



TOWN OF STRASBURG, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2010

TOWN OF STRASBURG, VIRGINIA

**Annual Financial Report
For the Fiscal Year Ended June 30, 2010**

TOWN OF STRASBURG, VIRGINIA

Strasburg, Virginia

OFFICIALS

Timothy Taylor, Mayor
Irene Wilson, Treasurer
Judson Rex, Acting Town Manager
Dottie Mullins, Director of Finance

TOWN COUNCIL

Robert B. Baker
Sarah K. Mauck
Justin Ritenour
Scott E. Terndrup

Donald M. LeVine
Richard A. Redmon
L. Carlyle Swafford
Michael S. Whittle

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Strasburg, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Strasburg, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Strasburg, Virginia, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2010 on our consideration of the Town of Strasburg, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Strasburg, Virginia's basic financial statements. The statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is also not a required part of the basic financial statements of the Town of Strasburg, Virginia. The schedule of expenditures of federal awards 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. The statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Robinson, Finner, Cox Associates

Verona, Virginia
October 22, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management Discussion and Analysis (MD&A) offers an overview and analysis of the financial activities of the Town of Strasburg for the fiscal year ended June 30, 2010. The information presented here should be considered in conjunction with additional information provided in the Comprehensive Annual Financial Report.

FINANCIAL HIGHLIGHTS

Government-wide Financial Statements

The assets of the Town exceeded its liabilities at June 30, 2010 by \$13,078,982, which equals the total net assets of the Town. Of this amount, \$2,101,103 is unrestricted and may be used to meet the Town's future obligations. Of the \$2,101,103 unrestricted assets approximately \$1,480,618 is related to governmental activities and is undesignated and available for future General Fund expenditures. The \$620,485 remaining balance of unrestricted assets is related to business-type activities, which includes the Town's enterprise fund.

The Town's total long-term debt increased by \$3,868,747 from \$5,276,689 as of June 30, 2009 to \$9,145,436 as of June 30, 2010. New debt in the amount of \$4,579,445 was issued; the increase represents the construction in progress as of June 30, 2010, while \$706,494 was retired during fiscal year 2010.

Fund Financial Statements

The fund financial statements provide more detailed information about the Town's most significant funds.

The Town's governmental funds reported expenditures and other financing uses in deficit of revenues and other financing sources in the amount of \$102,453 for the fiscal year, with an ending unreserved, unrestricted fund equity balance of 1.4 million.

The Town's proprietary funds reported net income of \$426,000, mainly due to an increase in rates and cutting back on expenses.

General Financial Highlights

The Town issued long term debt during FY2009/10 for the construction of a new three MGD Water treatment Plant in the amount of \$11,554,000 (\$4,555,216 was drawn down during FY 2010) and a Rural Development grant not to exceed \$2,459,000 for a total project cost of \$14,013,000. The Town anticipates issuing substantial long term debt in future years as major wastewater projects and capital improvement plans are presently being considered.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management Discussion and Analysis serves as an introduction to the Town's basic financial statements which are the government-wide financial statements, fund financial statements, and notes to the financial statements.

The Town's financial statements present two kinds of statements, each with a different view of the Town's finances. The government-wide financial statements provide both long and short-term information about the Town's overall financial status. The fund financial statements focus on individual parts of the Town's government, reporting the Town's operations in more detail than the government-wide statements. The basic financial statements also include notes to explain information in the financial statements and provide more detailed data. The statements and notes are followed by required supplementary information that contains more detailed data.

Government-wide Financial Statements

The government-wide financial statements report information about the Town as a whole using accounting methods similar to those used by private-sector businesses. In addition, they report the Town's net assets and how they have changed during the fiscal year.

The Statement of Net Assets and the Statement of Activities report the Town's net assets and changes in assets. One can think of the Town's net assets – the difference between assets and liabilities – as one way to measure the Town's financial position.

Governmental activities – Most of the Town's basic services are reported here; general government, police, public works, and recreation. Primarily, property taxes, and other taxes, finance most of these activities.

Business-type activities – The financial activity of the water, sewer and garbage are reported here. The Town charges a fee to customers to help cover all or most of the cost of services provided by these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Town's most significant funds. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending for particular purposes. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town has the following two types of funds:

Governmental Funds

Governmental funds are used to report most of the Town's basic services. The funds focus on (1) how cash and other financial assets that can be readily converted to cash flow in and out and (2) the balances remaining at year-end that is available for spending. The governmental funds financial statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, additional information is provided with the fund financial statements to explain the relationship (or differences). The General Fund is the main operating account of the Town and consequently, the largest of the governmental funds. All other governmental funds, which include special revenue funds, debt service funds, and capital project funds, are collectively referred to as non-major governmental funds.

Proprietary Funds – Proprietary funds, which consist of enterprise funds and internal service funds, are used to account for operations that are financed and operated in a manner similar to private business enterprises in which costs are recovered primarily through user charges. Proprietary fund financial statements, like the government-wide financial statements, provide both long and short-term financial information. The Town maintains three proprietary funds. The Town uses enterprise funds to account for its water, sewer and trash.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Town's total assets, liabilities and net assets on a government-wide basis are summarized below:

Summary of Statement of Net Assets
(in millions)

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 2,477	\$ 1,883	\$ 3,120	\$ 2,484	\$ 5,597	\$ 4,367
Capital assets	3,781	4,028	15,533	10,134	19,314	14,162
Total Assets	\$ 6,258	\$ 5,911	\$ 18,653	\$ 12,618	\$ 24,911	\$ 18,529
Long-term debt outstanding	\$ 1,377	\$ 1,506	\$ 7,143	\$ 2,887	\$ 8,520	\$ 4,393
Other liabilities	1,078	546	2,234	881	3,312	1,427
Total Liabilities	\$ 2,455	\$ 2,052	\$ 9,377	\$ 3,768	\$ 11,832	\$ 5,820
Net Assets						
Invested in capital assets, net of related debt	\$ 2,257	\$ 2,300	\$ 7,364	\$ 6,844	\$ 9,621	\$ 9,144
Restricted	65	64	1,292	1,266	1,357	1,330
Unrestricted	1,481	1,495	620	740	2,101	2,235
Total net assets	\$ 3,803	\$ 3,859	\$ 9,276	\$ 8,850	\$ 13,079	\$ 12,709

The Town's combined net assets increased from \$12.71 million at June 30, 2009 to \$13.08 million at June 30, 2010 primarily due to an increase in capital assets in business type activities. The majority (60 percent) of the Town's net assets of governmental activities is invested in capital assets (streets, drainage, constructions in progress, buildings, equipment, etc.) The capital assets are not available for future expenditures since they will not be sold. The Town has a strong financial position with 39 percent of net assets in governmental activities unrestricted and available for providing services to the citizens of the Town of Strasburg.

The net assets of the Town's business-type activities are \$9.27 million, an increase of about \$426,000. The increase is a result of an increase in water and sewer fees and a decrease in expenditures. As with governmental activities, the majority (83 percent) of the net assets is invested in capital assets. The Town uses these assets to provide services to the citizens.

Statement of Activities The Town's total revenues and expenses for governmental and business-type activities are reflected in the following chart:

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
PRIMARY GOVERNMENT:						
Governmental activities:						
General government						
administration	\$ (633,283)	\$ (501,364)	\$ -	\$ -	\$ (633,283)	\$ (501,364)
Public safety	(1,565,455)	(1,554,069)	-	-	(1,565,455)	(1,554,069)
Public works	(842,469)	(808,677)	-	-	(842,469)	(808,677)
Health and welfare	(6,971)	-	-	-	(6,971)	-
Community development	(35,085)	(16,352)	-	-	(35,085)	(16,352)
Parks, recreation						
and cultural	(33,150)	(37,984)	-	-	(33,150)	(37,984)
Interest on long-term debt	(64,539)	(72,991)	-	-	(64,539)	(72,991)
Total government activities	<u>\$ (3,180,952)</u>	<u>\$ (2,991,437)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,180,952)</u>	<u>\$ (2,991,437)</u>
Business-type activities:						
Water Fund	\$ -	\$ -	\$ 165,753	\$ 124,652	\$ 165,753	\$ 124,652
Sewer Fund	-	-	114,015	210,753	114,015	210,753
Trash Fund	-	-	(43,200)	(6,022)	(43,200)	(6,022)
Recreation Fund	-	-	(87,516)	(75,553)	(87,516)	(75,553)
Total business-type activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 149,052</u>	<u>\$ 253,830</u>	<u>\$ 149,052</u>	<u>\$ 253,830</u>
Total primary government	<u>\$ (3,180,952)</u>	<u>\$ (2,991,437)</u>	<u>\$ 149,052</u>	<u>\$ 253,830</u>	<u>\$ (3,031,900)</u>	<u>\$ (2,737,607)</u>
General revenues:						
General property taxes	\$ 1,425,274	\$ 1,340,095	\$ -	\$ -	\$ 1,425,274	\$ 1,340,095
Local sales tax	245,707	279,821	-	-	245,707	279,821
Franchise taxes	124,028	114,338	-	-	124,028	114,338
Business licenses	115,266	116,361	-	-	115,266	116,361
Meals tax	496,868	527,954	-	-	496,868	527,954
Utility tax	50,482	58,560	-	-	50,482	58,560
Motor vehicle licenses	117,888	117,306	-	-	117,888	117,306
Other taxes	295,754	305,351	-	-	295,754	305,351
Grants and contributions						
not restricted to						
specific programs	174,125	182,912	-	-	174,125	182,912
Revenue from the use of						
money and property	73,415	57,375	44,977	71,939	118,392	129,314
Loss on disposal						
of assets	(7,759)	(513)	(40)	-	(7,799)	(513)
Insurance proceeds	-	-	128,986	-	128,986	-
Miscellaneous	113,349	59,675	3,401	5,247	116,750	64,922
Transfers	(99,695)	(166,752)	99,695	166,752	-	-
Total general revenues	<u>\$ 3,124,702</u>	<u>\$ 2,992,483</u>	<u>\$ 277,019</u>	<u>\$ 243,938</u>	<u>\$ 3,401,721</u>	<u>\$ 3,236,421</u>
Change in net assets	<u>\$ (56,250)</u>	<u>\$ 1,046</u>	<u>\$ 426,071</u>	<u>\$ 497,768</u>	<u>\$ 369,821</u>	<u>\$ 498,814</u>
Net assets - beginning	<u>3,859,164</u>	<u>3,858,118</u>	<u>8,849,997</u>	<u>8,352,229</u>	<u>12,709,161</u>	<u>12,210,347</u>
Net assets - ending	<u>\$ 3,802,914</u>	<u>\$ 3,859,164</u>	<u>\$ 9,276,068</u>	<u>\$ 8,849,997</u>	<u>\$ 13,078,982</u>	<u>\$ 12,709,161</u>

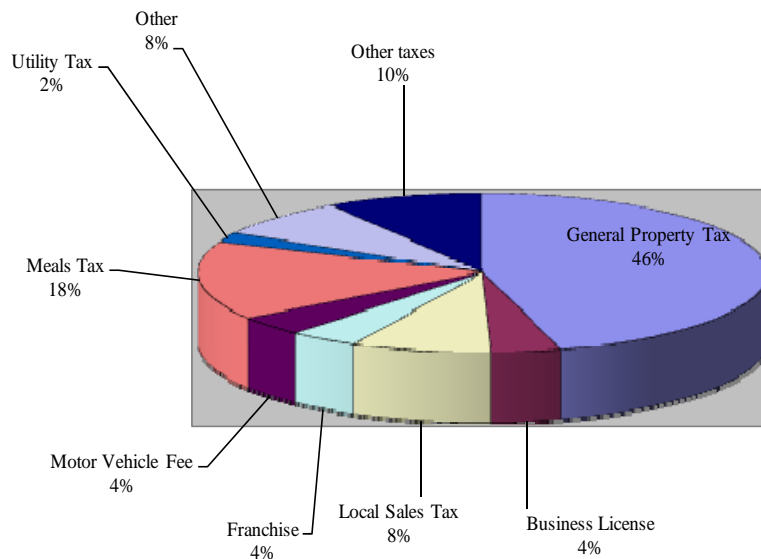
Governmental Activities

Revenues

For FY 09/10, revenues from governmental activities totaled \$3.94 million. General Property taxes and other local taxes are the largest components of revenue (72 percent). General Property Tax revenues were \$1.4 million. The Town received reimbursement from the Commonwealth of Virginia of \$138,898 for taxes on individual automobiles. Total property tax revenues decreased by \$41,000 (2.8 percent) over the prior fiscal year, due to a decline in the economy.

Other local taxes and fees including revenue from local sales, franchise tax, business licenses, and meals taxes were \$ 1.45 million, a decrease of 4% from June 30, 2009 due to a decline in the economy.

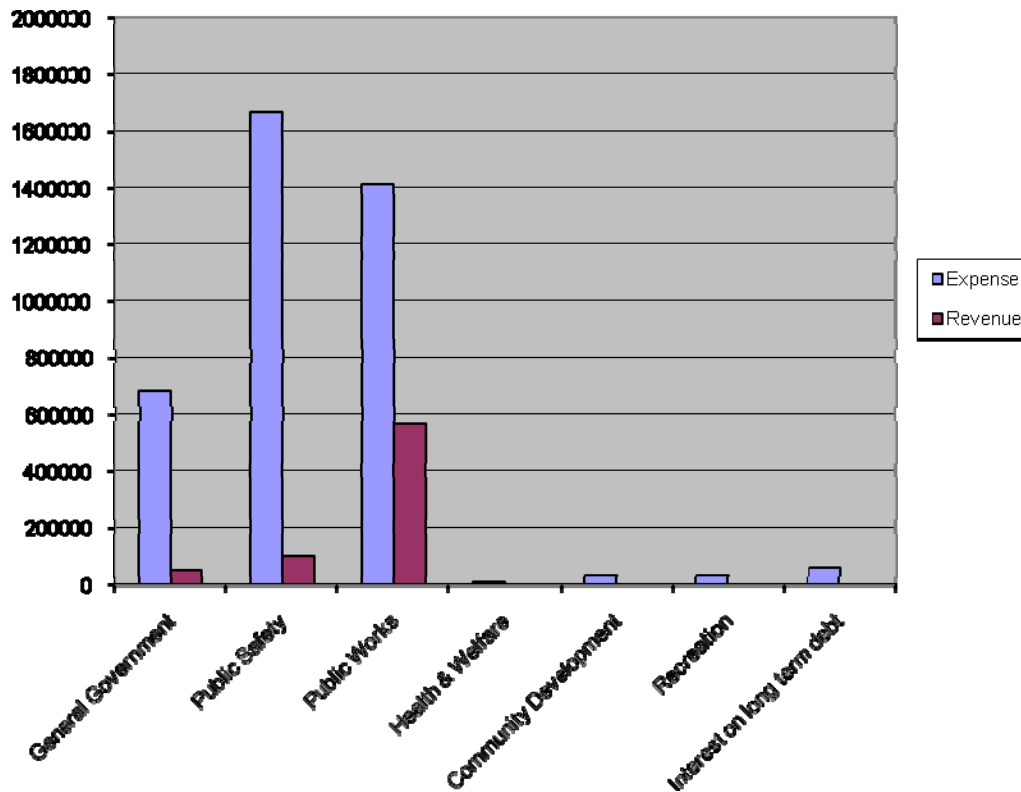
Revenue by Source-Governmental Activities



Expenses

For FY 09/10, expenses for governmental activities totaled \$3.9 million, which was an increase of \$114,000 over the previous year. This increase is mainly due to inflation and street maintenance in the Public Works Department. The Public Safety and Public Works departments account for 79% of the total expenses for governmental activities.

Program Expenses and Program Revenues – Governmental Activities



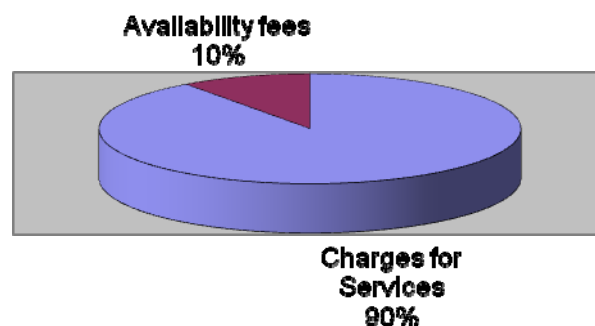
Business-type Activities

The Town's business-type activities are comprised of enterprise funds for water, sewer, and trash. Net assets of these business-type activities increased by \$426,000.

Revenues

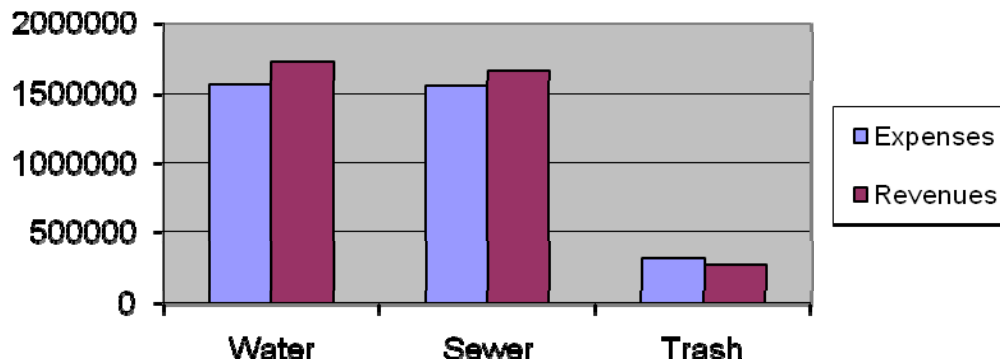
Revenues for all business-type activities totaled \$ 3.76 million, of which 90% were charges for services for water and sewer. Charges for services increased as a result of a rate increase and availability fees went down due to a decline in the housing market.

Revenues by Source - Business-type Activities



Expenses:

Expenses totaled \$3.6 million, which was an increase of \$172,454 over FY 08/09. The increase was due mainly to support operations and engineering fees for the wastewater treatment plant upgrade.

Expenses and Program Revenues – Business-type Activities

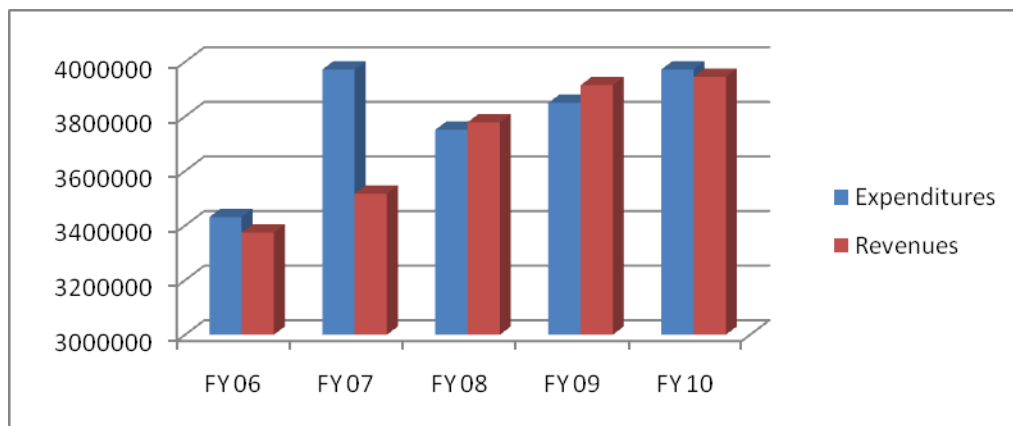
The Town's Proprietary Funds provide the same type of information found in the government-wide financial statements for business-type activities but in more detail.

FUND FINANCIAL ANALYSIS**Governmental Funds**

Governmental Funds include the General Fund of which the unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

General Fund

The chief operating fund of the Town is the General Fund. At the end of FY 09/10, the undesignated fund balance was \$1.48 million which represents 37 percent of totals of the General Fund expenditures. The graph below shows General Fund summary financial information for the past five years.

Five Year General Fund Financial Summary

General Fund Budgetary Highlights

Actual expenditures exceeded revenues by \$27,000 in the General Fund before transfers to the trash and recreation funds and proceeds from capital leases. Fiscal year 2010 actual revenues were approximately \$30,416 more than fiscal year 2009 revenues. The major factor for the increase was due to receiving grant monies for the Streetscape Project and collecting more in general property taxes.

Fiscal year 2010 actual expenditures were approximately \$122,289 more than fiscal year 2009 expenditures. The major factor for the increase was in the public works expenses due to several snow storms during the winter months, which included overtime and gas for the snow removal equipment.

Proprietary Funds

The Town's proprietary funds are comprised of water, sewer, trash and recreation. The Town accounts for these four proprietary accounts as enterprise funds.

Water Fund

The Water Fund ended FY 09/10 with unrestricted assets of \$564,573 which can be used for future fund expenses.

Sewer Fund

The Sewer Fund ended FY09/10 with unrestricted assets of \$53,714 which can be used for future fund expenses.

Trash Fund

The Trash Fund in FY 09/10 was supplemented from the general fund; the town is working on increasing the charges to cover the expense.

Recreation Fund

The Recreation Fund in FY 09/10 was supplemented from the general fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

FY 09/10 primary government investment in capital assets for its governmental and business-type activities was \$19 million, net of depreciation (see chart below).

Capital Assets (net of depreciation in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Land and improvements	\$ 240	\$ 240	\$ 387	\$ 387	\$ 627	\$ 627
Buildings and improvements	1,237	761	797	318	2,034	1,079
Infrastructure	3,495	2,485	1,552	7,538	5,047	10,023
Furniture, equipment & vehicles	2,121	542	12,869	507	14,990	1,049
Construction in Progress	-	-	7,186	1,384	7,186	1,384
Accumulated depreciation	(3,312)	-	(7,259)	1,384	(10,571)	1,384
Total	\$ 3,781	\$ 4,028	\$ 15,532	\$ 11,518	\$ 19,313	\$ 15,546

Total Capital Assets at the end of June 30, 2010 were \$19 million compared to \$15 at the end of June 30, 2009, resulting in an increase of approximately \$5 million in the total Capital Assets. The reason for this increase is due to the construction of a new water treatment plant.

Water and sewer lines continue to make up a majority of the capital assets in the Business-type activity, with streets and roadways in the Government-type activity.

Additional information of the Town's capital assets may be found in the notes to financial statements.

Long-term Debt

The Town's total outstanding debt at the end of FY09/10 was \$5.28 million, with \$3.38 million of business-type activities debt supported by the individual funds, resulting in net debt of governmental activities of \$1.89 million. Capital leases and vacation pay are included in outstanding debt.

Town of Strasburg Outstanding Debt General Obligation and Revenue Bonds June 30, 2010 (In millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
General Obligation Bonds	\$ 1,445	\$ 1,636	\$ 7,416	\$ 3,236	\$ 8,861	\$ 4,872
Capital Lease	78	166	26	54	104	220
Compensated Absences	88	92	92	92	180	184
Total	\$ 1,611	\$ 1,894	\$ 7,534	\$ 3,382	\$ 9,145	\$ 5,276

During FY 09/10 the Town began construction of the new three MGD water treatment facility in the amount of \$11,554,000 and a Rural Development grant not to exceed \$2,459,000 for a total project cost of \$14,013,000. The balance of the Town's capital lease obligations decreased by \$116,901 due to paying off some leases.

ECONOMIC FACTORS

The Town of Strasburg has seen residential real estate activity slow down from the past years causing a decline in the number of new houses being built. For the short term, developers have put projects on hold. Revenue in the general fund fell short due to the economy.

The Town of Strasburg has started construction on a new water treatment plant and is in the design phase of an upgrade to the wastewater treatment plan. Availability fees will be utilized to fund these projects to the greatest extent possible.

CONTACT INFORMATION

This financial report is designed to provide a general overview of the Town's finances for 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 Director of Finance or Town Manager, Town of Strasburg, PO Box 351, Strasburg, VA 22657.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Town of Strasburg, Virginia
Statement of Net Assets
As of June 30, 2010

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,439,444	\$ 1,177,792	\$ 2,617,236
Receivables			
Taxes	846,729	-	846,729
Accounts, net of allowance of \$30,423	49,528	538,111	587,639
Due from other governmental units	65,394	-	65,394
Inventory	11,196	113,214	124,410
Restricted assets:			
Cash and cash equivalents	65,300	1,291,197	1,356,497
Total current assets	<u>\$ 2,477,591</u>	<u>\$ 3,120,314</u>	<u>\$ 5,597,905</u>
Capital assets:			
Non-depreciable:			
Land	\$ 239,794	\$ 386,720	\$ 626,514
Construction in progress	-	7,186,104	7,186,104
Depreciable:			
Equipment	2,121,111	1,551,938	3,673,049
Buildings and improvements	1,236,830	797,487	2,034,317
Infrastructure	3,495,351	12,869,013	16,364,364
Accumulated depreciation	(3,312,391)	(7,258,633)	(10,571,024)
Total capital assets, net	<u>\$ 3,780,695</u>	<u>\$ 15,532,629</u>	<u>\$ 19,313,324</u>
Total assets	<u>\$ 6,258,286</u>	<u>\$ 18,652,943</u>	<u>\$ 24,911,229</u>
LIABILITIES			
Accounts payable	\$ 115,410	\$ 1,435,249	\$ 1,550,659
Retainage payable	-	250,622	250,622
Other liabilities	37,715	41,682	79,397
Customer deposits	-	57,170	57,170
Accrued interest payable	7,098	58,005	65,103
Unearned revenue	683,860	-	683,860
Noncurrent liabilities:			
Due within one year	234,540	391,452	625,992
Due in more than one year	1,376,749	7,142,695	8,519,444
Total liabilities	<u>\$ 2,455,372</u>	<u>\$ 9,376,875</u>	<u>\$ 11,832,247</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 2,256,996	\$ 7,364,386	\$ 9,621,382
Restricted	65,300	1,291,197	1,356,497
Unrestricted	1,480,618	620,485	2,101,103
Total net assets	<u>\$ 3,802,914</u>	<u>\$ 9,276,068</u>	<u>\$ 13,078,982</u>

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

Town of Strasburg, Virginia
Statement of Activities
For the Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 684,734	\$ 51,451	\$ -	\$ -
Public safety	1,670,107	-	104,652	-
Public works	1,409,366	-	-	566,897
Health and welfare	6,971	-	-	-
Community development	35,085	-	-	-
Parks, recreation and cultural	33,150	-	-	-
Interest on long-term debt	64,539	-	-	-
Total governmental activities	\$ 3,903,952	\$ 51,451	\$ 104,652	\$ 566,897
Business-type activities:				
Water Fund	\$ 1,570,493	\$ 1,611,246	\$ -	\$ 125,000
Sewer Fund	1,557,148	1,556,163	-	115,000
Trash Fund	321,645	278,445	-	-
Recreation Fund	162,475	74,959	-	-
Total business-type activities	\$ 3,611,761	\$ 3,520,813	\$ -	\$ 240,000
Total primary government	\$ 7,515,713	\$ 3,572,264	\$ 104,652	\$ 806,897
General revenues:				
General property taxes				
Other local taxes				
Local sales tax				
Franchise taxes				
Business licenses				
Meals tax				
Utility tax				
Motor vehicle licenses				
Other taxes				
Grants and contributions not restricted to specific programs				
Revenue from the use of money and property				
Loss on disposal of assets				
Insurance proceeds				
Miscellaneous				
Transfers				
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
\$ (633,283)	\$ -	\$ (633,283)
(1,565,455)	-	(1,565,455)
(842,469)	-	(842,469)
(6,971)	-	(6,971)
(35,085)	-	(35,085)
(33,150)	-	(33,150)
(64,539)	-	(64,539)
<u>\$ (3,180,952)</u>	<u>\$ -</u>	<u>\$ (3,180,952)</u>
\$ -	\$ 165,753	\$ 165,753
-	114,015	114,015
-	(43,200)	(43,200)
-	(87,516)	(87,516)
<u>\$ -</u>	<u>\$ 149,052</u>	<u>\$ 149,052</u>
<u>\$ (3,180,952)</u>	<u>\$ 149,052</u>	<u>\$ (3,031,900)</u>
\$ 1,425,274	\$ -	\$ 1,425,274
245,707	-	245,707
124,028	-	124,028
115,266	-	115,266
496,868	-	496,868
50,482	-	50,482
117,888	-	117,888
295,754	-	295,754
174,125	-	174,125
73,415	44,977	118,392
(7,759)	(40)	(7,799)
-	128,986	128,986
113,349	3,401	116,750
(99,695)	99,695	-
<u>\$ 3,124,702</u>	<u>\$ 277,019</u>	<u>\$ 3,401,721</u>
<u>\$ (56,250)</u>	<u>\$ 426,071</u>	<u>\$ 369,821</u>
<u>3,859,164</u>	<u>8,849,997</u>	<u>12,709,161</u>
<u>\$ 3,802,914</u>	<u>\$ 9,276,068</u>	<u>\$ 13,078,982</u>

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FUND FINANCIAL STATEMENTS

Town of Strasburg, Virginia
Balance Sheet
Governmental Funds
As of June 30, 2010

Exhibit 3

General

ASSETS

Cash and cash equivalents	\$ 1,439,444
Receivables:	
Taxes	846,729
Accounts receivable	49,528
Due from other governmental units	65,394
Inventory	<u>11,196</u>

Total current assets	\$ <u>2,412,291</u>
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Restricted assets:

Cash and cash equivalents	\$ <u>65,300</u>
---------------------------	------------------

Total assets	\$ <u><u>2,477,591</u></u>
--------------	----------------------------

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable	\$ 115,410
Other liabilities	37,715
Deferred revenue	<u>836,039</u>
Total liabilities	\$ <u>989,164</u>

Fund balances:

Undesignated	\$ 1,423,127
Reserved - for Proffers	<u>65,300</u>
Total fund balances	\$ <u>1,488,427</u>
Total liabilities and fund balances	\$ <u><u>2,477,591</u></u>

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

Town of Strasburg, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Assets
As of June 30, 2010

Exhibit 4

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	1,488,427
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		3,780,695
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. This amount represents deferred tax revenue.		152,179
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(1,618,387)</u>
Net assets of governmental activities	\$	<u><u>3,802,914</u></u>

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

Town of Strasburg, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

Exhibit 5

	<u>General</u>
REVENUES	
General property taxes	\$ 1,415,092
Other local taxes	1,450,138
Permits, privilege fees, and regulatory licenses	11,546
Fines and forfeitures	39,905
Miscellaneous	123,349
Revenue from the use of money and property	73,415
Intergovernmental	
Commonwealth	720,073
Federal	111,456
Total revenues	<u>\$ 3,944,974</u>
EXPENDITURES	
Current:	
General government administration	\$ 635,877
Public safety	1,613,106
Public works	1,234,325
Health and welfare	6,971
Parks, recreation, and cultural	33,150
Community development	35,085
Capital projects:	
Administrative	16,439
Public safety	24,678
Public works	4,134
Debt service:	
Principal	303,099
Interest	65,097
Total expenditures	<u>\$ 3,971,961</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (26,987)</u>
OTHER FINANCING SOURCES (USES)	
Transfers out	\$ (99,695)
Capital leases	24,229
Total other financing sources (uses)	<u>\$ (75,466)</u>
Net change in fund balances	\$ (102,453)
Fund balances at beginning of year	1,590,880
Fund balance at end of year	<u><u>\$ 1,488,427</u></u>

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

Town of Strasburg, Virginia
Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2010

Exhibit 6

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

Net change in fund balances - total governmental funds	\$ (102,453)
--	--------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.	(247,530)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	10,182
--	--------

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.	278,869
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	<u>4,682</u>
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Change in net assets of governmental activities	<u><u>\$ (56,250)</u></u>
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The notes to the financial statements are an integral part of this statement.

Town of Strasburg, Virginia
Statement of Net Assets
Proprietary Funds
As of June 30, 2010

Exhibit 7

	Water Fund	Sewer Fund	Trash Fund	Recreation Fund	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,135,013	\$ 42,679	\$ -	\$ 100	\$ 1,177,792
Receivables:					
Accounts, net of allowance for uncollectible accounts \$30,423	237,285	257,622	43,204	-	538,111
Inventory	82,506	30,708	-	-	113,214
Total current assets	<u>\$ 1,454,804</u>	<u>\$ 331,009</u>	<u>\$ 43,204</u>	<u>\$ 100</u>	<u>\$ 1,829,117</u>
Restricted assets:					
Cash and cash equivalents	\$ 686,073	\$ 605,124	\$ -	\$ -	\$ 1,291,197
Total restricted assets	<u>\$ 686,073</u>	<u>\$ 605,124</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,291,197</u>
Capital assets, net of accumulated depreciation	<u>\$ 8,858,491</u>	<u>\$ 6,103,193</u>	<u>\$ -</u>	<u>\$ 570,945</u>	<u>\$ 15,532,629</u>
Total assets	<u><u>\$ 10,999,368</u></u>	<u><u>\$ 7,039,326</u></u>	<u><u>\$ 43,204</u></u>	<u><u>\$ 571,045</u></u>	<u><u>\$ 18,652,943</u></u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 1,187,534	\$ 212,283	\$ 24,524	\$ 10,908	\$ 1,435,249
Retainage payable	250,622	-	-	-	250,622
Accrued wages	19,441	16,567	-	5,674	41,682
Bonds payable current portion	114,428	246,953	-	18,544	379,924
Lease and other obligations-current portion	5,764	5,764	-	-	11,528
Customer deposits payable	57,170	-	-	-	57,170
Accrued interest payable	52,674	5,331	-	-	58,005
Total current liabilities	<u>\$ 1,687,633</u>	<u>\$ 486,898</u>	<u>\$ 24,524</u>	<u>\$ 35,126</u>	<u>\$ 2,234,180</u>
Noncurrent liabilities:					
Compensated absences	\$ 48,876	\$ 43,114	\$ -	\$ -	\$ 91,990
Bonds payable	5,325,861	1,710,613	-	-	7,036,473
Long-term lease and other obligations	7,116	7,116	-	-	14,232
Total noncurrent liabilities	<u>\$ 5,381,853</u>	<u>\$ 1,760,843</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,142,695</u>
Total liabilities	<u>\$ 7,069,485</u>	<u>\$ 2,247,740</u>	<u>\$ 24,524</u>	<u>\$ 35,126</u>	<u>\$ 9,376,875</u>
NET ASSETS					
Invested in capital assets, net of related debt	\$ 2,679,237	\$ 4,132,748	\$ -	\$ 552,401	\$ 7,364,386
Restricted	686,073	605,124	-	-	1,291,197
Unrestricted	564,573	53,714	18,680	(16,482)	620,485
Total net assets	<u><u>\$ 3,929,883</u></u>	<u><u>\$ 4,791,586</u></u>	<u><u>\$ 18,680</u></u>	<u><u>\$ 535,919</u></u>	<u><u>\$ 9,276,068</u></u>

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

Town of Strasburg, Virginia
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2010

Exhibit 8

	Water Fund	Sewer Fund	Trash Fund	Recreation Fund	Total
OPERATING REVENUES					
Charges for services:					
Sale of water	\$ 1,580,664	\$ -	\$ -	\$ -	\$ 1,580,664
Sewer service charges	-	1,526,737	-	-	1,526,737
Trash collection fees	-	-	278,445	-	278,445
Recreation fees	-	-	-	74,959	74,959
Late payment charges	30,582	29,426	-	-	60,008
Miscellaneous	1,964	1,437	-	-	3,401
Total operating revenues	<u>\$ 1,613,210</u>	<u>\$ 1,557,600</u>	<u>\$ 278,445</u>	<u>\$ 74,959</u>	<u>\$ 3,524,214</u>
OPERATING EXPENSES					
Water treatment facilities, transmission, and distribution	\$ 460,830	\$ -	\$ -	\$ -	\$ 460,830
Personnel	939,753	832,288	-	66,785	1,838,826
Operation and maintenance	-	464,485	-	-	464,485
Trash collection	-	-	321,645	-	321,645
Swimming pool	-	-	-	58,580	58,580
Depreciation	134,588	230,167	-	35,599	400,354
Total operating expenses	<u>\$ 1,535,171</u>	<u>\$ 1,526,940</u>	<u>\$ 321,645</u>	<u>\$ 160,964</u>	<u>\$ 3,544,720</u>
Operating income (loss)	<u>\$ 78,039</u>	<u>\$ 30,660</u>	<u>\$ (43,200)</u>	<u>\$ (86,005)</u>	<u>\$ (20,506)</u>
NONOPERATING REVENUES (EXPENSES)					
Interest income	\$ 28,049	\$ 16,928	\$ -	\$ -	\$ 44,977
Availability fees	125,000	115,000	-	-	240,000
Insurance claims	-	128,986	-	-	128,986
Interest expense	(35,322)	(30,208)	-	(1,511)	(67,041)
Loss of disposal of assets	(40)	-	-	-	(40)
Total nonoperating revenues (expenses)	<u>\$ 117,687</u>	<u>\$ 230,706</u>	<u>\$ -</u>	<u>\$ (1,511)</u>	<u>\$ 346,882</u>
Income before contributions and transfers	\$ 195,726	\$ 261,366	\$ (43,200)	\$ (87,516)	\$ 326,376
OPERATING TRANSFERS					
Transfers in	\$ -	\$ -	\$ 21,522	\$ 78,173	\$ 99,695
Change in net assets	\$ 195,726	\$ 261,366	\$ (21,678)	\$ (9,343)	\$ 426,071
Total net assets - beginning	<u>3,734,157</u>	<u>4,530,220</u>	<u>40,358</u>	<u>545,262</u>	<u>8,849,997</u>
Total net assets - ending	<u>\$ 3,929,883</u>	<u>\$ 4,791,586</u>	<u>\$ 18,680</u>	<u>\$ 535,919</u>	<u>\$ 9,276,068</u>

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

Town of Strasburg, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2010

	Water Fund	Sewer Fund	Trash Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,573,336	\$ 1,540,534	\$ 276,210
Payments to suppliers for goods and services	(479,102)	(638,960)	(297,732)
Payments to employees for services	(934,823)	(827,402)	-
Net cash provided (used) by operating activities	<u>\$ 159,411</u>	<u>\$ 74,172</u>	<u>\$ (21,522)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	\$ -	\$ -	\$ 21,522
Net cash provided (used) by noncapital financing activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,522</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital asset additions	\$ (3,818,396)	\$ (419,501)	\$ -
Principal payments on bonds	(109,558)	(241,614)	-
Principal payments on lease obligations	(15,975)	(12,539)	-
Proceeds from indebtedness	4,555,216	-	-
Interest payments	9,354	(30,901)	-
Capital contributions from customers - tap fees	125,000	115,000	-
Insurance proceeds	-	128,986	-
Proceeds from sales of capital assets	2,913	-	-
Net cash provided (used) by capital and related financing activities	<u>\$ 748,554</u>	<u>\$ (460,569)</u>	<u>\$ -</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends received	\$ 28,049	\$ 16,928	\$ -
Net cash provided (used) by investing activities	<u>\$ 28,049</u>	<u>\$ 16,928</u>	<u>\$ -</u>
Net increase (decrease) in cash and cash equivalents	\$ 936,014	\$ (369,469)	\$ -
Cash and cash equivalents (including restricted) - beginning	885,072	1,017,272	-
Cash and cash equivalents (including restricted) - ending	<u><u>\$ 1,821,086</u></u>	<u><u>\$ 647,803</u></u>	<u><u>\$ -</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 78,039	\$ 30,660	\$ (43,200)
Depreciation expense	134,588	230,167	-
(Increase) decrease in accounts receivable	(42,549)	(17,067)	(2,235)
(Increase) decrease in inventories	(7,887)	111	-
Increase (decrease) in customer deposits	2,675	-	-
Increase (decrease) in accounts payable	(10,385)	(174,586)	23,913
Increase (decrease) in accrued wages	5,584	4,313	-
Increase (decrease) in accrued leave	(654)	574	-
Net cash provided (used) by operating activities	<u><u>\$ 159,411</u></u>	<u><u>\$ 74,172</u></u>	<u><u>\$ (21,522)</u></u>
Supplemental disclosure:			
Interest paid during the year	<u><u>\$ (9,354)</u></u>	<u><u>\$ 30,901</u></u>	<u><u>\$ -</u></u>

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

Exhibit 9

<u>Recreation</u>		<u>Fund</u>		<u>Total</u>	
\$	74,959	\$	3,465,039		
	(61,121)		(1,476,915)		
	(66,789)		(1,829,014)		
\$	<u>(52,951)</u>	\$	<u>159,110</u>		
\$	<u>78,173</u>	\$	<u>99,695</u>		
\$	<u>78,173</u>	\$	<u>99,695</u>		
\$	-	\$	(4,237,897)		
	(23,711)		(374,883)		
	-		(28,514)		
	-		4,555,216		
	(1,511)		(23,058)		
	-		240,000		
	-		128,986		
	-		2,913		
\$	<u>(25,222)</u>	\$	<u>262,763</u>		
\$	-	\$	44,977		
\$	-	\$	44,977		
\$	-	\$	566,545		
	100		1,902,444		
\$	<u>100</u>	\$	<u>2,468,989</u>		
\$	(86,005)	\$	(20,506)		
	35,599		400,354		
	-		(61,851)		
	-		(7,776)		
	-		2,675		
	(2,541)		(163,599)		
	(4)		9,893		
	-		(80)		
\$	<u>(52,951)</u>	\$	<u>159,110</u>		
\$	<u>1,511</u>	\$	<u>23,058</u>		

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TOWN OF STRASBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Town of Strasburg, Virginia, (the "Town") was chartered as a Town in 1761. The Town is governed by a mayor and an eight-member Town Council, who are elected at large for staggered four-year terms.

A. Reporting Entity:

The Town of Strasburg, Virginia (government) is a municipal corporation governed by an elected mayor and eight-member 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 – There were no blended component units for the Town for the year ended June 30, 2010.

Discretely Presented Component Units – There were no discretely presented component units for the Town for the year ended June 30, 2010.

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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (CONTINUED)

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

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 and fiduciary 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, which are collected by the state and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the County. Utility taxes are collected by the utilities and remitted directly to 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.

The government reports the following major proprietary funds:

The Water and Sewer Funds provide maintenance to the water and sewer lines and pump stations and derives the majority of their revenues through user charges and fees.

The Recreation Fund accounts for the operation of the Town's pool and parks and derives its primary revenue from user fees for recreational programs.

The Trash Fund provides trash collection and landfill disposal to the Town and derives the majority of its revenue through user charges.

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (CONTINUED)

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

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

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 fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service 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.

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.

Investments for the government, are reported at fair value. The State Treasurer's Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

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."

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (CONTINUED)

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

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

2. *Receivables and payables (continued)*

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. *Inventory*

Inventory is valued at cost, using the *first in, first out* method. The cost is recorded as an expense at the time the individual inventory items are consumed, rather than when purchased.

4. *Property Taxes*

The Town collects real property taxes semi-annually and personal property taxes annually. Real property and personal property is assessed by the County of Shenandoah Commissioner of Revenue annually on property owned on January 1st and July 1st for real estate and January 1st for personal property. Town Council adopts tax rates in April of each year as a part of the budget process. Real and personal property taxes are levied as of January 1st and July 1st and are due on June 5th and December 5th of each year. Penalties accrue on the unpaid balances at this date. Interest is charged on unpaid balances beginning December 6th and June 6th. Unpaid real property taxes constitute a lien against the property. The Town bills and collects its own property taxes.

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 for uncollectible taxes amounted to approximately \$32,915 at June 30, 2010 and the allowance for uncollectible water, sewer and trash billings amounted to approximately \$30,423 at June 30, 2010.

6. *Use of Estimates*

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

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. 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.

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

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:

Land improvements	10-15 years
Water plant	50 years
Sewer plant	30-50 years
Reservoir and storage	10-20 years
Lines and meters	10-50 years
Buildings and pool	20 years
Maintenance building and equipment	30 years
Equipment	5-50 years
Vehicles	5-15 years

Maintenance, repairs and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings or equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

8. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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.

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**D. Assets, liabilities, and net assets or equity (continued)****9. Long-term obligations (continued)**

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

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

11. 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.

12. Restricted assets

Certain assets of the Town's water and sewer enterprise fund have been restricted for the payment of customer deposits and debt service. The Town also has certificates of deposit that will be used in the near term that are restricted for proffers.

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 (\$1,618,387) difference for the primary government is as follows:

	Primary Government
Bonds payable	\$ (1,445,488)
Accrued interest payable	(7,098)
Capital leases payable	(78,211)
Compensated absences	(87,590)
Net adjustment to reduce <i>fund balance—total governmental funds</i> to arrive at <i>net assets—governmental activities</i>	\$ <u>(1,618,387)</u>

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (CONTINUED)

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

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

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 (\$247,530) difference for the primary government is as follows:

	Primary Government
Capital outlay	\$ 24,678
Loss on asset disposal	(7,759)
Depreciation expense	<u>(264,449)</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>(247,530)</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 \$278,869 difference in the primary government are as follows:

Debt issued or incurred:	
Capital lease proceeds	\$ (24,229)
Principal repayments:	
General obligation debt	\$ 190,481
Capital leases	<u>112,617</u>
Net adjustment to decrease <i>net changes in balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u><u>278,869</u></u>

TOWN OF STRASBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (CONTINUED)

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

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

Another element of that reconciliation states that "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 \$4,682 difference for the primary government is as follows:

Compensated absences	\$	4,123
Accrued interest		<u>559</u>
Net adjustment to 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>4,682</u></u>

NOTE 3 — STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgetary information

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

1. Prior to April 1, 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.
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 department or category level. The appropriation for each department or category can be revised only by the Town Council. The Town Council is authorized to transfer budgeted amounts within departments.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, except for the Capital expense budget.
8. All budget data presented in the accompanying financial statements is the amended budget as of June 30.

TOWN OF STRASBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (CONTINUED)

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

B. Excess of expenditures over appropriations

For the year ended June 30, 2010, there were no funds in which expenditures exceeded appropriations.

C. Deficit fund equity

At June 30, 2010, there were no funds with deficit fund equity.

NOTE 4 — DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

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

Custodial Credit Risk (Investments)

The Town had no investments at June 30, 2010.

NOTE 5—RECEIVABLES:

Receivables as of year end for the government's individual major funds including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Water</u>	<u>Sewer</u>	<u>Trash</u>	<u>Total</u>
Receivables:					
Property Taxes	\$ 879,644	\$ -	\$ -	\$ -	\$ 879,644
Accounts	<u>49,528</u>	<u>249,372</u>	<u>273,244</u>	<u>45,918</u>	<u>618,062</u>
Gross receivables	\$ 929,172	\$ 249,372	\$ 273,244	\$ 45,918	\$ 1,497,706
Less: allowance for Uncollectibles	<u>(32,915)</u>	<u>(12,087)</u>	<u>(15,622)</u>	<u>(2,714)</u>	<u>(63,338)</u>
Net total receivables	<u>\$ 896,257</u>	<u>\$ 237,285</u>	<u>\$ 257,622</u>	<u>\$ 43,204</u>	<u>\$ 1,434,368</u>

TOWN OF STRASBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (CONTINUED)

NOTE 6—DUE FROM OTHER GOVERNMENTAL UNITS:

	<u>Primary Government</u>
Commonwealth of Virginia:	
Sales tax	\$ <u>65,394</u>

NOTE 7—RESTRICTED ASSETS:

Restricted cash and cash equivalents consists of the following for June 30, 2010:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<u>Business-type Activities</u>			
Utility deposits	\$ 57,675	\$ -	\$ 57,675
Bond reserve fund	<u>628,398</u>	<u>605,124</u>	<u>1,233,522</u>
Totals	\$ <u>686,073</u>	\$ <u>605,124</u>	\$ <u>1,291,197</u>
<u>Governmental Funds</u>			
Restricted for proffers			\$ <u>65,300</u>

TOWN OF STRASBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (CONTINUED)

NOTE 8—CAPITAL ASSETS:

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2010.

Governmental Activities

	Balance as adjusted July 1, 2009	Adjust- ments	Increases	Decreases	Balance June 30, 2010
Capital assets not being depreciated:					
Land	\$ 239,794	\$ -	\$ -	\$ -	\$ 239,794
Total capital assets not being depreciated	\$ 239,794	\$ -	\$ -	\$ -	\$ 239,794
Other capital assets:					
Buildings and improvements	\$ 1,236,830	\$ -	\$ -	\$ -	\$ 1,236,830
Furniture, equipment and vehicles	2,068,713	63,532	24,678	(35,812)	2,121,111
Infrastructure	3,495,351	-	-	-	3,495,351
Total other capital assets	\$ 6,800,894	\$ 63,532	\$ 24,678	\$ (35,812)	\$ 6,853,292
Less: Accumulated depreciation for:					
Buildings and improvements	\$ (475,774)	\$ -	\$ (24,155)	\$ -	\$ (499,929)
Furniture, equipment and vehicles	(1,526,568)	(63,532)	(170,501)	28,053	(1,732,548)
Infrastructure	(1,010,121)	-	(69,793)	-	(1,079,914)
Total accumulated depreciation	\$ (3,012,463)	\$ (63,532)	\$ (264,449)	\$ 28,053	\$ (3,312,391)
Other capital assets, net	\$ 3,788,431	\$ -	\$ (239,771)	\$ (7,759)	\$ 3,540,901
Net capital assets	\$ 4,028,225	\$ -	\$ (239,771)	\$ (7,759)	\$ 3,780,695

Depreciation expense was allocated as follows:

General government administration	\$ 31,441
Public safety	60,588
Public works	172,420
Total depreciation expense	\$ 264,449

TOWN OF STRASBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (CONTINUED)

NOTE 8—CAPITAL ASSETS: (CONTINUED)

Enterprise Activities

	Balance July 1, 2009	Adjust- ments	Increases	Decreases	Balance June 30, 2010
Capital assets not being depreciated:					
Land	\$ 386,720	\$ -	\$ -	\$ -	\$ 386,720
Construction in progress	1,384,104	-	5,802,001	-	7,186,105
Total capital assets not being depreciated:	\$ 1,770,824	\$ -	\$ 5,802,001	\$ -	\$ 7,572,825
Other capital assets:					
Equipment and vehicles	\$ 1,538,185	\$ 26,408	\$ -	\$ (12,655)	\$ 1,551,938
Buildings and improvements	797,486	1	-	-	797,487
Infrastructure	12,869,010	2	-	-	12,869,012
Total other capital assets	\$ 15,204,681	\$ 26,411	\$ -	\$ (12,655)	\$ 15,218,437
Less: Accumulated depreciation for:					
Equipment and vehicles	\$ (1,031,452)	\$ (18,486)	\$ (105,676)	\$ 9,702	\$ (1,145,912)
Buildings and improvements	(479,536)	-	(33,688)	-	(513,224)
Infrastructure	(5,330,584)	(1)	(268,912)	-	(5,599,497)
Total accumulated depreciation	\$ (6,841,572)	\$ (18,487)	\$ (408,276)	\$ 9,702	\$ (7,258,633)
Other capital assets, net	\$ 8,363,109	\$ 7,924	\$ (408,276)	\$ 22,357	\$ 7,959,804
Net capital assets	\$ 10,133,933	\$ 7,924	\$ 5,393,725	\$ 22,357	\$ 15,532,629

NOTE 9—LONG-TERM DEBT:

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

Years Ending June 30,	Governmental Activities				Total	
	Capital Leases		General Obligation Bonds		Principal	Interest
	Principal	Interest	Principal	Interest		
2011	\$ 45,066	\$ 3,513	\$ 189,474	\$ 50,281	\$ 234,540	\$ 53,794
2012	28,652	1,137	189,069	43,990	217,721	45,127
2013	4,493	81	192,721	37,413	197,214	37,494
2014	-	-	162,722	30,833	162,722	30,833
2015	-	-	141,971	25,518	141,971	25,518
2016	-	-	128,708	20,227	128,708	20,227
2017	-	-	134,519	14,870	134,519	14,870
2018	-	-	138,507	9,451	138,507	9,451
2019	-	-	142,574	3,875	142,574	3,875
2020	-	-	25,223	245	25,223	245
Total	\$ 78,211	\$ 4,731	\$ 1,445,488	\$ 236,703	\$ 1,523,699	\$ 241,434

TOWN OF STRASBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (CONTINUED)**NOTE 9—LONG-TERM DEBT: (CONTINUED)**

Primary government – Annual requirements to amortize long-term debt and related interest are as follows:
(continued)

Years Ending June 30,	Business-Type Activities Debt					
	General Obligation Bonds		Capital Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 379,924	\$ 117,670	\$ 11,528	\$ 1,177	\$ 391,452	\$ 118,847
2012	428,037	267,875	10,473	494	438,510	268,369
2013	445,264	155,922	3,759	77	449,023	155,999
2014	338,031	145,460	-	-	338,031	145,460
2015	319,789	137,992	-	-	319,789	137,992
2016	297,016	130,494	-	-	297,016	130,494
2017	305,297	122,953	-	-	305,297	122,953
2018	310,533	115,382	-	-	310,533	115,382
2019	315,825	107,627	-	-	315,825	107,627
2020	181,676	102,563	-	-	181,676	102,563
2021	183,987	100,252	-	-	183,987	100,252
2022	186,359	97,880	-	-	186,359	97,880
2023	139,845	95,445	-	-	139,845	95,445
2024	96,594	92,945	-	-	96,594	92,945
2025	99,160	90,378	-	-	99,160	90,378
2026	101,795	87,744	-	-	101,795	87,744
2027	104,499	85,039	-	-	104,499	85,039
2028	107,275	82,263	-	-	107,275	82,263
2029	110,126	79,413	-	-	110,126	79,413
2030	113,051	76,487	-	-	113,051	76,487
2031	116,055	73,484	-	-	116,055	73,484
2032	119,138	70,400	-	-	119,138	70,400
2033	122,304	67,235	-	-	122,304	67,235
2034	125,553	63,986	-	-	125,553	63,986
2035	128,889	60,650	-	-	128,889	60,650
2036	132,313	57,225	-	-	132,313	57,225
2037	135,828	53,710	-	-	135,828	53,710
2038	139,437	50,101	-	-	139,437	50,101
2039	143,142	46,397	-	-	143,142	46,397
2040	146,945	42,594	-	-	146,945	42,594
2041	150,849	38,690	-	-	150,849	38,690
2042	154,856	34,682	-	-	154,856	34,682
2043	158,971	30,568	-	-	158,971	30,568
2044	163,194	26,344	-	-	163,194	26,344
2045	167,530	22,008	-	-	167,530	22,008
2046	171,981	17,558	-	-	171,981	17,558
2047	176,550	12,988	-	-	176,550	12,988
2048	181,241	8,298	-	-	181,241	8,298
2049	186,056	3,483	-	-	186,056	3,483
2050	31,482	108	-	-	31,482	108
Total	\$ 7,416,397	\$ 3,072,293	\$ 25,760	\$ 1,748	\$ 7,442,157	\$ 3,074,041

TOWN OF STRASBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (CONTINUED)

NOTE 9—LONG-TERM DEBT: (CONTINUED)

Changes in Long-term Debt

The following is a summary of changes in long-term debt transactions of the Primary Government for the year ended June 30, 2010:

	Balance July 1, 2009	Issuances/ Increases	Retirements	June 30, 2010
<u>Governmental activities:</u>				
General obligation bonds	\$ 1,635,970	\$ -	\$ 190,482	\$ 1,445,488
Capital lease obligations	166,598	24,229	112,616	78,211
Compensated Absences	91,713	-	4,123	87,590
Total Long-Term Liabilities	<u>\$ 1,894,281</u>	<u>\$ 24,229</u>	<u>\$ 307,221</u>	<u>\$ 1,611,289</u>
<u>Business-type activities:</u>				
General Obligation/Revenue Bonds	\$ 3,236,063	\$ 4,555,216	\$ 374,882	\$ 7,416,397
Capital lease obligations	54,274	-	28,514	25,760
Compensated Absences	92,071	-	81	91,990
Total Business-type Activities	<u>\$ 3,382,408</u>	<u>\$ 4,555,216</u>	<u>\$ 403,477</u>	<u>\$ 7,534,147</u>
Total	<u>\$ 5,276,689</u>	<u>\$ 4,579,445</u>	<u>\$ 710,698</u>	<u>\$ 9,145,436</u>

TOWN OF STRASBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (CONTINUED)

NOTE 9—LONG-TERM DEBT: (CONTINUED)

	<u>Total Amount Due</u>	<u>Amount Due Within One Year</u>
Governmental Activities:		
Capital Leases:		
\$29,975 issued April 5, 2007, due in monthly installments of \$579 beginning April 5, 2007 through January 5, 2012, for the purchase of a SunBelt Boom Lift.	\$ 11,501	\$ 6,419
\$84,657 issued August 15, 2005, due in monthly installments of \$1,571 beginning September 15, 2005 through August 15, 2011, for the purchase of a 924G Caterpillar Wheel Loader.	3,067	3,067
\$107,520 issued August, 2005, due in monthly installments of \$2,061 beginning September 21, 2005, through August 21, 2010, for the purchase of a 2006 International Cab.	4,090	4,090
\$50,550 issued March 17, 2008, due in monthly installments of \$480 beginning March 17, 2008, through February 17, 2013, for the purchase of a 2006 Chevrolet C4500 dump truck.	14,259	5,109
\$26,881 issued September 15, 2008, due in monthly installments of \$819 beginning September 15, 2008, through September 15, 2011, for the purchase of a 2008 Dodge Charger.	11,014	9,390
\$26,927 issued May 7, 2009, due in monthly installments of \$831 beginning May 7, 2009, through May 7, 2012, for the purchase of a 2009 Dodge Charger.	17,048	9,014
\$24,229 issued July 15, 2009 due in monthly installments of \$739.65 beginning August 4, 2009, through July 4, 2012, for the purchase of a 2008 Dodge Charger.	<u>17,232</u>	<u>7,977</u>
Total capital leases	\$ <u>78,211</u>	\$ <u>45,066</u>

TOWN OF STRASBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (CONTINUED)

NOTE 9—LONG-TERM DEBT: (CONTINUED)

	<u>Total Amount Due</u>	<u>Amount Due Within One Year</u>
Governmental Activities: (continued)		
General Obligation Bonds:		
Series, 1995, \$146,000 issued November 1, 1995, payable in monthly installments of \$1,230, through November 2010, with interest at 5.25%.	\$ 5,832	\$ 5,832
Series 2004, \$700,000, refinance of 1991 bonds issued October 26, 2004 payable in monthly installments of \$5,094, through October 2020, with interest at 3.75%.	484,304	43,710
Series 2004, \$1,124,800 bonds issued October 26, 2004 payable in varying semi-annual installments, through November 2019, with variable interest rates.	748,600	81,700
Series 2004B, \$500,000 revenue bonds issued October 26, 2004 payable in monthly installments of \$5,326, through October 2014, with interest at 3.15%.	<u>206,752</u>	<u>58,232</u>
Total general obligations bonds	\$ 1,445,488	\$ 189,474
Compensated absences	\$ 87,590	\$ -
Total Long-term Debt	<u>\$ 1,611,289</u>	<u>\$ 234,540</u>
Business type activities:		
Capital leases:		
\$29,975 issued April 5, 2007, due in monthly installments of \$579 beginning April 5, 2007, through January 5, 2012, for the purchase of two Art Boom Lifts.	\$ 11,501	\$ 6,419
\$50,550 issued March 17, 2008, due in monthly installments of \$480 beginning March 17, 2008, through February 17, 2013, for the purchase of a 2006 Chevrolet C4500 dump truck.	<u>14,259</u>	<u>5,109</u>
Total capital leases	\$ <u>25,760</u>	\$ <u>11,528</u>

TOWN OF STRASBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (CONTINUED)

NOTE 9—LONG-TERM DEBT: (CONTINUED)

	<u>Total Amount Due</u>	<u>Amount Due Within One Year</u>
Business type activities: (continued)		
General obligation bonds:		
Series 2004B, \$500,000 revenue bonds issued October 26, 2004 payable in monthly installments of \$5,326, through October 2014, with interest at 3.15%.	\$ 206,752	\$ 58,231
Series 1992 \$1,116,000, issued November 6, 1992, payable in semiannual installments of \$440,779, through May 2013, with interest at 3.0%.	232,328	75,148
Series 2001, \$200,000 issued March 2001, payable in monthly installments of \$2,102 through March 2011, with interest at 4.8%.	18,544	18,544
Series 2001, \$1,926,000 issued November 2000, payable in semi-annual installments of \$48,150 September 2022.	1,182,157	94,701
Series 2004, \$1,835,200 bonds issued October 26, 2004 payable in varying semi-annual installments, through November 2019, with variable interest rates.	1,221,400	133,300
Series 2009, \$9,000,000 bonds issued October 5, 2008 payable in monthly installments of \$31,860 through October 2049, with interest at 2.625%. \$3,676,762 has been drawn down as of June 30, 2010.	3,676,762	-
Series 2009, \$2,554,000 bonds issued October 5, 2008 payable in monthly installments of \$9,042 through October 2049, with interest at 2.625%. \$878,454 has been drawn down as of June 30, 2010.	<u>878,454</u>	<u>-</u>
Total general obligation bonds	\$ 7,416,397	\$ 379,924
Compensated absences	\$ 91,990	\$ -
Total Business-type Activities	<u>\$ 7,534,147</u>	<u>\$ 391,452</u>

The Town has entered in lease agreements for various equipment and vehicles. These leases are being treated as capital leases in accordance with accounting principles general accepted in the United States of America. The assets acquired through capita leases are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Asset:		
Machinery and equipment	\$ 325,464	\$ 55,250
Less: Accumulated depreciaton	<u>(149,085)</u>	<u>(23,130)</u>
Total	<u>\$ 176,379</u>	<u>\$ 32,120</u>

TOWN OF STRASBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (CONTINUED)

NOTE 9—LONG-TERM DEBT: (CONTINUED)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2010, were as follows:

Fiscal Year Ending June 30	Governmental Activities	Business-type Activities
2011	\$ 48,579	\$ 12,705
2012	29,788	10,967
2013	4,574	3,836
Total minimum lease payments	\$ 82,941	\$ 27,508
Less: amount representing interest	(4,730)	(1,748)
Present value of minimum lease payments	<u>\$ 78,211</u>	<u>\$ 25,760</u>

NOTE 10—DEFINED BENEFIT PENSION PLAN:

Plan Description (continued)

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

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.70% of their average final compensation (AFC) for each year of credited service (1.85% for sheriffs and if the employer elects, for other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5.00% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from our web site at <http://www.varetire.org/Pdf/Publications/2009-Annual-Report.pdf> or obtained by writing to the System's Chief Financial Officer at P. O. Box 2500, Richmond, VA, 23218-2500.

TOWN OF STRASBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (CONTINUED)

NOTE 10—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. In addition, the Town is required to contribute the remaining amounts necessary to fund participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's employee contribution rate for the fiscal year ended 2010 was 7.29% of annual covered payroll.

Annual Pension Cost

For fiscal year 2010, the Town's annual pension cost of \$187,571 was equal to the Town's required and actual contributions.

Three-Year Trend Information for the Town

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2008	\$ 164,060	100.00%	\$ -
June 30, 2009	188,986	100.00%	-
June 30, 2010	187,571	100.00%	-

The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and projected salary increases include an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2007 was 20 years.

Funded Status and Funding Progress:

As of June 30, 2009, the most recent actuarial valuation date, the Town's plan was 97.93% funded. The actuarial accrued liability for benefits was \$5,548,770, and the actuarial value of assets was \$5,434,118, resulting in an unfunded actuarial accrued liability (UAAL) of \$114,652. The covered payroll (annual payroll of active employees covered by the plan) was \$2,607,379, and ratio of the UAAL to the covered payroll was 4.40%.

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

TOWN OF STRASBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (CONTINUED)

NOTE 11—SURETY BONDS:

	<u>Amount</u>
Fidelity and Deposit Company - Surety	
Judson Rexall, Acting Town Manager	\$ 50,000
Public Employees Blanket Bond	25,000
Untied States Fidelity and Guaranty Company - Surety	
Director of Finance	50,000

NOTE 12—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; and natural disasters for which the Town carries commercial insurance. The Town also provides a risk management program for workers' compensation. Premiums are paid by the general fund and all other funds and are available to pay claims, claim reserves and administrative costs of the program.

The Town is a member of the Virginia Municipal Group Self Insurance Association for workers' compensation. This program is administered by a servicing contractor, which furnishes claims review and processing.

Each Association member jointly and severally agrees to assume, pay and discharge any liability. The Town pays Virginia Municipal Group contributions and assessments based upon classification and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association 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. Settled claims resulting from these risks have not exceeded commercial insurance in any of the past three fiscal years.

NOTE 13—INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2010 were made up of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 99,695
Trash Fund	21,522	-
Recreation Fund	78,173	-
Total	<u>\$ 99,695</u>	<u>\$ 99,695</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

TOWN OF STRASBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2010 (CONTINUED)

NOTE 14—CONTINGENCIES:

The Town is obligated to the Shenandoah County School Board under an agreement dated September 4, 1973, whereby the Town has agreed to pay to the School Board \$200 for each water and sewer connection made to the primary school water and sewer lines until such time as seventy-percent of their investment is realized. The agreement does not state the method of determining the School Board's investment nor the duration of the agreement.

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 expenditure which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

Under an agreement dated August 27, 1996 the Town is obligated to reimburse a developer for availability fees collected for connections to a sewer line paid for by the developer. The reimbursement shall not, in the aggregate, exceed \$250,000. At June 30, 2010, \$134,200 had been paid to the developer.

NOTE 15—SIGNIFICANT CONTRACTS OUTSTANDING:

The Town had the following material contracts outstanding at June 30, 2010:

<u>Project</u>	<u>Original Contract Amount</u>	<u>Amount Spent to Date</u>	<u>Amount of Contract Remaining at Year End</u>
WWTP Construction and Upgrades	\$ 11,596,725	\$ 4,761,823	\$ 6,834,902
Total	\$ <u>11,596,725</u>	\$ <u>4,761,823</u>	\$ <u>6,834,902</u>

The Town will be constructing a waste water treatment plant and upgrading its water plant over the next few years. The costs of these projects will approximate \$25 million.

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REQUIRED SUPPLEMENTARY INFORMATION

General Fund

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

For the Year Ended June 30, 2010

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 1,508,513	\$ 1,508,513	\$ 1,415,092	\$ (93,421)
Other local taxes	1,545,280	1,545,280	1,450,138	(95,142)
Permits, privilege fees, and regulatory licenses	16,000	16,000	11,546	(4,454)
Fines and forfeitures	50,350	50,350	39,905	(10,445)
Revenue from the use of money and property	67,555	67,555	73,415	5,860
Miscellaneous	126,758	126,758	123,349	(3,409)
Intergovernmental				
Commonwealth	734,468	734,468	720,073	(14,395)
Federal	-	-	111,456	111,456
Total revenues	<u>\$ 4,048,924</u>	<u>\$ 4,048,924</u>	<u>\$ 3,944,974</u>	<u>\$ (103,950)</u>
EXPENDITURES				
Current:				
General government administration	\$ 713,725	\$ 713,725	\$ 635,877	\$ 77,848
Public safety	1,669,733	1,669,733	1,613,106	56,627
Public works	1,097,819	1,097,819	1,234,325	(136,506)
Health and welfare	-	-	6,971	(6,971)
Parks, recreation and cultural	33,200	33,200	33,150	50
Community development	37,000	37,000	35,085	1,915
Capital outlay:				
Administrative	22,000	22,000	16,439	5,561
Public safety	28,000	28,000	24,678	3,322
Public Works	517,000	517,000	4,134	512,866
Debt service:				
Principal	323,954	323,954	303,099	20,855
Interest	65,097	65,097	65,097	-
Total expenditures	<u>\$ 4,507,528</u>	<u>\$ 4,507,528</u>	<u>\$ 3,971,961</u>	<u>\$ 535,567</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (458,604)</u>	<u>\$ (458,604)</u>	<u>\$ (26,987)</u>	<u>\$ 431,617</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (126,896)	\$ (126,896)	\$ (99,695)	\$ 27,201
Proceeds from indebtedness	<u>528,000</u>	<u>528,000</u>	<u>24,229</u>	<u>(503,771)</u>
Total other financing sources and uses	<u>\$ 401,104</u>	<u>\$ 401,104</u>	<u>\$ (75,466)</u>	<u>\$ (476,570)</u>
Net change in fund balances	\$ (57,500)	\$ (57,500)	\$ (102,453)	\$ (44,953)
Fund balances - beginning	-	-	1,590,880	1,590,880
Fund balances - ending	<u>\$ (57,500)</u>	<u>\$ (57,500)</u>	<u>\$ 1,488,427</u>	<u>\$ 1,545,927</u>

Town of Strasburg, Virginia
Schedule of Pension Funding Progress
As of June 30, 2010

Exhibit 11

Town Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
06/30/09	\$ 5,434,118	\$ 5,548,770	\$ 114,652	97.93%	\$ 2,607,379	4.40%
06/30/08	4,933,267	5,123,449	190,182	96.29%	2,435,135	7.81%
06/30/07	4,197,435	4,095,796	(101,639)	102.48%	2,315,410	-4.39%
06/30/06	3,521,888	3,398,554	(123,334)	103.63%	2,018,593	-6.11%
06/30/05	3,190,557	3,395,040	204,483	93.98%	1,645,194	12.43%

STATISTICAL TABLES

Town of Strasburg, Virginia
Government-Wide Expenses by Function
Last Ten Fiscal Years (1)

<u>Fiscal Year</u>	<u>General Government Administration</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Parks, Recreation, and Cultural</u>	<u>Health and Welfare</u>	<u>Community Development</u>
2003-04	\$ 306,771	\$ 894,656	\$ 767,027	\$ 35,804	\$ -	9,425
2004-05	367,584	1,061,495	1,057,369	34,394	-	31,285
2005-06	449,250	1,220,144	1,019,816	36,844	-	23,490
2006-07	486,375	1,481,260	1,639,106	37,718	-	33,024
2007-08	619,959	1,574,469	1,271,651	41,378	-	28,697
2008-09	558,230	1,668,255	1,276,394	37,984	-	16,352
2009-10	684,734	1,670,107	1,409,366	33,150	6,971	35,085

(1) Information has only been available for 7 years.

Table 1

Interest on Long- Term Debt		Water	Sewer	Trash	Recreation	Total
\$	152,547	\$ 1,094,879	\$ 1,040,676	\$ 141,850	\$ 116,468	\$ 4,560,103
	142,988	1,202,472	1,127,117	147,727	109,683	5,282,114
	94,298	1,163,033	1,150,540	154,636	121,542	5,433,593
	94,341	1,338,398	1,367,215	177,223	126,550	6,781,210
	81,543	1,412,641	1,493,954	204,149	167,320	6,895,761
	72,991	1,538,738	1,508,449	237,830	154,290	7,069,513
	64,539	1,570,493	1,557,148	321,645	162,475	7,515,713

Town of Strasburg, Virginia
Government-Wide Revenues
Last Ten Fiscal Years (1)

Fiscal Year	PROGRAM REVENUES		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
2003-04	\$ 1,695,546	\$ 109,113	\$ 1,483,611
2004-05	1,976,301	112,483	1,715,695
2005-06	2,209,053	113,800	1,034,085
2006-07	2,463,080	118,020	1,333,523
2007-08	2,913,871	118,645	1,764,141
2008-09	3,183,282	114,186	1,034,438
2009-10	3,572,264	104,652	806,897

(1) Information has only been available for 7 years.

Table 2

GENERAL REVENUES					
General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Mis- cellaneous	Grants and Contributions Not Restricted to Specific Programs	Total
\$ 1,109,876	\$ 984,212	\$ 3,690	\$ 70,225	\$ 23,895	\$ 5,480,168
1,226,085	1,083,472	45,433	69,046	18,004	6,246,519
1,253,388	1,434,673	108,373	102,263	19,941	6,275,576
1,431,693	1,348,759	144,228	63,400	12,013	6,914,716
1,687,773	1,512,217	64,685	106,001	30,045	8,197,378
1,340,095	1,519,691	129,314	64,409	182,912	7,568,327
1,425,274	1,445,993	118,392	237,937	174,125	7,885,534

Town of Strasburg, Virginia
General Governmental Expenditures by Function (1)
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Administration</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Parks, Recreation, and Cultural</u>	<u>Health and Welfare</u>	<u>Community Development</u>
2000-01	\$ 216,600	\$ 700,955	\$ 623,703	\$ 20,690	\$ -	\$ 10,157
2001-02	256,345	780,287	830,546	21,575	-	8,676
2002-03	284,778	868,412	738,688	33,290	-	17,729
2003-04	271,283	924,520	954,979	35,804	-	9,425
2004-05	361,205	1,096,548	907,818	34,394	-	31,285
2005-06	427,685	1,220,361	1,302,674	36,844	-	23,490
2006-07	437,281	1,511,221	1,534,847	37,718	-	33,024
2007-08	579,956	1,604,696	1,071,799	41,378	-	28,697
2008-09	691,506	1,634,834	1,078,850	37,984	-	16,352
2009-10	652,316	1,637,784	1,238,459	33,150	6,971	35,085

(1) Includes General Fund.

Table 3

Non- departmental		Debt Service	Total
\$	- \$	300,002	\$ 1,872,107
	-	318,173	2,215,602
	-	337,699	2,280,596
	-	339,281	2,535,292
	-	325,793	2,757,043
	-	420,071	3,431,125
	-	417,798	3,971,889
	-	424,630	3,751,156
	-	390,146	3,849,672
	-	368,196	3,971,961

Town of Strasburg, Virginia
General Governmental Revenues by Source (1)
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, & Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Miscellaneous
2000-01	\$ 839,369	\$ 671,909	\$ 1,770	\$ 30,790	\$ 24,194	\$ 37,314
2001-02	861,120	708,958	2,455	47,235	10,791	39,737
2002-03	887,560	785,729	17,366	28,731	3,945	52,441
2003-04	1,019,817	959,190	25,022	28,612	3,690	30,654
2004-05	1,025,514	1,031,560	51,912	50,758	12,251	64,288
2005-06	1,300,615	1,193,420	54,227	54,860	65,009	55,754
2006-07	1,436,157	1,207,590	23,989	53,809	58,975	56,770
2007-08	1,497,703	1,370,882	25,761	39,571	46,080	83,697
2008-09	1,456,136	1,515,840	12,155	44,711	57,375	56,319
2009-10	1,415,092	1,450,138	11,546	39,905	73,415	123,349

(1) Includes General Fund.

Table 4

<u>Inter-</u>		<u>governmental</u>		<u>Total</u>	
\$	480,482	\$	2,085,828		
	539,275		2,209,571		
	559,096		2,334,868		
	560,978		2,627,963		
	618,469		2,854,752		
	651,095		3,374,980		
	679,646		3,516,936		
	715,166		3,778,860		
	772,022		3,914,558		
	831,529		3,944,974		

Town of Strasburg, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1,2,3)	Current Tax Collections (1,3)	Percent of Levy Collected	Delinquent Tax Collections (1) (2)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
2000-01	\$ 881,390	\$ 867,076	98.38%	\$ 22,319	\$ 889,395	100.91%
2001-02	979,291	956,237	97.65%	37,045	993,282	101.43%
2002-03	1,000,962	985,595	98.46%	36,330	1,021,925	102.09%
2003-04	1,122,258	1,085,334	96.71%	13,322	1,098,656	97.90%
2004-05 (3)	1,227,258	1,142,620	93.10%	10,098	1,152,718	93.93%
2005-06 (3)	1,460,119	1,409,165	96.51%	6,926	1,416,091	96.98%
2006-07 (3)	1,610,384	1,566,569	97.28%	8,486	1,575,055	97.81%
2007-08 (3)	1,754,568	1,592,494	90.76%	11,914	1,604,408	91.44%
2008-09 (3)	1,570,074	1,492,353	95.05%	63,311	1,555,664	99.08%
2009-10 (3)	1,520,815	1,433,595	94.26%	88,877	1,522,472	100.11%

(1) Exclusive of penalties.

(2) Does not include land redemptions.

(3) Includes Commonwealth of Virginia PPTRA Reimbursement

Table 5

Outstanding Delinquent Taxes		Percent of Total Tax Collections to Tax Levy
\$	62,259	6.00%
	62,448	7.00%
	62,448	6.00%
	63,344	8.00%
	119,409	9.73%
	144,369	9.89%
	125,554	7.80%
	337,276	19.22%
	182,278	11.61%
	188,670	12.41%

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Town of Strasburg, Virginia
Assessed Value of Taxable Property
Last Ten Fiscal Years
(in thousands)

Table 6

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Public Service Corporation (1)		Total	Assessed vs Fair Market Value
				Real Estate	Personal Property		
2000-01	\$ 167,651	\$ 22,449	\$ 24,615	\$ 13,925	1	\$ 228,641	100.00%
2001-02	205,372	24,765	29,562	13,696	4	273,399	100.00%
2002-03	219,035	30,617	19,887	13,536	4	283,079	100.00%
2003-04	235,985	26,784	56,140	14,549	4	333,462	100.00%
2004-05	258,311	28,132	39,990	15,521	-	341,954	100.00%
2005-06	386,858	31,324	39,701	12,091	-	469,974	100.00%
2006-07	508,810	36,358	42,576	16,819	-	604,563	100.00%
2007-08	532,774	40,489	33,915	15,116	-	622,294	100.00%
2008-09	548,653	40,501	25,724	14,725	-	629,603	100.00%
2009-10	547,258	38,159	23,230	18,028	-	626,675	100.00%

(1) Assessed values are established by the State Corporation Commission.

Town of Strasburg, Virginia
Property Tax Rates (1)
Last Ten Fiscal Years

Table 7

Fiscal Year	Real Estate	Personal Property	Machinery & Tools
2000-01	\$ 0.22	\$ 1.11	\$ 0.86
2001-02	0.22	1.11	0.86
2002-03	0.22	1.11	0.86
2003-04	0.22	1.11	0.86
2004-05	0.22	1.11	0.86
2005-06	0.22/0.16	1.11	0.86
2006-07	0.16	1.11	0.86
2007-08	0.16	1.11	0.86
2008-09	0.16	1.11	0.86
2009-10	0.16	1.11	0.86

(1) Rates are based on \$100 per assessed value.

For tax year 2006 the real estate tax rate was dropped to \$.16 per \$100 of assessed value.

Town of Strasburg, Virginia
Principal Taxpayers
June 30, 2010

Table 8

Taxpayer	Type of Business	2010 Assessed Value	Percentage of Total Assessed Value
294 Front Royal LLC	Manufacturing	\$ \$11,454,700	2.1%
King Plumbing	Rental Property&Recreation Ctr.	\$10,652,100	1.9%
IAC Corp	Manufacturing	\$8,763,800	1.6%
Toothman Investments	Real Estate /Rental Property	\$5,837,400	1.1%
Massanutten Elderly	Rental Property	\$5,037,500	0.9%
Sunlight Properties	Real Estate/ Rental Property	\$4,692,000	0.9%
Homewood Retirement	Rental & Shopping	\$4,177,100	0.8%
Taylor Grace	Rental Property	\$4,055,700	0.7%
Frank Yeakle III	Rental Property	\$3,580,100	0.7%
Greenfield Ass. Living/Reflections	Residential	\$3,927,800	0.7%
Total 2009 Assesment		\$ <u>\$62,178,200</u>	

Town of Strasburg, Virginia
 Computation of Legal Debt Margin
 For the Fiscal Year Ended June 30, 2010
 (in thousands)

Table 9

Total assessed value of taxed real property		\$	547,258
Debt limit-10 percent of assessed value		\$	54,726
Amount of debt applicable to limit			
Gross debt	\$	8,861	
Less: Water and sewer revenue bonds		<u>(7,416)</u>	
		\$	<u>1,445</u>
Legal debt margin		\$	<u><u>53,281</u></u>

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 STRASBURG, 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 Strasburg, Virginia as of and for the year ended June 30, 2010, which collectively comprise Town of Strasburg, Virginia's basic financial statements and have issued our report thereon dated October 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered the Town of Strasburg, 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 Strasburg, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Strasburg, 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town of Strasburg, 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 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 Strasburg, 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 Strasburg, Virginia in a separate letter dated October 22, 2010.

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

Robinson, Farmer, Cox Associates

Verona, Virginia
October 22, 2010

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited Town of Strasburg, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each the Town of Strasburg, Virginia's major federal programs for the year ended June 30, 2010. Town of Strasburg, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of Strasburg, Virginia's management. Our responsibility is to express an opinion on the Town of Strasburg, Virginia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Strasburg, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Town of Strasburg, Virginia's compliance with those requirements.

In our opinion, Town of Strasburg, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the Town of Strasburg, Virginia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Strasburg, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Strasburg, Virginia's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

Robinson, Famer, Cox Associates

Verona, Virginia
October 22, 2010

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

<u>Federal Granting Agency/Pass-through Agency/Program</u>	<u>Federal Catalog Number</u>	<u>Total Federal Expenditures</u>
<u>United States Department of Agriculture:</u>		
Pass Through Payments:		
State Department of Environmental Quality:		
Water and Waste Disposal Systems for Rural Communities	10.760	\$ <u>4,555,216</u>
		\$ <u>4,555,216</u>
<u>United States Department of Transportation, Federal Highway Administration:</u>		
Pass Through Payments:		
State Department of Transportation:		
State and Community Highway Safety Funds	20.600	\$ 10,000
Highway Planning and Construction	20.205	<u>101,456</u>
		\$ <u>111,456</u>
 Total Federal Assistance		 \$ <u><u>4,666,672</u></u>

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

Primary government:	
Governmental funds	\$ 111,456
Proprietary funds	<u>4,555,216</u>
Total primary government	\$ <u><u>4,666,672</u></u>

TOWN OF STRASBURG, VIRGINIA

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the activity of all federal award programs for the Town as of June 30, 2010. The Town's reporting entity is defined in note 1(A) of the Town's financial statements.

Federal award programs include direct expenditures, monies passed through to other governmental entities, and nonmonetary assistance.

B. Basis of Presentation:

The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Town.

C. Basis of Accounting:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

D. Matching Costs:

Matching costs, the nonfederal share of certain program costs, are not included in the Schedule.

E. Loans:

Federal expenditures reported on this schedule include loans of \$4,555.216.

II. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

The regulations and guidelines governing the preparation of federal financial reports vary by federal agency and among programs administered by the agency. As a result, the amounts reported in federal financial reports may not agree with the amounts reported in the accompanying schedule.

TOWN OF STRASBURG, VIRGINIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued unqualified

Internal control over financial reporting:

- Material weaknesses identified? yes x no

- Significant deficiencies identified? yes x none reported

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? yes x no

- Significant deficiencies identified? yes x none reported

Type of auditors' report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes x no

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

10.760 Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes x no

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

Section IV-Summary Schedule of Prior Year Findings

There were no prior year findings.

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