FINANCIAL STATEMENTS

CITY OF GALAX, VIRGINIA

FISCAL YEAR ENDED
JUNE 30, 2014

CITY OF GALAX, VIRGINIA

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2014

Prepared By:
Galax City Finance Department

CITY OF GALAX, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2014

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INTRODUCTORY SECTION

CITY OF GALAX, VIRGINIA

CITY COUNCIL

C. M. Mitchell, Mayor

Willie Greene, Vice Mayor
Margo Crouse
John Garner
Dr. Robert Lazo
Sharon Plichta
Bill Webb

CITY SCHOOL BOARD

Raymond Kohl, Chair

Dr. James Adams, Vice-Chair
Stewart Merdian
Helen Kyle
Larry Spangler

CITY SOCIAL SERVICES BOARD

Keith Barker, Chair
Dr. Robert Pryor
Liza Sutherland
Sharon Plichta
Rita Reeves
Dr. Thomas Whartenby

OTHER OFFICIALS

City Manager ..... Keith Barker
Director of Finance..... Judy Taylor-Gallimore
Commissioner of the Revenue..... David Hankley
Superintendent of Schools ..... Bill Sturgill
Director of Social Services ..... Susan Clark
City Attorney..... James Cornwell
Chief of Police ..... Rick Clark

FINANCIAL SECTION

Independent Auditors' Report

**To the Honorable Members of
the City Council of the
City of Galax, Virginia**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Galax, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Galax, Virginia'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, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Galax, Virginia, as of June 30, 2014, 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 budgetary comparison information and schedule of pension and OPEB funding progress on pages 58 and 59 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Galax, Virginia's basic financial statements. The introductory section, other supplementary information, supporting schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

Other Information (continued)

The other supplementary information and the schedule of federal awards are the responsibility of management and were derived from and relate 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 and the schedule of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and 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 October 14, 2014, on our consideration of the City of Galax, 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 City of Galax, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
October 14, 2014

Basic Financial Statements

City of Galax, Virginia
Statement of Net Position
June 30, 2014

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	School Board	Galax Futures	IDA
ASSETS						
Cash and cash equivalents	$ 1,137,741	$ -	$ 1,137,741	$ 1,825,575	$ 67,634	51,514
Taxes receivable	641,701	-	641,701	-	-	-
Accounts receivable	436,285	619,255	1,055,540	-	-	-
Interest receivable	-	-	-	-	-	2,701
Due from primary government	-	-	-	639,093	-	-
Due from other governmental units	973,028	10,002	983,030	584,678	-	-
Inventories	-	-	-	23,065	-	-
Loans receivable	59,862	-	59,862	-	-	540,280
Prepaid expenses	8,024	2,200	10,224	127,883	-	-
Restricted assets:						
Cash and cash equivalents	181,950	47,796	229,746	213,054	-	-
Capital assets (net of accumulated depreciation):						
Land	1,786,536	149,374	1,935,910	165,460	231,219	-
Buildings and improvements	11,006,135	1,503,725	12,509,860	4,217,732	816,807	-
Machinery and equipment	1,559,862	91,217	1,651,079	512,960	-	-
Infrastructure	1,216,582	2,943,189	4,159,771	-	-	-
Construction in progress	481,804	128,357	610,161	-	-	-
Total assets	$ 19,489,510	$ 5,495,115	$ 24,984,625	$ 8,309,500	$ 1,115,660	$ 594,495
DEFERRED OUTFLOWS OF RESOURCES						
Deferred charge on refunding	$ 44,901	$ -	$ 44,901	$ -	$ -	$ -
LIABILITIES						
Accounts payable	$ 254,020	$ 50,857	$ 304,877	$ 35,723	$ -	$ -
Wages and withholdings payable	179,303	40,545	219,848	-	-	-
Due to other governments	533,849	-	533,849	833,063	-	-
Customers' deposits	-	64,196	64,196	-	-	-
Accrued interest payable	85,730	2,614	88,344	-	2,701	-
Due to component unit	639,093	-	639,093	-	-	-
Long-term liabilities:						
Due within one year	882,884	267,623	1,150,507	149,340	540,280	-
Due in more than one year	6,994,137	1,630,603	8,624,740	210,401	-	-
Total liabilities	$ 9,569,016	$ 2,056,438	$ 11,625,454	$ 1,228,527	$ 542,981	$ -
DEFERRED INFLOWS OF RESOURCES						
Property taxes paid in advance	$ 6,344	$ -	$ 6,344	$ -	$ -	$ -
NET POSITION						
Net investment in capital assets	$ 9,404,864	$ 3,036,315	$ 12,441,179	$ 4,896,152	$ 507,746	$ -
Restricted						
Anthem stock proceeds	151,810	-	151,810	-	-	-
Blue Ridge Post book fund	14,513	-	14,513	-	-	-
Veterans memorial fund	15,627	-	15,627	-	-	-
Cafeteria operations	-	-	-	213,054	-	-
Unrestricted	372,237	402,362	774,599	1,971,767	64,933	594,495
Total net position	$ 9,959,051	$ 3,438,677	$ 13,397,728	$ 7,080,973	$ 572,679	$ 594,495

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

Exhibit 2

City of Galax, Virginia
Statement of Activities
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units: School Board	Component Units: Galax Futures	Component Units: IDA
PRIMARY GOVERNMENT:										
Governmental activities:										
General government administration	$ 1,552,436	$ 19,129	$ 84,498	$ -	$ (1,448,809)	$ -	$ (1,448,809)	$ -	$ -	$ -
Judicial administration	601,213	112,962	-	-	(488,251)	-	(488,251)	-	-	-
Public safety	2,990,921	45,106	773,429	19,599	(2,152,787)	-	(2,152,787)	-	-	-
Public works	2,594,079	372,634	1,728,839	-	(492,606)	-	(492,606)	-	-	-
Health and welfare	1,423,738	-	1,036,070	-	(387,668)	-	(387,668)	-	-	-
Education	3,879,492	-	-	-	(3,879,492)	-	(3,879,492)	-	-	-
Parks, recreation, and cultural	2,016,590	334,095	5,000	-	(1,677,495)	-	(1,677,495)	-	-	-
Community development	728,676	-	307,892	625,656	204,872	-	204,872	-	-	-
Interest on long-term debt	157,580	-	-	-	(157,580)	-	(157,580)	-	-	-
Total governmental activities	$ 15,944,725	$ 883,926	$ 3,935,728	$ 645,255	$ (10,479,816)	$ -	$ (10,479,816)	$ -	$ -	$ -
Business-type activities:										
Water and sewer	$ 2,949,673	$ 2,527,371	$ -	$ 49,464	$ -	$ (372,838)	$ (372,838)	$ -	$ -	$ -
Total primary government	$ 18,894,398	$ 3,411,297	$ 3,935,728	$ 694,719	$ (10,479,816)	$ (372,838)	$ (10,852,654)	$ -	$ -	$ -
COMPONENT UNITS:										
School Board	$ 13,704,239	$ 378,540	$ 9,294,290	$ -	$ -	$ -	$ -	$ (4,031,409)	$ -	$ -
Galax Futures, Inc.	57,585	60,000	-	-	-	-	-	-	2,415	-
Industrial Development Authority	58,498	-	-	-	-	-	-	-	-	(58,498)
Total component units	$ 13,820,322	$ 438,540	$ 9,294,290	$ -	$ -	$ -	$ -	$ (4,031,409)	$ 2,415	$ (58,498)
General revenues:										
General property taxes					$ 4,890,742	$ -	$ 4,890,742	$ -	$ -	$ -
Other local taxes:										
Local sales and use taxes					2,090,756	-	2,090,756	-	-	-
Consumers' utility taxes					179,805	-	179,805	-	-	-
Business license taxes					1,027,248	-	1,027,248	-	-	-
Motor vehicle taxes					114,519	-	114,519	-	-	-
Restaurant food taxes					1,832,757	-	1,832,757	-	-	-
Lodging taxes					135,022	-	135,022	-	-	-
Bank stock taxes					127,136	-	127,136	-	-	-
Other local taxes					64,611	-	64,611	-	-	-
Unrestricted revenues from the use of money and property					39,350	-	39,350	450		33,115
Miscellaneous					93,493	-	93,493	36,686	-	-
Grants and contributions not restricted to specific programs					505,750	-	505,750	3,609,319	-	-
Transfers					(554)	554	-	-	-	-
Total general revenues and transfers					$ 11,100,635	$ 554	$ 11,101,189	$ 3,646,455	$ -	$ 33,115
Change in net position					$ 620,819	$ (372,284)	$ 248,535	$ (384,954)	$ 2,415	$ (25,383)
Net position - beginning, as restated					9,338,232	3,810,961	13,149,193	7,465,927	570,264	619,878
Net position - ending					$ 9,959,051	$ 3,438,677	$ 13,397,728	$ 7,080,973	$ 572,679	$ 594,495

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

Exhibit 3

City of Galax, Virginia
Balance Sheet
Governmental Funds
June 30, 2014

		General
ASSETS		
Cash and cash equivalents	$	1,319,691
Receivables (net of allowance for uncollectibles):		
Taxes receivable		641,701
Accounts receivable		436,285
Due from other governmental units		973,028
Loan receivable		59,862
Prepaid items		8,024
Total assets	$	3,438,591
LIABILITIES		
Accounts payable	$	254,020
Wages and withholdings payable		179,303
Due to other governments		533,849
Due to component unit		639,093
Total liabilities	$	1,606,265
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue-property taxes	$	318,494
Unavailable revenue-meals taxes		42,877
Property taxes paid in advance		6,344
Total deferred inflows of resources	$	367,715
Fund balance:		
Nonspendable		
Prepaid items	$	8,024
Loans receivable		59,862
Restricted		181,950
Committed		171,833
Assigned		120,829
Unassigned		922,113
Total fund balances	$	1,464,611
Total liabilities, deferred inflows of resources, and fund balance	$	3,438,591

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

City of Galax, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2014

Amounts reported for governmental activities in the statement of net position are different because:		
Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		$ 1,464,611
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	$ 1,786,536	
Buildings and improvements	11,006,135	
Infrastructure	1,216,582	
Machinery and equipment	1,559,862	
Construction in progress	481,804	16,050,919
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. The assets consist of unavailable taxes.		
Unavailable revenue		361,371
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds, notes, and loans	$ (6,690,956)	
Less: Unamortized charge on advance refunding	44,901	
Accrued interest payable	(85,730)	
Accrued landfill closure/postclosure monitoring liability	(656,980)	
Compensated absences	(383,043)	
Net OPEB obligation	(146,042)	(7,917,850)
Net position of governmental activities		$ 9,959,051

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

Exhibit 5

City of Galax, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	General
REVENUES	
General property taxes	$ 4,817,729
Other local taxes	5,574,405
Permits, privilege fees, and regulatory licenses	18,839
Fines and forfeitures	112,962
Revenue from the use of money and property	39,350
Charges for services	752,125
Miscellaneous	93,493
Recovered costs	213,725
Intergovernmental:	
Commonwealth	3,764,774
Federal	1,321,959
Total revenues	$ 16,709,361
EXPENDITURES	
Current:	
General government administration	$ 1,379,004
Judicial administration	601,213
Public safety	2,985,642
Public works	2,562,375
Health and welfare	1,418,426
Education	3,622,039
Parks, recreation, and cultural	1,884,408
Community development	616,302
Nondepartmental	253,793
Capital projects	676,722
Debt service:	
Principal retirement	607,493
Interest and other fiscal charges	167,842
Total expenditures	$ 16,775,259
Excess (deficiency) of revenues over (under) expenditures	$ (65,898)
Net change in fund balances	$ (65,898)
Fund balances - beginning	1,530,509
Fund balances - ending	$ 1,464,611

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

Exhibit 6

City of Galax, 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, 2014

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds		$ (65,898)
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 capital outlays exceeded the depreciation in the current period.		
Capital outlays	$ 858,951	
Depreciation expense	(803,606)	55,345
The net effect of various miscellaneous transactions involving capital assets (I.e., sales, trade-ins, and donations) is to increase net position.		(60,324)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		70,462
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:		
(Increase) Decrease in accrued landfill closure/postclosure liability	$ 24,805	
Principal repayments:		
Bonds, notes, loans and lease purchase agreements	607,493	632,298
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	$ 2,584	
Decrease (increase) in accrued interest payable	10,262	
(Increase) decrease in net OPEB obligation	(23,910)	(11,064)
Change in net position of governmental activities		$ 620,819

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

Exhibit 7

City of Galax, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2014

	Enterprise Fund Water and Sewer
ASSETS	
Current assets:	
Cash and cash equivalents - restricted	$ 47,796
Accounts receivable (net of allowance for uncollectibles)	619,255
Due from other governmental units	10,002
Prepaid items	2,200
Total current assets	$ 679,253
Noncurrent assets:	
Capital assets:	
Land	$ 149,374
Utility plant in service	17,910,701
Machinery and equipment	531,375
Buildings and improvements	1,823,395
Construction in progress	128,357
Accumulated depreciation	(15,727,340)
Total net capital assets	$ 4,815,862
Total noncurrent assets	$ 4,815,862
Total assets	$ 5,495,115
LIABILITIES	
Current liabilities:	
Accounts payable	$ 50,857
Accrued payroll and related liabilities	40,545
Customers' deposits	64,196
Accrued interest payable	2,614
Compensated absences - current portion	75,123
Bonds payable - current portion	192,500
Total current liabilities	$ 425,835
Noncurrent liabilities:	
Compensated absences - net of current portion	$ 18,781
Bonds payable - net of current portion	1,587,047
Net OPEB Obligation	24,775
Total noncurrent liabilities	$ 1,630,603
Total liabilities	$ 2,056,438
Net Position	
Net investment in capital assets	$ 3,036,315
Unrestricted	402,362
Total net position	$ 3,438,677

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

Exhibit 8

City of Galax, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2014

	Enterprise Fund Water and Sewer
OPERATING REVENUES	
Charges for services:	
Water revenues pledged as security for revenue bonds	$ 1,207,585
Sewer revenues pledged as security for revenue bonds	1,231,536
Tap fees	7,000
Penalties and interest	15,585
Other revenue	65,665
Total operating revenues	$ 2,527,371
OPERATING EXPENSES	
Personnel services	$ 1,418,086
Utilities and telecommunication	314,647
Materials and supplies	261,534
Repairs and maintenance	201,663
Contractual services	43,015
Depreciation	697,902
Total operating expenses	$ 2,936,847
Operating income (loss)	$ (409,476)
NONOPERATING REVENUES (EXPENSES)	
Interest expense	$ (12,826)
Total nonoperating revenues (expenses)	$ (12,826)
Income before contributions and transfers	$ (422,302)
Capital contributions and construction grants	$ 49,464
Transfers in	554
Change in net position	$ (372,284)
Total net position - beginning, as restated	3,810,961
Total net position - ending	$ 3,438,677

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

Exhibit 9

City of Galax, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014

		Enterprise Fund Water and Sewer
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	$	2,529,832
Payments to suppliers		(839,480)
Payments to employees		(1,402,620)
Net cash provided by (used for) operating activities	$	287,732
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to utility plant	$	(168,000)
Principal payments on bonds		(187,500)
Contributions in aid of construction		69,462
Interest expense		(15,062)
Net cash provided by (used for) capital and related financing activities	$	(301,100)
Net increase (decrease) in cash and cash equivalents	$	(13,368)
Cash and cash equivalents - beginning (including restricted of $61,164)		61,164
Cash and cash equivalents - ending (including restricted of $47,796)	$	47,796
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	$	(409,476)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	$	697,902
(Increase) decrease in accounts receivable		(571)
(Increase) decrease in prepaid items		(2,200)
Increase (decrease) in customer deposits		3,032
Increase (decrease) in accrued payroll and related liabilities		5,915
Increase (decrease) in accounts payable		(16,421)
Increase (decrease) in compensated absences		5,191
Increase (decrease) in net OPEB obligation		4,360
Total adjustments	$	697,208
Net cash provided by (used for) operating activities	$	287,732

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

Exhibit 10

City of Galax, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Agency Funds Special Welfare
ASSETS	
Cash and cash equivalents	$ 25,878
Total assets	$ 25,878
LIABILITIES	
Amounts held for social services clients	$ 25,878
Total liabilities	$ 25,878

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

Note 1-Summary of Significant Accounting Policies:

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

A. Financial Reporting Entity

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

Blended component units - None

Discretely Presented Component Units - The component unit columns in the financial statements include the financial data of the City's discretely presented component units.

The Galax City School Board operates the elementary and secondary public schools in the City. School Board members are appointed by City Council. The School Board is fiscally dependent upon the City because the City approves all debt issuances of the School Board and provides significant funding to operate the public schools since the School Board does not have separate taxing powers. The School Board is presented as a governmental fund type. The School Board does not issue separate financial statements.

The Galax City Industrial Development Authority (IDA) encourages and provides financing for industrial development in the City. The Industrial Development Authority directors are appointed by the City Council. The Industrial Development Authority is fiscally dependent upon the City because the City provides significant funding and approves all debt issuances. In addition, the IDA does not have separate taxing powers. The Industrial Development Authority is authorized to acquire, own, lease, and dispose of properties to the extent that such activities foster and stimulate industrial development. The Industrial Development Authority is presented as an enterprise fund type and does not issue separate financial statements.

Galax Futures Inc. is a non-profit corporation that was organized to take, hold and transfer title to real estate and other property, for purposes of industrial and economic development in the Galax Community. The Board of Galax Futures Inc. is self-perpetuating and is comprised of current City Council members and management of the City of Galax. Under GASB Statements 14 and 61, Galax Futures is considered a "controlled organization" and therefore is reported as a component unit of the City of Galax, Virginia. The financial statements of Galax Futures Inc. include subsidiaries owned (controlled) by Galax Futures Inc. Galax Futures Inc. is presented as an enterprise fund type and does not issue separate financial statements.

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

A. Financial Reporting Entity (Continued)

Jointly Governed Organizations – The following entities are excluded from the accompanying financial statements:

The Galax-Carroll Regional Library was created by the City and the County of Carroll. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. The City contributed $226,716 to the Library for the current year. The City provides accounting services (payroll services) for this organization.

The City, in conjunction with the Counties of Carroll and Grayson, participates in supporting the Twin County E-911 Commission. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. The City contributed $95,070 to the Commission for the current year. The City provides accounting services (payroll services) for this organization.

The City and the County of Grayson participate in supporting the Galax-Grayson Ambulance Service. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. The organization's activities are primarily supported by user charges; however the City provided a contribution of $56,568 during the fiscal year. The City provides accounting services (payroll services) for this organization.

The City and the Counties of Carroll and Grayson participate in the Regional Solid Waste Authority. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. Each jurisdiction provides collection of solid waste and recyclables from within its jurisdiction and delivers the collected materials to the Waste Authority. Operations are financed by tipping fees and the individual jurisdictions are required to fund any annual deficit(s). The City paid $100,547 in tipping fees during the current year.

The City and the Counties of Carroll and Grayson participate in The Wired Road Authority. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. The primary purpose of the Authority is to develop and construct broadband infrastructure in the participating localities and then lease that infrastructure to third parties. The organization's activities are to be primarily supported by lease revenue.

The City and Counties of Carroll and Grayson participate in The Twin County Airport Commission. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. The Commission is charged with operating the Twin County Regional Airport. During the current year the City contributed $30,500 to the Commission. The City has also entered into an agreement with The Twin County Airport Commission to be responsible for a one-third share of their debt service for hangar construction. The commitment could be reduced based on potential revenue from hangar rentals.

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

A. Financial Reporting Entity (Continued)

Blue Ridge Crossroads Economic Development Authority (BRCEDA) is the regional industrial facilities authority that represents the Counties of Galax, Carroll, and Grayson. Each jurisdiction appoints two members and an alternate member. A moral obligation for debt service is currently in place for a regional project known as Wildwood. Contributions to BRCEDA during the current year were $152,189. It is the hope of BRCEDA that this park project will be a catalyst for economic development in the region.

B. Government-wide and fund financial statements

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

The statement of net position is designed to display the financial position of the primary government (government and business-type activities) and its discretely presented component units. Governments will report all capital assets in the government-wide statement of net position and will report depreciation expense – the cost of "using up" capital assets – in the Statement of Activities. The net position of a government will be broken down into three categories – 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

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

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

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, which the exception of agency funds (discussed below). 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.

Agency funds use the accrual basis of accounting, but have no measurement focus as they do not report equity.

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

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

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

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 government reports the following major governmental fund:

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

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

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

The government reports the following major proprietary funds:

The *Water and Sewer* Fund accounts for the activities of the City's water and sewer system, which includes water distribution and sewage collections systems throughout the City.

Additionally, the government reports the following fund types:

Fiduciary funds account for and report assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds include *Special Welfare.*

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund are charges to customers for sales and services. The City 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 expense, 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

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

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

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

2. Prepaid items

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

3. Receivables and payables

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

4. Capital assets

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

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend 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 fiscal year.

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

Assets	Years
Infrastructure	20-50
Buildings and improvements	20-40
Machinery and equipment	4-15

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

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

5. 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 City only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position.

A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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 City has one type of item that qualifies 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 and prepaid taxes and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, the City's deferred inflows of resources at June 30 consist of $6,344 in prepaid taxes.

6. Property Taxes

Property is assessed at its value on January 1. Real estate taxes are payable on December 5th. Personal property taxes are due and collectible annually on December 5th. Liens may be placed on property taxes that are uncollected after the due date, December 5th. The City bills and collects its own property taxes.

7. Allowance for Uncollectible Accounts

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately $663,363 at June 30, 2014. The allowance consists of delinquent taxes in the amount of $482,636; delinquent meals tax of $75,021; and delinquent water, sewer, and garbage bills of $105,706.

8. Use of Estimates

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

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

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

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. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Position. In accordance with the provisions of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement.

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 straight line 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, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

11. Fund equity

The City reports funds in accordance with GASB Statement No. 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;

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

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

11. Fund equity (Continued)

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 City's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

12. Net position flow assumption

Sometimes the City 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 City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

13. 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.

14. Restricted Assets

Restricted assets consist of cash and cash equivalents that are legally restricted for use by enabling state legislation.

15. Inventories

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when purchased.

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

1. Prior to March 30, the City Manager submits to the City 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 following funds have legally adopted budgets: General Fund, Enterprise Fund and the School Operating Fund

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 fund level. Only the City Council can revise the appropriation for each fund. The City Manager is authorized to transfer budgeted amounts within general government functions; however, the School Board is authorized to transfer budgeted amounts within the school fund.

5. Formal budgetary integration is employed as a management control device during the year for the General Fund. The School Fund is integrated only at the level of legal adoption.

6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

7. Appropriations lapse on June 30 for all City units.

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 City's accounting system.

B. Excess of expenditures over appropriations

Expenditures did not exceed appropriations in any funds.

C. Deficit fund equity

At June 30, 2014, there were no funds with negative 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).

Interest Rate Risk

At year end, the City did not hold any investments that were subject to interest rate risk.

Custodial Credit Risk

At year end, the City was not exposed to any custodial credit risk for deposits or investments. The City limits deposits to those banks fully collateralized under the Commonwealth's Security for Public Deposits Act. The City policy in regards to investments requires that all investments be held in the City's name.

Credit Risk of Debt Securities

The City's rated debt investments as of June 30, 2014 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

City's Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings	
	AAAm	
LGIP	$	1,276

External Investment Pools

The fair value of the positions in the external investment pool (Local Government Investment Pool (LGIP)) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pools rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

Note 4-Due from Other Governmental Units:

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

	Primary Government	Component Unit-School Board
Due from other local government agencies	$ 10,002	$ 20,685
Commonwealth of Virginia:		
Local sales tax	366,804	-
Categorical aid-State sales tax	-	184,789
Categorical aid-Other	341,689	128,000
Non-categorical aid	58,905	-
Categorical aid-Virginia Public Assistance	24,873	-
Categorical aid-Comprehensive Services Act	18,553	-
Federal Government:		
Categorical aid-Virginia Public Assistance	39,254	-
Categorical aid-Other	122,950	251,204
Totals	$ 983,030	$ 584,678

Note 5-Interfund/Component-Unit Obligations:

Fund	Due to Primary Government/ Component Unit	Due from Primary Government/ Component Unit
Primary Government:		
General Fund	$ 639,093	$ -
Component Unit - School Board:		
School Fund	$ -	$ 639,093
Totals	$ -	$ 639,093

At year end, the City's general fund carries a liability to the Component-Unit School Board for funds due the School Board under the City's appropriation resolution(s).

Primary government contributions to component units for the year ended June 30, 2014, consisted of payments to School Board of $3,609,319.

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. During the fiscal year, the City (Governmental type activities) transferred an asset with a net book value of $554 to the Water and Sewer Fund.

Note 6-Long-Term Obligations:

Primary Government - Governmental Activities Obligations:

The following is a summary of long-term obligation transactions of the City for the year ended June 30, 2014.

	Balance July 1, 2013	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2014
General Obligation Bonds	$ 2,136,000	$ -	$ (120,250)	$ 2,015,750
Notes Payable	222,267	-	(83,682)	138,585
Literary Fund Loans	4,917,722	-	(381,101)	4,536,621
Capital lease	22,460	-	(22,460)	-
Landfill closure/postclosure liability	681,785	-	(24,805)	656,980
Compensated absences	385,627	286,636	(289,220)	383,043
Net OPEB obligation	122,132	29,943	(5,621)	146,454
Total	$ 8,487,993	$ 316,579	$ (927,139)	$ 7,877,433

For governmental activities, compensated absences and the landfill closure/postclosure liability are generally liquidated in the General Fund.

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

Year Ending	General Obligation Bonds		Notes Payable		Literary Fund Loans	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2015	$ 127,500	$ 43,208	$ 87,001	$ 4,945	$ 381,101	$ 98,599
2016	130,000	40,681	51,584	1,571	381,101	89,666
2017	132,500	38,102	-	-	381,101	80,733
2018	135,000	35,472	-	-	381,101	71,800
2019	137,750	32,792	-	-	381,101	62,867
2020-2024	512,750	126,043	-	-	1,381,116	203,933
2025-2029	418,250	77,068	-	-	1,250,000	75,000
2030-2034	422,000	25,207	-	-	-	-
Totals	$ 2,015,750	$ 418,573	$ 138,585	$ 6,516	$ 4,536,621	$ 682,598

Note 6-Long-Term Obligations: (Continued)

Primary Government - Governmental Activities Obligations: (Continued)

Details of long-term obligations:

Type/ Project	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
General Obligation Bonds:						
VML/VACO Loan	2.35%	December-12	2034	$ 2,136,000	$ 2,015,750	$ 127,500
Notes Payable:						
Garbage Truck Loan	3.00%	June-12	2015	200,000	101,500	49,916
Fire Truck Loan	5.00%	May-05	2015	300,000	37,085	37,085
Total Notes Payable					$ 138,585	$ 87,001
Literary Fund Loans:						
State Literacy Loan	3.00%	April-98	2019	2,622,035	$ 786,621	$ 131,101
State Literacy Loan	2.00%	May-08	2028	5,000,000	3,750,000	250,000
Total Literary Fund Loans					$ 4,536,621	$ 381,101
Other Obligations:						
Landfill closure/post-closure liability	n/a	n/a	n/a	n/a	656,980	-
Compensated Absences	n/a	n/a	n/a	n/a	383,043	287,282
Net OPEB Obligation	n/a	n/a	n/a	n/a	146,042	-
Total Other Obligations					$ 1,186,065	$ 287,282
Total Long-term obligations					$ 7,877,021	$ 882,884

Note 6-Long-Term Obligations: (Continued)

Primary Government – Business-type Activities Obligations:

The following is a summary of long-term obligations transactions of the Enterprise Fund for the year ended June 30, 2014.

	Balance July 1, 2013	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2014
Revenue bonds	$ 1,965,000	$ -	$ (187,500)	$ 1,777,500
Umamortized bond premium	3,131	-	(1,084)	2,047
Compensated absences	88,713	76,161	(70,970)	93,904
Net OPEB Obligation	20,415	4,888	(940)	24,363
Total	$ 2,077,259	$ 81,049	$ (260,494)	$ 1,897,814

For business-type activities, compensated absences are generally liquidated in the Proprietary Fund. Annual requirements to amortize long-term obligations and the related interest are as follows:

Year Ending June 30,	Revenue Bonds Principal	Interest
2015	$ 192,500	$ 10,455
2016	197,500	5,355
2017	92,500	-
2018	92,500	-
2019	92,500	-
2020-2024	462,500	-
2025-2029	462,500	-
2030-2031	185,000	-
Totals	$ 1,777,500	$ 15,810

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Note 6-Long-Term Obligations: (Continued)

Primary Government – Business-type Activities Obligations: (Continued)

Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Business-type Activities	Amount Due Within One Year
Revenue Bonds:						
VRA Bond	0.00%	December-09	2031	$ 1,850,000	$ 1,572,500	$ 92,500
VRA Bond	4.35-5.10%	June-01	2016	1,125,000	205,000	100,000
Total Revenue Bonds					$ 1,777,500	$ 192,500
Add:						
Unamortized premium	n/a	n/a	n/a	n/a	2,047	-
Net Revenue Bonds					$ 1,779,547	$ 192,500
Other Obligations:						
Compensated Absences	n/a	n/a	n/a	n/a	93,904	75,123
Net OBEP Obligation	n/a	n/a	n/a	n/a	24,775	-
Total Long-term obligations					$ 1,898,226	$ 267,623

Note 7-Long-Term Obligations-Component Units:

Discretely Presented Component Unit – School Board Obligations:

The following is a summary of long-term obligations transactions of the Component Unit-School Board for the year ended June 30, 2014.

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Net OPEB obligation	$ 146,192	$ 47,920	$ (21,046)	$ 173,066
Compensated absences	173,732	151,929	(138,986)	186,675
Total	$ 319,924	$ 199,849	$ (160,032)	$ 359,741

Note 7-Long-Term Obligations-Component Units: (Continued)

Discretely Presented Component Unit – School Board Obligations: (Continued)

Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Other Obligations:						
Net OPEB Obligation	n/a	n/a	n/a	n/a	$ 173,066	$ -
Compensated Absences	n/a	n/a	n/a	n/a	186,675	149,340
Total long-term obligations					$ 359,741	$ 149,340

Compensated absences and OPEB obligation of the Component Unit - School Board are liquidated by the School Operating Fund.

Discretely Presented Component Unit – Galax Futures, Inc.:

The following is a summary of long-term obligations transactions of the Component Unit- Galax Futures, Inc. for the year ended June 30, 2014.

	Balance July 1, 2013	Issuances	Retirements	Balance June 30, 2014
Loan payable	$ 565,407	$ -	$ (25,127)	$ 540,280
Total	$ 565,407	$ -	$ (25,127)	$ 540,280

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

Year Ending June 30,	Loan Payable Principal	Loan Payable Interest
2015	$ 540,280	$ 21,217

Note 7-Long-Term Obligations-Component Units: (Continued)

Discretely Presented Component Unit – Galax Futures, Inc.: (Continued)

Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Business-type Activities	Amount Due Within One Year
Loan Payable:						
Loan payable to the IDA	6%	12/1/2009	3/1/2015	754,929	$ 540,280	$ 540,280
Total loan payable					$ 540,280	$ 540,280

The loan above is payable to the Component Unit – IDA and is reported as an asset of the IDA.

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Note 8-Pension Plan:

A. Plan Description

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

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

Within the VRS Plan, the System administers three different benefit plans for local government employees – Plan 1, Plan 2, and, Hybrid. Each plan has different eligibility and benefit structures as set out below:

VRS – PLAN 1

1. **Plan Overview** - VRS 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 VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

2. **Eligible Members** - Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

3. **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.

   The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.

   If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

   Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

Note 8-Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 1 (Continued)

4. **Retirement Contributions** - Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

5. **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.

6. **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.

   Members are always 100% vested in the contributions that they make.

7. **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.

   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.

8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

9. **Service Retirement Multiplier** - 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 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.

10. **Normal Retirement Age -** Age 65.

Note 8-Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 1 (Continued)

11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

    Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

13. **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%.

14. **Eligibility -** 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.

    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.

15. **Exceptions to COLA Effective Dates** - The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

    - The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
    - The member retires on disability.
    - The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
    - The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
    - The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

Note 8-Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 1 (Continued)

16. **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.

    Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

    VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. **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.

VRS – PLAN 2

1. **Plan Overview** - VRS 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 VRS 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.

2. **Eligible Members** - Employees are in VRS 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.

3. **Hybrid Opt-In Election** - VRS 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.

    The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.

    If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

    Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

Note 8-Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 2 (Continued)

4. **Retirement Contributions** – Same as VRS Plan 1–Refer to Section 4.

5. **Creditable Service** – Same as VRS Plan 1– Refer to Section 5.

6. **Vesting** – Same as VRS Plan 1–Refer to Section 6.

7. **Calculating the Benefit** – Same as VRS Plan 1–Refer to Section 7.

8. **Average Final Compensation -** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

9. **Service Retirement Multiplier -** Same as Plan1 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.

10. **Normal Retirement Age -** Normal Social Security retirement age.

11. **Earliest Unreduced Retirement Eligibility -** Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

    Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

12. **Earliest Reduced Retirement Eligibility -** Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

13. **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%.

14. **Eligibility** – Same as VRS Plan 1–Refer to Section 14.

15. **Exceptions to COLA Effective Dates** – Same as VRS Plan 1–Refer to Section 15.

Note 8-Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 2 (Continued)

16. **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.

    Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

    VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. **Purchase of Prior Service** – Same as VRS Plan 1–Refer to Section 17.

HYBRID RETIREMENT PLAN

1. **Plan Overview** - 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 VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members")

    - 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.

    - 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.

Note 8-Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (Continued)

2. **Eligible Members** - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

   - State employees*
   - School division employees
   - Political subdivision employees*
   - Judges appointed or elected to an original term on or after January 1, 2014
   - Members in VRS Plan 1 or VRS 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

3. ***Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

   - Members of the State Police Officers' Retirement System (SPORS)
   - Members of the Virginia Law Officers' Retirement System (VaLORS)
   - Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

   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 VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

4. **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.

Note 8-Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (Continued)

5. Creditable Service

Defined Benefit Component - 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.

Defined Contribution Component - Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

6. Vesting

Defined Benefit Component - 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. VRS Plan 1 or VRS 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.

Defined Contribution Component - 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.

Members are always 100% vested in the contributions that they make.

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.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

Note 8-Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (Continued)

7. Calculating the Benefit

Defined Benefit Component – Same as VRS Plan 1–Refer to Section 7.

Defined Contribution Component - 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.

8. Average Final Compensation – Same as VRS Plan 2–Refer to Section 8. It is used in the retirement formula for the defined benefit component of the plan.

9. Service Retirement Multiplier - The retirement multiplier is 1.0%.

For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

10. Normal Retirement Age

Defined Benefit Component – Same as VRS Plan 2–Refer to Section 10.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

11. Earliest Unreduced Retirement Eligibility

Defined Benefit Component - Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

12. Earliest Reduced Retirement Eligibility

Defined Benefit Component - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Note 8-Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (Continued)

13. Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component – Same as VRS Plan 2–Refer to Section 13.

Defined Contribution Component – Not Applicable.

14. Eligibility – Same as VRS Plan 1 and VRS Plan 2–Refer to Section 14.

15. Exceptions to COLA Effective Dates – Same as VRS Plan 1 and VRS Plan 2–Refer to Section 15.

16. Disability Coverage - Eligible political subdivision and school division members (including VRS Plan 1 and VRS 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.

State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. Purchase of Prior Service

Defined Benefit Component - Same as VRS Plan 1 and VRS Plan 2–Refer to Section 17.

Defined Contribution Component – Not Applicable.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 8-Pension Plan: (Continued)

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. 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% member contribution. This could be phased in over a period 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. In addition, the City and School Board are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The City's and School Board's contribution rates for the fiscal year ended 2014 were 11.98% and 10.63% of annual covered payroll, respectively.

The School Board's contributions for professional employees were $785,908, $762,537 and $703,226 to the teacher cost-sharing pool for the fiscal years ended June 30, 2014, 2013 and 2012, respectively and these contributions represented 11.66%, 11.66%, and 6.33% for 2014, 2013 and 2012, respectively, of current covered payroll.

C. Annual Pension Cost

For fiscal year 2014, the City's annual pension cost of $699,177 and $58,718 was equal to the City's and School Board's required and actual contributions for the City and the School Board Non-Professionals, respectively.

Three-Year Trend Information

	Fiscal Year Ending	Annual Pension Cost (APC) [1]	Percentage of APC Contributed	Net Pension Obligation
Primary Government:				
City	6/30/2014	$ 699,177	100.00%	$ -
	6/30/2013	664,237	100.00%	-
	6/30/2012	706,046	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2014	$ 58,718	100.00%	$ -
	6/30/2013	59,223	100.00%	-
	6/30/2012	71,998	100.00%	-

[1] Employer portion only

Note 8-Pension Plan: (Continued)

C. Annual Pension Cost (Continued)

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the City's and School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The City's and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

D. Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the City's plan was 76.56% funded. The actuarial accrued liability for benefits was $24,158,934, and the actuarial value of assets was $18,495,788, resulting in an unfunded actuarial accrued liability (UAAL) of $5,663,146. The covered payroll (annual payroll of active employees covered by the plan) was $5,493,673 and ratio of the UAAL to the covered payroll was 103.08%.

As of June 30, 2013, the most recent actuarial valuation date, the School Board's plan was 72.09% funded. The actuarial accrued liability for benefits was $2,012,383, and the actuarial value of assets was $1,450,782, resulting in an unfunded actuarial accrued liability (UAAL) of $561,601. The covered payroll (annual payroll of active employees covered by the plan) was $562,103 and ratio of the UAAL to the covered payroll was 99.91%.

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

Note 9-Other Postemployment Benefits - City Health Insurance:

A. Plan Description

The City of Galax provides health care benefits for retired employees and their beneficiaries through a single-employer healthcare plan ("the Plan"). The Plan provides for participation by eligible retirees of the City in the health insurance programs available to City employees. The Plan will provide retiring employees the option to continue health insurance offered by the City. An eligible City retiree may receive this benefit until the retiree is eligible to receive Medicare. To be eligible for this benefit a retiree must have 15 years of service with the City. The benefits, employee contributions and the employer contributions are governed by the City and can be amended through City Council action. The Plan does not issue a publicly available financial report.

Note 9-Other Postemployment Benefits – City Health Insurance: (Continued)

B. Funding Policy

The City currently pays for post-retirement health care benefits on a pay-as-you-go basis. The City currently has 136 employees that are eligible for the program. In addition, for retirees of the City, 100 percent of premiums are the responsibility of the retiree. The rates (monthly premiums) were as follows at June 30, 2014:

Participants	Single	Employee/Spouse
Employee	$ 585	$ 1,187

C. Annual OPEB Cost and Net OPEB Obligation

The City is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

For 2014, the City's annual OPEB cost (expense) was $34,831 and the ARC was $37,826. The obligation calculation is as follows:

Annual required contribution	$ 37,826
Interest on net OPEB obligation	5,587
Adjustment to annual required contribution	(8,582)
Annual OPEB cost (expense)	$ 34,831
Contributions made	6,561
Increase in net OPEB obligation	$ 28,270
Net OPEB obligation - beginning of year	142,547
Net OPEB obligation - ending of year	$ 170,817

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	$ 34,831	19%	$ 170,817
6/30/2013	37,734	17%	142,547
6/30/2012	36,343	18%	111,375

Note 9-Other Postemployment Benefits – City Health Insurance: (Continued)

D. Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2012 (the most recent valuation date), was as follows:

Actuarial accrued liability (AAL)	$ 336,490
Actuarial value of plan assets	$ -
Unfunded actuarial accrued liability (UAAL)	$ 336,490
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	$ 4,549,428
UAAL as a percentage of covered payroll	7.40%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far in the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information, as it becomes available, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial methods and Assumptions

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

In the June 30, 2012, most recent actuarial valuation, the unit credit cost method was used. Under this method, stable employer contributions are produced in amounts that increase at the same rate as the employer's payroll. The actuarial assumptions included: discount rate at 4%, salary increases (inflation) of 2.5%/year and medical trend rate at 6.5%/year. The UAAL is being amortized as a level percentage over the remaining amortization period, which at June 30, 2012, was 30 years.

Note 10-Other Postemployment Benefits – School Board Health Insurance:

A. Plan Description

The Galax City School Board provides health care benefits for retired employees and their beneficiaries through a single-employer healthcare plan ("the Plan"). The Plan provides for participation by eligible retirees of the School Board in the health insurance programs available to School Board employees. The Plan will provide retiring employees the option to continue health insurance offered by the School Board. An eligible School Board retiree may receive this benefit until the retiree is eligible to receive Medicare. To be eligible for this benefit a retiree must have 10 years of service with the School Board. The benefits, employee contributions and the employer contributions are governed by the School Board and can be amended through School Board action. The Plan does not issue a publicly available financial report.

B. Funding Policy

The School Board currently pays for post-retirement health care benefits on a pay-as-you-go basis. The School Board currently has 191 employees that are eligible for the program. In addition, for retirees of the School Board, 100 percent of premiums are the responsibility of the retiree. The rates (monthly premiums) were as follows at June 30, 2014:

Participants	Single	Employee/Spouse
Employee	$ 611	$ 1,128

C. Annual OPEB Cost and Net OPEB Obligation

The School Board is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

For 2014, the School Board's annual OPEB cost (expense) was $47,920 and the ARC was $46,946. The obligation calculation is as follows:

Annual required contribution	$	46,946
Interest on net OPEB obligation		5,847
Adjustment to annual required contribution		(4,873)
Annual OPEB cost (expense)	$	47,920
Contributions made		21,046
Increase in net OPEB obligation	$	26,874
Net OPEB obligation - beginning of year		146,192
Net OPEB obligation - ending of year	$	173,066

Note 10-Other Postemployment Benefits – School Board Health Insurance: (Continued)

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

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	$ 47,920	44%	$ 173,066
6/30/2013	46,847	45%	146,192
6/30/2012	56,210	61%	120,391

D. Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2012 (the most recent valuation date), was as follows:

Actuarial accrued liability (AAL)	$ 435,711
Actuarial value of plan assets	$ -
Unfunded actuarial accrued liability (UAAL)	$ 435,711
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	$ 5,800,144
UAAL as a percentage of covered payroll	7.51%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far in the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information, as it becomes available, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Note 10-Other Postemployment Benefits – School Board Health Insurance: (Continued)

E. Actuarial methods and Assumptions

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

In the June 30, 2012, most recent actuarial valuation, the unit credit cost method was used. Under this method, stable employer contributions are produced in amounts that increase at the same rate as the employer's payroll. The actuarial assumptions included: discount rate at 4%, salary increases (inflation) of 2.5%/year and medical trend rate at 6.5%/year. The UAAL is being amortized as a level percentage over the remaining amortization period, which at June 30, 2012, was 30 years.

Note 11-Deferred Inflows of Resources:

Deferred inflows of resources 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. Deferred inflows are as follow:

	Balance Sheet Governmental Funds
Primary Government:	
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures.	$ 318,494
Property taxes received in advance of billings[1]	6,344
Deferred meals taxes representing uncollected meals tax	42,877
Total deferred (unearned) revenue	$ 367,715

[1]Property taxes paid on advance of an enforceable legal claim by the City are considered deferred inflows under the full and modified accrual basis of accounting and are treated accordingly in the statement of net position and balance sheet.

Note 12-Capital Assets:

Capital asset activity for the year ended June 30, 2014 was as follows:

Primary Government:

	Beginning Balance (As Restated)	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 1,786,536	$ -	$ -	$ 1,786,536
Construction in progress	405,440	483,327	(406,963)	481,804
Total capital assets not being depreciated	$ 2,191,976	$ 483,327	$ (406,963)	$ 2,268,340
Capital assets, being depreciated:				
Infrastructure	$ 1,299,195	$ 406,963	$ -	$ 1,706,158
Buildings and improvements	15,869,292	222,005	(63,100)	16,028,197
Machinery and equipment	4,941,360	153,619	(267,989)	4,826,990
Total capital assets being depreciated	$ 22,109,847	$ 782,587	$ (331,089)	$ 22,561,345
Accumulated depreciation:				
Infrastructure	$ (435,924)	$ (53,652)	$ -	$ (489,576)
Buildings and improvements	(4,529,302)	(502,290)	9,530	(5,022,062)
Machinery and equipment	(3,280,699)	(247,664)	261,235	(3,267,128)
Total accumulated depreciation	$ (8,245,925)	$ (803,606)	$ 270,765	$ (8,778,766)
Total capital assets being depreciated, net	$ 13,863,922	$ (21,019)	$ (60,324)	$ 13,782,579
Governmental activities capital assets, net	$ 16,055,898	$ 462,308	$ (467,287)	$ 16,050,919

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Note 12-Capital Assets: (Continued)

Primary Government: (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	$ 149,374	$ -	$ -	$ 149,374
Construction in progress	83,187	124,170	(79,000)	128,357
Total capital assets not being depreciated	$ 232,561	$ 124,170	$ (79,000)	$ 277,731
Capital assets, being depreciated:				
Infrastructure	$ 17,831,701	$ 79,000	$ -	$ 17,910,701
Building and improvements	1,797,083	26,312	-	1,823,395
Machinery and equipment	456,667	80,058	(5,350)	531,375
Total capital assets being depreciated	$ 20,085,451	$ 185,370	$ (5,350)	$ 20,265,471
Accumulated depreciation:				
Infrastructure	$ (14,433,332)	$ (534,180)	$ -	$ (14,967,512)
Building and improvements	(228,359)	(91,311)	-	(319,670)
Machinery and equipment	(311,111)	(134,397)	5,350	(440,158)
Total accumulated depreciation	$ (14,972,802)	$ (759,888)	$ 5,350	$ (15,727,340)
Total capital assets being depreciated, net	$ 5,112,649	$ (574,518)	$ -	$ 4,538,131
Business-type activities capital assets, net	$ 5,345,210	$ (450,348)	$ (79,000)	$ 4,815,862

Current year increases for assets and accumulated depreciation include the transfer of a truck at a value of $62,540 net of accumulated depreciation of $61,986 from Governmental activities.

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Note 12-Capital Assets: (Continued)

Primary Government: (Continued)

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

Governmental activities:	
General government administration	$ 19,684
Public safety	195,689
Public works	146,213
Health and welfare	815
Education	257,453
Parks, recreation, and culture	183,752
Total depreciation expense-governmental activities	$ 803,606
Business-type activities:	
Water and sewer	$ 697,902

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Note 12-Capital Assets: (Continued)

Capital asset activity for the School Board for the year ended June 30, 2014 was as follows:

Discretely Presented Component Unit – School Board:

	Beginning Balance (As Restated)	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 165,460	$ -	$ -	$ 165,460
Total capital assets not being depreciated	$ 165,460	$ -	$ -	$ 165,460
Capital assets, being depreciated:				
Buildings and improvements	$ 8,853,267	$ -	$ -	$ 8,853,267
Machinery and equipment	1,657,278	132,933	-	1,790,211
Total capital assets being depreciated	$ 10,510,545	$ 132,933	$ -	$ 10,643,478
Accumulated depreciation:				
Buildings and improvements	$ (4,448,353)	$ (187,182)	$ -	$ (4,635,535)
Machinery and equipment	(1,187,393)	(89,858)	-	(1,277,251)
Total accumulated depreciation	$ (5,635,746)	$ (277,040)	$ -	$ (5,912,786)
Total capital assets being depreciated, net	$ 4,874,799	$ (144,107)	$ -	$ 4,730,692
School Board capital assets, net	$ 5,040,259	$ (144,107)	$ -	$ 4,896,152

Note 13-Risk Management:

The City and its component unit – School Board are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters.

The City participates with other localities in a public entity risk pool for its coverage of workers compensation, crime coverage, boiler and machinery, property insurance, automobile coverage, general liability, and public official's liability insurance with the Virginia Municipal Group. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The City pays the Virginia Municipal Group contributions and assessments based upon classifications and rates 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 excess insurance, the pool may assess all members in the year in which such deficit occurs.

Note 13-Risk Management: (Continued)

The Component-unit School Board participates with other divisions in a public entity risk pool for its coverage of workers compensation, crime coverage, boiler and machinery, property insurance, automobile coverage, general liability, and public official's liability insurance with the Virginia School Board Association Property and Casualty Pool. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The School Board pays the Pool contributions and assessments based upon classifications and rates 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 excess insurance, the pool may assess all members in the year in which such deficit occurs.

The City and its component unit – School Board continue to carry commercial insurance for all other risk of loss. Settle claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 14-Contingent Liabilities:

Federal programs in which the City and its component units participate were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

Note 15-Landfill Closure and Post-closure Care Cost:

The City closed its former landfill site in 1994. In accordance with federal and state laws, the City placed a final cover on this site and was required to perform certain maintenance and monitoring functions for a minimum of ten years after closure.

The presence of certain contaminants has been detected in the groundwater, which thereby extends the monitoring period in excess of the initial requirement. The estimated liability is based on the Virginia Department of Environmental Quality (DEQ) accepting the active remedy proposed by the City as discussed below. If the DEQ does not accept the active remedy, the actual costs may increase. Also, actual costs may be higher due to inflation, changes in technology, changes in regulations, or other unforeseen circumstances. The cumulative amount of estimated postclosure care and corrective costs to date for this site, less cash paid for such costs to date, totals $656,980. This amount is included in the long-term liabilities in the primary government.

The City's current plan of remediation is monitored natural attenuation. This remedy consists of monitoring wells on the site for what is expected to be approximately thirty years beginning in the year 2010. It is the City and its external engineer's belief that during thirty years, the groundwater contaminants will decrease to an acceptable level and the City will be released by the DEQ from all other monitoring requirements.

The City uses the financial test method of demonstrating assurance for postclosure care and corrective action costs.

Note 15-Landfill Closure and Post-closure Care Cost: (Continued)

The City demonstrated financial assurance requirements for closure, post-closure care, and corrective action costs through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VA C20-70 of the Virginia Administrative Code.

Note 16-Commitments and Contingencies:

Construction Commitments

The City was involved in several construction projects during the fiscal year, as presented below:

Project	Contract Amount	Contract Amount Outstanding at June 30, 2014
Shaw Street Storm Drainage Improvements Project	$ 1,572,063	$ 1,572,063
Bottom Area Project	56,400	9,015
Shaw Street Storm Drainage Improvements Project	147,500	87,930
Bottom Area Housing Rehab -James Unit A	25,000	12,500
Bottom Area Housing Rehab -James Unit B	29,500	14,750
Bottom Area Housing Rehab - Sanchez	53,000	53,000
Safe Routes to School-Final Design Phase	32,000	12,800
Safe Routes to School-Phase 2	3,200	1,600
Chestnut Creek Woodworking Studio	44,790	18,440

Wired Road Authority

During 2009, the Wired Road Authority entered a lease agreement and received a loan in the amount of $260,000 to complete a broadband infrastructure project. The Authority is responsible for the debt service on the lease. The City has a non-binding commitment to make the debt service payments for the Authority. The balance remaining on the lease at the end of the year is $141,931.

Shared Service Fees

The City shares services with Carroll County and Grayson County for costs incurred for the localities courts and sheriff offices. Due to the nature of these services the final amount due to each County is not known until after the financial statement audit has been completed. It is management's policy to record a liability and expenditure during the current period that is equal to the amount paid during the prior year to account for unbilled shared service fees. Any difference caused during the true-up after year end is recorded in the year the bill is paid. During the current year, the shared service liability due to Carroll County and Grayson County is estimated at $533,849. The true-up amount recorded during the current year for 2014 actual cost was $27,399.

Note 17-Subsequent Events:

Subsequent to year end, the City issued $1,414,000 in general obligation bonds for the construction of an addition to the City's Police Department.

Note 18-New Accounting Standards:

The Governmental Accounting Standards Board (GASB) has issued Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 will require governments with defined benefit pension plans to disclose a "net pension liability" on their balance sheets. That liability equals the difference between the total pension liability and the value of assets set aside in a pension plan to pay benefits. The statement calls for immediate recognition of more pension expense than is currently required. This includes immediate recognition of annual service cost and interest on the pension liability, plus the effect of changes in benefit terms on the net pension liability. These standards will be effective for fiscal years ending June 30, 2014 (67) and June 30, 2015 (68). The City believes the implementation of Statement No. 68 will significantly impact the City and Component Unit School Board's net position; however no formal study or estimate of the impact of this standard has been performed.

Note 19-Restatement of Beginning Net Position:

Beginning net position/ has been restated for the current fiscal year as detailed below:

	Governmental Activities	Business-type Activities Water/Sewer Fund	Component-unit School Board
Ending net position, as previously reported	$ 12,556,798	$ 3,687,640	$ 4,222,431
Asset transferred from City to the School Board	(3,243,496)	-	3,243,496
Additional capital assets	24,930	123,321	-
Ending net position, as restated	$ 9,338,232	$ 3,810,961	$ 7,465,927

The City reports debt-financed assets used by the School Board as City assets until the associated debt is retired by the City. In 2009, the School Board used debt proceeds from the City together with existing resources for school renovations. The first adjustment above is necessary to transfer the non-debt financed portion of the project(s) to the School Board. The City performed a detailed review and real estate holdings and identified certain unrecorded parcels in 2014. The second adjustment above is to record previously unrecorded real estate assets of the City.

Note 19-Restricted and Committed Funds and Restricted Net Position:

Governmental Activities/Funds:	General Fund	Component Unit School Fund
Restricted:		
Anthem stock proceeds	$ 151,810	$ -
Blue Ridge Post book fund	14,513	-
Veterans' Memorial fund	15,627	-
Cafeteria funds	-	213,054
Total restricted balances	$ 181,950	$ 213,054
Governmental Funds:		
Committed funds:		
Police narcotics	$ 4,528	$ -
Police DARE	32,946	-
Museum	13,495	-
Fire Department grants	19,282	-
Bottom Area Housing revolving loan fund	1,648	-
North Central revolving loan fund	99,934	-
Total committed funds	$ 171,833	$ -
Governmental Funds:		
Assigned funds		
Budget appropriations - financial software	$ 78,000	$ -
Budget appropriations - police car	50,829	-
Total assigned funds	$ 128,829	$ -

Required Supplementary Information

Exhibit 11

City of Galax, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	$ 4,666,500	$ 4,666,500	$ 4,817,729	$ 151,229
Other local taxes	5,638,800	5,638,800	5,574,405	(64,395)
Permits, privilege fees, and regulatory licenses	20,500	20,500	18,839	(1,661)
Fines and forfeitures	151,000	151,000	112,962	(38,038)
Revenue from the use of money and property	40,750	40,750	39,350	(1,400)
Charges for services	797,400	797,400	752,125	(45,275)
Miscellaneous	75,000	75,000	93,493	18,493
Recovered costs	293,859	293,859	213,725	(80,134)
Intergovernmental:				
Commonwealth	4,096,960	4,183,960	3,764,774	(419,186)
Federal	1,834,225	1,841,725	1,321,959	(519,766)
Total revenues	$ 17,614,994	$ 17,709,494	$ 16,709,361	$ (1,000,133)
EXPENDITURES				
Current:				
General government administration	$ 1,506,297	$ 1,506,925	$ 1,379,004	$ 127,921
Judicial administration	548,450	575,326	601,213	(25,887)
Public safety	3,055,975	3,121,475	2,985,642	135,833
Public works	2,555,298	2,550,422	2,562,375	(11,953)
Health and welfare	1,654,535	1,654,535	1,418,426	236,109
Education	3,622,038	3,622,038	3,622,039	(1)
Parks, recreation, and cultural	1,883,094	1,895,594	1,884,408	11,186
Community development	866,454	875,826	616,302	259,524
Nondepartmental	307,000	291,000	253,793	37,207
Capital projects	1,119,059	1,119,559	676,722	442,837
Debt service:				
Principal retirement	610,288	610,288	607,493	2,795
Interest and other fiscal charges	167,080	167,080	167,842	(762)
Total expenditures	$ 17,895,568	$ 17,990,068	$ 16,775,259	$ 1,214,809
Excess (deficiency) of revenues over (under) expenditures	$ (280,574)	$ (280,574)	$ (65,898)	$ 214,676
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 91,899	$ 91,899	$ -	$ (91,899)
Total other financing sources (uses)	$ 91,899	$ 91,899	$ -	$ (91,899)
Net change in fund balances	$ (188,675)	$ (188,675)	$ (65,898)	$ 122,777
Fund balances - beginning	188,675	188,675	1,530,509	1,341,834
Fund balances - ending	$ -	$ -	$ 1,464,611	$ 1,464,611

Note 1: GAAP serves as the budgetary basis of accounting

City of Galax, Virginia

Schedule of Pension and OPEB Funding Progress
For the Year Ended June 30, 2014

Primary Government:

City Retirement Plan

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio of AAL (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2013	$ 18,495,788	$ 24,158,934	$ 5,663,146	76.56%	$ 5,493,673	103.08%
June 30, 2012	17,889,783	23,557,002	5,667,219	75.94%	5,197,825	109.03%
June 30, 2011	18,050,756	22,932,374	4,881,618	78.71%	5,164,454	94.52%

City Health Care Plan

Actuarial Valuation as of*	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio of AAL (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
July 1, 2012	$ -	$ 336,490	$ 336,490	0.00%	$ 4,549,428	7.40%
July 1, 2010	-	295,788	295,788	0.00%	4,713,716	6.28%

Discretely Presented Component Unit:

School Board Non-Professional Retirement Plan

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio of AAL (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2013	$ 1,450,782	$ 2,012,383	$ 561,601	72.09%	$ 562,103	99.91%
June 30, 2012	1,380,187	1,861,507	481,320	74.14%	523,220	91.99%
June 30, 2011	1,354,573	1,767,909	413,336	76.62%	510,780	80.92%

School Board Healthcare Plan

Actuarial Valuation as of*	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio of AAL (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
July 1, 2012	$ -	$ 435,711	$ 435,711	0.00%	$ 5,800,144	7.51%
July 1, 2010	-	486,866	486,866	0.00%	6,219,691	7.83%

*Only two valuations performed to date.

Other Supplementary Information

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

MAJOR GOVERNMENTAL FUND

School Operating Fund - The School Operating Fund accounts for and reports the operations of the City's school system. Financing is provided by the State and Federal governments as well as contributions from the City's General Fund.

Exhibit 13

City of Galax, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2014

		School Operating Fund
ASSETS		
Cash and cash equivalents		$ 2,038,629
Due from primary government		639,093
Due from other governmental units		584,678
Inventories		23,065
Prepaid items		127,883
Total assets		$ 3,413,348
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable		$ 35,723
Salaries payable		833,063
Total liabilities		$ 868,786
Fund balances:		
Nonspendable		
Prepaid and inventory		$ 150,948
Restricted		
School cafeterias		213,054
Unassigned		2,180,560
Total fund balances		$ 2,544,562
Total liabilities and fund balances		$ 3,413,348
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:		
Total fund balances per above		$ 2,544,562
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	$ 165,460	
Buildings and improvements	4,217,732	
Machinery and equipment	512,960	4,896,152
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences	$ (186,675)	
Net OPEB obligation	(173,066)	(359,741)
Net position of governmental activities		$ 7,080,973

Exhibit 14

City of Galax, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2014

		Total Governmental Funds
REVENUES		
Revenue from the use of money and property		$ 450
Charges for services		378,540
Miscellaneous		36,686
Recovered costs		3,830
Intergovernmental revenues:		
Local government		3,609,319
Commonwealth		7,875,851
Federal		1,418,439
Total revenues		$ 13,323,115
EXPENDITURES		
Current:		
Education		$ 13,524,145
Total expenditures		$ 13,524,145
Excess (deficiency) of revenues over (under) expenditures		$ (201,030)
Net change in fund balances		$ (201,030)
Fund balances - beginning		2,745,592
Fund balances - ending		$ 2,544,562
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:		
Net change in fund balances - total governmental funds - per above		$ (201,030)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period.		
Capital outlays	$ 132,933	
Disposal of assets		
Transfer of asset from County		
Depreciation expense	(277,040)	(144,107)
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	$ (12,943)	
(Increase) decrease in net OPEB obligation	(26,874)	(39,817)
Change in net position of governmental activities		$ (384,954)

Exhibit 15

City of Galax, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2014

	School Operating Fund			
	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Revenue from the use of money and property	$ 500	$ 500	$ 450	$ (50)
Charges for services	211,050	211,050	378,540	167,490
Miscellaneous	30,180	30,180	36,686	6,506
Recovered costs	1,500	1,500	3,830	2,330
Intergovernmental:				
Local government	3,609,319	3,609,319	3,609,319	-
Commonwealth	7,842,669	7,842,669	7,875,851	33,182
Federal	1,421,263	1,421,263	1,418,439	(2,824)
Total revenues	$ 13,116,481	$ 13,116,481	$ 13,323,115	$ 206,634
EXPENDITURES				
Current:				
Education	$ 13,514,985	$ 13,514,985	$ 13,524,145	$ (9,160)
Total expenditures	$ 13,514,985	$ 13,514,985	$ 13,524,145	$ (9,160)
Excess (deficiency) of revenues over (under) expenditures	$ (398,504)	$ (398,504)	$ (201,030)	$ 197,474
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	$ 1,000	$ 1,000	$ -	$ (1,000)
Total other financing sources (uses)	$ 1,000	$ 1,000	$ -	$ (1,000)
Net change in fund balances	$ (397,504)	$ (397,504)	$ (201,030)	$ 196,474
Fund balances - beginning	397,504	397,504	2,745,592	2,348,088
Fund balances - ending	$ -	$ -	$ 2,544,562	$ 2,544,562

DISCRETELY PRESENTED COMPONENT UNIT – INDUSTRIAL DEVELOPMENT AUTHORITY

MAJOR ENTERPRISE FUND

Industrial Development Authority (IDA) – The IDA operating fund account is an enterprise fund that accounts for operations of the City's Component-unit IDA.

Exhibit 16

City of Galax, Virginia
Discretely Presented Component Unit
City of Galax, Virginia - Industrial Development Authority
Statement of Net Position - Proprietary Fund
June 30, 2014

		Enterprise Fund
ASSETS		
Current assets:		
Cash and cash equivalents	$	51,514
Interest receivable		2,701
Total current assets	$	54,215
Noncurrent assets:		
Note receivable	$	540,280
Total noncurrent assets	$	540,280
Total assets	$	594,495
Net Position		
Unrestricted	$	594,495
Total net position	$	594,495

Exhibit 17

City of Galax, Virginia
Discretely Presented Component Unit
City of Galax, Virginia - Industrial Development Authority
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund
For the Year Ended June 30, 2014

	Enterprise Fund
OPERATING EXPENSES	
Bank fees	$ 130
Payments to primary government	58,368
Total operating expenses	$ 58,498
Operating income (loss)	$ (58,498)
NONOPERATING REVENUES (EXPENSES)	
Interest income	$ 33,115
Total nonoperating revenues (expenses)	$ 33,115
Change in net position	$ (25,383)
Total net position - beginning	619,878
Total net position - ending	$ 594,495

Exhibit 18

City of Galax, Virginia
Discretely Presented Component Unit
City of Galax, Virginia - Industrial Development Authority
Statement of Cash Flows - Proprietary Fund
For the Year Ended June 30, 2014

		Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers	$	(58,498)
Net cash provided by (used for) operating activities	$	(58,498)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	$	33,241
Payments received on note receivable		25,127
Net cash provided by (used for) investing activities	$	58,368
Net increase (decrease) in cash and cash equivalents	$	(130)
Cash and cash equivalents - beginning		51,644
Cash and cash equivalents - ending	$	51,514
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	$	(58,498)
Net cash provided by (used for) operating activities	$	(58,498)

DISCRETELY PRESENTED COMPONENT UNIT – GALAX FUTURES

MAJOR ENTERPRISE FUND

Galax Futures – The Galax Futures operating fund account is an enterprise fund that accounts for operations of the City's Component-unit Galax Futures

Exhibit 19

City of Galax, Virginia
Discretely Presented Component Unit
Galax Futures
Statement of Net Position - Proprietary Fund
June 30, 2014

		Enterprise Fund
ASSETS		
Current assets:		
Cash and cash equivalents	$	67,634
Total current assets	$	67,634
Noncurrent assets:		
Capital assets:		
Land	$	231,219
Buildings		923,347
Accumulated depreciation		(106,540)
Total net capital assets	$	1,048,026
Total noncurrent assets	$	1,048,026
Total assets	$	1,115,660
LIABILITIES		
Current liabilities:		
Accrued interest payable	$	2,701
Note payable - current portion		540,280
Total current liabilities	$	542,981
Total liabilities	$	542,981
Net Position		
Net investment in capital assets	$	507,746
Unrestricted		64,933
Total net position	$	572,679

Exhibit 20

City of Galax, Virginia
Discretely Presented Component Unit
Galax Futures
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund
For the Year Ended June 30, 2014

	Enterprise Fund
OPERATING REVENUES	
Charges for services:	
Rental income	$ 60,000
Total operating revenues	$ 60,000
OPERATING EXPENSES	
Miscellaneous expense	$ 794
Depreciation	23,676
Total operating expenses	$ 24,470
Operating income (loss)	$ 35,530
NONOPERATING REVENUES (EXPENSES)	
Interest expense	$ (33,115)
Total nonoperating revenues (expenses)	$ (33,115)
Change in net position	$ 2,415
Total net position - beginning	570,264
Total net position - ending	$ 572,679

Exhibit 21

City of Galax, Virginia
Discretely Presented Component Unit
Galax Futures
Statement of Cash Flows - Proprietary Fund
For the Year Ended June 30, 2014

		Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers (rental income)	$	60,000
Payments to suppliers		(794)
Net cash provided by (used for) operating activities	$	59,206
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments on notes	$	(25,127)
Interest expense		(33,241)
Net cash provided by (used for) capital and related financing activities	$	(58,368)
Net increase (decrease) in cash and cash equivalents	$	838
Cash and cash equivalents - beginning		66,796
Cash and cash equivalents - ending	$	67,634
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	$	35,530
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	$	23,676
Total adjustments	$	23,676
Net cash provided by (used for) operating activities	$	59,206

City of Galax, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	$ 3,039,000	$ 3,039,000	$ 3,045,152	$ 6,152
Real and personal public service corporation taxes	90,000	90,000	102,671	12,671
Personal property taxes	475,000	475,000	531,780	56,780
Furniture and fixtures	275,000	275,000	318,257	43,257
Machinery and tools taxes	745,000	745,000	754,949	9,949
Delinquent administrative fee	2,500	2,500	2,787	287
Penalties	20,000	20,000	34,469	14,469
Interest	20,000	20,000	27,664	7,664
Total general property taxes	$ 4,666,500	$ 4,666,500	$ 4,817,729	$ 151,229
Other local taxes:				
Local sales and use taxes	$ 2,150,000	$ 2,150,000	$ 2,090,756	$ (59,244)
Consumers' utility taxes	186,000	186,000	179,805	(6,195)
Local consumption tax	46,800	46,800	50,364	3,564
Local admissions tax	21,000	21,000	16,798	(4,202)
Business license taxes	1,000,000	1,000,000	1,027,248	27,248
Motor vehicle licenses	125,000	125,000	114,519	(10,481)
Bank stock taxes	155,000	155,000	127,136	(27,864)
Hotel and motel room taxes	125,000	125,000	135,022	10,022
Restaurant food taxes	1,830,000	1,830,000	1,832,757	2,757
Total other local taxes	$ 5,638,800	$ 5,638,800	$ 5,574,405	$ (64,395)
Permits, privilege fees, and regulatory licenses:				
Animal licenses	$ 4,000	$ 4,000	$ 4,796	$ 796
Building permits and other licenses	16,500	16,500	14,043	(2,457)
Total permits, privilege fees, and regulatory licenses	$ 20,500	$ 20,500	$ 18,839	$ (1,661)
Fines and forfeitures:				
Court fines and forfeitures	$ 150,000	$ 150,000	$ 111,701	$ (38,299)
Parking fines	1,000	1,000	1,261	261
Total fines and forfeitures	$ 151,000	$ 151,000	$ 112,962	$ (38,038)
Revenue from use of money and property:				
Revenue from use of money	$ -	$ -	$ 72	$ 72
Revenue from use of property	40,750	40,750	39,278	(1,472)
Total revenue from use of money and property	$ 40,750	$ 40,750	$ 39,350	$ (1,400)
Charges for services:				
Charges for animal adoptions	$ 6,000	$ 6,000	$ 4,797	$ (1,203)
Charges for courthouse maintenance	-	-	5,580	5,580
Charges for parking spaces	3,500	3,500	1,632	(1,868)
Charges for courtroom security	15,000	15,000	21,458	6,458
Other charges for services	21,000	21,000	19,129	(1,871)

City of Galax, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Sheriff's fees	$ 200	$ 200	$ 12	$ (188)
Charges for sanitation and waste removal	359,000	359,000	365,422	6,422
Charges for parks and recreation	392,700	392,700	334,095	(58,605)
Total charges for services	$ 797,400	$ 797,400	$ 752,125	$ (45,275)
Miscellaneous revenue:				
Miscellaneous	$ 45,500	$ 45,500	$ 52,637	$ 7,137
Sale of surplus	3,000	3,000	14,375	11,375
Sale of cemetery lots	10,000	10,000	6,100	(3,900)
North Central payments	-	-	185	185
Donations and contributions	8,500	8,500	17,838	9,338
Asset forfeiture funds	8,000	8,000	2,358	(5,642)
Total miscellaneous revenue	$ 75,000	$ 75,000	$ 93,493	$ 18,493
Recovered costs:				
Wired Road	$ 31,658	$ 31,658	$ -	$ (31,658)
Juvenile probation	61,013	61,013	21,957	(39,056)
Animal Shelter	70,288	70,288	65,384	(4,904)
IDA	58,800	58,800	58,369	(431)
Sanitation recovered costs	2,500	2,500	2,475	(25)
Police recovered costs	41,500	41,500	46,687	5,187
Bottom Area project	-	-	12,648	12,648
Other recovered costs	28,100	28,100	6,205	(21,895)
Total recovered costs	$ 293,859	$ 293,859	$ 213,725	$ (80,134)
Total revenue from local sources	$ 11,683,809	$ 11,683,809	$ 11,622,628	$ (61,181)
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications sales and use taxes	$ 245,000	$ 245,000	$ 234,999	$ (10,001)
Recordation tax	6,000	6,000	11,291	5,291
Motor vehicle carriers' tax	20,000	20,000	28,202	8,202
Mobile home titling tax	5,000	5,000	1,240	(3,760)
Rolling stock tax	-	-	6	6
Personal property tax relief funds	230,000	230,000	230,012	12
Total noncategorical aid	$ 506,000	$ 506,000	$ 505,750	$ (250)
Categorical aid:				
Shared expenses:				
Commissioner of the revenue	$ 55,000	$ 55,000	$ 57,006	$ 2,006
Registrar/electoral board	27,000	27,000	27,492	492
Total shared expenses	$ 82,000	$ 82,000	$ 84,498	$ 2,498

City of Galax, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Other categorical aid:				
599 Funds (Police funding)	$ 313,000	$ 313,000	$ 313,500	$ 500
Comprehensive services act	147,691	147,691	131,215	(16,476)
Street and highway funds	1,675,000	1,722,000	1,722,473	473
Liter control	6,000	6,000	6,366	366
Virginia Commission for the Arts	5,000	5,000	5,000	-
Public assistance and welfare administration	374,780	374,780	332,972	(41,808)
Department of Fire Programs	18,000	18,000	36,827	18,827
VTC Marketing Leveraging Grant	12,625	12,625	6,523	(6,102)
EMS 4 for Life Funding	4,000	4,000	11,202	7,202
Tobacco commisison	-	-	33,500	33,500
Community improvements grants	282,220	282,220	277,292	(4,928)
VDOT Bottom Area project	339,644	339,644	74,635	(265,009)
VDOT Safe routes to schools	135,000	135,000	19,599	(115,401)
VDOT street lighting project	196,000	196,000	193,234	(2,766)
SRTS Coordinator	-	40,000	10,188	(29,812)
Total other categorical aid	$ 3,508,960	$ 3,595,960	$ 3,174,526	$ (421,434)
Total categorical aid	$ 3,590,960	$ 3,677,960	$ 3,259,024	$ (418,936)
Total revenue from the Commonwealth	$ 4,096,960	$ 4,183,960	$ 3,764,774	$ (419,186)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	$ 643,689	$ 643,689	$ 571,883	$ (71,806)
Community development block grants	556,171	556,171	295,783	(260,388)
Public safety grants	80,744	88,244	116,859	28,615
Community improvement grants	267,115	267,115	52,581	(214,534)
FEMA safer grant	59,756	59,756	56,364	(3,392)
FEMA fire department funds	216,750	216,750	195,075	(21,675)
DMV grants	10,000	10,000	33,414	23,414
Total categorical aid	$ 1,834,225	$ 1,841,725	$ 1,321,959	$ (519,766)
Total revenue from the federal government	$ 1,834,225	$ 1,841,725	$ 1,321,959	$ (519,766)
Total General Fund	$ 17,614,994	$ 17,709,494	$ 16,709,361	$ (1,000,133)

City of Galax, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	$ 500	$ 500	$ 450	$ (50)
Total revenue from use of money and property	$ 500	$ 500	$ 450	$ (50)
Charges for services:				
Cafeteria sales	$ -	$ -	$ 160,790	$ 160,790
Transportation of pupils	50	50	-	(50)
Payments from other divisions	206,000	206,000	209,005	3,005
Tuition and payments from other divisions	5,000	5,000	8,745	3,745
Total charges for services	$ 211,050	$ 211,050	$ 378,540	$ 167,490
Miscellaneous revenue:				
E-rate	$ 19,680	$ 19,680	$ 19,680	$ -
Other miscellaneous	10,500	10,500	17,006	6,506
Total miscellaneous revenue	$ 30,180	$ 30,180	$ 36,686	$ 6,506
Recovered costs:				
Other recovered costs	$ 1,500	$ 1,500	$ 3,830	$ 2,330
Total recovered costs	$ 1,500	$ 1,500	$ 3,830	$ 2,330
Total revenue from local sources	$ 243,230	$ 243,230	$ 419,506	$ 176,276
Intergovernmental:				
Revenues from local governments:				
Contribution from the City of Galax, Virginia	$ 3,609,319	$ 3,609,319	$ 3,609,319	$ -
Total revenues from local governments	$ 3,609,319	$ 3,609,319	$ 3,609,319	$ -
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	$ 1,005,000	$ 1,005,000	$ 1,030,473	$ 25,473
Basic school aid	3,875,199	3,875,199	3,864,023	(11,176)
Remedial summer education	46,110	46,110	46,110	-
Adult secondary education	7,859	7,859	7,859	-
Gifted and talented	42,333	42,333	42,131	(202)
Remedial education	202,901	202,901	202,411	(490)
Migrant education	1,396	1,396	-	(1,396)
Virginia preschool initiative	100,395	100,395	100,395	-
Textbook payment	82,382	82,382	82,182	(200)
Vocational SOQ payments	105,582	105,582	105,327	(255)
Social security fringe benefits	256,151	256,151	255,532	(619)
Retirement fringe benefits	482,493	482,493	477,634	(4,859)
Group life insurance benefits	15,608	15,608	15,570	(38)
Early reading intervention	24,985	24,985	24,985	-
Homebound education	5,641	5,641	5,641	-
Special education	482,923	482,923	481,756	(1,167)
Regional program tuition	95,000	95,000	112,370	17,370

City of Galax, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Vocation equipment	$ 3,257	$ 3,257	$ 3,257	$ -
Vocational occupational preparedness	3,761	3,761	18,212	14,451
At risk payments	226,638	226,638	226,304	(334)
Mentor teacher program	245	245	227	(18)
Primary class size	256,665	256,665	256,665	-
Technology	128,000	128,000	128,000	-
Standards of Learning algebra readiness	27,905	27,905	27,905	-
School Food	11,797	11,797	11,797	-
Other State revenue	37,740	37,740	30,533	(7,207)
English as a second language	137,939	137,939	137,939	-
Compensation supplement	97,170	97,170	96,941	(229)
School planning grant	32,535	32,535	32,535	-
Early reading specialist	43,158	43,158	43,158	-
Other state funds	3,901	3,901	7,979	4,078
Total categorical aid	$ 7,842,669	$ 7,842,669	$ 7,875,851	$ 33,182
Total revenue from the Commonwealth	$ 7,842,669	$ 7,842,669	$ 7,875,851	$ 33,182
Revenue from the federal government:				
Categorical aid:				
School breakfast program	$ -	$ -	$ 119,431	$ 119,431
School lunch program	530,000	530,000	445,494	(84,506)
Title I	496,327	496,327	488,549	(7,778)
Title VI-B, Special education flow-through	236,434	236,434	216,438	(19,996)
Vocational education	29,137	29,137	29,137	-
Title VI-B, Special education pre-school	13,197	13,197	12,789	(408)
Rural and low income schools	20,000	20,000	8,847	(11,153)
English lanquage acquisition grant	22,923	22,923	29,953	7,030
Advanced placement program	-	-	675	675
Assessment funds	-	-	65	65
Improving teacher quality	73,245	73,245	67,061	(6,184)
Total categorical aid	$ 1,421,263	$ 1,421,263	$ 1,418,439	$ (2,824)
Total revenue from the federal government	$ 1,421,263	$ 1,421,263	$ 1,418,439	$ (2,824)
Total School Operating Fund	$ 13,116,481	$ 13,116,481	$ 13,323,115	$ 206,634
Total Discretely Presented Component Unit - Total Component-Unit School Board	$ 13,116,481	$ 13,116,481	$ 13,323,115	$ 206,634

City of Galax, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Mayor and Council	$ 36,505	$ 36,505	$ 37,291	$ (786)
General and financial administration:				
City Manager	$ 444,934	$ 444,934	$ 422,955	$ 21,979
City Attorney	137,000	137,000	137,750	(750)
Marketing	140,740	131,368	114,279	17,089
Commissioner of revenue	156,610	156,610	152,436	4,174
Finance department	524,672	534,672	451,620	83,052
Total general and financial administration	$ 1,403,956	$ 1,404,584	$ 1,279,040	$ 125,544
Board of elections:				
Electoral Board	$ 20,359	$ 20,359	$ 15,876	$ 4,483
Registrar	45,477	45,477	46,797	(1,320)
Total board of elections	$ 65,836	$ 65,836	$ 62,673	$ 3,163
Total general government administration	$ 1,506,297	$ 1,506,925	$ 1,379,004	$ 127,921
Judicial administration:				
Courts:				
General district court	$ 41,250	$ 41,250	$ 40,241	$ 1,009
Magistrate	1,200	1,200	697	503
Shared services	506,000	532,876	560,275	(27,399)
Total courts	$ 548,450	$ 575,326	$ 601,213	$ (25,887)
Total judicial administration	$ 548,450	$ 575,326	$ 601,213	$ (25,887)
Public safety:				
Law enforcement and traffic control:				
Police department	$ 1,918,132	$ 1,925,632	$ 1,964,427	$ (38,795)
Narcotics	6,500	6,500	50	6,450
Community policing	3,500	3,500	25,805	(22,305)
COPS grant	44,744	44,744	45,900	(1,156)
Total law enforcement and traffic control	$ 1,972,876	$ 1,980,376	$ 2,036,182	$ (55,806)
Fire and rescue services:				
Fire programs	$ 495,875	$ 513,875	$ 485,851	$ 28,024
E911 programs	100,000	100,000	95,070	4,930
Ambulance and rescue services	123,756	123,756	121,127	2,629
Total fire and rescue services	$ 719,631	$ 737,631	$ 702,048	$ 35,583

City of Galax, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety: (Continued)				
Correction and detention:				
Juvenile probation	$ 91,519	$ 91,519	$ 77,400	$ 14,119
Correction and probation	3,875	3,875	4,221	(346)
Total correction and detention	$ 95,394	$ 95,394	$ 81,621	$ 13,773
Other protection:				
Animal control	$ 27,641	$ 27,641	$ 31,794	$ (4,153)
Medical examiner	-	-	120	(120)
Animal shelter	105,433	105,433	102,275	3,158
Safe routes to schools	135,000	175,000	31,602	143,398
Total other protection	$ 268,074	$ 308,074	$ 165,791	$ 142,283
Total public safety	$ 3,055,975	$ 3,121,475	$ 2,985,642	$ 135,833
Public works:				
Engineering:				
Engineering	$ 100,471	$ 101,971	$ 121,501	$ (19,530)
Maintenance of highways, streets and bridges:				
Highways, streets, bridges and sidewalks	$ 1,472,175	$ 1,507,375	$ 1,507,447	$ (72)
Street lighting	252,000	252,000	261,761	(9,761)
Traffic signals	18,000	18,000	16,157	1,843
Total maint. of highways, streets and bridges	$ 1,742,175	$ 1,777,375	$ 1,785,365	$ (7,990)
Sanitation and waste removal:				
Refuse collection and disposal	$ 299,161	$ 270,961	$ 280,803	$ (9,842)
Landfill	57,000	43,624	23,380	20,244
Total sanitation and waste removal	$ 356,161	$ 314,585	$ 304,183	$ 10,402
Maintenance of general buildings and grounds:				
Building maintenance	$ 240,692	$ 240,692	$ 250,103	$ (9,411)
Property maintenance	115,799	115,799	101,223	14,576
Total maintenance of general buildings and grounds	$ 356,491	$ 356,491	$ 351,326	$ 5,165
Total public works	$ 2,555,298	$ 2,550,422	$ 2,562,375	$ (11,953)
Health and welfare:				
Health:				
Supplement of local health department	$ 108,490	$ 108,490	$ 108,490	$ -
Mental health and mental retardation:				
Mental health contribution	$ 34,983	$ 34,983	$ 34,983	$ -

City of Galax, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Health and welfare: (continued)				
Welfare:				
Welfare administration and programs	$ 1,166,160	$ 1,166,160	$ 1,242,676	$ (76,516)
Contributions to welfare agencies	344,902	344,902	32,277	312,625
Total welfare	$ 1,511,062	$ 1,511,062	$ 1,274,953	$ 236,109
Total health and welfare	$ 1,654,535	$ 1,654,535	$ 1,418,426	$ 236,109
Education:				
Other instructional costs:				
Contributions to Community Colleges	$ 12,719	$ 12,719	$ 12,720	$ (1)
Contribution to the City School Board	3,609,319	3,609,319	3,609,319	-
Total education	$ 3,622,038	$ 3,622,038	$ 3,622,039	$ (1)
Parks, recreation, and cultural:				
Parks and recreation:				
Parks	$ 50,750	$ 50,750	$ 46,649	$ 4,101
Recreation	1,183,082	1,179,582	1,194,411	(14,829)
Rosewald Felts	1,000	1,000	531	469
Rex Theater	20,150	20,150	21,077	(927)
Golf Course	209,730	209,730	183,669	26,061
Farmer's Market	15,115	15,115	13,673	1,442
Total parks and recreation	$ 1,479,827	$ 1,476,327	$ 1,460,010	$ 16,317
Cultural enrichment:				
Museum	$ 33,551	$ 33,551	$ 30,147	$ 3,404
Chestnut Creek School of the Arts	125,000	141,000	151,855	(10,855)
Art programs and contributions	18,000	18,000	15,680	2,320
Total cultural enrichment	$ 176,551	$ 192,551	$ 197,682	$ (5,131)
Library:				
Regional library	$ 226,716	$ 226,716	$ 226,716	$ -
Total library	$ 226,716	$ 226,716	$ 226,716	$ -
Total parks, recreation, and cultural	$ 1,883,094	$ 1,895,594	$ 1,884,408	$ 11,186
Community development:				
Planning and community development:				
Planning and development	$ 137,660	$ 147,032	$ 170,835	$ (23,803)
Broadband	31,658	31,658	-	31,658
Bottom area project	542,136	542,136	293,278	248,858
BRCEDA	155,000	155,000	152,189	2,811
Total planning and community development	$ 866,454	$ 875,826	$ 616,302	$ 259,524
Total community development	$ 866,454	$ 875,826	$ 616,302	$ 259,524

City of Galax, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Nondepartmental:				
Nondepartmental	$ 307,000	$ 291,000	$ 253,793	$ 37,207
Total nondepartmental	$ 307,000	$ 291,000	$ 253,793	$ 37,207
Capital projects:				
Capital projects	$ 1,119,059	$ 1,119,559	$ 676,722	$ 442,837
Total capital projects	$ 1,119,059	$ 1,119,559	$ 676,722	$ 442,837
Debt service:				
Principal retirement	$ 610,288	$ 610,288	$ 607,493	$ 2,795
Interest and other fiscal charges	167,080	167,080	167,842	(762)
Total debt service	$ 777,368	$ 777,368	$ 775,335	$ 2,033
Total General Fund	$ 17,895,568	$ 17,990,068	$ 16,775,259	$ 1,214,809
Discretely Presented Component Unit - School Board				
School Operating Fund:				
Education:				
Administration of schools:				
Administration and health services	$ 752,045	$ 752,045	$ 645,299	$ 106,746
Instruction costs:				
Instructional costs	$ 9,664,813	$ 9,664,813	$ 9,504,484	$ 160,329
Operating costs:				
Pupil transportation	$ 439,064	$ 439,064	$ 541,817	$ (102,753)
Operation and maintenance of school plant	1,386,889	1,386,889	1,339,456	47,433
School food service	551,797	551,797	756,155	(204,358)
Facilities	6,886	6,886	13,460	(6,574)
Technology	713,491	713,491	723,474	(9,983)
Total operating costs	$ 3,098,127	$ 3,098,127	$ 3,374,362	$ (276,235)
Total School Operating Fund	$ 13,514,985	$ 13,514,985	$ 13,524,145	$ (9,160)
Total Discretely Presented Component Unit - School Board	$ 13,514,985	$ 13,514,985	$ 13,524,145	$ (9,160)

Note: Appropriations to the School Board are enforced at the fund level only.
School Expenditures include disbursements of the decentralized cafeterias, which are not subject to appropriation.

STATISTICAL INFORMATION

Table 1

City of Galax, Virginia
Government-Wide Expenses by Function
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Water and Sewer	Total
2013-14	$ 1,552,436	$ 601,213	$ 2,990,921	$ 2,594,079	$ 1,423,738	$ 3,879,492	$ 2,016,590	$ 728,676	$ 157,580	$ 2,949,673	$ 18,894,398
2012-13	1,543,098	394,278	2,790,642	2,556,297	1,508,926	4,269,959	2,040,066	399,464	230,446	2,725,663	18,458,839
2011-12	1,496,085	618,300	2,803,284	2,084,134	1,664,552	3,700,277	1,749,789	2,004,859	235,567	2,572,434	18,929,281
2010-11	1,403,607	525,130	2,764,659	2,142,439	1,601,606	3,395,746	1,537,985	648,415	249,393	2,423,328	16,692,308
2009-10	1,354,495	516,416	2,572,717	1,399,049	1,730,389	3,878,868	1,728,558	1,041,925	278,631	2,436,820	16,937,868
2008-09	1,410,590	421,172	2,523,114	3,671,499	1,683,602	1,498,542	1,838,667	922,152	279,653	2,539,619	16,788,610
2007-08	1,216,686	252,958	2,380,854	2,913,678	1,878,593	2,804,597	1,460,945	570,362	325,285	2,587,485	16,391,443
2006-07	1,781,858	19,150	1,622,046	2,199,901	1,557,938	3,651,186	1,449,683	201,354	229,297	2,424,384	15,136,797
2005-06	1,808,912	-	1,771,338	2,316,099	1,601,371	3,553,729	1,218,418	290,620	209,613	2,899,388	15,669,488
2004-05	1,763,462	15,807	1,910,640	3,359,123	1,348,202	3,511,705	842,129	573,980	195,848	2,464,617	15,985,513

Table 2

City of Galax, Virginia
Government-Wide Revenues
Last Ten Fiscal Years

	PROGRAM REVENUES			GENERAL REVENUES					
Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Total
2013-14	$ 3,411,297	$ 3,935,728	$ 694,719	$ 4,890,742	$ 5,571,854	$ 39,350	$ 93,493	$ 505,750	$ 19,142,933
2012-13	3,288,734	3,766,099	151,082	4,725,836	5,564,801	43,230	131,054	516,143	18,186,979
2011-12	3,786,646	4,881,858	269,036	4,107,727	4,737,461	118	127,348	465,184	18,375,378
2010-11	4,246,388	3,955,984	396,163	3,870,781	4,652,947	25,654	22,744	472,432	17,643,093
2009-10	3,380,558	3,458,555	1,618,233	3,922,184	4,630,039	1,238	72,478	481,486	17,564,771
2008-09	3,090,007	3,807,358	1,687,649	3,582,227	4,292,452	28,292	48,352	443,907	16,980,244
2007-08	2,994,718	3,696,593	483,792	3,834,008	4,533,937	394,984	31,333	492,427	16,461,792
2006-07	2,924,540	3,672,182	-	3,890,380	4,759,332	342,730	132,585	274,273	15,996,022
2005-06	2,920,294	3,129,111	82,500	3,693,111	4,476,845	237,781	450,708	269,507	15,259,857
2004-05	2,531,287	3,074,407	81,762	3,870,231	4,265,960	189,426	227,743	279,497	14,520,313

City of Galax, Virginia
Governmental Expenditures by Function (1)
Last Ten Fiscal Years

Fiscal Year	General Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation & Cultural	Community Development	Non-Departmental	Debt Service	Capital Projects	Totals
2013-14	$ 1,379,004	$ 601,213	$ 2,985,642	$ 2,562,375	$ 1,418,426	$ 13,536,865	$ 1,884,408	$ 616,302	$ 253,793	$ 775,335	$ 676,722	$ 26,690,085
2012-13	1,303,062	537,064	2,762,814	2,788,217	1,512,532	13,631,180	1,851,395	369,643	276,414	785,988	322,753	26,141,062
2011-12	1,456,338	615,081	2,849,754	2,050,229	1,654,794	16,316,471	1,796,614	2,004,859	-	757,000	-	29,501,140
2010-11	1,362,204	521,213	2,839,033	2,170,537	1,575,688	15,838,839	1,483,293	648,415	-	768,050	-	27,207,272
2009-10	1,328,623	516,030	2,602,251	2,091,801	1,723,290	17,213,809	1,910,866	1,041,925	-	792,798	-	29,221,393
2008-09	1,645,052	421,062	2,537,988	3,787,262	1,677,544	13,179,538	2,267,225	899,677	-	501,901	2,331,368	29,248,617
2007-08	1,207,346	252,753	2,590,060	2,563,386	1,857,486	12,534,267	1,421,845	703,970	-	5,607,283	5,916,422	34,654,818
2006-07	1,204,142	175,625	2,116,872	2,341,894	1,542,713	11,512,602	1,452,742	200,323	-	474,784	220,054	21,241,751
2005-06	2,108,844	14,279	2,674,843	2,315,542	1,601,992	11,075,092	1,678,390	282,956	-	466,248	1,592,429	23,810,615
2004-05	1,762,064	15,807	2,792,264	2,532,263	1,346,140	10,470,252	819,331	583,980	-	486,215	1,982,851	22,791,167

Note: (1) Includes General Fund of the Primary Government and Discretely Presented Component Unit School Board.
(2) Excludes contribution from Primary Government to Discretely Presented Component Unit School Board.

Table 4

City of Galax, 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	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2013-14	$ 4,817,729	$ 5,574,405	$ 18,839	$ 112,962	$ 39,800	$ 1,130,665	$ 130,179	$ 217,555	$ 14,381,023	$ 26,423,157
2012-13	4,641,973	5,570,787	26,096	142,786	43,230	1,194,579	385,226	182,339	13,547,049	25,734,065
2011-12	4,087,009	4,798,066	19,390	104,879	112,220	1,768,475	144,811	942	14,296,633	25,332,425
2010-11	3,870,688	4,675,312	16,353	114,770	127,190	2,203,561	170,396	181	13,078,590	24,257,041
2009-10	3,816,000	4,560,283	18,849	103,750	130,041	1,741,837	282,077	3,601	14,371,445	25,027,883
2008-09	3,570,161	4,296,653	20,162	89,124	68,520	1,550,100	116,451	1,299	15,331,075	25,043,545
2007-08	3,692,282	4,529,736	24,176	153,381	520,585	1,627,701	195,078	453	13,225,335	23,968,727
2006-07	3,763,326	4,759,332	31,418	123,191	525,018	1,216,582	141,053	27,058	12,558,189	23,145,167
2005-06	3,735,520	4,476,845	24,917	62,003	347,199	1,034,503	494,225	1,359,359	11,433,998	22,968,569
2004-05	3,851,532	4,265,960	16,638	83,654	222,134	817,954	260,628	1,053,063	10,994,978	21,566,541

Note: (1) Includes General Fund of the Primary Government and includes Discretely Presented Component Unit School Board.
(2) Excludes contribution from Primary Government to Discretely Presented Component Unit School Board.

Table 5

City of Galax, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Current Tax Levy	Collected within the Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2013-14	$ 4,849,276	$ 4,654,991	95.99%	$ -	$ -	0.00%
2012-13	4,643,429	4,428,347	95.37%	68,630	4,496,977	96.85%
2011-12	3,999,533	3,831,544	95.80%	74,748	3,906,292	97.67%
2010-11	3,728,831	3,588,318	96.23%	83,842	3,672,160	98.48%
2009-10	3,916,477	3,776,354	96.42%	107,247	3,883,601	99.16%
2008-09	3,923,267	3,699,935	94.31%	175,623	3,875,558	98.78%
2007-08	3,991,116	3,795,947	95.11%	147,180	3,943,127	98.80%
2006-07	4,212,069	3,823,553	90.78%	168,427	3,991,980	94.77%
2005-06	4,176,254	3,752,783	89.86%	126,969	3,879,752	92.90%
2004-05	4,083,269	3,904,819	95.63%	126,927	4,031,746	98.74%

(1) Exclusive of penalties and interest.

Table 6

City of Galax, Virginia
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal Property (1)	Public Service Companies (2)	Total
2013-14	$ 452,108,700	$ 108,178,991	$ 14,644,537	$ 574,932,228
2012-13	449,458,875	102,868,300	13,364,028	565,691,203
2011-12	443,963,100	99,871,993	14,483,951	558,319,044
2010-11	444,067,400	96,562,916	13,770,881	554,401,197
2009-10	442,517,089	82,983,895	13,567,565	539,068,549
2008-09	441,047,000	102,287,271	13,938,302	557,272,573
2007-08	358,067,015	98,479,264	13,145,695	469,691,974
2006-07	356,511,315	116,885,023	12,232,851	485,629,189
2005-06	352,035,705	115,136,700	12,541,268	479,713,673
2004-05	347,419,079	110,809,834	14,538,850	472,767,763

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

(2) Assessed by the State Corporation Commission.

Table 7

City of Galax, Virginia
Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Mobile Homes	Personal Property	Machinery and Tools
2013-14	$ 0.69	$ 0.69	$ 2.25	$ 1.50
2012-13	0.67	0.67	2.25	1.50
2011-12	0.62	0.62	1.68	1.42
2010-11	0.57	0.70	1.68	1.42
2009-10	0.57	0.70	1.68	1.42
2008-09	0.55	0.55	1.42	1.42
2007-08	0.50	0.50	1.42	1.42
2006-07	0.70	0.70	1.42	1.42
2005-06	0.70	0.70	1.42	1.42
2004-05	0.70	0.70	1.42	1.42

(1) Per $100 of assessed value.

Table 8

City of Galax, 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) (2)	Gross Bonded Debt (3)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2013-14	7,035	5,749,322	$ 6,690,956	6,690,956	1.16%	951
2012-13	6,928	5,656,912	7,275,989	7,275,989	1.29%	1,050
2011-12	6,877	5,583,190	7,402,698	7,402,698	1.33%	1,076
2010-11	7,077	5,544,012	7,873,915	7,873,915	1.42%	1,113
2009-10	6,880	5,390,685	8,348,105	8,348,105	1.55%	1,213
2008-09	6,823	5,572,726	8,822,196	8,822,196	1.58%	1,293
2007-08	6,796	4,696,920	9,435,220	9,435,220	2.01%	1,388
2006-07	6,796	4,856,292	9,418,978	9,418,978	1.94%	1,386
2005-06	6,737	4,797,137	4,712,430	4,712,430	0.98%	699
2004-05	6,714	4,727,678	4,893,486	4,893,486	1.04%	729

(1) Source: United States Census Bureau

(2) Real property assessed at 100% of fair market value.

(3) Includes all long-term general obligation bonded debt, bonded anticipation notes, and literary fund loans. Excludes revenue bonds, landfill closure/post-closure care liability, capital leases, and compensated absences.

Table 9

City of Galax, 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	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2012-13	$ 607,493	$ 167,842	775,335	$ 26,690,085	2.90%
2012-13	555,677	230,311	785,988	26,141,062	3.01%
2011-12	526,929	230,071	757,000	29,501,140	2.57%
2010-11	517,681	250,369	768,050	27,207,272	2.82%
2009-10	516,911	275,887	792,798	29,221,393	2.71%
2008-09	300,835	201,066	501,901	29,248,617	1.72%
2007-08	5,261,321	345,962	5,607,283	34,654,818	16.18%
2006-07	293,452	181,332	474,784	21,241,751	2.24%
2005-06	246,057	220,191	466,248	23,810,615	1.96%
2004-05	283,990	202,225	486,215	22,791,667	2.13%

(1) Includes General Fund of the Primary Government and Operating funds of the Discretely Presented Component Unit - School Board.

COMPLIANCE SECTION

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 the City Council of the City of Galax, 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, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Galax, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Galax, Virginia's basic financial statements, and have issued our report thereon dated October 14, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Galax, 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 City of Galax, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Galax, 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 City of Galax, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
October 14, 2014

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133

To the Honorable Members of
the City Council of the
City of Galax, Virginia

Report on Compliance for Each Major Federal Program

We have audited the City of Galax, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Galax, Virginia's major federal programs for the year ended June 30, 2014. The City of Galax, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Galax, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Galax, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Galax, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Galax, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of the City of Galax, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Galax, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Galax, Virginia's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
October 14, 2014

CITY OF GALAX, VIRGINIA

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number		Federal Expenditures
DEPARTMENT OF AGRICULTURE:				
Direct payments:				
Farmers' Market and Local Food Promotion Program	10.168	NA		$ 11,478
Pass through payments from:				
Department of Social Services:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010110/0040110/0040111		116,882
Food Distribution-Schools (Note C) (Child Nutrition Cluster)	10.555	NA		
Department of Education:				
School Breakfast Program (Child Nutrition Cluster)	10.553	40591		119,431
National School Lunch Program (Child Nutrition Cluster)	10.555	40623	$403,563	
State Department of Agriculture:				
Food Distribution-Schools (Note C) (Child Nutrition Cluster)	10.555	Unknown	41,931	445,494
Total Department of Agriculture				$ 693,285
DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
Pass through payments from:				
Department of Social Services:				
Promoting Safe and Stable Families	93.556	0950110/0950111		$ 12,530
Temporary Assistance for Needy Families	93.558	0400111		126,338
Refugee and Entrant Assistance - State Administered Programs	93.566	0500110/0500111		768
Low Income Home Energy Assistance	93.568	0600410/0600411		14,019
Social Services Block Grant	93.667	1000110/1000111		87,042
Chafee Foster Care Independence	93.674	9150110/9150111		786
Children's Health Insurance Program	93.767	0540110/0540111		3,499
Medical Assistance Program	93.778	1200110/1200111		105,595
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900110/0900111		902
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760110/0760111		19,676
Foster Care - Title IV E	93.658	1100110/1100111		46,491
Adoption Assistance	93.659	1120110/1120111		37,355
Total Department of Health and Human Services				$ 455,001
DEPARTMENT OF JUSTICE:				
Direct payments:				
Public Safety Partnership and Community Policing Grants	16.710	NA		$ 45,926
Edward Byrne Memorial Justice Assistance Grant Program	16.738	NA		38,303
Total Department of Justice				$ 84,229
DEPARTMENT OF HOMELAND SECURITY:				
Direct payments:				
Assistance to Firefighters Grant	97.044	NA		$ 195,075
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	NA		56,364
Pass through payments from:				
Department of Emergency Management:				
Emergency Management Performance Grant	97.042	158		7,500
State Homeland Security Grant Program	97.073	52709		25,130
Total Department of Homeland Security				$ 284,069
DEPARTMENT OF TRANSPORTATION:				
Pass through payments from:				
Department of Motor Vehicles:				
Alcohol Open Container Requirements	20.607	154AL-2010		$ 33,414
Total Department of Transportation				$ 33,414

CITY OF GALAX, VIRGINIA

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
ENVIRONMENTAL PROTECTION AGENCY:			
Direct payments:			
Nonpoint Source Implementation Grants (319)	66.460	NA	$ 39,003
Total Environmental Protection Agency			$ 39,003
APPALACHIAN REGIONAL COMMISSION			
Direct payments:			
Appalachian Area Development	23.002	NA	$ 2,100
Total Department of Homeland Security			$ 2,100
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
Pass through payments from:			
Department of Housing and Community Development:			
Community Development Block Grants/			
State's Program and Non-Entitlement Grants in Hawaii	14.228	50790	$ 295,783
Total Department of Housring and Urban Development			$ 295,783
DEPARTMENT OF EDUCATION:			
Pass through payments from:			
Department of Education:			
Career and Technical Education -- Basic Grants to States	84.048	61095	$ 29,137
Improving Teacher Quality State Grants	84.367	61480	67,061
English Language Acquisition Grants	84.365	unknown	29,953
Rural Education	84.358	43481	8,847
Advance Placement Program	84.330	60957	675
Grants for State Assessments and Related Activities	84.369	86698	65
Title I Grants to Local Educational Agencies	84.010	42901	488,549
Special Education - Grants to States (Special Education Cluster (IDEA))	84.027	73071	216,438
Special Education - Preschool Grants (Special Education Cluster (IDEA))	84.173	62521	12,789
Total Department of Education			$ 853,514
Total Expenditures of Federal Awards			$ 2,740,398

Note to Schedule of Expenditures of Federal Awards

Note A--Basis of Presentation:
The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Galax, Virginia under programs of the federal government for the year ended June 30, 2014. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the City of Galax, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Galax, Virginia.

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

(2) Pass-through entity indentifying number are presented where available.

Note C--Food Distribution
Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

CITY OF GALAX, VIRGINIA

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Note D--Relationship to the Financial Statements:

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

Primary government:	
General Fund	$ 1,321,959
Component Unit School Board:	
School Operating Fund	1,418,439
Total federal expenditures per the Schedule of Expenditures of Federal Awards	$ 2,740,398

City of Galax, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	No

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
10.553/10.555	Child Nutrition Cluster
84.010	Title I Grants to Local Educational Agencies
84.027/84.173	Special Education cluster
97.044	Assistance to Firefighters Grant

Dollar threshold used to distinguish between Type A and Type B programs	$300,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

Section IV - Status of Prior Audit Findings

There were no prior audit findings related to federal awards.