

TOWN OF PULASKI, VIRGINIA



ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2017

TOWN OF PULASKI, VIRGINIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

TOWN OF PULASKI, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017

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INTRODUCTORY SECTION

TOWN OF PULASKI, VIRGINIA

TOWN COUNCIL

David Clark
Greg East
H.M. Kidd
Lane Penn
Jamie Radcliffe
Heather Steele

OTHER OFFICIALS

Jeff Worrell Mayor
Shawn Utt Town Manager
Dave Quesenberry..... Town Manager-Assistant
Patricia Cruise Clerk of Council
Roy David WarburtonTown Attorney
Rebecca Reece Finance Director

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Honorable Members of Town Council
Town of Pulaski, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pulaski, 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, each major fund, and the aggregate remaining fund information of the Town of Pulaski, 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 funding on pages 5-11, 62, and 63-65 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 the Town of Pulaski, Virginia's basic financial statements. The introductory section, other supplementary information and other 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 introductory section and other statistical information have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2017, on our consideration of the Town of Pulaski, 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 the Town of Pulaski, Virginia's internal control over financial reporting and compliance.

Proline, Finner, Cox Associates

Blacksburg, Virginia
December 22, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

To the Honorable Members of the Town Council
To the Citizens of the Town of Pulaski

As management of the Town of Pulaski, Virginia, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the basic audited financial statements.

Financial Highlights

The assets of the Town's governmental activities exceeded its liabilities at the close of the fiscal year by \$3,965,739 (net position). Of this amount, \$(267,433) was considered unrestricted and \$4,233,172 was restricted for use. Net investment in capital assets was \$2,040,588.

The assets of the Town's business-type activities exceeded its liabilities at the close of the fiscal year by \$5,218,780 (net position).

During the fiscal year, the Town had governmental expenses that were \$270,976 more than revenues, including transfers. The business-type activities had revenues, including transfers, that were \$119,422 more than expenses.

The Town's total debt decreased by \$140,754 during the current fiscal year. New debt of \$196,336 was incurred during the current fiscal year, comprised of a General Obligation Bond in the amount of \$186,825 to purchase vehicles for the Town and a capital lease in the amount of \$9,511 for the purchase of a mower. Beginning debt balances were restated due to a change in calculation for sick leave, which reduced beginning compensated absences by \$151,467.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components:

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

This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements – The government-wide financial statements are designed to provide the readers with a broad overview of the Town's finances in a manner similar to a private-sector business.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

The statement of net position presents information for all the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Our governmental activities include general government, public safety, public works, health and welfare, community development and recreation. Our business-type activities are for water and sewer.

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 Pulaski, Virginia, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All separate funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains various governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for these governmental funds.

The Town adopts an annual appropriated budget for its Governmental funds. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

Proprietary Funds – The Town maintains two proprietary funds, the Water and Sewer funds. These funds account for activities in a manner similar to those found in the private sector.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

Notes to the Financial Statements – The notes provide additional information that are essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information – In addition to the basic financial statements and accompanying notes, these reports also present certain required supplementary information for budgetary comparison.

Government-wide Financial Analysis

As noted earlier, net position may over time serve as a useful indicator of a Town's financial position. In the case of the Town, assets exceed liabilities by \$9,184,519 at the close of the most recent fiscal year.

The largest portions of the Town's net position reflect its investment in cash and fixed assets less any related debt used to acquire those assets that is still outstanding. The Town uses capital assets to provide services to citizens; consequently, 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. The remaining balance is available to fund the Town's operations.

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TOWN OF PULASKI, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

The table below focuses on the net position of the Town's governmental and business-type activities as of the years ended June 30, 2016 and 2017.

	Table 1					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2017	2016	2017	2016	2017
Current Assets	7,342,580	7,006,671	1,102,155	1,186,349	8,444,735	8,193,020
Capital Assets	4,887,972	4,613,714	11,688,300	11,350,913	16,576,272	15,964,627
Total Assets	12,230,552	11,620,385	12,790,455	12,537,262	25,021,007	24,157,647
Deferred Outflows of Resources						
Pension contributions subsequent to measurement date	452,787	390,933	63,872	57,828	516,659	448,761
Items related to measurement of net pension liability	-	434,154	-	73,146	-	507,300
	452,787	825,087	63,872	130,974	516,659	956,061
Current Liabilities	1,528,342	2,028,919	1,284,352	1,304,974	2,812,694	3,333,893
Long-Term Liabilities	4,949,111	4,629,111	6,401,270	6,123,086	11,350,381	10,752,197
Total Liabilities	6,477,453	6,658,030	7,685,622	7,428,060	14,163,075	14,086,090
Deferred Inflows of Resources						
Unavailable revenue	1,609,542	1,698,795	-	-	1,609,542	1,698,795
Net pension liability	511,096	122,908	69,347	21,396	580,443	144,304
	2,120,638	1,821,703	69,347	21,396	2,189,985	1,843,099
Net Position:						
Net Investment in Capital						
Assets	2,011,124	2,040,588	5,148,312	5,175,102	7,159,436	7,215,690
Restricted	2,223,669	2,192,584	-	-	2,223,669	2,192,584
Unrestricted	1,922	(267,433)	(48,954)	43,678	(47,032)	(223,755)
Total Net Position	4,236,715	3,965,739	5,099,358	5,218,780	9,336,073	9,184,519

TOWN OF PULASKI, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

The table below focuses on the revenues and expenses for governmental activities and business-type activities for the years ended June 30, 2016 and 2017. Information for 2016 has been updated for the restatement disclosed in Note 13 in the Notes to Financial Statements.

Table 2

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2017	2016	2017	2015	2016
Charges for Services	232,560	303,431	4,693,611	4,981,057	4,926,171	5,284,488
Operating Grants/Contributions	2,435,584	2,848,075	-	34,598	2,435,584	2,882,673
Capital Grants/Contributions	-	-	91,694	27,795	91,694	27,795
Program Revenues	2,668,144	3,151,506	4,785,305	5,043,450	7,453,449	8,194,956
Taxes	4,734,260	4,794,112	-	-	4,734,260	4,794,112
Interest Income	99,524	80,528	1,446	3,394	100,970	83,922
Miscellaneous	25,681	42,954	81,271	82,027	106,952	124,981
Insurance recovery	-	-	-	-	-	-
Gain (loss) on asset disposal	542,627	344,606	-	-	-	-
Grants not restricted to program	590,939	581,808	-	-	590,939	581,808
General Revenues	5,993,031	5,844,008	82,717	85,421	5,533,121	5,584,823
Total Revenues	8,661,175	8,995,514	4,868,022	5,128,871	12,986,570	13,779,779
General Government	930,227	1,342,342	-	-	930,227	1,342,342
Public Safety	3,701,094	3,565,753	-	-	3,701,094	3,565,753
Public Works	2,612,142	2,784,428	-	-	2,612,142	2,784,428
Parks, Recreation, Cultural	795,455	774,272	-	-	795,455	774,272
Community Development	453,688	822,034	-	-	453,688	822,034
Health and Welfare	12,000	4,000	-	-	12,000	4,000
Interest on long-term debt	266,420	274,691	-	-	266,420	274,691
Water and Sewer	-	-	4,856,894	4,708,419	4,856,894	4,708,419
Total Expenses	8,771,026	9,567,520	4,856,894	4,708,419	13,627,920	14,275,939
Transfers	345,109	301,030	(345,109)	(301,030)	-	-
Change in Net Position	235,258	(270,976)	(333,981)	119,422	(98,723)	(151,554)
Beginning Net Position	4,001,457	4,236,715	5,433,339	5,099,358	9,434,796	9,336,073
Ending Net Position	4,236,715	3,965,739	5,099,358	5,218,780	9,336,073	9,184,519

TOWN OF PULASKI, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

At the end of the current fiscal year, the Town is able to report positive balances in net position, both for the Town as a whole and for its business-type activities.

Financial Analysis of the Town's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a Town's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$3,679,919, a decrease of \$233,290 in comparison with the prior year after restated fund balance.

Total governmental funds revenues decreased \$636,537 and expenditures increased \$551,311 over prior year amounts. For fiscal year ending June 30, 2017, expenses exceeded revenues by \$233,290. The increase in expenditures was due to higher expenses in community development and capital projects.

Total proprietary fund operating income increased \$287,446 and operating expenses increased only \$2,337 over the prior year amounts. For fiscal year ending June 30, 2017, total revenues exceeded expenses by \$119,422.

General Fund Budgetary Highlights

The Town budgeted revenues of \$8,813,246 for fiscal year 2017. The actual revenues were \$8,833,413 which is a favorable variance of \$20,167. The variance is attributed to revenue from state and federal government and revenue from other local taxes being budgeted for less than the actual amount received. The budgeted expenditures were \$9,605,299 for the Town. The actual expenditures were \$9,877,843 which is an unfavorable variance of \$272,544. This is attributed to expenditures for debt service, capital projects, and expenditures for some departments that were budgeted for less than the actual amount spent.

Capital Asset and Debt Administration

Capital Assets – The Town's investment in capital assets for its governmental activities as of June 30, 2017 is \$4,613,714 (net of accumulated depreciation) a decrease of \$274,258, mainly due to normal depreciation of the assets. The investment in capital assets for its business-type activities is \$11,350,913, a decrease of \$337,387. The decrease is mainly attributed to normal depreciation of the assets. This investment in capital assets includes land, buildings and improvements, vehicles, equipment, and construction in progress.

TOWN OF PULASKI, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

Long-term debt

At the end of the fiscal year, the Town had the following outstanding debt for governmental activities:

	Balance July 1, 2016	Issuances	Retirements	Balance June 30, 2017
General obligation bonds	\$ 3,034,025	\$ 186,825	\$ (567,048)	\$ 2,653,802
Note payable	159,809	-	(33,874)	125,935
Capital lease	415,704	9,511	(83,499)	341,716
Net pension obligation	1,447,693	1,683,746	(1,039,085)	2,092,354
Compensated absences	588,258	371,098	(441,194)	518,162
Total	\$ 5,645,489	\$ 2,251,180	\$ (2,164,700)	\$ 5,731,969

The outstanding debt for business-type activities at June 30, 2017 is as follows:

	Balance July 1, 2016	Issuances	Retirements	Balance June 30, 2017
General obligation bonds	\$ 6,539,988	\$ -	\$ (364,177)	\$ 6,175,811
Net pension obligation	196,430	250,625	(151,904)	295,151
Compensated absences	40,038	43,682	(5,460)	78,260
Total	\$ 6,776,456	\$ 294,307	\$ (521,541)	\$ 6,549,222

Known Facts, Decisions, or Conditions Expected to Have a Significant Effect on Next Year and Beyond

Prior to May 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. Prior to June 30, the budget is legally enacted through passage of an appropriations resolution.

The Town has a few projects in progress, mainly a waterline replacement and a sewer connection.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Manager, P. O. Box 660, Pulaski, Virginia 24301.

Basic Financial Statements

Town of Pulaski, Virginia
Statement of Net Position
June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,674,023	\$ -	\$ 3,674,023
Investments	178,740	449,830	628,570
Receivables (net of allowance for uncollectibles):			
Taxes receivable	1,927,590	-	1,927,590
Other local taxes receivable	104,942	-	104,942
Accounts receivable	1,569	656,580	658,149
Loans receivable	201,822	-	201,822
Long-term receivable	548,327	-	548,327
Internal balances	(20,771)	20,771	-
Due from other governmental units	312,866	55,598	368,464
Inventories	19,008	-	19,008
Prepaid items	58,555	3,570	62,125
Capital assets (net of accumulated depreciation):			
Land	179,697	-	179,697
Buildings and improvements	2,219,299	4,162,720	6,382,019
Improvements other than buildings	731,191	-	731,191
Machinery and equipment	1,483,527	770,433	2,253,960
Infrastructure	-	6,325,041	6,325,041
Construction in progress	-	92,719	92,719
Total assets	\$ 11,620,385	\$ 12,537,262	\$ 24,157,647
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions subsequent to measurement date	\$ 390,933	\$ 57,828	\$ 448,761
Items related to measurement of net pension liability	434,154	73,146	507,300
Total deferred outflows of resources	\$ 825,087	\$ 130,974	\$ 956,061
LIABILITIES			
Accounts payable	\$ 683,768	\$ 265,784	\$ 949,552
Reconciled overdraft	-	465,207	465,207
Accrued liabilities	76,803	-	76,803
Customers' deposits	-	102,362	102,362
Accrued interest payable	17,209	45,485	62,694
Unearned revenue	148,281	-	148,281
Due within one year	1,102,858	426,136	1,528,994
Due in more than one year	4,629,111	6,123,086	10,752,197
Liabilities payable from restricted assets	-	-	-
Total liabilities	\$ 6,658,030	\$ 7,428,060	\$ 14,086,090
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 1,698,795	\$ -	\$ 1,698,795
Items related to measurement of net pension liability	122,908	21,396	144,304
Total deferred inflows of resources	\$ 1,821,703	\$ 21,396	\$ 1,843,099
NET POSITION			
Net investment in capital assets	\$ 2,040,588	\$ 5,175,102	\$ 7,215,690
Restricted:			
Principal Cemetery Maintenance	551,756	-	551,756
Community and Economic Development	1,557,722	-	1,557,722
Housing Rehabilitation	83,106	-	83,106
Unrestricted	(267,433)	43,678	(223,755)
Total net position	\$ 3,965,739	\$ 5,218,780	\$ 9,184,519

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

Town of Pulaski, Virginia
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 1,342,342	\$ 27,453	\$ -	\$ -	\$ (1,314,889)	\$ -	\$ (1,314,889)
Public safety	3,565,753	83,022	303,764	-	(3,178,967)	-	(3,178,967)
Public works	2,784,428	141,649	2,109,888	-	(532,891)	-	(532,891)
Health and welfare	4,000	-	-	-	(4,000)	-	(4,000)
Parks, recreation, and cultural	774,272	51,307	5,000	-	(717,965)	-	(717,965)
Community development	822,034	-	429,423	-	(392,611)	-	(392,611)
Interest and other fiscal charges	274,691	-	-	-	(274,691)	-	(274,691)
Total governmental activities	\$ 9,567,520	\$ 303,431	\$ 2,848,075	\$ -	\$ (6,416,014)	\$ -	\$ (6,416,014)
Business-type activities:							
Water	\$ 1,809,294	\$ 1,741,506	\$ 34,598	\$ -	\$ -	\$ (33,190)	\$ (33,190)
Sewer	2,899,125	3,239,551	-	27,795	-	368,221	368,221
Total business-type activities	\$ 4,708,419	\$ 4,981,057	\$ 34,598	\$ 27,795	\$ -	\$ 335,031	\$ 335,031
Total primary government	\$ 14,275,939	\$ 5,284,488	\$ 2,882,673	\$ 27,795	\$ (6,416,014)	\$ 335,031	\$ (6,080,983)
General revenues:							
General property taxes					\$ 2,136,912	\$ -	\$ 2,136,912
Other local taxes:							
Bank stock taxes					166,316	-	166,316
Business license taxes					412,139	-	412,139
Consumers' utility taxes					225,807	-	225,807
Consumption taxes					47,314	-	47,314
Local sales and use taxes					593,211	-	593,211
Lodging taxes					31,902	-	31,902
Motor vehicle licenses					127,147	-	127,147
Restaurant food taxes					889,684	-	889,684
Tobacco taxes					163,680	-	163,680
Unrestricted revenues from the use of money and property					80,528	3,394	83,922
Miscellaneous					42,954	82,027	124,981
Grants and contributions not restricted to specific programs					581,808	-	581,808
Gain on disposal of capital assets					344,606	-	344,606
Transfers					301,030	(301,030)	-
Total general revenues and transfers					\$ 6,145,038	\$ (215,609)	\$ 5,929,429
Change in net position					\$ (270,976)	\$ 119,422	\$ (151,554)
Net position - beginning, as restated					4,236,715	5,099,358	9,336,073
Net position - ending					\$ 3,965,739	\$ 5,218,780	\$ 9,184,519

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

Town of Pulaski, Virginia
Balance Sheet
Governmental Funds
June 30, 2017

	General Fund	UDAG Fund	Total Nonmajor Funds	Total
ASSETS				
Cash and cash equivalents	\$ 2,942,856	\$ 29,052	\$ 702,115	\$ 3,674,023
Investments	153,477	467	24,796	178,740
Receivables (net of allowance for uncollectibles):				
Taxes receivable	1,927,590	-	-	1,927,590
Other local taxes receivable	104,942	-	-	104,942
Accounts receivable	1,569	-	-	1,569
Loans	73,619	128,203	-	201,822
Long-term receivable	548,327	-	-	548,327
Due from other funds	248,052	1,400,000	100	1,648,152
Due from other governmental units	263,088	-	49,778	312,866
Inventories	19,008	-	-	19,008
Prepaid items	58,555	-	-	58,555
Total assets	<u>\$ 6,341,083</u>	<u>\$ 1,557,722</u>	<u>\$ 776,789</u>	<u>\$ 8,675,594</u>
LIABILITIES				
Accounts payable	\$ 658,015	\$ -	\$ 25,753	\$ 683,768
Accrued liabilities	76,803	-	-	76,803
Due to other funds	1,400,100	-	268,823	1,668,923
Unearned revenue	148,281	-	-	148,281
Total liabilities	<u>\$ 2,283,199</u>	<u>\$ -</u>	<u>\$ 294,576</u>	<u>\$ 2,577,775</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - long-term receivable	\$ 548,327	\$ -	\$ -	\$ 548,327
Unavailable revenue - property taxes	1,869,573	-	-	1,869,573
Total deferred inflows of resources	<u>\$ 2,417,900</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,417,900</u>
FUND BALANCES				
Nonspendable:				
Prepaid Items	\$ 58,555	\$ -	\$ -	\$ 58,555
Inventory	19,008	-	-	19,008
Principal Cemetery Maintenance	-	-	551,756	551,756
Restricted:				
Community and Economic Development	-	1,557,722	-	1,557,722
Housing Rehabilitation	-	-	83,106	83,106
Committed:				
Playground reserve fund	25,000	-	-	25,000
Unassigned	1,537,421	-	(152,649)	1,384,772
Total fund balances	<u>\$ 1,639,984</u>	<u>\$ 1,557,722</u>	<u>\$ 482,213</u>	<u>\$ 3,679,919</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 6,341,083</u>	<u>\$ 1,557,722</u>	<u>\$ 776,789</u>	<u>\$ 8,675,594</u>

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

Town of Pulaski, Virginia
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 \$ 3,679,919

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

Land	\$ 179,697	
Buildings and improvements	2,219,299	
Improvements other than buildings	731,191	
Machinery and equipment	<u>1,483,527</u>	4,613,714

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

Unavailable revenue - due from other governmental units	\$ 548,327	
Unavailable revenue - property taxes	170,778	
Items related to measurement of net pension liability	<u>(122,908)</u>	596,197

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.

390,933

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

General obligation bonds	\$ (2,653,802)	
Capital lease	(341,716)	
Note payable	(125,935)	
Accrued interest payable	(17,209)	
Net pension liability	(2,092,354)	
Deferred outflows of resources - items related to measurement of net pension liability	434,154	
Compensated absences	<u>(518,162)</u>	(5,315,024)

Net position of governmental activities

\$ 3,965,739

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

Town of Pulaski, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	General Fund	UDAG Fund	Total Nonmajor Funds	Total
REVENUES				
General property taxes	\$ 2,394,127	\$ -	\$ -	\$ 2,394,127
Other local taxes	2,657,200	-	-	2,657,200
Permits, privilege fees, and regulatory licenses	22,237	-	-	22,237
Fines and forfeitures	50,449	-	-	50,449
Revenue from the use of money and property	76,286	4	4,238	80,528
Charges for services	230,745	-	-	230,745
Miscellaneous	26,465	6,029	10,460	42,954
Recovered costs	275,910	-	-	275,910
Intergovernmental	3,099,994	-	329,889	3,429,883
Total revenues	\$ 8,833,413	\$ 6,033	\$ 344,587	\$ 9,184,033
EXPENDITURES				
Current:				
General government administration	\$ 1,527,021	\$ -	\$ -	\$ 1,527,021
Public safety	3,520,292	-	-	3,520,292
Public works	2,624,419	-	-	2,624,419
Health and welfare	4,000	-	-	4,000
Parks, recreation, and cultural	666,725	-	37,394	704,119
Community development	493,830	54,419	289,639	837,888
Capital projects	262,665	-	-	262,665
Debt service:				
Principal retirement	684,421	-	-	684,421
Interest and other fiscal charges	84,022	-	-	84,022
Bond issuance costs	10,448	-	-	10,448
Total expenditures	\$ 9,877,843	\$ 54,419	\$ 327,033	\$ 10,259,295
Excess (deficiency) of revenues over (under) expenditures	\$ (1,044,430)	\$ (48,386)	\$ 17,554	\$ (1,075,262)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 320,414	\$ -	\$ 1,200	\$ 321,614
Transfers out	(20,584)	-	-	(20,584)
Issuance of general obligation bond	186,825	-	-	186,825
Issuance of capital lease	9,511	-	-	9,511
Sale of capital assets	344,606	-	-	344,606
Total other financing sources (uses)	\$ 840,772	\$ -	\$ 1,200	\$ 841,972
Change in fund balances	\$ (203,658)	\$ (48,386)	\$ 18,754	\$ (233,290)
Fund balances - beginning, as restated	1,843,642	1,606,108	463,459	3,913,209
Fund balances - ending	\$ 1,639,984	\$ 1,557,722	\$ 482,213	\$ 3,679,919

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

Town of Pulaski, Virginia
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the 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	\$	(233,290)
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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 depreciation expense exceeded capital outlays in the current period.

Capital outlays	\$ 280,247	
Depreciation expense	(554,505)	(274,258)

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

Increase (decrease) in unavailable property taxes	\$ (257,215)	
Increase (decrease) in deferred inflows related to the measurement of the net pension liability	388,188	
Increase (decrease) in unavailable revenue - County payments	(184,363)	(53,390)

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.

Debt issued or incurred:		
Issuance of capital lease	\$ (9,511)	
Issuance of general obligation bond	(186,825)	
Principal repayments:		
General obligation bonds	567,048	
Capital lease	83,499	
Debt service - principal	33,874	488,085

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.

Decrease (increase) in compensated absences	\$ 70,096	
Decrease (increase) in net pension liability	(644,661)	
Decrease (increase) in accrued interest payable	4,142	
(Decrease) increase in deferred outflows of resources	372,300	(198,123)

Change in net position of governmental activities	\$	(270,976)
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The notes to the financial statements are an integral part of this statement.

Town of Pulaski, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2017

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
ASSETS			
Current assets:			
Investments	\$ 406,146	\$ 43,684	\$ 449,830
Accounts receivable, net of allowances for uncollectibles	228,969	427,611	656,580
Due from other funds	131,213	-	131,213
Due from other governments	34,598	21,000	55,598
Prepaid expenses	3,570	-	3,570
Total current assets	<u>\$ 804,496</u>	<u>\$ 492,295</u>	<u>\$ 1,296,791</u>
Noncurrent assets:			
Capital assets:			
Construction in progress	\$ 67,690	\$ 25,029	\$ 92,719
Infrastructure	3,972,269	7,718,307	11,690,576
Buildings	6,095,030	514,672	6,609,702
Machinery and equipment	3,173,709	2,709,312	5,883,021
Accumulated depreciation	(7,434,406)	(5,490,699)	(12,925,105)
Total capital assets	<u>\$ 5,874,292</u>	<u>\$ 5,476,621</u>	<u>\$ 11,350,913</u>
Total noncurrent assets	<u>\$ 5,874,292</u>	<u>\$ 5,476,621</u>	<u>\$ 11,350,913</u>
Total assets	<u>\$ 6,678,788</u>	<u>\$ 5,968,916</u>	<u>\$ 12,647,704</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions subsequent to measurement date	\$ 52,735	\$ 5,093	\$ 57,828
Items related to measurement of net pension liability	67,136	6,010	73,146
Total deferred outflows of resources	<u>\$ 119,871</u>	<u>\$ 11,103</u>	<u>\$ 130,974</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 53,350	\$ 212,434	\$ 265,784
Reconciled overdraft	21,640	443,567	465,207
Customer deposits	102,362	-	102,362
Accrued interest payable	37,419	8,066	45,485
Due to other funds	-	110,442	110,442
Compensated absences - current portion	52,801	5,894	58,695
Bonds payable - current portion	173,628	193,813	367,441
Total current liabilities	<u>\$ 441,200</u>	<u>\$ 974,216</u>	<u>\$ 1,415,416</u>
Noncurrent liabilities:			
Compensated absences	\$ 17,600	\$ 1,965	\$ 19,565
Bonds payable - net of current portion	3,277,415	2,530,955	5,808,370
Net pension liability	260,785	34,366	295,151
Total noncurrent liabilities	<u>\$ 3,555,800</u>	<u>\$ 2,567,286</u>	<u>\$ 6,123,086</u>
Total liabilities	<u>\$ 3,997,000</u>	<u>\$ 3,541,502</u>	<u>\$ 7,538,502</u>
DEFERRED INFLOWS OF RESOURCES			
Items related to measurement of net pension liability	\$ 14,271	\$ 7,125	\$ 21,396
NET POSITION			
Net investment in capital assets	\$ 2,423,249	\$ 2,751,853	\$ 5,175,102
Unrestricted	364,139	(320,461)	43,678
Total net position	<u>\$ 2,787,388</u>	<u>\$ 2,431,392</u>	<u>\$ 5,218,780</u>

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

Town of Pulaski, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2017

	Water <u>Fund</u>	Sewer <u>Fund</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services:			
Water and sewer revenues	\$ 1,741,506	\$ 3,239,551	\$ 4,981,057
OPERATING EXPENSES			
Personnel services	\$ 625,579	\$ 133,401	\$ 758,980
Fringe benefits	183,248	39,707	222,955
Contractual services	107,510	2,351,049	2,458,559
Utilities	196,692	711	197,403
Materials and supplies	110,880	206,232	317,112
Repairs and maintenance	163,745	49,240	212,985
Capital outlay	111,067	28,484	139,551
Depreciation	279,888	315,492	595,380
Miscellaneous	336	-	336
Total operating expenses	\$ 1,778,945	\$ 3,124,316	\$ 4,903,261
Operating income (loss)	\$ (37,439)	\$ 115,235	\$ 77,796
NONOPERATING REVENUES (EXPENSES)			
Connection fees	\$ 78,977	\$ 3,000	\$ 81,977
Recovered costs	-	251,397	251,397
Interest revenue	3,044	350	3,394
Interest expense	(30,349)	(26,206)	(56,555)
Federal and state grants	34,598	-	34,598
Miscellaneous	50	-	50
Total nonoperating revenues (expenses)	\$ 86,320	\$ 228,541	\$ 314,861
Income before transfers	\$ 48,881	\$ 343,776	\$ 392,657
Capital contributions and construction grants	-	27,795	27,795
Transfers in	12,543	6,841	19,384
Transfers out	(130,416)	(189,998)	(320,414)
Change in net position	\$ (68,992)	\$ 188,414	\$ 119,422
Total net position - beginning	2,856,380	2,242,978	5,099,358
Total net position - ending	\$ 2,787,388	\$ 2,431,392	\$ 5,218,780

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

Town of Pulaski, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,723,070	\$ 3,218,039	\$ 4,941,109
Payments to suppliers	(704,313)	(2,626,777)	(3,331,090)
Payments to employees	(777,624)	(182,421)	(960,045)
Reconciled overdraft	21,640	(75,406)	(53,766)
Net cash provided by (used for) operating activities	<u>\$ 262,773</u>	<u>\$ 333,435</u>	<u>\$ 596,208</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	\$ 12,543	\$ 6,841	\$ 19,384
Transfers to other funds	(130,416)	(189,998)	(320,414)
Recovered costs	-	251,397	251,397
Due from other governments	-	(21,000)	(21,000)
Miscellaneous	50	-	50
Net cash provided by (used for) noncapital financing activities	<u>\$ (117,823)</u>	<u>\$ 47,240</u>	<u>\$ (70,583)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital asset additions	\$ (67,690)	\$ (190,303)	\$ (257,993)
Principal payments on bonds	(172,006)	(192,171)	(364,177)
Connection fees	78,977	3,000	81,977
Contributions in aid of construction	7,534	27,795	35,329
Interest expense	(32,208)	(28,996)	(61,204)
Net cash provided by (used for) capital and related financing activities	<u>\$ (185,393)</u>	<u>\$ (380,675)</u>	<u>\$ (566,068)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale (purchase) of investments	\$ (3,044)	\$ (350)	\$ (3,394)
Interest and dividends received	3,044	350	3,394
Net cash provided by (used for) investing activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ (40,443)</u>	<u>\$ -</u>	<u>\$ (40,443)</u>
Cash and cash equivalents - beginning	40,443	-	40,443
Cash and cash equivalents - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (37,439)	\$ 115,235	\$ 77,796
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	\$ 279,888	\$ 315,492	\$ 595,380
(Increase) decrease in accounts receivable	(18,866)	(21,512)	(40,378)
(Increase) decrease in deferred outflows of resources	(63,436)	(3,666)	(67,102)
(Increase) decrease in prepaid expenses	4,669	2,972	7,641
Increase (decrease) in customer deposits	430	-	430
Increase (decrease) in accounts payable	(18,752)	5,967	(12,785)
Increase (decrease) in net pension liability	94,313	4,408	98,721
Increase (decrease) in deferred inflows of resources	(44,501)	(3,450)	(47,951)
Increase (decrease) in compensated absences	44,827	(6,605)	38,222
Increase (decrease) in reconciled overdraft	21,640	(75,406)	(53,766)
Total adjustments	<u>\$ 300,212</u>	<u>\$ 218,200</u>	<u>\$ 518,412</u>
Net cash provided by (used for) operating activities	<u><u>\$ 262,773</u></u>	<u><u>\$ 333,435</u></u>	<u><u>\$ 596,208</u></u>

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

Town of Pulaski, Virginia
Statement of Net Position
Fiduciary Funds
June 30, 2017

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 215,233
Accounts receivable	88,288
Total assets	<u>\$ 303,521</u>
LIABILITIES	
Amounts payable to other governments	\$ 134,899
Utility deposits	37,062
Amounts held for Pulaski PSA	131,560
Total liabilities	<u>\$ 303,521</u>

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

TOWN OF PULASKI, VIRGINIA

NOTES TO THE 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 more significant accounting policies established in GAAP and used by the Town are discussed below.

A. Financial reporting entity:

Town of Pulaski, Virginia (Town) is a municipal corporation governed by an elected six-member Town Council. The accompanying financial statements present the Town and its component units. Related organizations, if any, are described below.

Blended Component Units:

Town of Pulaski Redevelopment and Housing Authority - This authority is a legally separate organization that is financially accountable to the Town. The governing body of the Authority is substantively the same as that of the Town. The Tornado Recovery Project Fund is reported and accounted for under the Authority.

Discretely Presented Component Units - None

Related Organizations - None

Jointly Governed Organizations - None

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. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Net Position is designed to display the financial position of the primary government (governmental and business-type activities). Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Position and 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 THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 1-Summary of Significant Accounting Policies: (continued)

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

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

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

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.

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

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 1-Summary of Significant Accounting Policies: (continued)

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

Sales and utility taxes, which are collected by the state or utility 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 the government receives cash.

The Town reports the following major governmental funds:

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

The *Special Revenue Funds* account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The UDAG Fund is the only major special revenue fund of the Town.

The Town reports the following major proprietary funds:

Proprietary Funds - account for operations that are financed in a manner similar to those found in private business enterprises. The measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Enterprise Funds.

Enterprise Funds - account for the financing of services to the general public where all or most of the operating expenses involved are recorded in the form of charges to users of such services. Enterprise Funds consist of the Water Fund and the Sewer Fund.

The Town reports the following nonmajor governmental funds:

The *Special Revenue Funds* account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The nonmajor special revenue funds consist of the Cemetery Care Fund, the Neighborhood Revitalization Fund, and the CDBG Housing Rehabilitation Fund.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 1-Summary of Significant Accounting Policies: (continued)

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

Additionally, the Town reports the following fund types:

Fiduciary Funds (Trust and Agency Funds) - account for assets held by the government in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds, which consist of the PSA Fund. These funds utilize the accrual basis of accounting described in the Governmental Fund Presentation. Fiduciary funds are not included in the government-wide financial statements.

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 Town'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.

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 Town's enterprise fund are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

1. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.

2. Investments

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs)) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

3. Prepaid Items

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 1-Summary of Significant Accounting Policies: (continued)

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

3. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “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 noncurrent 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.” Advances between funds, as reported in the fund financial statements, are offset by nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

4. Inventory

Inventory consists of supplies for the Gatewood Park store and automobile supplies for public works. Inventory is measured using the first in, first out method.

5. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on the property as of January 1. Real estate taxes are payable June 5th and December 5th. Personal property taxes are due and collectible annually on April 1st. The Town bills and collects its own property taxes.

6. 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 \$509,996 for property taxes and \$127,041 for water, sewer, and garbage receivables at June 30, 2017.

7. 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.

8. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 1-Summary of Significant Accounting Policies: (continued)

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

8. Capital Assets (continued)

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 of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Building improvements	20-40
Structures, lines, and accessories	20-40
Machinery and equipment	4-30

9. 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. In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for non-vesting 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. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

10. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 1-Summary of Significant Accounting Policies: (continued)

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

11. Fund Balance

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;

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).

12. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 1-Summary of Significant Accounting Policies: (continued)

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

13. 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.

14. 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 (expense/expenditure) until then. The Town has two items that qualify for reporting in this category. One 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. The other item is comprised of contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. For more detailed information on these items, 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 three 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, the receivable amount due from Pulaski County, Virginia that is long-term in nature is reported as unavailable revenue. In the entity-wide financial statements, 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 earning on pension plan investments. For more detailed information on the pension related item, reference the pension note.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 1-Summary of Significant Accounting Policies: (continued)

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

15. 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.

Note 2-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 May 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The General fund has a legally adopted budget. The UDAG Fund does not have a legally adopted budget.
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. Only the Town Council can revise the appropriation for each department or category. The Town Manager is authorized to transfer budgeted amounts within general government departments.
5. Formal budgetary integration is employed by the Water and Sewer Funds as well as the General Fund and UDAG 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. Several supplemental appropriations were necessary during this fiscal year.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is not part of the Town's accounting system.

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 2-Stewardship, Compliance, and Accountability: (continued)

A. Budgetary information (continued)

9. Expenditures in the General Fund exceeded appropriated amounts for the following functions: General government administration; Public works; Parks, recreation, and cultural; and Capital projects.

B. Deficit fund equity

1. At June 30, 2017, the Neighborhood Revitalization fund had deficit fund equity.

Note 3-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 local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

Custodial Credit Risk (Investments)

The Town's investments at June 30, 2017 were held in the Town's name by the Town's custodial banks.

Credit Risk of Debt Securities

The Town's rated debt investments as of June 30, 2017 were rated by Standard and Poor's and the ratings are presented below using Standard and Poor's rating scale.

Rated Debt Investments' Values	
Rated Debt Investments	Ratings
	AAAm
LGIP	\$ 628,570

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 3-Deposits and Investments: (continued)

Interest Rate Risk

The County invests funds in low risk investments backed by U.S. government agencies.

Investment Type	Investment Maturities	
	Fair Value	< 1 year
LGIP	628,570	628,570

External Investment Pool

The value of the positions in the external investment pool (Local Government Investment Pool) is the same as the value of the pool shares. As LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

Note 4-Interfund Transfers and Due to/from Other Funds:

Interfund transfers for the year ended June 30, 2017 consisted of the following:

Fund	Transfers In	Transfers Out
General Fund	\$ 320,414	\$ 20,584
Water Fund	12,543	130,416
Sewer Fund	6,841	189,998
Cemetery Fund	1,200	-
Total	\$ 340,998	\$ 340,998

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

Due to/from other funds for the year ended June 30, 2017 consisted of the following:

Fund	Due to Other Funds	Due from Other Funds
General Fund	\$ 1,400,100	\$ 248,052
UDAG Fund	-	1,400,000
CDBG Fund	86,820	-
Neighborhood Revitalization Fund	182,003	-
Water Fund	-	131,213
Sewer Fund	110,442	-
Cemetery Fund	-	100
Total	\$ 1,779,365	\$ 1,779,365

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 5-Due from Other Governmental Units:

The following amounts represent receivables from other governments at year-end:

	Primary Government	
	Governmental Activities	Business-type Activities
Local Government:		
Pulaski County	\$ 102,441	\$ -
Pulaski County PSA	58,075	-
Commonwealth of Virginia:		
Noncategorical Aid	70,934	-
Federal Government:		
Categorical Aid	81,416	55,598
Total	<u>\$ 312,866</u>	<u>\$ 55,598</u>

Note 6-Long-term Obligations:

Governmental Activities Long-term Obligations:

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

	Restated Beginning Balance	Increases/ Issuances	Decreases/ Retirements	Ending Balance
General obligation bonds	\$ 3,034,025	\$ 186,825	\$ 567,048	\$ 2,653,802
Note payable	159,809	-	33,874	125,935
Capital lease	415,704	9,511	83,499	341,716
Net pension liability	1,447,693	1,683,746	1,039,085	2,092,354
Compensated absences	588,258	371,098	441,194	518,162
Total	<u>\$ 5,645,489</u>	<u>\$ 2,251,180</u>	<u>\$ 2,164,700</u>	<u>\$ 5,731,969</u>

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 6-Long-term Obligations: (continued)

Governmental Activities Long-term Obligations: (continued)

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

Year Ending June 30,	General Obligation Bonds		Note payable	
	Principal	Interest	Principal	Interest
2018	\$ 612,392	\$ 56,876	\$ 35,607	\$ 5,488
2019	622,307	44,587	37,429	3,666
2020	620,497	32,112	39,343	1,752
2021	181,470	19,662	13,556	141
2022	159,324	15,149	-	-
2023-2027	297,464	38,758	-	-
2028-2032	160,348	11,303	-	-
Totals	<u>\$ 2,653,802</u>	<u>\$ 218,447</u>	<u>\$ 125,935</u>	<u>\$ 11,047</u>

Details of long-term obligations are as follows:

	Interest Rates	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
General obligation bonds:					
GO bond - JH Project	1.81%	2020	\$ 2,588,840	\$ 1,322,857	\$ 436,964
GO bond - 2012 (A)	4.34%	2032	3,000,000	888,237	95,401
GO bond - 2014B	2.33%	2021	153,469	91,441	22,077
GO bond - 2014B	2.47%	2024	225,971	164,442	21,808
GO bond - 2016	1.65%	2022	186,825	186,825	36,142
Subtotal GO bonds				<u>\$ 2,653,802</u>	<u>\$ 612,392</u>
Note Payable					
County of Pulaski, VA	5.00%	2021	\$ 181,471	<u>\$ 125,935</u>	<u>\$ 35,607</u>
Other obligations:					
Net pension liability	n/a	n/a	n/a	\$ 2,092,354	\$ -
Compensated absences	n/a	n/a	n/a	518,162	388,622
Capital lease	various	various	various	341,716	66,237
Total other obligations				<u>\$ 2,952,232</u>	<u>\$ 454,859</u>
Totals				<u>\$ 5,731,969</u>	<u>\$ 1,102,858</u>

(A) Note that 57% of bond is due from governmental activities and 43% is due from the County of Pulaski, VA.

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 6-Long-term Obligations: (continued)

Business-type Activities Long-term Obligations:

The following is a summary of long-term obligation transactions of the Enterprise Fund for the year ended June 30, 2017:

	Beginning Balance	Increases/ Issuances	Decreases/ Retirements	Ending Balance
General obligation bonds	\$ 6,539,988	\$ -	\$ 364,177	\$ 6,175,811
Net pension liability	196,430	250,625	151,904	295,151
Compensated absences	40,038	43,682	5,460	78,260
Total	<u>\$ 6,776,456</u>	<u>\$ 294,307</u>	<u>\$ 521,541</u>	<u>\$ 6,549,222</u>

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

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2018	\$ 367,441	\$ 113,575
2019	369,984	106,390
2020	372,574	99,136
2021	375,050	91,817
2022	377,631	84,434
2023-2027	1,458,378	335,312
2028-2032	1,345,782	227,018
2033-2037	654,578	144,604
2038-2042	520,455	78,185
2043-2045	333,938	14,426
Totals	<u>\$ 6,175,811</u>	<u>\$ 1,294,897</u>

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TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 6-Long-term Obligations: (continued)

Business-type Activities Long-term Obligations: (continued)

Details of long-term obligations are as follows:

	Interest Rates	Final Maturity Date	Amount of Original Issue	Balance Business-type Activities	Amount Due Within One Year
General obligation bonds:					
GO bond (A)	2.85%	2032	\$ 3,879,454	\$ 1,738,906	\$ 60,224
GO bond	0.00%	2033	2,156,159	1,773,946	107,808
GO bond	2.50%	2045	2,487,968	2,395,194	186,768
GO bond	2.68%	2034	304,293	267,765	12,641
Subtotal GO bonds				<u>\$ 6,175,811</u>	<u>\$ 367,441</u>
Other obligations:					
Net pension liability	n/a	n/a	n/a	\$ 295,151	\$ -
Compensated absences	n/a	n/a	n/a	78,260	58,695
Total other obligations				<u>\$ 373,411</u>	<u>\$ 58,695</u>
Totals				<u>\$ 6,549,222</u>	<u>\$ 426,136</u>

(A) 60.7% and 39.3% are due from the water and sewer funds, respectively.

Note 7-Capital Lease:

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

Total assets acquired through capital leases are as follows:

	Governmental Activities		
	Vehicles	Machinery	Equipment
Asset:			
Machinery and equipment	\$ 53,427	\$ 294,558	\$ 145,869
Less: Accumulated depreciation	(21,371)	(114,970)	(94,224)
Total	<u>\$ 32,056</u>	<u>\$ 179,588</u>	<u>\$ 51,645</u>

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 7-Capital Lease: (continued)

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

Fiscal Year Ended	Governmental Activities
2018	\$ 74,053
2019	50,093
2020	50,094
2021	42,043
2022	36,371
2023-2026	124,303
Total minimum lease payments	\$ 376,957
Less: amount representing interest	(35,241)
Present value of minimum lease payments	<u>\$ 341,716</u>

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TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 8-Unearned and Deferred/Unavailable Revenue:

Unearned and deferred/unavailable revenue represent 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. These amounts consist of the following:

Deferred/Unavailable Revenue - Primary Government:

	Government-wide Statements	Balance Sheet
	<u>Governmental Activities</u>	<u>Governmental Funds</u>
Long-term receivable from Pulaski County for the James Hardie Project not available for funding current expenditures	\$ -	\$ 548,327
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	-	170,778
Tax assessments due after June 30	1,682,141	1,682,141
Prepaid property taxes due after June 30 but paid in advance by taxpayers	16,654	16,654
Total	<u>1,698,795</u>	<u>2,417,900</u>

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TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 9-Pension Plan:

Plan Description

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

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.

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 9-Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
		<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* School division 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.

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 9-Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p>	<p>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.</p>	<p>*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.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions 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.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016.</p>	<p>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.</p>

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 9-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>

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 9-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>

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 9-Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
		<p>Vesting (Cont.) <u>Defined Contributions Component:</u> (Cont.) 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.</p> <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. <p>Distribution is not required by law until age 70½.</p>
<p>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.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1.</p>

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 9-Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p>		<p>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.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>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%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>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.</p>	<p>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.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>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.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 9-Pension Plan: (continued)

Plan Description (continued)

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

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 9-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>

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 9-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. <p>The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</p> <ul style="list-style-type: none"> • 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>

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 9-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 and School divisions (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>

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 9-Pension Plan: (continued)

Pension Plan Data

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	73
Inactive members:	
Vested inactive members	13
Non-vested inactive members	36
Inactive members active elsewhere in VRS	<u>92</u>
Total inactive members	141
Active members	<u>100</u>
Total covered employees	<u><u>314</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 of Pulaski, Virginia's contractually required contribution rate for the year ended June 30, 2017 was 10.84% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 9-Pension Plan: (continued)

Contributions (continued)

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 \$448,761 and \$506,268 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability

The Town of Pulaski, Virginia'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.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Town of Pulaski, Virginia'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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 9-Pension Plan: (continued)

Actuarial Assumptions - General Employees (continued)

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

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

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 9-Pension Plan: (continued)

Actuarial Assumptions - Public Safety Employees

The total pension liability for Public Safety employees in the Town of Pulaski, Virginia'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.

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

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 9-Pension Plan: (continued)

Actuarial Assumptions - Public Safety 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 - 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

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	100.00%		5.83%
		Inflation	2.50%
		*Expected arithmetic nominal return	8.33%

* 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%.

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 9-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 of Pulaski, Virginia 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	\$ 20,625,088	\$ 18,980,965	\$ 1,644,123
Changes for the year:			
Service cost	\$ 497,436	\$ -	\$ 497,436
Interest	1,411,894	-	1,411,894
Differences between expected and actual experience	(138,731)	-	(138,731)
Contributions - employer	-	506,268	(506,268)
Contributions - employee	-	205,435	(205,435)
Net investment income	-	327,439	(327,439)
Benefit payments, including refunds of employees contributions	(910,350)	(910,350)	-
Administrative expenses	-	(11,785)	11,785
Other changes	-	(140)	140
Net changes	\$ 860,249	\$ 116,867	\$ 743,382
Balances at June 30, 2016	\$ 21,485,337	\$ 19,097,832	\$ 2,387,505

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 9-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 of Pulaski, Virginia using the discount rate of 7.00%, as well as what the Town of Pulaski, Virginia's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
Town of Pulaski			
Net Pension Liability (Asset)	\$ 5,147,002	\$ 2,387,505	\$ 97,501

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

For the year ended June 30, 2017, the Town of Pulaski, Virginia recognized pension expense of \$306,203. At June 30, 2017, the Town of Pulaski, Virginia 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	\$ -	\$ 133,814
Net difference between projected and actual earnings on pension plan investments	496,810	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,490	10,490
Employer contributions subsequent to the measurement date	448,761	-
Total	\$ 956,061	\$ 144,304

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 9-Pension Plan: (continued)

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

\$448,761 reported as deferred outflows of resources related to pensions resulting from the Town of Pulaski, Virginia'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:

Year ended June 30

2018	\$	(85,561)
2019		(36,535)
2020		286,326
2021		198,770
Total	\$	<u>363,000</u>

Note 10-Capital Assets:

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Primary Government:				
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 179,697	\$ -	\$ -	\$ 179,697
Capital assets, being depreciated:				
Buildings and improvements	\$ 4,569,742	\$ -	\$ -	\$ 4,569,742
Improvements other than buildings	1,134,943	5,682	-	1,140,625
Machinery and equipment	6,627,222	274,565	-	6,901,787
Total capital assets, being depreciated	\$ 12,331,907	\$ 280,247	\$ -	\$ 12,612,154
Accumulated depreciation:				
Buildings and improvements	\$ (2,276,502)	\$ (73,941)	\$ -	\$ (2,350,443)
Improvements other than buildings	(342,368)	(67,066)	-	(409,434)
Machinery and equipment	(5,004,762)	(413,498)	-	(5,418,260)
Total accumulated depreciation	\$ (7,623,632)	\$ (554,505)	\$ -	\$ (8,178,137)
Total capital assets being depreciated, net	\$ 4,708,275	\$ (274,258)	\$ -	\$ 4,434,017
Governmental activities capital assets, net	\$ 4,887,972	\$ (274,258)	\$ -	\$ 4,613,714

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 10-Capital Assets: (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
Business-type Activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 92,719	\$ -	\$ 92,719
Capital assets, being depreciated:				
Infrastructure	\$ 11,690,576	\$ -	\$ -	\$ 11,690,576
Buildings	6,609,702	-	-	6,609,702
Machinery and equipment	5,717,747	165,274	-	5,883,021
Total capital assets, being depreciated	\$ 24,018,025	\$ 165,274	\$ -	\$ 24,183,299
Accumulated depreciation:				
Infrastructure	\$ (5,064,143)	\$ (301,392)	\$ -	\$ (5,365,535)
Buildings	(2,323,515)	(123,467)	-	(2,446,982)
Machinery and equipment	(4,942,067)	(170,521)	-	(5,112,588)
Total accumulated depreciation	\$ (12,329,725)	\$ (595,380)	\$ -	\$ (12,925,105)
Total capital assets being depreciated, net	\$ 11,688,300	\$ (430,106)	\$ -	\$ 11,258,194
Business-type activities capital assets, net	\$ 11,688,300	\$ (337,387)	\$ -	\$ 11,350,913

NOTE: Infrastructure includes line improvements, all else is machinery and equipment or buildings.

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

Governmental activities:	
General government administration	\$ 99,599
Public safety	183,448
Public works	200,742
Parks, recreation and cultural	70,716
Total depreciation expense-governmental activities	\$ 554,505
Business-type activities:	
Water	\$ 279,887
Sewer	315,493
Total depreciation expense-business-type activities	\$ 595,380

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 11-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 participates with other localities in a public entity risk pool for their coverage of general liability, property, crime, machinery and auto insurance with the Virginia Association of Counties. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The Town pays the Virginia Association of Counties Group contributions and assessments which are deposited into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss, deficit, or depletion of all available resources, the pool may assess all members in the proportion to 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 all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 12-Surety Bonds:

<i>Coregis Insurance Company</i>	
Employee Dishonesty	\$ 250,000
 <i>St. Paul Fire and Marine Insurance Company</i>	
Trustees of Oakwood and Pinehurst Cemeteries (per trustee)	50,000
 <i>CAN Surety</i>	
Fire Department - Treasurer and Assistant Treasurers	1,000
Police Chief	1,000

Note 13-Restatement of Beginning Balances:

	General Fund	UDAG Fund
Fund balance - beginning, as previously reported	\$ 1,767,278	\$ 1,476,998
Adjust deferred inflows of resources	76,364	129,110
Fund balance - beginning, as restated	<u>\$ 1,843,642</u>	<u>\$ 1,606,108</u>
	Governmental Activities	
Net position - beginning, as previously reported	\$ 4,085,248	
Compensated absences adjustment	151,467	
Net position - beginning, as restated	<u>\$ 4,236,715</u>	

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 14-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 of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

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*, improve 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.

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 14-Upcoming Pronouncements: (continued)

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

Town of Pulaski, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 2,477,357	\$ 2,477,357	\$ 2,394,127	\$ (83,230)
Other local taxes	2,602,000	2,602,000	2,657,200	55,200
Permits, privilege fees, and regulatory licenses	18,000	18,000	22,237	4,237
Fines and forfeitures	47,000	47,000	50,449	3,449
Revenue from the use of money and property	96,575	96,575	76,286	(20,289)
Charges for services	193,300	193,300	230,745	37,445
Miscellaneous	26,587	26,587	26,465	(122)
Recovered costs	258,363	258,363	275,910	17,547
Intergovernmental:				
Commonwealth	2,944,064	2,944,064	2,973,021	28,957
Federal	150,000	150,000	126,973	(23,027)
Total revenues	<u>\$ 8,813,246</u>	<u>\$ 8,813,246</u>	<u>\$ 8,833,413</u>	<u>\$ 20,167</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,476,121	\$ 1,476,121	\$ 1,527,021	\$ (50,900)
Public safety	3,565,832	3,565,832	3,520,292	45,540
Public works	2,532,984	2,532,984	2,624,419	(91,435)
Health and welfare	12,000	12,000	4,000	8,000
Parks, recreation, and cultural	657,454	657,454	666,725	(9,271)
Community development	424,281	424,281	493,830	(69,549)
Capital projects	256,262	256,262	262,665	(6,403)
Debt service:				
Principal retirement	603,162	603,162	684,421	(81,259)
Interest and other fiscal charges	77,203	77,203	84,022	(6,819)
Bond issuance costs	-	-	10,448	(10,448)
Total expenditures	<u>\$ 9,605,299</u>	<u>\$ 9,605,299</u>	<u>\$ 9,877,843</u>	<u>\$ (272,544)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (792,053)</u>	<u>\$ (792,053)</u>	<u>\$ (1,044,430)</u>	<u>\$ (252,377)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 441,135	\$ 441,135	\$ 320,414	\$ (120,721)
Transfers out	(7,500)	(7,500)	(20,584)	(13,084)
Issuance of bond	-	-	186,825	186,825
Issuance of capital lease	-	-	9,511	9,511
Sale of capital assets	-	-	344,606	344,606
Total other financing sources (uses)	<u>\$ 433,635</u>	<u>\$ 433,635</u>	<u>\$ 840,772</u>	<u>\$ 407,137</u>
Net change in fund balances	<u>\$ (358,418)</u>	<u>\$ (358,418)</u>	<u>\$ (203,658)</u>	<u>\$ 154,760</u>
Fund balances - beginning, as restated	273,440	273,440	1,843,642	1,570,202
Fund balances - ending	<u><u>\$ (84,978)</u></u>	<u><u>\$ (84,978)</u></u>	<u><u>\$ 1,639,984</u></u>	<u><u>\$ 1,724,962</u></u>

Note 1: GAAP serves as the budgetary basis of accounting

Town of Pulaski, Virginia
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
For the Years Ended June 30, 2015 through June 30, 2017

Exhibit 12

	2016	2015	2014
Total pension liability			
Service cost	\$ 497,436	\$ 512,800	\$ 496,528
Interest	1,411,894	1,354,591	1,291,245
Changes of benefit terms	-	-	(848,943)
Differences between expected and actual experience	(138,731)	(135,253)	-
Benefit payments, including refunds of employee contributions	(910,350)	(916,714)	-
Net change in total pension liability	\$ 860,249	\$ 815,424	\$ 938,830
Total pension liability - beginning	20,625,088	19,809,664	18,870,834
Total pension liability - ending (a)	<u>\$ 21,485,337</u>	<u>\$ 20,625,088</u>	<u>\$ 19,809,664</u>
Plan fiduciary net position			
Contributions - employer	\$ 506,268	\$ 510,626	\$ 496,437
Contributions - employee	205,435	210,833	191,112
Net investment income	327,439	839,378	2,516,703
Benefit payments, including refunds of employee contributions	(910,350)	(916,714)	(848,943)
Administrative expense	(11,785)	(11,496)	(13,544)
Other	(140)	(178)	133
Net change in plan fiduciary net position	\$ 116,867	\$ 632,449	\$ 2,341,898
Plan fiduciary net position - beginning	18,980,965	18,348,516	16,006,618
Plan fiduciary net position - ending (b)	<u>\$ 19,097,832</u>	<u>\$ 18,980,965</u>	<u>\$ 18,348,516</u>
Town's net pension liability (asset) - ending (a) - (b)	<u>\$ 2,387,505</u>	<u>\$ 1,644,123</u>	<u>\$ 1,461,148</u>
Plan fiduciary net position as a percentage of the total pension liability	88.89%	92.03%	92.62%
Covered payroll	\$ 3,889,933	\$ 3,877,452	\$ 3,780,308
Town's net pension liability (asset) as a percentage of covered payroll	61.38%	42.40%	38.65%

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.

Town of Pulaski, Virginia
Schedule of Employer Contributions
For the Years Ended June 30, 2008 through June 30,2017

Exhibit 13

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2017	\$ 448,761	\$ 448,761	\$ -	\$ 4,190,931	10.71%
2016	506,268	506,268	-	3,889,933	13.01%
2015	508,334	508,334	-	3,877,452	13.11%
2014	496,354	496,354	-	3,780,308	13.13%
2013	505,925	505,925	-	3,853,199	13.13%
2012	334,183	334,183	-	3,640,335	9.18%
2011	335,927	335,927	-	3,659,335	9.18%
2010	379,758	379,758	-	3,679,825	10.32%
2009	365,256	365,256	-	3,539,304	10.32%
2008	378,083	378,083	-	3,259,332	11.60%

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

Notes to Required Supplementary Information
For the 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 is 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

Component Unit School Board - Professional Employees

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Other Supplementary Information

Town of Pulaski, Virginia
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	<u>Special Revenue Funds</u>			
	<u>Cemetery Care</u>	<u>CDBG Housing Rehabilitation</u>	<u>Neighborhood Revitalization</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 551,656	\$ 120,958	\$ 29,501	\$ 702,115
Investments	-	24,796	-	24,796
Due from other funds	100	-	-	100
Due from other governmental units	-	49,778	-	49,778
Total assets	<u>\$ 551,756</u>	<u>\$ 195,532</u>	<u>\$ 29,501</u>	<u>\$ 776,789</u>
LIABILITIES				
Accounts payable	\$ -	\$ 25,606	\$ 147	\$ 25,753
Due to other funds	-	86,820	182,003	268,823
Total liabilities	<u>\$ -</u>	<u>\$ 112,426</u>	<u>\$ 182,150</u>	<u>\$ 294,576</u>
FUND BALANCES				
Nonspendable:				
Principal Cemetery Maintenance	\$ 551,756	-	-	\$ 551,756
Restricted:				
Housing Rehabilitation	-	83,106	-	83,106
Unassigned	-	-	(152,649)	(152,649)
Total fund balance	<u>\$ 551,756</u>	<u>\$ 83,106</u>	<u>\$ (152,649)</u>	<u>\$ 482,213</u>
Total liabilities and fund balance	<u>\$ 551,756</u>	<u>\$ 195,532</u>	<u>\$ 29,501</u>	<u>\$ 776,789</u>

Town of Pulaski, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	<u>Special Revenue Funds</u>			
	<u>Cemetery Care</u>	<u>CDBG Housing Rehabilitation</u>	<u>Neighborhood Revitalization</u>	<u>Total</u>
REVENUES				
Revenue for the use of money and property	\$ 4,052	\$ 186	\$ -	\$ 4,238
Miscellaneous	4,025	-	6,435	10,460
Recovered costs	-	-	-	-
Intergovernmental revenues:				
Federal	-	329,889	-	329,889
Total revenues	<u>\$ 8,077</u>	<u>\$ 330,075</u>	<u>\$ 6,435</u>	<u>\$ 344,587</u>
EXPENDITURES				
Current:				
Parks, recreation, and cultural	\$ 37,394	\$ -	\$ -	\$ 37,394
Community development	-	289,639	-	289,639
Total expenditures	<u>\$ 37,394</u>	<u>\$ 289,639</u>	<u>\$ -</u>	<u>\$ 327,033</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (29,317)</u>	<u>\$ 40,436</u>	<u>\$ 6,435</u>	<u>\$ 17,554</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,200	\$ -	\$ -	\$ 1,200
Total other financing sources(uses)	<u>\$ 1,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,200</u>
Net change in fund balances	\$ (28,117)	\$ 40,436	\$ 6,435	\$ 18,754
Fund balance - beginning	579,873	42,670	(159,084)	463,459
Fund balance - ending	<u>\$ 551,756</u>	<u>\$ 83,106</u>	<u>\$ (152,649)</u>	<u>\$ 482,213</u>

Town of Pulaski, Virginia
Statement of Changes in Assets and Liabilities
Agency Fund - PSA Fund
For the Fiscal Year Ended June 30, 2017

	Balance <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2017</u>
ASSETS				
Cash and cash equivalents	\$ 209,297	\$ 670,828	\$ (664,892)	\$ 215,233
Accounts receivable	79,506	662,838	(654,056)	88,288
Total assets	\$ <u>288,803</u>	\$ <u>1,333,666</u>	\$ <u>(1,318,948)</u>	\$ <u>303,521</u>
LIABILITIES				
Amounts payable to other governments	\$ 133,290	\$ 596,554	\$ (594,945)	\$ 134,899
Utility deposits	34,888	11,305	(9,131)	37,062
Amounts held for Pulaski PSA	120,625	616,718	(605,783)	131,560
Total liabilities	\$ <u>288,803</u>	\$ <u>1,224,577</u>	\$ <u>(1,209,859)</u>	\$ <u>303,521</u>

Supporting Schedules

Town of Pulaski, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

Schedule 1
Page 1 of 3

<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:				
Revenue from local sources:				
General property taxes:				
Real Property Tax	\$ 1,520,850	\$ 1,520,850	\$ 1,485,978	\$ (34,872)
Real and Personal PSC Tax	55,507	55,507	35,598	(19,909)
Personal Property Tax	267,000	267,000	177,197	(89,803)
Machinery and tools tax	600,000	600,000	660,817	60,817
Penalties	-	-	17,485	17,485
Interest	34,000	34,000	17,052	(16,948)
Total general property taxes	<u>\$ 2,477,357</u>	<u>\$ 2,477,357</u>	<u>\$ 2,394,127</u>	<u>\$ (83,230)</u>
Other local taxes:				
Bank stock taxes	\$ 140,000	\$ 140,000	\$ 166,316	\$ 26,316
Business license taxes	465,000	465,000	412,139	(52,861)
Consumers' utility taxes	225,000	225,000	225,807	807
Consumption taxes	45,000	45,000	47,314	2,314
Local sales and use taxes	600,000	600,000	593,211	(6,789)
Lodging tax	35,000	35,000	31,902	(3,098)
Motor vehicle licenses	130,000	130,000	127,147	(2,853)
Restaurant food taxes	775,000	775,000	889,684	114,684
Tobacco taxes	175,000	175,000	163,680	(11,320)
Utility franchise taxes	12,000	12,000	-	(12,000)
Total other local taxes	<u>\$ 2,602,000</u>	<u>\$ 2,602,000</u>	<u>\$ 2,657,200</u>	<u>\$ 55,200</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	<u>\$ 18,000</u>	<u>\$ 18,000</u>	<u>\$ 22,237</u>	<u>\$ 4,237</u>
Fines and forfeitures:				
Court fines and forfeitures	<u>\$ 47,000</u>	<u>\$ 47,000</u>	<u>\$ 50,449</u>	<u>\$ 3,449</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 20,300	\$ 20,300	\$ 31,469	\$ 11,169
Revenue from use of property	76,275	76,275	44,817	(31,458)
Total revenue from use of money and property	<u>\$ 96,575</u>	<u>\$ 96,575</u>	<u>\$ 76,286</u>	<u>\$ (20,289)</u>
Charges for services:				
Charges for police services	\$ 2,800	\$ 2,800	\$ 10,336	\$ 7,536
Charges for parks and recreation	80,300	80,300	51,307	(28,993)
Charges for PSA services	99,700	99,700	141,649	41,949
Other charges for services	10,500	10,500	27,453	16,953
Total charges for services	<u>\$ 193,300</u>	<u>\$ 193,300</u>	<u>\$ 230,745</u>	<u>\$ 37,445</u>

Town of Pulaski, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

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<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)				
Miscellaneous:				
Miscellaneous	\$ 26,587	\$ 26,587	\$ 26,465	\$ (122)
Recovered costs:				
Insurance recoveries	\$ -	\$ -	\$ 5,227	\$ 5,227
Other recovered costs	258,363	258,363	270,683	12,320
Total recovered costs	<u>\$ 258,363</u>	<u>\$ 258,363</u>	<u>\$ 275,910</u>	<u>\$ 17,547</u>
Total revenue from local sources	<u>\$ 5,719,182</u>	<u>\$ 5,719,182</u>	<u>\$ 5,733,419</u>	<u>\$ 14,237</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicles rental tax	\$ 5,000	\$ 5,000	\$ 1,792	\$ (3,208)
Personal property tax relief act funds	150,000	150,000	140,332	(9,668)
Rolling stock tax	11,000	11,000	10,185	(815)
Mobile Home State Money	-	-	1,090	1,090
Communication tax	453,200	453,200	428,409	(24,791)
Total noncategorical aid	<u>\$ 619,200</u>	<u>\$ 619,200</u>	<u>\$ 581,808</u>	<u>\$ (37,392)</u>
Categorical aid:				
Bulletproof vest partnership	\$ -	\$ -	\$ 1,780	\$ 1,780
Byrne justice assistance grant	-	-	4,251	4,251
Fire prevention	30,000	30,000	32,366	2,366
Law enforcement grant	218,324	218,324	225,352	7,028
Street and highway maintenance	2,046,540	2,046,540	2,109,888	63,348
USDA grants - police	25,000	25,000	-	(25,000)
VBAF Grant	-	-	10,239	10,239
Nat'l priority safety program	-	-	2,337	2,337
Virginia commission of the arts	5,000	5,000	5,000	-
Total other categorical aid	<u>\$ 2,324,864</u>	<u>\$ 2,324,864</u>	<u>\$ 2,391,213</u>	<u>\$ 66,349</u>
Total revenue from the Commonwealth	<u>\$ 2,944,064</u>	<u>\$ 2,944,064</u>	<u>\$ 2,973,021</u>	<u>\$ 28,957</u>
Revenue from the Federal Government:				
Categorical aid:				
CDBG housing planning grant	\$ 150,000	\$ 150,000	\$ -	\$ (150,000)
EPA Brownfields grant	-	-	88,043	88,043
Rural business enterprise loan	-	-	1,252	1,252
DUI/DUID enforcement	-	-	1,945	1,945
Safe Streets DMV grant	-	-	5,074	5,074
Federal asset forfeiture	-	-	30,659	30,659
Total categorical aid	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 126,973</u>	<u>\$ (23,027)</u>
Total revenue from the federal government	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 126,973</u>	<u>\$ (23,027)</u>
Total General Fund	<u>\$ 8,813,246</u>	<u>\$ 8,813,246</u>	<u>\$ 8,833,413</u>	<u>\$ 20,167</u>

Town of Pulaski, Virginia
Schedule of Revenues - Budget and Actual
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For the Year Ended June 30, 2017

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<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>
Special Revenue Funds:				
UDAG Fund:				
Revenue from local sources:				
Revenue from use of money and property	\$ -	\$ -	\$ 4	\$ 4
Miscellaneous	-	-	6,029	6,029
Total revenue from local sources	\$ -	\$ -	\$ 6,033	\$ 6,033
Total UDAG Fund	\$ -	\$ -	\$ 6,033	\$ 6,033
Nonmajor Special Revenue Funds:				
Cemetery Fund:				
Revenue from local sources:				
Revenues from use of money and property	\$ -	\$ -	\$ 4,052	\$ 4,052
Miscellaneous	-	-	4,025	4,025
Total revenue from local sources	\$ -	\$ -	\$ 8,077	\$ 8,077
Total Cemetery Fund	\$ -	\$ -	\$ 8,077	\$ 8,077
CDBG Fund:				
Revenue from local sources:				
Revenues from use of money and property	\$ -	\$ -	\$ 186	\$ 186
Revenue from the Federal Government:				
Categorical aid:				
CDBG grant	\$ -	\$ -	\$ 329,889	\$ 329,889
Total CDBG Fund	\$ -	\$ -	\$ 330,075	\$ 330,075
Neighborhood Revitalization Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ -	\$ 6,435	\$ 6,435
Total Neighborhood Revitalization Fund	\$ -	\$ -	\$ 6,435	\$ 6,435
Total Governmental Funds	\$ 8,813,246	\$ 8,813,246	\$ 9,184,033	\$ 370,787

Town of Pulaski, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Town council	\$ 49,530	\$ 49,530	\$ 43,765	\$ 5,765
Clerk of the Council	62,439	62,439	95,774	(33,335)
Office of the Mayor	8,009	8,009	9,116	(1,107)
Total legislative	<u>\$ 119,978</u>	<u>\$ 119,978</u>	<u>\$ 148,655</u>	<u>\$ (28,677)</u>
General and financial administration:				
Manager	\$ 358,217	\$ 358,217	\$ 435,487	\$ (77,270)
Legal services	50,900	50,900	37,076	13,824
Independent auditor	51,800	51,800	53,375	(1,575)
Consultants	37,000	37,000	51,264	(14,264)
Department of Finance	513,734	513,734	477,506	36,228
Risk management	108,366	108,366	111,083	(2,717)
Data processing	228,426	228,426	203,114	25,312
Other	7,700	7,700	9,461	(1,761)
Total general and financial administration	<u>\$ 1,356,143</u>	<u>\$ 1,356,143</u>	<u>\$ 1,378,366</u>	<u>\$ (22,223)</u>
Total general government administration	<u>\$ 1,476,121</u>	<u>\$ 1,476,121</u>	<u>\$ 1,527,021</u>	<u>\$ (50,900)</u>
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 2,327,524	\$ 2,327,524	\$ 2,303,291	\$ 24,233
Contributions to Central Dispatch	335,000	335,000	318,994	16,006
Total law enforcement and traffic control	<u>\$ 2,662,524</u>	<u>\$ 2,662,524</u>	<u>\$ 2,622,285</u>	<u>\$ 40,239</u>
Fire and rescue services:				
Fire department	\$ 769,048	\$ 769,048	\$ 788,157	\$ (19,109)
Building inspections	134,260	134,260	109,850	24,410
Total fire and rescue services	<u>\$ 903,308</u>	<u>\$ 903,308</u>	<u>\$ 898,007</u>	<u>\$ 5,301</u>
Total public safety	<u>\$ 3,565,832</u>	<u>\$ 3,565,832</u>	<u>\$ 3,520,292</u>	<u>\$ 45,540</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
General engineering/administration	\$ 250,434	\$ 250,434	\$ 297,305	\$ (46,871)
Highway, street, bridge and sidewalk maintenance	1,928,514	1,928,514	1,987,554	(59,040)
Total maintenance of highways, streets, bridges and sidewalks	<u>\$ 2,178,948</u>	<u>\$ 2,178,948</u>	<u>\$ 2,284,859</u>	<u>\$ (105,911)</u>
Sanitation and waste removal:				
Refuse disposal	\$ 6,500	\$ 6,500	\$ 7,592	\$ (1,092)
Maintenance of general buildings and grounds:				
General properties	\$ 237,672	\$ 237,672	\$ 211,044	\$ 26,628
Garage and motor vehicles	109,864	109,864	120,924	(11,060)
Total maintenance of buildings and grounds	<u>\$ 347,536</u>	<u>\$ 347,536</u>	<u>\$ 331,968</u>	<u>\$ 15,568</u>
Total public works	<u>\$ 2,532,984</u>	<u>\$ 2,532,984</u>	<u>\$ 2,624,419</u>	<u>\$ (91,435)</u>

Town of Pulaski, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Health and welfare:				
Health:				
Free clinic of Pulaski County	\$ 8,000	\$ 8,000	\$ -	\$ 8,000
Mental health and mental retardation:				
New River Valley Community Action	\$ 4,000	\$ 4,000	\$ 4,000	\$ -
Total health and welfare	\$ 12,000	\$ 12,000	\$ 4,000	\$ 8,000
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation centers and playgrounds	\$ 433,098	\$ 433,098	\$ 475,277	\$ (42,179)
Cemeteries	22,071	22,071	27,242	(5,171)
Senior citizen center	114,007	114,007	116,235	(2,228)
Total parks and recreation	\$ 569,176	\$ 569,176	\$ 618,754	\$ (49,578)
Cultural enrichment:				
Agency on aging	\$ 12,088	\$ 12,088	\$ 12,088	\$ -
Fine arts center	5,000	5,000	5,000	-
Friends of the Theater	5,000	5,000	5,000	-
Train station museum	65,190	65,190	25,883	39,307
Literacy volunteers	1,000	1,000	-	1,000
Total cultural enrichment	\$ 88,278	\$ 88,278	\$ 47,971	\$ 40,307
Total parks, recreation, and cultural	\$ 657,454	\$ 657,454	\$ 666,725	\$ (9,271)
Community development:				
Planning and community development:				
Planning and zoning	\$ 21,055	\$ 21,055	\$ 21,363	\$ (308)
NRV Development Corporation	1,000	1,000	-	1,000
Economic development	152,354	152,354	194,522	(42,168)
Airport commission	18,151	18,151	18,151	-
Brownsfield project	-	-	121,727	(121,727)
Pulaski transit authority	70,000	70,000	70,000	-
Gatewood-Boat Launch	-	-	81	(81)
Planning commission	-	-	318	(318)
NRV planning commission	11,721	11,721	12,189	(468)
Neighborhood revitalization	-	-	55,479	(55,479)
CDBG project	150,000	150,000	-	150,000
Total community development	\$ 424,281	\$ 424,281	\$ 493,830	\$ (69,549)
Capital projects	\$ 256,262	\$ 256,262	\$ 262,665	\$ (6,403)
Debt service:				
Principal retirement	\$ 603,162	\$ 603,162	\$ 684,421	\$ (81,259)
Interest and fiscal charges	77,203	77,203	84,022	(6,819)
Bond issuance cost	-	-	10,448	(10,448)
Total debt service	\$ 680,365	\$ 680,365	\$ 778,891	\$ (98,526)
Total General Fund	\$ 9,605,299	\$ 9,605,299	\$ 9,877,843	\$ (272,544)

Town of Pulaski, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Funds:				
UDAG Fund:				
Community development	\$ -	\$ -	\$ 54,419	\$ (54,419)
Nonmajor Special Revenue Funds:				
Cemetery Fund:				
Parks, recreation, and cultural	\$ -	\$ -	\$ 37,394	\$ (37,394)
CDBG Fund:				
Community development	\$ -	\$ -	\$ 289,639	\$ (289,639)
Total Governmental Funds	\$ 9,605,299	\$ 9,605,299	\$ 10,259,295	\$ (653,996)

Other Statistical Information

Table 1

Town of Pulaski, Virginia
Government-wide Expenses by Function
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Public Safety	Public Works	Health and Welfare	Parks, Recreation, and Cultural	Community Development	Interest and Other Fiscal Charges	Water and Sewer	Total
2016-17	\$ 1,342,342	\$ 3,565,753	\$ 2,784,428	\$ 4,000	\$ 774,272	\$ 822,034	\$ 274,691	\$ 4,708,419	\$ 14,275,939
2015-16	1,081,694	3,701,094	2,612,142	12,000	795,455	453,688	266,420	4,856,894	13,779,387
2014-15	1,436,241	2,951,823	2,239,236	5,000	809,653	323,191	293,553	4,504,108	12,562,805
2013-14	1,330,825	2,999,517	2,438,856	4,000	804,662	945,993	199,227	4,622,286	13,345,366
2012-13	1,651,582	2,871,557	2,210,606	5,500	801,277	676,456	342,142	4,380,816	12,939,936
2011-12	1,473,576	2,971,184	1,718,281	4,000	734,382	1,149,023	160,785	4,512,216	12,723,447
2010-11	1,472,132	2,898,794	2,108,173	4,900	738,149	810,796	182,720	4,156,514	12,372,178
2009-10	1,433,020	3,022,020	2,515,448	5,000	771,332	494,366	177,898	4,497,128	12,916,212
2008-09	1,341,262	3,056,230	1,854,982	5,000	704,360	616,043	243,355	4,265,969	12,087,201
2007-08	1,350,939	2,884,530	2,040,017	7,000	381,506	1,043,828	245,968	3,432,832	11,386,620

Table 2

Town of Pulaski, Virginia
Government-wide Revenues
Last Ten Fiscal Years

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES							Total (1)
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	GENERAL REVENUES								
				General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs				
2016-17	\$ 5,284,488	\$ 2,882,673	\$ 27,795	\$ 2,136,912	\$ 2,657,200	\$ 83,922	\$ 124,981	\$ 581,808	\$ 13,779,779			
2015-16	4,926,171	2,435,584	91,694	2,261,922	2,472,338	100,970	106,952	590,939	12,986,570			
2014-15	4,869,310	2,301,717	-	2,684,973	2,434,891	47,761	243,681	918,506	13,500,839			
2013-14	4,992,588	2,456,491	890,493	2,317,725	2,233,306	174,619	228,926	668,201	13,962,349			
2012-13	4,729,776	2,244,198	384,688	2,417,256	2,164,954	44,728	244,300	642,716	12,872,616			
2011-12	4,822,568	2,872,383	751,280	2,601,592	2,166,079	166,431	56,095	613,304	14,049,732			
2010-11	4,281,902	2,570,675	369,838	2,253,038	2,173,149	9,900	521,276	613,274	12,793,052			
2009-10	3,742,501	3,260,180	-	1,952,460	2,543,883	35,040	183,094	181,222	11,898,380			
2008-09	4,225,484	2,372,075	-	1,884,781	2,798,698	42,569	115,954	165,126	11,604,687			
2007-08	4,100,746	2,765,211	-	1,993,958	2,699,631	58,710	113,174	-	11,731,430			

(1) Table does not include special or extraordinary items.

Table 3

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

Fiscal Year	General Administration	Public Safety	Public Works	Health and Welfare	Parks, Recreation & Cultural	Community Development	Debt Service	Capital Projects	Totals
2016-17	\$ 1,527,021	\$ 3,520,292	\$ 2,624,419	\$ 4,000	\$ 666,725	\$ 493,830	\$ 778,891	\$ 262,665	\$ 9,877,843
2015-16	1,329,107	3,591,572	2,797,258	12,000	735,789	378,560	725,620	97,295	9,667,201
2014-15	1,740,023	2,970,264	2,399,349	5,000	804,700	295,321	700,869	239,905	9,155,431
2013-14	1,675,462	2,980,443	2,232,764	4,000	765,160	230,620	3,319,152	309,108	11,516,709
2012-13	1,516,366	2,765,291	2,083,753	5,500	632,822	291,808	677,056	312,030	8,284,626
2011-12	1,497,493	2,847,535	2,157,923	4,000	606,866	407,017	2,007,941	-	9,528,775
2010-11	1,497,960	2,933,997	2,024,421	4,900	1,173,339	404,113	765,269	-	8,803,999
2009-10	1,471,785	2,932,565	2,531,012	5,000	1,507,979	206,837	779,341	-	9,434,519
2008-09	1,473,858	2,885,890	1,839,567	5,000	617,364	271,305	1,028,035	-	8,121,019
2007-08	1,550,052	2,814,354	2,009,564	7,000	581,995	643,666	843,405	-	8,450,036

Note: (1) Includes only General Fund.

Table 4

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits Privilege Fees and Regulatory Licenses	Fines and Forfeitures	Revenue from use of Money and Property (2)	Charges for Services	Miscellaneous	Recovered Costs (2)	Inter- governmental	Total
2016-17	\$ 2,394,127	\$ 2,657,200	\$ 22,237	\$ 50,449	\$ 76,286	\$ 230,745	\$ 26,465	\$ 275,910	\$ 3,099,994	\$ 8,833,413
2015-16	2,419,000	2,472,338	18,717	36,742	96,615	177,101	18,543	257,859	3,026,523	8,523,438
2014-15	2,439,448	2,434,891	10,573	69,270	95,835	304,975	21,085	307,253	2,908,196	8,591,526
2013-14	2,395,169	2,233,306	28,554	57,344	85,361	304,210	73,449	262,554	3,232,066	8,672,013
2012-13	2,420,085	2,164,954	18,460	51,534	80,627	298,706	21,350	300,835	2,873,783	8,230,334
2011-12	2,332,089	2,166,079	19,710	52,119	60,178	273,409	14,138	103,990	3,463,696	8,485,408
2010-11	2,232,902	2,173,149	17,540	44,221	1,224	262,524	127,407	46,596	2,800,516	7,706,079
2009-10	2,053,216	2,543,883	13,531	29,107	5,988	288,498	16,320	137,982	2,244,120	7,332,645
2008-09	1,841,932	2,798,698	5,959	39,913	42,037	241,046	8,814	121,837	2,281,074	7,381,310
2007-08	1,923,474	2,699,631	25,143	44,825	105,635	310,363	14,447	113,919	2,549,670	7,787,107

Note: (1) Includes only General Fund.

Table 5

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
2016-17	\$ 2,550,108	\$ 2,442,811	95.79%	\$ 57,111	\$ 2,499,922	98.03%	\$ 170,777	6.70%
2015-16	2,512,499	2,359,799	93.92%	124,209	2,484,008	98.87%	427,993	17.03%
2014-15	2,448,453	2,265,908	92.54%	239,316	2,505,224	102.32%	585,071	23.90%
2013-14	2,435,456	2,381,344	97.78%	112,268	2,493,612	102.39%	850,712	34.93%
2012-13	2,301,511	2,258,694	98.14%	108,761	2,367,455	102.87%	672,502	29.22%
2011-12	2,278,796	2,153,748	94.51%	133,493	2,287,241	100.37%	516,884	22.68%
2010-11	2,441,686	2,319,618	95.00%	98,834	2,418,452	99.05%	513,591	21.03%
2009-10	2,160,968	2,047,005	94.73%	140,791	2,187,796	101.24%	493,119	22.82%
2008-09	2,074,855	1,911,904	92.15%	207,675	2,119,579	102.16%	588,180	28.35%
2007-08	1,866,273	1,698,288	91.00%	306,922	2,005,210	107.44%	550,949	29.52%

(1) Exclusive of penalties and interest.

Table 6

Town of Pulaski, Virginia
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal Property (2)	Machinery and Tools	Public Service Companies (3)	Total
2016-17	\$ 442,767,941	\$ 58,565,226	\$ 63,296,177	\$ 20,517,705	\$ 585,147,049
2015-16	440,226,848	56,582,559	61,949,003	19,831,200	578,589,610
2014-15	455,831,400	55,080,716	61,154,703	18,697,663	590,764,482
2013-14	472,785,450	38,582,813	72,016,366	18,441,141	601,825,770
2012-13	470,522,350	57,892,456	72,007,925	19,922,986	620,345,717
2011-12	470,533,050	61,898,293	56,406,645	20,636,052	609,474,040
2010-11	462,208,333	53,883,613	49,841,853	20,559,217	586,493,016
2009-10	467,392,000	48,922,969	45,425,511	20,359,739	582,100,219
2008-09	430,594,500	55,765,468	38,544,618	15,705,676	540,610,262
2007-08	393,632,600	56,212,241	41,490,001	15,209,324	506,544,166

(1) Assessed at 100% of fair market value.

(2) Assessed at 40% of fair market value.

(3) Assessed values are established by the State Corporation Commission (includes real estate and personal property).

Table 7

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

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools
2016-17	\$ 0.34	\$ 0.80	\$ 0.34	\$ 0.80
2015-16	0.34	0.80	0.34	0.80
2014-15	0.32	0.80	0.32	0.80
2013-14	0.30	0.80	0.30	0.80
2012-13	0.30	0.80	0.30	0.80
2011-12	0.30	0.80	0.30	0.80
2010-11	0.30	0.80	0.30	0.80
2009-10	0.30	0.74	0.30	0.74
2008-09 (2)	0.32/0.30	0.74	0.30	0.74
2007-08	0.32	0.74	0.32	0.74

(1) Per \$100 of assessed value.

(2) Real estate rates decreased from \$0.32 to \$0.30 beginning with the first half 2009.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (in thousands)	Net Bonded Debt (2)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2016-17	9,086	\$ 585,147	\$ 2,653,802	0.45%	\$ 292
2015-16	9,086	578,590	3,193,834	0.55%	352
2014-15	9,086	590,764	3,592,044	0.61%	395
2013-14	9,086	601,826	3,760,744	0.62%	414
2012-13	9,086	620,346	4,251,921	0.69%	468
2011-12	9,086	609,474	4,724,944	0.78%	520
2010-11	9,086	586,493	4,764,896	0.81%	524
2009-10	9,473	582,100	5,246,276	0.90%	554
2008-09	9,473	540,610	5,713,023	1.06%	603
2007-08	9,173	393,633	6,431,726	1.63%	701

(1) Source: Bureau of Economic Analysis.

(2) Excludes notes payable and capital leases.

Table 9

Town of Pulaski, Virginia
Ratio of Annual Debt Service Expenditures for General Bonded
Debt to Total General Governmental Expenditures (1)
Last Ten Fiscal Years

Fiscal Year	Principal	Interest and Bond Issuance Costs	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2016-17	\$ 684,421	\$ 94,470	\$ 778,891	\$ 9,877,843	7.89%
2015-16	642,081	83,539	725,620	9,667,201	7.51%
2014-15	591,875	108,994	700,869	9,155,431	7.66%
2013-14	3,138,224	180,928	3,319,152	11,516,709	28.82%
2012-13	514,791	162,265	677,056	8,284,626	8.17%
2011-12	1,796,783	211,158	2,007,941	9,528,775	21.07%
2010-11	519,902	245,367	765,269	8,803,999	8.69%
2009-10	466,747	244,668	711,415	9,434,519	7.54%
2008-09	718,703	241,406	960,109	8,121,019	11.82%
2007-08	469,752	215,285	685,037	8,450,036	8.11%

(1) Includes General Fund only.

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Honorable Members of Town Council
Town of Pulaski, 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, each major fund, and the aggregate remaining fund information of the Town of Pulaski, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Pulaski, Virginia's basic financial statements, and have issued our report thereon dated December 22, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Pulaski, Virginia, 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 the Town of Pulaski, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Pulaski, 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 the Town of Pulaski, 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.

Polina, Fane, Cox Associates

Blacksburg, Virginia
December 22, 2017