



TOWN OF LURAY, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2017

TOWN OF LURAY, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2017

COUNCIL

Barry Presgraves, Mayor

Leah Pence

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Ron Vickers

Jerry Dofflemyer

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Joey Sours

OFFICIALS

Bryan Chrisman Interim Town Manager

Mary Broyles Clerk-Treasurer

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

Danielle Babb Clerk of Council

**TOWN OF LURAY, VIRGINIA
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2017**

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Town of Luray, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Town of Luray, Virginia, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding progress on pages 4-8, and 64-68, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2017, on our consideration of Town of Luray, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Luray, Virginia's internal control over financial reporting and compliance.

Robinson, Finner, Cox Associates

Staunton, Virginia
October 20, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

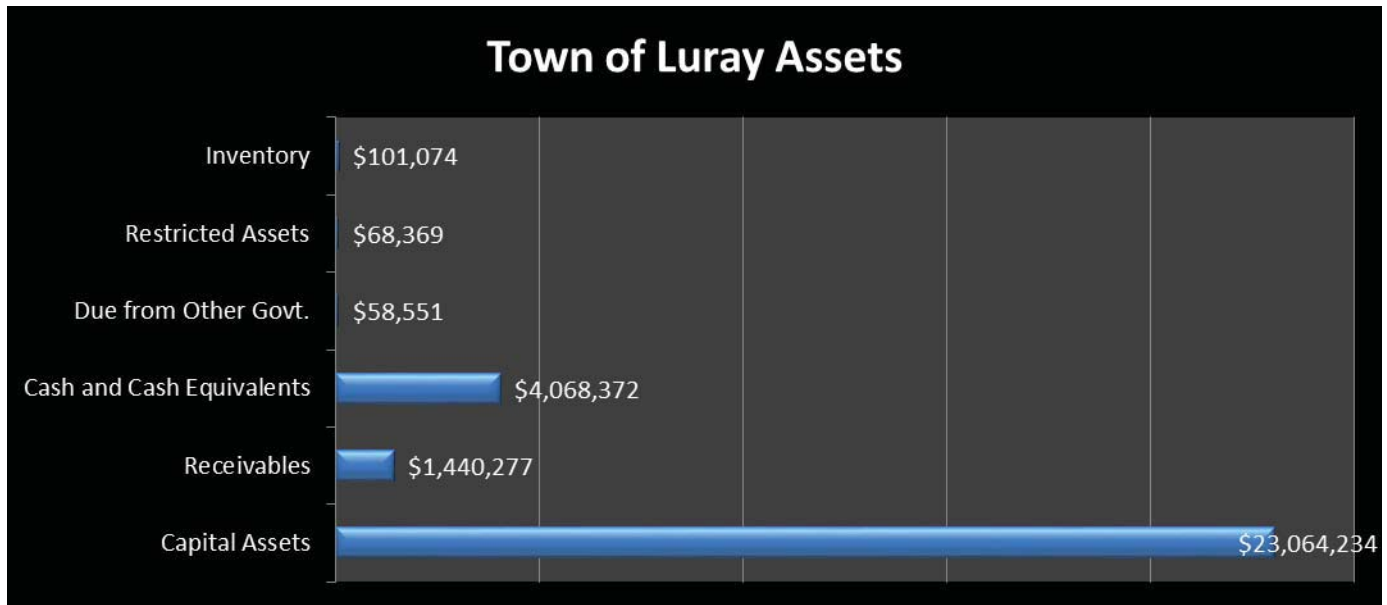
Town of Luray Annual Audit Report

Fiscal Year Ending June 30, 2017

We are pleased to present the Annual Audit Report for the Town of Luray's fiscal year ending June 30, 2017. The audit was conducted by Robinson, Farmer, Cox Associates, a certified public accounting firm in Staunton, Virginia. The firm has audited our financial records and prepared statements of the governmental activities, business type activities, and each major fund. The Town received an unmodified opinion on the financial statements based on the results of this audit. Additionally, the compliance tests performed by the firm disclosed no reportable instances of noncompliance. The following management discussion provides an overall review of the Town's financial activities for the fiscal year ending June 30, 2017. The intent of the discussion and analysis is to examine the Town's financial performance as a whole. Readers should also review the basic financial statements to enhance their understanding of the Town's performance.

The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows at the close of the fiscal year ending June 30, 2017 by \$14,701,086 (net position). Of this amount, \$2,621,344 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. The unrestricted net position has increased by \$680,369 over last fiscal year's unrestricted balance of \$1,940,985. A significant portion of this change is due to actuarially determined changes in the deferred inflows and outflows related to measurement of the net pension liability. Refer to Note 9 for additional information and related pension disclosures.

Assets and deferred outflows of resources increased by \$92,205 over the previous budget year. Assets and deferred outflows of resources totaled \$29,340,004 on June 30, 2017, while liabilities and deferred inflows only \$14,638,918. As you will note on the adjacent chart the largest assets are held in capital assets, this category includes land, buildings, improvements, etc.



At June 30, 2017, the Town's general fund balance is just over \$3.2 million. This is an increase of \$227,199 over last year's fund balance of \$3,021,486. At June 30, 2017, the fund balance available for spending at the Town of Luray's discretion amounted to \$3,201,139 (unassigned fund balance).

Luray's investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding, represents approximately 82 percent of total net position. The Town uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

	Governmental Activities		Business-type Activities		Total	
	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017
Land	\$ 982,315	\$ 982,315	\$ 149,704	\$ 149,704	\$ 1,132,019	\$ 1,132,019
Buildings and improvements	8,003,388	8,035,888	-	-	8,003,388	8,035,888
Infrastructure	5,485,917	5,595,117	-	-	5,485,917	5,595,117
Utility plant in service	-	-	34,132,713	34,240,422	34,132,713	34,240,422
Equipment	1,846,296	2,058,477	-	-	1,846,296	2,058,477
Construction in progress	605,701	672,650	30,167	53,257	635,868	725,907
Total	\$ 16,923,617	\$ 17,344,447	\$ 34,312,584	\$ 34,443,383	\$ 51,236,201	\$ 51,787,830
Accumulated depreciation	(10,126,711)	(10,468,952)	(17,474,749)	(18,254,644)	(27,601,460)	(28,723,596)
Net capital assets	\$ 6,796,906	\$ 6,875,495	\$ 16,837,835	\$ 16,188,739	\$ 23,634,741	\$ 23,064,234

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

	Governmental Activities		Business-type Activities		Total	
	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017
Current and other assets	\$ 4,073,782	\$ 4,330,051	\$ 1,148,117	\$ 1,408,526	\$ 5,221,899	\$ 5,738,577
Capital assets	6,796,906	6,875,495	16,837,835	16,188,739	23,634,741	23,064,234
Total assets	\$ 10,870,688	\$ 11,205,546	\$ 17,985,952	\$ 17,597,265	\$ 28,856,640	\$ 28,802,811
Deferred outflows of resources	\$ 195,123	\$ 290,836	\$ 196,036	\$ 246,357	\$ 391,159	\$ 537,193
Current and other liabilities	\$ 146,071	\$ 160,266	\$ 199,145	\$ 204,430	\$ 345,216	\$ 364,696
Long-term liabilities	2,353,881	2,569,910	10,957,351	10,625,251	13,311,232	13,195,161
Total liabilities	\$ 2,499,952	\$ 2,730,176	\$ 11,156,496	\$ 10,829,681	\$ 13,656,448	\$ 13,559,857
Deferred inflows of resources	\$ 1,299,443	\$ 912,273	\$ 208,218	\$ 166,788	\$ 1,507,661	\$ 1,079,061
Net investment in capital assets	\$ 5,526,182	\$ 5,664,357	\$ 6,538,164	\$ 6,337,026	\$ 12,064,346	\$ 12,001,383
Restricted (CDBG)	78,359	78,359	-	-	78,359	78,359
Unrestricted	1,661,875	2,111,217	279,110	510,127	1,940,985	2,621,344
Total net position	\$ 7,266,416	\$ 7,853,933	\$ 6,817,274	\$ 6,847,153	\$ 14,083,690	\$ 14,701,086

Liabilities and deferred inflows of resources total \$14,638,918 and are composed primarily of long term debt. The remainder of the liabilities include accounts payable, customer deposits, accrued interest, and unearned tax revenue. The Town is well below the legal margin of debt. This margin is established by computing the total assessed value of real estate within the Town. Ten percent of that total less the net debt applicable to limit is considered the legal margin of debt. On June 30, 2017 the total assessed value of real estate in the Town of Luray was \$429,756,500. The legal debt margin would therefore be \$32,172,716 (\$42,975,650 ten percent of assessed value less \$10,802,934 net debt). As the above information demonstrates, Luray is well below that margin.

Town of Luray, Virginia's Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017
Revenues:						
Program revenues:						
Charges for services	\$ 346,029	\$ 351,743	\$ 3,066,208	\$ 2,955,382	\$ 3,412,237	\$ 3,307,125
Operating grants and contributions	1,217,272	1,282,700	-	-	1,217,272	1,282,700
Capital grants and contributions	72,629	25,567	8,610	8,045	81,239	33,612
General revenues:						
Property taxes	1,498,702	1,515,039	-	-	1,498,702	1,515,039
Other local taxes	1,925,953	2,056,779	-	-	1,925,953	2,056,779
Gain on disposal of capital assets	-	-	-	-	-	-
Grants and contributions not restricted to specific programs	78,681	79,344	-	-	78,681	79,344
Unrestricted investment:						
Earnings	24,946	23,613	-	-	24,946	23,613
Other	42,717	31,882	-	-	42,717	31,882
Total revenues	\$ 5,206,929	\$ 5,366,667	\$ 3,074,818	\$ 2,963,427	\$ 8,281,747	\$ 8,330,094
Expenses:						
General government administration	\$ 490,376	\$ 511,407	\$ -	\$ -	\$ 490,376	\$ 511,407
Public safety	1,050,020	1,078,372	-	-	1,050,020	1,078,372
Public works	2,286,890	2,127,714	-	-	2,286,890	2,127,714
Health and welfare	16,240	17,361	-	-	16,240	17,361
Parks, recreation, and culture	884,352	946,573	-	-	884,352	946,573
Community development	103,653	53,834	-	-	103,653	53,834
Interest on long-term debt	41,744	43,889	-	-	41,744	43,889
Business-type activities	-	-	2,828,155	2,933,548	2,828,155	2,933,548
Total expenses	\$ 4,873,275	\$ 4,779,150	\$ 2,828,155	\$ 2,933,548	\$ 7,701,430	\$ 7,712,698
Change in net position	\$ 333,654	\$ 587,517	\$ 246,663	\$ 29,879	\$ 580,317	\$ 617,396
Net position, beginning	6,932,762	7,266,416	6,570,611	6,817,274	13,503,373	14,083,690
Net position, ending	\$ 7,266,416	\$ 7,853,933	\$ 6,817,274	\$ 6,847,153	\$ 14,083,690	\$ 14,701,086

Overview of the Financial Statements

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

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

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

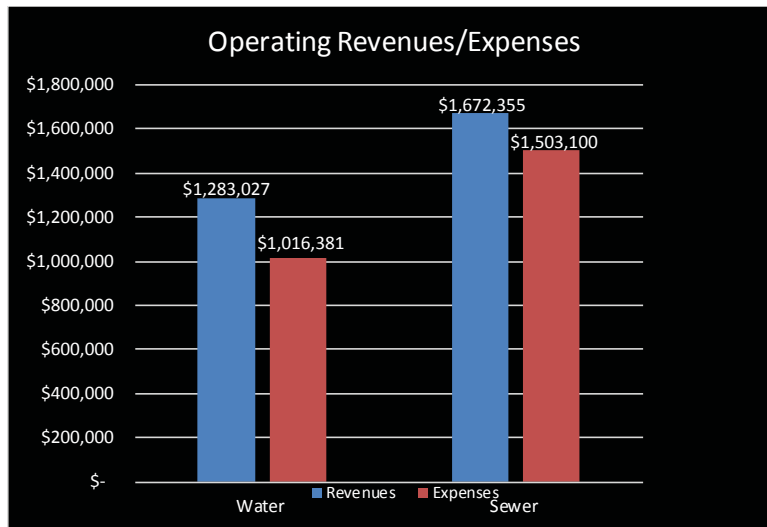
The Town's *net position* is divided into three categories: (1) net investment in capital assets; (2) restricted; and (3) unrestricted. The preceding chart of Luray's assets provided a breakout of assets. At the end of the current fiscal year, the Town is able to report positive balances in all categories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

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

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

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

Such information may be useful in evaluating a government's near-term financing requirements. Governmental activities increased the Town's net position by \$587,517. Total spending in governmental funds was \$4,779,150.



Proprietary funds are the enterprise or business type funds. The Town uses enterprise funds to account for the water and sewer activities operated by the Town. The proprietary fund shows operational income of \$360,644. The water fund had an operational income of \$198,802 and the sewer funds an operational income of \$161,842. Overall operating expenses show an increase of \$111,834 compared to the June 30, 2016 proprietary fund statements. Unrestricted net position of the water and sewer funds at the end of the fiscal year is \$510,127.

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

Economic Factors in Next Year's Budget

- The Town will continue to promote economic development through the Revolving Loan Program which was established as a part of the Community Development Block Grant. The purpose of the Revolving Loan Program is an ongoing effort to revitalize the downtown area.
- The Town continues the planning and funding processes for the replacement of the Main Street Bridge. The project will be funded through a 1.62 million dollar federal grant, plus state and local funding. Construction will begin in 2018.
- The Town continues with the next phases of the Main Street Electric Conduit Project.
- The Luray Town Council has authorized a contract with Racey Engineering for the Greenway Feasibility Study regarding the proposed expansion of Phase V of the Hawksbill Greenway Trail.
- The Town will continue with upgrading the water meters, valves and sewer infrastructures.
- The Town will continue with Phase V of the Luray Train Depot rehabilitation project. Phase V of the project includes additional custom museum displays, roof/skylight repairs, and attic insulation.
- The Town continues to work with VDOT to complete intersection improvements on West Main at Northcott and US211. This will be funded through state construction monies, smart scale funding, other state funds, and local funds.
- The Town will continue work on the West Main-Memorial Drive Improvement Project, including the traffic signal implementation. Further work on this corridor will continue in the coming years. This is funded with VDOT Revenue Sharing and local funds.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Position
June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,151,885	\$ 916,487	\$ 4,068,372
Receivables (net of allowance for uncollectibles):			
Taxes receivable	831,636	-	831,636
Accounts receivable	162,074	436,577	598,651
Notes receivable	9,990	-	9,990
Due from other governmental units	58,551	-	58,551
Inventories	45,612	55,462	101,074
Prepaid expenses	1,934	-	1,934
Temporarily restricted:			
Cash and cash equivalents	68,369	-	68,369
Capital assets, net of accumulated depreciation:			
Land	982,315	149,704	1,132,019
Buildings and system	3,549,851	-	3,549,851
Land Improvements	539,189	-	539,189
Machinery and equipment	455,890	-	455,890
Infrastructure	675,600	-	675,600
Utility plant in service	-	15,985,778	15,985,778
Construction in progress	672,650	53,257	725,907
Total assets	<u>\$ 11,205,546</u>	<u>\$ 17,597,265</u>	<u>\$ 28,802,811</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	\$ -	\$ 90,031	\$ 90,031
Items related to measurement of net pension liability	155,250	90,473	245,723
Pension contributions subsequent to measurement date	135,586	65,853	201,439
Total deferred outflows of resources	<u>\$ 290,836</u>	<u>\$ 246,357</u>	<u>\$ 537,193</u>
LIABILITIES			
Accounts payable	\$ 145,257	\$ 34,522	\$ 179,779
Accrued liabilities	8,912	12,085	20,997
Customers' deposits	-	120,687	120,687
Accrued interest payable	6,097	37,136	43,233
Long-term liabilities:			
Due within one year	135,440	458,453	593,893
Due in more than one year	2,434,470	10,166,798	12,601,268
Total liabilities	<u>\$ 2,730,176</u>	<u>\$ 10,829,681</u>	<u>\$ 13,559,857</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 705,626	\$ -	\$ 705,626
Items related to measurement of net pension liability	206,647	166,788	373,435
Total deferred inflows of resources	<u>\$ 912,273</u>	<u>\$ 166,788</u>	<u>\$ 1,079,061</u>
NET POSITION			
Net investment in capital assets	\$ 5,664,357	\$ 6,337,026	\$ 12,001,383
Restricted for:			
Community development block grant expenditures	78,359	-	78,359
Unrestricted	2,111,217	510,127	2,621,344
Total net position	<u>\$ 7,853,933</u>	<u>\$ 6,847,153</u>	<u>\$ 14,701,086</u>

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

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Town of Luray, Virginia

Statement of Activities
Year Ended June 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 511,407	\$ -	\$ -	\$ -
Public safety	1,078,372	15,892	145,014	-
Public works	2,127,714	276,494	1,128,814	25,567
Health and welfare	17,361	-	-	-
Parks, recreation, and cultural	946,573	59,357	3,872	-
Community development	53,834	-	5,000	-
Interest on long-term debt	43,889	-	-	-
Total governmental activities	<u>\$ 4,779,150</u>	<u>\$ 351,743</u>	<u>\$ 1,282,700</u>	<u>\$ 25,567</u>
Business-type activities:				
Water	\$ 1,315,590	\$ 1,283,027	\$ -	\$ 6,845
Sewer	1,617,958	1,672,355	-	1,200
Total business-type activities	<u>\$ 2,933,548</u>	<u>\$ 2,955,382</u>	<u>\$ -</u>	<u>\$ 8,045</u>
Total primary government	<u>\$ 7,712,698</u>	<u>\$ 3,307,125</u>	<u>\$ 1,282,700</u>	<u>\$ 33,612</u>

General revenues:

General property taxes

Other local taxes:

Local sales and use tax

Consumers' utility tax

Business licenses tax

Restaurant food tax

Cigarette Tax

Transient Occupancy tax

Bank stock tax

Other local taxes

Unrestricted revenues from use of money and property

Miscellaneous

Grants and contributions not restricted to specific programs

Total general revenues

Change in net position

Net position - beginning

Net position - ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (511,407)	\$ -	\$ (511,407)
(917,466)	-	(917,466)
(696,839)	-	(696,839)
(17,361)	-	(17,361)
(883,344)	-	(883,344)
(48,834)	-	(48,834)
(43,889)	-	(43,889)
<u>\$ (3,119,140)</u>	<u>\$ -</u>	<u>\$ (3,119,140)</u>
\$ -	\$ (25,718)	\$ (25,718)
-	55,597	55,597
<u>\$ -</u>	<u>\$ 29,879</u>	<u>\$ 29,879</u>
<u>\$ (3,119,140)</u>	<u>\$ 29,879</u>	<u>\$ (3,089,261)</u>
\$ 1,515,039	\$ -	\$ 1,515,039
206,361	-	206,361
142,047	-	142,047
330,702	-	330,702
708,845	-	708,845
145,436	-	145,436
220,370	-	220,370
191,122	-	191,122
111,896	-	111,896
23,613	-	23,613
31,882	-	31,882
79,344	-	79,344
<u>\$ 3,706,657</u>	<u>\$ -</u>	<u>\$ 3,706,657</u>
\$ 587,517	\$ 29,879	\$ 617,396
7,266,416	6,817,274	14,083,690
<u>\$ 7,853,933</u>	<u>\$ 6,847,153</u>	<u>\$ 14,701,086</u>

FUND FINANCIAL STATEMENTS

Balance Sheet
Governmental Funds
June 30, 2017

	Primary Government		
	Special Revenue		
	General Fund	Fund CDBG	Total
ASSETS			
Cash and cash equivalents	\$ 3,151,885	\$ -	\$ 3,151,885
Receivables (net of allowance for uncollectibles):			
Taxes receivable	831,636	-	831,636
Accounts receivable	162,074	-	162,074
Notes receivable	-	9,990	9,990
Due from other governmental units	58,551	-	58,551
Inventories	45,612	-	45,612
Prepaid items	1,934	-	1,934
Restricted assets:			
Cash and cash equivalents	-	68,369	68,369
Total assets	<u>\$ 4,251,692</u>	<u>\$ 78,359</u>	<u>\$ 4,330,051</u>
LIABILITIES			
Accounts payable	\$ 145,257	\$ -	\$ 145,257
Accrued liabilities	8,912	-	8,912
Total liabilities	<u>\$ 154,169</u>	<u>\$ -</u>	<u>\$ 154,169</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	\$ 848,838	\$ -	\$ 848,838
Total deferred inflows of resources	<u>\$ 848,838</u>	<u>\$ -</u>	<u>\$ 848,838</u>
FUND BALANCES			
Nonspendable:			
Inventory	\$ 45,612	\$ -	\$ 45,612
Prepaid items	1,934	-	1,934
Restricted:			
Community development block grant fund	-	78,359	78,359
Unassigned	3,201,139	-	3,201,139
Total fund balances	<u>\$ 3,248,685</u>	<u>\$ 78,359</u>	<u>\$ 3,327,044</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,251,692</u>	<u>\$ 78,359</u>	<u>\$ 4,330,051</u>

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

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2017

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 3,327,044
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,875,495
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	(63,435)
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.	135,586
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(2,420,757)</u>
Net position of governmental activities	\$ <u><u>7,853,933</u></u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2017

	Primary Government		
	Special Revenue Fund CDBG		
	General Fund		Total
REVENUES			
General property taxes	\$ 1,504,916	\$ -	\$ 1,504,916
Other local taxes	2,056,779	-	2,056,779
Permits, privilege fees, and regulatory licenses	12,054	-	12,054
Fines and forfeitures	15,892	-	15,892
Revenue from the use of money and property	23,613	-	23,613
Charges for services	323,797	-	323,797
Miscellaneous	31,882	-	31,882
Intergovernmental:			
Commonwealth	1,351,738	-	1,351,738
Federal	35,873	-	35,873
Total revenues	<u>\$ 5,356,544</u>	<u>\$ -</u>	<u>\$ 5,356,544</u>
EXPENDITURES			
Current:			
General government administration	\$ 526,471	\$ -	\$ 526,471
Public safety	1,251,411	-	1,251,411
Public works	2,278,044	-	2,278,044
Health and welfare	17,361	-	17,361
Parks, recreation, and cultural	888,836	-	888,836
Community development	65,689	-	65,689
Debt service:			
Principal retirement	217,664	-	217,664
Interest and other fiscal charges	41,947	-	41,947
Total expenditures	<u>\$ 5,287,423</u>	<u>\$ -</u>	<u>\$ 5,287,423</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 69,121</u>	<u>\$ -</u>	<u>\$ 69,121</u>
OTHER FINANCING SOURCES (USES)			
Issuance of capital lease	\$ 133,798	\$ -	\$ 133,798
Issuance of notes payable	24,280	-	24,280
Total other financing sources (uses)	<u>\$ 158,078</u>	<u>\$ -</u>	<u>\$ 158,078</u>
Net change in fund balances	\$ 227,199	\$ -	\$ 227,199
Fund balances beginning	3,021,486	78,359	3,099,845
Fund balances ending	<u>\$ 3,248,685</u>	<u>\$ 78,359</u>	<u>\$ 3,327,044</u>

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

Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2017

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

Net change in fund balances - total governmental funds	\$ 227,199
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.	78,589
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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.	403,987
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	59,586
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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>(181,844)</u>
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Change in net position of governmental activities	<u>\$ 587,517</u>
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The notes to the financial statements are an integral part of this statement.

Statement of Net Position
 Proprietary Funds
 June 30, 2017

	Enterprise Funds		
	Water	Sewer	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 127,654	\$ 788,833	\$ 916,487
Accounts receivable, net of allowances for uncollectibles	191,940	244,637	436,577
Due from other funds	-	75,000	75,000
Inventories	44,149	11,313	55,462
Total current assets	<u>\$ 363,743</u>	<u>\$ 1,119,783</u>	<u>\$ 1,483,526</u>
Noncurrent assets:			
Capital assets:			
Land	\$ 114,284	\$ 35,420	\$ 149,704
Construction in progress	53,257	-	53,257
Utility plant in service	9,816,976	24,423,446	34,240,422
Accumulated Depreciation	(4,295,094)	(13,959,550)	(18,254,644)
Total net capital assets	<u>\$ 5,689,423</u>	<u>\$ 10,499,316</u>	<u>\$ 16,188,739</u>
Total noncurrent assets	<u>\$ 5,689,423</u>	<u>\$ 10,499,316</u>	<u>\$ 16,188,739</u>
Total assets	<u>\$ 6,053,166</u>	<u>\$ 11,619,099</u>	<u>\$ 17,672,265</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	\$ 23,001	\$ 67,030	\$ 90,031
Pension contributions subsequent to measurement date	28,788	37,065	65,853
Items related to measurement of net pension liability	44,212	46,261	90,473
Total deferred outflows of resources	<u>\$ 96,001</u>	<u>\$ 150,356</u>	<u>\$ 246,357</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 11,677	\$ 22,845	\$ 34,522
Accrued liabilities	11,934	151	12,085
Customers' deposits	120,687	-	120,687
Accrued interest payable	15,090	22,046	37,136
Due to other funds	75,000	-	75,000
Bonds payable - current portion, net of original issue premium	88,000	282,172	370,172
Notes payable - current portion	79,689	8,592	88,281
Total current liabilities	<u>\$ 402,077</u>	<u>\$ 335,806</u>	<u>\$ 737,883</u>
Noncurrent liabilities:			
Bonds payable - net of current portion, net of original issue premium	\$ 873,713	\$ 3,225,580	\$ 4,099,293
Notes payable - net of current portion	4,980,379	403,619	5,383,998
Compensated absences	30,380	49,581	79,961
Net OPEB obligation	12,016	12,016	24,032
Net pension liability	253,337	326,177	579,514
Total noncurrent liabilities	<u>\$ 6,149,825</u>	<u>\$ 4,016,973</u>	<u>\$ 10,166,798</u>
Total liabilities	<u>\$ 6,551,902</u>	<u>\$ 4,352,779</u>	<u>\$ 10,904,681</u>
DEFERRED INFLOWS OF RESOURCES			
Items related to measurement of net pension liability	\$ 94,281	\$ 72,507	\$ 166,788
Total deferred inflows of resources	<u>\$ 94,281</u>	<u>\$ 72,507</u>	<u>\$ 166,788</u>
NET POSITION			
Net investment in capital assets	\$ (309,357)	\$ 6,646,383	\$ 6,337,026
Unrestricted	(187,659)	697,786	510,127
Total net position (deficit)	<u>\$ (497,016)</u>	<u>\$ 7,344,169</u>	<u>\$ 6,847,153</u>

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

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Funds
 Year Ended June 30, 2017

	Enterprise Funds		
	Water	Sewer	Total
OPERATING REVENUES			
Charges for services:			
Water revenues	\$ 1,281,493	\$ -	\$ 1,281,493
Sewer revenues	-	1,505,837	1,505,837
Miscellaneous	1,534	166,518	168,052
Total operating revenues	<u>\$ 1,283,027</u>	<u>\$ 1,672,355</u>	<u>\$ 2,955,382</u>
OPERATING EXPENSES			
Personal services	\$ 328,827	\$ 383,743	\$ 712,570
Fringe benefits	197,186	119,221	316,407
Contractual services	9,693	10,228	19,921
Other supplies and expenses	47,579	19,950	67,529
Rentals and leases	461	2	463
Insurance claims and expense	13,500	23,500	37,000
Other charges	243,702	417,252	660,954
Depreciation	243,277	536,617	779,894
Total operating expenses	<u>\$ 1,084,225</u>	<u>\$ 1,510,513</u>	<u>\$ 2,594,738</u>
Operating income (loss)	<u>\$ 198,802</u>	<u>\$ 161,842</u>	<u>\$ 360,644</u>
NONOPERATING REVENUES (EXPENSES)			
Interest expense	\$ (231,365)	\$ (107,445)	\$ (338,810)
Total nonoperating revenues (expenses)	<u>\$ (231,365)</u>	<u>\$ (107,445)</u>	<u>\$ (338,810)</u>
Income (loss) before contributions	<u>\$ (32,563)</u>	<u>\$ 54,397</u>	<u>\$ 21,834</u>
Capital contributions and construction grants	6,845	1,200	8,045
Change in net position	<u>\$ (25,718)</u>	<u>\$ 55,597</u>	<u>\$ 29,879</u>
Total net position - beginning	<u>(471,298)</u>	<u>7,288,572</u>	<u>6,817,274</u>
Total net position - ending	<u><u>\$ (497,016)</u></u>	<u><u>\$ 7,344,169</u></u>	<u><u>\$ 6,847,153</u></u>

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

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2017

	Enterprise Funds		
	Water	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,314,395	\$ 1,701,087	\$ 3,015,482
Payments to suppliers	(630,941)	(175,220)	(806,161)
Payments to employees	(472,830)	(539,054)	(1,011,884)
Net cash provided by (used for) operating activities	\$ 212,158	\$ 986,813	\$ 1,198,971
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases to utility plant	\$ (65,577)	\$ (65,222)	\$ (130,799)
Principal payments on bonds and notes	(160,160)	(277,366)	(437,526)
Capital contributions	6,845	1,200	8,045
Bond premiums	(7,550)	(13,616)	(21,166)
Interest expense	(228,748)	(101,691)	(330,439)
Net cash provided by (used for) capital and related financing activities	\$ (455,190)	\$ (456,695)	\$ (911,885)
Net increase (decrease) in cash and cash equivalents	\$ (243,032)	\$ 530,118	\$ 287,086
Cash and cash equivalents - beginning	370,686	258,715	629,401
Cash and cash equivalents - ending	\$ 127,654	\$ 788,833	\$ 916,487
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 198,802	\$ 161,842	\$ 360,644
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	\$ 243,277	\$ 536,617	\$ 779,894
(Increase) decrease in accounts receivable	21,060	28,732	49,792
(Increase) decrease in due from other funds	-	298,759	298,759
(Increase) decrease in inventories	(5,484)	(5,549)	(11,033)
(Increase) decrease in deferred outflows of resources	(31,068)	(29,987)	(61,055)
Increase (decrease) in customer deposits	11,842	-	11,842
Increase (decrease) in accounts payable	319	2,502	2,821
Increase (decrease) in net OPEB obligation	739	(2,409)	(1,670)
Increase (decrease) in accrued liabilities	(2,080)	(4,934)	(7,014)
Increase (decrease) in compensated absences	1,742	(1,886)	(144)
Increase (decrease) in net pension liability	54,788	73,618	128,406
Increase (decrease) in deferred inflows of resources	29,062	(70,492)	(41,430)
Increase (decrease) in due to other funds	(310,841)	-	(310,841)
Total adjustments	\$ 13,356	\$ 824,971	\$ 838,327
Net cash provided by (used for) operating activities	\$ 212,158	\$ 986,813	\$ 1,198,971

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

TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. Financial reporting entity

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

Blended Component Units - The Town has no blended component units for the fiscal year ended June 30, 2017.

Discretely Presented Component Units - The Town has no discretely presented component units for the fiscal year ended June 30, 2017.

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

B. Government-wide and fund financial statements

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

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

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

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

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

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

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

C. Budgetary comparison schedules

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

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

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

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

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

The government reports the following major governmental funds:

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

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

The government reports the following major proprietary funds:

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

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

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

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

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

1. Cash and cash equivalents

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

2. Receivables and payables

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

3. Inventory

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

4. Property taxes

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

The taxes receivable balance at June 30, 2017 includes amounts not yet billed or received from the second half of the January 1, 2017 levy (due December 5, 2017). These items are included in unavailable revenue since these taxes are restricted for use until fiscal year 2018.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

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

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

5. Allowance for uncollectible accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$101,617 at June 30, 2017 and is composed of property taxes, refuse, CDBG, and water and sewer accounts receivable. The portion of the allowance for property taxes in the amount of \$17,216 represents 1.131% of the total levies for the previous year. The portion of the allowance attributable to refuse and water and sewer represents 11.738% of the accounts receivable balance at June 30, 2017. The portion of the allowance attributable to CDBG loans represents 67.599% of the loan receivables balance at June 30, 2017.

6. Use of estimates

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

7. Capital assets

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

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

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

8. *Compensated absences*

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

9. *Long-term obligations*

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

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

10. *Fund equity*

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

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

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

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

10. Fund equity (continued)

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

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

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

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

11. Net position

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

12. Net position flow assumption

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

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

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

13. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until then. The Town has three items that qualify for reporting in this category. One item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred charge on refunding as of June 30, 2017 amounted to \$90,031. The second item is comprised of contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. The last item is comprised of certain items related to the measurement of the net pension liability. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on this item, reference the pension note.

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

14. *Pensions*

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance—total governmental funds* and *net position—governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$2,420,757) difference for the primary government are as follows:

	Primary Government
Notes payable	\$ (1,107,157)
Capital lease	(103,981)
Accrued interest payable	(6,097)
Net OPEB obligation	(39,368)
Compensated absences	(126,227)
Deferred outflows - Items related to measurement of net pension liability	155,250
Net pension liability	<u>(1,193,177)</u>
Net adjustment to reduce <i>fund balance—total governmental funds</i> to arrive at <i>net position—governmental activities</i>	<u>\$ (2,420,757)</u>

Another element of that reconciliation states that “other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.” The details of this (\$63,435) difference for the primary government are as follows:

	Primary Government
Unavailable revenue - property taxes	\$ 143,212
Items related to measurement of net pension liability	<u>(206,647)</u>
Net adjustment to reduce <i>fund balance—total governmental funds</i> to arrive at <i>net position—governmental activities</i>	<u>\$ (63,435)</u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (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 position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$78,589 difference for the primary government are as follows:

	Primary Government
Capital outlay	\$ 496,185
Depreciation expense	(417,596)
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ 78,589

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$59,586 difference in the primary government are as follows:

	Primary Government
Debt issued or incurred:	
Issuance of notes payable	\$ (24,280)
Issuance of capital lease	(133,798)
Principal repayments:	
Notes payable	169,396
Capital lease	48,268
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ 59,586

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (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 \$181,844 difference for the primary government are as follows:

	Primary Government
Accrued interest payable	\$ (1,942)
Compensated absences	(11,192)
Net OPEB obligation	5,230
Net pension Liability	(269,653)
Deferred outflows related to the measurement of net pension liability	155,250
Deferred outflows related to pension payments subsequent to the measurement date	<u>(59,537)</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ <u><u>(181,844)</u></u>

Another element of that reconciliation states that “revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this \$403,987 difference for the primary government are as follows:

	Primary Government
Property taxes	\$ 10,123
Changes in deferred inflows related to the measurement of the net pension liability	<u>393,864</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ <u><u>403,987</u></u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 3—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgetary Information

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

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

B. Excess of expenditures over appropriations

For the year ended June 30, 2017 no departments had expenditures which exceeded appropriations.

C. Deficit fund equity

At June 30, 2017, the water fund had a net position deficit of (\$497,016).

TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 4—INTERFUND OBLIGATIONS:

Interfund receivables/payables are the net result of temporary overdrafts in the operating and payroll bank accounts of one fund which is offset by positive amounts in other funds. At June 30, 2017, interfund obligations were as follows:

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

NOTE 5—DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governmental units at June 30, 2017, are as follows:

	<u>Primary Government</u>
<u>Commonwealth of Virginia:</u>	
Sales tax	\$ 35,920
Communications tax	11,988
Railroad rolling stock tax	4,070
VDOT revenue sharing	1,158
Other noncategorical aid	59
<u>Federal Government:</u>	
Ground transportation safety	2,025
Highway planning and construction	3,331
Total	<u>\$ 58,551</u>

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TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 6—CAPITAL ASSETS:

Governmental Activities

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Capital assets not being depreciated:				
Land	\$ 982,315	\$ -	\$ -	\$ 982,315
Construction in progress	605,701	180,409	(113,460)	672,650
Total capital assets not being depreciated	\$ 1,588,016	\$ 180,409	\$ (113,460)	\$ 1,654,965
Capital assets being depreciated:				
Buildings and improvements	\$ 6,553,522	\$ 32,500	\$ -	\$ 6,586,022
Land improvements	1,449,866	-	-	1,449,866
Infrastructure	5,485,917	109,200	-	5,595,117
Machinery and equipment	1,846,296	287,536	(75,355)	2,058,477
Total other capital assets	\$ 15,335,601	\$ 429,236	\$ (75,355)	\$ 15,689,482
Accumulated depreciation:				
Buildings and improvements	\$ (2,885,823)	\$ (150,348)	\$ -	\$ (3,036,171)
Land improvements	(816,703)	(93,974)	-	(910,677)
Infrastructure	(4,828,486)	(91,031)	-	(4,919,517)
Machinery and equipment	(1,595,699)	(82,243)	75,355	(1,602,587)
Total accumulated depreciation	\$ (10,126,711)	\$ (417,596)	\$ 75,355	\$ (10,468,952)
Capital assets being depreciated, net	\$ 5,208,890	\$ 11,640	\$ -	\$ 5,220,530
Net capital assets	\$ 6,796,906	\$ 192,049	\$ (113,460)	\$ 6,875,495

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TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Business-type Activities

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Water Fund				
Capital assets not being depreciated:				
Land	\$ 114,284	\$ -	\$ -	\$ 114,284
Construction in progress (WP)	30,167	23,090	-	53,257
Total capital assets not being depreciated	\$ 144,451	\$ 23,090	\$ -	\$ 167,541
Capital assets being depreciated:				
Utility plant in service	\$ 9,774,489	\$ 42,487	\$ -	\$ 9,816,976
Accumulated depreciation	(4,051,817)	(243,277)	-	(4,295,094)
Capital assets being depreciated, net	\$ 5,722,672	\$ (200,790)	\$ -	\$ 5,521,882
Net capital assets	\$ 5,867,123	\$ (177,700)	\$ -	\$ 5,689,423
Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 35,420	\$ -	\$ -	\$ 35,420
Total capital assets not being depreciated	\$ 35,420	\$ -	\$ -	\$ 35,420
Capital assets being depreciated:				
Utility plant in service	\$ 24,358,224	\$ 65,222	\$ -	\$ 24,423,446
Accumulated depreciation	(13,422,933)	(536,617)	-	(13,959,550)
Capital assets being depreciated, net	\$ 10,935,291	\$ (471,395)	\$ -	\$ 10,463,896
Net capital assets	\$ 10,970,711	\$ (471,395)	\$ -	\$ 10,499,316

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

Governmental activities:	
General government administration	\$ 18,669
Public safety	22,953
Public works	216,200
Parks, recreation, and cultural	158,269
Community development	1,505
Total depreciation expense-governmental activities	\$ 417,596
Business-type activities:	
Water Fund	\$ 243,277
Sewer Fund	536,617
Total depreciation expense-business-type activities	\$ 779,894

TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 7—LONG-TERM OBLIGATIONS:

Primary Government—Governmental Activities:

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2017.

	Balance July 1, 2016	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2017
Notes Payable	\$ 1,252,273	\$ 24,280	\$ 169,396	\$ 1,107,157
Capital lease	18,451	133,798	48,268	103,981
Compensated Absences	115,035	11,192	-	126,227
Net OPEB Obligation	44,598	11,529	16,759	39,368
Net Pension Liability	923,524	657,175	387,522	1,193,177
Total	\$ 2,353,881	\$ 837,974	\$ 621,945	\$ 2,569,910

Details of Long-term Obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Notes Payable:		
\$500,000 Rural Development Community Facilities Loan secured by Deed of Trust on real property located at 45 E. Main Street, Luray, Virginia dated September 13, 2002, bearing interest at 4.50% per annum. Note due in monthly installments of \$2,270 through June 2044.	\$ 430,565	\$ 8,592
\$266,158 General Obligation Note, Series 2015, issued on July 7, 2015 to refinance the existing General Obligation Note, Series 2013, bearing a 2.750% interest rate, with quarterly interest payments and one annual principal payment of \$25,000. Final payment of all remaining principal and interest is due July 7, 2020.	241,158	25,000
\$327,000 General Obligation Note, Series 2014, issued on September 30, 2014 to finance real estate acquisition, bearing interest at 1.69%. Interest only payments are due quarterly and a final payment of all principal and interest will be due on September 30, 2024.	327,000	-
\$1,500,000 General Obligation Note, Series 2014 N-2, issued on August 29, 2014 to fund the Town's Main Street Bridge Project. The Note bears interest at 1.99% based upon the aggregate amount of principal advances, which is due monthly. The entire principal is due August 29, 2018. As of June 30, 2016 principal advances on the note amounted to \$61,337.	2,434	-
\$159,000 General Obligation Note, Series 2015, issued July 7, 2015 to finance capital projects, bearing a 1.99% interest rate, with quarterly interest payments and one annual principal payment of \$53,000. Final payment of all remaining principal and interest is due July 1, 2018.	106,000	53,000
Subtotal Notes Payable	\$ 1,107,157	\$ 86,592

TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government—Governmental Activities: (Continued)

Details of Long-term Obligations: (Continued)

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Capital Lease:		
\$28,585 Capital Lease for the lease/purchase of a 2016 Ford Fusion, issued August 28, 2015, bearing interest at 6.5%. Annual principal and interest payments of \$10,134 through August 28, 2017.	\$ 103,981	\$ 48,848
Compensated Absences	126,227	-
Net OPEB Obligation	39,368	-
Net Pension Liability	1,193,177	-
Total	\$ <u>2,569,910</u>	\$ <u>135,440</u>

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

<u>Year Ending June 30,</u>	<u>Notes Payable</u>		<u>Capital Lease Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 86,592	\$ 34,524	\$ 48,848	\$ 3,371
2019	86,986	32,362	39,333	2,752
2020	36,833	30,999	7,900	1,025
2021	175,988	26,903	7,900	1,025
2022	10,283	25,296	-	-
2023	10,755	24,824	-	-
2024	11,249	24,330	-	-
2025	338,766	17,559	-	-
2026	12,306	14,934	-	-
2027	12,872	14,368	-	-
2028	13,463	13,777	-	-
2029	14,081	13,159	-	-
2030	14,728	12,512	-	-
2031	15,405	11,835	-	-
2032	16,113	11,127	-	-
2033	16,853	10,387	-	-
2034	17,627	9,613	-	-
2035	18,437	8,803	-	-
2036	19,284	7,956	-	-
2037	20,170	7,070	-	-
2038	21,096	6,144	-	-
2039	22,065	5,175	-	-
2040	23,079	4,161	-	-
2041	24,139	3,101	-	-
2042	25,248	1,992	-	-
2043	30,756	831	-	-
2044	11,983	46	-	-
Total	\$ <u>1,107,157</u>	\$ <u>373,788</u>	\$ <u>103,981</u>	\$ <u>8,173</u>

TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government-Business-type Activities:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017
General Obligation Bonds	\$ 4,576,099	\$ -	\$ 352,601	\$ 4,223,498
Unamortized Bond Premium	267,133	-	21,166	245,967
Notes Payable	5,557,204	-	84,925	5,472,279
Compensated Absences	80,105	-	144	79,961
Net OPEB Obligation	25,702	6,771	8,441	24,032
Net Pension Liability	451,108	318,718	190,312	579,514
Total	<u>\$ 10,957,351</u>	<u>\$ 325,489</u>	<u>\$ 657,589</u>	<u>\$ 10,625,251</u>

Details of Long-term Obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>General Obligation Bonds:</u>		
\$1,985,000 VRA Revolving Loan, issued June 17, 2009, bearing interest at 3.90% per annum. Semi-annual payments of varying amounts to begin October 1, 2009 and are payable through April 1, 2026.	\$ 1,280,000	\$ 120,000
\$2,080,038 VRA Revolving Loan, issued June 18, 2009, bearing no interest. Semi-annual payments of \$52,000 to begin July 1, 2011 and are payable through July 1, 2030.	1,352,025	104,002
\$372,381 VRA Revolving Loan, issued June 7, 2004, bearing interest at 3.50% per annum. Semi-annual payments of \$13,303 to begin July 1, 2004 and are payable through July 1, 2023. The Town remitted the first payment prior to June 30, 2004.	142,347	21,715
\$860,000 Taxable General Obligation Water System Bond, Series 2000, approved April 28, 2000, bearing interest at 4.25% per annum, with principal and interest due in semi-annual payments of \$25,481, with final maturity not later than December 31, 2021.	164,126	44,455
\$1,530,000 VRA General Obligation Refunding Bond, Series 2012, issued August 2, 2012, bearing interest at 2.927% per annum, with principal and interest due semi-annually, with final maturity not later than October 1, 2029.	<u>1,285,000</u>	<u>80,000</u>
Total general obligation bonds	<u>\$ 4,223,498</u>	<u>\$ 370,172</u>

TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 7—LONG-TERM LIABILITIES: (CONTINUED)

Primary Government-Business-type Activities: (Continued)

Details of Long-term Obligations: (continued)

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Notes Payable:</u>		
\$987,492 Rural Development Community Facilities Loan, secured by Deed of Trust on real property located at 45 E. Main Street, Luray, Virginia dated September 13, 2002 bearing interest at 4.50% per annum. Note due in monthly installments of \$4,540 through June 2043.	\$ 824,422	\$ 17,184
\$5,000,000 General Obligation Note, Series 2010, issued on November 17, 2010, bearing a 3.75% interest rate with an annual interest only payment due on November 17, 2011. Monthly payments of \$20,350 to begin on December 17, 2011 and are payable through November 17, 2050.	<u>4,647,857</u>	<u>71,097</u>
Total notes payable	\$ <u>5,472,279</u>	\$ <u>88,281</u>
Unamortized Bond Premium	\$ 245,967	\$ -
Compensated Absences	79,961	-
Net OPEB Obligation	24,032	-
Net Pension Liability	<u>579,514</u>	-
Total	<u>\$ 10,625,251</u>	<u>\$ 458,453</u>

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TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)**NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)****Primary Government-Business-type Activities: (Continued)**

Year Ending June 30,	General Obligation Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2018	\$ 370,172	\$ 126,040	\$ 88,281	\$ 210,400
2019	382,849	112,957	91,782	206,898
2020	390,634	99,456	95,423	203,257
2021	383,050	85,554	99,210	199,470
2022	353,950	73,595	103,148	195,532
2023	349,831	62,892	107,244	191,436
2024	329,002	51,760	111,503	187,177
2025	269,002	42,216	115,932	182,748
2026	279,002	33,969	120,538	178,142
2027	269,002	26,034	125,329	173,351
2028	274,002	18,787	130,311	168,369
2029	284,002	11,481	135,492	163,188
2030	289,000	3,866	140,880	157,800
2031	-	-	146,484	152,196
2032	-	-	152,313	146,367
2033	-	-	158,375	140,305
2034	-	-	164,680	134,000
2035	-	-	171,237	127,443
2036	-	-	178,057	120,623
2037	-	-	185,151	113,529
2038	-	-	192,529	106,151
2039	-	-	200,202	98,478
2040	-	-	208,184	90,496
2041	-	-	216,486	82,194
2042	-	-	225,121	73,559
2043	-	-	229,755	64,577
2044	-	-	188,203	55,997
2045	-	-	195,383	48,817
2046	-	-	202,837	41,363
2047	-	-	210,576	33,624
2048	-	-	218,610	25,590
2049	-	-	226,950	17,250
2050	-	-	235,608	8,592
2051	-	-	100,465	946
Total	\$ <u>4,223,498</u>	\$ <u>748,607</u>	\$ <u>5,472,279</u>	\$ <u>4,099,865</u>

TOWN OF LURAY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 8—CAPITAL LEASE:

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

The assets acquired through the capital lease is as follows:

	Governmental Activities
Asset:	
2016 Ford Fusion	\$ 28,040
2017 SUV Interceptors (3)	101,236
Vermeer Chipper	44,625
Less: Accumulated depreciation	(5,608)
Total	<u>\$ 168,293</u>

The future minimum lease obligation and the net present value of minimum lease payments as of June 30, 2017 are as follows:

Year Ended June 30,	Governmental Activities
2018	\$ 52,219
2019	42,085
2020	8,925
2021	8,925
Total minimum lease payments	\$ 112,154
Less: Amount representing interest	(8,173)
Present value of minimum lease payments	<u>\$ 103,981</u>

NOTE 9—COMPENSATED ABSENCES:

Town employees earn sick leave at the rate of one day per month and such leave if not used may be accumulated up to 120 days. Maximum payout of sick leave at retirement is \$2,500. Vacation leave is earned at various rates depending on the date of employment and number of years of service. Vacation leave accrued in one year must be taken by the end of the following year or it will be lost. Upon separation or retirement, a full-time employee shall be paid for all accrued annual leave, up to the maximum allowed. The Town has outstanding accrued compensated absences totaling \$126,227 in the governmental activities and \$79,961 in the business-type activities.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

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

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

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and, Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

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

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

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

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

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

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

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

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

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

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

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

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Calculating the Benefit (Cont.) An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	Calculating the Benefit (Cont.)	Calculating the Benefit (Cont.) <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. Sheriffs and regional jail superintendents: Same as Plan 1. Political subdivision hazardous duty employees: Same as Plan 1.	Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. Sheriffs and regional jail superintendents: Not applicable. Political subdivision hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Not applicable.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

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

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

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

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

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

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

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

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 10—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Employees Covered by Benefit Terms

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	32
Inactive members:	
Vested inactive members	2
Non-vested inactive members	3
Inactive members active elsewhere in VRS	<u>24</u>
Total inactive members	29
Active members	<u>45</u>
Total covered employees	<u><u>106</u></u>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The Town's contractually required contribution rate for the year ended June 30, 2017 was 10.44% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$201,439 and \$290,105 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability

The Town's net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 10—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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

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

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 – Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 10—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees (Continued)

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

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

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

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

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 10—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – Public Safety Employees (Continued)

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

Largest 10 – Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 10—PENSION PLAN: (CONTINUED)***Long-Term Expected Rate of Return***

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

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

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 10—PENSION PLAN: (CONTINUED)

Discount Rate

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

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$ 10,708,755	\$ 9,334,123	\$ 1,374,632
Changes for the year:			
Service cost	\$ 239,366	\$ -	\$ 239,366
Interest	728,501	-	728,501
Differences between expected and actual experience	(28,214)	-	(28,214)
Contributions - employer	-	290,105	(290,105)
Contributions - employee	-	98,216	(98,216)
Net investment income	-	159,197	(159,197)
Benefit payments, including refunds of employee contributions	(603,203)	(603,203)	-
Administrative expenses	-	(5,856)	5,856
Other changes	-	(68)	68
Net changes	\$ 336,450	\$ (61,609)	\$ 398,059
Balances at June 30, 2016	\$ 11,045,205	\$ 9,272,514	\$ 1,772,691

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 10—PENSION PLAN: (CONTINUED)***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
Town Net Pension Liability	\$ 3,188,940	\$ 1,772,691	\$ 590,267

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

For the year ended June 30, 2017, the Town recognized pension expense of \$7,147. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 373,435
Net difference between projected and actual earnings on pension plan investments	245,723	-
Employer contributions subsequent to the measurement date	201,439	-
Total	\$ 447,162	\$ 373,435

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 10—PENSION PLAN: (CONTINUED)

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

\$201,439 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30,</u>		
2018	\$	(222,767)
2019		(137,237)
2020		135,000
2021		97,292
Thereafter		-

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS PROGRAM:**A. Plan Description**

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

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

B. Funding Policy

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

C. Annual OPEB Cost and Net OPEB Obligation

The annual cost of other post employment benefits (OPEB) GASB 45 is calculated based on the annual required contribution (ARC). The estimated pay as you go cost for OPEB benefits is \$18,300 for fiscal year 2017. The Town has elected not to pre-fund OPEB liabilities. The ARC is an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

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

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

Annual Required Contribution (ARC)	\$	18,400
Interest on OPEB Obligation		2,800
Adjustment to ARC		(2,900)
Annual OPEB cost	\$	<u>18,300</u>
Contributions Made During FY16		<u>(25,200)</u>
Increase in Net OPEB Obligation	\$	(6,900)
Net OPEB Obligation - beginning of year		70,300
Net OPEB Obligation - end of year	\$	<u><u>63,400</u></u>

For 2017, the Town's expected cash payment of \$25,200 is more than the OPEB cost (expense) of \$18,300 and was \$6,900 more than the ARC. The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	\$ 18,300	137%	\$ 63,400
June 30, 2016	18,300	109%	70,300
June 30, 2015	18,300	90%	72,000

D. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2014, the most recent actuarial valuation, is as follows:

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

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 11—OTHER POSTEMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

D. Funded Status and Funding Progress (Continued)

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

E. Actuarial Methods and Assumptions

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

Cost Method

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

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

NOTE 12—DEFERRED/UNAVAILABLE REVENUE:

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

	Government-wide Statements	Balance Sheet
	Governmental Activities	Governmental Funds
Deferred/unavailable revenue:		
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	\$ -	\$ 143,212
2nd half assessments due in December	664,669	664,669
Prepaid property taxes due after June 30 but paid in advance by taxpayers	40,957	40,957
Total unavailable/deferred revenue	\$ <u>705,626</u>	\$ <u>848,838</u>

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

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

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

NOTE 14—DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

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

Custodial Credit Risk

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

NOTE 15—RISK MANAGEMENT:

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

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

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 15—RISK MANAGEMENT: (CONTINUED)

Policies in effect at June 30, 2017, are as follows:

<u>Insurer</u>	<u>Description</u>	<u>Limit</u>
Virginia Municipal Liability Pool	Public Officials Liability	\$ 1,000,000/no aggregate limit
Virginia Municipal Liability Pool	Excess Liability (Umbrella)	5,000,000
Virginia Municipal Liability Pool	Extortion	10,000
Virginia Municipal Liability Pool	Theft, Disappearance, and Distraction	500,000
Virginia Municipal Liability Pool	Computer Fraud	25,000
Virginia Municipal Liability Pool	Money, and Counterfeit Papers	500,000
Virginia Municipal Liability Pool	Forgery	500,000
Virginia Municipal Liability Pool	Public Employee Dishonesty	500,000

NOTE 16—RELATED PARTY TRANSACTIONS:

The Town buys materials and supplies from Lancaster Enterprises, a proprietorship owned and operated by Council member Leroy Lancaster. The total amount purchased from this business enterprise during the year ended June 30, 2017 was immaterial to the Town's financial statements.

NOTE 17—LITIGATION:

At June 30, 2017, there were no matters of litigation involving the Town or which would materially affect the Town's financial position should any court decisions on pending matters not be favorable to such entities.

NOTE 18—UPCOMING PRONOUNCEMENTS:

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

Statement No. 81, *Irrevocable Split-Interest Agreements*, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements in this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 18—UPCOMING PRONOUNCEMENTS: (CONTINUED)

Statement No. 83, Certain Asset Retirement Obligations, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 84, Fiduciary Activities, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 86, Certain Debt Extinguishment Issues, improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

Statement No. 87, Leases, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

REQUIRED SUPPLEMENTARY INFORMATION

General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
REVENUES				
General property taxes	\$ 1,493,515	\$ 1,493,515	\$ 1,504,916	\$ 11,401
Other local taxes	1,865,500	1,865,500	2,056,779	191,279
Permits, privilege fees, and regulatory licenses	7,000	7,000	12,054	5,054
Fines and forfeitures	14,100	14,100	15,892	1,792
Revenue from the use of money and property	66,820	66,820	23,613	(43,207)
Charges for services	336,100	336,100	323,797	(12,303)
Miscellaneous	242,750	242,750	31,882	(210,868)
Intergovernmental:				
Commonwealth	1,440,332	1,440,332	1,351,738	(88,594)
Federal	1,202,560	1,202,560	35,873	(1,166,687)
Total revenues	<u>\$ 6,668,677</u>	<u>\$ 6,668,677</u>	<u>\$ 5,356,544</u>	<u>\$ (1,312,133)</u>
EXPENDITURES				
Current:				
General government administration	\$ 604,624	\$ 599,513	\$ 526,471	\$ 73,042
Public safety	1,233,651	1,280,540	1,251,411	29,129
Public works	3,943,953	3,815,954	2,278,044	1,537,910
Health and welfare	20,000	20,000	17,361	2,639
Parks, recreation, and cultural	857,105	895,530	888,836	6,694
Community development	112,079	70,558	65,689	4,869
Debt service:				
Principal retirement	130,220	217,664	217,664	-
Interest and other fiscal charges	47,045	48,918	41,947	6,971
Total expenditures	<u>\$ 6,948,677</u>	<u>\$ 6,948,677</u>	<u>\$ 5,287,423</u>	<u>\$ 1,661,254</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (280,000)</u>	<u>\$ (280,000)</u>	<u>\$ 69,121</u>	<u>\$ 349,121</u>
OTHER FINANCING SOURCES (USES)				
Issuance of capital lease	\$ -	\$ -	\$ 133,798	\$ 133,798
Issuance of notes payable	280,000	280,000	24,280	(255,720)
Total other financing sources (uses)	<u>\$ 280,000</u>	<u>\$ 280,000</u>	<u>\$ 158,078</u>	<u>\$ (121,922)</u>
Change in fund balance	\$ -	\$ -	\$ 227,199	\$ 227,199
Fund balance, beginning of year	-	-	3,021,486	3,021,486
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,248,685</u>	<u>\$ 3,248,685</u>

Other Postemployment Benefit Program
 Schedule of OPEB Funding Progress
 June 30, 2017

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

Schedule Changes in Net Pension Liability and Related Ratios
Years Ended June 30, 2015 through June 30, 2017

	2016	2015	2014
Total pension liability			
Service cost	\$ 239,366	\$ 221,298	\$ 210,184
Interest	728,501	749,586	710,918
Differences between expected and actual experience	(28,214)	(791,690)	-
Benefit payments, including refunds of employee contributions	(603,203)	(357,629)	(379,757)
Net change in total pension liability	\$ 336,450	\$ (178,435)	\$ 541,345
Total pension liability - beginning	10,708,755	10,887,190	10,345,845
Total pension liability - ending (a)	<u>\$ 11,045,205</u>	<u>\$ 10,708,755</u>	<u>\$ 10,887,190</u>
Plan fiduciary net position			
Contributions - employer	\$ 290,105	\$ 295,788	\$ 312,158
Contributions - employee	98,216	100,169	116,821
Net investment income	159,197	411,708	1,212,124
Benefit payments, including refunds of employee contributions	(603,203)	(357,629)	(379,757)
Administrative expense	(5,856)	(5,508)	(6,430)
Other	(68)	(87)	64
Net change in plan fiduciary net position	\$ (61,609)	\$ 444,441	\$ 1,254,980
Plan fiduciary net position - beginning	9,334,123	8,889,682	7,634,702
Plan fiduciary net position - ending (b)	<u>\$ 9,272,514</u>	<u>\$ 9,334,123</u>	<u>\$ 8,889,682</u>
Political subdivision's net pension liability - ending (a) - (b)	\$ 1,772,691	\$ 1,374,632	\$ 1,997,508
Plan fiduciary net position as a percentage of the total pension liability	83.95%	87.16%	81.65%
Covered payroll	\$ 1,970,110	\$ 2,008,408	\$ 1,918,614
Political subdivision's net pension liability as a percentage of covered payroll	89.98%	68.44%	103.44%

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

Schedule of Employer Contributions
 Years Ended June 30, 2008 through June 30, 2017

Date	Contributions in Relation to					Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)		
2017	\$ 201,439	\$ 201,439	\$ -	\$ 1,940,160		10.38%
2016	290,105	290,105	-	1,970,110		14.73%
2015	295,788	295,788	-	2,008,408		14.73%
2014	312,158	312,158	-	1,918,614		16.27%
2013	311,043	311,043	-	1,911,756		16.27%
2012	188,281	188,281	-	1,822,665		10.33%
2011	183,164	183,164	-	1,773,127		10.33%
2010	183,397	183,397	-	1,792,741		10.23%
2009	196,070	196,070	-	1,721,118		11.39%
2008	185,785	185,785	-	1,607,138		11.56%

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

Notes to Required Supplementary Information
Year Ended June 30, 2017

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 are not material.

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

Largest 10 – Non-LEOS:

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

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) – LEOS:

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

OTHER SUPPLEMENTARY INFORMATION

Schedule of Revenues - Budget and Actual
Governmental Funds
Year Ended June 30, 2017

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Intergovernmental:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 1,261,915	\$ 1,261,915	\$ 1,242,855	\$ (19,060)
Real and personal public service corporation taxes	56,500	56,500	57,274	774
Personal property taxes	157,500	157,500	184,032	26,532
Mobile home taxes	600	600	624	24
Penalties and interest	17,000	17,000	20,131	3,131
Total general property taxes	\$ 1,493,515	\$ 1,493,515	\$ 1,504,916	\$ 11,401
Other local taxes:				
Local sales and use taxes	\$ 168,500	\$ 168,500	\$ 206,361	\$ 37,861
Consumers' utility taxes	149,000	149,000	142,047	(6,953)
Business license taxes	286,500	286,500	330,702	44,202
Franchise license tax	36,000	36,000	25,218	(10,782)
Motor vehicle licenses	55,000	55,000	57,121	2,121
Bank stock taxes	167,000	167,000	191,122	24,122
Transient occupancy taxes	180,000	180,000	220,370	40,370
Restaurant food taxes	653,500	653,500	708,845	55,345
Sprint right of way fees	25,000	25,000	29,557	4,557
Cigarette tax	145,000	145,000	145,436	436
Total other local taxes	\$ 1,865,500	\$ 1,865,500	\$ 2,056,779	\$ 191,279
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 7,000	\$ 7,000	\$ 12,054	\$ 5,054
Total permits, privilege fees, and regulatory licenses	\$ 7,000	\$ 7,000	\$ 12,054	\$ 5,054
Fines and forfeitures:				
Court fines and forfeitures	\$ 14,000	\$ 14,000	\$ 15,892	\$ 1,892
Parking fines	100	100	-	(100)
Total fines and forfeitures	\$ 14,100	\$ 14,100	\$ 15,892	\$ 1,792
Revenue from use of money and property:				
Revenue from use of money	\$ 1,200	\$ 1,200	\$ 5,368	\$ 4,168
Revenue from use of property	65,620	65,620	18,245	(47,375)
Total revenue from use of money and property	\$ 66,820	\$ 66,820	\$ 23,613	\$ (43,207)
Charges for services:				
Charges for sanitation and waste removal	\$ 268,000	\$ 268,000	\$ 264,440	\$ (3,560)
Charges for recreation	68,100	68,100	59,357	(8,743)
Total charges for services	\$ 336,100	\$ 336,100	\$ 323,797	\$ (12,303)
Miscellaneous:				
Rebates and refunds	\$ 7,400	\$ 7,400	\$ 300	\$ (7,100)
Donations	27,700	27,700	6,493	(21,207)
Miscellaneous	56,050	56,050	19,243	(36,807)
Proffers	150,000	150,000	-	(150,000)
Greenway development grant	100	100	1,000	900
Sale of equipment	1,500	1,500	4,846	3,346
Total miscellaneous	\$ 242,750	\$ 242,750	\$ 31,882	\$ (210,868)
Total revenue from local sources	\$ 4,025,785	\$ 4,025,785	\$ 3,968,933	\$ (56,852)

Schedule of Revenues - Budget and Actual
Governmental Funds
Year Ended June 30, 2017 (Continued)

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (continued)				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 4,600	\$ 4,600	\$ 4,076	\$ (524)
Auto rental tax	500	500	694	194
Personal property tax relief funds	74,570	74,570	74,574	4
Total noncategorical aid	<u>\$ 79,670</u>	<u>\$ 79,670</u>	<u>\$ 79,344</u>	<u>\$ (326)</u>
Categorical aid:				
Other categorical aid:				
Virginia Commission for the Arts grant	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Disaster grants - public assistance	100.00	100.00	-	(100)
VDOT Revenue Sharing - Valley Health	150,000	150,000	18,342	(131,658)
Aid to localities with police departments	116,152	116,152	119,888	3,736
Department of fire programs funds	15,500	15,500	15,886	386
Litter control grant	2,850	2,850	2,775	(75)
Street and highway maintenance funds	1,071,000	1,071,000	1,110,472	39,472
DMV animal friendly plate	60	60	31	(29)
Total other categorical aid	<u>\$ 1,360,662</u>	<u>\$ 1,360,662</u>	<u>\$ 1,272,394</u>	<u>\$ (88,268)</u>
Total categorical aid	<u>\$ 1,360,662</u>	<u>\$ 1,360,662</u>	<u>\$ 1,272,394</u>	<u>\$ (88,268)</u>
Total revenue from the Commonwealth	<u>\$ 1,440,332</u>	<u>\$ 1,440,332</u>	<u>\$ 1,351,738</u>	<u>\$ (88,594)</u>
Revenue from the federal government:				
Categorical aid:				
TEA-21 Grant	\$ 80,000	\$ 80,000	\$ -	\$ (80,000)
Federal highway planning and construction	1,120,000	1,120,000	25,567	(1,094,433)
Law Enforcement Block Grant	1,500	1,500	788	(712)
USDA recreational development	1,060	1,060	1,066	6
Wildland fire management	-	-	8,452	8,452
Total categorical aid	<u>\$ 1,202,560</u>	<u>\$ 1,202,560</u>	<u>\$ 35,873</u>	<u>\$ (1,166,687)</u>
Total General Fund	<u>\$ 6,668,677</u>	<u>\$ 6,668,677</u>	<u>\$ 5,356,544</u>	<u>\$ (1,312,133)</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
Year Ended June 30, 2017

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 160,234	\$ 154,855	\$ 151,623	\$ 3,232
General and financial administration:				
Town manager	\$ 92,917	\$ 98,295	\$ 72,987	\$ 25,308
Legal services	30,000	36,099	36,099	-
Independent auditor	5,700	5,767	5,767	-
Treasurer	314,683	302,158	257,656	44,502
Total general and financial administration	\$ 443,300	\$ 442,319	\$ 372,509	\$ 69,810
Board of elections:				
Electoral board and officials	\$ 1,090	\$ 2,339	\$ 2,339	\$ -
Total board of elections	\$ 1,090	\$ 2,339	\$ 2,339	\$ -
Total general government administration	\$ 604,624	\$ 599,513	\$ 526,471	\$ 73,042
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 1,213,151	\$ 1,263,340	\$ 1,239,198	\$ 24,142
Other protection:				
Safety Officer	\$ 20,500	\$ 17,200	\$ 12,213	\$ 4,987
Total other protection	\$ 20,500	\$ 17,200	\$ 12,213	\$ 4,987
Total public safety	\$ 1,233,651	\$ 1,280,540	\$ 1,251,411	\$ 29,129
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 3,116,345	\$ 3,031,879	\$ 1,523,906	\$ 1,507,973
Sanitation and waste removal:				
Refuse collection and disposal	\$ 269,000	\$ 273,449	\$ 268,751	\$ 4,698
Maintenance of general buildings and grounds:				
General properties	\$ 558,608	\$ 510,626	\$ 485,387	\$ 25,239
Total public works	\$ 3,943,953	\$ 3,815,954	\$ 2,278,044	\$ 1,537,910
Health and welfare:				
Welfare:				
Tax relief for the elderly	\$ 20,000	\$ 20,000	\$ 17,361	\$ 2,639
Total health and welfare	\$ 20,000	\$ 20,000	\$ 17,361	\$ 2,639
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 857,105	\$ 895,530	\$ 888,836	\$ 6,694
Total parks, recreation, and cultural	\$ 857,105	\$ 895,530	\$ 888,836	\$ 6,694
Community development:				
Planning and community development:				
Planning Commission	\$ 112,079	\$ 70,558	\$ 65,689	\$ 4,869
Total community development	\$ 112,079	\$ 70,558	\$ 65,689	\$ 4,869

Schedule of Expenditures - Budget and Actual
Governmental Funds
Year Ended June 30, 2017 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (continued)				
Debt service:				
Principal retirement	\$ 130,220	\$ 217,664	\$ 217,664	\$ -
Interest and other fiscal charges	47,045	48,918	41,947	6,971
Total debt service	\$ 177,265	\$ 266,582	\$ 259,611	\$ 6,971
Total General Fund	\$ 6,948,677	\$ 6,948,677	\$ 5,287,423	\$ 1,661,254

STATISTICAL INFORMATION

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Town of Luray, Virginia

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

	Fiscal Year			
	2008	2009	2010	2011
Governmental activities:				
Net investment in capital assets	\$ 4,977,490	\$ 6,043,229	\$ 5,703,358	\$ 5,751,140
Restricted	-	-	-	-
Unrestricted	3,652,123	3,310,599	3,256,154	3,039,161
Total governmental activities net position	<u>\$ 8,629,613</u>	<u>\$ 9,353,828</u>	<u>\$ 8,959,512</u>	<u>\$ 8,790,301</u>
Business-type activities:				
Net investment in capital assets	\$ 3,247,769	\$ 4,201,990	\$ 7,025,040	\$ 7,348,362
Unrestricted	6,053	(774,747)	172,314	3,733
Total business-type activities net position	<u>\$ 3,253,822</u>	<u>\$ 3,427,243</u>	<u>\$ 7,197,354</u>	<u>\$ 7,352,095</u>
Primary government:				
Net investment in capital assets	\$ 8,225,259	\$ 10,245,219	\$ 12,728,398	\$ 13,099,502
Restricted	-	-	-	-
Unrestricted	3,658,176	2,535,852	3,428,468	3,042,894
Total primary government net position	<u>\$ 11,883,435</u>	<u>\$ 12,781,071</u>	<u>\$ 16,156,866</u>	<u>\$ 16,142,396</u>

Table 1

Fiscal Year						
2012	2013	2014	2015	2016	2017	
\$ 5,674,643	\$ 5,745,435	\$ 5,793,353	\$ 5,785,314	\$ 5,526,182	\$ 5,664,357	
-	91,435	78,566	78,399	78,359	78,359	
2,786,609	2,386,033	2,344,212	1,069,049	1,661,875	2,111,217	
<u>\$ 8,461,252</u>	<u>\$ 8,222,903</u>	<u>\$ 8,216,131</u>	<u>\$ 6,932,762</u>	<u>\$ 7,266,416</u>	<u>\$ 7,853,933</u>	
\$ 6,977,198	\$ 6,792,425	\$ 6,787,088	\$ 6,688,986	\$ 6,538,164	\$ 6,337,026	
247,072	472,871	622,239	(118,375)	279,110	510,127	
<u>\$ 7,224,270</u>	<u>\$ 7,265,296</u>	<u>\$ 7,409,327</u>	<u>\$ 6,570,611</u>	<u>\$ 6,817,274</u>	<u>\$ 6,847,153</u>	
\$ 12,651,841	\$ 12,537,860	\$ 12,580,441	\$ 12,474,300	\$ 12,064,346	\$ 12,001,383	
-	91,435	78,566	78,399	78,359	78,359	
3,033,681	2,858,904	2,966,451	950,674	1,940,985	2,621,344	
<u>\$ 15,685,522</u>	<u>\$ 15,488,199</u>	<u>\$ 15,625,458</u>	<u>\$ 13,503,373</u>	<u>\$ 14,083,690</u>	<u>\$ 14,701,086</u>	

Town of Luray, Virginia

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year			
	2008	2009	2010	2011
Expenses				
Governmental activities:				
General government administration	\$ 477,578	\$ 485,549	\$ 505,686	\$ 500,906
Public safety	1,011,887	1,050,693	1,084,592	1,073,077
Public works	1,978,626	2,016,877	2,042,757	2,061,180
Health and welfare	16,213	21,456	20,080	16,794
Parks, recreation and cultural	741,808	767,811	821,314	855,668
Community development	287,528	240,196	275,424	104,148
Interest on long-term debt	21,760	21,508	34,080	36,267
Total governmental activities expenses	<u>\$ 4,535,400</u>	<u>\$ 4,604,090</u>	<u>\$ 4,783,933</u>	<u>\$ 4,648,040</u>
Business-type activities:				
Water	\$ 760,761	\$ 809,920	\$ 940,743	\$ 1,143,368
Sewer	1,510,447	1,435,237	1,406,639	1,449,556
Total business-type activities expenses	<u>\$ 2,271,208</u>	<u>\$ 2,245,157</u>	<u>\$ 2,347,382</u>	<u>\$ 2,592,924</u>
Total primary government expenses	<u><u>\$ 6,806,608</u></u>	<u><u>\$ 6,849,247</u></u>	<u><u>\$ 7,131,315</u></u>	<u><u>\$ 7,240,964</u></u>
Program Revenues				
Governmental activities:				
Charges for services:				
Public safety	\$ 29,155	\$ 27,394	\$ 21,100	\$ 13,192
Public works	253,034	266,954	256,431	278,022
Parks, recreation and cultural	21,335	21,303	24,010	34,916
Operating grants and contributions	1,025,569	1,188,949	1,068,993	1,207,087
Capital grants and contributions	231,405	1,026,589	192,504	7,373
Total governmental activities program revenues	<u>\$ 1,560,498</u>	<u>\$ 2,531,189</u>	<u>\$ 1,563,038</u>	<u>\$ 1,540,590</u>
Business-type activities:				
Charges for services:				
Water	\$ 699,010	\$ 851,080	\$ 933,890	\$ 1,045,554
Sewer	880,533	1,231,646	1,222,889	1,376,999
Capital grants and contributions	3,405	335,423	3,959,557	325,053
Total business-type activities program revenues	<u>\$ 1,582,948</u>	<u>\$ 2,418,149</u>	<u>\$ 6,116,336</u>	<u>\$ 2,747,606</u>
Total primary government program revenues	<u><u>\$ 3,143,446</u></u>	<u><u>\$ 4,949,338</u></u>	<u><u>\$ 7,679,374</u></u>	<u><u>\$ 4,288,196</u></u>
Net (expenses) / revenues				
Governmental activities	\$ (2,974,902)	\$ (2,072,901)	\$ (3,220,895)	\$ (3,107,450)
Business-type activities	(688,260)	172,992	3,768,954	154,682
Total primary government net expenses	<u><u>\$ (3,663,162)</u></u>	<u><u>\$ (1,899,909)</u></u>	<u><u>\$ 548,059</u></u>	<u><u>\$ (2,952,768)</u></u>

Table 2

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 514,606	\$ 607,559	\$ 618,941	\$ 559,526	\$ 490,376	\$ 511,407
1,111,020	1,146,605	1,146,412	1,141,749	1,050,020	1,078,372
2,085,022	2,063,184	2,081,369	2,091,393	2,286,890	2,127,714
16,956	18,625	20,768	18,501	16,240	17,361
921,154	956,077	932,451	904,215	884,352	946,573
101,811	102,796	122,476	105,981	103,653	53,834
31,840	30,621	31,611	36,851	41,774	43,889
<u>\$ 4,782,409</u>	<u>\$ 4,925,467</u>	<u>\$ 4,954,028</u>	<u>\$ 4,858,216</u>	<u>\$ 4,873,305</u>	<u>\$ 4,779,150</u>
\$ 1,152,492	\$ 1,141,888	\$ 1,157,276	\$ 1,259,401	\$ 1,206,662	\$ 1,315,590
1,579,828	1,575,688	1,556,848	1,689,150	1,621,493	1,617,958
<u>\$ 2,732,320</u>	<u>\$ 2,717,576</u>	<u>\$ 2,714,124</u>	<u>\$ 2,948,551</u>	<u>\$ 2,828,155</u>	<u>\$ 2,933,548</u>
<u>\$ 7,514,729</u>	<u>\$ 7,643,043</u>	<u>\$ 7,668,152</u>	<u>\$ 7,806,767</u>	<u>\$ 7,701,460</u>	<u>\$ 7,712,698</u>
\$ 20,458	\$ 14,144	\$ 12,112	\$ 16,390	\$ 5,574	\$ 15,892
286,764	277,493	270,711	262,098	276,428	276,494
50,987	35,300	45,485	51,812	64,027	59,357
1,113,750	1,126,002	1,157,138	1,196,572	1,217,272	1,282,700
7,130	74,281	208,033	172,730	72,629	25,567
<u>\$ 1,479,089</u>	<u>\$ 1,527,220</u>	<u>\$ 1,693,479</u>	<u>\$ 1,699,602</u>	<u>\$ 1,635,930</u>	<u>\$ 1,660,010</u>
\$ 1,013,473	\$ 1,191,472	\$ 1,281,618	\$ 1,199,345	\$ 1,344,042	\$ 1,283,027
1,357,779	1,557,240	1,568,612	1,598,892	1,722,166	1,672,355
234,293	9,890	7,925	7,305	8,610	8,045
<u>\$ 2,605,545</u>	<u>\$ 2,758,602</u>	<u>\$ 2,858,155</u>	<u>\$ 2,805,542</u>	<u>\$ 3,074,818</u>	<u>\$ 2,963,427</u>
<u>\$ 4,084,634</u>	<u>\$ 4,285,822</u>	<u>\$ 4,551,634</u>	<u>\$ 4,505,144</u>	<u>\$ 4,710,748</u>	<u>\$ 4,623,437</u>
\$ (3,303,320)	\$ (3,398,247)	\$ (3,260,549)	\$ (3,158,614)	\$ (3,237,345)	\$ (3,119,140)
(126,775)	41,026	144,031	(143,009)	246,663	29,879
<u>\$ (3,430,095)</u>	<u>\$ (3,357,221)</u>	<u>\$ (3,116,518)</u>	<u>\$ (3,301,623)</u>	<u>\$ (2,990,682)</u>	<u>\$ (3,089,261)</u>

Town of Luray, Virginia

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting - continued)

	Fiscal Year			
	2008	2009	2010	2011
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property taxes	\$ 1,213,830	\$ 1,166,186	\$ 1,174,864	\$ 1,125,076
Local sales and use taxes	175,256	176,571	168,469	173,565
Consumer utility taxes	162,378	151,269	151,448	153,642
Business licenses taxes	250,588	267,463	239,700	254,998
Restaurant food tax	500,980	519,523	518,750	547,070
Cigarette Tax	-	-	88,208	181,225
Transient occupancy tax	113,454	152,910	146,549	146,363
Bank stock tax	-	-	-	-
Other local taxes	174,320	187,176	210,136	230,650
Unrestricted grants and contributions	84,063	127,212	74,678	78,717
Unrestricted revenues from use of money and property	142,079	34,526	33,010	24,767
Miscellaneous	75,386	14,280	20,767	15,728
Recovered costs	-	-	-	6,438
Gain on disposal of assets	-	-	-	-
Total governmental activities	\$ 2,892,334	\$ 2,797,116	\$ 2,826,579	\$ 2,938,239
Business-type activities:				
Unrestricted revenues from use of money and property	\$ 24	\$ 429	\$ 1,157	\$ 59
Gain on disposal of assets	-	-	-	-
Total business-type activities	\$ 24	\$ 429	\$ 1,157	\$ 59
Total primary government	\$ 2,892,358	\$ 2,797,545	\$ 2,827,736	\$ 2,938,298
Change in Net Position				
Governmental activities	\$ (82,568)	\$ 724,215	\$ (394,316)	\$ (169,211)
Business-type activities	(688,236)	173,421	3,770,111	154,741
Total primary government	\$ (770,804)	\$ 897,636	\$ 3,375,795	\$ (14,470)

Table 2

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 1,180,066	\$ 1,312,095	\$ 1,382,004	\$ 1,443,186	\$ 1,498,702	\$ 1,515,039
183,465	159,355	156,643	168,298	168,914	206,361
145,694	149,709	147,712	148,027	144,071	142,047
260,514	297,759	278,404	284,248	300,375	330,702
558,832	589,201	586,310	634,526	670,423	708,845
147,233	145,997	137,920	141,497	148,921	145,436
148,632	160,217	157,008	155,698	182,944	220,370
-	-	-	164,956	199,234	191,122
224,798	233,560	245,431	136,646	111,071	111,896
78,493	78,820	79,277	83,678	78,681	79,344
21,779	20,827	19,234	20,282	24,946	23,613
24,765	12,358	62,041	197,481	42,717	31,882
-	-	-	-	-	-
-	-	1,793	-	-	-
\$ 2,974,271	\$ 3,159,898	\$ 3,253,777	\$ 3,578,523	\$ 3,570,999	\$ 3,706,657
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(1,050)	-	-	-	-	-
\$ (1,050)	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 2,973,221	\$ 3,159,898	\$ 3,253,777	\$ 3,578,523	\$ 3,570,999	\$ 3,706,657
\$ (329,049)	\$ (238,349)	\$ (6,772)	\$ 419,909	\$ 333,654	\$ 587,517
(127,825)	41,026	144,031	(143,009)	246,663	29,879
\$ (456,874)	\$ (197,323)	\$ 137,259	\$ 276,900	\$ 580,317	\$ 617,396

Town of Luray, Virginia

Governmental Activities Tax Revenues by Source

Last Ten Fiscal Years

(accrual basis of accounting)

Fiscal Year	Property Tax	Local sales and use Tax	Consumer Utility Tax	Business Licenses Tax	Restaurant Food Tax	Transient Occupancy Tax
2017	\$ 1,515,039	\$ 206,361	\$ 142,047	\$ 330,702	\$ 708,845	\$ 220,370
2016	1,498,702	168,914	144,071	300,375	670,423	182,944
2015	1,443,186	168,298	148,027	284,248	634,526	155,698
2014	1,382,004	156,643	147,712	278,404	586,310	157,008
2013	1,312,095	159,355	149,709	297,759	589,201	160,217
2012	1,180,066	183,465	145,694	260,514	558,832	147,233
2011	1,125,076	173,565	153,642	254,998	547,070	146,363
2010	1,174,864	168,469	151,448	239,700	518,750	146,549
2009	1,166,186	176,571	151,269	267,463	519,523	152,910
2008	1,213,830	175,256	162,378	250,588	500,980	113,454

Table 3

Cigarette Tax	Bank Stock Tax	Other Local Taxes	Total
\$ 145,436	\$ 191,122	\$ 111,896	\$ 3,571,818
148,921	199,234	111,071	3,424,655
141,497	164,956	136,646	3,277,082
137,920	-	245,431	3,091,432
145,997	-	233,560	3,047,893
148,632	-	224,798	2,849,234
181,225	-	230,650	2,812,589
88,208	-	210,136	2,698,124
-	-	187,176	2,621,098
-	-	174,320	2,590,806

Town of Luray, Virginia

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year			
	2008	2009	2010	2011
General fund				
Nonspendable	\$ -	\$ -	\$ -	\$ 40,954
Unassigned	3,340,567	3,423,254	3,365,491	3,028,046
Total general fund	<u>\$ 3,340,567</u>	<u>\$ 3,423,254</u>	<u>\$ 3,365,491</u>	<u>\$ 3,069,000</u>
All other governmental funds				
Restricted	\$ 44,531	\$ 82,687	\$ 91,869	\$ 87,482
Total all other governmental funds	<u>\$ 44,531</u>	<u>\$ 82,687</u>	<u>\$ 91,869</u>	<u>\$ 87,482</u>

Table 4

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 44,572	\$ 43,228	\$ 35,366	\$ 33,898	\$ 44,601	\$ 47,546
2,769,998	2,399,080	2,363,277	2,695,348	2,976,885	3,201,139
<u>\$ 2,814,570</u>	<u>\$ 2,442,308</u>	<u>\$ 2,398,643</u>	<u>\$ 2,729,246</u>	<u>\$ 3,021,486</u>	<u>\$ 3,248,685</u>
\$ 89,457	\$ 91,435	\$ 78,566	\$ 78,399	\$ 78,359	\$ 78,359
<u>\$ 89,457</u>	<u>\$ 91,435</u>	<u>\$ 78,566</u>	<u>\$ 78,399</u>	<u>\$ 78,359</u>	<u>\$ 78,359</u>

Town of Luray, Virginia

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

	Fiscal Year			
	2008	2009	2010	2011
Revenues				
General property taxes	\$ 1,199,987	\$ 1,183,333	\$ 1,160,038	\$ 1,148,368
Other local taxes	1,376,976	1,454,912	1,523,260	1,687,513
Permits, privilege fees and regulatory licenses	11,268	11,494	4,944	13,388
Fines and forfeitures	29,155	27,394	21,100	13,192
Revenue from use of money and property	142,079	34,526	33,010	24,767
Charges for services	263,101	276,763	275,497	299,550
Miscellaneous	84,339	158,753	31,700	93,063
Recovered costs	7,349	-	-	6,438
Intergovernmental:				
Commonwealth	1,089,691	1,122,352	1,100,335	1,150,969
Federal	235,044	1,027,224	224,907	64,873
Total revenues	\$ 4,438,989	\$ 5,296,751	\$ 4,374,791	\$ 4,502,121
Expenditures				
General government administration	\$ 410,659	\$ 432,172	\$ 441,870	\$ 452,551
Public safety	994,416	1,034,193	1,073,783	1,053,048
Public works	1,847,605	1,872,654	1,821,799	1,833,727
Health and welfare	16,213	21,456	20,080	16,794
Parks, recreation and cultural	767,959	940,979	1,496,485	999,951
Community development	287,528	1,213,925	275,424	104,879
Debt service				
Principal	5,480	18,769	19,033	213,913
Interest and other fiscal charges	21,760	21,508	34,080	36,267
Total expenditures	\$ 4,351,620	\$ 5,555,656	\$ 5,182,554	\$ 4,711,130
Excess deficiency of revenues over (under) expenditures	\$ 87,369	\$ (258,905)	\$ (807,763)	\$ (209,009)
Other financing sources (uses)				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	-
Issuance of capital leases	39,114	-	-	-
Notes payable issued	-	-	750,000	-
Total other financing sources (uses)	\$ 39,114	\$ -	\$ 750,000	\$ -
Net change in fund balances	\$ 126,483	\$ (258,905)	\$ (57,763)	\$ (209,009)
Debt service as a percentage of noncapital expenditures	0.63%	0.73%	1.04%	5.61%

Table 5

Fiscal Year						
2012	2013	2014	2015	2016	2017	
\$ 1,154,297	\$ 1,259,426	\$ 1,374,297	\$ 1,460,424	\$ 1,497,639	\$ 1,504,916	
1,669,168	1,735,798	1,709,428	1,833,896	1,925,953	2,056,779	
21,301	8,080	3,975	5,525	15,831	12,054	
20,458	14,144	12,112	16,390	5,574	15,892	
21,779	20,827	19,234	20,282	24,946	23,613	
316,450	304,713	312,221	308,385	324,624	323,797	
48,347	20,693	62,041	197,481	42,717	31,882	
-	-	-	-	-	-	
1,168,661	1,187,492	1,227,420	1,260,758	1,295,400	1,351,738	
7,130	83,276	217,028	192,222	73,182	35,873	
\$ 4,427,591	\$ 4,634,449	\$ 4,937,756	\$ 5,295,363	\$ 5,205,866	\$ 5,356,544	
\$ 465,875	\$ 571,040	\$ 572,595	\$ 531,344	\$ 497,894	\$ 526,471	
1,105,702	1,123,134	1,131,285	1,218,678	1,212,686	1,251,411	
1,953,282	2,204,613	2,309,081	2,639,203	2,397,086	2,278,044	
16,956	18,625	20,768	18,501	16,240	17,361	
883,498	837,140	778,724	772,907	774,703	888,836	
102,578	112,356	119,967	108,668	116,124	65,689	
120,315	448,362	32,603	210,672	420,976	217,664	
31,840	30,621	31,060	36,612	38,379	41,947	
\$ 4,680,046	\$ 5,345,891	\$ 4,996,083	\$ 5,536,585	\$ 5,474,088	\$ 5,287,423	
\$ (252,455)	\$ (711,442)	\$ (58,327)	\$ (241,222)	\$ (268,222)	\$ 69,121	
\$ -	\$ 804	\$ -	\$ -	\$ -	\$ -	
-	(804)	-	-	-	-	
-	-	-	-	28,585	133,798	
-	341,158	-	571,658	531,837	24,280	
\$ -	\$ 341,158	\$ -	\$ 571,658	\$ 560,422	\$ 158,078	
\$ (252,455)	\$ (370,284)	\$ (58,327)	\$ 330,436	\$ 292,200	\$ 227,199	
3.36%	9.84%	1.29%	4.68%	9.80%	5.73%	

Town of Luray, Virginia

General Governmental Tax Revenues by Source

Last Ten Fiscal Years

(modified accrual basis of accounting)

Fiscal Year	Property Tax	Local sales and use Tax	Consumer Utility Tax	Business License Tax	Restaurant Food Tax
2017	\$ 1,504,916	\$ 206,361	\$ 142,047	\$ 330,702	\$ 708,845
2016	1,497,639	168,914	144,071	300,375	670,423
2015	1,460,424	168,298	148,027	284,248	634,526
2014	1,374,297	156,643	147,712	278,404	586,310
2013	1,259,426	159,355	149,709	297,759	589,201
2012	1,154,297	183,465	145,694	260,514	558,832
2011	1,148,368	173,565	153,642	254,998	547,070
2010	1,160,038	168,469	151,448	239,700	518,750
2009	1,183,333	176,571	151,269	267,463	519,523
2008	1,119,987	175,256	162,378	250,588	500,980

Table 6

Transient Occupancy Tax	Cigarette Tax	Bank Stock Tax	Other Local Taxes	Total
\$ 220,370	\$ 145,436	\$ 191,122	\$ 111,896	\$ 3,561,695
182,944	148,921	199,234	111,071	3,423,592
155,698	141,497	164,956	136,646	3,294,320
157,008	137,920	-	245,431	3,083,725
160,217	145,997	-	233,560	2,995,224
148,632	147,233	-	224,798	2,823,465
146,363	181,225	-	230,650	2,835,881
146,549	88,208	-	210,136	2,683,298
152,910	-	-	187,176	2,638,245
113,454	-	-	174,320	2,496,963

Town of Luray, Virginia

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

Fiscal Year		Real Estate		Personal Property		Machinery and Tools		Mobile Homes
2017	\$	429,756,500	\$	23,809,450	\$	8,822,440	\$	270,700
2016		428,328,900		23,284,440		8,134,130		270,700
2015		440,341,200		22,242,270		6,627,770		298,100
2014		439,895,000		22,206,970		6,319,380		298,100
2013		439,923,500		22,516,330		8,166,920		295,700
2012		439,424,800		29,639,180		8,088,850		292,500
2011		438,035,700		29,580,220		7,770,455		358,100
2010		479,268,900		28,582,120		8,013,960		346,400
2009		477,793,000		29,080,774		8,271,900		345,500
2008		474,936,300		31,073,340		8,014,345		371,800

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

Table 7

	Public Service	Total Taxable Assessed Value	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
\$	19,511,060	\$ 482,170,150	\$ 491,753,720	98.05%
	19,399,193	479,417,363	488,969,097	98.05%
	20,312,493	489,821,833	499,641,442	98.03%
	18,374,869	487,094,319	496,903,978	98.03%
	17,918,474	488,820,924	498,631,218	98.03%
	16,535,917	493,981,247	503,780,420	98.05%
	14,066,627	489,811,102	499,579,298	98.04%
	13,509,784	529,721,164	540,408,860	98.02%
	12,536,576	528,027,750	538,682,534	98.02%
	11,590,071	525,985,856	536,576,935	98.03%

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

Fiscal Year	Direct Rates			
	Real Estate	Personal Property	Mobile Homes	Machinery and Tools
2017	0.29	0.62	0.29	0.62
2016	0.29	0.62	0.29	0.62
2015	.28/.29	0.40/.62	0.28/.29	0.40/.62
2014	0.28	0.40	0.28	0.40
2013	.24/.28	0.40	.24/.28	0.40
2012	0.24	0.40	0.24	0.40
2011	0.22/0.24	0.40	0.22/0.24	0.40
2010	0.22	0.40	0.22	0.40
2009	0.22	0.40	0.22	0.40
2008	0.22	0.40	0.22	0.40

(1) Per \$100 of assessed value.

Principal Property Taxpayers
Current Year and the Period Ten Years Prior

Taxpayer	Type Business	Fiscal Year 2017		Fiscal Year 2007	
		2017 Assessed Valuation	% of Total Assessed Valuation	2007 Assessed Valuation	% of Total Assessed Valuation
Luray Caverns Corp	Commercial	\$ 15,062,400	3.12%	\$ 9,174,100	1.78%
Blue Bell Inc.	Manufacturing	8,038,200	1.67%	8,732,000	1.70%
Scott Lee Managing (WalMart)	Commercial	7,432,400	1.54%	6,121,300	1.19%
Luray LLC 2006/Wallace Bus.1996	Commercial	361,500	0.07%	4,294,600	0.83%
SVC LLC previously Excelsior Care	Commercial	4,481,000	0.93%	4,029,700	0.78%
EMCO Inc. 2006/Fibercraft 1996	Manufacturing	3,609,800	0.75%	3,920,500	0.76%
East Luray LLC	Commercial	4,067,400	0.84%	3,879,500	0.75%
Kentland Foundation Inc.	Commercial	5,275,200	1.09%	3,841,100	0.75%
Baker Development	Land Developers	2,295,400	0.48%	2,174,500	0.42%
Luray Village	Housing Complex	1,556,400	0.32%	3,098,100	0.60%
Mehta Prop.LLC 2006/Zalesca Inc.1996	Commercial	1,296,700	0.27%	1,421,600	0.28%
Rugby Square Associates	Housing Complex	1,712,100	0.36%	1,573,500	0.31%
		<u>\$ 55,188,500</u>	<u>11.51%</u>	<u>\$ 52,260,500</u>	<u>16.10%</u>

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

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2017	\$ 1,522,812	\$ 1,462,323	96.03%	\$ -	\$ 1,462,323	96.03%
2016	1,525,037	1,459,040	95.67%	23,270	1,482,310	97.20%
2015	1,465,110	1,418,204	96.80%	11,077	1,429,281	97.55%
2014	1,399,552	1,348,052	96.32%	35,094	1,383,146	98.83%
2013	1,307,657	1,239,362	94.78%	57,035	1,296,397	99.14%
2012	1,211,427	1,142,622	94.32%	60,707	1,203,329	99.33%
2011	1,200,430	1,136,408	94.67%	59,419	1,195,827	99.62%
2010	1,200,416	1,149,680	95.77%	47,391	1,197,071	99.72%
2009	1,196,710	1,146,593	95.81%	46,770	1,193,363	99.72%
2008	1,187,567	1,131,525	95.28%	53,979	1,185,504	99.83%

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

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Town of Luray, Virginia

Ratios of Outstanding Debt by Type Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Business-type Activities			Total Primary Government
	Other Notes/ Bonds	Capital Leases	General Obligation Bonds	Other Notes/ Bonds	Capital Leases	
2017	\$ 1,107,157	\$ 103,981	\$ 4,223,498	\$ 5,472,279	\$ -	\$ 10,906,915
2016	1,252,273	18,451	4,576,099	5,557,204	-	11,404,027
2015	1,131,278	-	4,921,228	5,638,892	-	11,691,398
2014	770,292	-	5,253,985	5,717,462	-	11,741,739
2013	802,895	-	5,584,460	5,793,330	-	12,180,685
2012	910,099	-	6,057,744	5,865,739	-	12,833,582
2011	1,030,414	-	11,264,744	912,484	-	13,207,642
2010	1,231,290	13,038	11,543,388	925,030	26,076	13,738,822
2009	487,285	26,076	10,100,894	937,028	52,152	11,603,435
2008	493,016	39,114	14,996,725	948,496	78,226	16,555,577
2007	498,496	-	5,185,459	959,462	-	6,643,417

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

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

Table 11

Percentage of Personal Income (1)	Net Bonded Debt Per Capita (1)
2.08%	\$ 2,228
2.18%	2,338
2.10%	2,406
2.17%	2,416
2.08%	2,488
2.21%	2,577
2.35%	2,652
2.45%	2,758
2.06%	2,339
2.60%	3,332
1.08%	1,347

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

Fiscal Year	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Net Bonded Debt (3)	Ratio of Net Bonded Debt to Assessed Value (2)	Net Bonded Debt per Capita (1)
2017	\$ 10,802,934	\$ -	\$ 10,802,934	2.24%	\$ 2,207
2016	11,385,576	-	11,385,576	2.37%	2,334
2015	11,691,398	-	11,691,398	2.39%	2,406
2014	11,741,739	-	11,741,739	2.41%	2,416
2013	12,180,685	-	12,180,685	2.49%	2,488
2012	12,833,582	-	12,833,582	2.60%	2,577
2011	13,207,642	-	13,207,642	2.70%	2,652
2010	13,699,708	-	13,699,708	2.59%	2,750
2009	11,525,207	-	11,525,207	2.18%	2,324
2008	16,438,237	-	16,438,237	3.13%	3,309

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

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

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

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

	Fiscal Year			
	2008	2009	2010	2011
Debt limit	\$ 52,598,586	\$ 52,802,775	\$ 47,926,890	\$ 43,803,570
Total net debt applicable to limit	16,438,237	11,525,207	13,699,708	13,207,642
Legal debt margin	\$ 36,160,349	\$ 41,277,568	\$ 34,227,182	\$ 30,595,928
Total net debt applicable to the limit as a percentage of debt limit	31.25%	21.83%	28.58%	30.15%

Table 13

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 43,942,480	\$ 43,992,350	\$ 43,989,500	\$ 44,034,120	\$ 42,832,890	\$ 42,975,650
12,833,582	12,180,685	11,741,739	11,691,398	11,385,576	10,802,934
<u>\$ 31,108,898</u>	<u>\$ 31,811,665</u>	<u>\$ 32,247,761</u>	<u>\$ 32,342,722</u>	<u>\$ 31,447,314</u>	<u>\$ 32,172,716</u>
29.21%	27.69%	26.69%	26.55%	26.58%	25.14%

Legal Debt Margin Calculation for Fiscal Year 2016

Assessed value	\$ 429,756,500
Add back: exempt real property	-
Total assessed value	<u>\$ 429,756,500</u>
Debt limit (10% of total assessed value)	\$ 42,975,650
Net debt applicable to limit	<u>10,802,934</u>
Legal debt margin	<u>\$ 32,172,716</u>

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Town Population	County Population (1)	Personal Income (1)	Per Capita Personal Income (1)	Unemployment Rate (1)
2017	4,895	23,586	\$ 524,576,226	\$ 22,241	5.60%
2016	4,878	23,719	523,786,677	22,083	4.60%
2015	4,860	24,083	556,895,292	23,124	6.90%
2014	4,860	24,079	539,971,575	22,425	7.60%
2013	4,896	24,215	586,027,215	24,201	8.20%
2012	4,980	24,042	581,840,442	24,201	9.10%
2011	4,980	24,042	561,098,000	23,338	9.30%
2010	4,981	24,164	561,280,000	23,228	9.10%
2009	4,960	24,164	562,170,000	23,265	8.80%
2008	4,968	23,117	636,907,000	24,411	4.40%
2007	4,933	23,117	614,699,000	23,635	3.60%

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

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

Principal Employers

Current Year and Nine Years Ago

Employer	Fiscal Year 2017			Fiscal Year 2008		
	Employees	Rank	% of Total County Employment	Employees	Rank	% of Total County Employment
Page County Public Schools	589	1	10.65%	641	1	6.94%
Delaware North (Prev. Aramark)	295	2	5.33%	290	2	3.14%
County of Page, Virginia	235	3	4.25%	207	8	2.24%
Wrangler/VF Jeanswear	230	4	4.16%	243	5	2.63%
Walmart	215	5	3.89%	225	7	2.44%
Emco, Inc.	202	6	3.65%	250	3	2.71%
Valley Health (Page Memorial Hospital)	202	7	3.65%	226	6	2.45%
Luray Caverns Corp	200	8	3.62%	250	3	2.71%
Valley Care Management	191	9	3.45%	0	N/A	0.00%
Town of Luray, Virginia	66	10	1.19%	0	N/A	0.00%
Totals	2,425		43.85%	2,332		25.25%

Source: Weldon Cooper Center for Public Service

Town of Luray, Virginia

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

Function	Fiscal Year					
	2008	2009	2010	2011	2012	2013
General government	10	10	7	7	7	9
Public safety						
Police department	11	11	11	11	11	11
Public works						
General maintenance	12	12	12	12	12	12
Waste Water Treatment Plant	6	6	6	6	6	5
Culture and recreation						
Parks and recreation	5	6	6	6	6	5
Community development						
Planning	0	0	1	1	1	1
Totals	<u>44</u>	<u>45</u>	<u>43</u>	<u>43</u>	<u>43</u>	<u>43</u>

Source: Individual Town departments.

Table 16

Fiscal Year			
2014	2015	2016	2017
9	9	9	8
12	11	11	11
12	12	12	12
6	6	5	5
6	6	6	6
1	1	1	0
46	45	44	42

Town of Luray, Virginia

Operating Indicators by Function Last Ten Fiscal Years

Function	Fiscal Year					
	2008	2009	2010	2011	2012	2013
Public safety						
Police department:						
Physical arrests	329	263	173	187	141	208
Traffic violations	531	411	336	639	386	178
Fire and rescue:						
Number of calls answered	855	913	922	1,002	906	1,005
Public works						
General maintenance:						
Trucks/vehicles	14	14	15	15	17	17
Culture and recreation						
Parks and recreation:						
Youth sports participants	721	721	600	600	625	625
Community development						
Planning:						
Zoning permits issued	236	120	127	106	89	81

Source: Individual Town departments.

Table 17

Fiscal Year			
2014	2015	2016	2017
89	64	194	303
261	213	197	311
908	946	947	1,055
17	17	18	18
900	800	815	800
67	62	76	97

Town of Luray, Virginia

Capital Asset Statistics by Function Last Ten Fiscal Years

Function	Fiscal Year					
	2008	2009	2010	2011	2012	2013
General government						
Administration buildings	18	18	18	18	18	18
Vehicles	2	2	2	2	1	1
Public safety						
Police department:						
Patrol units	8	7	8	8	8	8
Other vehicles						
Public works						
General maintenance:						
Trucks/vehicles	14	15	15	15	17	17
Waste Water Treatment Plant:						
Vehicles	3	3	3	3	4	5
Culture and recreation						
Parks and recreation:						
Vehicles	8	8	8	8	9	9
Parks acreage	190	190	190	190	190	190
Swimming pools					1	1

Source: Individual Town departments.

Table 18

Fiscal Year			
2014	2015	2016	2017
19 2	19 2	19 2	19 2
8	8	8	10 2
17	17	18	18
4	4	4	4
10 190 1	10 190 1	10 190 1	9 190 1

COMPLIANCE

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, and each major fund of Town of Luray, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Town of Luray, Virginia's basic financial statements, and have issued our report thereon dated October 20, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Staunton, Virginia
October 20, 2017