



TOWN OF LURAY, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2012

TOWN OF LURAY, VIRGINIA
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2012

COUNCIL

Barry Presgraves, Mayor

John Meaney

Leroy C. Lancaster

Ron Vickers

Mary Menefee

Lonnie Arrington

Joey Sours

OFFICIALS

Richard Black Town Manager

Mary Broyles Clerk-Treasurer

Jason Spitler, Bushey and Spitler Town Attorney

Danielle Babb Clerk of Council

**TOWN OF LURAY, VIRGINIA
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2012**

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Luray, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Luray, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, of the Town of Luray, Virginia, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2012 on our consideration of the Town of Luray, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Luray, Virginia's financial statements as a whole. The supporting schedules and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The information has been subjected to the auditing procedure applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Robinson, Farmer, Cox Associates

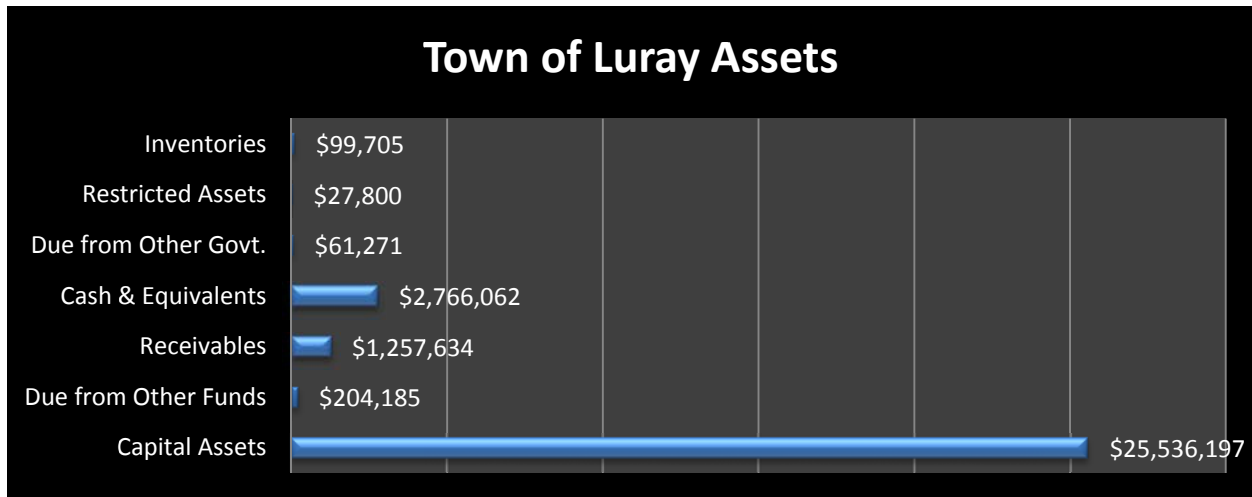
Staunton, Virginia
October 12, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS
Town of Luray Annual Audit Report
Fiscal Year Ending June 30, 2012

We are pleased to present the Annual Audit Report for the Town of Luray's fiscal year ending June 30, 2012. The audit was conducted by Robinson, Farmer, Cox, Associates, a certified public accounting firm in Verona, Virginia. The firm has audited our financial records and prepared statements of the governmental activities, business type activities, and each major fund. The Town received an unqualified opinion on the financial statements based on the results of this audit. Additionally, the compliance tests performed by the firm disclosed no reportable instances of noncompliance. The following management discussion provides an overall review of the Town's financial activities for the fiscal year ending June 30, 2012. The intent of the discussion and analysis is to examine the Town's financial performance as a whole. Readers should also review the basic financial statements to enhance their understanding of the Town's performance.

The assets of the Town exceeded its liabilities at the close of the fiscal year ending June 30, 2012 by \$15,685,522 (net assets). Of this amount, \$ 3,038,858 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. The unrestricted net assets have decreased by \$ 4,036 over last fiscal year's unrestricted balance of \$ 3,042,894.

Assets decreased by \$ 1,034,321 over the previous budget year. Assets totaled \$ 29,952,854 on June 30, 2012, while liabilities only \$ 14,267,332. 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, 2012, the Town's general fund balance is just over \$2.8 million. This is a decrease of \$ 254,430 over last year's fund balance of \$ 3,069,000. At June 30, 2012, the fund balance available for spending at the Town of Luray's discretion amounted to \$2,769,998 (unreserved fund balance).

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

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

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012
Land	\$ 940,793	\$ 940,793	\$ 149,704	\$ 149,704	\$ 1,090,497	\$ 1,090,497
Buildings and improvements	6,844,924	6,928,685	-	-	6,844,924	6,928,685
Infrastructure	5,387,586	5,387,586	-	-	5,387,586	5,387,586
Utility plant in service	-	-	26,603,985	33,777,158	26,603,985	33,777,158
Equipment	1,576,511	1,654,223	-	-	1,576,511	1,654,223
Construction in progress	-	100,560	7,031,298	-	7,031,298	100,560
Total	\$ 14,749,814	\$ 15,011,847	\$ 33,784,987	\$ 33,926,862	\$ 48,534,801	\$ 48,938,709
Less:						
Accumulated depreciation	(7,968,260)	(8,427,105)	(14,402,740)	(14,975,407)	(22,371,000)	(23,402,512)
Net capital assets	\$ 6,781,554	\$ 6,584,742	\$ 19,382,247	\$ 18,951,455	\$ 26,163,801	\$ 25,536,197

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

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012
Current and other assets	\$ 3,911,332	\$ 3,670,077	\$ 912,042	\$ 542,395	\$ 4,823,374	\$ 4,212,472
Capital assets	6,781,554	6,584,742	19,382,247	18,951,455	26,163,801	25,536,197
Total assets	\$ 10,692,886	\$ 10,254,819	\$ 20,294,289	\$ 19,493,850	\$ 30,987,175	\$ 29,748,669
Current and other liabilities	\$ 691,731	\$ 677,162	\$ 605,414	\$ 194,267	\$ 1,297,145	\$ 871,429
Long-term liabilities	1,210,854	1,116,405	12,336,780	12,075,313	13,547,634	13,191,718
Total liabilities	\$ 1,902,585	\$ 1,793,567	\$ 12,942,194	\$ 12,269,580	\$ 14,844,779	\$ 14,063,147
Invested in capital assets, net of related debt	\$ 5,751,140	\$ 5,674,643	\$ 7,348,362	\$ 6,977,198	\$ 13,099,502	\$ 12,651,841
Unrestricted	3,039,161	2,786,609	3,733	247,072	3,042,894	3,033,681
Total net assets	\$ 8,790,301	\$ 8,461,252	\$ 7,352,095	\$ 7,224,270	\$ 16,142,396	\$ 15,685,522

Liabilities total \$14,267,332 and are composed primarily of long term debt. The remainder of the liabilities include accounts payable, compensated absences on the books for employees and short term debt. The Town is well below the legal margin of debt. This margin established by computing the total assessed value of real estate within the Town. Ten percent of that total is considered the legal margin of debt. On June 30, 2012 the total assessed value of real estate in the Town of Luray was \$ 439,424,800. The legal debt margin would therefore be \$ 43,942,480. As the above information demonstrates, Luray is well below that margin.

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

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012
Revenues						
Program revenues						
Charges for services	\$ 326,130	\$ 358,209	\$ 2,422,553	\$ 2,371,252	\$ 2,748,683	\$ 2,729,461
Operating grants and contributions	1,207,087	1,113,750	-	-	1,207,087	1,113,750
Capital grants and contributions	7,373	7,130	325,053	234,293	332,426	241,423
General revenues						
Property taxes	1,125,076	1,180,066	-	-	1,125,076	1,180,066
Other local taxes	1,687,513	1,669,168	-	-	1,687,513	1,669,168
Grants and contributions not restricted to specific programs	78,717	78,493	-	-	78,717	78,493
Unrestricted investment earnings	24,767	21,779	59	-	24,826	21,779
Other	22,166	24,765	-	-	22,166	24,765
Total revenues	<u>\$ 4,478,829</u>	<u>\$ 4,453,360</u>	<u>\$ 2,747,665</u>	<u>\$ 2,605,545</u>	<u>\$ 7,226,494</u>	<u>\$ 7,058,905</u>
Expenses						
General government administration	\$ 500,906	\$ 514,606	-	-	\$ 500,906	\$ 514,606
Public safety	1,073,077	1,111,020	-	-	1,073,077	1,111,020
Public works	2,061,180	2,085,022	-	-	2,061,180	2,085,022
Health and welfare	16,794	16,956	-	-	16,794	16,956
Park, recreation and culture	855,668	921,154	-	-	855,668	921,154
Community development	104,148	101,811	-	-	104,148	101,811
Interest on long-term debt	36,267	31,840	-	-	36,267	31,840
Business-type activities	-	-	2,592,924	2,732,320	2,592,924	2,732,320
Total expenses	<u>\$ 4,648,040</u>	<u>\$ 4,782,409</u>	<u>\$ 2,592,924</u>	<u>\$ 2,732,320</u>	<u>\$ 7,240,964</u>	<u>\$ 7,514,729</u>
Change in net assets	<u>\$ (169,211)</u>	<u>\$ (329,049)</u>	<u>\$ 154,741</u>	<u>\$ (127,825)</u>	<u>\$ (14,470)</u>	<u>\$ (455,824)</u>
Net assets, beginning	<u>8,959,512</u>	<u>8,790,301</u>	<u>7,197,354</u>	<u>7,352,095</u>	<u>16,156,866</u>	<u>16,142,396</u>
Net assets, ending	<u>\$ 8,790,301</u>	<u>\$ 8,461,252</u>	<u>\$ 7,352,095</u>	<u>\$ 7,224,270</u>	<u>\$ 16,142,396</u>	<u>\$ 15,685,522</u>

Overview of the Financial Statements

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

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

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

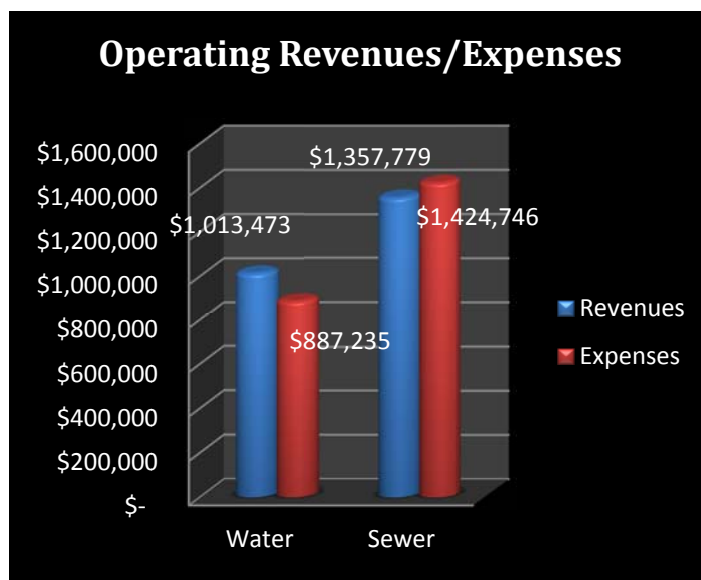
The Town's net assets are divided into three categories: (1) invested in capital assets, net of debt; (2) restricted; and (3) unrestricted. The preceding chart of Luray's assets provided a breakout of assets. At the end of the current fiscal year, the Town is able to report positive balances in all categories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

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

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

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

Such information may be useful in evaluating a government's near-term financing requirements. Governmental activities decreased the Town's net assets by \$ 252,455. Total spending in governmental funds was \$4,782,409.



The proprietary funds are the enterprise or business type funds. The Town uses enterprise funds to account for the water and sewer activities operated by the Town. The proprietary fund shows operational income of \$ 59,271. The water fund had an operational income of \$ 126,238 and the sewer funds an operational income of (\$ 66,967). Overall operating expenses show an increase of \$ 139,690 over the June 30, 2011 proprietary fund statements. Unrestricted net assets of the water and sewer funds at the end of the fiscal year are \$ 247,072.

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

Economic Factors in Next Year's Budget

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

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Assets
June 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,475,659	\$ 290,403	\$ 2,766,062
Receivables (net of allowance for uncollectibles):			
Taxes receivable	683,279	-	683,279
Accounts receivable	144,831	373,244	518,075
Notes receivable	56,280	-	56,280
Interfund balances	204,185	(204,185)	-
Due from other governmental units	61,271	-	61,271
Inventories	44,572	55,133	99,705
Other assets:			
Unamortized bond issue costs	-	27,800	27,800
Capital assets:			
Land	940,793	149,704	1,090,497
Buildings and system	5,775,502	-	5,775,502
Land Improvements	1,153,183	-	1,153,183
Machinery and equipment	1,654,223	-	1,654,223
Infrastructure	5,387,586	-	5,387,586
Utility plant in service	-	33,777,158	33,777,158
Construction in progress	100,560	-	100,560
Accumulated depreciation	(8,427,105)	(14,975,407)	(23,402,512)
Total assets	\$ 10,254,819	\$ 19,493,850	\$ 29,748,669
LIABILITIES			
Accounts payable	\$ 64,806	\$ 54,129	\$ 118,935
Accrued liabilities	2,163	-	2,163
Customers' deposits	-	88,295	88,295
Accrued interest payable	-	51,843	51,843
Deferred Revenue	582,060	-	582,060
Unearned revenue	28,133	-	28,133
Long-term liabilities:			
Due within one year	448,362	390,968	839,330
Due in more than one year	668,043	11,684,345	12,352,388
Total liabilities	\$ 1,793,567	\$ 12,269,580	\$ 14,063,147
NET ASSETS			
Invested in capital assets, net of related debt	\$ 5,674,643	\$ 6,977,198	\$ 12,651,841
Unrestricted	2,786,609	247,072	3,033,681
Total net assets	\$ 8,461,252	\$ 7,224,270	\$ 15,685,522

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

Town of Luray, Virginia

Statement of Activities
For the Year Ended June 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 514,606	\$ -	\$ -	\$ -
Public safety	1,111,020	20,458	130,017	-
Public works	2,085,022	286,764	952,114	7,130
Health and welfare	16,956	-	-	-
Parks, recreation, and cultural	921,154	50,987	26,619	-
Community development	101,811	-	5,000	-
Interest on long-term debt	31,840	-	-	-
Total governmental activities	\$ <u>4,782,409</u>	\$ <u>358,209</u>	\$ <u>1,113,750</u>	\$ <u>7,130</u>
Business-type activities:				
Water	\$ 1,152,492	\$ 1,013,473	\$ -	\$ -
Sewer	1,579,828	1,357,779	-	234,293
Total business-type activities	\$ <u>2,732,320</u>	\$ <u>2,371,252</u>	\$ <u>-</u>	\$ <u>234,293</u>
Total primary government	\$ <u>7,514,729</u>	\$ <u>2,729,461</u>	\$ <u>1,113,750</u>	\$ <u>241,423</u>

General revenues:
 General property taxes
 Other local taxes:
 Local sales and use tax
 Consumers' utility tax
 Business licenses tax
 Restaurant food tax
 Cigarette Tax
 Transient Occupancy tax
 Other local taxes
 Unrestricted revenues from use of money and property
 Miscellaneous
 Gain/Loss on disposal of capital assets
 Grants and contributions not restricted to specific programs
 Total general revenues
 Change in net assets
 Net assets - beginning
 Net assets - ending

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

Exhibit 2

Net (Expense) Revenue and
Changes in Net Assets

Primary Government

Governmental Activities	Business-type Activities	Total
\$ (514,606)	\$ -	\$ (514,606)
(960,545)	-	(960,545)
(839,014)	-	(839,014)
(16,956)	-	(16,956)
(843,548)	-	(843,548)
(96,811)	-	(96,811)
(31,840)	-	(31,840)
<u>\$ (3,303,320)</u>	<u>\$ -</u>	<u>\$ (3,303,320)</u>
\$ -	\$ (139,019)	\$ (139,019)
-	12,244	12,244
<u>\$ -</u>	<u>\$ (126,775)</u>	<u>\$ (126,775)</u>
<u>\$ (3,303,320)</u>	<u>\$ (126,775)</u>	<u>\$ (3,430,095)</u>
\$ 1,180,066	\$ -	\$ 1,180,066
183,465	-	183,465
145,694	-	145,694
260,514	-	260,514
558,832	-	558,832
147,233	-	147,233
148,632	-	148,632
224,798	-	224,798
21,779	-	21,779
24,765	-	24,765
-	(1,050)	(1,050)
78,493	-	78,493
<u>\$ 2,974,271</u>	<u>\$ (1,050)</u>	<u>\$ 2,973,221</u>
<u>\$ (329,049)</u>	<u>\$ (127,825)</u>	<u>\$ (456,874)</u>
<u>8,790,301</u>	<u>7,352,095</u>	<u>16,142,396</u>
<u>\$ 8,461,252</u>	<u>\$ 7,224,270</u>	<u>\$ 15,685,522</u>

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FUND FINANCIAL STATEMENTS

Balance Sheet
Governmental Funds
June 30, 2012

	Primary Government		
	General	Special Revenue Fund CDBG	Total
ASSETS			
Cash and cash equivalents	\$ 2,442,482	\$ 33,177	\$ 2,475,659
Receivables (net of allowance for uncollectibles):			
Taxes receivable	683,279	-	683,279
Accounts receivable	144,831	-	144,831
Notes receivable	-	56,280	56,280
Due from other funds	204,185	-	204,185
Due from other governmental units	61,271	-	61,271
Inventories	44,572	-	44,572
Total assets	<u>\$ 3,580,620</u>	<u>\$ 89,457</u>	<u>\$ 3,670,077</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 64,806	\$ -	\$ 64,806
Accrued liabilities	2,163	-	2,163
Deferred revenue	670,948	-	670,948
Prepaid Taxes	28,133	-	28,133
Total liabilities	<u>\$ 766,050</u>	<u>\$ -</u>	<u>\$ 766,050</u>
Fund balances:			
Nonspendable:			
Inventory	\$ 44,572	\$ -	\$ 44,572
Restricted:			
Community development block grant fund	-	89,457	89,457
Unassigned, reported in:			
General fund	2,769,998	-	2,769,998
Total fund balances	<u>\$ 2,814,570</u>	<u>\$ 89,457</u>	<u>\$ 2,904,027</u>
Total liabilities and fund balances	<u>\$ 3,580,620</u>	<u>\$ 89,457</u>	<u>\$ 3,670,077</u>

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

Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Assets
June 30, 2012

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 2,904,027
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,584,742
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. This amount represents deferred revenue.	88,888
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,116,405)</u>
Net assets of governmental activities	<u>\$ 8,461,252</u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2012

	Primary Government		
	General	Special Revenue Fund CDBG	Total
REVENUES			
General property taxes	\$ 1,154,297	\$ -	\$ 1,154,297
Other local taxes	1,669,168	-	1,669,168
Permits, privilege fees, and regulatory licenses	21,301	-	21,301
Fines and forfeitures	20,458	-	20,458
Revenue from the use of money and property	19,804	1,975	21,779
Charges for services	316,450	-	316,450
Miscellaneous	48,347	-	48,347
Commonwealth	1,168,661	-	1,168,661
Federal	7,130	-	7,130
Total revenues	<u>\$ 4,425,616</u>	<u>\$ 1,975</u>	<u>\$ 4,427,591</u>
EXPENDITURES			
Current:			
General government administration	\$ 465,875	\$ -	\$ 465,875
Public safety	1,105,702	-	1,105,702
Public works	1,953,282	-	1,953,282
Health and welfare	16,956	-	16,956
Parks, recreation, and cultural	883,498	-	883,498
Community development	102,578	-	102,578
Debt service:			
Principal retirement	120,315	-	120,315
Interest and other fiscal charges	31,840	-	31,840
Total expenditures	<u>\$ 4,680,046</u>	<u>\$ -</u>	<u>\$ 4,680,046</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (254,430)</u>	<u>\$ 1,975</u>	<u>\$ (252,455)</u>
Net change in fund balances	\$ (254,430)	\$ 1,975	\$ (252,455)
Fund balances - beginning	3,069,000	87,482	3,156,482
Fund balances - ending	<u>\$ 2,814,570</u>	<u>\$ 89,457</u>	<u>\$ 2,904,027</u>

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

Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2012

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

Net change in fund balances - total governmental funds	\$ (252,455)
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.	(196,812)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents deferred revenue.	25,769
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	120,315
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>(25,866)</u>
Change in net assets of governmental activities	<u>\$ (329,049)</u>

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

Statement of Net Assets
 Proprietary Funds
 June 30, 2012

	<u>Enterprise Fund</u>	<u>Enterprise Fund</u>	
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ -	\$ 290,403	\$ 290,403
Accounts receivable, net of allowances for uncollectibles	166,050	207,194	373,244
Due from other funds	-	147,332	147,332
Inventories	47,204	7,929	55,133
Total current assets	<u>\$ 213,254</u>	<u>\$ 652,858</u>	<u>\$ 866,112</u>
Noncurrent assets:			
Other assets:			
Unamortized bond issue costs	\$ -	\$ 27,800	\$ 27,800
Capital assets:			
Land	\$ 114,284	\$ 35,420	\$ 149,704
Utility plant in service	9,638,503	24,138,655	33,777,158
Accumulated Depreciation	(3,087,054)	(11,888,353)	(14,975,407)
Total capital assets	<u>\$ 6,665,733</u>	<u>\$ 12,285,722</u>	<u>\$ 18,951,455</u>
Total noncurrent assets	<u>\$ 6,665,733</u>	<u>\$ 12,313,522</u>	<u>\$ 18,979,255</u>
Total assets	<u>\$ 6,878,987</u>	<u>\$ 12,966,380</u>	<u>\$ 19,845,367</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 17,017	\$ 37,112	\$ 54,129
Customers' deposits	88,295	-	88,295
Accrued interest payable	20,676	31,167	51,843
Due to other funds	351,517	-	351,517
Bonds payable - current portion	101,025	217,259	318,284
Notes payable - current portion	65,821	6,863	72,684
Total current liabilities	<u>\$ 644,351</u>	<u>\$ 292,401</u>	<u>\$ 936,752</u>
Noncurrent liabilities:			
Bonds payable - net of current portion	\$ 1,279,377	\$ 4,460,083	\$ 5,739,460
Notes payable - net of current portion	5,350,092	442,963	5,793,055
Bond Premium	45,447	5,327	50,774
Compensated absences	29,620	48,941	78,561
Net OPEB obligation	9,950	12,545	22,495
Total noncurrent liabilities	<u>\$ 6,714,486</u>	<u>\$ 4,969,859</u>	<u>\$ 11,684,345</u>
Total liabilities	<u>\$ 7,358,837</u>	<u>\$ 5,262,260</u>	<u>\$ 12,621,097</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ (176,029)	\$ 7,153,227	\$ 6,977,198
Unrestricted	(303,821)	550,893	247,072
Total net assets	<u>\$ (479,850)</u>	<u>\$ 7,704,120</u>	<u>\$ 7,224,270</u>

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

Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Proprietary Funds
 For the Year Ended June 30, 2012

	Enterprise Fund	Enterprise Fund	
	Water	Sewer	Total
OPERATING REVENUES			
Charges for services:			
Water revenues	\$ 1,004,312	\$ -	\$ 1,004,312
Sewer revenues	-	1,237,715	1,237,715
Connection Fees	8,085	375	8,460
Miscellaneous	1,076	119,689	120,765
Total operating revenues	<u>\$ 1,013,473</u>	<u>\$ 1,357,779</u>	<u>\$ 2,371,252</u>
OPERATING EXPENSES			
Personal services	\$ 263,710	\$ 402,779	\$ 666,489
Fringe benefits	119,014	161,194	280,208
Contractual services	11,241	11,293	22,534
Other supplies and expenses	46,583	26,714	73,297
Rentals and leases	182	-	182
Insurance claims and expense	20,000	35,000	55,000
Other charges	192,461	438,738	631,199
Depreciation	234,044	349,028	583,072
Total operating expenses	<u>\$ 887,235</u>	<u>\$ 1,424,746</u>	<u>\$ 2,311,981</u>
Operating income (loss)	<u>\$ 126,238</u>	<u>\$ (66,967)</u>	<u>\$ 59,271</u>
NONOPERATING REVENUES (EXPENSES)			
Gain (Loss) on sale of Assets	\$ (1,050)	\$ -	\$ (1,050)
Interest and fiscal charges	(265,257)	(155,082)	(420,339)
Total nonoperating revenues (expenses)	<u>\$ (266,307)</u>	<u>\$ (155,082)</u>	<u>\$ (421,389)</u>
Income (loss) before contributions and transfers	<u>\$ (140,069)</u>	<u>\$ (222,049)</u>	<u>\$ (362,118)</u>
Capital contributions and construction grants	\$ -	\$ 234,293	\$ 234,293
Change in net assets	<u>\$ (140,069)</u>	<u>\$ 12,244</u>	<u>\$ (127,825)</u>
Total net assets - beginning	<u>\$ (339,781)</u>	<u>\$ 7,691,876</u>	<u>\$ 7,352,095</u>
Total net assets - ending	<u><u>\$ (479,850)</u></u>	<u><u>\$ 7,704,120</u></u>	<u><u>\$ 7,224,270</u></u>

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

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2012

	Enterprise Fund	Enterprise Fund	
	Water	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,012,427	\$ 1,237,483	\$ 2,249,910
Payments to suppliers	(63,389)	(808,309)	(871,698)
Payments to employees	(389,207)	(568,468)	(957,675)
Other receipts (payments)	2,385	122,617	125,002
Net cash provided by (used in) operating activities	<u>\$ 562,216</u>	<u>\$ (16,677)</u>	<u>\$ 545,539</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to utility plant	\$ (36,206)	\$ (116,075)	\$ (152,281)
Gain (Loss) on sale of Assets	(1,050)	-	(1,050)
Principal payments on bonds	(139,870)	(110,774)	(250,644)
Capital contributions	-	234,293	234,293
Bond premiums	-	(594)	(594)
Interest payments	<u>(385,090)</u>	<u>(154,981)</u>	<u>(540,071)</u>
Net cash provided by (used in) capital and related financing activities	<u>\$ (562,216)</u>	<u>\$ (148,131)</u>	<u>\$ (710,347)</u>
Net increase (decrease) in cash and cash equivalents	\$ -	\$ (164,808)	\$ (164,808)
Cash and cash equivalents - beginning - including restricted	\$ -	\$ 455,211	\$ 455,211
Cash and cash equivalents - ending - including restricted	<u>\$ -</u>	<u>\$ 290,403</u>	<u>\$ 290,403</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 126,238	\$ (66,967)	\$ 59,271
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	\$ 234,044	\$ 349,028	\$ 583,072
(Increase) decrease in accounts receivable	(4,969)	(708)	(5,677)
(Increase) decrease in inventories	2,893	337	3,230
Increase (decrease) in customer deposits	4,999	-	4,999
Increase (decrease) in accounts payable	(1,094)	(296,901)	(297,995)
Increase (decrease) in OPEB obligation	2,403	3,029	5,432
Increase (decrease) accrued payroll	(1,867)	(2,976)	(4,843)
Increase (decrease) accrued vacation leave payable	(4,616)	(1,519)	(6,135)
Increase (decrease) in due to other funds	204,185	-	204,185
Total adjustments	<u>\$ 435,978</u>	<u>\$ 50,290</u>	<u>\$ 486,268</u>
Net cash provided by (used in) operating activities	<u>\$ 562,216</u>	<u>\$ (16,677)</u>	<u>\$ 545,539</u>

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

TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. The Financial Reporting Entity

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

Blended Component Units - The Town has no blended component units for the fiscal year ended June 30, 2012.

Discretely Presented Component Units - The Town has no discretely presented component units for the fiscal year ended June 30, 2012.

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

B. Government-wide and fund financial statements

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

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

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

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

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

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

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

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

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

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

The government reports the following major governmental funds:

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

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

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

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

The government reports the following major proprietary funds:

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

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

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

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

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

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

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

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

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

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

2. Receivables and payables

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

3. Inventory

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

4. Property Taxes

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

The taxes receivable balance at June 30, 2012 includes amounts not yet billed or received from the second half of the January 1, 2012 levy (due December 5, 2012). These items are included in deferred revenue since these taxes are restricted for use until fiscal year 2012.

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 \$39,270 at June 30, 2012 and is composed of property taxes, refuse, CDBG, and water and sewer accounts receivable. The portion of the allowance for property taxes represents .09% of the total levies for the previous year. The portion of the allowance attributable to refuse and water and sewer represents 5.94% of the accounts receivable balance at June 30, 2012. The portion of the allowance attributable to CDBG loans represents 1.14% of the loan receivables balance at June 30, 2012.

6. Use of Estimates

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**D. Assets, liabilities, and net assets or equity (continued)****7. Capital assets**

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

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

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

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

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

8. Compensated Absences

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

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

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

9. Long-term obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Fund equity

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

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

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

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

11. Fund equity (continued)

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

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

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

12. Net Assets

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

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance—total governmental funds* and *net assets—governmental activities* as reported in the government-wide statements of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$1,116,405) difference for the primary government are as follows:

	Primary Government
Bonds and notes payable	\$ (910,099)
OPEB obligation	(35,905)
Compensated absences	(170,401)
Net adjustment to reduce <i>fund balance—total governmental funds</i> to arrive at <i>net assets—governmental activities</i>	\$ <u>(1,116,405)</u>

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2012

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances—total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this (\$196,812) difference for the primary government are as follows:

	Primary Government
Capital outlay	\$ 294,579
Depreciation expense	<u>(491,391)</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u><u>(196,812)</u></u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$120,315 difference in the primary government are as follows:

	Primary Government
Principal repayments:	
Notes payable	\$ <u>120,315</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u><u>120,315</u></u>

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

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

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this (\$25,866) difference for the primary government are as follows:

	Primary Government
Compensated absences	\$ (17,198)
OPEB obligation	<u>(8,668)</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (25,866)</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
AS OF JUNE 30, 2012

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

B. Excess of expenditures over appropriations

For the year ended June 30, 2012, no departments had expenditures which exceeded appropriations.

C. Deficit fund equity

At June 30, 2012, the water fund had a net asset deficit of (\$479,850).

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, 2012, interfund obligations were as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 204,185	\$ -
Sewer Fund	147,332	-
Water Fund	-	351,517
Total	<u>\$ 351,517</u>	<u>\$ 351,517</u>

NOTE 5—DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governmental units at June 30, 2012, are as follows:

	<u>Primary Government</u>
<u>Commonwealth of Virginia:</u>	
Sales tax	\$ 34,152
Communications tax	13,466
Fire programs funds	13,085
Other noncategorical aid	568
Total	<u>\$ 61,271</u>

TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2012

NOTE 6—CAPITAL ASSETS:

Governmental Activities

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets not being depreciated:				
Land	\$ 940,793	\$ -	\$ -	\$ 940,793
Construction in progress	-	100,560	-	100,560
Total capital assets not being depreciated	<u>\$ 940,793</u>	<u>\$ 100,560</u>	<u>\$ -</u>	<u>\$ 1,041,353</u>
Other capital assets:				
Buildings and improvements	\$ 5,691,741	\$ 83,761	\$ -	\$ 5,775,502
Land improvements	1,153,183	-	-	1,153,183
Infrastructure	5,387,586	-	-	5,387,586
Furniture, equipment and vehicles	<u>1,576,511</u>	<u>110,258</u>	<u>(32,546)</u>	<u>1,654,223</u>
Total other capital assets	<u>\$ 13,809,021</u>	<u>\$ 194,019</u>	<u>\$ (32,546)</u>	<u>\$ 13,970,494</u>
Less: Accumulated depreciation for:				
Buildings and improvements	\$ (2,172,976)	\$ (133,286)	\$ -	\$ (2,306,262)
Land improvements	(375,862)	(76,810)	-	(452,672)
Infrastructure	(4,197,999)	(178,394)	-	(4,376,393)
Furniture, equipment and vehicles	<u>(1,221,423)</u>	<u>(102,901)</u>	<u>32,546</u>	<u>(1,291,778)</u>
Total accumulated depreciation	<u>\$ (7,968,260)</u>	<u>\$ (491,391)</u>	<u>\$ 32,546</u>	<u>\$ (8,427,105)</u>
Other capital assets, net	<u>\$ 5,840,761</u>	<u>\$ (297,372)</u>	<u>\$ -</u>	<u>\$ 5,543,389</u>
Net capital assets	<u><u>\$ 6,781,554</u></u>	<u><u>\$ (196,812)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,584,742</u></u>

TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2012

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Business-Type Activities

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Water Fund				
Capital assets not being depreciated:				
Land	\$ 114,284	\$ -	\$ -	\$ 114,284
Total capital assets not being depreciated	<u>\$ 114,284</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 114,284</u>
Other capital assets:				
Utility plant in service	\$ 9,612,702	\$ 37,256	\$ (11,455)	\$ 9,638,503
Less: Accumulated depreciation	<u>(2,863,415)</u>	<u>(234,044)</u>	<u>10,405</u>	<u>(3,087,054)</u>
Total other capital assets	<u>\$ 6,749,287</u>	<u>\$ (196,788)</u>	<u>\$ (1,050)</u>	<u>\$ 6,551,449</u>
Net capital assets	<u><u>\$ 6,863,571</u></u>	<u><u>\$ (196,788)</u></u>	<u><u>\$ (1,050)</u></u>	<u><u>\$ 6,665,733</u></u>
Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 35,420	\$ -	\$ -	\$ 35,420
Construction in progress (WWTP)	<u>7,031,298</u>	<u>54,693</u>	<u>(7,085,991)</u>	<u>-</u>
Total capital assets not being depreciated	<u>\$ 7,066,718</u>	<u>\$ 54,693</u>	<u>\$ (7,085,991)</u>	<u>\$ 35,420</u>
Other capital assets:				
Utility plant in service	\$ 16,991,283	\$ 7,147,372	\$ -	\$ 24,138,655
Less: Accumulated depreciation	<u>(11,539,325)</u>	<u>(349,028)</u>	<u>-</u>	<u>(11,888,353)</u>
Total other capital assets	<u>\$ 5,451,958</u>	<u>\$ 6,798,344</u>	<u>\$ -</u>	<u>\$ 12,250,302</u>
Net capital assets	<u><u>\$ 12,518,676</u></u>	<u><u>\$ 6,853,037</u></u>	<u><u>\$ (7,085,991)</u></u>	<u><u>\$ 12,285,722</u></u>

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

Governmental activities:

General government administration	\$ 47,996
Public safety	27,760
Public works	253,916
Parks, recreation, and cultural	161,233
Community development	486
Total depreciation expense-governmental activities	<u><u>\$ 491,391</u></u>

Business-type activities:

Water Fund	\$ 234,044
Sewer Fund	349,028
Total depreciation expense-business type activities	<u><u>\$ 583,072</u></u>

TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2012

NOTE 7—LONG-TERM LIABILITIES:

Primary Government—Governmental Activity Indebtedness:

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

<u>Year Ending June 30,</u>	<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 448,362	\$ 26,480
2014	7,179	20,061
2015	7,508	19,732
2016	7,853	19,387
2017	8,214	19,026
2018	8,592	18,648
2019	8,986	18,254
2020	9,399	17,841
2021	9,831	17,409
2022	10,283	16,957
2023	10,755	16,485
2024	11,249	15,991
2025	11,766	15,474
2026	12,306	14,934
2027	12,872	14,368
2028	13,463	13,777
2029	14,081	13,159
2030	14,728	12,512
2031	15,405	11,835
2032	16,113	11,127
2033	16,853	10,387
2034	17,627	9,613
2035	18,437	8,803
2036	19,284	7,956
2037	20,170	7,070
2038	21,096	6,144
2039	22,065	5,175
2040	23,079	4,161
2041	24,139	3,101
2042	25,248	1,992
2043	30,756	831
2044	12,400	46
Total	<u>\$ 910,099</u>	<u>\$ 398,736</u>

TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2012

NOTE 7—LONG-TERM LIABILITIES: (CONTINUED)

Primary Government—Governmental Activity Indebtedness: (continued)

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2012.

	Balance July 1, 2011	Issuances	Retirements	Balance June 30, 2012
Notes payable	\$ 1,030,414	\$ -	\$ 120,315	\$ 910,099
Compensated absences	153,203	17,198	-	170,401
Net OPEB obligation	27,237	8,668	-	35,905
Total	<u>\$ 1,210,854</u>	<u>\$ 25,866</u>	<u>\$ 120,315</u>	<u>\$ 1,116,405</u>

Details of Long-term Indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
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.	\$ 468,600	\$ 6,863
\$750,000 General Obligation Note, Series 2010, issued on March 30, 2010, bearing a 2.25% interest rate, with interest only payments of \$1,406.25 due monthly. Final installment of principal and interest are due on March 30, 2013.	<u>441,499</u>	<u>441,499</u>
Subtotal Notes Payable	\$ 910,099	\$ 448,362
Compensated Absences	<u>\$ 170,401</u>	<u>\$ -</u>
Net OPEB obligation	<u>\$ 35,905</u>	<u>\$ -</u>
Total	<u>\$ 1,116,405</u>	<u>\$ 448,362</u>

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2012

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

Year Ending June 30,	Bonds Payable		Notes Payable	
	Principal	Interest	Principal	Interest
2013	\$ 318,284	\$ 191,676	\$ 72,684	\$ 225,995
2014	325,475	183,496	75,565	223,115
2015	337,756	174,008	78,560	220,120
2016	350,130	163,122	81,674	217,006
2017	362,601	151,391	84,912	213,768
2018	380,172	138,738	88,280	210,400
2019	392,848	125,191	91,782	206,898
2020	400,633	111,202	95,423	203,257
2021	393,051	96,812	99,210	199,470
2022	363,950	84,365	103,148	195,532
2023	359,831	73,172	107,244	191,436
2024	339,002	61,548	111,503	187,177
2025	264,002	51,886	115,932	182,748
2026	274,002	43,896	120,538	178,142
2027	284,002	39,780	125,329	173,351
2028	294,002	30,600	130,311	168,369
2029	304,001	20,910	135,492	163,188
2030	314,002	10,710	140,880	157,800
2031	-	-	146,484	152,196
2032	-	-	152,313	146,367
2033	-	-	158,375	140,305
2034	-	-	164,680	134,000
2035	-	-	171,237	127,443
2036	-	-	178,057	120,623
2037	-	-	185,151	113,529
2038	-	-	192,529	106,151
2039	-	-	200,202	98,478
2040	-	-	208,184	90,496
2041	-	-	216,486	82,194
2042	-	-	225,121	73,559
2043	-	-	229,755	64,577
2044	-	-	188,203	55,997
2045	-	-	195,383	48,817
2046	-	-	202,837	41,363
2047	-	-	210,576	33,624
2048	-	-	218,610	25,590
2049	-	-	226,950	17,250
2050	-	-	235,608	8,592
2051	-	-	100,531	946
Total	\$ <u>6,057,744</u>	\$ <u>1,752,503</u>	\$ <u>5,865,739</u>	\$ <u>5,199,869</u>

TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2012

NOTE 7—LONG-TERM LIABILITIES: (CONTINUED)

Primary Government-Enterprise Activity Indebtedness: (continued)

	Balance July 1, 2011			Balance June 30, 2012		
		Additions	Reductions			
General Obligation Bonds	\$ 6,264,744	\$ 109,177	\$ 316,177	\$ 6,057,744		
Unamortized Bond Premium	57,793	-	7,019	50,774		
Notes Payable	5,912,484	-	46,745	5,865,739		
Compensated Absences	84,696	-	6,135	78,561		
Net OPEB Obligation	17,063	5,432	-	22,495		
Total	<u>\$ 12,336,780</u>	<u>\$ 114,609</u>	<u>\$ 376,076</u>	<u>\$ 12,075,313</u>		

Details of Long-term Indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>General Obligation Bonds:</u>		
\$1,530,000 VRA General Obligation Bond, Series 2003, issued December 4, 2003, bearing interest at rates from 2.10% to 5.10%, with payments due semi-annually from April 1, 2004 to October 1, 2023. Principal installments are due annually beginning October 1, 2004 through October 1, 2023, with amounts ranging from \$60,000 to \$105,000.	\$ 1,020,000	\$ 65,000
\$1,985,000 VRA Revolving Loan, issued June 17, 2009, bearing interest at 3.90% per annum. Semi-annual payments of varying amounts to begin October 1, 2009 and are payable through April 1, 2026.	1,785,000	95,000
\$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.	1,872,034	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.	240,308	18,257
\$3,325,000 FmHA General Obligation Bond, Series 2001, issued December 14, 2001, bearing interest at 6.0% per annum. Monthly payments of \$20,498 to begin November 12, 2003. Payable through November 2030.	780,000	-
\$860,000 Taxable General Obligation Water System Bond, Series 2000, approved April 28, 2000, bearing interest at 4.25% per annum, with principal and interest due semiannually, with final maturity not later than December 31, 2021.	<u>360,402</u>	<u>36,025</u>
Sub-total bonds payable	<u>\$ 6,057,744</u>	<u>\$ 318,284</u>

TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2012

NOTE 7—LONG-TERM LIABILITIES: (CONTINUED)

Primary Government-Enterprise Activity Indebtedness: (continued)

Details of Long-term Indebtedness: (continued)

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Notes Payable:</u>		
\$987,492 Rural Development Community Facilities Loan, secured by Deed of Trust on real property located at 45 E. Main Street, Luray, Virginia dated September 13, 2002 bearing interest at 4.50% per annum. Note due in monthly installments of \$4,540 through June 2043.	\$ 899,652	\$ 13,726
\$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>4,966,087</u>	<u>58,958</u>
Sub-total notes payable	\$ <u>5,865,739</u>	\$ <u>72,684</u>
Unamortized Bond Premium	\$ <u>50,774</u>	\$ <u>-</u>
Compensated Absences	\$ <u>78,561</u>	\$ <u>-</u>
Net OPEB Obligation	\$ <u>22,495</u>	\$ <u>-</u>
Total	<u>\$ 12,075,313</u>	<u>\$ 390,968</u>

NOTE 8—COMPENSATED ABSENCES:

Town employees earn sick leave at the rate of one day per month and such leave if not used may be accumulated up to 120 days. Maximum payout of sick leave at retirement is \$2,500. Vacation leave is earned at various rates depending on the date of employment and number of years of service. Vacation leave accrued in one year must be taken by the end of the following year or it will be lost. Upon separation or retirement, a full-time employee shall be paid for all accrued annual leave, up to the maximum allowed. The Town has outstanding accrued compensated absences totaling \$170,401 in the Primary Government, and \$78,561 in the Enterprise Funds.

NOTE 9—DEFINED BENEFIT PENSION PLAN:

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)
Identification of Plan: Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years service credit. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2:

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

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

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2012**NOTE 9—DEFINED BENEFIT PENSION PLAN: (CONTINUED)****A. Plan Description (continued)**

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

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2012 was 15.33% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2012, the Town's annual pension cost of \$279,415 was equal to the Town's required and actual contributions.

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2010	\$ 273,035	100%	\$ -
June 30, 2011	272,563	100%	-
June 30, 2012	279,415	100%	-

The FY2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and projected salary increases include an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

NOTE 9—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

D. Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the plan was 71.40% funded. The actuarial accrued liability for benefits was \$9,779,906, and the actuarial value of assets was \$6,983,166, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,796,740. The covered payroll (annual payroll of active employees covered by the plan) was \$1,773,461, and ratio of the UAAL to the covered payroll was 157.70%.

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

NOTE 10—OTHER POST-EMPLOYMENT BENEFITS PROGRAM:

A. Plan Description

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

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

B. Funding Policy

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

C. Annual OPEB Cost and Net OPEB Obligation

The annual cost of other post employment benefits (OPEB) GASB 45 is calculated based on the annual required contribution (ARC). The estimated pay as you go cost for OPEB benefits is \$14,400 for fiscal year 2012. The Town has elected not to pre-fund OPEB liabilities. The ARC is an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years.

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2012

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

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

Annual Required Contribution (ARC)	\$	14,400
Interest on OPEB Obligation		1,900
Adjustment to ARC		(2,200)
Annual OPEB cost	\$	<u>18,500</u>
Estimated Contributions Made During FY12		<u>(4,400)</u>
Increase in Net OPEB Obligation	\$	14,100
Net OPEB Obligation - beginning of year		<u>44,300</u>
Net OPEB Obligation - end of year	\$	<u><u>58,400</u></u>

Annual OPEB Cost. For 2012, the Town's expected cash payment of \$4,400 is less than the OPEB cost (expense) of \$18,500 and was \$10,000 short of the ARC. The Government's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the two preceding years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2012	\$ 18,500	24%	\$ 58,400
June 30, 2011	24,300	49%	44,300
June 30, 2010	24,300	27%	32,000

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2012 is as follows:

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

NOTE 10—OTHER POST-EMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

D. Funded Status and Funding Progress (continued)

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

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

E. Actuarial Methods and Assumptions

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

Cost Method

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

Interest Assumptions	Not funded
Discount rate	4.5%
Payroll growth	n/a

NOTE 11—UNEARNED/DEFERRED REVENUE:

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

- A. Prepaid Property Taxes – Property taxes due subsequent to June 30, 2012, but paid in advance by the taxpayers totaled \$28,133 at June 30, 2012.
- B. Unbilled Property Taxes – Property taxes for the second half of 2012 that had not been billed as of June 30, 2012 amounted to \$582,060.

NOTE 12—CONTINGENT LIABILITIES (INCLUDING FEDERALLY ASSISTED PROGRAMS – COMPLIANCE AUDITS):

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

NOTE 13—DEPOSITS AND INVESTMENTS:

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. 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), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

Custodial Credit Risk

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

NOTE 14—RISK MANAGEMENT:

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

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

TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2012

NOTE 14—RISK MANAGEMENT: (CONTINUED)

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

Policies in effect at June 30, 2012, are as follows:

<u>Insurer</u>	<u>Description</u>	<u>Limit</u>
Virginia Municipal Liability Pool	Public Officials Liability	\$ 1,000,000/no aggregate limit
Virginia Municipal Liability Pool	Excess Liability (Umbrella)	5,000,000
Erie Insurance	Town Manager	25,000
Fidelity & Deposit Company of Maryland	Extortion	10,000
Fidelity & Deposit Company of Maryland	FmHA Bond (Treasurer)	330,000
Fidelity & Deposit Company of Maryland	Forgery	100,000
Fidelity & Deposit Company of Maryland	Public Employee Dishonesty	100,000

NOTE 15—RELATED PARTY TRANSACTIONS:

The Town buys materials and supplies from Lancaster Enterprises, a proprietorship owned and operated by Council member Leroy Lancaster. The total amount purchased from this business enterprise during the year ended June 30, 2012, was immaterial to the Town's financial statements.

NOTE 16—SUBSEQUENT EVENTS:

On August 1, 2012 the Town issued Bond Series 2012B refunding bond through the Virginia Resources Authority in the amount of \$1,530,000 to refund VRA series 2001 and a portion of VRA series 2003 bonds.

NOTE 17—LITIGATION:

At June 30, 2012, there were not 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.

REQUIRED SUPPLEMENTARY INFORMATION

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 1,223,250	\$ 1,223,250	\$ 1,154,297	\$ (68,953)
Other local taxes	1,707,000	1,707,000	1,669,168	(37,832)
Permits, privilege fees, and regulatory licenses	16,000	16,000	21,301	5,301
Fines and forfeitures	30,100	30,100	20,458	(9,642)
Revenue from the use of money and property	97,520	97,520	19,804	(77,716)
Charges for services	300,000	300,000	316,450	16,450
Miscellaneous	205,140	195,140	48,347	(146,793)
Intergovernmental revenues:				
Commonwealth	1,161,974	1,161,974	1,168,661	6,687
Federal	444,000	444,000	7,130	(436,870)
Total revenues	<u>\$ 5,184,984</u>	<u>\$ 5,174,984</u>	<u>\$ 4,425,616</u>	<u>\$ (749,368)</u>
EXPENDITURES				
Current:				
General government administration	\$ 562,251	\$ 574,706	\$ 465,875	\$ 108,831
Public safety	1,107,079	1,123,779	1,105,702	18,077
Public works	2,263,464	2,412,709	1,953,282	459,427
Health and welfare	20,000	20,000	16,956	3,044
Parks, recreation, and cultural	913,538	938,638	883,498	55,140
Community development	110,400	109,600	102,578	7,022
Debt service:				
Principal retirement	151,720	135,720	120,315	15,405
Interest and other fiscal charges	38,500	38,500	31,840	6,660
Total expenditures	<u>\$ 5,166,952</u>	<u>\$ 5,353,652</u>	<u>\$ 4,680,046</u>	<u>\$ 673,606</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 18,032</u>	<u>\$ (178,668)</u>	<u>\$ (254,430)</u>	<u>\$ (75,762)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (18,032)	\$ 178,668	\$ -	\$ (178,668)
Total other financing sources and uses	<u>\$ (18,032)</u>	<u>\$ 178,668</u>	<u>\$ -</u>	<u>\$ (178,668)</u>
Net change in fund balances	\$ -	\$ -	\$ (254,430)	\$ (254,430)
Fund balances - beginning	-	-	3,069,000	3,069,000
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,814,570</u>	<u>\$ 2,814,570</u>

Special Revenue Fund

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

For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from the use of money and property	\$ 2,500	\$ 2,500	\$ 1,975	\$ (525)
Total revenues	\$ 2,500	\$ 2,500	\$ 1,975	\$ (525)
Excess (deficiency) of revenues over (under) expenditures	\$ 2,500	\$ 2,500	\$ 1,975	\$ (525)
Net change in fund balances	\$ 2,500	\$ 2,500	\$ 1,975	\$ (525)
Fund balances - beginning	-	-	87,482	87,482
Fund balances - ending	\$ 2,500	\$ 2,500	\$ 89,457	\$ 86,957

Schedule of Pension Funding Progress
As of June 30, 2012

Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
06/30/11 \$	6,983,166 \$	9,779,906 \$	2,796,740	71.40% \$	1,773,461	157.70%
06/30/10	6,855,274	9,000,641	2,145,367	76.16%	1,801,079	119.12%
06/30/09	6,788,463	7,963,000	1,174,537	85.25%	1,723,969	68.13%
06/30/08	6,687,534	7,338,772	651,238	91.13%	1,614,115	40.35%
06/30/07	6,072,020	6,845,783	773,763	88.70%	1,525,448	50.72%

Other Post-Employment Benefit Program
 Schedule of Funding Progress
 As of June 30, 2012

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
2009	07/01/08	\$ -	\$ 220,400	\$ 220,400	0.00%	\$ -	N/A
2010	07/01/08	-	220,400	220,400	0.00%	-	N/A
2011	07/01/08	-	220,400	220,400	0.00%	-	N/A
2012	7/1/2011	-	166,500	166,500	0.00%	-	N/A

SUPPORTING INFORMATION

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2012

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 1,091,450	\$ 1,091,450	\$ 1,026,851	\$ (64,599)
Real and personal public service corporation taxes	31,000	31,000	39,804	8,804
Personal property taxes	83,000	83,000	76,368	(6,632)
Mobile home taxes	800	800	820	20
Penalties and interest	17,000	17,000	10,454	(6,546)
Total general property taxes	<u>\$ 1,223,250</u>	<u>\$ 1,223,250</u>	<u>\$ 1,154,297</u>	<u>\$ (68,953)</u>
Other local taxes:				
Local sales and use taxes	\$ 180,000	\$ 180,000	\$ 183,465	\$ 3,465
Consumers' utility taxes	165,000	165,000	145,694	(19,306)
Business license taxes	250,000	250,000	260,514	10,514
Franchise license tax	24,000	24,000	27,375	3,375
Motor vehicle licenses	60,000	60,000	57,853	(2,147)
Bank stock taxes	88,000	88,000	105,911	17,911
Transient occupancy taxes	180,000	180,000	148,632	(31,368)
Restaurant food taxes	525,000	525,000	558,832	33,832
Sprint right of way fees	45,000	45,000	33,659	(11,341)
Cigarette tax	190,000	190,000	147,233	(42,767)
Total other local taxes	<u>\$ 1,707,000</u>	<u>\$ 1,707,000</u>	<u>\$ 1,669,168</u>	<u>\$ (37,832)</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 16,000	\$ 16,000	\$ 21,301	\$ 5,301
Total permits, privilege fees, and regulatory licenses	<u>\$ 16,000</u>	<u>\$ 16,000</u>	<u>\$ 21,301</u>	<u>\$ 5,301</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 30,000	\$ 30,000	\$ 20,413	\$ (9,587)
Parking fines	100	100	45	(55)
Total fines and forfeitures	<u>\$ 30,100</u>	<u>\$ 30,100</u>	<u>\$ 20,458</u>	<u>\$ (9,642)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 30,000	\$ 30,000	\$ 4,008	\$ (25,992)
Revenue from use of property	67,520	67,520	15,796	(51,724)
Total revenue from use of money and property	<u>\$ 97,520</u>	<u>\$ 97,520</u>	<u>\$ 19,804</u>	<u>\$ (77,716)</u>
Charges for services:				
Charges for sanitation and waste removal	\$ 265,000	\$ 265,000	\$ 265,463	\$ 463
Charges for recreation	35,000	35,000	50,987	15,987
Total charges for services	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ 316,450</u>	<u>\$ 16,450</u>
Miscellaneous revenue:				
Rebates and refunds	\$ 13,000	\$ 13,000	\$ 11,789	\$ (1,211)
Donations	69,000	69,000	20,268	(48,732)
Miscellaneous	34,300	24,300	10,817	(13,483)
Greenway development grant	85,000	85,000	3,314	(81,686)
Sale of equipment	3,840	3,840	2,159	(1,681)
Total miscellaneous revenue	<u>\$ 205,140</u>	<u>\$ 195,140</u>	<u>\$ 48,347</u>	<u>\$ (146,793)</u>
Total revenue from local sources	<u>\$ 3,579,010</u>	<u>\$ 3,569,010</u>	<u>\$ 3,249,825</u>	<u>\$ (319,185)</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (continued)				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle rental tax	\$ 4,000	\$ 4,000	\$ 3,919	\$ (81)
Personal property tax relief funds	74,574	74,574	74,574	-
Total noncategorical aid	<u>\$ 78,574</u>	<u>\$ 78,574</u>	<u>\$ 78,493</u>	<u>\$ (81)</u>
Other categorical aid:				
Virginia Commission for the Arts grant	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Aid to localities with police departments	116,000	116,000	116,152	152
Other police grants	26,000.00	26,000.00	780.00	(25,220)
Police impound revenue	300	300	-	(300)
Department of fire programs funds	12,500	12,500	13,085	585
Litter control grant	3,000	3,000	2,991	(9)
Street and highway maintenance funds	918,000	918,000	952,114	34,114
Recreational tree grant	2,500	2,500	-	(2,500)
DMV animal friendly plate	100	100	46	(54)
Total other categorical aid	<u>\$ 1,083,400</u>	<u>\$ 1,083,400</u>	<u>\$ 1,090,168</u>	<u>\$ 6,768</u>
Total categorical aid	<u>\$ 1,083,400</u>	<u>\$ 1,083,400</u>	<u>\$ 1,090,168</u>	<u>\$ 6,768</u>
Total revenue from the Commonwealth	<u>\$ 1,161,974</u>	<u>\$ 1,161,974</u>	<u>\$ 1,168,661</u>	<u>\$ 6,687</u>
Revenue from the federal government:				
Categorical aid:				
TEA-21 Grant	\$ 442,000	\$ 442,000	\$ -	\$ (442,000)
Forest reserve funds	2,000	2,000	-	(2,000)
DMV - ground transportation	-	-	7,130	7,130
Total categorical aid	<u>\$ 444,000</u>	<u>\$ 444,000</u>	<u>\$ 7,130</u>	<u>\$ (436,870)</u>
Total General Fund	<u>\$ 5,184,984</u>	<u>\$ 5,174,984</u>	<u>\$ 4,425,616</u>	<u>\$ (749,368)</u>
Special Revenue Fund:				
CDBG:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 2,500	\$ 2,500	\$ 1,975	\$ (525)
Total revenue from use of money and property	<u>2,500</u>	<u>2,500</u>	<u>1,975</u>	<u>(525)</u>
Total revenue from local sources	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>\$ 1,975</u>	<u>\$ (525)</u>
Total CDBG Fund	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>\$ 1,975</u>	<u>\$ (525)</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 139,237	\$ 140,437	\$ 139,561	\$ 876
General and financial administration:				
Town manager	\$ 111,722	\$ 109,527	\$ 61,114	\$ 48,413
Legal services	60,000	78,000	77,971	29
Independent auditor	5,200	5,200	5,200	-
Treasurer	241,292	236,742	178,593	58,149
Total general and financial administration	\$ 418,214	\$ 429,469	\$ 322,878	\$ 106,591
Total general government administration	\$ 562,251	\$ 574,706	\$ 465,875	\$ 108,831
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 1,064,179	\$ 1,082,579	\$ 1,067,651	\$ 14,928
Other protection:				
Code Enforcement	\$ 30,900	\$ 30,900	\$ 29,365	\$ 1,535
Safety Officer	12,000	10,300	8,686	1,614
Total other protection	\$ 42,900	\$ 41,200	\$ 38,051	\$ 3,149
Total public safety	\$ 1,107,079	\$ 1,123,779	\$ 1,105,702	\$ 18,077
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 1,066,189	\$ 1,128,089	\$ 1,248,506	\$ (120,417)
Total maintenance of highways, streets, bridges & sidewalks	\$ 1,066,189	\$ 1,128,089	\$ 1,248,506	\$ (120,417)
Sanitation and waste removal:				
Refuse collection and disposal	\$ 267,000	\$ 267,000	\$ 256,836	\$ 10,164
Total sanitation and waste removal	267,000	267,000	256,836	10,164
Maintenance of general buildings and grounds:				
General properties	\$ 930,275	\$ 1,017,620	\$ 447,940	\$ 569,680
Total maintenance of general buildings and grounds	930,275	1,017,620	447,940	569,680
Total public works	\$ 2,263,464	\$ 2,412,709	\$ 1,953,282	\$ 459,427
Health and welfare:				
Welfare:				
Tax relief for the elderly	\$ 20,000	\$ 20,000	\$ 16,956	\$ 3,044
Total health and welfare	\$ 20,000	\$ 20,000	\$ 16,956	\$ 3,044
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 913,538	\$ 938,638	\$ 883,498	\$ 55,140
Total parks, recreation, and cultural	\$ 913,538	\$ 938,638	\$ 883,498	\$ 55,140
Community development:				
Planning and community development:				
Planning Commission	\$ 110,400	\$ 109,600	\$ 102,578	\$ 7,022
Total community development	\$ 110,400	\$ 109,600	\$ 102,578	\$ 7,022

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2012 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (continued)				
Debt service:				
Principal retirement	\$ 151,720	\$ 135,720	\$ 120,315	\$ 15,405
Interest and other fiscal charges	38,500	38,500	31,840	6,660
Total debt service	\$ 190,220	\$ 174,220	\$ 152,155	\$ 22,065
Total General Fund	\$ 5,166,952	\$ 5,353,652	\$ 4,680,046	\$ 673,606

STATISTICAL SECTION

Town of Luray, Virginia

Net Assets by Component

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities:				
Invested in capital assets, net of related debt	\$ 2,888,305	\$ 5,164,857	\$ 5,212,060	\$ 5,272,691
Unrestricted	<u>3,057,673</u>	<u>2,656,474</u>	<u>2,853,824</u>	<u>3,496,943</u>
Total governmental activities net assets	<u>\$ 5,945,978</u>	<u>\$ 7,821,331</u>	<u>\$ 8,065,884</u>	<u>\$ 8,769,634</u>
Business-type activities:				
Invested in capital assets, net of related debt	\$ 6,018,940	\$ 5,085,220	\$ 3,948,111	\$ 3,596,862
Unrestricted	<u>516,216</u>	<u>276,139</u>	<u>1,064,128</u>	<u>904,105</u>
Total business-type activities net assets	<u>\$ 6,535,156</u>	<u>\$ 5,361,359</u>	<u>\$ 5,012,239</u>	<u>\$ 4,500,967</u>
Primary government:				
Invested in capital assets, net of related debt	\$ 8,907,245	\$ 10,250,077	\$ 9,160,171	\$ 8,869,553
Unrestricted	<u>3,573,889</u>	<u>2,932,613</u>	<u>3,917,952</u>	<u>4,401,048</u>
Total primary government net assets	<u>\$ 12,481,134</u>	<u>\$ 13,182,690</u>	<u>\$ 13,078,123</u>	<u>\$ 13,270,601</u>

Table 1

		Fiscal Year									
		2007	2008	2009	2010	2011	2012				
\$	5,192,702	\$	4,977,490	\$	6,043,229	\$	5,703,358	\$	5,751,140	\$	5,674,643
	<u>3,519,479</u>		<u>3,652,123</u>		<u>3,310,599</u>		<u>3,256,154</u>		<u>3,039,161</u>		<u>2,786,609</u>
\$	<u>8,712,181</u>	\$	<u>8,629,613</u>	\$	<u>9,353,828</u>	\$	<u>8,959,512</u>	\$	<u>8,790,301</u>	\$	<u>8,461,252</u>
\$	3,493,370	\$	3,247,769	\$	4,201,990	\$	7,025,040	\$	7,348,362	\$	6,977,198
	<u>448,688</u>		<u>6,053</u>		<u>(774,747)</u>		<u>172,314</u>		<u>3,733</u>		<u>247,072</u>
\$	<u>3,942,058</u>	\$	<u>3,253,822</u>	\$	<u>3,427,243</u>	\$	<u>7,197,354</u>	\$	<u>7,352,095</u>	\$	<u>7,224,270</u>
\$	8,686,072	\$	8,225,259	\$	10,245,219	\$	12,728,398	\$	13,099,502	\$	12,651,841
	<u>3,968,167</u>		<u>3,658,176</u>		<u>2,535,852</u>		<u>3,428,468</u>		<u>3,042,894</u>		<u>3,033,681</u>
\$	<u>12,654,239</u>	\$	<u>11,883,435</u>	\$	<u>12,781,071</u>	\$	<u>16,156,866</u>	\$	<u>16,142,396</u>	\$	<u>15,685,522</u>

Town of Luray, Virginia

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

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
Governmental activities:				
General government administration	\$ 218,376	\$ 432,717	\$ 97,955	\$ 470,270
Public safety	889,503	1,013,643	1,053,614	843,505
Public works	1,055,132	1,658,364	1,690,056	1,081,237
Health and welfare	-	-	-	274
Parks, recreation and cultural	404,536	455,732	569,804	661,780
Community development	1,120	2,053	122,880	33,821
Interest on long-term debt	1,090	363	20,864	21,839
Total governmental activities expenses	<u>\$ 2,569,757</u>	<u>\$ 3,562,872</u>	<u>\$ 3,555,173</u>	<u>\$ 3,112,726</u>
Business-type activities:				
Water	\$ 595,891	\$ 647,100	\$ 818,497	\$ 665,748
Sewer	1,443,332	1,529,567	1,652,566	1,709,474
Total business-type activities expenses	<u>\$ 2,039,223</u>	<u>\$ 2,176,667</u>	<u>\$ 2,471,063</u>	<u>\$ 2,375,222</u>
Total primary government expenses	<u>\$ 4,608,980</u>	<u>\$ 5,739,539</u>	<u>\$ 6,026,236</u>	<u>\$ 5,487,948</u>
Program Revenues				
Governmental activities:				
Charges for services:				
Public safety	\$ 98,568	\$ 99,059	\$ 65,007	\$ 23,310
Public works	242,269	229,655	219,655	259,851
Parks, recreation and cultural	23,565	21,505	18,807	19,300
Operating grants and contributions	829,122	948,467	870,634	1,000,821
Capital grants and contributions	154,105	164,237	153,912	43,574
Total governmental activities program revenues	<u>\$ 1,347,629</u>	<u>\$ 1,462,923</u>	<u>\$ 1,328,015</u>	<u>\$ 1,346,856</u>
Business-type activities:				
Charges for services:				
Water	\$ 685,783	\$ 687,485	\$ 743,318	\$ 712,499
Sewer	1,250,136	1,167,438	1,232,053	997,427
Operating grants and contributions	-	-	-	12,034
Capital grants and contributions	203,270	70,550	126,200	134,720
Total business-type activities program revenues	<u>\$ 2,139,189</u>	<u>\$ 1,925,473</u>	<u>\$ 2,101,571</u>	<u>\$ 1,856,680</u>
Total primary government program revenues	<u>\$ 3,486,818</u>	<u>\$ 3,388,396</u>	<u>\$ 3,429,586</u>	<u>\$ 3,203,536</u>
Net (expenses) / revenues				
Governmental activities	\$ (1,222,128)	\$ (2,099,949)	\$ (2,227,158)	\$ (1,765,870)
Business-type activities	99,966	(251,194)	(369,492)	(518,542)
Total primary government net expenses	<u>\$ (1,122,162)</u>	<u>\$ (2,351,143)</u>	<u>\$ (2,596,650)</u>	<u>\$ (2,284,412)</u>

Table 2

		Fiscal Year									
		2007	2008	2009	2010	2011	2012				
\$	338,660	\$	477,578	\$	485,549	\$	505,686	\$	500,906	\$	514,606
	902,171		1,011,887		1,050,693		1,084,592		1,073,077		1,111,020
	1,742,333		1,978,626		2,016,877		2,042,757		2,061,180		2,085,022
	8,590		16,213		21,456		20,080		16,794		16,956
	1,037,616		741,808		767,811		821,314		855,668		921,154
	273,778		287,528		240,196		275,424		104,148		101,811
	21,999		21,760		21,508		34,080		36,267		31,840
\$	<u>4,325,147</u>	\$	<u>4,535,400</u>	\$	<u>4,604,090</u>	\$	<u>4,783,933</u>	\$	<u>4,648,040</u>	\$	<u>4,782,409</u>
\$	734,132	\$	760,761	\$	809,920	\$	940,743	\$	1,143,368	\$	1,152,492
	1,478,729		1,510,447		1,435,237		1,406,639		1,449,556		1,579,828
\$	<u>2,212,861</u>	\$	<u>2,271,208</u>	\$	<u>2,245,157</u>	\$	<u>2,347,382</u>	\$	<u>2,592,924</u>	\$	<u>2,732,320</u>
\$	<u>6,538,008</u>	\$	<u>6,806,608</u>	\$	<u>6,849,247</u>	\$	<u>7,131,315</u>	\$	<u>7,240,964</u>	\$	<u>7,514,729</u>
\$	25,013	\$	29,155	\$	27,394	\$	21,100	\$	13,192	\$	20,458
	218,006		253,034		266,954		256,431		278,022		286,764
	19,959		21,335		21,303		24,010		34,916		50,987
	956,129		1,025,569		1,188,949		1,068,993		1,207,087		1,113,750
	527,080		231,405		1,026,589		192,504		7,373		7,130
\$	<u>1,746,187</u>	\$	<u>1,560,498</u>	\$	<u>2,531,189</u>	\$	<u>1,563,038</u>	\$	<u>1,540,590</u>	\$	<u>1,479,089</u>
\$	589,665	\$	699,010	\$	851,080	\$	933,890	\$	1,045,554	\$	1,013,473
	744,789		880,533		1,231,646		1,222,889		1,376,999		1,357,779
	-		-		-		-		-		-
	225,740		3,405		335,423		3,959,557		325,053		234,293
\$	<u>1,560,194</u>	\$	<u>1,582,948</u>	\$	<u>2,418,149</u>	\$	<u>6,116,336</u>	\$	<u>2,747,606</u>	\$	<u>2,605,545</u>
\$	<u>3,306,381</u>	\$	<u>3,143,446</u>	\$	<u>4,949,338</u>	\$	<u>7,679,374</u>	\$	<u>4,288,196</u>	\$	<u>4,084,634</u>
\$	(2,578,960)	\$	(2,974,902)	\$	(2,072,901)	\$	(3,220,895)	\$	(3,107,450)	\$	(3,303,320)
	(652,667)		(688,260)		172,992		3,768,954		154,682		(126,775)
\$	<u>(3,231,627)</u>	\$	<u>(3,663,162)</u>	\$	<u>(1,899,909)</u>	\$	<u>548,059</u>	\$	<u>(2,952,768)</u>	\$	<u>(3,430,095)</u>

Town of Luray, Virginia

Changes in Net Assets
 Last Ten Fiscal Years
 (accrual basis of accounting - continued)

	Fiscal Year			
	2003	2004	2005	2006
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes				
Property taxes	\$ 825,404	\$ 898,528	\$ 807,812	\$ 915,124
Local sales and use taxes	134,961	151,808	159,199	167,317
Consumer utility taxes	77,352	104,989	81,237	84,462
Business licenses taxes	208,890	200,858	204,293	254,646
Restaurant food tax	353,130	371,111	400,375	449,387
Cigarette Tax	-	-	-	-
Transient occupancy tax	73,270	74,330	71,842	88,871
Other local taxes	260,358	199,602	223,354	254,607
Unrestricted grants and contributions	83,214	95,979	80,403	84,831
Unrestricted revenues from use of money and property	59,404	38,848	29,542	94,386
Miscellaneous	12,627	44,177	41,235	75,989
Recovered costs	-	-	-	-
Gain on disposal of assets	-	-	372,419	-
Total governmental activities	<u>\$ 2,088,610</u>	<u>\$ 2,180,230</u>	<u>\$ 2,471,711</u>	<u>\$ 2,469,620</u>
Business-type activities:				
Miscellaneous	\$ 5,715	\$ 4,362	\$ 3,821	\$ -
Unrestricted revenues from use of money and property	196	99	16,551	7,270
Gain on disposal of assets	-	-	-	-
Total business-type activities	<u>\$ 5,911</u>	<u>\$ 4,461</u>	<u>\$ 20,372</u>	<u>\$ 7,270</u>
Total primary government	<u>\$ 2,094,521</u>	<u>\$ 2,184,691</u>	<u>\$ 2,492,083</u>	<u>\$ 2,476,890</u>
Change in Net Assets				
Governmental activities	\$ 866,482	\$ 80,281	\$ 244,553	\$ 703,750
Business-type activities	105,877	(246,733)	(349,120)	(511,272)
Total primary government	<u>\$ 972,359</u>	<u>\$ (166,452)</u>	<u>\$ (104,567)</u>	<u>\$ 192,478</u>

Table 2

		Fiscal Year					
		2007	2008	2009	2010	2011	2012
\$	999,467	\$ 1,213,830	\$ 1,166,186	\$ 1,174,864	\$ 1,125,076	\$ 1,180,066	
	172,998	175,256	176,571	168,469	173,565	183,465	
	120,997	162,378	151,269	151,448	153,642	145,694	
	218,773	250,588	267,463	239,700	254,998	260,514	
	459,582	500,980	519,523	518,750	547,070	558,832	
	-	-	-	88,208	181,225	147,233	
	72,344	113,454	152,910	146,549	146,363	148,632	
	206,147	174,320	187,176	210,136	230,650	224,798	
	83,895	84,063	127,212	74,678	78,717	78,493	
	162,461	142,079	34,526	33,010	24,767	21,779	
	17,452	75,386	14,280	20,767	15,728	24,765	
	-	-	-	-	6,438	-	
	7,391	-	-	-	-	-	
\$	<u>2,521,507</u>	<u>2,892,334</u>	<u>2,797,116</u>	<u>2,826,579</u>	<u>2,938,239</u>	<u>2,974,271</u>	
\$	91,602	\$ -	\$ -	\$ -	\$ -	\$ -	
	2,156	24	429	1,157	59	-	
	-	-	-	-	-	(1,050)	
\$	<u>93,758</u>	<u>24</u>	<u>429</u>	<u>1,157</u>	<u>59</u>	<u>(1,050)</u>	
\$	<u>2,615,265</u>	<u>2,892,358</u>	<u>2,797,545</u>	<u>2,827,736</u>	<u>2,938,298</u>	<u>2,973,221</u>	
\$	(57,453)	(82,568)	724,215	(394,316)	(169,211)	(329,049)	
	(558,909)	(688,236)	173,421	3,770,111	154,741	(127,825)	
\$	<u>(616,362)</u>	<u>(770,804)</u>	<u>897,636</u>	<u>3,375,795</u>	<u>(14,470)</u>	<u>(456,874)</u>	

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

Fiscal Year	Property Tax	Local sales and use Tax	Consumer Utility Tax	Business Licenses Tax	Restaurant Food Tax	Transient Occupancy Tax	Cigarette Tax	Other Local Taxes	Total
2012	\$ 1,180,066	\$ 183,465	\$ 145,694	\$ 260,514	\$ 558,832	\$ 147,233	\$ 148,632	\$ 224,798	\$ 2,849,234
2011	1,125,076	173,565	153,642	254,998	547,070	146,363	181,225	230,650	2,812,589
2010	1,174,864	168,469	151,448	239,700	518,750	146,549	88,208	210,136	2,698,124
2009	1,166,186	176,571	151,269	267,463	519,523	152,910	-	187,176	2,621,098
2008	1,213,830	175,256	162,378	250,588	500,980	113,454	-	174,320	2,590,806
2007	999,467	172,998	88,208	218,773	459,582	72,344	-	206,147	2,217,519
2006	915,124	167,317	84,462	254,646	449,387	88,871	-	254,607	2,214,414
2005	807,812	159,199	81,237	204,293	400,375	71,842	-	223,354	1,948,112
2004	898,528	151,808	104,989	200,858	371,111	74,330	-	199,602	2,001,226
2003	825,404	134,961	77,352	208,890	353,130	73,270	-	256,978	1,929,985

Town of Luray, Virginia

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General fund					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	774,000	-
Unassigned	<u>3,115,995</u>	<u>2,702,980</u>	<u>2,884,150</u>	<u>2,726,022</u>	<u>3,555,676</u>
Total general fund	<u>\$ 3,115,995</u>	<u>\$ 2,702,980</u>	<u>\$ 2,884,150</u>	<u>\$ 3,500,022</u>	<u>\$ 3,555,676</u>

Table 4

Fiscal Year				
2008	2009	2010	2011	2012
\$ -	\$ -	\$ -	\$ 40,954	\$ 44,572
-	-	-	87,482	89,457
<u>3,340,567</u>	<u>3,423,254</u>	<u>3,365,491</u>	<u>3,028,046</u>	<u>2,769,998</u>
<u>\$ 3,340,567</u>	<u>\$ 3,423,254</u>	<u>\$ 3,365,491</u>	<u>\$ 3,156,482</u>	<u>\$ 2,904,027</u>

Town of Luray, Virginia

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

	Fiscal Year				
	2003	2004	2005	2006	2007
Revenues					
General property taxes	\$ 815,219	\$ 891,590	\$ 813,753	\$ 890,426	\$ 1,026,008
Other local taxes	1,104,581	1,102,698	1,140,300	1,299,290	1,246,852
Permits, privilege fees and regulatory licenses	3,380	4,640	3,870	29,684	26,075
Fines and forfeitures	98,568	99,059	65,007	23,310	25,013
Revenue from use of money and property	59,404	38,848	29,542	94,386	162,461
Charges for services	265,834	246,520	234,592	249,467	211,890
Miscellaneous	12,627	44,177	41,235	75,989	75,725
Recovered costs	8,350	12,042	4,649	574	15,655
Intergovernmental:					
Commonwealth	858,049	895,403	919,612	951,570	1,010,331
Federal	208,392	313,280	185,337	177,656	543,129
Total revenues	\$ 3,434,404	\$ 3,648,257	\$ 3,437,897	\$ 3,792,352	\$ 4,343,139
Expenditures					
General government administration	\$ 364,779	\$ 410,941	\$ 495,750	\$ 404,545	\$ 397,357
Public safety	925,124	1,012,387	1,044,728	894,226	956,715
Public works	1,494,959	2,335,570	1,641,588	1,181,439	1,779,693
Health and welfare	-	-	-	274	8,590
Parks, recreation and cultural	656,287	599,613	869,814	654,318	844,114
Community development	1,120	2,053	122,880	33,200	273,778
Capital projects	-	-	-	-	-
Debt service					
Principal	21,752	21,752	7,443	5,401	5,239
Interest and other fiscal charges	1,090	363	20,864	21,839	21,999
Total expenditures	\$ 3,465,111	\$ 4,382,679	\$ 4,203,067	\$ 3,195,242	\$ 4,287,485
Excess of revenues over (under) expenditures	\$ (30,707)	\$ (734,422)	\$ (765,170)	\$ 597,110	\$ 55,654
Other financing sources (uses)					
Issuance of capital leases	\$ -	\$ -	\$ -	\$ -	\$ -
Notes payable issued	-	321,407	172,340	18,762	-
Sale of capital assets	-	-	774,000	-	-
Total other financing sources (uses)	\$ -	\$ 321,407	\$ 946,340	\$ 18,762	\$ -
Net change in fund balances	\$ (30,707)	\$ (413,015)	\$ 181,170	\$ 615,872	\$ 55,654
Debt service as a percentage of noncapital expenditures	0.66%	0.51%	0.68%	0.86%	0.64%

Table 5

		Fiscal Year				
		2008	2009	2010	2011	2012
\$	1,199,987	\$ 1,183,333	\$ 1,160,038	\$ 1,148,368	\$ 1,154,297	
	1,376,976	1,454,912	1,523,260	1,687,513	1,669,168	
	11,268	11,494	4,944	13,388	21,301	
	29,155	27,394	21,100	13,192	20,458	
	142,079	34,526	33,010	24,767	21,779	
	263,101	276,763	275,497	299,550	316,450	
	84,339	158,753	31,700	93,063	48,347	
	7,349	-	-	6,438	-	
	1,089,691	1,122,352	1,100,335	1,150,969	1,168,661	
	235,044	1,027,224	224,907	64,873	7,130	
\$	<u>4,438,989</u>	<u>\$ 5,296,751</u>	<u>\$ 4,374,791</u>	<u>\$ 4,502,121</u>	<u>\$ 4,427,591</u>	
\$	410,659	\$ 432,172	\$ 441,870	\$ 452,551	\$ 465,875	
	994,416	1,034,193	1,073,783	1,053,048	1,105,702	
	1,847,605	1,872,654	1,821,799	1,833,727	1,953,282	
	16,213	21,456	20,080	16,794	16,956	
	767,959	940,979	1,496,485	999,951	883,498	
	287,528	1,213,925	275,424	104,879	102,578	
	-	-	-	-	-	
	5,480	18,769	19,033	213,913	120,315	
	21,760	21,508	34,080	36,267	31,840	
\$	<u>4,351,620</u>	<u>\$ 5,555,656</u>	<u>\$ 5,182,554</u>	<u>\$ 4,711,130</u>	<u>\$ 4,680,046</u>	
\$	<u>87,369</u>	<u>\$ (258,905)</u>	<u>\$ (807,763)</u>	<u>\$ (209,009)</u>	<u>\$ (252,455)</u>	
\$	39,114	\$ -	\$ -	\$ -	\$ -	
	-	-	750,000	-	-	
	-	-	-	-	-	
\$	<u>39,114</u>	<u>\$ -</u>	<u>\$ 750,000</u>	<u>\$ -</u>	<u>\$ -</u>	
\$	<u>126,483</u>	<u>\$ (258,905)</u>	<u>\$ (57,763)</u>	<u>\$ (209,009)</u>	<u>\$ (252,455)</u>	
	0.63%	0.73%	1.04%	5.61%	3.36%	

Town of Luray, Virginia

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

Fiscal Year	Property Tax	Local sales and use Tax	Consumer Utility Tax	Business License Tax	Restaurant Food Tax	Transient Occupancy Tax
2012	\$ 1,154,297	\$ 183,465	\$ 145,694	\$ 260,514	\$ 558,832	\$ 148,632
2011	1,148,368	173,565	153,642	254,998	547,070	146,363
2010	1,160,038	168,469	151,448	239,700	518,750	146,549
2009	1,183,333	176,571	151,269	267,463	519,523	152,910
2008	1,119,987	175,256	162,378	250,588	500,980	113,454
2007	1,026,008	172,998	120,997	218,773	459,582	72,344
2006	890,426	167,317	84,462	254,646	449,387	88,871
2005	813,753	159,199	81,237	204,293	400,375	71,842
2004	891,590	151,808	104,989	200,858	371,111	74,330
2003	815,219	134,961	77,352	208,890	353,130	73,270

Table 6

	Cigarette Tax	Other Local Taxes	Total
\$	147,233	\$ 224,798	\$ 2,823,465
	181,225	230,650	2,835,881
	88,208	210,136	2,683,298
	-	187,176	2,638,245
	-	174,320	2,496,963
	-	202,158	2,272,860
	-	254,607	2,189,716
	-	223,354	1,954,053
	-	199,602	1,994,288
	-	256,978	1,919,800

Town of Luray, Virginia

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

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Mobile Homes	Public Service	Total Taxable Assessed Value
2012	\$ 439,424,800	\$ 29,639,180	\$ 8,088,850	\$ 292,500	\$ 16,535,917	\$ 493,981,247
2011	438,035,700	29,580,220	7,770,455	358,100	14,066,627	489,811,102
2010	479,268,900	28,582,120	8,013,960	346,400	13,509,784	529,721,164
2009	477,793,000	29,080,774	8,271,900	345,500	12,536,576	528,027,750
2008	474,936,300	31,073,340	8,014,345	371,800	11,590,071	525,985,856
2007	469,886,300	30,424,500	6,123,385	307,100	7,941,781	514,683,066
2006	274,594,900	33,106,283	6,123,385	372,400	10,311,030	324,507,998
2005	268,111,900	33,696,190	8,040,695	359,200	9,679,406	319,887,391
2004	265,836,100	33,091,906	23,225,555	383,700	11,492,699	334,029,960
2003	259,529,300	31,745,358	23,815,010	353,900	9,774,127	325,217,695

Source: Commissioner of Revenue, County of Page, Virginia

Table 7

	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
\$	503,780,420	98.05%
	499,579,298	98.04%
	540,408,860	98.02%
	538,682,534	98.02%
	536,576,935	98.03%
	525,161,530	98.00%
	330,631,464	98.15%
	323,104,734	99.00%
	336,954,157	99.13%
	325,217,695	100.00%

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

Fiscal Years	Direct Rates			
	Real Estate	Personal Property	Mobile Homes	Machinery and Tools
2012	0.24	0.40	0.24	0.40
2011	0.22/0.24	0.40	0.22/0.24	0.40
2010	0.22	0.40	0.22	0.40
2009	0.22	0.40	0.22	0.40
2008	0.22	0.40	0.22	0.40
2007	0.22/0.26	0.40	0.22/0.26	0.40
2006	0.26	0.40	0.26	0.40
2005	0.26	0.40	0.26	0.40
2004	0.26	0.40	0.26	0.40
2003	0.26	0.40	0.26	0.40

(1) Per \$100 of assessed value

Principal Property Taxpayers
Current Year and the Period Ten Years Prior

Taxpayer	Type Business	Fiscal Year 2012		Fiscal Year 2002	
		Assessed Valuation	% of Total Assessed Valuation	Assessed Valuation	% of Total Assessed Valuation
Luray Caverns Corp	Commercial	\$ 12,967,900	2.46%	\$ 6,264,600	2.16%
Blue Bell Inc.	Manufacturing	8,087,000	1.53%	8,169,800	2.82%
Scott Lee Managing (WalMart)	Commercial	6,588,400	1.25%	4,207,700	1.45%
Luray LLC 2006/Wallace Bus. 1996	Commercial	3,211,400	0.61%	3,860,700	1.33%
SVC LLC previously Excelsior Care	Commercial	4,021,300	0.76%	2,478,000	0.86%
EMCO Inc. 2006/Fibercraft 1996	Manufacturing	3,683,200	0.70%	3,390,300	1.17%
East Luray LLC	Commercial	4,032,200	0.76%	3,155,400	1.09%
Kentland Foundation Inc.	Commercial	5,257,400	1.00%	2,717,200	0.94%
Baker Development	Land Developers	2,765,200	0.52%	-	0.00%
Luray Village	Housing Complex	1,724,700	0.33%	1,348,400	0.47%
Mehta Prop.LLC 2006/Zalesca Inc. 1996	Commercial	1,495,400	0.28%	1,583,100	0.55%
		<u>\$ 53,834,100</u>	<u>10.20%</u>	<u>\$ 37,175,200</u>	<u>15.81%</u>

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

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Property Tax Levies and Collections
 Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2012	\$ 1,211,427	\$ 1,142,622	94.32%	\$ -	\$ 1,142,622	94.32%
2011	1,200,430	1,136,408	94.67%	22,169	1,158,577	96.51%
2010	1,200,416	1,149,680	95.77%	21,567	1,171,247	97.57%
2009	1,196,710	1,146,593	95.81%	36,890	1,183,483	98.89%
2008	1,187,567	1,131,525	95.28%	48,918	1,180,443	99.40%
2007	1,037,964	970,049	93.46%	61,300	1,031,349	99.36%
2006	959,897	908,292	94.62%	50,115	958,407	99.84%
2005	887,268	861,350	97.08%	24,719	886,069	99.86%
2004	886,163	859,222	96.96%	25,944	885,166	99.89%
2003	810,843	794,919	98.04%	14,927	809,846	99.88%

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

Town of Luray, Virginia

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Years	Governmental Activities			
	General Obligation Bonds	Literary Fund Loans	Other Notes/ Bonds	Capital Leases
2012	\$ -	\$ -	\$ 910,099	\$ -
2011	-	-	1,030,414	-
2010	-	-	1,231,290	13,038
2009	-	-	487,285	26,076
2008	-	-	493,016	39,114
2007	-	-	498,496	-
2006	-	-	503,735	-
2005	-	-	490,374	-
2004	-	-	325,477	-
2003	-	-	25,823	-

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

(1) See the Schedule of Demographic and Economic Statistics - Table 15

Business-Type Activities						
General Obligation Bonds	Revenue Bonds	Other Notes/ Bonds	Capital Leases	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
\$ 6,057,744	\$ -	\$ 5,865,739	\$ -	\$ 12,833,582	2.03%	2,577
11,264,744	-	912,484	-	13,207,642	2.35%	2,652
11,543,388	-	925,030	26,076	13,738,822	2.45%	2,758
10,100,894	-	937,028	52,152	11,603,435	2.06%	2,339
14,996,725	-	948,496	78,226	16,555,577	2.60%	3,332
5,185,459	-	959,462	-	6,643,417	1.08%	1,347
5,028,666	-	969,946	-	6,502,347	1.21%	1,337
5,549,873	-	980,748	-	7,020,995	1.31%	1,443
5,726,686	-	642,816	-	6,694,979	1.25%	1,378
3,927,663	861,525	27,222	-	4,842,233	0.96%	992

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

Fiscal Year	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value (2)	Net Bonded Debt per Capita (1)
2012	\$ 12,833,582	\$ -	\$ 12,833,582	2.60%	\$ 2,577
2011	13,207,642	-	13,207,642	2.70%	2,652
2010	13,699,708	-	13,699,708	2.59%	2,750
2009	11,525,207	-	11,525,207	2.18%	2,324
2008	16,438,237	-	16,438,237	3.13%	3,309
2007	6,643,417	-	6,643,417	1.29%	1,347
2006	6,840,099	-	6,840,099	2.11%	1,406
2005	7,020,996	-	7,020,996	2.19%	1,443
2004	6,694,975	-	6,694,975	2.00%	1,378
2003	4,442,232	-	4,442,232	1.37%	910

(1) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 15

(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 7

(3) Includes all long-term general obligation bonded debt, excludes revenue bonds, capital leases, and compensated absences.

Town of Luray, Virginia

Legal Debt Margin Information
Last Ten Fiscal Years

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

Table 13

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 51,468,307	\$ 52,598,586	\$ 47,779,300	\$ 47,926,890	\$ 43,803,570	\$ 43,942,480
<u>6,643,417</u>	<u>16,438,237</u>	<u>11,525,207</u>	<u>13,699,708</u>	<u>13,207,642</u>	<u>12,833,582</u>
<u>\$ 44,824,890</u>	<u>\$ 36,160,349</u>	<u>\$ 36,254,093</u>	<u>\$ 34,227,182</u>	<u>\$ 30,595,928</u>	<u>\$ 31,108,898</u>
12.91%	31.25%	24.12%	28.58%	30.15%	29.21%

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed value	\$ 439,424,800
Add back: exempt real property	-
Total assessed value	<u>\$ 439,424,800</u>
Debt limit (10% of total assessed value)	\$ 43,942,480
Net debt applicable to limit	<u>12,833,582</u>
Legal debt margin	<u><u>\$ 31,108,898</u></u>

Pledged-Revenue Coverage
Last Ten Fiscal Years

Water and Sewer Revenue Bonds						
Fiscal Year	Water & Sewer Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest (1)	
2012	\$ 2,371,252	\$ 1,728,909	\$ 642,343	\$ -	\$ -	-
2011	2,422,553	1,593,652	828,901	-	-	-
2010	2,156,779	1,499,693	657,086	-	-	-
2009	2,082,726	1,481,984	600,742	-	-	-
2008	1,579,543	1,471,108	108,435	-	-	-
2007	1,426,057	1,379,409	46,648	-	-	-
2006	1,709,926	1,484,755	225,171	-	-	-
2005	1,979,192	1,541,422	437,770	-	-	-
2004 (2)	1,859,285	1,328,863	530,422	861,525	274,230	0.47
2003	1,941,634	1,248,100	693,534	31,077	239,771	2.56

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

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

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

Demographic and Economic Statistics
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Town Population</u>	<u>County Population (1)</u>	<u>Personal Income (1)</u>	<u>Per Capita Personal Income (1)</u>	<u>Unemployment Rate (1)</u>
2012	4,980	26,109	\$ 631,863,909	24,201	9.10%
2011	4,980	26,103	561,098,000	21,496	9.30%
2010	4,981	26,967	561,280,000	20,814	9.10%
2009	4,960	26,097	562,170,000	21,542	8.80%
2008	4,968	26,091	636,907,000	24,411	4.40%
2007	4,933	26,008	614,699,000	23,635	3.60%
2006	4,865	23,649	535,463,000	22,642	4.90%
2005	4,865	23,649	535,463,000	22,642	4.90%
2004	4,860	23,649	535,463,000	22,642	5.30%
2003	4,879	23,633	505,922,000	21,407	6.90%

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

Source: Weldon Cooper Center for Public Services

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Principal Employers
Current Year and Nine Years Ago

Employer	Fiscal Year 2012			Fiscal Year 2002		
	Employees	Rank	% of Total County Employment	Employees	Rank	% of Total County Employment
Page County Public Schools	644	1	6.97%	641	1	6.55%
Aramark	325	2	3.52%	525	2	5.37%
Emco, Inc.	200	3	2.17%	250	3	2.56%
Luray Caverns Corp	180	9	1.95%	250	3	2.56%
Wrangler/VF Jeanswear	230	4	2.49%	243	5	2.48%
Page Memorial Hospital	199	6	2.15%	207	8	2.12%
Wal-Mart	218	5	2.36%	225	7	2.30%
County of Page, Virginia	204	7	2.21%	226	6	2.31%
Valley Care Management	168	8	1.82%	132	9	1.35%
Totals	<u>2,368</u>		<u>25.64%</u>	<u>2,699</u>		<u>27.60%</u>

Source: Weldon Cooper Center for Public Service

Town of Luray, Virginia

Full-time Equivalent Town Government Employees by Function
Last Ten Fiscal Years

Function	Fiscal Year					
	2003	2004	2005	2006	2007	2008
General government	10	11	10	11	10	10
Public safety						
Police department	16	17	18	14	11	11
Public works						
General maintenance	14	14	13	13	12	12
Waste Water Treatment Plant	4	4	4	5	5	5
Culture and recreation						
Parks and recreation	3	4	5	4	5	6
Community development						
Planning	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>47</u>	<u>50</u>	<u>50</u>	<u>47</u>	<u>43</u>	<u>44</u>

Source: Individual town departments

Table 17

Fiscal Year			
<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
10	7	7	7
11	11	11	11
12	12	12	12
6	6	6	6
6	6	6	6
<u>0</u>	<u>1</u>	<u>1</u>	<u>1</u>
<u>45</u>	<u>43</u>	<u>43</u>	<u>43</u>

Town of Luray, Virginia

Operating Indicators by Function
Last Ten Fiscal Years

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

Source: Individual town departments

Table 18

Fiscal Year		
2010	2011	2012
173	187	141
336	639	386
922	1,002	906
15	15	17
600	600	625
127	106	89

Town of Luray, Virginia

Capital Asset Statistics by Function
Last Ten Fiscal Years

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

Source: Individual town departments

Table 19

Fiscal Year			
2009	2010	2011	2012
18	18	18	18
2	2	2	1
7	8	8	8
15	15	15	17
3	3	3	3
8	8	8	9
190	190	190	190

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COMPLIANCE

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Luray, Virginia as of and for the year ended June 30, 2012, which collectively comprise Town of Luray, Virginia's basic financial statements and have issued our report thereon dated October 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting:

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

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

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

Compliance and Other Matters:

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

We noted certain matters that we reported to management of the Town of Luray, Virginia in a separate letter dated October 12, 2012.

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

Robinson, Farmer, Cox Associates

Staunton, Virginia

October 12, 2012