744
<u>\$ 4,648,040</u>	<u>\$ 4,782,409</u>	<u>\$ 4,925,467</u>	<u>\$ 4,954,028</u>	<u>\$ 4,858,216</u>	<u>\$ 4,873,275</u>
\$ 1,143,368	\$ 1,152,492	\$ 1,141,888	\$ 1,157,276	\$ 1,259,401	\$ 1,206,662
1,449,556	1,579,828	1,575,688	1,556,848	1,689,150	1,621,493
<u>\$ 2,592,924</u>	<u>\$ 2,732,320</u>	<u>\$ 2,717,576</u>	<u>\$ 2,714,124</u>	<u>\$ 2,948,551</u>	<u>\$ 2,828,155</u>
<u>\$ 7,240,964</u>	<u>\$ 7,514,729</u>	<u>\$ 7,643,043</u>	<u>\$ 7,668,152</u>	<u>\$ 7,806,767</u>	<u>\$ 7,701,430</u>
\$ 13,192	\$ 20,458	\$ 14,144	\$ 12,112	\$ 16,390	\$ 5,574
278,022	286,764	277,493	270,711	262,098	276,428
34,916	50,987	35,300	45,485	51,812	64,027
1,207,087	1,113,750	1,126,002	1,157,138	1,196,572	1,217,272
7,373	7,130	74,281	208,033	172,730	72,629
<u>\$ 1,540,590</u>	<u>\$ 1,479,089</u>	<u>\$ 1,527,220</u>	<u>\$ 1,693,479</u>	<u>\$ 1,699,602</u>	<u>\$ 1,635,930</u>
\$ 1,045,554	\$ 1,013,473	\$ 1,191,472	\$ 1,281,618	\$ 1,199,345	\$ 1,344,042
1,376,999	1,357,779	1,557,240	1,568,612	1,598,892	1,722,166
325,053	234,293	9,890	7,925	7,305	8,610
<u>\$ 2,747,606</u>	<u>\$ 2,605,545</u>	<u>\$ 2,758,602</u>	<u>\$ 2,858,155</u>	<u>\$ 2,805,542</u>	<u>\$ 3,074,818</u>
<u>\$ 4,288,196</u>	<u>\$ 4,084,634</u>	<u>\$ 4,285,822</u>	<u>\$ 4,551,634</u>	<u>\$ 4,505,144</u>	<u>\$ 4,710,748</u>
\$ (3,107,450)	\$ (3,303,320)	\$ (3,398,247)	\$ (3,260,549)	\$ (3,158,614)	\$ (3,237,345)
154,682	(126,775)	41,026	144,031	(143,009)	246,663
<u>\$ (2,952,768)</u>	<u>\$ (3,430,095)</u>	<u>\$ (3,357,221)</u>	<u>\$ (3,116,518)</u>	<u>\$ (3,301,623)</u>	<u>\$ (2,990,682)</u>

Town of Luray, Virginia

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting - continued)

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

Table 2

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 1,125,076	\$ 1,180,066	\$ 1,312,095	\$ 1,382,004	\$ 1,443,186	\$ 1,498,702
173,565	183,465	159,355	156,643	168,298	168,914
153,642	145,694	149,709	147,712	148,027	144,071
254,998	260,514	297,759	278,404	284,248	300,375
547,070	558,832	589,201	586,310	634,526	670,423
181,225	147,233	145,997	137,920	141,497	148,921
146,363	148,632	160,217	157,008	155,698	182,944
-	-	-	-	164,956	199,234
230,650	224,798	233,560	245,431	136,646	111,071
78,717	78,493	78,820	79,277	83,678	78,681
24,767	21,779	20,827	19,234	20,282	24,946
15,728	24,765	12,358	62,041	197,481	42,717
6,438	-	-	-	-	-
-	-	-	1,793	-	-
<u>\$ 2,938,239</u>	<u>\$ 2,974,271</u>	<u>\$ 3,159,898</u>	<u>\$ 3,253,777</u>	<u>\$ 3,578,523</u>	<u>\$ 3,570,999</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
59	-	-	-	-	-
-	(1,050)	-	-	-	-
<u>\$ 59</u>	<u>\$ (1,050)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 2,938,298</u>	<u>\$ 2,973,221</u>	<u>\$ 3,159,898</u>	<u>\$ 3,253,777</u>	<u>\$ 3,578,523</u>	<u>\$ 3,570,999</u>
\$ (169,211)	\$ (329,049)	\$ (238,349)	\$ (6,772)	\$ 419,909	\$ 333,654
154,741	(127,825)	41,026	144,031	(143,009)	246,663
<u>\$ (14,470)</u>	<u>\$ (456,874)</u>	<u>\$ (197,323)</u>	<u>\$ 137,259</u>	<u>\$ 276,900</u>	<u>\$ 580,317</u>

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
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
2009	1,166,186	176,571	151,269	267,463	519,523	152,910
2008	1,213,830	175,256	162,378	250,588	500,980	113,454
2007	999,467	172,998	88,208	218,773	459,582	72,344

Table 3

Cigarette Tax	Bank Stock Tax	Other Local Taxes	Total
\$ 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
-	-	187,176	2,621,098
-	-	174,320	2,590,806
-	-	206,147	2,217,519

Town of Luray, Virginia

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year			
	2007	2008	2009	2010
General fund				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Unassigned	<u>3,555,676</u>	<u>3,340,567</u>	<u>3,423,254</u>	<u>3,365,491</u>
Total general fund	<u>\$ 3,555,676</u>	<u>\$ 3,340,567</u>	<u>\$ 3,423,254</u>	<u>\$ 3,365,491</u>
All other governmental funds				
Restricted	\$ -	\$ 44,531	\$ 82,687	\$ 91,869
Total all other governmental funds	<u>\$ -</u>	<u>\$ 44,531</u>	<u>\$ 82,687</u>	<u>\$ 91,869</u>

Table 4

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 40,954	\$ 44,572	\$ 43,228	\$ 35,366	\$ 33,898	\$ 44,601
3,028,046	2,769,998	2,399,080	2,363,277	2,695,348	2,976,885
<u>\$ 3,069,000</u>	<u>\$ 2,904,027</u>	<u>\$ 2,442,308</u>	<u>\$ 2,398,643</u>	<u>\$ 2,729,246</u>	<u>\$ 3,021,486</u>
\$ 87,482	\$ 89,457	\$ 91,435	\$ 78,566	\$ 78,399	\$ 78,359
<u>\$ 87,482</u>	<u>\$ 89,457</u>	<u>\$ 91,435</u>	<u>\$ 78,566</u>	<u>\$ 78,399</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			
	2007	2008	2009	2010
Revenues				
General property taxes	\$ 1,026,008	\$ 1,199,987	\$ 1,183,333	\$ 1,160,038
Other local taxes	1,246,852	1,376,976	1,454,912	1,523,260
Permits, privilege fees and regulatory licenses	26,075	11,268	11,494	4,944
Fines and forfeitures	25,013	29,155	27,394	21,100
Revenue from use of money and property	162,461	142,079	34,526	33,010
Charges for services	211,890	263,101	276,763	275,497
Miscellaneous	75,725	84,339	158,753	31,700
Recovered costs	15,655	7,349	-	-
Intergovernmental:				
Commonwealth	1,010,331	1,089,691	1,122,352	1,100,335
Federal	543,129	235,044	1,027,224	224,907
Total revenues	\$ 4,343,139	\$ 4,438,989	\$ 5,296,751	\$ 4,374,791
Expenditures				
General government administration	\$ 397,357	\$ 410,659	\$ 432,172	\$ 441,870
Public safety	956,715	994,416	1,034,193	1,073,783
Public works	1,779,693	1,847,605	1,872,654	1,821,799
Health and welfare	8,590	16,213	21,456	20,080
Parks, recreation and cultural	844,114	767,959	940,979	1,496,485
Community development	273,778	287,528	1,213,925	275,424
Debt service				
Principal	5,239	5,480	18,769	19,033
Interest and other fiscal charges	21,999	21,760	21,508	34,080
Total expenditures	\$ 4,287,485	\$ 4,351,620	\$ 5,555,656	\$ 5,182,554
Excess deficiency of revenues over (under) expenditures	\$ 55,654	\$ 87,369	\$ (258,905)	\$ (807,763)
Other financing sources (uses)				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	-
Issuance of capital leases	-	39,114	-	-
Notes payable issued	-	-	-	750,000
Total other financing sources (uses)	\$ -	\$ 39,114	\$ -	\$ 750,000
Net change in fund balances	\$ 55,654	\$ 126,483	\$ (258,905)	\$ (57,763)
Debt service as a percentage of noncapital expenditures	0.64%	0.63%	0.73%	1.04%

Table 5

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 1,148,368	\$ 1,154,297	\$ 1,259,426	\$ 1,374,297	\$ 1,460,424	\$ 1,497,639
1,687,513	1,669,168	1,735,798	1,709,428	1,833,896	1,925,953
13,388	21,301	8,080	3,975	5,525	15,831
13,192	20,458	14,144	12,112	16,390	5,574
24,767	21,779	20,827	19,234	20,282	24,946
299,550	316,450	304,713	312,221	308,385	324,624
93,063	48,347	20,693	62,041	197,481	42,717
6,438	-	-	-	-	-
1,150,969	1,168,661	1,187,492	1,227,420	1,260,758	1,295,400
64,873	7,130	83,276	217,028	192,222	73,182
\$ 4,502,121	\$ 4,427,591	\$ 4,634,449	\$ 4,937,756	\$ 5,295,363	\$ 5,205,866
\$ 452,551	\$ 465,875	\$ 571,040	\$ 572,595	\$ 531,344	\$ 497,894
1,053,048	1,105,702	1,123,134	1,131,285	1,218,678	1,212,686
1,833,727	1,953,282	2,204,613	2,309,081	2,639,203	2,397,086
16,794	16,956	18,625	20,768	18,501	16,240
999,951	883,498	837,140	778,724	772,907	774,703
104,879	102,578	112,356	119,967	108,668	116,124
213,913	120,315	448,362	32,603	210,672	420,976
36,267	31,840	30,621	31,060	36,612	38,379
\$ 4,711,130	\$ 4,680,046	\$ 5,345,891	\$ 4,996,083	\$ 5,536,585	\$ 5,474,088
\$ (209,009)	\$ (252,455)	\$ (711,442)	\$ (58,327)	\$ (241,222)	\$ (268,222)
\$ -	\$ -	\$ 804	\$ -	\$ -	\$ -
-	-	(804)	-	-	-
-	-	-	-	-	28,585
-	-	341,158	-	571,658	531,837
\$ -	\$ -	\$ 341,158	\$ -	\$ 571,658	\$ 560,422
\$ (209,009)	\$ (252,455)	\$ (370,284)	\$ (58,327)	\$ 330,436	\$ 292,200
5.61%	3.36%	9.84%	1.29%	4.68%	9.80%

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
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
2009	1,183,333	176,571	151,269	267,463	519,523
2008	1,119,987	175,256	162,378	250,588	500,980
2007	1,026,008	172,998	120,997	218,773	459,582

Table 6

Transient Occupancy Tax	Cigarette Tax	Bank Stock Tax	Other Local Taxes	Total
\$ 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
152,910	-	-	187,176	2,638,245
113,454	-	-	174,320	2,496,963
72,344	-	-	202,158	2,272,860

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
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
2009		477,793,000		29,080,774		8,271,900		345,500
2008		474,936,300		31,073,340		8,014,345		371,800
2007		469,886,300		30,424,500		6,123,385		307,100

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
\$	19,399,193	\$ 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%
	12,536,576	528,027,750	538,682,534	98.02%
	11,590,071	525,985,856	536,576,935	98.03%
	7,941,781	514,683,066	525,161,530	98.00%

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
2016	0.29	0.62	0.29	0.62
2015	.28/.29	0.40/.62	0.28/.29	0.40/.62
2014	0.28	0.40	0.28	0.40
2013	.24/.28	0.40	.24/.28	0.40
2012	0.24	0.40	0.24	0.40
2011	0.22/0.24	0.40	0.22/0.24	0.40
2010	0.22	0.40	0.22	0.40
2009	0.22	0.40	0.22	0.40
2008	0.22	0.40	0.22	0.40
2007	0.22/0.26	0.40	0.22/0.26	0.40

(1) Per \$100 of assessed value.

Principal Property Taxpayers
Current Year and the Period Ten Years Prior

Taxpayer	Type Business	Fiscal Year 2016		Fiscal Year 2006	
		2016 Assessed Valuation	% of Total Assessed Valuation	2006 Assessed Valuation	% of Total Assessed Valuation
Luray Caverns Corp	Commercial	\$ 15,062,400	3.14%	\$ 8,437,200	2.60%
Blue Bell Inc.	Manufacturing	8,038,200	1.68%	6,324,900	1.95%
Scott Lee Managing (WalMart)	Commercial	7,432,400	1.55%	4,506,200	1.39%
Luray LLC 2006/Wallace Bus.1996	Commercial	361,500	0.08%	3,981,600	1.23%
SVC LLC previously Excelsior Care	Commercial	4,481,000	0.93%	2,893,900	0.89%
EMCO Inc. 2006/Fibercraft 1996	Manufacturing	3,609,800	0.75%	3,646,200	1.12%
East Luray LLC	Commercial	4,067,400	0.85%	3,116,300	0.96%
Kentland Foundation Inc.	Commercial	5,275,200	1.10%	2,770,300	0.85%
Baker Development	Land Developers	2,440,000	0.51%	836,000	0.26%
Luray Village	Housing Complex	1,556,400	0.32%	1,807,800	0.56%
Mehta Prop.LLC 2006/Zalesca Inc.1996	Commercial	1,296,700	0.27%	1,702,900	0.52%
		<u>\$ 53,621,000</u>	<u>11.18%</u>	<u>\$ 40,023,300</u>	<u>12.33%</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
2016	\$ 1,525,037	\$ 1,459,040	95.67%	\$ -	\$ 1,459,040	95.67%
2015	1,465,110	1,418,204	96.80%	6,694	1,424,898	97.26%
2014	1,399,552	1,348,052	96.32%	29,564	1,377,616	98.43%
2013	1,307,657	1,239,362	94.78%	52,484	1,291,846	98.79%
2012	1,211,427	1,142,622	94.32%	57,200	1,199,822	99.04%
2011	1,200,430	1,136,408	94.67%	54,539	1,190,947	99.21%
2010	1,200,416	1,149,680	95.77%	46,345	1,196,025	99.63%
2009	1,196,710	1,146,593	95.81%	46,727	1,193,320	99.72%
2008	1,187,567	1,131,525	95.28%	53,678	1,185,203	99.80%
2007	1,037,964	970,049	93.46%	66,210	1,036,259	99.84%

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

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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	
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
2009	487,285	26,076	10,100,894	937,028	52,152	11,603,435
2008	493,016	39,114	14,996,725	948,496	78,226	16,555,577
2007	498,496	-	5,185,459	959,462	-	6,643,417

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)
2.18%	\$ 2,362
2.10%	\$ 2,406
2.17%	2,416
2.08%	2,488
2.21%	2,577
2.35%	2,652
2.45%	2,758
2.06%	2,339
2.60%	3,332
1.08%	1,347

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)
2016	\$ 11,385,576	\$ -	\$ 11,385,576	2.37%	\$ 2,358
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
2009	11,525,207	-	11,525,207	2.18%	2,324
2008	16,438,237	-	16,438,237	3.13%	3,309
2007	6,643,417	-	6,643,417	1.29%	1,347

(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.

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

	Fiscal Year			
	2007	2008	2009	2010
Debt limit	\$ 51,468,307	\$ 52,598,586	\$ 47,779,300	\$ 47,926,890
Total net debt applicable to limit	6,643,417	16,438,237	11,525,207	13,699,708
Legal debt margin	\$ <u>44,824,890</u>	\$ <u>36,160,349</u>	\$ <u>36,254,093</u>	\$ <u>34,227,182</u>
Total net debt applicable to the limit as a percentage of debt limit	12.91%	31.25%	24.12%	28.58%

Table 13

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 43,803,570	\$ 43,942,480	\$ 43,992,350	\$ 43,989,500	\$ 44,034,120	\$ 42,832,890
13,207,642	12,833,582	12,180,685	11,741,739	11,691,398	11,385,576
<u>\$ 30,595,928</u>	<u>\$ 31,108,898</u>	<u>\$ 31,811,665</u>	<u>\$ 32,247,761</u>	<u>\$ 32,342,722</u>	<u>\$ 31,447,314</u>
30.15%	29.21%	27.69%	26.69%	26.55%	26.58%

Legal Debt Margin Calculation for Fiscal Year 2016

Assessed value	\$ 428,328,900
Add back: exempt real property	-
Total assessed value	<u>\$ 428,328,900</u>
Debt limit (10% of total assessed value)	\$ 42,832,890
Net debt applicable to limit	<u>11,385,576</u>
Legal debt margin	<u>\$ 31,447,314</u>

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Town Population	County Population (1)	Personal Income (1)	Per Capita Personal Income (1)	Unemploy- ment Rate (1)
2016	4,828	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%
2009	4,960	24,164	562,170,000	23,265	8.80%
2008	4,968	23,117	636,907,000	24,411	4.40%
2007	4,933	23,117	614,699,000	23,635	3.60%

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 2016			Fiscal Year 2007		
	Employees	Rank	% of Total County Employment	Employees	Rank	% of Total County Employment
Page County Public Schools	597	1	6.46%	637	1	6.51%
Delaware North (Prev. Aramark)	331	2	3.58%	285	3	2.91%
Wrangler/VF Jeanswear	230	3	2.49%	240	5	2.45%
Emco, Inc.	220	4	2.38%	300	2	3.07%
Valley Health (Page Memorial Hospital)	208	5	2.25%	216	7	2.21%
Luray Caverns Corp	201	6	2.18%	245	4	2.51%
County of Page, Virginia	200	7	2.17%	184	8	1.88%
Walmart	191	8	2.07%	224	6	2.29%
Valley Care Management	186	9	2.01%	132	9	1.35%
Town of Luray, Virginia	69	10	0.75%	51	10	0.52%
Totals	2,433		26.35%	2,514		25.71%

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					
	2007	2008	2009	2010	2011	2012
General government	10	10	10	7	7	7
Public safety						
Police department	11	11	11	11	11	11
Public works						
General maintenance	12	12	12	12	12	12
Waste Water Treatment Plant	5	5	6	6	6	6
Culture and recreation						
Parks and recreation	5	6	6	6	6	6
Community development						
Planning	0	0	0	1	1	1
Totals	<u>43</u>	<u>44</u>	<u>45</u>	<u>43</u>	<u>43</u>	<u>43</u>

Source: Individual Town departments.

Table 16

Fiscal Year			
2013	2014	2015	2016
9	9	9	9
11	12	11	11
12	12	12	12
5	6	6	5
5	6	6	6
1	1	1	1
43	46	45	44

Town of Luray, Virginia

Operating Indicators by Function Last Ten Fiscal Years

Function	Fiscal Year					
	2007	2008	2009	2010	2011	2012
Public safety						
Police department:						
Physical arrests	382	329	263	173	187	141
Traffic violations	363	531	411	336	639	386
Fire and rescue:						
Number of calls answered	836	855	913	922	1,002	906
Public works						
General maintenance:						
Trucks/vehicles	14	14	14	15	15	17
Culture and recreation						
Parks and recreation:						
Youth sports participants	671	721	721	600	600	625
Community development						
Planning:						
Zoning permits issued	237	236	120	127	106	89

Source: Individual Town departments.

Table 17

Fiscal Year			
2013	2014	2015	2016
208	89	64	194
178	261	213	197
1,005	908	946	947
17	17	17	18
625	900	800	815
81	67	62	76

Town of Luray, Virginia

Capital Asset Statistics by Function Last Ten Fiscal Years

Function	Fiscal Year					
	2007	2008	2009	2010	2011	2012
General government						
Administration buildings	18	18	18	18	18	18
Vehicles	2	2	2	2	2	1
Public safety						
Police department:						
Patrol units	8	8	7	8	8	8
Public works						
General maintenance:						
Trucks/vehicles	13	14	15	15	15	17
Waste Water Treatment Plant:						
Vehicles	3	4	3	3	3	3
Culture and recreation						
Parks and recreation:						
Vehicles	8	8	8	8	8	9
Parks acreage	190	190	190	190	190	190
Swimming pools						1

Source: Individual Town departments.

Table 18

Fiscal Year			
2013	2014	2015	2016
18	19	19	19
1	2	2	2
8	8	8	8
17	17	17	18
3	4	4	4
9	10	10	10
190	190	190	190
1	1	1	1

COMPLIANCE

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, and each major fund of Town of Luray, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Town of Luray, Virginia's basic financial statements, and have issued our report thereon dated October 10, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Staunton, Virginia
October 10, 2016