

**TOWN OF PULASKI, VIRGINIA**

**FINANCIAL STATEMENTS**

**FISCAL YEAR ENDED JUNE 30, 2012**

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**TOWN OF PULASKI, VIRGINIA**  
**FINANCIAL REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2012**

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FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2012**

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## INTRODUCTORY SECTION

## TOWN OF PULASKI, VIRGINIA

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### TOWN COUNCIL

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David Clark  
Greg East  
Joseph Goodman  
H.M. Kidd  
Jamie Radcliffe  
Heather Steele

### OTHER OFFICIALS

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Jeff Worrell ..... Mayor  
John Hawley ..... Town Manager  
Dave Quesenberry..... Town Manager-Assistant  
Patricia Cruise ..... Clerk of Council  
Roy David Warburton .....Town Attorney  
Sherry Boyd ..... Finance Director

## FINANCIAL SECTION

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## Independent Auditors' Report

### THE HONORABLE MEMBERS OF TOWN COUNCIL TOWN OF PULASKI, VIRGINIA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pulaski, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Pulaski, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pulaski, Virginia, as of June 30, 2012, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2012 on our consideration of the Town of Pulaski, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of pension funding progress 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 management's discussion and analysis and schedule of funding progress 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 management's discussion and analysis and schedule of funding progress 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Pulaski, Virginia's financial statements as a whole. The supplementary financial statements, supporting schedules, and statistical information are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The supplementary financial statements, supporting schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Robinson, Turner, Co. Associates*

Blacksburg, Virginia  
December 12, 2012



## TOWN OF PULASKI, VIRGINIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2012

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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, 2012. 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 \$4,904,454 (net assets). Of this amount, (\$723,429) was considered unrestricted and \$2,161,029 was restricted for use.

The assets of the Town's business-type activities exceeded its liabilities at the close of the fiscal year by \$5,835,292 (net assets).

During the fiscal year, the Town had governmental expenses that were \$380,565 more than revenues including transfers. The business-type activities had revenues that were \$1,706,850 more than expenses.

The Town's total debt decreased by \$4,605,761 during the current fiscal year. New debt of \$4,834,100 was incurred during the current fiscal year. The Town refinanced older general obligation bonds to take advantage of the lower interest rates.

#### 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 assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012**

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The statement of activities presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of 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 of the 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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012**

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Proprietary Funds – The Town maintains two proprietary funds, the Water and Sewer funds. These funds account for activities 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.

Government-wide Financial Analysis

As noted earlier, net assets may over time serve as a useful indicator of a Town's financial position. In the case of the Town, assets exceed liabilities by \$10,739,746 at the close of the most recent fiscal year.

The largest portions of the Town's net assets reflects 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, 2012

The table below focuses on the net assets of the Town's governmental and business-type activities as of the years ended June 30, 2012 and 2011.

Table 1

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2012	2011	2012	2011	2012
Current Assets	8,422,140	7,720,244	(1,086,707)	1,166,517	7,335,433	8,886,761
Capital Assets	4,840,542	5,023,264	8,207,563	7,888,079	13,048,105	12,911,343
Total Assets	13,262,682	12,743,508	7,120,856	9,054,596	20,383,538	21,798,104
Current Liabilities	2,352,441	3,048,443	608,668	673,544	2,961,109	3,721,987
Long-Term Liabilities	4,710,018	4,790,611	2,383,746	2,545,760	7,093,764	7,336,371
Total Liabilities	7,062,459	7,839,054	2,992,414	3,219,304	10,054,873	11,058,358
Net Assets:						
Invested in Capital Assets, Net of Related Debt	3,698,319	3,466,854	5,554,436	5,073,422	9,252,755	8,540,276
Restricted	2,288,543	2,161,029	-	-	2,288,543	2,161,029
Unrestricted	213,361	(723,429)	(1,425,994)	761,870	(1,212,633)	38,441
Total Net Assets	6,200,223	4,904,454	4,128,442	5,835,292	10,328,665	10,739,746

TOWN OF PULASKI, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012

The revenues and expenses for governmental activities and business-type activities are shown in Table 2.

Table 2

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2012	2011	2012	2011	2012
Charges for Services	324,285	345,238	3,957,617	4,477,330	4,281,902	4,822,568
Operating Grants/Contributions	2,187,242	2,872,383	383,433	-	2,570,675	2,872,383
Capital Grants/Contributions	369,838	751,280	-	-	369,838	751,280
Program Revenues	2,881,365	3,968,901	4,341,050	4,477,330	7,222,415	8,446,231
Taxes	4,426,187	4,767,671	-	-	4,426,187	4,767,671
Interest Income	9,701	166,010	199	421	9,900	166,431
Miscellaneous	148,966	40,626	23,818	15,469	172,784	56,095
Insurance recovery	348,492	-	-	-	348,492	-
Grants not restricted to program	613,274	613,304	-	-	613,274	613,304
General Revenues	5,546,620	5,587,611	24,017	15,890	5,570,637	5,603,501
Total Revenues	8,427,985	9,556,512	4,365,067	4,493,220	12,793,052	14,049,732
General Government	1,472,132	1,473,576	-	-	1,472,132	1,473,576
Public Safety	2,898,794	2,971,184	-	-	2,898,794	2,971,184
Public Works	2,108,173	1,718,281	-	-	2,108,173	1,718,281
Parks, Recreation, Cultural	738,149	734,382	-	-	738,149	734,382
Community Development	810,796	1,149,023	-	-	810,796	1,149,023
Health and Welfare	4,900	4,000	-	-	4,900	4,000
Interest on long-term debt	182,720	160,785	-	-	182,720	160,785
Water and Sewer	-	-	4,156,514	4,512,216	4,156,514	4,512,216
Total Expenses	8,215,664	8,211,231	4,156,514	4,512,216	12,372,178	12,723,447
Transfers	89,427	(1,725,846)	(89,427)	1,725,846	-	-
Change in Net Assets	301,748	(380,565)	119,126	1,706,850	420,874	1,326,285
Beginning Net Assets as restated	5,898,475	5,285,019	4,009,316	4,128,442	9,907,791	9,413,461
Ending Net Assets	6,200,223	4,904,454	4,128,442	5,835,292	10,328,665	10,739,746

## TOWN OF PULASKI, VIRGINIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2012

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At the end of the current fiscal year, the Town is able to report positive balances in net assets, 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 \$2,877,515 a decrease of \$1,638,810 in comparison with the prior year.

Total governmental funds revenue increased \$1,127,786 and expenditures increased \$2,047,796 over prior year amounts. For fiscal year ending June 30, 2012, expenditures exceeded revenues by \$1,970,779. Most of the increase in revenues was from property taxes and revenue from the state and federal governments. Most of the increase in expenditures was due to an increase in debt service expenditures and parks, recreation, and cultural expenditures.

Total proprietary fund income increased \$476,953 and expenses increased \$357,362 over the prior year amounts. Several items contributed to this increase including contractual services and materials and supplies. For fiscal year ending June 30, 2012, expenses exceeded revenues by \$15,286.

#### General Fund Budgetary Highlights

The Town budgeted revenues of \$7,614,170 for fiscal year 2012. The actual revenues were \$8,485,408 which is a favorable variance of \$871,238. The variance is attributed to revenue from state and federal government budgeted for less than the actual amount received. The budgeted expenditures were \$7,802,021 for the Town. The actual expenditures were \$10,482,844 which is an unfavorable variance of \$2,680,823 which is attributed to expenditures for debt service that were budgeted for less than the actual amount spent. There were differences between the original budget and the final amended budget for the current fiscal year.

#### Capital Asset and Debt Administration

Capital Assets - The Town's investment in capital assets for its governmental activities as of June 30, 2012 is \$5,023,264 (net of accumulated depreciation) an increase of \$1,097,926. The major expenditures for capital assets were for vehicle purchases for the public safety and public works departments and the Dora Highway Rehab Infrastructure Project. The investment in capital assets for its business-type activities is \$7,888,079, a decrease of \$319,482. The decrease is attributed to depreciation expense for the fiscal year. 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, 2012

Long-term debt

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

	Balance July 1, 2011	Issuances	Retirements	Balance June 30, 2012
General obligation bonds	\$ 4,563,173	\$ 1,732,623	\$ (1,708,050)	\$ 4,587,746
Bond anticipation note	201,723	-	(64,525)	137,198
Capital lease obligations	-	88,797	(24,208)	64,589
Note payable	-	43,000	-	43,000
Compensated absences	441,697	-	(2,678)	439,019
Total	<u>\$ 5,206,593</u>	<u>\$ 1,864,420</u>	<u>\$ (1,799,461)</u>	<u>\$ 5,271,552</u>

The outstanding debt for business-type activities at June 30, 2012 is as follows:

	Balance July 1, 2011	Issuances	Retirements	Balance June 30, 2012
General obligation bonds	\$ 2,229,643	\$ 2,967,831	\$ (2,629,643)	\$ 2,567,831
Capital lease obligations	423,483	-	(176,657)	246,826
Compensated absences	21,303	1,849	-	23,152
Total	<u>\$ 2,674,429</u>	<u>\$ 2,969,680</u>	<u>\$ (2,806,300)</u>	<u>\$ 2,837,809</u>

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 several projects that are ongoing. The projects include Ratcliffe Museum Project, Water Treatment Plant Project, and Pump Station Project. The Town received a grant for the Ratcliffe Museum Project. The Town recently got the funding approved for the Pump Station Project. The Town is in the process of securing funding for the Water Treatment Plant Project.

**TOWN OF PULASKI, VIRGINIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012**

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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.



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## Basic Financial Statements

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Town of Pulaski, Virginia  
Statement of Net Assets  
June 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,820,760	\$ 72,846	\$ 1,893,606
Investments	751,583	443,315	1,194,898
Receivables (net of allowance for uncollectibles):			
Taxes receivable	2,305,103	-	2,305,103
Accounts receivable	377,711	540,540	918,251
Loans receivable	583,142	-	583,142
Internal balances	94,642	21,214	115,856
Due from trust funds	147	-	147
Due from component unit	-	-	-
Due from other governmental units	1,755,861	-	1,755,861
Inventories	24,607	-	24,607
Prepaid expenses	6,688	-	6,688
Deferred charges	-	30,778	30,778
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	-	57,824	57,824
Capital assets (net of accumulated depreciation):			
Land	142,527	-	142,527
Buildings and improvements	2,365,330	1,613,594	3,978,924
Improvements other than buildings	885,223	-	885,223
Machinery and equipment	1,151,196	652,190	1,803,386
Infrastructure	-	5,406,679	5,406,679
Construction in progress	478,988	215,616	694,604
Total assets	\$ 12,743,508	\$ 9,054,596	\$ 21,798,104
<b>LIABILITIES</b>			
Accounts payable	\$ 525,856	\$ 309,316	\$ 835,172
Accrued liabilities	107,909	-	107,909
Customers' deposits	-	57,824	57,824
Accrued interest payable	33,494	14,355	47,849
Unearned revenue	1,842,168	-	1,842,168
Due to trust funds	58,075	-	58,075
Long-term liabilities:			
Due within one year	480,941	292,049	772,990
Due in more than one year	4,790,611	2,545,760	7,336,371
Total liabilities	\$ 7,839,054	\$ 3,219,304	\$ 11,058,358
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 3,466,854	\$ 5,073,422	\$ 8,540,276
Restricted for:			
Principal Cemetery Maintenance	525,000	-	525,000
Community and Economic Development	1,522,194	-	1,522,194
Housing Rehabilitation	108,751	-	108,751
NANO Technology	5,084	-	5,084
Unrestricted	(723,429)	761,870	38,441
Total net assets	\$ 4,904,454	\$ 5,835,292	\$ 10,739,746

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, 2012

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating	Capital	Governmental Activities	Primary Government	
			Grants and Contributions	Grants and Contributions		Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 1,473,576	\$ 18,702	\$ -	\$ -	\$ (1,454,874)	\$ -	\$ (1,454,874)
Public safety	2,971,184	114,935	375,543	-	(2,480,706)	-	(2,480,706)
Public works	1,718,281	115,175	1,825,743	-	222,637	-	222,637
Health and welfare	4,000	-	-	-	(4,000)	-	(4,000)
Parks, recreation, and cultural	734,382	96,426	440,570	-	(197,386)	-	(197,386)
Community development	1,149,023	-	230,527	751,280	(167,216)	-	(167,216)
Interest on long-term debt	160,785	-	-	-	(160,785)	-	(160,785)
Total governmental activities	\$ 8,211,231	\$ 345,238	\$ 2,872,383	\$ 751,280	\$ (4,242,330)	\$ -	\$ (4,242,330)
Business-type activities:							
Water	\$ 1,466,974	\$ 1,506,650	\$ -	\$ -	\$ -	\$ 39,676	\$ 39,676
Sewer	3,045,242	2,970,680	-	-	-	(74,562)	(74,562)
Total business-type activities	\$ 4,512,216	\$ 4,477,330	\$ -	\$ -	\$ -	\$ (34,886)	\$ (34,886)
Total primary government	\$ 12,723,447	\$ 4,822,568	\$ 2,872,383	\$ 751,280	\$ (4,242,330)	\$ (34,886)	\$ (4,277,216)
General revenues:							
General property taxes					\$ 2,601,592	\$ -	\$ 2,601,592
Other local taxes:							
Bank stock taxes					149,315	-	149,315
Business license taxes					404,603	-	404,603
Cell phone taxes					88	-	88
Consumers' utility taxes					232,281	-	232,281
Consumption taxes					43,787	-	43,787
Local sales and use taxes					480,272	-	480,272
Lodging taxes					4,974	-	4,974
Motor vehicle licenses					16,030	-	16,030
Restaurant food taxes					598,508	-	598,508
Tobacco taxes					221,815	-	221,815
Utility franchise taxes					14,406	-	14,406
Unrestricted revenues from the use of money and property					166,010	421	166,431
Miscellaneous					40,626	15,469	56,095
Grants and contributions not restricted to specific programs					613,304	-	613,304
Transfers					(1,725,846)	1,725,846	-
Total general revenues					\$ 3,861,765	\$ 1,741,736	\$ 5,603,501
Change in net assets					(380,565)	\$ 1,706,850	\$ 1,326,285
Net assets - beginning, as restated					5,285,019	4,128,442	9,413,461
Net assets - ending					\$ 4,904,454	\$ 5,835,292	\$ 10,739,746

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

Town of Pulaski, Virginia  
Balance Sheet  
Governmental Funds  
June 30, 2012

	<u>General</u>	<u>UDAG Fund</u>	<u>Total Non-Major Funds</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,076,472	\$ 84,936	\$ 673,479	\$ 1,834,887
Investments	682,286	33,369	35,928	751,583
Receivables (net of allowance for uncollectibles):				
Taxes receivable	2,305,103	-	-	2,305,103
Accounts receivable	185,425	-	192,286	377,711
Loans	96,137	487,005	-	583,142
Due from other funds	168,534	1,400,000	33,180	1,601,714
Due from other governmental units	1,755,861	-	-	1,755,861
Inventories	24,607	-	-	24,607
Prepaid items	6,688	-	-	6,688
Total assets	<u>\$ 6,301,113</u>	<u>\$ 2,005,310</u>	<u>\$ 934,873</u>	<u>\$ 9,241,296</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 488,319	\$ -	\$ 37,537	\$ 525,856
Reconciled overdraft	-	-	14,127	14,127
Accrued liabilities	107,909	-	-	107,909
Due to other funds	1,400,000	-	165,000	1,565,000
Deferred revenue	3,667,773	483,116	-	4,150,889
Total liabilities	<u>\$ 5,664,001</u>	<u>\$ 483,116</u>	<u>\$ 216,664</u>	<u>\$ 6,363,781</u>
Fund balances:				
Nonspendable:				
Prepays	\$ 6,688	\$ -	\$ -	\$ 6,688
Inventory	24,607	-	-	24,607
Principal Cemetery Maintenance	-	-	525,000	525,000
Restricted for:				
Community and Economic Development	-	1,522,194	-	1,522,194
Housing Rehabilitation	-	-	108,751	108,751
NANO Technology	-	-	5,084	5,084
Assigned to:				
Cemetery Care	-	-	62,334	62,334
Unassigned	605,817	-	17,040	622,857
Total fund balances	<u>\$ 637,112</u>	<u>\$ 1,522,194</u>	<u>\$ 718,209</u>	<u>\$ 2,877,515</u>
Total liabilities and fund balances	<u>\$ 6,301,113</u>	<u>\$ 2,005,310</u>	<u>\$ 934,873</u>	<u>\$ 9,241,296</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 Assets  
June 30, 2012

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 2,877,515
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,023,264
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	2,308,721
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(5,305,046)
Net assets of governmental activities	<u>\$ 4,904,454</u>

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, 2012

	<u>General</u>	<u>UDAG</u> <u>Fund</u>	<u>Total</u> <u>Non-Major</u> <u>Funds</u>	<u>Total</u>
<b>REVENUES</b>				
General property taxes	\$ 2,332,089	-	\$ -	\$ 2,332,089
Other local taxes	2,166,079	-	-	2,166,079
Permits, privilege fees, and regulatory licenses	19,710	-	-	19,710
Fines and forfeitures	52,119	-	-	52,119
Revenue from the use of money and property	60,178	50	6,985	67,213
Charges for services	273,409	-	-	273,409
Miscellaneous	14,138	18,436	8,052	40,626
Recovered costs	103,990	-	-	103,990
Intergovernmental revenues:				
Commonwealth	3,228,866	-	-	3,228,866
Federal	234,830	-	773,271	1,008,101
Total revenues	<u>\$ 8,485,408</u>	<u>\$ 18,486</u>	<u>\$ 788,308</u>	<u>\$ 9,292,202</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 1,497,493	\$ -	\$ -	\$ 1,497,493
Public safety	2,847,535	-	-	2,847,535
Public works	2,157,923	-	-	2,157,923
Health and welfare	4,000	-	-	4,000
Parks, recreation, and cultural	606,866	-	7,644	614,510
Community development	407,017	25,859	746,634	1,179,510
Capital projects	954,069	-	-	954,069
Debt service:				
Principal retirement	1,796,783	-	-	1,796,783
Interest and other fiscal charges	211,158	-	-	211,158
Total expenditures	<u>\$ 10,482,844</u>	<u>\$ 25,859</u>	<u>\$ 754,278</u>	<u>\$ 11,262,981</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,997,436)</u>	<u>\$ (7,373)</u>	<u>\$ 34,030</u>	<u>\$ (1,970,779)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ (1,605,632)	\$ (91,778)	\$ (28,436)	\$ (1,725,846)
Issuance of general obligation bonds	1,732,623	-	-	1,732,623
Capital leases	88,797	-	-	88,797
Issuance of notes payable	43,000	-	-	43,000
Other	193,395	-	-	193,395
Total other financing sources (uses)	<u>\$ 452,183</u>	<u>\$ (91,778)</u>	<u>\$ (28,436)</u>	<u>\$ 331,969</u>
Net change in fund balances	\$ (1,545,253)	\$ (99,151)	\$ 5,594	\$ (1,638,810)
Fund balances - beginning	2,182,365	1,621,345	712,615	4,516,325
Fund balances - ending	<u>\$ 637,112</u>	<u>\$ 1,522,194</u>	<u>\$ 718,209</u>	<u>\$ 2,877,515</u>

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, 2012

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

Net change in fund balances - total governmental funds	\$	(1,638,810)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.		1,102,551
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The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.		(4,625)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		229,680
--	--	---------

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(67,637)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.		(1,724)
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Change in net assets of governmental activities	\$	(380,565)
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The notes to the financial statements are an integral part of this statement.

Town of Pulaski, Virginia  
Statement of Net Assets  
Proprietary Funds  
June 30, 2012

	Water <u>Fund</u>	Sewer <u>Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 25,373	\$ 47,473	\$ 72,846
Investments	400,296	43,019	443,315
Accounts receivable, net of allowances for uncollectibles	175,667	364,873	540,540
Due from other funds	131,656	-	131,656
Total current assets	<u>\$ 732,992</u>	<u>\$ 455,365</u>	<u>\$ 1,188,357</u>
Noncurrent assets:			
Restricted assets:			
Customers deposits	\$ 57,824	\$ -	\$ 57,824
Other assets:			
Unamortized bond issue costs	\$ 18,690	\$ 12,088	\$ 30,778
Capital assets:			
Construction in progress	\$ 63,700	\$ 151,916	\$ 215,616
Infrastructure	3,683,364	5,658,857	9,342,221
Buildings	3,107,803	514,672	3,622,475
Machinery and equipment	3,136,020	1,898,751	5,034,771
Less accumulated depreciation	(6,231,173)	(4,095,831)	(10,327,004)
Total capital assets	<u>\$ 3,759,714</u>	<u>\$ 4,128,365</u>	<u>\$ 7,888,079</u>
Total noncurrent assets	<u>\$ 3,836,228</u>	<u>\$ 4,140,453</u>	<u>\$ 7,976,681</u>
Total assets	<u>\$ 4,569,220</u>	<u>\$ 4,595,818</u>	<u>\$ 9,165,038</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 37,192	\$ 272,124	\$ 309,316
Customer deposits	57,824	-	57,824
Accrued interest payable	8,717	5,638	14,355
Due to other funds	-	110,442	110,442
Bonds and leases payable - current portion	145,459	146,590	292,049
Total current liabilities	<u>\$ 249,192</u>	<u>\$ 534,794</u>	<u>\$ 783,986</u>
Noncurrent liabilities:			
Compensated absences	\$ 23,152	\$ -	\$ 23,152
Bonds and leases payable - net of current portion	1,537,267	985,341	2,522,608
Total noncurrent liabilities	<u>\$ 1,560,419</u>	<u>\$ 985,341</u>	<u>\$ 2,545,760</u>
Total liabilities	<u>\$ 1,809,611</u>	<u>\$ 1,520,135</u>	<u>\$ 3,329,746</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 2,076,988	\$ 2,996,434	\$ 5,073,422
Unrestricted	682,621	79,249	761,870
Total net assets	<u>\$ 2,759,609</u>	<u>\$ 3,075,683</u>	<u>\$ 5,835,292</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 Assets  
Proprietary Funds  
For the Year Ended June 30, 2012

	<u>Water</u> <u>Fund</u>	<u>Sewer</u> <u>Fund</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for services:			
Water and sewer revenues	\$ 1,504,180	\$ 2,852,802	\$ 4,356,982
Miscellaneous	7,127	8,342	15,469
Total operating revenues	<u>\$ 1,511,307</u>	<u>\$ 2,861,144</u>	<u>\$ 4,372,451</u>
<b>OPERATING EXPENSES</b>			
Personnel services	\$ 421,489	\$ 103,760	\$ 525,249
Fringe benefits	163,476	41,049	204,525
Contractual services	69,968	2,470,414	2,540,382
Utilities	215,004	11,394	226,398
Materials and supplies	161,132	123,813	284,945
Repairs and maintenance	81,572	28,656	110,228
Depreciation	224,960	202,627	427,587
Miscellaneous	59,009	9,414	68,423
Total operating expenses	<u>\$ 1,396,610</u>	<u>\$ 2,991,127</u>	<u>\$ 4,387,737</u>
Operating income (loss)	<u>\$ 114,697</u>	<u>\$ (129,983)</u>	<u>\$ (15,286)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Connection fees	\$ 2,470	\$ 2,550	\$ 5,020
Recovered costs	-	115,328	115,328
Interest revenue	318	103	421
Interest and fiscal charges	(70,364)	(54,115)	(124,479)
Total nonoperating revenues (expenses)	<u>\$ (67,576)</u>	<u>\$ 63,866</u>	<u>\$ (3,710)</u>
Income before transfers	<u>\$ 47,121</u>	<u>\$ (66,117)</u>	<u>\$ (18,996)</u>
Transfers in	<u>\$ 793,522</u>	<u>\$ 932,324</u>	<u>\$ 1,725,846</u>
Change in net assets	<u>\$ 840,643</u>	<u>\$ 866,207</u>	<u>\$ 1,706,850</u>
Total net assets - beginning	1,918,966	2,209,476	4,128,442
Total net assets - ending	<u><u>\$ 2,759,609</u></u>	<u><u>\$ 3,075,683</u></u>	<u><u>\$ 5,835,292</u></u>

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, 2012

	Water Fund	Sewer Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 1,495,124	\$ 2,831,527	\$ 4,326,651
Payments to suppliers	(592,174)	(2,589,909)	(3,182,083)
Payments to employees	(583,116)	(144,809)	(727,925)
Net cash provided by (used for) operating activities	<u>\$ 319,834</u>	<u>\$ 96,809</u>	<u>\$ 416,643</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from other funds	\$ 793,522	\$ 932,324	\$ 1,725,846
Intergovernmental funds	-	115,328	115,328
Advances from (to) other funds	(870,031)	(1,068,148)	(1,938,179)
Net cash provided by (used for) noncapital financing activities	<u>\$ (76,509)</u>	<u>\$ (20,496)</u>	<u>\$ (97,005)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital asset additions	\$ -	\$ (108,104)	\$ (108,104)
Proceeds from issuance of debt	1,959,313	1,008,518	2,967,831
Principal payments on bonds	(1,672,028)	(1,134,273)	(2,806,301)
Connection fees	2,470	2,550	5,020
Bond issuance costs	(18,690)	(12,088)	(30,778)
Interest payments	(61,647)	(48,477)	(110,124)
Net cash provided by (used for) capital and related financing activities	<u>\$ 209,418</u>	<u>\$ (291,874)</u>	<u>\$ (82,456)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Sale (purchase) of investments	\$ (397,180)	\$ 46,868	\$ (350,312)
Interest and dividends received	318	103	421
Net cash provided by (used for) investing activities	<u>\$ (396,862)</u>	<u>\$ 46,971</u>	<u>\$ (349,891)</u>
Net increase (decrease) in cash and cash equivalents	\$ 55,881	\$ (168,590)	\$ (112,709)
Cash and cash equivalents - beginning - including restricted	27,316	216,063	243,379
Cash and cash equivalents - ending - including restricted	<u>\$ 83,197</u>	<u>\$ 47,473</u>	<u>\$ 130,670</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>			
Operating income (loss)	\$ 114,697	\$ (129,983)	\$ (15,286)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	\$ 224,960	\$ 202,627	\$ 427,587
(Increase) decrease in accounts receivable	(17,046)	(29,617)	(46,663)
Increase (decrease) in customer deposits	863	-	863
Increase (decrease) in accounts payable	(5,489)	53,782	48,293
Increase (decrease) accrued leave	1,849	-	1,849
Total adjustments	<u>\$ 205,137</u>	<u>\$ 226,792</u>	<u>\$ 431,929</u>
Net cash provided by (used for) operating activities	<u>\$ 319,834</u>	<u>\$ 96,809</u>	<u>\$ 416,643</u>

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

Town of Pulaski, Virginia  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2012

	PSA Nonexpendable <u>Trust</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 177,650
Accounts receivable	80,813
Due from other funds	147
Total assets	<u>\$ 258,610</u>
<b>LIABILITIES</b>	
Amounts payable to other governments	78,247
Due to other funds	58,075
Utility deposits	26,366
Total liabilities	<u>\$ 162,688</u>
<b>NET ASSETS</b>	
Held in trust for PSA	<u>\$ 95,922</u>

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

Town of Pulaski, Virginia  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2012

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	PSA Nonexpendable <u>Trust</u>
<b>ADDITIONS</b>	
Charges for services	\$ -
Total additions	<u>\$ -</u>
<b>DEDUCTIONS</b>	
Payments to PSA	\$ 1,610
Total deductions	<u>\$ 1,610</u>
 Change in net assets	 <u>\$ (1,610)</u>
Net assets - beginning	<u>97,532</u>
Net assets - ending	<u>\$ 95,922</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, 2012

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**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. Reporting Entity:**

The Town of Pulaski, Virginia (government) is a municipal corporation governed by an elected six-member Town Council. The accompanying financial statements present the government. 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 Assets 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 Assets 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 Assets and report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net assets of a government will be broken down into three categories: 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

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

TOWN OF PULASKI, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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

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

properly included among program revenues are reported instead as *general revenues*.

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 and claims and judgments, are recorded only when payment is due.

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

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 government reports the following major governmental funds:

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

TOWN OF PULASKI, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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

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

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 government 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 government reports the following nonmajor 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 Cemetery Care Fund, Nano Fund, Neighborhood Revitalization, Tornado Recovery Project, and CDBG Housing Rehabilitation.

Additionally, the government 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 Trust 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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

TOWN OF PULASKI, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* 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 non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity:

1. Deposits and Investments

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

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

2. Receivables and payables

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

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.

3. 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.



TOWN OF PULASKI, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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

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

4. Property Taxes

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

5. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$406,500 for property taxes and \$32,703 for water and sewer receivables at June 30, 2012.

6. Use of Estimates

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

7. Capital Assets

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

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

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

TOWN OF PULASKI, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012

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

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

7. Capital Assets (continued)

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

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

8. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In accordance with the provisions of Government 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.

9. Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

TOWN OF PULASKI, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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

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

10. Fund Equity

Beginning with fiscal year 2011, the Town implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. 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).

11. Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets.

TOWN OF PULASKI, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

**Note 2-Reconciliation of Government-Wide and Fund Financial Statements:**

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

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of this (\$5,305,046) difference for the primary government are as follows:

	<u>Primary Government</u>
Bonds and notes payable	\$ (4,767,944)
Capital leases	(64,589)
Accrued interest payable	(33,494)
Compensated absences	<u>(439,019)</u>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$ (5,305,046)</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$1,102,551 difference for the primary government are as follows:

	<u>Primary Government</u>
Capital outlays	\$ 1,476,730
Depreciation expense	<u>(374,179)</u>
Net adjustment to increase (decrease) <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 1,102,551</u>

TOWN OF PULASKI, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

**Note 2-Reconciliation of Government-Wide and Fund Financial Statements: (continued)**

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

Another element of that reconciliation states "revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds." The details of this \$229,680 difference for the primary government are as follows:

	Primary Government
Increase (Decrease) in Deferred Property Taxes	\$ 269,503
Increase (Decrease) in Deferred Loan Revenue - UDAG fund	98,797
Increase (Decrease) in Deferred Revenue - County payments	<u>(138,620)</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 229,680</u>

Another element of that reconciliation states "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this (\$67,637) difference in the primary government are as follows:

	Primary Government
Debt Issued or incurred:	
Issuance of notes	\$ (43,000)
Issuance of capital leases	(88,797)
Issuance of general obligation bonds	(1,732,623)
Principal repayments:	
General obligation debt	1,772,575
Capital leases	<u>24,208</u>
Net adjustment to increase <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (67,637)</u>

TOWN OF PULASKI, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012

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**Note 2-Reconciliation of Government-Wide and Fund Financial Statements: (continued)**

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

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this (\$1,724) difference for the primary government are as follows:

	Primary Government
(Increase) Decrease in Compensated absences	\$ 2,678
(Increase) Decrease in Accrued interest	(4,402)
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (1,724)</u>

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TOWN OF PULASKI, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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**Note 3-Stewardship, Compliance, and Accountability:**

A. Budgetary information

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

1. Prior to 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.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the function level. Only the Town Council can revise the appropriation for each department or category. The Town Manager is authorized to transfer budgeted amounts within general government departments.
5. Formal budgetary integration is employed by Water and Sewer Funds as well as the General Fund and UDAG Funds.
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.
10. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is not part of the Town's accounting system.
11. Legally adopted budgets: the Town does not adopt a budget for the UDAG fund.

B. Deficit fund equity

At June 30, 2012, there were no funds with a deficit fund equity.

**Note 4-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.

TOWN OF PULASKI, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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**Note 4-Deposits and Investments: (continued)**

**Deposits** (continued)

Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

**Investments**

Statutes authorize the Town to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), 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).

**Credit Risk of Debt Securities**

The Town's rated debt investments as of June 30, 2012 were rated by Standard and Poor's and the ratings are presented below using Standard and Poor's rating scale.

<b><u>Rated Debt Investments' Values</u></b>	
<b><u>Rated Debt Investments</u></b>	<b><u>Fair Quality Ratings</u></b>
	<b><u>AAAm</u></b>
LGIP	\$ 1,194,898

**External Investment Pools**

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

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TOWN OF PULASKI, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

**Note 5-Interfund Transfers and Due to/from Other Funds:**

Interfund transfers for the year ended June 30, 2012 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 1,605,632
UDAG Fund	-	91,778
Community Development Block Grant	-	28,436
Water Fund	793,522	-
Sewer Fund	932,324	-
Total	<u>\$ 1,725,846</u>	<u>\$ 1,725,846</u>

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

Due to/from other funds for the year ended June 30, 2012 consisted of the following:

<u>Fund</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>
Primary Government:		
General Fund	\$ 1,400,000	\$ 168,534
UDAG Fund	-	1,400,000
PSA Trust Fund	58,075	147
Community Development Block Grant	-	33,180
Neighborhood Revitalization Fund	165,000	-
Water Fund	-	131,656
Sewer Fund	110,442	-
Total	<u>\$ 1,733,517</u>	<u>\$ 1,733,517</u>

TOWN OF PULASKI, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

**Note 6-Long-Term Obligations:**

**Primary Government - Governmental Activities Indebtedness:**

The following is a summary of long-term debt transactions of the Town for the year ended June 30, 2012:

	Balance July 1, 2011	Issuances	Retirements	Balance June 30, 2012
General obligation bonds	\$ 4,563,173	\$ 1,732,623	\$ (1,708,050)	\$ 4,587,746
Bond anticipation note	201,723	-	(64,525)	137,198
Capital lease obligations	-	88,797	(24,208)	64,589
Note payable	-	43,000	-	43,000
Compensated absences	441,697	-	(2,678)	439,019
Total	\$ 5,206,593	\$ 1,864,420	\$ (1,799,461)	\$ 5,271,552

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

Year Ending June 30,	General Obligation Bonds and Notes Payable	
	Principal	Interest
2013	\$ 460,674	\$ 159,682
2014	571,205	149,398
2015	520,241	129,945
2016	512,830	112,137
2017	527,371	93,793
2018-2022	1,873,983	192,940
2023-2027	180,632	35,469
2028-2032	121,008	19,650
Totals	\$ 4,767,944	\$ 893,014

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TOWN OF PULASKI, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

**Note 6-Long-Term Obligations: (Continued)**

Details of long-term indebtedness:

	Total Amount	Amount Due Within One Year
<b>General Obligation Bonds and Notes:</b>		
\$323,158 general obligation bond due in semi-annual installments of \$36,080 through 2014, plus interest at 4.11%.	\$ 137,198	\$ 67,204
\$5,000,000 public improvement bond due in annual installments through 2020 plus interest at 3.78%. 40% of the loan obligation will be reimbursed by the County of Pulaski, Virginia.	3,276,123	359,649
\$3,000,000 bond (57% due from the general fund) due in annual installments of \$150,000 through 2022, plus interest at a weighted average 4.34%.	1,311,623	28,445
\$43,000 note due in quarterly installments of principal without interest payable through 2014.	43,000	5,375
Total General Obligation Bonds and Notes	\$ 4,767,944	\$ 460,673
<b>Other Obligations:</b>		
Capital lease obligations	\$ 64,589	\$ 20,268
Compensated absences	439,019	-
Total Other Obligations	\$ 503,608	\$ 20,268
Total Long-term Obligations	\$ 5,271,552	\$ 480,941

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TOWN OF PULASKI, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012

**Note 6-Long-Term Obligations: (continued)**

**Primary Government-Business-type Activities Indebtedness:**

The following is a summary of long-term obligation transactions of the Enterprise Fund for the year ended June 30, 2012:

	Balance July 1, 2011	Issuances	Retirements	Balance June 30, 2012
General obligation bonds	\$ 2,229,643	\$ 2,967,831	\$ (2,629,643)	\$ 2,567,831
Capital lease obligations	423,483	-	(176,657)	246,826
Compensated absences	21,303	1,849	-	23,152
 Total	 \$ 2,674,429	 \$ 2,969,680	 \$ (2,806,300)	 \$ 2,837,809

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

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2013	\$ 108,171	\$ 55,785
2014	164,853	67,751
2015	166,838	63,025
2016	168,970	58,239
2017	170,789	53,398
2018-2022	883,321	192,441
2023-2027	551,638	83,803
2028-2032	353,251	23,935
 Totals	 \$ 2,567,831	 \$ 598,377

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TOWN OF PULASKI, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

**Note 6-Long-Term Obligations: (continued)**

**Primary Government-Business-type Activities Indebtedness: (continued)**

**Details of long-term indebtedness:**

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<b><u>General Obligation Bonds:</u></b>		
\$3,879,454 bond (60.7% and 39.3% due from the water and sewer funds respectively) due in annual installments of principal through 2032, plus interest at 2.85%.	\$ 2,567,831	\$ 108,171
<b><u>Other Obligations:</u></b>		
Compensated absences	\$ 23,152	\$ -
Capital Lease Obligations	246,826	183,878
Total Other Obligations	\$ 269,978	\$ 183,878
Total Long-Term Obligations - Business-type Activities	\$ 2,837,809	\$ 292,049

**Note 7-Capital Leases:**

The Town has entered into a capital lease for vehicles and radio read water meters. This lease agreement qualifies as a capital lease for accounting purposes and therefore has been recorded at the present value of its future minimum lease payments as of the inception date.

Total assets acquired through capital leases are as follows:

	<u>Governmental Activities Vehicles</u>	<u>Business-Type Activities Meters</u>
<b>Asset:</b>		
Machinery and equipment	\$ 121,819	\$ 921,294
Less: Accumulated depreciation	(12,182)	(76,774)
Total	\$ 109,637	\$ 844,520

TOWN OF PULASKI, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

**Note 7-Capital Leases: (continued)**

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2012, were as follows:

Fiscal Year Ended	Governmental Activities	Business-Type Activities
2013	\$ 24,208	\$ 191,038
2014	24,208	63,737
2015	24,208	-
Total minimum lease payments	\$ 72,624	\$ 254,775
Less: amount representing interest	(8,035)	(7,949)
Present value of minimum lease payments	\$ 64,589	\$ 246,826

**Note 8-Employee Retirement System and Pension Plans:**

A. Plan Description

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

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

VRS administers two defined benefit plans for local government employees - Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

TOWN OF PULASKI, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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**Note 8-Employee Retirement System and Pension Plans: (continued)**

A. Plan Description (continued)

- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70 %. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf> or by writing to the System's Chief Financial Officer at P. O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2012 was 14.18% of annual covered payroll.

TOWN OF PULASKI, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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**Note 8-Employee Retirement System and Pension Plans: (continued)**

C. Annual Pension Cost

For fiscal year 2012, the Town of Pulaski, Virginia's annual pension cost of \$513,822 was equal to the Town of Pulaski, Virginia's required and actual contributions for the Town.

Three-Year Trend Information

	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Primary Government:	6/30/2012	\$ 513,822	100.00%	-
	6/30/2011	516,527	100.00%	-
	6/30/2010	560,377	100.00%	-

The FY 2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

D. Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the plan was 81.75% funded. The actuarial accrued liability for benefits was \$17,851,701, and the actuarial value of assets was \$14,593,077, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,258,624. The covered payroll (annual payroll of active employees covered by the plan) was \$3,675,831, and the ratio of UAAL to the covered payroll was 88.65%.

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



TOWN OF PULASKI, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

**Note 9-Deferred Revenue:**

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$4,150,889 is comprised of the following:

Property Taxes - Property tax revenue representing uncollected tax billings not available for funding current expenditures totaled \$2,261,987.

Loan Revenue - Deferred revenue representing uncollected loans receivable not available for funding current expenditures totaled \$578,453.

Due from Pulaski County - Deferred revenue representing a long term receivable from Pulaski County for the James Hardie Project not available for funding current expenditures totaled \$1,310,449.

**Note 10-Capital Assets:**

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 142,527	\$ -	\$ -	\$ 142,527
Construction in progress	-	1,047,041	(568,053)	478,988
Total capital assets not being depreciated	<u>\$ 142,527</u>	<u>\$ 1,047,041</u>	<u>\$ (568,053)</u>	<u>\$ 621,515</u>
Capital assets, being depreciated:				
Buildings and Improvements	\$ 4,617,654	\$ 146,343	\$ (27,000)	\$ 4,736,997
Improvements other than buildings	590,472	516,208	-	1,106,680
Machinery and equipment	5,180,967	335,191	(283,426)	5,232,732
Total capital assets being depreciated	<u>\$ 10,389,093</u>	<u>\$ 997,742</u>	<u>\$ (310,426)</u>	<u>\$ 11,076,409</u>
Less: accumulated depreciation for:				
Buildings and Improvements	\$ (2,287,767)	\$ (106,275)	\$ 22,375	\$ (2,371,667)
Improvements other than buildings	(189,362)	(32,095)	-	(221,457)
Machinery and equipment	(4,129,153)	(235,809)	283,426	(4,081,536)
Total accumulated depreciation	<u>\$ (6,606,282)</u>	<u>\$ (374,179)</u>	<u>\$ 305,801</u>	<u>\$ (6,674,660)</u>
Total capital assets being depreciated, net	<u>\$ 3,782,811</u>	<u>\$ 623,563</u>	<u>\$ (4,625)</u>	<u>\$ 4,401,749</u>
Governmental activities capital assets, net	<u>\$ 3,925,338</u>	<u>\$ 1,670,604</u>	<u>\$ (572,678)</u>	<u>\$ 5,023,264</u>

TOWN OF PULASKI, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

**Note 10-Capital Assets: (continued)**

Business-type activities:

	Beginning Balance	Additions	Deletions	Ending Balance
Business Type Activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 107,512	\$ 108,104	\$ -	\$ 215,616
Capital assets being depreciated:				
Infrastructure	\$ 9,342,221	\$ -	\$ -	\$ 9,342,221
Buildings	3,622,475	-	-	3,622,475
Machinery and equipment	5,067,245	-	(32,474)	5,034,771
Total capital assets being depreciated	\$ 18,031,941	\$ -	\$ (32,474)	\$ 17,999,467
Less: accumulated depreciation:				
Infrastructure	\$ (3,685,748)	\$ (249,794)	\$ -	\$ (3,935,542)
Buildings	(1,943,530)	(65,351)	-	(2,008,881)
Machinery and equipment	(4,302,614)	(112,441)	32,474	(4,382,581)
Total accumulated depreciation	\$ (9,931,892)	\$ (427,586)	\$ 32,474	\$ (10,327,004)
Total capital assets being depreciated, net	\$ 8,100,049	\$ (427,586)	\$ -	\$ 7,672,463
Business Type Activities capital assets, net	\$ 8,207,561	\$ (319,482)	\$ -	\$ 7,888,079

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

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TOWN OF PULASKI, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

**Note 10-Capital Assets: (continued)**

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

Governmental activities:	
General government administration	\$ 24,837
Public safety	138,329
Public works	109,861
Parks, recreation, and culture	<u>101,152</u>
Total depreciation expense-governmental activities	<u>\$ 374,179</u>
Business-type activities:	
Water and Sewer	<u>\$ 427,586</u>

**Note 11-Risk Management:**

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

**Note 12-Surety Bonds:**

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

TOWN OF PULASKI, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012

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Note 13-Restatement of Net Assets:

Beginning Net Assets, as previously reported	\$ 6,200,223
To remove land from prior year	<u>(915,204)</u>
Beginning Net Assets, as restated	<u>\$ 5,285,019</u>

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## Required Supplementary Information

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Town of Pulaski, Virginia  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
General property taxes	\$ 2,363,814	\$ 2,363,814	\$ 2,332,089	\$ (31,725)
Other local taxes	2,031,401	2,031,401	2,166,079	134,678
Permits, privilege fees, and regulatory licenses	12,600	12,600	19,710	7,110
Fines and forfeitures	36,325	36,325	52,119	15,794
Revenue from the use of money and property	61,300	61,300	60,178	(1,122)
Charges for services	248,520	248,520	273,409	24,889
Miscellaneous	5,150	5,150	14,138	8,988
Recovered costs	63,200	63,200	103,990	40,790
Intergovernmental revenues:				
Commonwealth	2,610,578	2,761,768	3,228,866	467,098
Federal	10,902	30,092	234,830	204,738
Total revenues	\$ 7,443,790	\$ 7,614,170	\$ 8,485,408	\$ 871,238
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 1,457,244	\$ 1,463,344	\$ 1,497,493	\$ (34,149)
Public safety	2,780,195	2,764,604	2,847,535	(82,931)
Public works	1,983,676	2,099,792	2,157,923	(58,131)
Health and welfare	-	5,500	4,000	1,500
Parks, recreation, and cultural	619,174	633,367	606,866	26,501
Community development	302,079	340,291	407,017	(66,726)
Capital projects	-	-	954,069	(954,069)
Debt service:				
Principal retirement	366,595	366,595	1,796,783	(1,430,188)
Interest and other fiscal charges	128,528	128,528	211,158	(82,630)
Total expenditures	\$ 7,637,491	\$ 7,802,021	\$ 10,482,844	\$ (2,680,823)
Excess (deficiency) of revenues over (under) expenditures	\$ (193,701)	\$ (187,851)	\$ (1,997,436)	\$ (1,809,585)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ (1,661,400)	\$ (1,661,400)	\$ (1,605,632)	\$ 55,768
Issuance of general obligation bonds	-	421,000	1,732,623	1,311,623
Capital leases	-	-	88,797	88,797
Issuance of notes payable	-	-	43,000	43,000
Other	-	-	193,395	193,395
Total other financing sources (uses)	\$ (1,661,400)	\$ (1,240,400)	\$ 452,183	\$ 1,692,583
Net change in fund balances	\$ (1,855,101)	\$ (1,428,251)	\$ (1,545,253)	\$ (117,002)
Fund balances - beginning	-	-	2,182,365	2,182,365
Fund balances - ending	\$ (1,855,101)	\$ (1,428,251)	\$ 637,112	\$ 2,065,363

Note 1: GAAP serves as the budgetary basis of accounting

Town of Pulaski, Virginia  
Required Supplementary Information

Schedule of Funding Progress Defined Benefit Plan  
For the Year Ended June 30, 2012

Primary Government: Town Retirement Plan

Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2011	\$ 14,593,077	\$ 17,851,701	\$ 3,258,624	81.75%	\$ 3,675,831	88.65%
June 30, 2010	14,375,631	16,611,165	2,235,534	86.54%	3,740,358	59.77%
June 30, 2009	14,204,806	15,276,117	1,071,311	92.99%	3,605,389	29.71%

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## Supplementary Financial Statements

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Town of Pulaski, Virginia  
Combining Statement of Changes in Assets and Liabilities  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2012

	Special Revenue Funds					
	Cemetery <u>Care</u>	CDBG Housing <u>Rehabilitation</u>	Nano	Neighborhood <u>Revitalization</u>	Tornado Recovery <u>Project</u>	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 587,334	\$ 39,643	\$ 5,084	\$ 41,418	\$ -	\$ 673,479
Investments	-	35,928	-	-	-	35,928
Accounts receivable	-	-	-	178,159	14,127	192,286
Due from other funds	-	33,180	-	-	-	33,180
Total assets	<u>\$ 587,334</u>	<u>\$ 108,751</u>	<u>\$ 5,084</u>	<u>\$ 219,577</u>	<u>\$ 14,127</u>	<u>\$ 934,873</u>
<b>LIABILITIES</b>						
Reconciled overdraft	\$ -	\$ -	\$ -	\$ -	\$ 14,127	\$ 14,127
Accounts payable	-	-	-	37,537	-	37,537
Due to other funds	-	-	-	165,000	-	165,000
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 202,537</u>	<u>\$ 14,127</u>	<u>\$ 216,664</u>
<b>Fund balances:</b>						
Nonspendable:						
Principal Cemetery Maintenance	\$ 525,000	\$ -	\$ -	\$ -	\$ -	\$ 525,000
Restricted for:						
Housing Rehabilitation	-	108,751	-	-	-	108,751
NANO Technology	-	-	5,084	-	-	5,084
Assigned to:						
Cemetery Care	62,334	-	-	-	-	62,334
Unassigned	-	-	-	17,040	-	17,040
Total fund balances	<u>\$ 587,334</u>	<u>\$ 108,751</u>	<u>\$ 5,084</u>	<u>\$ 17,040</u>	<u>\$ -</u>	<u>\$ 718,209</u>
Total liabilities and fund balances	<u>\$ 587,334</u>	<u>\$ 108,751</u>	<u>\$ 5,084</u>	<u>\$ 219,577</u>	<u>\$ 14,127</u>	<u>\$ 934,873</u>

Town of Pulaski, Virginia  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2012

	Special Revenue Funds						
	Cemetery Care	CDBG Housing Rehabilitation	Nano	Neighborhood Revitalization	Tornado Recovery Project	Total	
<b>REVENUES</b>							
Revenue for the use of money and property	\$ 6,912	\$ 73	\$ -	\$ -	\$ -	\$ 6,985	
Miscellaneous	1,400	-	-	6,652	-	8,052	
Intergovernmental revenues:							
Federal	-	-	-	751,280	21,991	773,271	
Total Revenues	\$ 8,312	\$ 73	\$ -	\$ 757,932	\$ 21,991	\$ 788,308	
<b>EXPENDITURES</b>							
Current:							
Parks, recreation, and cultural	\$ 7,644	\$ -	\$ -	\$ -	\$ -	\$ 7,644	
Community development	-	-	-	724,643	21,991	746,634	
Total expenditures	\$ 7,644	\$ -	\$ -	\$ 724,643	\$ 21,991	\$ 754,278	
Excess (deficiency) of revenues over (under) expenditures	\$ 668	\$ 73	\$ -	\$ 33,289	\$ -	\$ 34,030	
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers out	\$ -	\$ (28,436)	\$ -	\$ -	\$ -	\$ (28,436)	
Net change in fund balances	\$ 668	\$ (28,363)	\$ -	\$ 33,289	\$ -	\$ 5,594	
Fund balance - beginning	586,666	137,114	5,084	(16,249)	-	712,615	
Fund balance - ending	\$ 587,334	\$ 108,751	\$ 5,084	\$ 17,040	\$ -	\$ 718,209	

## **SUPPORTING SCHEDULES**

Town of Pulaski, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2012

Schedule 1  
Page 1 of 4

<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>
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real Property Tax	\$ 1,319,373	\$ 1,319,373	\$ 1,413,423	\$ 94,050
Real and Personal PSC Tax	54,418	54,418	61,516	7,098
Personal Property Tax	574,657	574,657	380,117	(194,540)
Machinery and tools tax	389,366	389,366	432,185	42,819
Penalties	11,000	11,000	16,438	5,438
Interest	15,000	15,000	28,410	13,410
Total general property taxes	<u>\$ 2,363,814</u>	<u>\$ 2,363,814</u>	<u>\$ 2,332,089</u>	<u>\$ (31,725)</u>
Other local taxes:				
Bank stock taxes	\$ 174,965	\$ 174,965	\$ 149,315	\$ (25,650)
Business license taxes	391,500	391,500	404,603	13,103
Cell phone taxes	-	-	88	88
Consumers' utility taxes	225,306	225,306	232,281	6,975
Consumption taxes	46,480	46,480	43,787	(2,693)
Local sales and use taxes	424,400	424,400	480,272	55,872
Lodging tax	6,750	6,750	4,974	(1,776)
Motor vehicle licenses	10,000	10,000	16,030	6,030
Restaurant food taxes	560,000	560,000	598,508	38,508
Tobacco taxes	170,000	170,000	221,815	51,815
Utility franchise taxes	22,000	22,000	14,406	(7,594)
Total other local taxes	<u>\$ 2,031,401</u>	<u>\$ 2,031,401</u>	<u>\$ 2,166,079</u>	<u>\$ 134,678</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 12,600	\$ 12,600	\$ 19,710	\$ 7,110
Fines and forfeitures:				
Court fines and forfeitures	\$ 36,325	\$ 36,325	\$ 52,119	\$ 15,794
Revenue from use of money and property:				
Revenue from use of money	\$ 900	\$ 900	\$ 902	\$ 2
Revenue from use of property	60,400	60,400	59,276	(1,124)
Total revenue from use of money and property	<u>\$ 61,300</u>	<u>\$ 61,300</u>	<u>\$ 60,178</u>	<u>\$ (1,122)</u>
Charges for services:				
Charges for police services	\$ 600	\$ 600	\$ 8,906	\$ 8,306
Charges for fire and rescue services	34,200	34,200	34,200	-
Charges for parks and recreation	104,700	104,700	96,426	(8,274)
Charges for PSA services	91,300	91,300	115,175	23,875
Other charges for services	17,720	17,720	18,702	982
Total charges for services	<u>\$ 248,520</u>	<u>\$ 248,520</u>	<u>\$ 273,409</u>	<u>\$ 24,889</u>

Town of Pulaski, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2012

Schedule 1  
Page 2 of 4

<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>
<b>General Fund: (Continued)</b>				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 5,150	\$ 5,150	\$ 14,138	\$ 8,988
Recovered costs:				
Insurance recoveries	\$ -	\$ -	\$ 52,606	\$ 52,606
Armory reimbursement	31,200	31,200	29,353	(1,847)
Other recovered costs	32,000	32,000	22,031	(9,969)
Total recovered costs	\$ 63,200	\$ 63,200	\$ 103,990	\$ 40,790
Total revenue from local sources	\$ 4,822,310	\$ 4,822,310	\$ 5,021,712	\$ 199,402
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicles rental tax	\$ 75	\$ 75	\$ 72	\$ (3)
Personal property tax relief act funds	-	-	140,332	140,332
Rolling stock tax	9,867	9,867	9,630	(237)
Communication tax	480,000	480,000	463,270	(16,730)
Total noncategorical aid	\$ 489,942	\$ 489,942	\$ 613,304	\$ 123,362
Categorical aid:				
Bulletproof vest partnership	\$ 1,250	\$ 1,250	\$ 313	\$ (937)
Byrne justice assistance grant	40,972	76,046	101,887	25,841
Museum grants	-	-	435,570	435,570
Fire program	22,000	22,000	24,289	2,289
Law enforcement grant	218,322	218,322	218,324	2
Street and highway maintenance	1,709,627	1,825,743	1,825,743	-
Virginia commission of the arts	5,000	5,000	5,000	-
Local L.E. block grant	123,465	123,465	4,436	(119,029)
Total other categorical aid	\$ 2,120,636	\$ 2,271,826	\$ 2,615,562	\$ 343,736
Total revenue from the Commonwealth	\$ 2,610,578	\$ 2,761,768	\$ 3,228,866	\$ 467,098

Town of Pulaski, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2012

<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>
<b>General Fund: (Continued)</b>				
Revenue from the federal government:				
Categorical aid:				
EPA Brownfields grant	\$ -	\$ -	\$ 109,536	\$ 109,536
Rural business enterprise Loan	-	-	99,000	99,000
DUI/DUID enforcement	-	19,190	16,619	(2,571)
DMV grants	10,902	10,902	9,675	(1,227)
Total categorical aid	<u>\$ 10,902</u>	<u>\$ 30,092</u>	<u>\$ 234,830</u>	<u>\$ 204,738</u>
Total revenue from the federal government	<u>\$ 10,902</u>	<u>\$ 30,092</u>	<u>\$ 234,830</u>	<u>\$ 204,738</u>
Total General Fund	<u>\$ 7,443,790</u>	<u>\$ 7,614,170</u>	<u>\$ 8,485,408</u>	<u>\$ 871,238</u>
<b>Special Revenue Funds:</b>				
UDAG Fund:				
Revenue from local sources:				
Revenue from use of money and property	\$ -	\$ -	\$ 50	\$ 50
Miscellaneous	-	-	18,436	18,436
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,486</u>	<u>\$ 18,486</u>
Total UDAG Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,486</u>	<u>\$ 18,486</u>
<b>Nonmajor Special Revenue Funds:</b>				
Cemetery Care Fund:				
Revenue from local sources:				
Revenues from use of money and property	\$ -	\$ -	\$ 6,912	\$ 6,912
Miscellaneous	-	-	1,400	1,400
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,312</u>	<u>\$ 8,312</u>
Total Cemetery Care Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,312</u>	<u>\$ 8,312</u>
CDBG Housing Rehabilitation Fund:				
Revenue from local sources:				
Revenues from use of money and property	\$ -	\$ -	\$ 73	\$ 73
Total CDBG Housing Rehabilitation Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73</u>	<u>\$ 73</u>

Town of Pulaski, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2012

Schedule 1  
Page 4 of 4

<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>
<b>Nonmajor Special Revenue Funds: (Continued)</b>				
<b>Neighborhood Revitalization Fund:</b>				
Revenue from local sources:				
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ -	\$ 6,652	\$ 6,652
Revenue from the federal government:				
Categorical aid:				
HUD reimbursements	\$ -	\$ -	\$ 751,280	\$ 751,280
Total Neighborhood Revitalization Fund	\$ -	\$ -	\$ 757,932	\$ 757,932
<b>Tornado Recovery Project:</b>				
Revenue from the federal government:				
Categorical aid:				
DHCD - Tornado Recovery	\$ -	\$ -	\$ 21,991	\$ 21,991
Total Tornado Recovery Project Fund	\$ -	\$ -	\$ 21,991	\$ 21,991
Total Governmental Funds	\$ 7,443,790	\$ 7,614,170	\$ 9,292,202	\$ 1,678,032

Town of Pulaski, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2012

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>
<b>General Fund:</b>				
General government administration:				
Legislative:				
Town council	\$ 42,903	\$ 42,903	\$ 45,370	\$ (2,467)
Clerk of the Council	56,747	56,747	57,142	(395)
Office of the Mayor	2,809	8,209	8,364	(155)
Total legislative	<u>\$ 102,459</u>	<u>\$ 107,859</u>	<u>\$ 110,876</u>	<u>\$ (3,017)</u>
General and financial administration:				
Manager	\$ 220,439	\$ 220,439	\$ 224,725	\$ (4,286)
Legal services	31,000	31,000	37,325	(6,325)
Independent auditor	40,000	40,000	49,000	(9,000)
Consultants	4,000	4,000	2,900	1,100
Department of Finance	448,690	448,690	449,681	(991)
Risk management	97,476	97,476	115,482	(18,006)
Data processing	175,694	176,394	174,792	1,602
Other	337,486	337,486	332,712	4,774
Total general and financial administration	<u>\$ 1,354,785</u>	<u>\$ 1,355,485</u>	<u>\$ 1,386,617</u>	<u>\$ (31,132)</u>
Total general government administration	<u>\$ 1,457,244</u>	<u>\$ 1,463,344</u>	<u>\$ 1,497,493</u>	<u>\$ (34,149)</u>
Public safety:				
Law enforcement and traffic control:				
Police department	<u>\$ 1,989,457</u>	<u>\$ 1,973,866</u>	<u>\$ 2,040,623</u>	<u>\$ (66,757)</u>
Fire and rescue services:				
Fire department	<u>\$ 631,333</u>	<u>\$ 631,333</u>	<u>\$ 679,909</u>	<u>\$ (48,576)</u>
Building inspections	<u>159,405</u>	<u>159,405</u>	<u>127,003</u>	<u>32,402</u>
Total fire and rescue services	<u>\$ 790,738</u>	<u>\$ 790,738</u>	<u>\$ 806,912</u>	<u>\$ (16,174)</u>
Total public safety	<u>\$ 2,780,195</u>	<u>\$ 2,764,604</u>	<u>\$ 2,847,535</u>	<u>\$ (82,931)</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
General engineering/administration	<u>\$ 202,525</u>	<u>\$ 202,525</u>	<u>\$ 206,949</u>	<u>\$ (4,424)</u>
Highway, street, bridge and sidewalk maintenance	<u>1,472,862</u>	<u>1,588,978</u>	<u>1,659,219</u>	<u>(70,241)</u>
Total maintenance of highways, streets, bridges & sidewalks	<u>\$ 1,675,387</u>	<u>\$ 1,791,503</u>	<u>\$ 1,866,168</u>	<u>\$ (74,665)</u>
Sanitation and waste removal:				
Refuse disposal	<u>\$ 3,177</u>	<u>\$ 3,177</u>	<u>\$ 2,291</u>	<u>\$ 886</u>
Maintenance of general buildings and grounds:				
General properties	<u>\$ 177,000</u>	<u>\$ 177,000</u>	<u>\$ 180,307</u>	<u>\$ (3,307)</u>
Garage and motor vehicles	<u>96,912</u>	<u>96,912</u>	<u>88,987</u>	<u>7,925</u>
Armory	<u>31,200</u>	<u>31,200</u>	<u>20,170</u>	<u>11,030</u>
Total maintenance of general buildings and grounds	<u>\$ 305,112</u>	<u>\$ 305,112</u>	<u>\$ 289,464</u>	<u>\$ 15,648</u>
Total public works	<u>\$ 1,983,676</u>	<u>\$ 2,099,792</u>	<u>\$ 2,157,923</u>	<u>\$ (58,131)</u>



Town of Pulaski, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2012

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>
<b>General Fund: (Continued)</b>				
Health and welfare:				
Health:				
Free clinic of Pulaski County	\$ -	\$ 1,500	\$ -	\$ 1,500
Mental health and mental retardation:				
New River Valley Community Action	\$ -	\$ 4,000	\$ 4,000	\$ -
Total health and welfare	\$ -	\$ 5,500	\$ 4,000	\$ 1,500
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation centers and playgrounds	\$ 465,389	\$ 465,389	\$ 469,202	\$ (3,813)
Cemeteries	31,463	31,463	26,259	5,204
Senior citizen center	78,792	78,792	78,510	282
Total parks and recreation	\$ 575,644	\$ 575,644	\$ 573,971	\$ 1,673
Cultural enrichment:				
Agency on aging	\$ -	\$ 3,193	\$ 3,193	\$ -
Fine arts center	-	5,000	5,000	-
Friends of the Theater	-	5,000	5,000	-
Train station museum	43,530	43,530	18,702	24,828
Literacy volunteers	-	1,000	1,000	-
Total cultural enrichment	\$ 43,530	\$ 57,723	\$ 32,895	\$ 24,828
Total parks, recreation, and cultural	\$ 619,174	\$ 633,367	\$ 606,866	\$ 26,501
Community development:				
Planning and community development:				
Planning and zoning	\$ 14,738	\$ 21,893	\$ 24,985	\$ (3,092)
Economic development	112,013	112,013	93,426	18,587
Airport commission	-	19,215	19,215	-
Brownsfield project	119,328	119,329	73,987	45,342
Pulaski transit authority	53,000	53,000	63,634	(10,634)
NRV planning commission	-	11,841	12,482	(641)
Neighborhood revitalization	3,000	3,000	119,288	(116,288)
Total community development	\$ 302,079	\$ 340,291	\$ 407,017	\$ (66,726)
Capital projects/capital outlays:	\$ 27,564	\$ 490,589	\$ 954,069	\$ (463,480)
Debt service:				
Principal retirement	\$ 366,595	\$ 366,595	\$ 1,796,783	\$ (1,430,188)
Interest and fiscal charges	128,528	128,528	211,158	(82,630)
Total debt service	\$ 495,123	\$ 495,123	\$ 2,007,941	\$ (1,512,818)
Total General Fund	\$ 7,665,055	\$ 8,292,610	\$ 10,482,844	\$ (2,190,234)

Town of Pulaski, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2012

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>
<b>Special Revenue Funds:</b>				
<b>UDAG Fund:</b>				
Community development	\$ -	\$ -	\$ 25,859	\$ (25,859)
Total UDAG fund	\$ -	\$ -	\$ 25,859	\$ (25,859)
<b>Nonmajor Special Revenue Funds:</b>				
<b>Cemetery Care Fund:</b>				
Parks, recreation, and cultural	\$ -	\$ -	\$ 7,644	\$ (7,644)
Total Cemetery Care Fund	\$ -	\$ -	\$ 7,644	\$ (7,644)
<b>Neighborhood Revitalization Fund:</b>				
Community development	\$ -	\$ -	\$ 724,643	\$ (724,643)
Total Neighborhood Revitalization Fund	\$ -	\$ -	\$ 724,643	\$ (724,643)
<b>Tornado Recovery Project:</b>				
Community development	\$ -	\$ -	\$ 21,991	\$ (21,991)
Total Tornado Recovery Project Fund	\$ -	\$ -	\$ 21,991	\$ (21,991)
Total Governmental Funds	\$ 7,665,055	\$ 8,292,610	\$ 11,262,981	\$ (2,970,371)

## OTHER STATISTICAL INFORMATION

Table 1

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

Fiscal Year	General Government Administration	Public Safety	Public Works	Health and Welfare	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Water and Sewer	Total
2011-12	\$ 1,473,576	\$ 2,971,184	\$ 1,718,281	\$ 4,000	\$ 734,382	\$ 1,149,023	\$ 160,785	\$ 4,512,216	\$ 12,723,447
2010-11	1,472,132	2,898,794	2,108,173	4,900	738,149	810,796	182,720	4,156,514	12,372,178
2009-10	1,433,020	3,022,020	2,515,448	5,000	771,332	494,366	177,898	4,497,128	12,916,212
2008-09	1,341,262	3,056,230	1,854,982	5,000	704,360	616,043	243,355	4,265,969	12,087,201
2007-08	1,350,939	2,884,530	2,040,017	7,000	381,506	1,043,828	245,968	3,432,832	11,386,620
2006-07	1,395,220	2,584,260	1,730,965	-	573,139	1,497,569	314,043	3,691,440	11,786,636

(1) Information was not available prior to 2006-07.

Table 2

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

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES						
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Total	
2011-12	\$ 4,822,568	\$ 2,872,383	\$ 751,280	\$ 2,601,592	\$ 2,166,079	\$ 166,431	\$ 56,095	\$ 613,304	\$ 14,049,732	
2010-11	4,281,902	2,570,675	369,838	2,253,038	2,173,149	9,900	521,276	613,274	12,793,052	
2009-10	3,742,501	3,260,180	-	1,952,460	2,543,883	35,040	183,094	181,222	11,898,380	
2008-09	4,225,484	2,372,075	-	1,884,781	2,798,698	42,569	115,954	165,126	11,604,687	
2007-08	4,100,746	2,765,211	-	1,993,958	2,699,631	58,710	113,174	-	11,731,430	
2006-07	3,903,467	3,103,518	138,714	1,822,129	2,606,209	376,013	513,322	2,253,260	14,716,632	

(1) Information was not available prior to 2006-07.

Table 3

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

Fiscal Year	General Administration	Public Safety	Public Works	Health and Welfare	Parks, Recreation & Cultural	Community Development	Debt Service	Capital Projects	Totals
2011-12	\$ 1,497,493	\$ 2,847,535	\$ 2,157,923	\$ 4,000	\$ 606,866	\$ 407,017	\$ 2,007,941	\$ -	\$ 9,528,775
2010-11	1,497,960	2,933,997	2,024,421	4,900	1,173,339	404,113	765,269	-	8,803,999
2009-10	1,471,785	2,932,565	2,531,012	5,000	1,507,979	206,837	779,341	-	9,434,519
2008-09	1,473,858	2,885,890	1,839,567	5,000	617,364	271,305	1,028,035	-	8,121,019
2007-08	1,550,052	2,814,354	2,009,564	7,000	581,995	643,666	843,405	-	8,450,036
2006-07	1,476,474	2,484,252	1,720,656	-	562,298	1,458,856	609,735	-	8,312,271
2005-06	1,034,612	2,862,498	1,890,358	-	517,923	4,172,041	257,898	523,761	11,259,091
2004-05	948,622	2,612,614	1,740,845	-	528,554	5,498,631	252,986	688,946	12,271,198
2003-04	959,684	2,359,048	1,573,949	-	516,161	482,244	240,738	177,518	6,309,342
2002-03	908,412	2,291,664	1,753,847	-	574,312	450,798	367,762	472,761	6,819,556

Note: (1) Includes General Fund of the Primary Government.

**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
2011-12	\$ 2,332,089	\$ 2,166,079	\$ 19,710	\$ 52,119	\$ 60,178	\$ 273,409	\$ 14,138	\$ 103,990	\$ 3,463,696	\$ 8,485,408
2010-11	2,232,902	2,173,149	17,540	44,221	1,224	262,524	127,407	46,596	2,800,516	7,706,079
2009-10	2,053,216	2,543,883	13,531	29,107	5,988	288,498	16,320	137,982	2,244,120	7,332,645
2008-09	1,841,932	2,798,698	5,959	39,913	42,037	241,046	8,814	121,837	2,281,074	7,381,310
2007-08	1,923,474	2,699,631	25,143	44,825	105,635	310,363	14,447	113,919	2,549,670	7,787,107
2006-07	1,815,054	2,606,209	34,657	36,284	349,391	179,420	475,818	43,905	3,540,627	9,081,365
2005-06	1,618,493	2,518,659	33,692	47,260	-	95,826	976,595	-	5,028,293	10,318,818
2004-05	1,741,477	2,396,194	22,273	44,365	-	71,985	562,949	-	1,831,271	6,670,514
2003-04	1,630,818	2,239,898	17,319	32,729	-	87,049	652,758	-	1,783,849	6,444,420
2002-03	1,490,441	2,148,909	20,906	34,093	-	39,593	682,213	-	1,864,652	6,280,807

Note: (1) Includes General Fund of the Primary Government.

(2) Prior to fiscal year 2006-07, the categories of, revenue from use of money and property and recovered costs were not used as a source of revenues in this table.

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		Total Tax Collections	Percent of Total Tax Collections to Tax Levy		Outstanding Delinquent Taxes (1)		Percent of Delinquent Taxes to Tax Levy
				Collections (1)	Tax						
2011-12	\$ 2,278,796	\$ 2,153,748	94.51%	\$ 133,493	\$ 2,287,241		100.37%	\$	516,884		22.68%
2010-11	2,441,686	2,319,618	95.00%	98,834	2,418,452		99.05%		513,591		21.03%
2009-10	2,160,968	2,047,005	94.73%	140,791	2,187,796		101.24%		493,119		22.82%
2008-09	2,074,855	1,911,904	92.15%	207,675	2,119,579		102.16%		588,180		28.35%
2007-08	1,866,273	1,698,288	91.00%	306,922	2,005,210		107.44%		550,949		29.52%
2006-07	1,804,296	1,723,151	95.50%	204,919	1,928,070		106.86%		546,729		30.30%
2005-06	1,580,261	1,433,919	90.74%	152,821	1,586,740		100.41%		661,679		41.87%
2004-05	1,588,261	1,567,744	98.71%	125,716	1,693,460		106.62%		594,464		37.43%
2003-04	1,741,971	1,562,997	89.73%	9,382	1,572,359		90.26%		603,502		34.64%
2002-03	1,544,008	1,439,349	93.22%	14,304	1,453,653		94.15%		509,581		33.00%

(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
2011-12	\$ 470,533,050	\$ 61,898,293	\$ 56,406,645	\$ 20,636,052	\$ 609,474,040
2010-11	462,208,333	53,883,613	49,841,853	20,559,217	586,493,016
2009-10	467,392,000	48,922,969	45,425,511	20,359,739	582,100,219
2008-09	430,594,500	55,765,468	38,544,618	15,705,676	540,610,262
2007-08	393,632,600	56,212,241	41,490,001	15,209,324	506,544,166
2006-07	352,295,900	57,412,925	40,651,435	13,383,761	463,744,021
2005-06	349,768,350	53,326,001	15,456,423	8,225,320	426,776,094
2004-05	347,240,800	50,840,638	18,393,401	14,979,048	431,453,887
2003-04	310,090,822	55,995,513	43,654,752	15,999,944	425,741,031
2002-03	278,128,040	66,956,391	46,341,751	15,757,396	407,183,578

(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
2011-12	\$ 0.30	\$ 0.80	\$ 0.30	\$ 0.80
2010-11	0.30	0.80	0.30	0.80
2009-10	0.30	0.74	0.30	0.74
2008-09 (2)	0.32/0.30	0.74	0.30	0.74
2007-08	0.32	0.74	0.32	0.74
2006-07	0.30	0.74	0.30	0.74
2005-06	0.30	0.74	0.30	0.74
2004-05	0.30	0.74	0.30	0.74
2003-04	0.30	0.74	0.30	0.74
2002-03	0.32	0.74	0.32	0.74

(1) Per \$100 of assessed value.

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

Table 8

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

Fiscal Year	Population (1)	Assessed Value (in thousands)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2011-12	9,086	\$ 609,474	\$ 4,724,944	0.78%	\$ 520
2010-11	9,086	586,493	4,764,896	0.81%	524
2009-10	9,473	582,100	5,246,276	0.90%	554
2008-09	9,473	540,610	5,713,023	1.06%	603
2007-08	9,173	393,633	6,431,726	1.63%	701
2006-07	9,173	463,744	6,901,478	1.49%	752
2005-06	9,173	426,776	7,014,316	1.64%	765
2004-05	9,173	431,454	6,476,182	1.50%	706
2003-04	9,473	425,741	1,597,819	0.38%	169
2002-03	9,473	407,184	1,668,163	0.41%	176

(1) Source: Bureau of Economic Analysis. 2004-2005 was not available, estimate was used.

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	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2011-12	\$ 1,796,783	\$ 211,158	\$ 2,007,941	\$ 9,528,775	21.07%
2010-11	519,908	245,367	765,275	8,803,999	8.69%
2009-10	466,747	244,668	711,415	9,434,519	7.54%
2008-09	718,703	241,406	960,109	8,121,019	11.82%
2007-08	469,752	215,285	685,037	8,450,036	8.11%
2006-07	176,305	433,430	609,735	8,312,271	7.34%
2005-06	193,535	64,363	257,898	11,259,091	2.29%
2004-05	183,475	69,511	252,986	12,291,198	2.06%
2003-04	166,684	74,054	240,738	6,309,342	3.82%
2002-03	324,938	42,824	367,762	6,819,556	5.39%

(1) Includes General Fund of the Primary Government.

## COMPLIANCE SECTION

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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### TO THE HONORABLE MEMBERS OF TOWN COUNCIL TOWN OF PULASKI, VIRGINIA

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pulaski, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the Town of Pulaski, Virginia's basic financial statements and have issued our report thereon dated December 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

#### INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the Town of Pulaski, Virginia is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Pulaski, Virginia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Pulaski, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Pulaski, Virginia's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

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

#### COMPLIANCE AND OTHER MATTERS

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

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

*Robinson, Fauner, Cox Associates*

Blacksburg, Virginia  
December 12, 2012

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

TO THE HONORABLE MEMBERS OF TOWN COUNCIL  
TOWN OF PULASKI, VIRGINIA

### Compliance

We have audited the Town of Pulaski, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of Pulaski, Virginia's major federal programs for the year ended June 30, 2012. The Town of Pulaski, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town of Pulaski, Virginia's management. Our responsibility is to express an opinion on the Town of Pulaski, Virginia's compliance based on our audit.

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

In our opinion, the Town of Pulaski, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

### Internal Control Over Compliance

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



on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Pulaski, Virginia's internal control over compliance.

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

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

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

*Robinson, Fauser, Cox Associates*

Blacksburg, Virginia  
December 12, 2012

Town of Pulaski, Virginia  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2012

Federal Grantor/State Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Environmental Quality:			
Direct payments:			
Brownfields Assessment and Cleanup Cooperative Agreements - ARRA	66.818	Not Applicable	\$ 109,536
Appalachian Region Commission:			
Pass Through Payments:			
Department of Housing and Urban Development:			
Community development block grants	14.228	50797	\$ 773,271
Department of Justice:			
Pass-through Payments:			
Department of Criminal Justice Services:			
Local law enforcement block grant	16.579	Unknown	\$ 99,000
Department of Transportation			
Pass-through Payments:			
Alcohol Open Container Requirements	20.607	154AL-2011 51146 4088	\$ 26,294
Total Expenditures of Federal Awards			<u>\$ 1,008,101</u>

Note 1 -- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Town of Pulaski, Virginia under programs of the federal government for the year ended June 30, 2012. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Town of Pulaski, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Town of Pulaski, Virginia.

Note 2 -- Summary of Significant Accounting Policies

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

(2) Pass-through entity identifying numbers are presented where available.

Note 3 -- Relationship to the Financial Statements:

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

Intergovernmental federal revenues per the basic financial statements:

    Primary Government:

General Fund total	\$ 234,830
Neighborhood Revitalization Fund total	751,280
Tornado Recovery Project Fund total	21,991
Total Primary Government	<u>\$ 1,008,101</u>

Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 1,008,101</u>
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Town of Pulaski, Virginia

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012

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**Section I - Summary of Auditor's Results**

**Financial Statements**

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

**Federal Awards**

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

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
14.228	Community Development Block Grants
66.818	ARRA-Brownfields Grant

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**Section II - Financial Statement Findings**

There are no financial statement findings to report.

**Section III - Federal Award Findings and Questioned Costs**

There are no federal award findings to report.

**Section IV - Status of Prior Audit Findings and Questioned Costs**

None