

# TOWN OF PULASKI, VIRGINIA



**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2019**

TOWN OF PULASKI, VIRGINIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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TOWN OF PULASKI, VIRGINIA  
FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2019

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## INTRODUCTORY SECTION

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TOWN OF PULASKI, VIRGINIA

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TOWN COUNCIL

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Brooks Dawson  
Greg East  
Joseph Goodman  
Tyler Clontz  
Lane Penn  
Jamie Radcliffe

OTHER OFFICIALS

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David L. Clark ..... Mayor  
Shawn M. Utt..... Town Manager  
Nichole Hair ..... Deputy Town Manager  
David Quesenberry ..... Clerk of Council  
Spencer A. Rygas ..... Town Attorney  
Rebecca Leeper ..... Finance Director

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## FINANCIAL SECTION

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pulaski, Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

*Management's Responsibility for the Financial Statements*

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

*Auditors' Responsibility*

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

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

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

## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pulaski, Virginia, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Change in Accounting Principles*

As described in Note 16 to the financial statements, in 2019, the Town adopted new accounting guidance, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*. Our opinion is not modified with respect to this matter.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 5-11, 68, and 69-79 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### *Supplementary and Other Information*

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

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

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

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2019, on our consideration of the Town of Pulaski, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Pulaski, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Pulaski, Virginia's internal control over financial reporting and compliance.

*Holmes, Fawcett, & Associates*

Blacksburg, Virginia  
December 6, 2019

## TOWN OF PULASKI, VIRGINIA

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2019

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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, 2019. We encourage readers to consider the information presented here in conjunction with the basic audited financial statements.

#### Financial Highlights

The assets and deferred outflows of the Town's governmental activities exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$4,226,312 (net position). Of this amount, \$(385,040) was considered unrestricted and \$1,957,995 was restricted for use. Net investment in capital assets was \$2,653,357.

The assets and deferred outflows of resources of the Town's business-type activities exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$5,358,170 (net position).

During the fiscal year, the Town had governmental expenses that were \$1,211,001 less than revenues, including transfers. The business-type activities had expenses that were \$249,037 less than revenues, including transfers.

The Town's total debt decreased by \$2,711,992 during the current fiscal year.

#### Overview of the Financial Statements

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019

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timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

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

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019

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Government-wide Financial Analysis

As noted earlier, net position may over time serve as a useful indicator of a Town's financial position. In the case of the Town, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$9,584,482 at the close of the most recent fiscal year.

The largest portion of the Town's net position 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, 2019

The table below focuses on the net position of the Town's governmental and business-type activities as of the years ended June 30, 2018 and 2019.

Table 1						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2019	2018	2019	2018	2019
Current Assets	6,592,138	5,776,828	1,148,929	1,006,588	7,741,067	6,783,416
Capital Assets	4,386,938	4,184,084	10,941,960	10,506,567	15,328,898	14,690,651
Total Assets	10,979,076	9,960,912	12,090,889	11,513,155	23,069,965	21,474,067
Deferred Outflows of Resources						
Pension related items	386,686	364,884	71,734	53,391	458,420	418,275
OPEB related items	32,908	44,293	4,710	5,949	37,618	50,242
	419,594	409,177	76,444	59,340	496,038	468,517
Current Liabilities	1,617,835	1,550,662	1,137,854	881,388	2,755,689	2,432,050
Long-Term Liabilities	4,580,262	2,459,496	5,851,803	5,270,280	10,432,065	7,729,776
Total Liabilities	6,198,097	4,010,158	6,989,657	6,151,668	13,187,754	10,161,826
Deferred Inflows of Resources						
Unavailable revenue	1,760,223	1,739,722	-	-	1,760,223	1,739,722
Pension related items	391,736	355,457	63,846	57,097	455,582	412,554
OPEB related items	33,303	38,440	4,697	5,560	38,000	44,000
	2,185,262	2,133,619	68,543	62,657	2,253,805	2,196,276
Net Position:						
Net Investment in Capital						
Assets	2,340,688	2,653,357	5,133,596	5,068,187	7,474,284	7,721,544
Restricted	2,161,787	1,957,995	-	-	2,161,787	1,957,995
Unrestricted	(1,487,164)	(385,040)	(24,463)	289,983	(1,511,627)	(95,057)
Total Net Position	3,015,311	4,226,312	5,109,133	5,358,170	8,124,444	9,584,482

TOWN OF PULASKI, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019

The table below focuses on the revenues and expenses for governmental activities and business-type activities for the years ended June 30, 2018 and 2019.

Table 2

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2019	2018	2019	2018	2019
Charges for Services	273,154	279,119	4,761,984	5,142,935	5,035,138	5,422,054
Operating Grants/Contributions	3,030,522	2,702,973	15,402	-	3,045,924	2,702,973
Capital Grants/Contributions	-	-	25,025	41,453	25,025	41,453
Program Revenues	3,303,676	2,982,092	4,802,411	5,184,388	8,106,087	8,166,480
Taxes	5,259,315	5,651,378	-	-	5,259,315	5,651,378
Interest Income	75,424	52,636	6,734	11,145	82,158	63,781
Miscellaneous	29,580	35,081	78,844	85,396	108,424	120,477
Insurance recovery	-	-	-	-	-	-
Gain (loss) on asset disposal	266,896	-	-	-	266,896	-
Grants not restricted to program	566,226	535,836	-	-	566,226	535,836
General Revenues	6,197,441	6,274,931	85,578	96,541	6,283,019	6,371,472
Total Revenues	9,501,117	9,257,023	4,887,989	5,280,929	14,389,106	14,537,952
General Government	1,373,793	1,187,829	-	-	1,373,793	1,187,829
Public Safety	4,265,918	2,931,796	-	-	4,265,918	2,931,796
Public Works	2,697,926	2,230,771	-	-	2,697,926	2,230,771
Parks, Recreation, Cultural	751,366	464,050	-	-	751,366	464,050
Community Development	977,461	978,947	-	-	977,461	978,947
Health and Welfare	12,200	8,200	-	-	12,200	8,200
Interest on long-term debt	257,887	237,429	-	-	257,887	237,429
Water and Sewer	-	-	4,755,422	5,038,892	4,755,422	5,038,892
Total Expenses	10,336,551	8,039,022	4,755,422	5,038,892	15,091,973	13,077,914
Transfers	198,054	(7,000)	(198,054)	7,000	-	-
Change in Net Position	(637,380)	1,211,001	(65,487)	249,037	(702,867)	1,460,038
Beginning Net Position	3,652,691	3,015,311	5,174,620	5,109,133	8,827,311	8,124,444
Ending Net Position	3,015,311	4,226,312	5,109,133	5,358,170	8,124,444	9,584,482

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019

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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 funds reported ending fund balance of \$2,835,709, an decrease of \$927,540 in comparison with the prior year.

Total governmental funds revenues decreased \$384,348 and expenditures increased \$154,572 over prior year amounts, excluding other financing sources and uses. For fiscal year ending June 30, 2018, expenses exceeded revenues by \$381,620. The decrease in revenues was due to a decline in intergovernmental revenues.

Total proprietary fund operating income increased \$171,137 and operating expenses increased \$209,814 over the prior year amounts. For fiscal year ending June 30, 2019, total revenues exceeded expenses by \$249,037.

General Fund Budgetary Highlights

The Town budgeted revenues of \$9,834,340 for fiscal year 2019. The actual revenues were \$8,939,439 which is an unfavorable variance of \$894,901. The variance is attributed to revenue from state and federal government and revenue from property taxes being budgeted for more than the actual amount received. The budgeted expenditures were \$10,191,811 for the Town. The actual expenditures were \$9,633,858 which is a favorable variance of \$557,953.

Capital Asset and Debt Administration

Capital Assets – The Town's investment in capital assets for its governmental activities as of June 30, 2019 is \$4,184,084 (net of accumulated depreciation) a decrease of \$202,854, mainly due to normal depreciation of the assets. The investment in capital assets for its business-type activities is \$10,506,567, a decrease of \$435,393. The decrease is mainly attributed to normal depreciation of the assets. This investment in capital assets includes land, buildings and improvements, vehicles, equipment, and construction in progress.

TOWN OF PULASKI, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019

Long-term debt

At the end of the fiscal year, governmental activities reported the following outstanding long-term obligations:

	Balance July 1, 2018	Issuances	Retirements	Balance 6/30/2019
General obligation bonds	\$ 2,041,412	\$ -	\$ (622,310)	\$ 1,419,102
Note payable	90,328	-	(34,238)	56,090
Capital lease	278,474	-	(43,338)	235,136
Net OPEB liabilities	1,627,619	232,818	(1,318,800)	541,637
Net pension liability	1,116,336	1,830,881	(2,155,758)	791,459
Compensated absences	516,674	364,654	(387,506)	493,822
	<u>5,670,843</u>	<u>2,428,353</u>	<u>(4,561,950)</u>	<u>3,537,246</u>
Total	\$ 5,670,843	\$ 2,428,353	\$ (4,561,950)	\$ 3,537,246

At the end of the fiscal year, business-type activities reported the following outstanding long-term obligations:

	Balance July 1, 2018	Issuances	Retirements	Balance June 30, 2019
General obligation bonds	\$ 5,808,364	\$ -	\$ (369,984)	\$ 5,438,380
Net pension liability	161,474	264,828	(311,820)	114,482
Net OPEB liabilities	234,354	27,813	(189,950)	72,217
Compensated absences	70,382	53,505	(52,787)	71,100
	<u>6,274,574</u>	<u>346,146</u>	<u>(924,541)</u>	<u>5,696,179</u>
Total	\$ 6,274,574	\$ 346,146	\$ (924,541)	\$ 5,696,179

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

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

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

Requests for Information

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

## Basic Financial Statements

Town of Pulaski, Virginia  
Statement of Net Position  
June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,953,701	\$ 152,374	\$ 2,106,075
Investments	490,913	467,709	958,622
Receivables (net of allowance for uncollectibles):			
Taxes receivable	2,312,100	-	2,312,100
Other local taxes receivable	135,006	-	135,006
Accounts receivable	58,075	707,879	765,954
Loans receivable	131,047	-	131,047
Long-term receivable	179,601	-	179,601
Internal balances	321,374	(321,374)	-
Due from other governmental units	168,935	-	168,935
Inventories	21,552	-	21,552
Prepaid items	4,524	-	4,524
Capital assets (net of accumulated depreciation):			
Land	202,697	-	202,697
Buildings and improvements	2,206,520	3,905,561	6,112,081
Improvements other than buildings	679,665	-	679,665
Machinery and equipment	1,095,202	606,787	1,701,989
Infrastructure	-	5,748,534	5,748,534
Construction in progress	-	245,685	245,685
Total assets	\$ 9,960,912	\$ 11,513,155	\$ 21,474,067
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related items	\$ 364,884	\$ 53,391	\$ 418,275
OPEB related items	44,293	5,949	50,242
Total deferred outflows of resources	\$ 409,177	\$ 59,340	\$ 468,517
<b>LIABILITIES</b>			
Accounts payable	\$ 198,532	\$ 328,318	\$ 526,850
Accrued liabilities	140,071	-	140,071
Customers' deposits	-	85,671	85,671
Accrued interest payable	12,348	41,500	53,848
Unearned revenue	121,961	-	121,961
Due within one year	1,077,750	425,899	1,503,649
Due in more than one year	2,459,496	5,270,280	7,729,776
Total liabilities	\$ 4,010,158	\$ 6,151,668	\$ 10,161,826
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue - property taxes	\$ 1,739,722	\$ -	\$ 1,739,722
Pension related items	355,457	57,097	412,554
OPEB related items	38,440	5,560	44,000
Total deferred inflows of resources	\$ 2,133,619	\$ 62,657	\$ 2,196,276
<b>NET POSITION</b>			
Net investment in capital assets	\$ 2,653,357	\$ 5,068,187	\$ 7,721,544
Restricted:			
Principal Cemetery Maintenance	566,210	-	566,210
Community and Economic Development	1,391,785	-	1,391,785
Unrestricted	(385,040)	289,983	(95,057)
Total net position	\$ 4,226,312	\$ 5,358,170	\$ 9,584,482

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, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating</u>		<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
			<u>Grants and Contributions</u>	<u>Capital Grants and Contributions</u>			
<b>PRIMARY GOVERNMENT:</b>							
Governmental activities:							
General government administration	\$ 1,187,829	\$ 40,479	\$ -	\$ -	\$ (1,147,350)	\$ -	\$ (1,147,350)
Public safety	2,931,796	92,440	272,559	-	(2,566,797)	-	(2,566,797)
Public works	2,230,771	102,848	2,093,111	-	(34,812)	-	(34,812)
Health and welfare	8,200	-	-	-	(8,200)	-	(8,200)
Parks, recreation, and cultural	464,050	43,352	4,500	-	(416,198)	-	(416,198)
Community development	978,947	-	332,803	-	(646,144)	-	(646,144)
Interest and other fiscal charges	237,429	-	-	-	(237,429)	-	(237,429)
Total governmental activities	\$ 8,039,022	\$ 279,119	\$ 2,702,973	\$ -	\$ (5,056,930)	\$ -	\$ (5,056,930)
Business-type activities:							
Water	\$ 1,474,036	\$ 1,822,383	\$ -	\$ -	\$ -	\$ 348,347	\$ 348,347
Sewer	3,564,856	3,320,552	-	41,453	-	(202,851)	(202,851)
Total business-type activities	\$ 5,038,892	\$ 5,142,935	\$ -	\$ 41,453	\$ -	\$ 145,496	\$ 145,496
Total primary government	\$ 13,077,914	\$ 5,422,054	\$ 2,702,973	\$ 41,453	\$ (5,056,930)	\$ 145,496	\$ (4,911,434)
General revenues:							
General property taxes					\$ 2,853,230	\$ -	\$ 2,853,230
Other local taxes:							
Bank stock taxes					176,780	-	176,780
Business license taxes					443,782	-	443,782
Consumers' utility taxes					228,402	-	228,402
Consumption taxes					51,755	-	51,755
Local sales and use taxes					603,917	-	603,917
Lodging taxes					33,538	-	33,538
Motor vehicle licenses					113,181	-	113,181
Restaurant food taxes					998,008	-	998,008
Tobacco taxes					148,785	-	148,785
Unrestricted revenues from the use of money and property					52,636	11,145	63,781
Miscellaneous					35,081	85,396	120,477
Grants and contributions not restricted to specific programs					535,836	-	535,836
Transfers					(7,000)	7,000	-
Total general revenues and transfers					\$ 6,267,931	\$ 103,541	\$ 6,371,472
Change in net position					\$ 1,211,001	\$ 249,037	\$ 1,460,038
Net position - beginning					3,015,311	5,109,133	8,124,444
Net position - ending					\$ 4,226,312	\$ 5,358,170	\$ 9,584,482

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

Town of Pulaski, Virginia  
Balance Sheet  
Governmental Funds  
June 30, 2019

	General Fund	UDAG Fund	Total Nonmajor Funds	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,570,524	\$ 13,566	\$ 369,611	\$ 1,953,701
Investments	159,400	485	331,028	490,913
Receivables (net of allowance for uncollectibles):				
Taxes receivable	2,312,100	-	-	2,312,100
Other local taxes receivable	135,006	-	-	135,006
Accounts receivable	58,075	-	-	58,075
Loans	53,313	77,734	-	131,047
Long-term receivable	179,601	-	-	179,601
Due from other funds	617,197	1,300,000	100	1,917,297
Due from other governmental units	168,935	-	-	168,935
Inventories	21,552	-	-	21,552
Prepaid items	4,524	-	-	4,524
Total assets	<u>\$ 5,280,227</u>	<u>\$ 1,391,785</u>	<u>\$ 700,739</u>	<u>\$ 7,372,751</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 178,210	\$ -	\$ 20,322	\$ 198,532
Accrued liabilities	140,071	-	-	140,071
Due to other funds	1,313,100	-	282,823	1,595,923
Unearned revenue	121,961	-	-	121,961
Total liabilities	<u>\$ 1,753,342</u>	<u>\$ -</u>	<u>\$ 303,145</u>	<u>\$ 2,056,487</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - long-term receivable	\$ 179,601	\$ -	\$ -	\$ 179,601
Unavailable revenue - property taxes	2,300,954	-	-	2,300,954
Total deferred inflows of resources	<u>\$ 2,480,555</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,480,555</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Prepaid Items	\$ 4,524	\$ -	\$ -	\$ 4,524
Inventory	21,552	-	-	21,552
Principal Cemetery Maintenance	-	-	566,210	566,210
Restricted:				
Community and Economic Development	-	1,391,785	-	1,391,785
Housing Rehabilitation	-	-	-	-
Committed:				
Playground reserve fund	50,000	-	-	50,000
Unassigned	970,254	-	(168,616)	801,638
Total fund balances	<u>\$ 1,046,330</u>	<u>\$ 1,391,785</u>	<u>\$ 397,594</u>	<u>\$ 2,835,709</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 5,280,227</u>	<u>\$ 1,391,785</u>	<u>\$ 700,739</u>	<u>\$ 7,372,751</u>

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

Town of Pulaski, Virginia  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position  
June 30, 2019

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds \$ 2,835,709

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

Land	\$ 202,697	
Buildings and improvements	2,206,520	
Improvements other than buildings	679,665	
Machinery and equipment	<u>1,095,202</u>	4,184,084

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

Unavailable revenue - due from other governmental units	\$ 179,601	
Unavailable revenue - property taxes	<u>561,232</u>	740,833

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

Pension related items	\$ 364,884	
OPEB related items	<u>44,293</u>	409,177

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

General obligation bonds	\$ (1,419,102)	
Capital lease	(235,136)	
Note payable	(56,090)	
Accrued interest payable	(12,348)	
Net pension liability	(791,459)	
Net OPEB liabilities	(541,637)	
Compensated absences	<u>(493,822)</u>	(3,549,594)

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

Pension related items	\$ (355,457)	
OPEB related items	<u>(38,440)</u>	(393,897)

Net position of governmental activities		<u><u>\$ 4,226,312</u></u>
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The notes to the financial statements are an integral part of this statement.

Town of Pulaski, Virginia  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2019

	General Fund	UDAG Fund	Total Nonmajor Funds	Total
<b>REVENUES</b>				
General property taxes	\$ 2,483,414	\$ -	\$ -	\$ 2,483,414
Other local taxes	2,798,148	-	-	2,798,148
Permits, privilege fees, and regulatory licenses	39,434	-	-	39,434
Fines and forfeitures	30,435	-	-	30,435
Revenue from the use of money and property	51,378	519	739	52,636
Charges for services	209,250	-	-	209,250
Miscellaneous	21,371	1,509	12,201	35,081
Recovered costs	260,203	-	-	260,203
Intergovernmental	3,045,806	-	193,003	3,238,809
Total revenues	<u>\$ 8,939,439</u>	<u>\$ 2,028</u>	<u>\$ 205,943</u>	<u>\$ 9,147,410</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 1,621,812	\$ -	\$ -	\$ 1,621,812
Public safety	3,709,269	-	-	3,709,269
Public works	2,367,443	-	-	2,367,443
Health and welfare	8,200	-	-	8,200
Parks, recreation, and cultural	498,846	-	574	499,420
Community development	562,423	101,510	332,008	995,941
Nondepartmental	111,293	-	-	111,293
Debt service:				
Principal retirement	699,886	-	-	699,886
Interest and other fiscal charges	54,686	-	-	54,686
Total expenditures	<u>\$ 9,633,858</u>	<u>\$ 101,510</u>	<u>\$ 332,582</u>	<u>\$ 10,067,950</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (694,419)</u>	<u>\$ (99,482)</u>	<u>\$ (126,639)</u>	<u>\$ (920,540)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>\$ (7,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,000)</u>
Change in fund balances	\$ (701,419)	\$ (99,482)	\$ (126,639)	\$ (927,540)
Fund balances - beginning	1,747,749	1,491,267	524,233	3,763,249
Fund balances - ending	<u>\$ 1,046,330</u>	<u>\$ 1,391,785</u>	<u>\$ 397,594</u>	<u>\$ 2,835,709</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, 2019

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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	\$	(927,540)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.

Capital outlays	\$	307,646	
Depreciation expense		(510,500)	(202,854)

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

Increase (decrease) in unavailable property taxes	\$	369,816	
Increase (decrease) in unavailable revenue - County payments		(184,363)	185,453

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal repayments:			
General obligation bonds	\$	622,310	
Capital lease		43,338	
Note payable		34,238	699,886

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.

Changes in pension related items	\$	339,354	
Changes in OPEB related items		1,092,230	
Decrease (increase) in accrued interest payable		1,620	
Decrease (increase) in compensated absences		22,852	1,456,056

Change in net position of governmental activities	\$	1,211,001	
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The notes to the financial statements are an integral part of this statement.

Town of Pulaski, Virginia  
Statement of Net Position  
Proprietary Funds  
June 30, 2019

	Water Fund	Sewer Fund	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 152,374	\$ -	\$ 152,374
Investments	422,163	45,546	467,709
Accounts receivable, net of allowances for uncollectibles	247,699	460,180	707,879
Due from other funds	131,213	-	131,213
Total current assets	\$ 953,449	\$ 505,726	\$ 1,459,175
Noncurrent assets:			
Capital assets:			
Construction in progress	\$ 219,807	\$ 25,878	\$ 245,685
Infrastructure	4,036,979	7,718,307	11,755,286
Buildings	6,095,030	514,672	6,609,702
Machinery and equipment	3,243,010	2,760,389	6,003,399
Accumulated depreciation	(7,951,329)	(6,156,176)	(14,107,505)
Total capital assets	\$ 5,643,497	\$ 4,863,070	\$ 10,506,567
Total noncurrent assets	\$ 5,643,497	\$ 4,863,070	\$ 10,506,567
Total assets	\$ 6,596,946	\$ 5,368,796	\$ 11,965,742
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related items	\$ 48,914	4,477	\$ 53,391
OPEB related items	5,368	581	5,949
Total deferred outflows of resources	\$ 54,282	\$ 5,058	\$ 59,340
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 116,661	\$ 211,657	\$ 328,318
Customer deposits	85,671	-	85,671
Accrued interest payable	33,519	7,981	41,500
Due to other funds	-	452,587	452,587
Compensated absences - current portion	50,690	2,635	53,325
Bonds payable - current portion	177,532	195,042	372,574
Total current liabilities	\$ 464,073	\$ 869,902	\$ 1,333,975
Noncurrent liabilities:			
Compensated absences - net of current portion	\$ 16,897	\$ 878	\$ 17,775
Bonds payable - net of current portion	2,924,322	2,141,484	5,065,806
Net OPEB liabilities	65,156	7,061	72,217
Net pension liability	103,632	10,850	114,482
Total noncurrent liabilities	\$ 3,110,007	\$ 2,160,273	\$ 5,270,280
Total liabilities	\$ 3,574,080	\$ 3,030,175	\$ 6,604,255
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related items	\$ 49,317	\$ 7,780	\$ 57,097
OPEB related items	5,032	528	5,560
Total deferred inflows of resources	\$ 54,349	\$ 8,308	\$ 62,657
<b>NET POSITION</b>			
Net investment in capital assets	\$ 2,541,643	\$ 2,526,544	\$ 5,068,187
Unrestricted	481,156	(191,173)	289,983
Total net position	\$ 3,022,799	\$ 2,335,371	\$ 5,358,170

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

Town of Pulaski, Virginia  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Funds  
For the Year Ended June 30, 2019

	Water Fund	Sewer Fund	Total
OPERATING REVENUES			
Charges for services:			
Water and sewer revenues	\$ 1,822,383	\$ 3,320,552	\$ 5,142,935
OPERATING EXPENSES			
Personnel services	\$ 520,380	\$ 85,325	\$ 605,705
Fringe benefits	14,026	5,922	19,948
Contractual services	118,769	2,922,736	3,041,505
Utilities	183,175	631	183,806
Materials and supplies	135,658	171,926	307,584
Repairs and maintenance	158,453	39,858	198,311
Capital outlay	85,503	27,407	112,910
Depreciation	233,852	324,826	558,678
Miscellaneous	344	-	344
Total operating expenses	\$ 1,450,160	\$ 3,578,631	\$ 5,028,791
Operating income (loss)	\$ 372,223	\$ (258,079)	\$ 114,144
NONOPERATING REVENUES (EXPENSES)			
Connection fees	\$ 82,280	\$ 2,400	\$ 84,680
Recovered costs	-	37,665	37,665
Interest revenue	9,984	1,161	11,145
Interest expense	(23,876)	(23,890)	(47,766)
Miscellaneous	716	-	716
Total nonoperating revenues (expenses)	\$ 69,104	\$ 17,336	\$ 86,440
Income (loss) before capital contributions and construction grants and transfers	\$ 441,327	\$ (240,743)	\$ 200,584
Capital contributions and construction grants	-	41,453	41,453
Transfers in	7,000	-	7,000
Change in net position	\$ 448,327	\$ (199,290)	\$ 249,037
Total net position - beginning	2,574,472	2,534,661	5,109,133
Total net position - ending	\$ 3,022,799	\$ 2,335,371	\$ 5,358,170

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, 2019

	Water Fund	Sewer Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 1,777,678	\$ 3,292,704	\$ 5,070,382
Payments to suppliers	(598,890)	(3,115,938)	(3,714,828)
Payments to employees	(705,685)	(117,161)	(822,846)
Reconciled overdraft	(101,244)	(250,561)	(351,805)
Net cash provided by (used for) operating activities	<u>\$ 371,859</u>	<u>\$ (190,956)</u>	<u>\$ 180,903</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from other funds	\$ 7,000	\$ 342,145	\$ 349,145
Recovered costs	-	37,665	37,665
Miscellaneous	716	-	716
Net cash provided by (used for) noncapital financing activities	<u>\$ 7,716</u>	<u>\$ 379,810</u>	<u>\$ 387,526</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital asset additions	\$ (108,110)	\$ (15,175)	\$ (123,285)
Principal payments on bonds	(175,561)	(194,423)	(369,984)
Connection fees	82,280	2,400	84,680
Contributions in aid of construction	-	41,453	41,453
Interest expense	(25,809)	(23,109)	(48,918)
Net cash provided by (used for) capital and related financing activities	<u>\$ (227,200)</u>	<u>\$ (188,854)</u>	<u>\$ (416,054)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Sale (purchase) of investments	\$ (9,985)	\$ (1,161)	\$ (11,146)
Interest and dividends received	9,984	1,161	11,145
Net cash provided by (used for) investing activities	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ (1)</u>
Net increase (decrease) in cash and cash equivalents	\$ 152,374	\$ -	\$ 152,374
Cash and cash equivalents - beginning	-	-	-
Cash and cash equivalents - ending	<u><u>\$ 152,374</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 152,374</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>			
Operating income (loss)	\$ 372,223	\$ (258,079)	\$ 114,144
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	\$ 233,852	\$ 324,826	\$ 558,678
(Increase) decrease in accounts receivable	(21,671)	(27,848)	(49,519)
(Increase) decrease in prepaid expenses	11,071	2,164	13,235
(Increase) decrease in deferred outflows of resources	16,373	731	17,104
Increase (decrease) in customer deposits	(23,034)	-	(23,034)
Increase (decrease) in accounts payable	71,941	44,456	116,397
Increase (decrease) in compensated absences	2,545	(1,827)	718
Increase (decrease) in reconciled overdraft	(101,244)	(250,561)	(351,805)
Increase (decrease) in net pension liability	(42,540)	(4,452)	(46,992)
Increase (decrease) in net OPEB liabilities	(146,073)	(16,064)	(162,137)
Increase (decrease) in deferred inflows of resources	(1,584)	(4,302)	(5,886)
Total adjustments	<u>\$ (364)</u>	<u>\$ 67,123</u>	<u>\$ 66,759</u>
Net cash provided by (used for) operating activities	<u><u>\$ 371,859</u></u>	<u><u>\$ (190,956)</u></u>	<u><u>\$ 180,903</u></u>

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

Town of Pulaski, Virginia  
Statement of Net Position  
Fiduciary Funds  
June 30, 2019

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	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 227,180
Accounts receivable	89,675
Total assets	<u>\$ 316,855</u>
<b>LIABILITIES</b>	
Amounts payable to other governments	\$ 108,980
Utility deposits	27,992
Amounts held for Pulaski PSA	179,883
Total liabilities	<u>\$ 316,855</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, 2019

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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. Financial reporting entity:

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

Blended Component Units:

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

Discretely Presented Component Units - None

Related Organizations - None

Jointly Governed Organizations - None

B. Government-wide and fund financial statements:

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

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

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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

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

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

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

Budgetary comparison schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. The budgetary comparison schedules present the original budget, the final budget, and the actual activity of the major governmental funds.

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

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

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

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

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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

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

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

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

The Town reports the following major governmental funds:

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

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

The Town reports the following major proprietary funds:

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

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

The Town reports the following nonmajor governmental funds:

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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

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

Additionally, the Town reports the following fund types:

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

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

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

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

1. Cash and Cash Equivalents

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

2. Investments

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

3. Prepaid Items

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

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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

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

4. Receivables and Payables

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

5. 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.

6. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on the property as of January 1. Real estate taxes are payable June 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.

7. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$101,682 for property taxes and \$88,221 for water, sewer, and garbage receivables at June 30, 2019.

8. Use of Estimates

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

9. Capital Assets

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

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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

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

9. Capital Assets (continued)

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

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

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

Assets	Years
Buildings	40
Buildings and improvements	20-40
Improvements other than buildings	20-40
Infrastructure	20-40
Machinery and equipment	4-30

10. 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. 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.

11. Long-term Obligations

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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

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

12. Fund Balance

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).

13. Net Position

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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

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

14. Net Position Flow Assumption

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

15. Deferred Outflows/Inflows of Resources

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

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

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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

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

16. Pensions

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

17. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI OPEB Plan and the additions to/deductions from the VRS OPEB Plan net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

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

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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

A. Budgetary information (continued)

5. Formal budgetary integration is employed by the Water and Sewer Funds as well as the General Fund and UDAG Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all Town units. Several supplemental appropriations were necessary during this fiscal year.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is not part of the Town's accounting system.
9. For fiscal year ending June 30, 2019, expenditures exceeded appropriations in the following functions: general administration and community development.

B. Deficit fund balance

1. At June 30, 2019, the Neighborhood Revitalization and CDBG Housing Rehabilitation funds had a deficit fund balance.

Note 3-Deposits and Investments:

Deposits

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

Investments

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

Custodial Credit Risk (Investments)

The Town's investments at June 30, 2019 were held in the Town's name by the Town's custodial banks.

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

Note 3-Deposits and Investments: (continued)

Credit Risk of Debt Securities

The Town's rated debt investments as of June 30, 2019 were rated by Standard and Poor's and the ratings are presented below using Standard and Poor's rating scale.

Rated Debt Investments' Values	
Rated Debt Investments	Ratings
	AAAm
LGIP	\$ 653,367

Interest Rate Risk

Investment Type	Fair Value	< 1 year
LGIP	\$ 653,367	\$ 653,367
Certificates of Deposit	302,255	305,255
Total Investments	\$ 955,622	\$ 958,622

External Investment Pool

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

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

Interfund transfers for the year ended June 30, 2019 consisted of the following:

Fund	Transfers In	Transfers Out
General Fund	\$ -	\$ 7,000
Water Fund	7,000	-
Total	\$ 7,000	\$ 7,000

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

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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

Due to/from other funds for the year ended June 30, 2019 consisted of the following:

Fund	Due to Other Funds	Due from Other Funds
General Fund	\$ 1,313,100	\$ 617,197
UDAG Fund	-	1,300,000
CDBG Fund	100,820	-
Neighborhood Revitalization Fund	182,003	-
Water Fund	-	131,213
Sewer Fund	452,587	-
Cemetery Fund	-	100
Total	<u>\$ 2,048,510</u>	<u>\$ 2,048,510</u>

Note 5-Due from Other Governmental Units:

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

	Primary Government Governmental Activities
Local Government:	
Pulaski County	\$ 107,483
Commonwealth of Virginia:	
Noncategorical Aid	61,452
Total	<u>\$ 168,935</u>

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TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

Note 6-Long-term Obligations:

Governmental Activities Long-term Obligations:

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2019:

	Beginning Balance	Increases/ Issuances	Decreases/ Retirements	Ending Balance
Direct Borrowings and Placements:				
General obligation bonds	\$ 2,041,412	\$ -	\$ 622,310	\$ 1,419,102
Note payable	90,328	-	34,238	56,090
Capital lease	278,474	-	43,338	235,136
Net OPEB liabilities	1,627,619	232,818	1,318,800	541,637
Net pension liability	1,116,336	1,830,881	2,155,758	791,459
Compensated absences	516,674	364,654	387,506	493,822
Total	<u>\$ 5,670,843</u>	<u>\$ 2,428,353</u>	<u>\$ 4,561,950</u>	<u>\$ 3,537,246</u>

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

Year Ending June 30,	Direct Borrowings and Placements			
	General Obligation Bonds		Note payable	
	Principal	Interest	Principal	Interest
2020	\$ 620,497	\$ 32,112	\$ 42,534	\$ 1,985
2021	181,469	19,662	13,556	141
2022	159,324	15,149	-	-
2023	121,590	11,476	-	-
2024	67,562	8,883	-	-
2025-2029	173,358	25,630	-	-
2030-2032	95,302	4,072	-	-
Totals	<u>\$ 1,419,102</u>	<u>\$ 116,984</u>	<u>\$ 56,090</u>	<u>\$ 2,126</u>

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

Note 6-Long-term Obligations: (continued)

Governmental Activities Long-term Obligations: (continued)

Details of long-term obligations are as follows:

	Interest Rates	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Direct Borrowings and Placements:					
General obligation bonds:					
GO bond - JH Project (A)	1.81%	2020	\$ 2,588,840	\$ 441,020	\$ 441,020
GO bond - 2012	4.34%	2032	3,000,000	697,082	96,106
GO bond - 2014B	2.33%	2021	153,469	46,773	23,118
GO bond - 2014B	2.47%	2024	225,971	120,288	22,898
GO bond - 2016	1.65%	2022	186,825	113,939	37,355
Subtotal Direct Borrowings and Placements				<u>\$ 1,419,102</u>	<u>\$ 620,497</u>
Note Payable					
County of Pulaski, VA	5.00%	2021	\$ 181,471	\$ 56,090	\$ 42,534
Other obligations:					
Net pension liability	n/a	n/a	n/a	\$ 791,459	\$ -
Net OPEB liabilities	n/a	n/a	n/a	541,637	-
Compensated absences	n/a	n/a	n/a	493,822	370,367
Capital lease	various	various	various	235,136	44,352
Total other obligations				<u>\$ 2,062,054</u>	<u>\$ 414,719</u>
Totals				<u><u>\$ 3,537,246</u></u>	<u><u>\$ 1,077,750</u></u>

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

In the event of default on the above note payable, the Lender may declare the entire unpaid principal and interest on the issuance as due and payable.

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

Note 6-Long-term Obligations: (continued)

Business-type Activities Long-term Obligations:

The following is a summary of long-term obligation transactions of the Enterprise Fund for the year ended June 30, 2019:

	Beginning Balance	Increases/ Issuances	Decreases/ Retirements	Ending Balance
Direct Borrowings and Placements:				
General obligation bonds	\$ 5,808,364	\$ -	\$ 369,984	\$ 5,438,380
Net pension liability	161,474	264,828	311,820	114,482
Net OPEB liabilities	234,354	27,813	189,950	72,217
Compensated absences	70,382	53,505	52,787	71,100
Total	<u>\$ 6,274,574</u>	<u>\$ 346,146</u>	<u>\$ 924,541</u>	<u>\$ 5,696,179</u>

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

Year Ending June 30,	Direct Borrowings and Placements	
	General Obligation Bonds	
	Principal	Interest
2020	\$ 372,574	\$ 99,136
2021	375,050	91,817
2022	377,631	84,434
2023	380,231	76,980
2024	275,368	70,994
2025-2029	1,335,469	290,847
2030-2034	1,185,050	191,544
2035-2039	483,072	115,567
2040-2044	546,969	51,671
2045	106,966	1,942
Totals	<u>\$ 5,438,380</u>	<u>\$ 1,074,932</u>

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

Note 6-Long-term Obligations: (continued)

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

Details of long-term obligations are as follows:

	Interest Rates	Final Maturity Date	Amount of Original Issue	Balance Business-type Activities	Amount Due Within One Year
Direct Borrowings and Placements:					
General obligation bonds:					
GO bond (A)	2.85%	2032	\$ 2,567,830	\$ 1,364,680	\$ 188,147
GO bond	2.68%	2034	304,293	242,144	13,328
GO bond (B)	0.00%	2033	2,156,159	1,558,324	107,808
GO bond (B)	2.50%	2045	2,487,968	2,273,232	63,291
Subtotal Direct Borrowings and Placements				<u>\$ 5,438,380</u>	<u>\$ 372,574</u>
Other obligations:					
Net pension liability	n/a	n/a	n/a	\$ 114,482	\$ -
Net OPEB liabilities	n/a	n/a	n/a	72,217	-
Compensated absences	n/a	n/a	n/a	71,100	53,325
Total other obligations				<u>\$ 257,799</u>	<u>\$ 53,325</u>
Totals				<u><u>\$ 5,696,179</u></u>	<u><u>\$ 425,899</u></u>

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

(B) In the event of default, the lender may declare the entire unpaid principal and interest on the issuance as due and payable.

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TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

Note 7-Capital Lease:

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

Total assets acquired through capital leases are as follows:

	Governmental Activities		
	Vehicles	Machinery	Equipment
Asset:			
Machinery and equipment	\$ 53,427	\$ 294,558	\$ 145,869
Less: Accumulated depreciation	(38,584)	(226,335)	(135,108)
Total	<u>\$ 14,843</u>	<u>\$ 68,223</u>	<u>\$ 10,761</u>

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2019, were as follows:

Fiscal Year Ended	Governmental Activities
2020	\$ 50,093
2021	42,043
2022	36,370
2023	36,371
2024	36,370
2025-2026	54,557
Total minimum lease payments	<u>\$ 255,804</u>
Less: amount representing interest	(20,668)
Present value of minimum lease payments	<u>\$ 235,136</u>

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TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

Note 8-Unearned and Deferred/Unavailable Revenue:

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

Deferred/Unavailable Revenue - Primary Government:

	Government-wide Statements Governmental Activities	Balance Sheet Governmental Funds
Long-term receivable from Pulaski County for the James Hardie Project not available for funding current expenditures	\$ -	\$ 179,601
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	-	561,232
Tax assessments due after June 30	1,720,321	1,720,321
Prepaid property taxes due after June 30 but paid in advance by taxpayers	19,401	19,401
Total	\$ 1,739,722	\$ 2,480,555

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TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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Note 9-Pension Plan:

*Plan Description*

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

*Benefit Structures*

The System administers three different benefit structures for covered employees - Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of creditable service or age 50 with at least 30 years of creditable service. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of creditable service or age 50 with at least 10 years of creditable service. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- b. Employees hired on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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Note 9-Pension Plan: (continued)

*Benefit Structures (continued)*

- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

*Average Final Compensation and Service Retirement Multiplier*

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total creditable service. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

*Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits*

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of creditable service are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

Note 9-Pension Plan: (continued)

*Employees Covered by Benefit Terms*

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government
Inactive members or their beneficiaries currently receiving benefits	76
Inactive members:	
Vested inactive members	14
Non-vested inactive members	36
Inactive members active elsewhere in VRS	88
Total inactive members	214
Active members	106
Total covered employees	320

*Contributions*

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The Town of Pulaski, Virginia's contractually required employer contribution rate for the year ended June 30, 2019 was 10.18% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$408,833 and \$442,618 for the years ended June 30, 2019 and June 30, 2018, respectively.

*Net Pension Liability*

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The Town of Pulaski, Virginia's net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017 and rolled forward to the measurement date of June 30, 2018.

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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Note 9-Pension Plan: (continued)

*Actuarial Assumptions - General Employees*

The total pension liability for General Employees in the Town of Pulaski, Virginia's Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

Note 9-Pension Plan: (continued)

*Actuarial Assumptions - General Employees (continued)*

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-Hazardous Duty:

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

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

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

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TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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Note 9-Pension Plan: (continued)

*Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits*

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town of Pulaski, Virginia's Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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Note 9-Pension Plan: (continued)

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Hazardous Duty:

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

All Others (Non 10 Largest) - Hazardous Duty:

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

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TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

Note 9-Pension Plan: (continued)

*Long-Term Expected Rate of Return*

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

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

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

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TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

Note 9-Pension Plan: (continued)

*Discount Rate*

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Town was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. From July 1, 2018 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

*Changes in Net Pension Liability*

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2017	\$ 22,385,704	\$ 21,107,894	\$ 1,277,810
Changes for the year:			
Service cost	\$ 550,896	\$ -	\$ 550,896
Interest	1,529,944	-	1,529,944
Differences between expected and actual experience	(273,749)	-	(273,749)
Contributions - employer	-	438,826	(438,826)
Contributions - employee	-	202,655	(202,655)
Net investment income	-	1,552,350	(1,552,350)
Benefit payments, including refunds	(1,058,686)	(1,058,686)	-
Administrative expenses	-	(13,489)	13,489
Other changes	-	(1,382)	1,382
Net changes	\$ 748,405	\$ 1,120,274	\$ (371,869)
Balances at June 30, 2018	\$ 23,134,109	\$ 22,228,168	\$ 905,941

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

Note 9-Pension Plan: (continued)

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
Town of Pulaski			
Net Pension Liability (Asset) \$	3,886,913	\$ 905,941	\$ (1,568,611)

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

For the year ended June 30, 2019, the Town of Pulaski, Virginia recognized pension expense of \$30,291. At June 30, 2019, the Town of Pulaski, Virginia reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 204,991
Change in assumptions	-	15,906
Net difference between projected and actual earnings on pension plan investments	-	182,215
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,442	9,442
Employer contributions subsequent to the measurement date	408,833	-
Total	\$ 418,275	\$ 412,554

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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Note 9-Pension Plan: (continued)

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

\$408,833 reported as deferred outflows of resources related to pensions resulting from the Town of Pulaski, Virginia's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30

2020	\$	(68,697)
2021		(99,987)
2022		(216,445)
2023		(17,983)

*Pension Plan Data*

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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

*Plan Description*

The Group Life Insurance (GLI) Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

*Eligible Employees*

The GLI Program was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

*Benefit Amounts*

The GLI Program is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of creditable service, the minimum benefit payable was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,279 effective July 1, 2018.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% ( $1.31\% \times 60\%$ ) and the employer component was 0.52% ( $1.31\% \times 40\%$ ). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Program from the entity were \$21,242 and \$21,618 for the years ended June 30, 2019 and June 30, 2018, respectively.

*GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB*

At June 30, 2019, the entity reported a liability of \$330,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was 0.02171% as compared to 0.02272% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of \$2,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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

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

At June 30, 2019, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 16,000	\$ 5,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	11,000
Change in assumptions	-	14,000
Changes in proportion	13,000	14,000
Employer contributions subsequent to the measurement date	21,242	-
Total	\$ 50,242	\$ 44,000

\$21,242 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30

2020	\$ (5,000)
2021	(5,000)
2022	(5,000)
2023	(2,000)
2024	-
Thereafter	2,000

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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

*Actuarial Assumptions*

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

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

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

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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

*Actuarial Assumptions: (Continued)*

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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

*Actuarial Assumptions: (Continued)*

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

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

**Pre-Retirement:**

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

**Post-Retirement:**

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

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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

*Actuarial Assumptions: (Continued)*

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

**Post-Disablement:**

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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

*Actuarial Assumptions: (Continued)*

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

*NET GLI OPEB Liability*

The net OPEB liability (NOL) for the GLI Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2018, NOL amounts for the GLI Program are as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$	3,113,508
Plan Fiduciary Net Position		1,594,773
Employers' Net GLI OPEB Liability (Asset)	\$	<u>1,518,735</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		51.22%

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

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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

*Long-Term Expected Rate of Return*

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

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

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

*Discount Rate*

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

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Town of Pulaski's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 431,000	\$ 330,000	\$ 248,000

*GLI Program Fiduciary Net Position*

Detailed information about GLI Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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Note 11- Other Postemployment Benefits-Health Insurance:

*Plan Description*

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

*Benefits Provided*

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

*Plan Membership*

At June 30, 2019 (measurement date), the following employees were covered by the benefit terms:

Total active employees with coverage	88
Total retirees with coverage	<u>6</u>
Total	<u>94</u>

*Contributions*

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Town of Pulaski Board. The amount paid by the Town for OPEB as the benefits came due during the year ended June 30, 2019 was \$27,242.

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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

*Total OPEB Liability*

The Town of Pulaski's total OPEB liability was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

*Actuarial Assumptions*

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	1.70%
Salary Increases	1.70%
Discount Rate	3.50%

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

*Discount Rate*

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

*Changes in Total OPEB Liability*

Changes in Net OPEB Liability - Town of Pulaski		Primary Government Total OPEB Liability
Balances at June 30, 2018	\$	1,519,973
Changes for the year:		
Service cost		93,958
Interest		61,939
Effect of Economic/Demographic Gains or Losses		(1,370,064)
Effect of Assumption Changes or Inputs		5,290
Contributions - employer		(27,242)
Net changes		(1,236,119)
Balances at June 30, 2019	\$	283,854

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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

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

The following amounts present the total OPEB liability of the Town of Pulaski, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current discount rate:

Rate		
1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
\$ 298,935	\$ 283,854	\$ 269,893

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

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

Rates		
1% Decrease	Healthcare Cost Trend	1% Increase
\$ 268,605	\$ 283,854	\$ 300,048

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

For the year ended June 30, 2019, the Town of Pulaski recognized OPEB expense in the amount of \$(1,208,879). At June 30, 2019, the Town of Pulaski reported no deferred outflows of resources or deferred inflows of resources related to OPEB.

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

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TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

Note 12-Aggregate OPEB Information:

	Primary Government			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
VRS OPEB Plans:				
Group Life Insurance Program	\$ 50,242	\$ 44,000	\$ 330,000	\$ 2,000
Town Stand-Alone Plan	-	-	283,854	(1,208,879)
Totals	<u>\$ 50,242</u>	<u>\$ 44,000</u>	<u>\$ 613,854</u>	<u>\$ (1,206,879)</u>

Note 13-Capital Assets:

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 202,697	\$ -	\$ -	\$ 202,697
Capital assets, being depreciated:				
Buildings and improvements	\$ 4,636,542	\$ 66,493	\$ -	\$ 4,703,035
Improvements other than buildings	1,145,760	-	-	1,145,760
Machinery and equipment	7,083,172	241,153	-	7,324,325
Total capital assets, being depreciated	<u>\$ 12,865,474</u>	<u>\$ 307,646</u>	<u>\$ -</u>	<u>\$ 13,173,120</u>
Accumulated depreciation:				
Buildings and improvements	\$ (2,422,112)	\$ (74,403)	\$ -	\$ (2,496,515)
Improvements other than buildings	(437,826)	(28,269)	-	(466,095)
Machinery and equipment	(5,821,295)	(407,828)	-	(6,229,123)
Total accumulated depreciation	<u>\$ (8,681,233)</u>	<u>\$ (510,500)</u>	<u>\$ -</u>	<u>\$ (9,191,733)</u>
Total capital assets being depreciated, net	<u>\$ 4,184,241</u>	<u>\$ (202,854)</u>	<u>\$ -</u>	<u>\$ 3,981,387</u>
Governmental activities capital assets, net	<u>\$ 4,386,938</u>	<u>\$ (202,854)</u>	<u>\$ -</u>	<u>\$ 4,184,084</u>

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

Note 13-Capital Assets: (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
Business-type Activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 188,781	\$ 56,904	\$ -	\$ 245,685
Capital assets, being depreciated:				
Infrastructure	\$ 11,739,146	\$ 16,140	\$ -	\$ 11,755,286
Buildings	6,609,702	-	-	6,609,702
Machinery and equipment	5,953,158	50,241	-	6,003,399
Total capital assets, being depreciated	\$ 24,302,006	\$ 66,381	\$ -	\$ 24,368,387
Accumulated depreciation:				
Infrastructure	\$ (5,705,306)	\$ (301,446)	\$ -	\$ (6,006,752)
Buildings	(2,580,675)	(123,466)	-	(2,704,141)
Machinery and equipment	(5,262,846)	(133,766)	-	(5,396,612)
Total accumulated depreciation	\$ (13,548,827)	\$ (558,678)	\$ -	\$ (14,107,505)
Total capital assets being depreciated, net	\$ 10,753,179	\$ (492,297)	\$ -	\$ 10,260,882
Business-type activities capital assets, net	\$ 10,941,960	\$ (435,393)	\$ -	\$ 10,506,567

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

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

Governmental activities:	
General government administration	\$ 54,615
Public safety	190,627
Public works	194,672
Parks, recreation and cultural	68,915
Community development	1,671
Total depreciation expense-governmental activities	\$ 510,500
Business-type activities:	
Water	\$ 233,851
Sewer	324,827
Total depreciation expense-business-type activities	\$ 558,678

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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Note 14-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 15-Surety Bonds:

Coregis Insurance Company

Employee Dishonesty	\$ 250,000
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St. Paul Fire and Marine Insurance Company

Trustees of Oakwood and Pinehurst Cemeteries (per trustee)	50,000
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CAN Surety

Fire Department - Treasurer and Assistant Treasurers	1,000
Police Chief	1,000

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TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019

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Note 16-Adoption of Accounting Principles:

The Town implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* during the fiscal year ended June 30, 2019. This Statement clarifies which liabilities governments should include when disclosing information related to debt. It also requires that additional essential information related to debt be disclosed in notes to financial statements. No restatement was required as a result of this implementation.

Note 17-Subsequent Event:

On October 24, 2019, the Town issued \$420,000 in general obligation bonds for the purchase of a firetruck, to finance renovations to the historic train station, and pay issuance costs related to the bond. The bond will be payable annually until final maturity on October 15, 2029 and will bear interest of 2.111% for the duration that the bond is outstanding.

Note 18-Upcoming Pronouncements:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

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

## Required Supplementary Information

Town of Pulaski, Virginia  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
General property taxes	\$ 2,612,005	\$ 2,612,005	\$ 2,483,414	\$ (128,591)
Other local taxes	2,782,000	2,782,000	2,798,148	16,148
Permits, privilege fees, and regulatory licenses	20,800	20,800	39,434	18,634
Fines and forfeitures	41,500	41,500	30,435	(11,065)
Revenue from the use of money and property	54,551	54,551	51,378	(3,173)
Charges for services	138,100	138,100	209,250	71,150
Miscellaneous	17,376	17,376	21,371	3,995
Recovered costs	264,363	264,363	260,203	(4,160)
Intergovernmental:				
Commonwealth	3,031,799	3,031,799	2,946,556	(85,243)
Federal	542,500	871,846	99,250	(772,596)
Total revenues	\$ 9,504,994	\$ 9,834,340	\$ 8,939,439	\$ (894,901)
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 1,540,389	\$ 1,540,390	\$ 1,621,812	\$ (81,422)
Public safety	3,745,930	3,880,415	3,709,269	171,146
Public works	2,359,122	2,359,122	2,367,443	(8,321)
Health and welfare	8,200	8,200	8,200	-
Parks, recreation, and cultural	368,647	393,647	498,846	(105,199)
Community development	817,219	1,146,565	562,423	584,142
Nondepartmental	87,981	146,477	111,293	35,184
Debt service:				
Principal retirement	716,995	716,995	699,886	17,109
Interest and other fiscal charges	-	-	54,686	(54,686)
Total expenditures	\$ 9,644,483	\$ 10,191,811	\$ 9,633,858	\$ 557,953
Excess (deficiency) of revenues over (under) expenditures	\$ (139,489)	\$ (357,471)	\$ (694,419)	\$ (336,948)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 312,169	\$ 312,169	\$ -	\$ (312,169)
Transfers out	(7,000)	(7,000)	(7,000)	-
Total other financing sources (uses)	\$ 305,169	\$ 305,169	\$ (7,000)	\$ (312,169)
Net change in fund balances	\$ 165,680	\$ (52,302)	\$ (701,419)	\$ (649,117)
Fund balances - beginning	(165,680)	52,302	1,747,749	1,695,447
Fund balances - ending	\$ -	\$ -	\$ 1,046,330	\$ 1,046,330

Note 1: GAAP serves as the budgetary basis of accounting

Town of Pulaski, Virginia  
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios  
For the Measurement Dates of June 30, 2014 through June 30, 2018

Exhibit 12

	2018	2017	2016	2015	2014
<b>Total pension liability</b>					
Service cost	\$ 550,896	\$ 525,270	\$ 497,436	\$ 512,800	\$ 496,528
Interest	1,529,944	1,470,741	1,411,894	1,354,591	1,291,245
Changes of benefit terms	-	-	-	-	(848,943)
Change in assumptions	-	(54,234)	-	-	-
Differences between expected and actual experience	(273,749)	(91,914)	(138,731)	(135,253)	-
Benefit payments, including refunds of employee contributions	(1,058,686)	(949,496)	(910,350)	(916,714)	-
Net change in total pension liability	\$ 748,405	\$ 900,367	\$ 860,249	\$ 815,424	\$ 938,830
Total pension liability - beginning	22,385,704	21,485,337	20,625,088	19,809,664	18,870,834
Total pension liability - ending (a)	<u>\$ 23,134,109</u>	<u>\$ 22,385,704</u>	<u>\$ 21,485,337</u>	<u>\$ 20,625,088</u>	<u>\$ 19,809,664</u>
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 438,826	\$ 448,415	\$ 506,268	\$ 510,626	\$ 496,437
Contributions - employee	202,655	208,261	205,435	210,833	191,112
Net investment income	1,552,350	2,318,353	327,439	839,378	2,516,703
Benefit payments, including refunds of employee contributions	(1,058,686)	(949,496)	(910,350)	(916,714)	(848,943)
Administrative expense	(13,489)	(13,408)	(11,785)	(11,496)	(13,544)
Other	(1,382)	(2,063)	(140)	(178)	133
Net change in plan fiduciary net position	\$ 1,120,274	\$ 2,010,062	\$ 116,867	\$ 632,449	\$ 2,341,898
Plan fiduciary net position - beginning	21,107,894	19,097,832	18,980,965	18,348,516	16,006,618
Plan fiduciary net position - ending (b)	<u>\$ 22,228,168</u>	<u>\$ 21,107,894</u>	<u>\$ 19,097,832</u>	<u>\$ 18,980,965</u>	<u>\$ 18,348,516</u>
Town's net pension liability (asset) - ending (a) - (b)	<u>\$ 905,941</u>	<u>\$ 1,277,810</u>	<u>\$ 2,387,505</u>	<u>\$ 1,644,123</u>	<u>\$ 1,461,148</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	96.08%	94.29%	88.89%	92.03%	92.62%
Covered payroll	\$ 4,157,222	\$ 4,190,931	\$ 3,889,933	\$ 3,877,452	\$ 3,780,308
Town's net pension liability (asset) as a percentage of covered payroll	21.79%	30.49%	61.38%	42.40%	38.65%

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

## Schedule of Employer Contributions - Pension Plan

For the Years Ended June 30, 2010 through June 30, 2019

Date	Contributions in Relation to					Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)		
2019	\$ 408,833	\$ 408,833	\$ -	\$ 4,084,885		10.01%
2018	442,618	442,618	-	4,157,222		10.65%
2017	448,415	448,415	-	4,190,931		10.70%
2016	506,268	506,268	-	3,889,933		13.01%
2015	508,334	508,334	-	3,877,452		13.11%
2014	496,354	496,354	-	3,780,308		13.13%
2013	505,925	505,925	-	3,853,199		13.13%
2012	334,183	334,183	-	3,640,335		9.18%
2011	335,927	335,927	-	3,659,335		9.18%
2010	379,758	379,758	-	3,679,825		10.32%

Town of Pulaski, Virginia  
Notes to Required Supplementary Information - Pension Plan  
For the Year Ended June 30, 2019

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

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

Largest 10 - Non-Hazardous Duty:

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

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

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

Largest 10 - Hazardous Duty:

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

All Others (Non 10 Largest) - Hazardous Duty:

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

Town of Pulaski, Virginia  
Schedule of Town of Pulaski's Share of Net OPEB Liability  
Group Life Insurance Program  
For the Measurement Dates of June 30, 2018 and 2017

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2018	0.02171% \$	330,000 \$	4,157,222	7.94%	51.22%
2017	0.02272%	342,000	4,194,459	8.15%	48.86%

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

Town of Pulaski, Virginia  
Schedule of Employer Contributions  
Group Life Insurance Program  
For the Years Ended June 30, 2010 through June 30, 2019

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Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2019	\$ 21,242	\$ 21,242	\$ -	\$ 4,084,915	0.52%
2018	21,618	21,618	-	4,157,222	0.52%
2017	21,793	21,793	-	4,194,459	0.52%
2016	18,671	18,671	-	3,889,932	0.48%
2015	18,611	18,611	-	3,877,451	0.48%
2014	18,145	18,145	-	3,780,307	0.48%
2013	18,495	18,495	-	3,853,198	0.48%
2012	10,186	10,186	-	3,638,155	0.28%
2011	10,246	10,246	-	3,659,335	0.28%
2010	7,425	7,425	-	2,750,006	0.27%

Town of Pulaski, Virginia  
Notes to Required Supplementary Information  
Group Life Insurance Program  
For the Year Ended June 30, 2019

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

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

**Largest Ten Locality Employers - General Employees**

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

**Non-Largest Ten Locality Employers - General Employees**

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

**Largest Ten Locality Employers - Hazardous Duty Employees**

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

**Non-Largest Ten Locality Employers - Hazardous Duty Employees**

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

## Town of Pulaski, Virginia

## Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios - Health Insurance

## Primary Government

For the Years Ended June 30, 2018 through June 30, 2019

	2019	2018
Total OPEB liability		
Service cost	\$ 93,958	\$ -
Interest	61,939	-
Effect of Economic/Demographic Gains or Losses	(1,370,064)	1,585,400
Effect of Assumptions Changes or Inputs	5,290	(65,427)
Employer Contributions	(27,242)	-
Net change in total OPEB liability	\$ (1,236,119)	\$ 1,519,973
Total OPEB liability - beginning	1,519,973	-
Total OPEB liability - ending	<u>\$ 283,854</u>	<u>\$ 1,519,973</u>
Covered-employee payroll	N/A	N/A
Town of Pulaski's total OPEB liability (asset) as a percentage of covered-employee payroll	N/A	N/A

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

Town of Pulaski, Virginia  
Notes to Required Supplementary Information - Health Insurance  
For the Year Ended June 30, 2019

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Valuation Date: 6/30/2019  
Measurement Date: 6/30/2019

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

*Methods and assumptions used to determine OPEB liability:*

Actuarial Cost Method	Entry age normal
Discount Rate	3.50%
Inflation	1.70%
Healthcare Trend Rate	The medical trend rate starts at 4.6% for year one increasing to 4.7% for year two, 4.8% for years three through six and decreasing to an ultimate rate of 4.7% at year seven. The pharmacy trend rate starts at 7.6% for year one, decreasing to 6.2% for year two, 4.9% for year three, 4.8% for years four through six to ultimate rate of 4.7% in year seven. The dental trend rate starts at 3.5% for years one and two, decreasing to an ultimate rate of 3.0% in year three. The vision trend rate is 3.0% for all years.
Salary Increase Rates	1.70%
Retirement Age	The average age at retirement is 62
Mortality Rates	RP2000 Mortality Table for Males and Females Projected 18 years; this assumption does not include a margin for future improvements in longevity.

## Other Supplementary Information

Town of Pulaski, Virginia  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2019

	<u>Special Revenue Funds</u>			
	<u>Cemetery</u>	<u>CDBG</u>	<u>Neighborhood</u>	<u>Total</u>
	<u>Care</u>	<u>Housing</u>	<u>Revitalization</u>	
		<u>Rehabilitation</u>		
<b>ASSETS</b>				
Cash and cash equivalents	\$ 260,856	\$ 67,096	\$ 41,659	\$ 369,611
Investments	305,254	25,774	-	331,028
Due from other funds	100	-	-	100
Total assets	<u>\$ 566,210</u>	<u>\$ 92,870</u>	<u>\$ 41,659</u>	<u>\$ 700,739</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 20,175	\$ 147	\$ 20,322
Due to other funds	-	100,820	182,003	282,823
Total liabilities	<u>\$ -</u>	<u>\$ 120,995</u>	<u>\$ 182,150</u>	<u>\$ 303,145</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Principal Cemetery Maintenance	\$ 566,210	\$ -	\$ -	\$ 566,210
Unassigned	-	(28,125)	(140,491)	(168,616)
Total fund balances	<u>\$ 566,210</u>	<u>\$ (28,125)</u>	<u>\$ (140,491)</u>	<u>\$ 397,594</u>
Total liabilities and fund balances	<u>\$ 566,210</u>	<u>\$ 92,870</u>	<u>\$ 41,659</u>	<u>\$ 700,739</u>

Town of Pulaski, Virginia  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2019

	Special Revenue Funds			
	Cemetery	CDBG Housing	Neighborhood	
	<u>Care</u>	<u>Rehabilitation</u>	<u>Revitalization</u>	<u>Total</u>
<b>REVENUES</b>				
Revenue for the use of money and property	\$ 129	\$ 610	\$ -	\$ 739
Miscellaneous	6,405	-	5,796	12,201
Intergovernmental revenues:				
Federal	-	193,003	-	193,003
Total revenues	<u>\$ 6,534</u>	<u>\$ 193,613</u>	<u>\$ 5,796</u>	<u>\$ 205,943</u>
<b>EXPENDITURES</b>				
Current:				
Parks, recreation, and cultural	\$ 574	\$ -	\$ -	\$ 574
Community development	-	332,008	-	332,008
Total expenditures	<u>\$ 574</u>	<u>\$ 332,008</u>	<u>\$ -</u>	<u>\$ 332,582</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 5,960</u>	<u>\$ (138,395)</u>	<u>\$ 5,796</u>	<u>\$ (126,639)</u>
Net change in fund balances	\$ 5,960	\$ (138,395)	\$ 5,796	\$ (126,639)
Fund balance - beginning	560,250	110,270	(146,287)	524,233
Fund balance - ending	<u>\$ 566,210</u>	<u>\$ (28,125)</u>	<u>\$ (140,491)</u>	<u>\$ 397,594</u>

Town of Pulaski, Virginia  
Statement of Changes in Assets and Liabilities  
Agency Fund - PSA Fund  
For the Year Ended June 30, 2019

	Balance <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2019</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 223,358	\$ 671,707	\$ (667,885)	\$ 227,180
Accounts receivable	85,040	629,898	(625,263)	89,675
Total assets	<u>\$ 308,398</u>	<u>\$ 1,301,605</u>	<u>\$ (1,293,148)</u>	<u>\$ 316,855</u>
<b>LIABILITIES</b>				
Amounts payable to other governments	\$ 134,178	\$ 566,908	\$ (592,106)	\$ 108,980
Utility deposits	38,155	11,447	(21,610)	27,992
Amounts held for Pulaski PSA	136,065	634,133	(590,315)	179,883
Total liabilities	<u>\$ 308,398</u>	<u>\$ 1,212,488</u>	<u>\$ (1,204,031)</u>	<u>\$ 316,855</u>

## Supporting Schedules

Town of Pulaski, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2019

Schedule 1  
Page 1 of 3

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real Property Tax	\$ 1,608,785	\$ 1,608,785	\$ 1,494,106	\$ (114,679)
Real and Personal PSC Tax	65,720	65,720	62,557	(3,163)
Personal Property Tax	392,000	392,000	350,606	(41,394)
Machinery and tools tax	500,000	500,000	515,161	15,161
Penalties	17,500	17,500	22,402	4,902
Interest	28,000	28,000	38,582	10,582
Total general property taxes	<u>\$ 2,612,005</u>	<u>\$ 2,612,005</u>	<u>\$ 2,483,414</u>	<u>\$ (128,591)</u>
Other local taxes:				
Bank stock taxes	\$ 150,000	\$ 150,000	\$ 176,780	\$ 26,780
Business license taxes	425,000	425,000	443,782	18,782
Consumers' utility taxes	225,000	225,000	228,402	3,402
Consumption taxes	60,000	60,000	51,755	(8,245)
Local sales and use taxes	620,000	620,000	603,917	(16,083)
Lodging tax	30,000	30,000	33,538	3,538
Motor vehicle licenses	136,000	136,000	113,181	(22,819)
Restaurant food taxes	960,000	960,000	998,008	38,008
Tobacco taxes	165,000	165,000	148,785	(16,215)
Utility franchise taxes	11,000	11,000	-	(11,000)
Total other local taxes	<u>\$ 2,782,000</u>	<u>\$ 2,782,000</u>	<u>\$ 2,798,148</u>	<u>\$ 16,148</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	<u>\$ 20,800</u>	<u>\$ 20,800</u>	<u>\$ 39,434</u>	<u>\$ 18,634</u>
Fines and forfeitures:				
Court fines and forfeitures	<u>\$ 41,500</u>	<u>\$ 41,500</u>	<u>\$ 30,435</u>	<u>\$ (11,065)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 26,100	\$ 26,100	\$ 34,916	\$ 8,816
Revenue from use of property	28,451	28,451	16,462	(11,989)
Total revenue from use of money and property	<u>\$ 54,551</u>	<u>\$ 54,551</u>	<u>\$ 51,378</u>	<u>\$ (3,173)</u>
Charges for services:				
Charges for police services	\$ 2,800	\$ 2,800	\$ 22,571	\$ 19,771
Charges for parks and recreation	26,300	26,300	43,352	17,052
Charges for PSA services	100,000	100,000	102,848	2,848
Other charges for services	9,000	9,000	40,479	31,479
Total charges for services	<u>\$ 138,100</u>	<u>\$ 138,100</u>	<u>\$ 209,250</u>	<u>\$ 71,150</u>
Miscellaneous:				
Miscellaneous	<u>\$ 17,376</u>	<u>\$ 17,376</u>	<u>\$ 21,371</u>	<u>\$ 3,995</u>
Recovered costs:				
Insurance recoveries	\$ 3,000	\$ 3,000	\$ 6,266	\$ 3,266
Other recovered costs	261,363	261,363	253,937	(7,426)
Total recovered costs	<u>\$ 264,363</u>	<u>\$ 264,363</u>	<u>\$ 260,203</u>	<u>\$ (4,160)</u>
Total revenue from local sources	<u>\$ 5,930,695</u>	<u>\$ 5,930,695</u>	<u>\$ 5,893,633</u>	<u>\$ (37,062)</u>

Town of Pulaski, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2019

Schedule 1  
Page 2 of 3

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicles rental tax	\$ 1,000	\$ 1,000	\$ 339	\$ (661)
Personal property tax relief act funds	140,000	140,000	140,332	332
Rolling stock tax	11,000	11,000	10,146	(854)
Communication tax	453,200	453,200	385,019	(68,181)
Total noncategorical aid	<u>\$ 605,200</u>	<u>\$ 605,200</u>	<u>\$ 535,836</u>	<u>\$ (69,364)</u>
Categorical aid:				
Bulletproof vest partnership	\$ 2,500	\$ 2,500	\$ 1,742	\$ (758)
Byrne justice assistance grant	5,680	5,680	5,680	-
Fire prevention	30,000	30,000	31,449	1,449
Law enforcement grant	241,543	241,543	233,688	(7,855)
Street and highway maintenance	2,121,550	2,121,550	2,093,111	(28,439)
VBAF Grant	-	-	40,550	40,550
Virginia commission of the arts	5,000	5,000	4,500	(500)
Other Categorical	20,326	20,326	-	-
Total categorical aid	<u>\$ 2,426,599</u>	<u>\$ 2,426,599</u>	<u>\$ 2,410,720</u>	<u>\$ 4,447</u>
Total revenue from the Commonwealth	<u>\$ 3,031,799</u>	<u>\$ 3,031,799</u>	<u>\$ 2,946,556</u>	<u>\$ (85,243)</u>
Revenue from the Federal Government:				
Categorical aid:				
CDBG housing planning grant	\$ 367,500	\$ 696,846	\$ -	\$ (696,846)
EPA Brownfields grant	150,000	150,000	98,143	(51,857)
Rural business enterprise loan	-	-	1,107	1,107
Rural development grant	25,000	25,000	-	(25,000)
Total categorical aid	<u>\$ 542,500</u>	<u>\$ 871,846</u>	<u>\$ 99,250</u>	<u>\$ (772,596)</u>
Total revenue from the federal government	<u>\$ 542,500</u>	<u>\$ 871,846</u>	<u>\$ 99,250</u>	<u>\$ (772,596)</u>
Total General Fund	<u>\$ 9,504,994</u>	<u>\$ 9,834,340</u>	<u>\$ 8,939,439</u>	<u>\$ (894,901)</u>
Special Revenue Funds:				
UDAG Fund:				
Revenue from local sources:				
Revenue from use of money and property	\$ -	\$ -	\$ 519	\$ 519
Miscellaneous	-	-	1,509	1,509
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,028</u>	<u>\$ 2,028</u>
Total UDAG Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,028</u>	<u>\$ 2,028</u>

Town of Pulaski, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2019

Schedule 1  
Page 3 of 3

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Nonmajor Special Revenue Funds:				
Cemetery Fund:				
Revenue from local sources:				
Revenues from use of money and property	\$ -	\$ -	\$ 129	\$ 129
Miscellaneous	-	-	6,405	6,405
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,534</u>	<u>\$ 6,534</u>
Total Cemetery Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,534</u>	<u>\$ 6,534</u>
CDBG Fund:				
Revenue from local sources:				
Revenues from use of money and property	\$ -	\$ -	\$ 610	\$ 610
Revenue from the Federal Government:				
Categorical aid:				
CDBG grant	\$ -	\$ -	\$ 193,003	\$ 193,003
Total CDBG Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 193,613</u>	<u>\$ 193,613</u>
Neighborhood Revitalization Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ -	\$ 5,796	\$ 5,796
Total Neighborhood Revitalization Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,796</u>	<u>\$ 5,796</u>
Total Governmental Funds	<u>\$ 9,504,994</u>	<u>\$ 9,834,340</u>	<u>\$ 9,147,410</u>	<u>\$ (686,930)</u>

Town of Pulaski, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2019

Schedule 2  
Page 1 of 3

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Town council	\$ 49,430	\$ 49,430	\$ 59,448	\$ (10,018)
Clerk of the Council	72,787	72,787	87,590	(14,803)
Office of the Mayor	8,059	8,059	10,214	(2,155)
Total legislative	<u>\$ 130,276</u>	<u>\$ 130,276</u>	<u>\$ 157,252</u>	<u>\$ (26,976)</u>
General and financial administration:				
Manager	\$ 317,395	\$ 317,396	\$ 321,839	\$ (4,443)
Legal services	40,700	40,700	63,240	(22,540)
Independent auditor	53,950	53,950	57,275	(3,325)
Consultants	41,000	41,000	61,649	(20,649)
Department of Finance	589,509	589,509	584,846	4,663
Risk management	109,430	109,430	108,785	645
Data processing	241,929	241,929	245,787	(3,858)
Other	16,200	16,200	21,139	(4,939)
Total general and financial administration	<u>\$ 1,410,113</u>	<u>\$ 1,410,114</u>	<u>\$ 1,464,560</u>	<u>\$ (54,446)</u>
Total general government administration	<u>\$ 1,540,389</u>	<u>\$ 1,540,390</u>	<u>\$ 1,621,812</u>	<u>\$ (81,422)</u>
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 2,461,574	\$ 2,559,260	\$ 2,539,845	\$ 19,415
Contributions to Central Dispatch	360,000	360,000	128,481	231,519
Total law enforcement and traffic control	<u>\$ 2,821,574</u>	<u>\$ 2,919,260</u>	<u>\$ 2,668,326</u>	<u>\$ 250,934</u>
Fire and rescue services:				
Fire department	\$ 772,372	\$ 773,421	\$ 913,109	\$ (139,688)
Building inspections	151,984	187,734	127,834	59,900
Total fire and rescue services	<u>\$ 924,356</u>	<u>\$ 961,155</u>	<u>\$ 1,040,943</u>	<u>\$ (79,788)</u>
Total public safety	<u>\$ 3,745,930</u>	<u>\$ 3,880,415</u>	<u>\$ 3,709,269</u>	<u>\$ 171,146</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
General engineering/administration	\$ 250,485	\$ 250,485	\$ 233,260	\$ 17,225
Highway, street, bridge and sidewalk maintenance	1,678,525	1,678,525	1,778,074	(99,549)
Total maintenance of highways, streets, bridges and sidewalks	<u>\$ 1,929,010</u>	<u>\$ 1,929,010</u>	<u>\$ 2,011,334</u>	<u>\$ (82,324)</u>
Sanitation and waste removal:				
Refuse disposal	\$ 3,300	\$ 3,300	\$ 2,139	\$ 1,161
Maintenance of general buildings and grounds:				
General properties	\$ 305,410	\$ 305,410	\$ 263,550	\$ 41,860
Garage and motor vehicles	121,402	121,402	90,420	30,982
Total maintenance of buildings and grounds	<u>\$ 426,812</u>	<u>\$ 426,812</u>	<u>\$ 353,970</u>	<u>\$ 72,842</u>
Total public works	<u>\$ 2,359,122</u>	<u>\$ 2,359,122</u>	<u>\$ 2,367,443</u>	<u>\$ (8,321)</u>

Town of Pulaski, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2019

Schedule 2  
Page 2 of 3

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Health and welfare:				
Health:				
Free clinic of Pulaski County	\$ 4,000	\$ 4,000	\$ 4,000	\$ -
Mental health and mental retardation:				
New River Valley Community Action	\$ 4,200	\$ 4,200	\$ 4,200	\$ -
Total health and welfare	\$ 8,200	\$ 8,200	\$ 8,200	\$ -
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation centers and playgrounds	\$ 206,304	\$ 231,304	\$ 288,913	\$ (57,609)
Cemeteries	11,615	11,615	25,224	(13,609)
Senior citizen center	91,858	91,858	113,951	(22,093)
Total parks and recreation	\$ 309,777	\$ 334,777	\$ 428,088	\$ (93,311)
Cultural enrichment:				
Agency on aging	\$ 12,467	\$ 12,467	\$ 12,467	\$ -
Fine arts center	4,500	4,500	4,500	-
Friends of the Theater	4,500	4,500	4,500	-
Train station museum	36,403	36,403	48,291	(11,888)
Literacy volunteers	1,000	1,000	1,000	-
Total cultural enrichment	\$ 58,870	\$ 58,870	\$ 70,758	\$ (11,888)
Total parks, recreation, and cultural	\$ 368,647	\$ 393,647	\$ 498,846	\$ (105,199)
Community development:				
Planning and community development:				
Planning and zoning	\$ 24,755	\$ 24,755	\$ 26,737	\$ (1,982)
Economic development	170,748	170,748	219,407	(48,659)
Airport commission	22,748	22,748	22,748	-
Brownsfield project	150,000	150,000	143,504	6,496
Pulaski transit authority	70,000	70,000	70,000	-
Planning commission	-	-	253	(253)
NRV planning commission	11,468	11,468	12,416	(948)
Neighborhood revitalization	367,500	696,846	67,358	629,488
Total community development	\$ 817,219	\$ 1,146,565	\$ 562,423	\$ 584,142
Nondepartmental:				
Other nondepartmental	\$ 87,981	\$ 146,477	\$ 111,293	\$ 35,184
Debt service:				
Principal retirement	\$ 716,995	\$ 716,995	\$ 699,886	\$ 17,109
Interest and fiscal charges	-	-	54,686	(54,686)
Total debt service	\$ 716,995	\$ 716,995	\$ 754,572	\$ (37,577)
Total General Fund	\$ 9,644,483	\$ 10,191,811	\$ 9,633,858	\$ 557,953

Town of Pulaski, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2019

Schedule 2  
Page 3 of 3

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Funds:				
UDAG Fund:				
Community development	\$ -	\$ -	\$ 101,510	\$ (101,510)
Nonmajor Special Revenue Funds:				
Cemetery Fund:				
Parks, recreation, and cultural	\$ -	\$ -	\$ 574	\$ (574)
CDBG Fund:				
Community development	\$ -	\$ -	\$ 332,008	\$ (332,008)
Total Governmental Funds	\$ 9,644,483	\$ 10,191,811	\$ 10,067,950	\$ 123,861

## Other Statistical Information

Table 1

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

Fiscal Year	General			Public Works	Health and Welfare	Parks, Recreation, and Cultural		Community Development	Interest and Other Fiscal Charges		Water and Sewer	Total
	Government Administration	Public Safety										
2018-19	\$ 1,187,829	\$ 2,931,796	\$ 2,230,771	\$ 8,200	\$ 464,050	\$ 978,947	\$ 237,429	\$ 5,038,892	\$ 13,077,914			
2017-18	1,373,793	4,265,918	2,697,926	12,200	751,366	977,461	257,887	4,755,422	15,091,973			
2016-17	1,342,342	3,565,753	2,784,428	4,000	774,272	822,034	274,691	4,708,419	14,275,939			
2015-16	1,081,694	3,701,094	2,612,142	12,000	795,455	453,688	266,420	4,856,894	13,779,387			
2014-15	1,436,241	2,951,823	2,239,236	5,000	809,653	323,191	293,553	4,504,108	12,562,805			
2013-14	1,330,825	2,999,517	2,438,856	4,000	804,662	945,993	199,227	4,622,286	13,345,366			
2012-13	1,651,582	2,871,557	2,210,606	5,500	801,277	676,456	342,142	4,380,816	12,939,936			
2011-12	1,473,576	2,971,184	1,718,281	4,000	734,382	1,149,023	160,785	4,512,216	12,723,447			
2010-11	1,472,132	2,898,794	2,108,173	4,900	738,149	810,796	182,720	4,156,514	12,372,178			
2009-10	1,433,020	3,022,020	2,515,448	5,000	771,332	494,366	177,898	4,497,128	12,916,212			

Table 2

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES						Total (1)
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Unrestricted Revenue from Use of Money and Property	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs		
2018-19	\$ 5,422,054	\$ 2,702,973	\$ 41,453		\$ 2,853,230	\$ 2,798,148	\$ 63,781	\$ 120,477	\$ 535,836	\$	14,537,952
2017-18	5,035,138	3,045,924	25,025		2,560,703	2,698,612	82,158	108,424	566,226		14,122,210
2016-17	5,284,488	2,882,673	27,795		2,136,912	2,657,200	83,922	124,981	581,808		13,779,779
2015-16	4,926,171	2,435,584	91,694		2,261,922	2,472,338	100,970	106,952	590,939		12,986,570
2014-15	4,869,310	2,301,717	-		2,684,973	2,434,891	47,761	243,681	918,506		13,500,839
2013-14	4,992,588	2,456,491	890,493		2,317,725	2,233,306	174,619	228,926	668,201		13,962,349
2012-13	4,729,776	2,244,198	384,688		2,417,256	2,164,954	44,728	244,300	642,716		12,872,616
2011-12	4,822,568	2,872,383	751,280		2,601,592	2,166,079	166,431	56,095	613,304		14,049,732
2010-11	4,281,902	2,570,675	369,838		2,253,038	2,173,149	9,900	521,276	613,274		12,793,052
2009-10	3,742,501	3,260,180	-		1,952,460	2,543,883	35,040	183,094	181,222		11,898,380

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

Table 3

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

Fiscal Year	General Administration	Public Safety	Public Works	Health and Welfare	Parks, Recreation & Cultural	Community Development	Non- Departmental	Debt Service	Capital Projects	Totals
2018-19	\$ 1,621,812	\$ 3,709,269	\$ 2,367,443	\$ 8,200	\$ 498,846	\$ 562,423	\$ 111,293	\$ 754,572	\$ -	\$ 9,633,858
2017-18	1,458,643	3,663,756	2,362,127	12,200	604,632	375,365	70,530	788,004	-	9,335,257
2016-17	1,527,021	3,520,292	2,624,419	4,000	666,725	493,830	-	778,891	262,665	9,877,843
2015-16	1,329,107	3,591,572	2,797,258	12,000	735,789	378,560	-	725,620	97,295	9,667,201
2014-15	1,740,023	2,970,264	2,399,349	5,000	804,700	295,321	-	700,869	239,905	9,155,431
2013-14	1,675,462	2,980,443	2,232,764	4,000	765,160	230,620	-	3,319,152	309,108	11,516,709
2012-13	1,516,366	2,765,291	2,083,753	5,500	632,822	291,808	-	677,056	312,030	8,284,626
2011-12	1,497,493	2,847,535	2,157,923	4,000	606,866	407,017	-	2,007,941	-	9,528,775
2010-11	1,497,960	2,933,997	2,024,421	4,900	1,173,339	404,113	-	765,269	-	8,803,999
2009-10	1,471,785	2,932,565	2,531,012	5,000	1,507,979	206,837	-	779,341	-	9,434,519

Note: (1) Includes only General Fund.

Table 4

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits Privilege Fees and Regulatory Licenses	Fines and Forfeitures	Revenue from use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter- governmental	Total
2018-19	\$ 2,483,414	\$ 2,798,148	\$ 39,434	\$ 30,435	\$ 51,378	\$ 209,250	\$ 21,371	\$ 260,203	\$ 3,045,806	\$ 8,939,439
2017-18	2,540,065	2,698,612	35,655	28,383	70,776	209,116	16,622	318,175	3,060,668	8,978,072
2016-17	2,394,127	2,657,200	22,237	50,449	76,286	230,745	26,465	275,910	3,099,994	8,833,413
2015-16	2,419,000	2,472,338	18,717	36,742	96,615	177,101	18,543	257,859	3,026,523	8,523,438
2014-15	2,439,448	2,434,891	10,573	69,270	95,835	304,975	21,085	307,253	2,908,196	8,591,526
2013-14	2,395,169	2,233,306	28,554	57,344	85,361	304,210	73,449	262,554	3,232,066	8,672,013
2012-13	2,420,085	2,164,954	18,460	51,534	80,627	298,706	21,350	300,835	2,873,783	8,230,334
2011-12	2,332,089	2,166,079	19,710	52,119	60,178	273,409	14,138	103,990	3,463,696	8,485,408
2010-11	2,232,902	2,173,149	17,540	44,221	1,224	262,524	127,407	46,596	2,800,516	7,706,079
2009-10	2,053,216	2,543,883	13,531	29,107	5,988	288,498	16,320	137,982	2,244,120	7,332,645

Note: (1) Includes only General Fund.

Table 5

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
2018-19	\$ 2,678,133	\$ 2,489,224	92.95%	\$ 73,538	2,562,762	95.69%	\$ 561,232	20.96%
2017-18	2,620,671	2,491,648	95.08%	96,068	2,587,716	98.74%	191,417	7.30%
2016-17	2,550,108	2,442,811	95.79%	57,111	2,499,922	98.03%	171,430	6.72%
2015-16	2,512,499	2,359,799	93.92%	124,209	2,484,008	98.87%	427,993	17.03%
2014-15	2,448,453	2,265,908	92.54%	239,316	2,505,224	102.32%	585,071	23.90%
2013-14	2,435,456	2,381,344	97.78%	112,268	2,493,612	102.39%	850,712	34.93%
2012-13	2,301,511	2,258,694	98.14%	108,761	2,367,455	102.87%	672,502	29.22%
2011-12	2,278,796	2,153,748	94.51%	133,493	2,287,241	100.37%	516,884	22.68%
2010-11	2,441,686	2,319,618	95.00%	98,834	2,418,452	99.05%	513,591	21.03%
2009-10	2,160,968	2,047,005	94.73%	140,791	2,187,796	101.24%	493,119	22.82%

(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
2018-19	\$ 446,750,837	\$ 62,807,917	\$ 74,539,155	\$ 18,508,689	\$ 602,606,598
2017-18	444,439,150	61,957,460	68,518,700	19,335,551	594,250,861
2016-17	442,767,941	58,565,226	63,296,177	20,517,705	585,147,049
2015-16	440,226,848	56,582,559	61,949,003	19,831,200	578,589,610
2014-15	455,831,400	55,080,716	61,154,703	18,697,663	590,764,482
2013-14	472,785,450	38,582,813	72,016,366	18,441,141	601,825,770
2012-13	470,522,350	57,892,456	72,007,925	19,922,986	620,345,717
2011-12	470,533,050	61,898,293	56,406,645	20,636,052	609,474,040
2010-11	462,208,333	53,883,613	49,841,853	20,559,217	586,493,016
2009-10	467,392,000	48,922,969	45,425,511	20,359,739	582,100,219

(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
2018-19	\$ 0.34	\$ 0.80	\$ 0.34	\$ 0.80
2017-18	0.34	0.80	0.34	0.80
2016-17	0.34	0.80	0.34	0.80
2015-16	0.34	0.80	0.34	0.80
2014-15	0.32	0.80	0.32	0.80
2013-14	0.30	0.80	0.30	0.80
2012-13	0.30	0.80	0.30	0.80
2011-12	0.30	0.80	0.30	0.80
2010-11	0.30	0.80	0.30	0.80
2009-10	0.30	0.74	0.30	0.74

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (in thousands)	Net Bonded Debt (2)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2018-19	9,086	602,607	\$ 1,419,102	0.24% \$	156
2017-18	9,086	594,251	2,041,412	0.34%	225
2016-17	9,086	585,147	2,653,802	0.45%	292
2015-16	9,086	578,590	3,193,834	0.55%	352
2014-15	9,086	590,764	3,592,044	0.61%	395
2013-14	9,086	601,826	3,760,744	0.62%	414
2012-13	9,086	620,346	4,251,921	0.69%	468
2011-12	9,086	609,474	4,724,944	0.78%	520
2010-11	9,086	586,493	4,764,896	0.81%	524
2009-10	9,473	582,100	5,246,276	0.90%	554

(1) Source: Bureau of Economic Analysis.

(2) Excludes notes payable and capital leases.

Table 9

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

Fiscal Year	Principal	Interest and Bond Issuance Costs	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2018-19	\$ 699,886	\$ 54,686	\$ 754,572	\$ 9,633,858	7.83%
2017-18	711,239	76,765	788,004	9,335,257	8.44%
2016-17	684,421	94,470	778,891	9,877,843	7.89%
2015-16	642,081	83,539	725,620	9,667,201	7.51%
2014-15	591,875	108,994	700,869	9,155,431	7.66%
2013-14	3,138,224	180,928	3,319,152	11,516,709	28.82%
2012-13	514,791	162,265	677,056	8,284,626	8.17%
2011-12	1,796,783	211,158	2,007,941	9,528,775	21.07%
2010-11	519,902	245,367	765,269	8,803,999	8.69%
2009-10	466,747	244,668	711,415	9,434,519	7.54%

(1) Includes General Fund only.

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**COMPLIANCE SECTION**

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ROBINSON, FARMER, COX ASSOCIATES, PLLC  
*Certified Public Accountants*

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pulaski, Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Pulaski, Virginia's basic financial statements, and have issued our report thereon dated December 6, 2019.

#### Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2019-001 that we consider to be material weaknesses.

## Compliance and Other Matters

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

## Town of Pulaski, Virginia's Response to Findings

Town of Pulaski, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Town of Pulaski, Virginia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## Purpose of this Report

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



Blacksburg, Virginia  
December 6, 2019

Town of Pulaski, Virginia

Schedule of Findings and Responses  
For the Year Ended June 30, 2019

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Section I - Summary of Auditors' Results

Financial Statements

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

Section II - Financial Statement Findings

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2019-001

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Criteria:	An auditee should have sufficient controls in place to produce financial statements in accordance with applicable standards. Furthermore, reliance on the auditor to propose adjustments necessary to comply with reporting standards is not a component of such controls.
Condition:	The financial statements as presented for audit, did not contain all necessary adjustments to comply with generally accepted accounting principals (GAAP). As such, the auditor proposed adjustments that were material to the financial statements.
Effect of Condition:	There is a reasonable possibility that a material misstatement of the financial statements with not be prevented or detected and corrected by the Town's internal controls over financial reporting.
Cause of Condition:	The Town does not have proper controls in place to detect and correct adjustments in closing their year end financial statements.
Recommendation:	The Town should review the auditors' proposed audit adjustments for the fiscal year and develop a plan to ensure the trial balances and related schedules are accurately presented for audit.
Management's Response:	The Town will review the auditors' proposed audit adjustments for the fiscal year and will develop a plan of action to ensure that all adjusting entries are made prior to final audit fieldwork next year.

Section III - Status of Prior Audit Findings and Questioned Costs

None