

TOWN OF PULASKI, VIRGINIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

TOWN OF PULASKI, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018

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INTRODUCTORY SECTION

TOWN OF PULASKI, VIRGINIA

TOWN COUNCIL

David Clark
Greg East
Joseph Goodman
H.M. Kidd
Lane Penn
Jamie Radcliffe

OTHER OFFICIALS

Robert N. Glenn Mayor
Shawn M. Utt..... Town Manager
Nichole Hair Deputy Town Manager
David Quesenberry Clerk of Council
Spencer A. Rygas Town Attorney
Rebecca Reece Finance Director

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pulaski, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pulaski, Virginia, as of June 30, 2018, 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.

Change in Accounting Principles

As described in Note 15 to the financial statements, in 2018, the Town of Pulaski, Virginia adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 15 to the financial statements, in 2018, the Town of Pulaski, Virginia restated beginning balances to reflect the requirements of GASB Statement No. 75. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 5-11, 84, and 85-93 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.

Supplementary and Other Information

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

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the

basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2018 on our consideration of the Town of Pulaski, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Pulaski, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Pulaski, Virginia's internal control over financial reporting and compliance.

Robinson, Farrow, Cox Associates

Blacksburg, Virginia
December 28, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

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

As management of the Town of Pulaski, Virginia, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the basic audited financial statements.

Financial Highlights

The assets of the Town's governmental activities exceeded its liabilities at the close of the fiscal year by \$3,015,311 (net position). Of this amount, \$(1,487,164) was considered unrestricted and \$2,162,087 was restricted for use. Net investment in capital assets was \$2,340,688.

The assets of the Town's business-type activities exceeded its liabilities at the close of the fiscal year by \$5,109,133 (net position).

During the fiscal year, the Town had governmental expenses that were \$637,380 more than revenues, including transfers. The business-type activities had expenses that were \$65,487 more than revenues, including transfers.

The Town's total debt decreased by \$2,192,333 during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

The statement of net position presents information for all the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Pulaski, Virginia, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All separate funds of the Town can be divided into two categories: governmental funds and proprietary funds.

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

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

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

Government-wide Financial Analysis

As noted earlier, net position may over time serve as a useful indicator of a Town's financial position. In the case of the Town, assets exceed liabilities by \$8,124,444 at the close of the most recent fiscal year.

The largest portions of the Town's net position reflect its investment in cash and fixed assets less any related debt used to acquire those assets that is still outstanding. The Town uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining balance is available to fund the Town's operations.

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TOWN OF PULASKI, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

The table below focuses on the net position of the Town's governmental and business-type activities as of the years ended June 30, 2017 and 2018.

Table 1						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2018	2017	2018	2017	2018
Current Assets	7,006,671	6,592,138	1,186,349	1,148,929	8,193,020	7,741,067
Capital Assets	4,613,714	4,386,938	11,350,913	10,941,960	15,964,627	15,328,898
Total Assets	11,620,385	10,979,076	12,537,262	12,090,889	24,157,647	23,069,965
Deferred Outflows of Resources						
Pension related items	825,087	386,686	130,974	71,734	956,061	458,420
OPEB related items	-	32,908	-	4,710	-	37,618
	825,087	419,594	130,974	76,444	956,061	496,038
Current Liabilities	2,028,919	1,617,835	1,304,974	1,137,854	3,333,893	2,755,689
Long-Term Liabilities	4,629,111	4,580,262	6,123,086	5,851,803	10,752,197	10,432,065
Total Liabilities	6,658,030	6,198,097	7,428,060	6,989,657	14,086,090	13,187,754
Deferred Inflows of Resources						
Unavailable revenue	1,698,795	1,760,223	-	-	1,698,795	1,760,223
Pension related items	122,908	391,736	21,396	63,846	144,304	455,582
OPEB related items	-	33,303	-	4,697	-	38,000
	1,821,703	2,185,262	21,396	68,543	1,843,099	2,253,805
Net Position:						
Net Investment in Capital						
Assets	2,040,588	2,340,688	5,175,102	5,133,596	7,215,690	7,474,284
Restricted	2,192,584	2,161,787	-	-	2,192,584	2,161,787
Unrestricted	(267,433)	(1,487,164)	43,678	(24,463)	(223,755)	(1,511,627)
Total Net Position	3,965,739	3,015,311	5,218,780	5,109,133	9,184,519	8,124,444

TOWN OF PULASKI, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

The table below focuses on the revenues and expenses for governmental activities and business-type activities for the years ended June 30, 2017 and 2018. Information for 2017 has been updated for the restatement disclosed in Note 13 in the Notes to Financial Statements.

Table 2

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2018	2017	2018	2017	2018
Charges for Services	303,431	273,154	4,981,057	4,761,984	5,284,488	5,035,138
Operating Grants/Contributions	2,848,075	3,030,522	34,598	15,402	2,882,673	3,045,924
Capital Grants/Contributions	-	-	27,795	25,025	27,795	25,025
Program Revenues	3,151,506	3,303,676	5,043,450	4,802,411	8,194,956	8,106,087
Taxes	4,794,112	5,259,315	-	-	4,794,112	5,259,315
Interest Income	80,528	75,424	3,394	6,734	83,922	82,158
Miscellaneous	42,954	29,580	82,027	78,844	124,981	108,424
Insurance recovery	-	-	-	-	-	-
Gain (loss) on asset disposal	344,606	566,226	-	-	344,606	566,226
Grants not restricted to program	581,808	266,896	-	-	581,808	266,896
General Revenues	5,844,008	6,197,441	85,421	85,578	5,929,429	6,283,019
Total Revenues	8,995,514	9,501,117	5,128,871	4,887,989	14,124,385	14,389,106
General Government	1,655,390	1,373,793	-	-	1,655,390	1,373,793
Public Safety	3,565,753	4,265,918	-	-	3,565,753	4,265,918
Public Works	2,784,428	2,697,926	-	-	2,784,428	2,697,926
Parks, Recreation, Cultural	774,272	751,366	-	-	774,272	751,366
Community Development	822,034	977,461	-	-	822,034	977,461
Health and Welfare	4,000	12,200	-	-	4,000	12,200
Interest on long-term debt	274,691	257,887	-	-	274,691	257,887
Water and Sewer	-	-	4,752,579	4,755,422	4,752,579	4,755,422
Total Expenses	9,880,568	10,336,551	4,752,579	4,755,422	14,633,147	15,091,973
Transfers	301,030	198,054	(301,030)	(198,054)	-	-
Change in Net Position	(584,024)	(637,380)	75,262	(65,487)	(508,762)	(702,867)
Beginning Net Position	4,236,715	3,652,691	5,099,358	5,174,620	9,336,073	8,827,311
Ending Net Position	3,652,691	3,015,311	5,174,620	5,109,133	8,827,311	8,124,444

TOWN OF PULASKI, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

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

Financial Analysis of the Town's Funds

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

Governmental Funds – The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a Town's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$3,763,249, an increase of \$83,330 in comparison with the prior year after restated fund balance.

Total governmental funds revenues increased \$144,659 and expenditures increased \$551,311 over prior year amounts. For fiscal year ending June 30, 2017, expenses exceeded revenues by \$233,290. The increase in expenditures was due to higher expenses in community development and capital projects.

Total proprietary fund operating income decreased \$219,073 and operating expenses decreased \$84,284 over the prior year amounts. For fiscal year ending June 30, 2018, total expenses exceeded revenues by \$65,487.

General Fund Budgetary Highlights

The Town budgeted revenues of \$8,841,928 for fiscal year 2018. The actual revenues were \$8,978,072 which is a favorable variance of \$136,144. The variance is attributed to revenue from state and federal government and revenue from other local taxes being budgeted for less than the actual amount received. The budgeted expenditures were \$9,335,538 for the Town. The actual expenditures were \$9,335,257 which is a favorable variance of \$281.

Capital Asset and Debt Administration

Capital Assets – The Town's investment in capital assets for its governmental activities as of June 30, 2018 is \$4,386,938 (net of accumulated depreciation) a decrease of \$226,776, mainly due to normal depreciation of the assets. The investment in capital assets for its business-type activities is \$10,941,960, a decrease of \$408,953. The decrease is mainly attributed to normal depreciation of the assets. This investment in capital assets includes land, buildings and improvements, vehicles, equipment, and construction in progress.

TOWN OF PULASKI, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

Long-term debt

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

	Balance July 1, 2017	Issuances	Retirements	Balance June 30, 2018
General obligation bonds	\$ 2,653,802	\$ -	\$ (612,390)	\$ 2,041,412
Note payable	125,935	-	(35,607)	90,328
Capital lease	341,716	-	(63,242)	278,474
Net OPEB liabilities	332,147	1,405,215	(109,743)	1,627,619
Net pension liability	2,092,354	1,757,296	(2,733,314)	1,116,336
Compensated absences	518,162	387,134	(388,622)	516,674
Total	\$ 6,064,116	\$ 3,549,645	\$ (3,942,918)	\$ 5,670,843

The outstanding debt for business-type activities at June 30, 2018 is as follows:

	Balance July 1, 2017	Issuances	Retirements	Balance June 30, 2018
General obligation bonds	\$ 6,175,811	\$ -	\$ (367,447)	\$ 5,808,364
Net pension liability	295,151	260,736.00	(394,413)	161,474
Net OPEB liabilities	46,854	203,185	(15,685)	234,354
Compensated absences	78,260	50,817	(58,695)	70,382
Total	\$ 6,596,076	\$ 514,738	\$ (836,240)	\$ 6,274,574

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

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

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

Requests for Information

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

Basic Financial Statements

Town of Pulaski, Virginia
Statement of Net Position
June 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,994,734	\$ -	\$ 2,994,734
Investments	486,600	456,563	943,163
Receivables (net of allowance for uncollectibles):			
Taxes receivable	1,979,959	-	1,979,959
Other local taxes receivable	109,660	-	109,660
Accounts receivable	58,075	658,360	716,435
Loans receivable	185,649	-	185,649
Long-term receivable	363,964	-	363,964
Internal balances	(20,771)	20,771	-
Due from other governmental units	315,092	-	315,092
Inventories	19,484	-	19,484
Prepaid items	99,692	13,235	112,927
Capital assets (net of accumulated depreciation):			
Land	202,697	-	202,697
Buildings and improvements	2,214,430	4,029,027	6,243,457
Improvements other than buildings	707,934	-	707,934
Machinery and equipment	1,261,877	690,312	1,952,189
Infrastructure	-	6,033,840	6,033,840
Construction in progress	-	188,781	188,781
Total assets	\$ 10,979,076	\$ 12,090,889	\$ 23,069,965
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 386,686	\$ 71,734	\$ 458,420
OPEB related items	32,908	4,710	37,618
Total deferred outflows of resources	\$ 419,594	\$ 76,444	\$ 496,038
LIABILITIES			
Accounts payable	\$ 266,355	\$ 211,921	\$ 478,276
Reconciled overdraft	-	351,805	351,805
Accrued liabilities	134,420	-	134,420
Customers' deposits	-	108,705	108,705
Accrued interest payable	13,968	42,652	56,620
Unearned revenue	112,511	-	112,511
Due within one year	1,090,581	422,771	1,513,352
Due in more than one year	4,580,262	5,851,803	10,432,065
Total liabilities	\$ 6,198,097	\$ 6,989,657	\$ 13,187,754
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 1,760,223	\$ -	\$ 1,760,223
Pension related items	391,736	63,846	455,582
OPEB related items	33,303	4,697	38,000
Total deferred inflows of resources	\$ 2,185,262	\$ 68,543	\$ 2,253,805
NET POSITION			
Net investment in capital assets	\$ 2,340,688	\$ 5,133,596	\$ 7,474,284
Restricted:			
Principal Cemetery Maintenance	560,250	-	560,250
Community and Economic Development	1,491,267	-	1,491,267
Housing Rehabilitation	110,270	-	110,270
Unrestricted	(1,487,164)	(24,463)	(1,511,627)
Total net position	\$ 3,015,311	\$ 5,109,133	\$ 8,124,444

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

Town of Pulaski, Virginia
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT :							
Governmental activities:							
General government administration	\$ 1,373,793	\$ 17,653	\$ -	\$ -	\$ (1,356,140)	\$ -	\$ (1,356,140)
Public safety	4,265,918	70,004	267,167	-	(3,928,747)	-	(3,928,747)
Public works	2,697,926	101,619	2,057,424	-	(538,883)	-	(538,883)
Health and welfare	12,200	-	-	-	(12,200)	-	(12,200)
Parks, recreation, and cultural	751,366	83,878	4,500	-	(662,988)	-	(662,988)
Community development	977,461	-	701,431	-	(276,030)	-	(276,030)
Interest and other fiscal charges	257,887	-	-	-	(257,887)	-	(257,887)
Total governmental activities	\$ 10,336,551	\$ 273,154	\$ 3,030,522	\$ -	\$ (7,032,875)	\$ -	\$ (7,032,875)
Business-type activities:							
Water	\$ 1,901,658	\$ 1,716,779	\$ 15,402	\$ -	\$ -	\$ (169,477)	\$ (169,477)
Sewer	2,853,764	3,045,205	-	25,025	-	216,466	216,466
Total business-type activities	\$ 4,755,422	\$ 4,761,984	\$ 15,402	\$ 25,025	\$ -	\$ 46,989	\$ 46,989
Total primary government	\$ 15,091,973	\$ 5,035,138	\$ 3,045,924	\$ 25,025	\$ (7,032,875)	\$ 46,989	\$ (6,985,886)
General revenues:							
General property taxes					\$ 2,560,703	\$ -	\$ 2,560,703
Other local taxes:							
Bank stock taxes					186,406	-	186,406
Business license taxes					422,861	-	422,861
Consumers' utility taxes					211,340	-	211,340
Consumption taxes					66,406	-	66,406
Local sales and use taxes					590,583	-	590,583
Lodging taxes					30,433	-	30,433
Motor vehicle licenses					120,746	-	120,746
Restaurant food taxes					921,198	-	921,198
Tobacco taxes					141,337	-	141,337
Utility franchise taxes					7,302	-	7,302
Unrestricted revenues from the use of money and property					75,424	6,734	82,158
Miscellaneous					29,580	78,844	108,424
Grants and contributions not restricted to specific programs					566,226	-	566,226
Gain on disposal of capital assets					266,896	-	266,896
Transfers					198,054	(198,054)	-
Total general revenues and transfers					\$ 6,395,495	\$ (112,476)	\$ 6,283,019
Change in net position					\$ (637,380)	\$ (65,487)	\$ (702,867)
Net position - beginning, as restated					3,652,691	5,174,620	8,827,311
Net position - ending					\$ 3,015,311	\$ 5,109,133	\$ 8,124,444

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

Town of Pulaski, Virginia
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	UDAG Fund	Total Nonmajor Funds	Total
ASSETS				
Cash and cash equivalents	\$ 2,545,566	\$ 50,146	\$ 399,022	\$ 2,994,734
Investments	155,708	474	330,418	486,600
Receivables (net of allowance for uncollectibles):				
Taxes receivable	1,979,959	-	-	1,979,959
Other local taxes receivable	109,660	-	-	109,660
Accounts receivable	58,075	-	-	58,075
Loans	70,002	115,647	-	185,649
Long-term receivable	363,964	-	-	363,964
Due from other funds	261,052	1,325,000	100	1,586,152
Due from other governmental units	241,791	-	73,301	315,092
Inventories	19,484	-	-	19,484
Prepaid items	99,692	-	-	99,692
Total assets	<u>\$ 5,904,953</u>	<u>\$ 1,491,267</u>	<u>\$ 802,841</u>	<u>\$ 8,199,061</u>
LIABILITIES				
Accounts payable	\$ 256,570	\$ -	\$ 9,785	\$ 266,355
Accrued liabilities	134,420	-	-	134,420
Due to other funds	1,338,100	-	268,823	1,606,923
Unearned revenue	112,511	-	-	112,511
Total liabilities	<u>\$ 1,841,601</u>	<u>\$ -</u>	<u>\$ 278,608</u>	<u>\$ 2,120,209</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - long-term receivable	\$ 363,964	\$ -	\$ -	\$ 363,964
Unavailable revenue - property taxes	1,951,639	-	-	1,951,639
Total deferred inflows of resources	<u>\$ 2,315,603</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,315,603</u>
FUND BALANCES				
Nonspendable:				
Prepaid Items	\$ 99,692	\$ -	\$ -	\$ 99,692
Inventory	19,484	-	-	19,484
Principal Cemetery Maintenance	-	-	560,250	560,250
Restricted:				
Community and Economic Development	-	1,491,267	-	1,491,267
Housing Rehabilitation	-	-	110,270	110,270
Committed:				
Playground reserve fund	50,000	-	-	50,000
Unassigned	1,578,573	-	(146,287)	1,432,286
Total fund balances	<u>\$ 1,747,749</u>	<u>\$ 1,491,267</u>	<u>\$ 524,233</u>	<u>\$ 3,763,249</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 5,904,953</u>	<u>\$ 1,491,267</u>	<u>\$ 802,841</u>	<u>\$ 8,199,061</u>

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

Town of Pulaski, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2018

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds \$ 3,763,249

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

Land	\$ 202,697	
Buildings and improvements	2,214,430	
Improvements other than buildings	707,934	
Machinery and equipment	<u>1,261,877</u>	4,386,938

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

Unavailable revenue - due from other governmental units	\$ 363,964	
Unavailable revenue - property taxes	<u>191,416</u>	555,380

Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Pension related items	\$ 386,686	
OPEB related items	<u>32,908</u>	419,594

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

General obligation bonds	\$ (2,041,412)	
Capital lease	(278,474)	
Note payable	(90,328)	
Accrued interest payable	(13,968)	
Net pension liability	(1,116,336)	
Net OPEB liabilities	(1,627,619)	
Compensated absences	<u>(516,674)</u>	(5,684,811)

Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.

Pension related items	\$ (391,736)	
OPEB related items	<u>(33,303)</u>	(425,039)

Net position of governmental activities		<u><u>\$ 3,015,311</u></u>
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The notes to the financial statements are an integral part of this statement.

Town of Pulaski, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	General Fund	UDAG Fund	Total Nonmajor Funds	Total
REVENUES				
General property taxes	\$ 2,540,065	\$ -	\$ -	\$ 2,540,065
Other local taxes	2,698,612	-	-	2,698,612
Permits, privilege fees, and regulatory licenses	35,655	-	-	35,655
Fines and forfeitures	28,383	-	-	28,383
Revenue from the use of money and property	70,776	7	4,641	75,424
Charges for services	209,116	-	-	209,116
Miscellaneous	16,622	1,608	11,350	29,580
Recovered costs	318,175	-	-	318,175
Intergovernmental	3,060,668	-	536,080	3,596,748
Total revenues	\$ 8,978,072	\$ 1,615	\$ 552,071	\$ 9,531,758
EXPENDITURES				
Current:				
General government administration	\$ 1,458,643	\$ -	\$ -	\$ 1,458,643
Public safety	3,663,756	-	-	3,663,756
Public works	2,362,127	-	-	2,362,127
Health and welfare	12,200	-	-	12,200
Parks, recreation, and cultural	604,632	-	654	605,286
Community development	375,365	68,070	509,397	952,832
Nondepartmental	70,530	-	-	70,530
Debt service:				
Principal retirement	711,239	-	-	711,239
Interest and other fiscal charges	76,765	-	-	76,765
Total expenditures	\$ 9,335,257	\$ 68,070	\$ 510,051	\$ 9,913,378
Excess (deficiency) of revenues over (under) expenditures	\$ (357,185)	\$ (66,455)	\$ 42,020	\$ (381,620)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 205,554	\$ -	\$ -	\$ 205,554
Transfers out	(7,500)	-	-	(7,500)
Sale of capital assets	266,896	-	-	266,896
Total other financing sources (uses)	\$ 464,950	\$ -	\$ -	\$ 464,950
Change in fund balances	\$ 107,765	\$ (66,455)	\$ 42,020	\$ 83,330
Fund balances - beginning	1,639,984	1,557,722	482,213	3,679,919
Fund balances - ending	\$ 1,747,749	\$ 1,491,267	\$ 524,233	\$ 3,763,249

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

Town of Pulaski, Virginia
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2018

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

Net change in fund balances - total governmental funds	\$	83,330
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.

Capital outlays	\$ 276,320	
Depreciation expense	<u>(503,096)</u>	(226,776)

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

Increase (decrease) in unavailable property taxes	\$ 20,638	
Increase (decrease) in unavailable revenue - County payments	<u>(184,363)</u>	(163,725)

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.

Principal repayments:		
General obligation bonds	\$ 612,390	
Capital lease	63,242	
Note payable	<u>35,607</u>	711,239

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.

Pension expense	\$ 268,789	
OPEB expense	(1,314,966)	
Decrease (increase) in accrued interest payable	3,241	
Decrease (increase) in compensated absences	<u>1,488</u>	(1,041,448)

Change in net position of governmental activities	\$	<u>(637,380)</u>
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The notes to the financial statements are an integral part of this statement.

Town of Pulaski, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2018

	Water Fund	Sewer Fund	Total
ASSETS			
Current assets:			
Investments	\$ 412,178	\$ 44,385	\$ 456,563
Accounts receivable, net of allowances for uncollectibles	226,028	432,332	658,360
Due from other funds	131,213	-	131,213
Prepaid expenses	11,071	2,164	13,235
Total current assets	<u>\$ 780,490</u>	<u>\$ 478,881</u>	<u>\$ 1,259,371</u>
Noncurrent assets:			
Capital assets:			
Construction in progress	\$ 162,903	\$ 25,878	\$ 188,781
Infrastructure	4,020,839	7,718,307	11,739,146
Buildings	6,095,030	514,672	6,609,702
Machinery and equipment	3,207,944	2,745,214	5,953,158
Accumulated depreciation	(7,717,477)	(5,831,350)	(13,548,827)
Total capital assets	<u>\$ 5,769,239</u>	<u>\$ 5,172,721</u>	<u>\$ 10,941,960</u>
Total noncurrent assets	<u>\$ 5,769,239</u>	<u>\$ 5,172,721</u>	<u>\$ 10,941,960</u>
Total assets	<u>\$ 6,549,729</u>	<u>\$ 5,651,602</u>	<u>\$ 12,201,331</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 66,434	5,300	\$ 71,734
OPEB related items	4,221	489	4,710
Total deferred outflows of resources	<u>\$ 70,655</u>	<u>\$ 5,789</u>	<u>\$ 76,444</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 44,720	\$ 167,201	\$ 211,921
Reconciled overdraft	101,244	250,561	351,805
Customer deposits	108,705	-	108,705
Accrued interest payable	35,452	7,200	42,652
Due to other funds	-	110,442	110,442
Compensated absences - current portion	48,782	4,005	52,787
Bonds payable - current portion	194,423	175,561	369,984
Total current liabilities	<u>\$ 533,326</u>	<u>\$ 714,970</u>	<u>\$ 1,248,296</u>
Noncurrent liabilities:			
Compensated absences - net of current portion	\$ 16,260	\$ 1,335	\$ 17,595
Bonds payable - net of current portion	3,082,992	2,355,388	5,438,380
Net OPEB liabilities	211,229	23,125	234,354
Net pension liability	146,172	15,302	161,474
Total noncurrent liabilities	<u>\$ 3,456,653</u>	<u>\$ 2,395,150</u>	<u>\$ 5,851,803</u>
Total liabilities	<u>\$ 3,989,979</u>	<u>\$ 3,110,120</u>	<u>\$ 7,100,099</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related items	\$ 51,783	\$ 12,063	\$ 63,846
OPEB related items	4,150	547	4,697
Total deferred inflows of resources	<u>\$ 55,933</u>	<u>\$ 12,610</u>	<u>\$ 68,543</u>
NET POSITION			
Net investment in capital assets	\$ 2,491,824	\$ 2,641,772	\$ 5,133,596
Unrestricted	82,648	(107,111)	(24,463)
Total net position	<u>\$ 2,574,472</u>	<u>\$ 2,534,661</u>	<u>\$ 5,109,133</u>

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

Town of Pulaski, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	Water <u>Fund</u>	Sewer <u>Fund</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services:			
Water and sewer revenues	\$ 1,716,779	\$ 3,045,205	\$ 4,761,984
OPERATING EXPENSES			
Personnel services	\$ 568,785	\$ 113,462	\$ 682,247
Fringe benefits	361,388	51,595	412,983
Contractual services	145,897	2,140,436	2,286,333
Utilities	184,875	1,494	186,369
Materials and supplies	113,495	226,312	339,807
Repairs and maintenance	155,620	70,152	225,772
Capital outlay	61,354	300	61,654
Depreciation	283,071	340,651	623,722
Miscellaneous	90	-	90
Total operating expenses	\$ 1,874,575	\$ 2,944,402	\$ 4,818,977
Operating income (loss)	\$ (157,796)	\$ 100,803	\$ (56,993)
NONOPERATING REVENUES (EXPENSES)			
Connection fees	\$ 76,963	\$ 1,800	\$ 78,763
Recovered costs	-	115,327	115,327
Interest revenue	6,033	701	6,734
Interest expense	(27,083)	(24,689)	(51,772)
Federal and state grants	15,402	-	15,402
Miscellaneous	81	-	81
Total nonoperating revenues (expenses)	\$ 71,396	\$ 93,139	\$ 164,535
Income before transfers	\$ (86,400)	\$ 193,942	\$ 107,542
Capital contributions and construction grants	-	25,025	25,025
Transfers in	7,500	-	7,500
Transfers out	(94,998)	(110,556)	(205,554)
Change in net position	\$ (173,898)	\$ 108,411	\$ (65,487)
Total net position - beginning, as restated	2,748,370	2,426,250	5,174,620
Total net position - ending	\$ 2,574,472	\$ 2,534,661	\$ 5,109,133

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

Town of Pulaski, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,726,063	\$ 3,040,484	\$ 4,766,547
Payments to suppliers	(677,462)	(2,486,091)	(3,163,553)
Payments to employees	(787,056)	(157,858)	(944,914)
Reconciled overdraft	79,604	(193,006)	(113,402)
Net cash provided by (used for) operating activities	\$ 341,149	\$ 203,529	\$ 544,678
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	\$ 7,500	\$ -	\$ 7,500
Transfers to other funds	(94,998)	(110,556)	(205,554)
Recovered costs	-	115,327	115,327
Miscellaneous	81	-	81
Net cash provided by (used for) noncapital financing activities	\$ (87,417)	\$ 4,771	\$ (82,646)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital asset additions	\$ (178,019)	\$ (36,750)	\$ (214,769)
Principal payments on bonds	(173,628)	(193,819)	(367,447)
Connection fees	76,963	1,800	78,763
Contributions in aid of construction	50,000	46,025	96,025
Interest expense	(29,048)	(25,556)	(54,604)
Net cash provided by (used for) capital and related financing activities	\$ (253,732)	\$ (208,300)	\$ (462,032)
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale (purchase) of investments	\$ (6,032)	\$ (701)	\$ (6,733)
Interest and dividends received	6,032	701	6,733
Net cash provided by (used for) investing activities	\$ -	\$ -	\$ -
Net increase (decrease) in cash and cash equivalents	\$ -	\$ -	\$ -
Cash and cash equivalents - beginning	-	-	-
Cash and cash equivalents - ending	\$ -	\$ -	\$ -
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (157,796)	\$ 100,803	\$ (56,993)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	\$ 283,071	\$ 340,651	\$ 623,722
(Increase) decrease in accounts receivable	2,941	(4,721)	(1,780)
(Increase) decrease in prepaid expenses	(7,501)	(2,164)	(9,665)
(Increase) decrease in deferred outflows of resources	51,596	5,628	57,224
Increase (decrease) in customer deposits	6,343	-	6,343
Increase (decrease) in accounts payable	(8,630)	(45,233)	(53,863)
Increase (decrease) in compensated absences	(5,359)	(2,519)	(7,878)
Increase (decrease) in reconciled overdraft	79,604	(193,006)	(113,402)
Increase (decrease) in net pension liability	(114,613)	(19,064)	(133,677)
Increase (decrease) in net OPEB liabilities	169,831	17,669	187,500
Increase (decrease) in deferred inflows of resources	41,662	5,485	47,147
Total adjustments	\$ 498,945	\$ 102,726	\$ 601,671
Net cash provided by (used for) operating activities	\$ 341,149	\$ 203,529	\$ 544,678

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

Town of Pulaski, Virginia
Statement of Net Position
Fiduciary Funds
June 30, 2018

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 223,358
Accounts receivable	85,040
Total assets	<u>\$ 308,398</u>
LIABILITIES	
Amounts payable to other governments	\$ 134,178
Utility deposits	38,155
Amounts held for Pulaski PSA	136,065
Total liabilities	<u>\$ 308,398</u>

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

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1-Summary of Significant Accounting Policies:

The financial statements of the Town conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The more significant accounting policies established in GAAP and used by the Town are discussed below.

A. Financial reporting entity:

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

Blended Component Units:

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

Discretely Presented Component Units - None

Related Organizations - None

Jointly Governed Organizations - None

B. Government-wide and fund financial statements:

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

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

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

The Town reports the following major governmental funds:

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

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

The Town reports the following major proprietary funds:

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

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

The Town reports the following nonmajor governmental funds:

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

Additionally, the Town reports the following fund types:

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

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

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

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

1. Cash and Cash Equivalents

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

2. Investments

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

3. Prepaid Items

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

3. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “due to/from other funds” (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as “advances to/from other funds” (i.e. the noncurrent current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.” Advances between funds, as reported in the fund financial statements, are offset by nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

4. Inventory

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

5. Property Taxes

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

6. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$502,724 for property taxes and \$101,536 for water, sewer, and garbage receivables at June 30, 2018.

7. Use of Estimates

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

8. Capital Assets

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

8. Capital Assets (continued)

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

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

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

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

9. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement. The Town accrues salary-related payments associated with the payment of compensated absences. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

10. Long-term Obligations

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

11. Fund Balance

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

Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);

Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;

Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;

Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund.

When fund balance resources are available for a specific purpose in more than one classification, it is the Town's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed. Town Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Town Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

12. Net Position

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

13. Net Position Flow Assumption

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

14. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension liability and net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has three types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, the receivable amount due from Pulaski County, Virginia that is long-term in nature is reported as unavailable revenue. In addition, certain items related to the measurement of the net pension liability and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

15. Pensions

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

16. Other Postemployment Benefits (OPEB)

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

1. Prior to May 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The General fund has a legally adopted budget. The UDAG Fund does not have a legally adopted budget.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the function level. Only the Town Council can revise the appropriation for each department or category. The Town Manager is authorized to transfer budgeted amounts within general government departments.

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

A. Budgetary information (continued)

5. Formal budgetary integration is employed by the Water and Sewer Funds as well as the General Fund and UDAG Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all Town units. Several supplemental appropriations were necessary during this fiscal year.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is not part of the Town's accounting system.
9. For fiscal year ending June 30, 2018, expenditures did not exceed appropriations in any functions.

B. Deficit fund equity

1. At June 30, 2018, the Neighborhood Revitalization fund had deficit fund equity.

Note 3-Deposits and Investments:

Deposits

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

Investments

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

Custodial Credit Risk (Investments)

The Town's investments at June 30, 2018 were held in the Town's name by the Town's custodial banks.

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 3-Deposits and Investments: (continued)

Credit Risk of Debt Securities

The Town's rated debt investments as of June 30, 2018 were rated by Standard and Poor's and the ratings are presented below using Standard and Poor's rating scale.

Rated Debt Investments' Values	
Rated Debt Investments	Ratings
	AAAm
LGIP	\$ 637,909

Interest Rate Risk

Investment Type	Fair Value	< 1 year	1-5 years
LGIP	\$ 637,909	\$ 637,909	\$ -
Certificates of Deposit	305,254	-	305,254
Total Investments	\$ 943,163	\$ 637,909	\$ 305,254

External Investment Pool

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

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

Interfund transfers for the year ended June 30, 2018 consisted of the following:

Fund	Transfers In	Transfers Out
General Fund	\$ 205,554	\$ 7,500
Water Fund	7,500	94,998
Sewer Fund	-	110,556
Total	\$ 213,054	\$ 213,054

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

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

Due to/from other funds for the year ended June 30, 2018 consisted of the following:

Fund	Due to Other Funds	Due from Other Funds
General Fund	\$ 1,338,100	\$ 261,052
UDAG Fund	-	1,325,000
CDBG Fund	86,820	-
Neighborhood Revitalization Fund	182,003	-
Water Fund	-	131,213
Sewer Fund	110,442	-
Cemetery Fund	-	100
Total	<u>\$ 1,717,365</u>	<u>\$ 1,717,365</u>

Note 5-Due from Other Governmental Units:

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

	Primary Government Governmental Activities
Local Government:	
Pulaski County	\$ 107,648
Commonwealth of Virginia:	
Noncategorical Aid	66,645
Federal Government:	
Categorical Aid	140,799
Total	<u>\$ 315,092</u>

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 6-Long-term Obligations:

Governmental Activities Long-term Obligations:

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2018:

	Restated Beginning Balance	Increases/ Issuances	Decreases/ Retirements	Ending Balance
General obligation bonds	\$ 2,653,802	\$ -	\$ 612,390	\$ 2,041,412
Note payable	125,935	-	35,607	90,328
Capital lease	341,716	-	63,242	278,474
Net OPEB liabilities	332,147	1,405,215	109,743	1,627,619
Net pension liability	2,092,354	1,757,296	2,733,314	1,116,336
Compensated absences	518,162	387,134	388,622	516,674
Total	<u>\$ 6,064,116</u>	<u>\$ 3,549,645</u>	<u>\$ 3,942,918</u>	<u>\$ 5,670,843</u>

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

Year Ending June 30,	General Obligation Bonds		Note payable	
	Principal	Interest	Principal	Interest
2019	\$ 622,308	\$ 44,587	\$ 37,429	\$ 3,666
2020	620,499	32,112	39,343	1,752
2021	181,469	19,662	13,556	141
2022	159,324	15,149	-	-
2023	121,590	11,476	-	-
2024-2028	210,331	31,361	-	-
2029-2033	125,891	7,224	-	-
Totals	<u>\$ 2,041,412</u>	<u>\$ 161,571</u>	<u>\$ 90,328</u>	<u>\$ 5,559</u>

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 6-Long-term Obligations: (continued)

Governmental Activities Long-term Obligations: (continued)

Details of long-term obligations are as follows:

	Interest Rates	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
General obligation bonds:					
GO bond - JH Project (A)	1.81%	2020	\$ 2,588,840	\$ 885,895	\$ 444,873
GO bond - 2012	4.34%	2032	3,000,000	792,836	95,754
GO bond - 2014B	2.33%	2021	153,469	69,364	22,591
GO bond - 2014B	2.47%	2024	225,971	142,634	22,346
GO bond - 2016	1.65%	2022	186,825	150,683	36,744
Subtotal GO bonds				<u>\$ 2,041,412</u>	<u>\$ 622,308</u>
Note Payable					
County of Pulaski, VA	5.00%	2021	\$ 181,471	\$ 90,328	\$ 37,429
Other obligations:					
Net pension liability	n/a	n/a	n/a	\$ 1,116,336	\$ -
Net OPEB liabilities	n/a	n/a	n/a	1,627,619	-
Compensated absences	n/a	n/a	n/a	516,674	387,506
Capital lease	various	various	various	278,474	43,338
Total other obligations				<u>\$ 3,539,103</u>	<u>\$ 430,844</u>
Totals				<u>\$ 5,670,843</u>	<u>\$ 1,090,581</u>

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

Business-type Activities Long-term Obligations:

The following is a summary of long-term obligation transactions of the Enterprise Fund for the year ended June 30, 2018:

	Restated Beginning Balance	Increases/ Issuances	Decreases/ Retirements	Ending Balance
General obligation bonds	\$ 6,175,811	\$ -	\$ 367,447	\$ 5,808,364
Net pension liability	295,151	260,736	394,413	161,474
Net OPEB liabilities	46,854	203,185	15,685	234,354
Compensated absences	78,260	50,817	58,695	70,382
Total	<u>\$ 6,596,076</u>	<u>\$ 514,738</u>	<u>\$ 836,240</u>	<u>\$ 6,274,574</u>

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 6-Long-term Obligations: (continued)

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

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

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2019	\$ 369,984	\$ 106,390
2020	372,574	99,136
2021	375,050	91,817
2022	377,631	84,434
2023	380,231	76,980
2024-2028	1,347,086	312,186
2029-2033	1,290,869	210,573
2034-2038	539,530	127,939
2039-2043	533,547	65,093
2044-2045	221,862	6,774
Totals	<u>\$ 5,808,364</u>	<u>\$ 1,181,322</u>

Details of long-term obligations are as follows:

	Interest Rates	Final Maturity Date	Amount of Original Issue	Balance Business-type Activities	Amount Due Within One Year
General obligation bonds:					
GO bond (A)	2.85%	2032	\$ 3,879,454	\$ 1,552,138	\$ 187,458
GO bond	0.00%	2033	2,156,159	1,666,132	107,808
GO bond	2.50%	2045	2,487,968	2,334,970	61,738
GO bond	2.68%	2034	304,293	255,124	12,980
Subtotal GO bonds				<u>\$ 5,808,364</u>	<u>\$ 369,984</u>
Other obligations:					
Net pension liability	n/a	n/a	n/a	\$ 161,474	\$ -
Net OPEB liabilities	n/a	n/a	n/a	234,354	-
Compensated absences	n/a	n/a	n/a	70,382	52,787
Total other obligations				<u>\$ 466,210</u>	<u>\$ 52,787</u>
Totals				<u>\$ 6,274,574</u>	<u>\$ 422,771</u>

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

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 7-Capital Lease:

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

Total assets acquired through capital leases are as follows:

	Governmental Activities		
	Vehicles	Machinery	Equipment
Asset:			
Machinery and equipment	\$ 53,427	\$ 294,558	\$ 145,869
Less: Accumulated depreciation	(27,899)	(167,424)	(121,901)
Total	<u>\$ 25,528</u>	<u>\$ 127,134</u>	<u>\$ 23,968</u>

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2018, were as follows:

Fiscal Year Ended	Governmental Activities
2019	\$ 50,093
2020	50,093
2021	42,043
2022	36,371
2023	36,371
2024-2026	90,927
Total minimum lease payments	<u>\$ 305,898</u>
Less: amount representing interest	(27,424)
Present value of minimum lease payments	<u>\$ 278,474</u>

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TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 8-Unearned and Deferred/Unavailable Revenue:

Unearned and deferred/unavailable revenue represent amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Under the accrual basis, assessments for future periods are deferred. These amounts consist of the following:

Deferred/Unavailable Revenue - Primary Government:

	Government-wide Statements Governmental Activities	Balance Sheet Governmental Funds
Long-term receivable from Pulaski County for the James Hardie Project not available for funding current expenditures	\$ -	\$ 363,964
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	-	191,416
Tax assessments due after June 30	1,744,421	1,744,421
Prepaid property taxes due after June 30 but paid in advance by taxpayers	15,802	15,802
Total	<u>\$ 1,760,223</u>	<u>\$ 2,315,603</u>

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TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan:

Plan Description

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

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (continued)

Plan Description (continued)

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

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (continued)

Plan Description (continued)

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

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (continued)

Plan Description (continued)

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

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (continued)

Plan Description (continued)

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

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (continued)

Plan Description (continued)

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

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (continued)

Plan Description (continued)

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

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (continued)

Plan Description (continued)

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

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (continued)

Plan Description (continued)

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

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (continued)

Plan Description (continued)

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

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (continued)

Plan Description (continued)

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

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (continued)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report-pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Employees Covered by Benefit Terms

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	74
Inactive members:	
Vested inactive members	13
Non-vested inactive members	36
Inactive members active elsewhere in VRS	<u>94</u>
Total inactive members	143
Active members	<u>106</u>
Total covered employees	<u><u>323</u></u>

Contributions

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

The Town of Pulaski, Virginia's contractually required employer contribution rate for the year ended June 30, 2018 was 10.84% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (continued)

Contributions (continued)

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$442,618 and \$448,415 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

The Town of Pulaski, Virginia's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Town of Pulaski, Virginia's Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (continued)

Actuarial Assumptions - General Employees (continued)

Mortality rates:

Largest 10 - Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

All Others (Non 10 Largest) - Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

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TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (continued)

Actuarial Assumptions - General Employees (continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

All Others (Non 10 Largest) - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

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TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town of Pulaski, Virginia's Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

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

Mortality rates:

Largest 10 - Hazardous Duty: 70% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

All Others (Non 10 Largest) - Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (continued)

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

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TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (continued)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.30%</u>

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

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TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the Town of Pulaski, Virginia Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2016	\$ 21,485,337	\$ 19,097,832	\$ 2,387,505
Changes for the year:			
Service cost	\$ 525,270	\$ -	\$ 525,270
Interest	1,470,741	-	1,470,741
Differences between expected and actual experience	(91,914)	-	(91,914)
Assumption changes	(54,234)	-	(54,234)
Contributions - employer	-	448,415	(448,415)
Contributions - employee	-	208,261	(208,261)
Net investment income	-	2,318,353	(2,318,353)
Benefit payments, including refunds	(949,496)	(949,496)	-
Administrative expenses	-	(13,408)	13,408
Other changes	-	(2,063)	2,063
Net changes	\$ 900,367	\$ 2,010,062	\$ (1,109,695)
Balances at June 30, 2017	\$ 22,385,704	\$ 21,107,894	\$ 1,277,810

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
Town of Pulaski			
Net Pension Liability (Asset)	\$ 4,162,304	\$ 1,277,810	\$ (1,114,636)

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

For the year ended June 30, 2018, the Town of Pulaski, Virginia recognized pension expense of \$141,501. At June 30, 2018, the Town of Pulaski, Virginia reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 101,827
Change in assumptions	-	35,070
Net difference between projected and actual earnings on pension plan investments	-	302,883
Changes in proportion and differences between employer contributions and proportionate share of contributions	15,802	15,802
Employer contributions subsequent to the measurement date	442,618	-
Total	\$ 458,420	\$ 455,582

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 9-Pension Plan: (continued)

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

\$442,618 reported as deferred outflows of resources related to pensions resulting from the Town of Pulaski, Virginia's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30

2019	\$	(286,635)
2020		45,004
2021		312
2022		(198,461)

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 10- Group Life Insurance (GLI) Program (OPEB Plan):*Plan Description*

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"> • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City School Board <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 10- Group Life Insurance (GLI) Program (OPEB Plan): (continued)*Plan Description (Continued)***GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)****Benefit Amounts**

The benefits payable under the Group Life Insurance Program have several components.

- Natural Death Benefit - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- Accidental Death Benefit - The accidental death benefit is double the natural death benefit.
- Other Benefit Provisions - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
 - Accidental dismemberment benefit
 - Safety belt benefit
 - Repatriation benefit
 - Felonious assault benefit
 - Accelerated death benefit option

Reduction in Benefit Amounts

The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 10- Group Life Insurance (GLI) Program (OPEB Plan): (continued)*Contributions*

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the entity were \$21,618 and \$21,793 for the years ended June 30, 2018 and June 30, 2017, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2018, the entity reported a liability of \$342,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was 0.02272% as compared to 0.02165% at June 30, 2016.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of \$7,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 10- Group Life Insurance (GLI) Program (OPEB Plan): (continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)

At June 30, 2018, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 7,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	13,000
Change in assumptions	-	18,000
Changes in proportion	16,000	-
Employer contributions subsequent to the measurement date	21,618	-
Total	\$ 37,618	\$ 38,000

\$21,618 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2019	\$ (5,000)
2020	(5,000)
2021	(5,000)
2022	(5,000)
2023	(2,000)

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 10- Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5% - 5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

Mortality Rates - General State Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 10- Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Actuarial Assumptions: (Continued)

Mortality Rates - General State Employees (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Mortality Rates - Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

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TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 10- Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Mortality Rates - SPORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 10- Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Actuarial Assumptions: (Continued)

Mortality Rates - SPORS Employees (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

Mortality Rates - VaLORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 10- Group Life Insurance (GLI) Program (OPEB Plan): (continued)*Actuarial Assumptions: (Continued)***Mortality Rates - VaLORS Employees (Continued)**

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Mortality Rates - JRS Employees**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

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TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 10- Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Actuarial Assumptions: (Continued)

Mortality Rates - JRS Employees (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

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TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 10- Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - General Employees (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

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TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 10- Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 10- Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees: (Continued)

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 10- Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees: (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$	2,942,426
Plan Fiduciary Net Position		1,437,586
Employers' Net GLI OPEB Liability (Asset)	\$	<u>1,504,840</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		48.86%

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 10- Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 10- Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
Town of Pulaski's proportionate share of the Group Life Insurance Program			
Net OPEB Liability	\$ 442,000	\$ 342,000	\$ 260,000

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 11- Other Postemployment Benefits-Health Insurance:

Plan Description

In addition to the pension benefits described in Note 9, the Town of Pulaski administers a single-employer defined benefit healthcare plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the Town of Pulaski's pension plans. The plan does not issue a publicly available financial report.

Benefits Provided

A retiree, eligible for post-retirement medical coverage, is defined as a full-time employee who retires directly from the Town and is eligible to receive an early or regular retirement benefit from VRS. Employees applying for early or regular retirement are eligible to continue participation in the Retiree Health Plans sponsored by the Town. Employees at the Town are allowed to stay on the plan until Medicare eligibility at age 65. The employee pays 100% of the required premium.

Plan Membership

At June 30, 2018 (measurement date), the following employees were covered by the benefit terms:

Total active employees with coverage	<u>91</u>
Total	<u>91</u>

Contributions

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Town of Pulaski Board. The Town did not make any contributions to the plan during fiscal year ended 2018.

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 11- Other Postemployment Benefits-Health Insurance: (continued)

Total OPEB Liability

The Town of Pulaski's total OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	1.90%
Salary Increases	1.90%
Discount Rate	3.87%

Mortality rates were based on the RP2000 Mortality Table for Males and Females Projected 18 years; this assumption does not include a margin for future improvements in longevity.

Discount Rate

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is based on the 20 year tax exempt municipal bond yield.

Changes in Total OPEB Liability

		Primary Government Total OPEB Liability
Balances at June 30, 2017	\$	-
Changes for the year:		
Effect of Economic/Demographic Gains or Losses		1,585,400
Effect of Assumption Changes or Inputs		(65,427)
Net changes	\$	1,519,973
Balances at June 30, 2018	\$	1,519,973

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 11- Other Postemployment Benefits-Health Insurance: (continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following amounts present the total OPEB liability of the Town of Pulaski, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.87%) or one percentage point higher (4.87%) than the current discount rate:

Rate		
1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
\$ 1,707,226	\$ 1,519,973	\$ 1,362,568

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Town of Pulaski, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

Rates		
1% Decrease	Healthcare Cost Trend	1% Increase
\$ 1,323,848	\$ 1,519,973	\$ 1,758,355

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2018, the Town of Pulaski recognized OPEB expense in the amount of \$0. At June 30, 2018, the Town of Pulaski reported no deferred outflows of resources or deferred inflows of resources related to OPEB.

Additional disclosures on changes in net OPEB liability, related ratios, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

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TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 12-Capital Assets:

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 179,697	\$ 23,000	\$ -	\$ 202,697
Capital assets, being depreciated:				
Buildings and improvements	\$ 4,569,742	\$ 66,800	\$ -	\$ 4,636,542
Improvements other than buildings	1,140,625	5,135	-	1,145,760
Machinery and equipment	6,901,787	181,385	-	7,083,172
Total capital assets, being depreciated	\$ 12,612,154	\$ 253,320	\$ -	\$ 12,865,474
Accumulated depreciation:				
Buildings and improvements	\$ (2,350,443)	\$ (71,669)	\$ -	\$ (2,422,112)
Improvements other than buildings	(409,434)	(28,392)	-	(437,826)
Machinery and equipment	(5,418,260)	(403,035)	-	(5,821,295)
Total accumulated depreciation	\$ (8,178,137)	\$ (503,096)	\$ -	\$ (8,681,233)
Total capital assets being depreciated, net	\$ 4,434,017	\$ (249,776)	\$ -	\$ 4,184,241
Governmental activities capital assets, net	\$ 4,613,714	\$ (226,776)	\$ -	\$ 4,386,938

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 12-Capital Assets: (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
Business-type Activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 92,719	\$ 96,062	\$ -	\$ 188,781
Capital assets, being depreciated:				
Infrastructure	\$ 11,690,576	\$ 48,570	\$ -	\$ 11,739,146
Buildings	6,609,702	-	-	6,609,702
Machinery and equipment	5,883,021	70,137	-	5,953,158
Total capital assets, being depreciated	\$ 24,183,299	\$ 118,707	\$ -	\$ 24,302,006
Accumulated depreciation:				
Infrastructure	\$ (5,365,535)	\$ (339,771)	\$ -	\$ (5,705,306)
Buildings	(2,446,982)	(133,693)	-	(2,580,675)
Machinery and equipment	(5,112,588)	(150,258)	-	(5,262,846)
Total accumulated depreciation	\$ (12,925,105)	\$ (623,722)	\$ -	\$ (13,548,827)
Total capital assets being depreciated, net	\$ 11,258,194	\$ (505,015)	\$ -	\$ 10,753,179
Business-type activities capital assets, net	\$ 11,350,913	\$ (408,953)	\$ -	\$ 10,941,960

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

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

Governmental activities:	
General government administration	\$ 85,820
Public safety	155,018
Public works	191,921
Parks, recreation and cultural	69,513
Community development	824
Total depreciation expense-governmental activities	<u>\$ 503,096</u>
Business-type activities:	
Water	\$ 283,071
Sewer	340,651
Total depreciation expense-business-type activities	<u>\$ 623,722</u>

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 13-Risk Management:

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Town participates with other localities in a public entity risk pool for their coverage of general liability, property, crime, machinery and auto insurance with the Virginia Association of Counties. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The Town pays the Virginia Association of Counties Group contributions and assessments which are deposited into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss, deficit, or depletion of all available resources, the pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The Town continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 14-Surety Bonds:

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

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TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 15-Adoption of Accounting Principles:

The Town of Pulaski, Virginia implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to postemployment benefits other than pensions (other postemployment benefits or OPEB). Note disclosure and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve accounting and financial reporting by state and local governments for OPEB. In addition, the Town of Pulaski, Virginia implemented Governmental Accounting Standards Board Statement No. 85, *Omnibus 2017* during the fiscal year ended June 30, 2018. This Statement addresses practice issues identified during implementation and application of certain GASB statements for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The implementation of these Statements resulted in the following restatement of net position:

	Governmental Activities	Business-Type Activities	
		Water Fund	Sewer Fund
Net position - beginning, as previously reported	\$ 3,965,739	\$ 2,787,388	\$ 2,431,392
GASB 75 implementation	(313,048)	(39,018)	(5,142)
Net position - beginning, as restated	<u>\$ 3,652,691</u>	<u>\$ 2,748,370</u>	<u>\$ 2,426,250</u>

Note 16-Upcoming Pronouncements:

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

Note 16-Upcoming Pronouncements: (continued)

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

Statement No. 88, *Certain Disclosures Related to Debt*, Including Direct Borrowings and Direct Placements, clarifies which liabilities governments should include when disclosing information related to debt. It defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, it requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

Required Supplementary Information

Town of Pulaski, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 2,589,792	\$ 2,589,792	\$ 2,540,065	\$ (49,727)
Other local taxes	2,647,000	2,647,000	2,698,612	51,612
Permits, privilege fees, and regulatory licenses	20,000	20,000	35,655	15,655
Fines and forfeitures	41,500	41,500	28,383	(13,117)
Revenue from the use of money and property	79,176	79,176	70,776	(8,400)
Charges for services	185,820	185,820	209,116	23,296
Miscellaneous	23,837	23,837	16,622	(7,215)
Recovered costs	259,363	259,363	318,175	58,812
Intergovernmental:				
Commonwealth	2,835,440	2,835,440	2,902,055	66,615
Federal	160,000	160,000	158,613	(1,387)
Total revenues	<u>\$ 8,841,928</u>	<u>\$ 8,841,928</u>	<u>\$ 8,978,072</u>	<u>\$ 136,144</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,608,507	\$ 1,608,507	\$ 1,458,643	\$ 149,864
Public safety	3,616,645	3,616,645	3,663,756	(47,111)
Public works	2,305,892	2,305,892	2,362,127	(56,235)
Health and welfare	12,200	12,200	12,200	-
Parks, recreation, and cultural	637,262	637,262	604,632	32,630
Community development	372,687	372,687	375,365	(2,678)
Nondepartmental	65,360	65,360	70,530	(5,170)
Debt service:				
Principal retirement	716,985	716,985	711,239	5,746
Interest and other fiscal charges	-	-	76,765	(76,765)
Total expenditures	<u>\$ 9,335,538</u>	<u>\$ 9,335,538</u>	<u>\$ 9,335,257</u>	<u>\$ 281</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (493,610)</u>	<u>\$ (493,610)</u>	<u>\$ (357,185)</u>	<u>\$ 136,425</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 411,110	\$ 411,110	\$ 205,554	\$ (205,556)
Transfers out	(7,500)	(7,500)	(7,500)	-
Sale of capital assets	-	-	266,896	266,896
Total other financing sources (uses)	<u>\$ 403,610</u>	<u>\$ 403,610</u>	<u>\$ 464,950</u>	<u>\$ 61,340</u>
Net change in fund balances	<u>\$ (90,000)</u>	<u>\$ (90,000)</u>	<u>\$ 107,765</u>	<u>\$ 197,765</u>
Fund balances - beginning	90,000	90,000	1,639,984	1,549,984
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,747,749</u>	<u>\$ 1,747,749</u>

Note 1: GAAP serves as the budgetary basis of accounting

Town of Pulaski, Virginia
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
For the Years Ended June 30, 2015 through June 30, 2018

Exhibit 12

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 525,270	\$ 497,436	\$ 512,800	\$ 496,528
Interest	1,470,741	1,411,894	1,354,591	1,291,245
Changes of benefit terms	-	-	-	(848,943)
Change in assumptions	(54,234)	-	-	-
Differences between expected and actual experience	(91,914)	(138,731)	(135,253)	-
Benefit payments, including refunds of employee contributions	(949,496)	(910,350)	(916,714)	-
Net change in total pension liability	\$ 900,367	\$ 860,249	\$ 815,424	\$ 938,830
Total pension liability - beginning	21,485,337	20,625,088	19,809,664	18,870,834
Total pension liability - ending (a)	<u>\$ 22,385,704</u>	<u>\$ 21,485,337</u>	<u>\$ 20,625,088</u>	<u>\$ 19,809,664</u>
Plan fiduciary net position				
Contributions - employer	\$ 448,415	\$ 506,268	\$ 510,626	\$ 496,437
Contributions - employee	208,261	205,435	210,833	191,112
Net investment income	2,318,353	327,439	839,378	2,516,703
Benefit payments, including refunds of employee contributions	(949,496)	(910,350)	(916,714)	(848,943)
Administrative expense	(13,408)	(11,785)	(11,496)	(13,544)
Other	(2,063)	(140)	(178)	133
Net change in plan fiduciary net position	\$ 2,010,062	\$ 116,867	\$ 632,449	\$ 2,341,898
Plan fiduciary net position - beginning	19,097,832	18,980,965	18,348,516	16,006,618
Plan fiduciary net position - ending (b)	<u>\$ 21,107,894</u>	<u>\$ 19,097,832</u>	<u>\$ 18,980,965</u>	<u>\$ 18,348,516</u>
Town's net pension liability (asset) - ending (a) - (b)	<u>\$ 1,277,810</u>	<u>\$ 2,387,505</u>	<u>\$ 1,644,123</u>	<u>\$ 1,461,148</u>
Plan fiduciary net position as a percentage of the total pension liability	94.29%	88.89%	92.03%	92.62%
Covered payroll	\$ 4,190,931	\$ 3,889,933	\$ 3,877,452	\$ 3,780,308
Town's net pension liability (asset) as a percentage of covered payroll	30.49%	61.38%	42.40%	38.65%

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

Town of Pulaski, Virginia
Schedule of Employer Contributions - Pension Plan
For the Years Ended June 30, 2009 through June 30,2018

Exhibit 13

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	\$ 442,618	\$ 442,618	\$ -	\$ 4,157,222	10.65%
2017	448,415	448,415	-	4,190,931	10.70%
2016	506,268	506,268	-	3,889,933	13.01%
2015	508,334	508,334	-	3,877,452	13.11%
2014	496,354	496,354	-	3,780,308	13.13%
2013	505,925	505,925	-	3,853,199	13.13%
2012	334,183	334,183	-	3,640,335	9.18%
2011	335,927	335,927	-	3,659,335	9.18%
2010	379,758	379,758	-	3,679,825	10.32%
2009	365,256	365,256	-	3,539,304	10.32%

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

Town of Pulaski, Virginia
Notes to Required Supplementary Information - Pension Plan
For the Year Ended June 30, 2018

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 is not material.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Largest 10 - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Town of Pulaski, Virginia
Schedule of Town of Pulaski's Share of Net OPEB Liability
Group Life Insurance Program
For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2017	0.02272% \$	342,000 \$	4,194,459	8.15%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Town of Pulaski, Virginia
Schedule of Employer Contributions
Group Life Insurance Program
For the Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	\$ 21,618	\$ 21,618	\$ -	\$ 4,157,222	0.52%
2017	21,793	21,793	-	4,194,459	0.52%
2016	18,671	18,671	-	3,889,932	0.48%
2015	18,611	18,611	-	3,877,451	0.48%
2014	18,145	18,145	-	3,780,307	0.48%
2013	18,495	18,495	-	3,853,198	0.48%
2012	10,186	10,186	-	3,638,155	0.28%
2011	10,246	10,246	-	3,659,335	0.28%
2010	7,425	7,425	-	2,750,006	0.27%
2009	9,556	9,556	-	3,539,304	0.27%

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

General State Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Teachers

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

SPORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

VaLORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

JRS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Town of Pulaski, Virginia
 Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios - Health Insurance
 Primary Government
 For the Year Ended June 30, 2018

	<u>2018</u>
Total OPEB liability	
Effect of Economic/Demographic Gains or Losses	\$ 1,585,400
Effect of Assumptions Changes or Inputs	<u>(65,427)</u>
Net change in total OPEB liability	\$ 1,519,973
Total OPEB liability - beginning	<u>-</u>
Total OPEB liability - ending	<u><u>\$ 1,519,973</u></u>
 Covered-employee payroll	 N/A
 Town of Pulaski's total OPEB liability (asset) as a percentage of covered-employee payroll	 N/A

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

Town of Pulaski, Virginia
Notes to Required Supplementary Information - Health Insurance
For the Year Ended June 30, 2018

Valuation Date: 6/30/2018
Measurement Date: 6/30/2018

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal
Discount Rate	3.87%
Inflation	1.90%
Healthcare Trend Rate	The medical trend rate starts at 4.6% for year one increasing to 4.7% for year two, 4.8% for years three through six and decreasing to an ultimate rate of 4.7% at year seven. The pharmacy trend rate starts at 7.6% for year one, decreasing to 6.2% for year two, 4.9% for year three, 4.8% for years four through six to ultimate rate of 4.7% in year seven. The dental trend rate starts at 3.5% for years one and two, decreasing to an ultimate rate of 3.0% in year three. The vision trend rate is 3.0% for all years.
Salary Increase Rates	1.90%
Retirement Age	The average age at retirement is 62
Mortality Rates	RP2000 Mortality Table for Males and Females Projected 18 years; this assumption does not include a margin for future improvements in longevity.

Other Supplementary Information

Town of Pulaski, Virginia
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

	<u>Special Revenue Funds</u>			
	<u>Cemetery Care</u>	<u>CDBG Housing Rehabilitation</u>	<u>Neighborhood Revitalization</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 254,896	\$ 108,263	\$ 35,863	\$ 399,022
Investments	305,254	25,164	-	330,418
Due from other funds	100	-	-	100
Due from other governmental units	-	73,301	-	73,301
Total assets	<u>\$ 560,250</u>	<u>\$ 206,728</u>	<u>\$ 35,863</u>	<u>\$ 802,841</u>
LIABILITIES				
Accounts payable	\$ -	\$ 9,638	\$ 147	\$ 9,785
Due to other funds	-	86,820	182,003	268,823
Total liabilities	<u>\$ -</u>	<u>\$ 96,458</u>	<u>\$ 182,150</u>	<u>\$ 278,608</u>
FUND BALANCES				
Nonspendable:				
Principal Cemetery Maintenance	\$ 560,250	\$ -	\$ -	\$ 560,250
Restricted:				
Housing Rehabilitation	-	110,270	-	110,270
Unassigned	-	-	(146,287)	(146,287)
Total fund balances	<u>\$ 560,250</u>	<u>\$ 110,270</u>	<u>\$ (146,287)</u>	<u>\$ 524,233</u>
Total liabilities and fund balances	<u>\$ 560,250</u>	<u>\$ 206,728</u>	<u>\$ 35,863</u>	<u>\$ 802,841</u>

Town of Pulaski, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	<u>Special Revenue Funds</u>			
	<u>Cemetery Care</u>	<u>CDBG Housing Rehabilitation</u>	<u>Neighborhood Revitalization</u>	<u>Total</u>
REVENUES				
Revenue for the use of money and property	\$ 4,273	\$ 368	\$ -	\$ 4,641
Miscellaneous	4,875	-	6,475	11,350
Intergovernmental revenues:				
Federal	-	536,080	-	536,080
Total revenues	<u>\$ 9,148</u>	<u>\$ 536,448</u>	<u>\$ 6,475</u>	<u>\$ 552,071</u>
EXPENDITURES				
Current:				
Parks, recreation, and cultural	\$ 654	\$ -	\$ -	\$ 654
Community development	-	509,284	113	509,397
Total expenditures	<u>\$ 654</u>	<u>\$ 509,284</u>	<u>\$ 113</u>	<u>\$ 510,051</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 8,494</u>	<u>\$ 27,164</u>	<u>\$ 6,362</u>	<u>\$ 42,020</u>
Net change in fund balances	\$ 8,494	\$ 27,164	\$ 6,362	\$ 42,020
Fund balance - beginning	551,756	83,106	(152,649)	482,213
Fund balance - ending	<u>\$ 560,250</u>	<u>\$ 110,270</u>	<u>\$ (146,287)</u>	<u>\$ 524,233</u>

Town of Pulaski, Virginia
Statement of Changes in Assets and Liabilities
Agency Fund - PSA Fund
For the Fiscal Year Ended June 30, 2018

	Balance <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2018</u>
ASSETS				
Cash and cash equivalents	\$ 215,233	\$ 669,722	\$ (661,597)	\$ 223,358
Accounts receivable	88,288	610,432	(613,680)	85,040
Total assets	\$ <u>303,521</u>	\$ <u>1,280,154</u>	\$ <u>(1,275,277)</u>	\$ <u>308,398</u>
LIABILITIES				
Amounts payable to other governments	\$ 134,899	\$ 549,389	\$ (550,110)	\$ 134,178
Utility deposits	37,062	11,961	(10,868)	38,155
Amounts held for Pulaski PSA	131,560	631,293	(626,788)	136,065
Total liabilities	\$ <u>303,521</u>	\$ <u>1,192,643</u>	\$ <u>(1,187,766)</u>	\$ <u>308,398</u>

Town of Pulaski, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real Property Tax	\$ 1,558,785	\$ 1,558,785	\$ 1,497,176	\$ (61,609)
Real and Personal PSC Tax	55,507	55,507	65,823	10,316
Personal Property Tax	307,000	307,000	172,707	(134,293)
Machinery and tools tax	637,000	637,000	711,678	74,678
Penalties	17,500	17,500	24,349	6,849
Interest	14,000	14,000	68,332	54,332
Total general property taxes	<u>\$ 2,589,792</u>	<u>\$ 2,589,792</u>	<u>\$ 2,540,065</u>	<u>\$ (49,727)</u>
Other local taxes:				
Bank stock taxes	\$ 140,000	\$ 140,000	\$ 186,406	\$ 46,406
Business license taxes	450,000	450,000	422,861	(27,139)
Consumers' utility taxes	220,000	220,000	211,340	(8,660)
Consumption taxes	40,000	40,000	66,406	26,406
Local sales and use taxes	600,000	600,000	590,583	(9,417)
Lodging tax	25,000	25,000	30,433	5,433
Motor vehicle licenses	136,000	136,000	120,746	(15,254)
Restaurant food taxes	850,000	850,000	921,198	71,198
Tobacco taxes	175,000	175,000	141,337	(33,663)
Utility franchise taxes	11,000	11,000	7,302	(3,698)
Total other local taxes	<u>\$ 2,647,000</u>	<u>\$ 2,647,000</u>	<u>\$ 2,698,612</u>	<u>\$ 51,612</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 35,655</u>	<u>\$ 15,655</u>
Fines and forfeitures:				
Court fines and forfeitures	<u>\$ 41,500</u>	<u>\$ 41,500</u>	<u>\$ 28,383</u>	<u>\$ (13,117)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 25,850	\$ 25,850	\$ 30,732	\$ 4,882
Revenue from use of property	53,326	53,326	40,044	(13,282)
Total revenue from use of money and property	<u>\$ 79,176</u>	<u>\$ 79,176</u>	<u>\$ 70,776</u>	<u>\$ (8,400)</u>
Charges for services:				
Charges for police services	\$ 2,800	\$ 2,800	\$ 5,966	\$ 3,166
Charges for parks and recreation	75,200	75,200	83,878	8,678
Charges for PSA services	99,700	99,700	101,619	1,919
Other charges for services	8,120	8,120	17,653	9,533
Total charges for services	<u>\$ 185,820</u>	<u>\$ 185,820</u>	<u>\$ 209,116</u>	<u>\$ 23,296</u>
Miscellaneous:				
Miscellaneous	<u>\$ 23,837</u>	<u>\$ 23,837</u>	<u>\$ 16,622</u>	<u>\$ (7,215)</u>
Recovered costs:				
Insurance recoveries	\$ 3,000	\$ 3,000	\$ 64,282	\$ 61,282
Other recovered costs	256,363	256,363	253,893	(2,470)
Total recovered costs	<u>\$ 259,363</u>	<u>\$ 259,363</u>	<u>\$ 318,175</u>	<u>\$ 58,812</u>
Total revenue from local sources	<u>\$ 5,846,488</u>	<u>\$ 5,846,488</u>	<u>\$ 5,917,404</u>	<u>\$ 70,916</u>

Town of Pulaski, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicles rental tax	\$ 1,000	\$ 1,000	\$ 742	\$ (258)
Personal property tax relief act funds	-	-	140,332	140,332
Rolling stock tax	11,000	11,000	10,136	(864)
Communication tax	453,200	453,200	415,016	(38,184)
Total noncategorical aid	\$ 465,200	\$ 465,200	\$ 566,226	\$ 101,026
Categorical aid:				
Bulletproof vest partnership	\$ -	\$ -	\$ 635	\$ 635
Byrne justice assistance grant	-	-	6,772	6,772
Fire prevention	30,000	30,000	30,376	376
Law enforcement grant	225,352	225,352	225,352	-
Street and highway maintenance	2,109,888	2,109,888	2,032,424	(77,464)
VBAF Grant	-	-	35,770	35,770
Virginia commission of the arts	5,000	5,000	4,500	(500)
Total categorical aid	\$ 2,370,240	\$ 2,370,240	\$ 2,335,829	\$ (34,411)
Total revenue from the Commonwealth	\$ 2,835,440	\$ 2,835,440	\$ 2,902,055	\$ 66,615
Revenue from the Federal Government:				
Categorical aid:				
CDBG housing planning grant	\$ 35,000	\$ 35,000	\$ 30,000	\$ (5,000)
EPA Brownfields grant	100,000	100,000	98,402	(1,598)
Rural business enterprise loan	-	-	1,179	1,179
DUI/DUID enforcement	-	-	711	711
Safe Streets DMV grant	-	-	3,321	3,321
Rural development grant	25,000	25,000	25,000	-
Total categorical aid	\$ 160,000	\$ 160,000	\$ 158,613	\$ (1,387)
Total revenue from the federal government	\$ 160,000	\$ 160,000	\$ 158,613	\$ (1,387)
Total General Fund	\$ 8,841,928	\$ 8,841,928	\$ 8,978,072	\$ 136,144
Special Revenue Funds:				
UDAG Fund:				
Revenue from local sources:				
Revenue from use of money and property	\$ -	\$ -	\$ 7	\$ 7
Miscellaneous	-	-	1,608	1,608
Total revenue from local sources	\$ -	\$ -	\$ 1,615	\$ 1,615
Total UDAG Fund	\$ -	\$ -	\$ 1,615	\$ 1,615

Town of Pulaski, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Schedule 1
Page 3 of 3

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Nonmajor Special Revenue Funds:				
Cemetery Fund:				
Revenue from local sources:				
Revenues from use of money and property	\$ -	\$ -	\$ 4,273	\$ 4,273
Miscellaneous	-	-	4,875	4,875
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,148</u>	<u>\$ 9,148</u>
Total Cemetery Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,148</u>	<u>\$ 9,148</u>
CDBG Fund:				
Revenue from local sources:				
Revenues from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 368</u>	<u>\$ 368</u>
Revenue from the Federal Government:				
Categorical aid:				
CDBG grant	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 536,080</u>	<u>\$ 536,080</u>
Total CDBG Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 536,448</u>	<u>\$ 536,448</u>
Neighborhood Revitalization Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Miscellaneous	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,475</u>	<u>\$ 6,475</u>
Total Neighborhood Revitalization Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,475</u>	<u>\$ 6,475</u>
Total Governmental Funds	<u>\$ 8,841,928</u>	<u>\$ 8,841,928</u>	<u>\$ 9,531,758</u>	<u>\$ 689,830</u>

Town of Pulaski, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Schedule 2
Page 1 of 3

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Town council	\$ 49,430	\$ 49,430	\$ 56,304	\$ (6,874)
Clerk of the Council	62,767	62,767	73,555	(10,788)
Office of the Mayor	8,259	8,259	7,115	1,144
Total legislative	<u>\$ 120,456</u>	<u>\$ 120,456</u>	<u>\$ 136,974</u>	<u>\$ (16,518)</u>
General and financial administration:				
Manager	\$ 359,626	\$ 359,626	\$ 348,834	\$ 10,792
Legal services	41,200	41,200	53,862	(12,662)
Independent auditor	51,800	51,800	58,325	(6,525)
Consultants	37,000	37,000	42,766	(5,766)
Department of Finance	511,207	511,207	535,695	(24,488)
Risk management	111,283	111,283	109,677	1,606
Data processing	216,435	216,435	147,779	68,656
Other	159,500	159,500	24,731	134,769
Total general and financial administration	<u>\$ 1,488,051</u>	<u>\$ 1,488,051</u>	<u>\$ 1,321,669</u>	<u>\$ 166,382</u>
Total general government administration	<u>\$ 1,608,507</u>	<u>\$ 1,608,507</u>	<u>\$ 1,458,643</u>	<u>\$ 149,864</u>
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 2,308,142	\$ 2,308,142	\$ 2,397,274	\$ (89,132)
Contributions to Central Dispatch	360,000	360,000	335,621	24,379
Total law enforcement and traffic control	<u>\$ 2,668,142</u>	<u>\$ 2,668,142</u>	<u>\$ 2,732,895</u>	<u>\$ (64,753)</u>
Fire and rescue services:				
Fire department	\$ 781,567	\$ 781,567	\$ 826,539	\$ (44,972)
Building inspections	166,936	166,936	104,322	62,614
Total fire and rescue services	<u>\$ 948,503</u>	<u>\$ 948,503</u>	<u>\$ 930,861</u>	<u>\$ 17,642</u>
Total public safety	<u>\$ 3,616,645</u>	<u>\$ 3,616,645</u>	<u>\$ 3,663,756</u>	<u>\$ (47,111)</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
General engineering/administration	\$ 243,468	\$ 243,468	\$ 237,423	\$ 6,045
Highway, street, bridge and sidewalk maintenance	1,707,310	1,707,310	1,800,575	(93,265)
Total maintenance of highways, streets, bridges and sidewalks	<u>\$ 1,950,778</u>	<u>\$ 1,950,778</u>	<u>\$ 2,037,998</u>	<u>\$ (87,220)</u>
Sanitation and waste removal:				
Refuse disposal	\$ 3,500	\$ 3,500	\$ 3,981	\$ (481)
Maintenance of general buildings and grounds:				
General properties	\$ 237,092	\$ 237,092	\$ 209,921	\$ 27,171
Garage and motor vehicles	114,522	114,522	110,227	4,295
Total maintenance of buildings and grounds	<u>\$ 351,614</u>	<u>\$ 351,614</u>	<u>\$ 320,148</u>	<u>\$ 31,466</u>
Total public works	<u>\$ 2,305,892</u>	<u>\$ 2,305,892</u>	<u>\$ 2,362,127</u>	<u>\$ (56,235)</u>

Town of Pulaski, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Schedule 2
Page 2 of 3

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Health and welfare:				
Health:				
Free clinic of Pulaski County	\$ 8,000	\$ 8,000	\$ 8,000	\$ -
Mental health and mental retardation:				
New River Valley Community Action	\$ 4,200	\$ 4,200	\$ 4,200	\$ -
Total health and welfare	\$ 12,200	\$ 12,200	\$ 12,200	\$ -
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation centers and playgrounds	\$ 444,834	\$ 444,834	\$ 426,195	\$ 18,639
Cemeteries	25,044	25,044	26,243	(1,199)
Senior citizen center	83,204	83,204	103,003	(19,799)
Total parks and recreation	\$ 553,082	\$ 553,082	\$ 555,441	\$ (2,359)
Cultural enrichment:				
Agency on aging	\$ 12,088	\$ 12,088	\$ 12,273	\$ (185)
Fine arts center	5,000	5,000	5,000	-
Friends of the Theater	5,000	5,000	5,000	-
Train station museum	61,092	61,092	25,918	35,174
Literacy volunteers	1,000	1,000	1,000	-
Total cultural enrichment	\$ 84,180	\$ 84,180	\$ 49,191	\$ 34,989
Total parks, recreation, and cultural	\$ 637,262	\$ 637,262	\$ 604,632	\$ 32,630
Community development:				
Planning and community development:				
Planning and zoning	\$ 22,255	\$ 22,255	\$ 24,219	\$ (1,964)
NRV Development Corporation	1,000	1,000	1,000	-
Economic development	145,216	145,216	127,200	18,016
Airport commission	22,748	22,748	22,748	-
Brownsfield project	100,000	100,000	118,265	(18,265)
Pulaski transit authority	70,000	70,000	70,000	-
Planning commission	-	-	323	(323)
NRV planning commission	11,468	11,468	11,610	(142)
Total community development	\$ 372,687	\$ 372,687	\$ 375,365	\$ (2,678)
Nondepartmental:				
Other nondepartmental	\$ 65,360	\$ 65,360	\$ 70,530	\$ (5,170)
Debt service:				
Principal retirement	\$ 716,985	\$ 716,985	\$ 711,239	\$ 5,746
Interest and fiscal charges	-	-	76,765	(76,765)
Total debt service	\$ 716,985	\$ 716,985	\$ 788,004	\$ (71,019)
Total General Fund	\$ 9,335,538	\$ 9,335,538	\$ 9,335,257	\$ 281

Town of Pulaski, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Schedule 2
Page 3 of 3

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Funds:				
UDAG Fund:				
Community development	\$ -	\$ -	\$ 68,070	\$ (68,070)
Nonmajor Special Revenue Funds:				
Cemetery Fund:				
Parks, recreation, and cultural	\$ -	\$ -	\$ 654	\$ (654)
CDBG Fund:				
Community development	\$ -	\$ -	\$ 509,284	\$ (509,284)
Neighborhood Revitalization Fund:				
Community development	\$ -	\$ -	\$ 113	\$ (113)
Total Governmental Funds	\$ 9,335,538	\$ 9,335,538	\$ 9,913,378	\$ (577,840)

Other Statistical Information

Table 1

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

Fiscal Year	General		Public Safety	Public Works	Health and Welfare	Parks, Recreation, and Cultural		Community Development	Interest and Other		Water and Sewer	Total
	Government Administration											
2017-18	\$ 1,373,793	\$ 4,265,918	\$ 2,697,926	\$ 12,200	\$ 751,366	\$ 977,461	\$ 257,887	\$ 4,755,422	\$ 15,091,973			
2016-17	1,342,342	3,565,753	2,784,428	4,000	774,272	822,034	274,691	4,708,419	14,275,939			
2015-16	1,081,694	3,701,094	2,612,142	12,000	795,455	453,688	266,420	4,856,894	13,779,387			
2014-15	1,436,241	2,951,823	2,239,236	5,000	809,653	323,191	293,553	4,504,108	12,562,805			
2013-14	1,330,825	2,999,517	2,438,856	4,000	804,662	945,993	199,227	4,622,286	13,345,366			
2012-13	1,651,582	2,871,557	2,210,606	5,500	801,277	676,456	342,142	4,380,816	12,939,936			
2011-12	1,473,576	2,971,184	1,718,281	4,000	734,382	1,149,023	160,785	4,512,216	12,723,447			
2010-11	1,472,132	2,898,794	2,108,173	4,900	738,149	810,796	182,720	4,156,514	12,372,178			
2009-10	1,433,020	3,022,020	2,515,448	5,000	771,332	494,366	177,898	4,497,128	12,916,212			
2008-09	1,341,262	3,056,230	1,854,982	5,000	704,360	616,043	243,355	4,265,969	12,087,201			

Table 2

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES							Total (1)
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs				
2017-18	\$ 5,035,138	\$ 3,045,924	\$ 25,025	\$ 2,560,703	\$ 2,698,612	\$ 82,158	\$ 108,424	\$ 566,226	\$ 14,122,210			
2016-17	5,284,488	2,882,673	27,795	2,136,912	2,657,200	83,922	124,981	581,808	13,779,779			
2015-16	4,926,171	2,435,584	91,694	2,261,922	2,472,338	100,970	106,952	590,939	12,986,570			
2014-15	4,869,310	2,301,717	-	2,684,973	2,434,891	47,761	243,681	918,506	13,500,839			
2013-14	4,992,588	2,456,491	890,493	2,317,725	2,233,306	174,619	228,926	668,201	13,962,349			
2012-13	4,729,776	2,244,198	384,688	2,417,256	2,164,954	44,728	244,300	642,716	12,872,616			
2011-12	4,822,568	2,872,383	751,280	2,601,592	2,166,079	166,431	56,095	613,304	14,049,732			
2010-11	4,281,902	2,570,675	369,838	2,253,038	2,173,149	9,900	521,276	613,274	12,793,052			
2009-10	3,742,501	3,260,180	-	1,952,460	2,543,883	35,040	183,094	181,222	11,898,380			
2008-09	4,225,484	2,372,075	-	1,884,781	2,798,698	42,569	115,954	165,126	11,604,687			

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

Table 3

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

Fiscal Year	General Administration	Public Safety	Public Works	Health and Welfare	Parks, Recreation & Cultural	Community Development	Non- Departmental	Debt Service	Capital Projects	Totals
2017-18	\$ 1,458,643	\$ 3,663,756	\$ 2,362,127	\$ 12,200	\$ 604,632	\$ 375,365	\$ 70,530	\$ 788,004	\$ -	\$ 9,335,257
2016-17	1,527,021	3,520,292	2,624,419	4,000	666,725	493,830	-	778,891	262,665	9,877,843
2015-16	1,329,107	3,591,572	2,797,258	12,000	735,789	378,560	-	725,620	97,295	9,667,201
2014-15	1,740,023	2,970,264	2,399,349	5,000	804,700	295,321	-	700,869	239,905	9,155,431
2013-14	1,675,462	2,980,443	2,232,764	4,000	765,160	230,620	-	3,319,152	309,108	11,516,709
2012-13	1,516,366	2,765,291	2,083,753	5,500	632,822	291,808	-	677,056	312,030	8,284,626
2011-12	1,497,493	2,847,535	2,157,923	4,000	606,866	407,017	-	2,007,941	-	9,528,775
2010-11	1,497,960	2,933,997	2,024,421	4,900	1,173,339	404,113	-	765,269	-	8,803,999
2009-10	1,471,785	2,932,565	2,531,012	5,000	1,507,979	206,837	-	779,341	-	9,434,519
2008-09	1,473,858	2,885,890	1,839,567	5,000	617,364	271,305	-	1,028,035	-	8,121,019

Note: (1) Includes only General Fund.

Table 4

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits Privilege Fees and Regulatory Licenses	Fines and Forfeitures	Revenue from use of Money and Property (2)	Charges for Services	Miscellaneous	Recovered Costs (2)	Inter- governmental	Total
2017-18	\$ 2,540,065	\$ 2,698,612	\$ 35,655	\$ 28,383	\$ 70,776	\$ 209,116	\$ 16,622	\$ 318,175	\$ 3,060,668	\$ 8,978,072
2016-17	2,394,127	2,657,200	22,237	50,449	76,286	230,745	26,465	275,910	3,099,994	8,833,413
2015-16	2,419,000	2,472,338	18,717	36,742	96,615	177,101	18,543	257,859	3,026,523	8,523,438
2014-15	2,439,448	2,434,891	10,573	69,270	95,835	304,975	21,085	307,253	2,908,196	8,591,526
2013-14	2,395,169	2,233,306	28,554	57,344	85,361	304,210	73,449	262,554	3,232,066	8,672,013
2012-13	2,420,085	2,164,954	18,460	51,534	80,627	298,706	21,350	300,835	2,873,783	8,230,334
2011-12	2,332,089	2,166,079	19,710	52,119	60,178	273,409	14,138	103,990	3,463,696	8,485,408
2010-11	2,232,902	2,173,149	17,540	44,221	1,224	262,524	127,407	46,596	2,800,516	7,706,079
2009-10	2,053,216	2,543,883	13,531	29,107	5,988	288,498	16,320	137,982	2,244,120	7,332,645
2008-09	1,841,932	2,798,698	5,959	39,913	42,037	241,046	8,814	121,837	2,281,074	7,381,310

Note: (1) Includes only General Fund.

Table 5

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
2017-18	\$ 2,620,671	\$ 2,491,648	95.08%	\$ 96,068	2,587,716	98.74%	\$ 191,417	7.30%
2016-17	2,550,108	2,442,811	95.79%	57,111	2,499,922	98.03%	171,430	6.72%
2015-16	2,512,499	2,359,799	93.92%	124,209	2,484,008	98.87%	427,993	17.03%
2014-15	2,448,453	2,265,908	92.54%	239,316	2,505,224	102.32%	585,071	23.90%
2013-14	2,435,456	2,381,344	97.78%	112,268	2,493,612	102.39%	850,712	34.93%
2012-13	2,301,511	2,258,694	98.14%	108,761	2,367,455	102.87%	672,502	29.22%
2011-12	2,278,796	2,153,748	94.51%	133,493	2,287,241	100.37%	516,884	22.68%
2010-11	2,441,686	2,319,618	95.00%	98,834	2,418,452	99.05%	513,591	21.03%
2009-10	2,160,968	2,047,005	94.73%	140,791	2,187,796	101.24%	493,119	22.82%
2008-09	2,074,855	1,911,904	92.15%	207,675	2,119,579	102.16%	588,180	28.35%

(1) Exclusive of penalties and interest.

Table 6

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

Fiscal Year	Real Estate (1)	Personal Property (2)	Machinery and Tools	Public Service Companies (3)	Total
2017-18	\$ 444,439,150	\$ 61,957,460	\$ 68,518,700	\$ 19,335,551	594,250,861
2016-17	442,767,941	58,565,226	63,296,177	20,517,705	585,147,049
2015-16	440,226,848	56,582,559	61,949,003	19,831,200	578,589,610
2014-15	455,831,400	55,080,716	61,154,703	18,697,663	590,764,482
2013-14	472,785,450	38,582,813	72,016,366	18,441,141	601,825,770
2012-13	470,522,350	57,892,456	72,007,925	19,922,986	620,345,717
2011-12	470,533,050	61,898,293	56,406,645	20,636,052	609,474,040
2010-11	462,208,333	53,883,613	49,841,853	20,559,217	586,493,016
2009-10	467,392,000	48,922,969	45,425,511	20,359,739	582,100,219
2008-09	430,594,500	55,765,468	38,544,618	15,705,676	540,610,262

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

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

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

Table 7

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

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools
2017-18	\$ 0.34	\$ 0.80	\$ 0.34	\$ 0.80
2016-17	0.34	0.80	0.34	0.80
2015-16	0.34	0.80	0.34	0.80
2014-15	0.32	0.80	0.32	0.80
2013-14	0.30	0.80	0.30	0.80
2012-13	0.30	0.80	0.30	0.80
2011-12	0.30	0.80	0.30	0.80
2010-11	0.30	0.80	0.30	0.80
2009-10	0.30	0.74	0.30	0.74
2008-09 (2)	0.32/0.30	0.74	0.30	0.74

(1) Per \$100 of assessed value.

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

Table 8

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

Fiscal Year	Population (1)	Assessed Value (in thousands)	Net Bonded Debt (2)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2017-18	9,086	\$ 594,251	\$ 2,041,412	0.34%	\$ 225
2016-17	9,086	585,147	2,653,802	0.45%	\$ 292
2015-16	9,086	578,590	3,193,834	0.55%	352
2014-15	9,086	590,764	3,592,044	0.61%	395
2013-14	9,086	601,826	3,760,744	0.62%	414
2012-13	9,086	620,346	4,251,921	0.69%	468
2011-12	9,086	609,474	4,724,944	0.78%	520
2010-11	9,086	586,493	4,764,896	0.81%	524
2009-10	9,473	582,100	5,246,276	0.90%	554
2008-09	9,473	540,610	5,713,023	1.06%	603

(1) Source: Bureau of Economic Analysis.

(2) Excludes notes payable and capital leases.

Table 9

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

Fiscal Year	Principal	Interest and Bond Issuance Costs	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2017-18	\$ 711,239	\$ 76,765	\$ 788,004	\$ 9,335,257	8.44%
2016-17	684,421	94,470	778,891	9,877,843	7.89%
2015-16	642,081	83,539	725,620	9,667,201	7.51%
2014-15	591,875	108,994	700,869	9,155,431	7.66%
2013-14	3,138,224	180,928	3,319,152	11,516,709	28.82%
2012-13	514,791	162,265	677,056	8,284,626	8.17%
2011-12	1,796,783	211,158	2,007,941	9,528,775	21.07%
2010-11	519,902	245,367	765,269	8,803,999	8.69%
2009-10	466,747	244,668	711,415	9,434,519	7.54%
2008-09	718,703	241,406	960,109	8,121,019	11.82%

(1) Includes General Fund only.

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pulaski, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Pulaski, Virginia's basic financial statements, and have issued our report thereon dated December 28, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Polina, Fane, Cox Associates
Blacksburg, Virginia
December 28, 2018