

TOWN OF PULASKI, VIRGINIA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2014

**TOWN OF PULASKI, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2014**

TABLE OF CONTENTS

INTRODUCTORY SECTION

	<u>Page</u>
List of Elected and Appointed Officials.....	1

FINANCIAL SECTION

Independent Auditors' Report	2-4
Management's Discussion and Analysis	5-12

	<u>Exhibit</u>	<u>Page</u>
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	1	13
Statement of Activities.....	2	14
Fund Financial Statements:		
Balance Sheet - Governmental Funds	3	15
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	5	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6	18
Statement of Net Position - Proprietary Funds	7	19
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	8	20
Statement of Cash Flows - Proprietary Funds.....	9	21
Statement of Net Position - Fiduciary Funds.....	10	22
Statement of Changes in Net Position - Fiduciary Funds.....	11	23
Notes to the Financial Statements		24-54

Required Supplementary Information:

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:		
General Fund	12	55
Schedule of Pension Funding Progress - Virginia Retirement System	13	56

Other Supplementary Information:

Combining Balance Sheet - Nonmajor Governmental Funds	14	57
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	15	58

**TOWN OF PULASKI, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2014**

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION (CONTINUED)

Supporting Schedules:

	<u>Schedule</u>	<u>Page</u>
Schedule of Revenues - Budget and Actual - Governmental Funds	1	59-62
Schedule of Expenditures - Budget and Actual - Governmental Funds	2	63-65

Other Statistical Information:

	<u>Table</u>	<u>Page</u>
Government-wide Information:		
Government-wide Expenses by Function	1	66
Government-wide Revenues	2	67
Fund Information:		
Governmental Expenditures by Function	3	68
Governmental Revenues by Source	4	69
Property Tax Levies and Collections	5	70
Assessed Value of Taxable Property	6	71
Property Tax Rates	7	72
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	8	73
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures	9	74

COMPLIANCE SECTION

	<u>Page</u>
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 <i>Government Auditing Standards</i>	75-76
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	77-78
Schedule of Expenditures of Federal Awards	79
Schedule Findings and Questioned Costs	80

INTRODUCTORY SECTION

TOWN OF PULASKI, VIRGINIA

TOWN COUNCIL

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

OTHER OFFICIALS

Jeff Worrell Mayor
Shawn Utt Town Manager
Dave Quesenberry..... Town Manager-Assistant
Patricia Cruise Clerk of Council
Roy David Warburton Town Attorney
Pam Witten..... Finance Director

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Pulaski, Virginia, as of and for the year ended June 30, 2014, 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 Town of Pulaski, Virginia, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

Other 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 schedule of pension funding progress on pages 5-12, 55, and 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 19, 2014, on our consideration of Town of Pulaski, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Pulaski, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
December 19, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

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

As management of 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, 2014. We encourage readers to consider the information presented here in conjunction with the basic audited financial statements.

Financial Highlights

The assets of the Town's governmental activities exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$5,684,303 (net position). Of this amount, \$1,189,111 was considered unrestricted and \$2,054,942 was restricted for use. Net investment in capital assets was \$2,440,250.

The assets of the Town's business-type activities exceeded its liabilities at the close of the fiscal year by \$5,574,326 (net position).

During the fiscal year, the Town had governmental revenues that were \$749,817 more than expenses. The business-type activities had expenses that were \$132,834 more than revenues including transfers.

The Town's total debt decreased by \$3,461,305 during the current fiscal year. New debt of \$4,399,133 was incurred during the current fiscal year. The Town refinanced the James Hardie Bond with a General Obligation Refunding Bond, Series 2014 for \$2,588,840. The Town received a loan from the Virginia Resource Authority through the Virginia Water Supply Revolving Fund for \$383,216 for the Water Treatment Plant Project and a loan from the Virginia Resource Authority through the Virginia Water Facilities Revolving Fund for \$1,339,829 for the Pump Station Project. A capital lease for office equipment in the amount of \$87,248 was incurred by the Town.

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 required and other supplementary information in addition to the basic financial statements.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

The statement of net position presents information on all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

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

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

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

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

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

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

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

Other supplementary information (OSI) – The OSI includes combining balance sheet; combining statement of revenues, expenditures, and changes in fund balance; and supporting schedules.

Government-wide Financial Analysis

As noted earlier, net position may over time serve as a useful indicator of a Town's financial position. In the case of the Town, assets exceed liabilities and deferred inflows of resources by \$11,258,629 at the close of the most recent fiscal year.

The largest portions 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.

The remainder of this page left blank intentionally

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

The table below focuses on the net position of the Town's governmental and business-type activities as of the years ended June 30, 2014 and 2013.

Table 1

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2014	2013	2014	2013	2014
Current Assets	6,402,078	7,329,114	1,157,504	1,074,948	7,559,582	8,404,062
Capital Assets	4,911,840	5,194,439	8,454,907	10,304,149	13,366,747	15,498,588
Total Assets	11,313,918	12,523,553	9,612,411	11,379,097	20,926,329	23,902,650
Current Liabilities	1,274,009	1,347,814	949,064	1,525,647	2,223,073	2,873,461
Long-Term Liabilities	4,231,482	3,775,936	2,956,187	4,279,124	7,187,669	8,055,060
Total Liabilities	5,505,491	5,123,750	3,905,251	5,804,771	9,410,742	10,928,521
Deferred Inflows of Resources						
Deferred revenue	873,941	1,715,500	-	-	873,941	1,715,500
Net Position:						
Net Investment in Capital						
Assets	1,760,687	2,440,250	5,219,825	5,646,016	6,980,512	8,086,266
Restricted	2,298,558	2,054,942	-	-	2,298,558	2,054,942
Unrestricted	875,241	1,189,111	487,335	(71,690)	1,362,576	1,117,421
Total Net Position	4,934,486	5,684,303	5,707,160	5,574,326	10,641,646	11,258,629

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

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

Table 2

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2014	2013	2014	2013	2014
Charges for Services	368,700	390,108	4,361,076	4,602,480	4,729,776	4,992,588
Operating Grants/Contributions	2,244,198	2,456,491	-	-	2,244,198	2,456,491
Capital Grants/Contributions	384,688	890,493	-	-	384,688	890,493
Program Revenues	2,997,586	3,737,092	4,361,076	4,602,480	7,358,662	8,339,572
Taxes	4,582,210	4,551,031	-	-	4,582,210	4,551,031
Interest Income	44,012	174,163	716	456	44,728	174,619
Miscellaneous	88,627	112,592	155,673	116,334	244,300	228,926
Insurance recovery	-	-	-	-	-	-
Grants not restricted to program	629,588	600,575	13,128	67,626	642,716	668,201
General Revenues	5,344,437	5,438,361	169,517	184,416	5,513,954	5,622,777
Total Revenues	8,342,023	9,175,453	4,530,593	4,786,896	12,872,616	13,962,349
General Government	1,651,582	1,330,025	-	-	1,651,582	1,330,025
Public Safety	2,871,557	2,999,517	-	-	2,871,557	2,999,517
Public Works	2,210,606	2,438,856	-	-	2,210,606	2,438,856
Parks, Recreation, Cultural	801,277	804,662	-	-	801,277	804,662
Community Development	676,456	945,993	-	-	676,456	945,993
Health and Welfare	5,500	4,000	-	-	5,500	4,000
Interest on long-term debt	342,142	199,227	-	-	342,142	199,227
Water and Sewer	-	-	4,380,817	4,622,286	4,380,817	4,622,286
Total Expenses	8,559,120	8,722,280	4,380,817	4,622,286	12,939,937	13,344,566
Transfers	247,129	297,444	(247,129)	(297,444)	-	-
Change in Net Position	30,032	749,817	(97,353)	(132,834)	(67,321)	616,983
Beginning Net Position	4,904,454	4,934,486	5,804,513	5,707,160	10,708,967	10,641,646
Ending Net Position	4,934,486	5,684,303	5,707,160	5,574,326	10,641,646	11,258,629

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

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

Financial Analysis of the Town's Funds

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

Governmental Funds – The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a Town's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$3,129,791 a decrease of \$4,899 in comparison with the prior year.

Total governmental funds revenue increased \$296,896 and expenditures increased \$741,782 over prior year amounts. For fiscal year ending June 30, 2014, expenditures exceeded revenues by \$4,899. Most of the increase in revenues was from an increase in revenue from the state and federal governments. Most of the increase in expenditures was due to an increase in expenditures for all departments.

Total proprietary fund operating income increased \$227,533 and operating expenses increased \$249,747 over the prior year amounts. Several items contributed to this increase including contractual services, materials and supplies, and repairs and maintenance. For fiscal year ending June 30, 2014, total expenses exceeded revenues by \$132,834.

General Fund Budgetary Highlights

The Town budgeted revenues of \$7,968,668 for fiscal year 2014. The actual revenues were \$8,672,013 which is a favorable variance of \$703,345. The variance is attributed to revenue from state and federal government budgeted for less than the actual amount received. The budgeted expenditures were \$8,370,975 for the Town. The actual expenditures were \$8,973,118 which is an unfavorable variance of \$602,143 which is attributed to expenditures for debt service, capital projects, and expenditures for some departments that were budgeted for less than the actual amount spent. There were differences between the original budget and the final amended budget for the current fiscal year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

Capital Asset and Debt Administration

Capital Assets - The Town's investment in capital assets for its governmental activities as of June 30, 2014 is \$5,194,439 (net of accumulated depreciation) an increase of \$282,599. The major expenditures for capital assets were for the purchase of vehicles for the police department and other capital improvement projects. The investment in capital assets for its business-type activities is \$10,304,149, an increase of \$1,849,244. The increase is attributed to the pump station project and the water treatment plant project for the fiscal year. This investment in capital assets includes land, buildings and improvements, vehicles, equipment, and construction in progress.

Long-term debt

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

	<u>Balance</u> <u>July 1, 2013</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2014</u>
General obligation bonds	\$ 4,181,927	\$ 2,588,840	\$ (3,010,023)	\$ 3,760,744
Bond anticipation note	69,994	-	(69,994)	-
Capital lease obligations	44,321	87,248	(36,707)	94,862
Note payable	21,500	-	(21,500)	-
Compensated absences	493,533	-	(20,026)	473,507
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 4,811,275</u>	<u>\$ 2,676,088</u>	<u>\$ (3,158,250)</u>	<u>\$ 4,329,113</u>

The outstanding debt for business-type activities at June 30, 2014 is as follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2014</u>
General obligation bonds	\$ 3,172,134	\$ 1,723,045	\$ (237,046)	\$ 4,658,133
Capital lease obligations	62,948	-	(62,948)	-
Compensated absences	21,100	-	(3,061)	18,039
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 3,256,182</u>	<u>\$ 1,723,045</u>	<u>\$ (303,055)</u>	<u>\$ 4,676,172</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

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

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

The Town has several projects that are ongoing. The main project includes the Water Treatment Plant Project. The Town recently got the funding approved for the Water Treatment Plant Project.

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, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,202,283	\$ -	\$ 3,202,283
Investments	230,660	444,486	675,146
Receivables (net of allowance for uncollectibles):			
Taxes receivable	2,283,452	-	2,283,452
Accounts receivable	32,856	609,248	642,104
Loans receivable	312,739	-	312,739
Internal balances	(21,214)	21,214	-
Due from fiduciary funds	57,928	-	57,928
Due from other governmental units	1,203,671	-	1,203,671
Inventories	26,739	-	26,739
Capital assets (net of accumulated depreciation):			
Land	142,527	-	142,527
Buildings and improvements	2,894,949	1,486,149	4,381,098
Improvements other than buildings	851,671	-	851,671
Machinery and equipment	1,305,292	745,252	2,050,544
Infrastructure	-	6,891,959	6,891,959
Construction in progress	-	1,180,789	1,180,789
Total assets	\$ 12,523,553	\$ 11,379,097	\$ 23,902,650
LIABILITIES			
Accounts payable	\$ 603,404	\$ 645,322	\$ 1,248,726
Reconciled overdraft	-	375,114	375,114
Accrued liabilities	168,595	-	168,595
Customers' deposits	-	97,520	97,520
Accrued interest payable	22,638	10,643	33,281
Long-term liabilities:			
Due within one year	553,177	397,048	950,225
Due in more than one year	3,775,936	4,279,124	8,055,060
Total liabilities	\$ 5,123,750	\$ 5,804,771	\$ 10,928,521
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - loan receivable	\$ 36,417	\$ -	\$ 36,417
Deferred revenue - property taxes	1,679,083	-	1,679,083
Total deferred inflows of resources	\$ 1,715,500	\$ -	\$ 1,715,500
NET POSITION			
Net investment in capital assets	\$ 2,440,250	\$ 5,646,016	\$ 8,086,266
Restricted for:			
Principal Cemetery Maintenance	525,192	-	525,192
Community and Economic Development	1,462,934	-	1,462,934
Housing Rehabilitation	61,732	-	61,732
NANO Technology	5,084	-	5,084
Unrestricted	1,189,111	(71,690)	1,117,421
Total net position	\$ 5,684,303	\$ 5,574,326	\$ 11,258,629

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, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Changes in Net Position		
					Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 1,330,825	\$ 36,270	\$ -	\$ -	\$ (1,294,555)	\$ -	\$ (1,294,555)
Public safety	2,999,517	130,770	537,223	350,000	(1,981,524)	-	(1,981,524)
Public works	2,438,856	113,043	1,915,268	-	(410,545)	-	(410,545)
Health and welfare	4,000	-	-	-	(4,000)	-	(4,000)
Parks, recreation, and cultural	804,662	110,025	4,000	-	(690,637)	-	(690,637)
Community development	945,993	-	-	540,493	(405,500)	-	(405,500)
Interest and other fiscal charges	199,227	-	-	-	(199,227)	-	(199,227)
Total governmental activities	\$ 8,723,080	\$ 390,108	\$ 2,456,491	\$ 890,493	\$ (4,985,988)	\$ -	\$ (4,985,988)
Business-type activities:							
Water	\$ 1,556,017	\$ 1,641,330	\$ -	\$ -	\$ -	\$ 85,313	\$ 85,313
Sewer	3,066,269	2,961,150	-	-	-	(105,119)	(105,119)
Total business-type activities	\$ 4,622,286	\$ 4,602,480	\$ -	\$ -	\$ -	\$ (19,806)	\$ (19,806)
Total primary government	\$ 13,345,366	\$ 4,992,588	\$ 2,456,491	\$ 890,493	\$ (4,985,988)	\$ (19,806)	\$ (5,005,794)
General revenues:							
General property taxes					\$ 2,317,725	\$ -	\$ 2,317,725
Other local taxes:							
Bank stock taxes					148,760	-	148,760
Business license taxes					403,993	-	403,993
Consumers' utility taxes					232,634	-	232,634
Consumption taxes					48,636	-	48,636
Local sales and use taxes					517,849	-	517,849
Lodging taxes					5,764	-	5,764
Motor vehicle licenses					10,730	-	10,730
Restaurant food taxes					654,793	-	654,793
Tobacco taxes					178,642	-	178,642
Utility franchise taxes					31,505	-	31,505
Unrestricted revenues from the use of money and property					174,163	456	174,619
Miscellaneous					112,592	116,334	228,926
Grants and contributions not restricted to specific programs					600,575	67,626	668,201
Transfers					297,444	(297,444)	-
Total general revenues and transfers					\$ 5,735,805	\$ (113,028)	\$ 5,622,777
Change in net position					\$ 749,817	\$ (132,834)	\$ 616,983
Net position - beginning					4,934,486	5,707,160	10,641,646
Net position - ending					\$ 5,684,303	\$ 5,574,326	\$ 11,258,629

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

Town of Pulaski, Virginia
Balance Sheet
Governmental Funds
June 30, 2014

	<u>General</u>	<u>UDAG Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 2,429,407	\$ 24,814	\$ 748,062	\$ 3,202,283
Investments	172,700	33,457	24,503	230,660
Receivables (net of allowance for uncollectibles):				
Taxes receivable	2,283,452	-	-	2,283,452
Accounts receivable	-	-	32,856	32,856
Loans	101,721	211,018	-	312,739
Due from other funds	127,609	1,400,000	33,180	1,560,789
Due from fiduciary funds	58,075	-	-	58,075
Due from other governmental units	1,203,671	-	-	1,203,671
Inventories	26,739	-	-	26,739
Total assets	<u>\$ 6,403,374</u>	<u>\$ 1,669,289</u>	<u>\$ 838,601</u>	<u>\$ 8,911,264</u>
LIABILITIES				
Accounts payable	\$ 553,924	\$ -	\$ 49,480	\$ 603,404
Accrued liabilities	168,595	-	-	168,595
Due to other funds	1,400,000	-	182,003	1,582,003
Due to fiduciary funds	-	-	147	147
Total liabilities	<u>\$ 2,122,519</u>	<u>\$ -</u>	<u>\$ 231,630</u>	<u>\$ 2,354,149</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - due from other governmental units	\$ 1,101,417	\$ -	\$ -	\$ 1,101,417
Unavailable revenue - loan receivable	100,923	206,355	-	307,278
Unavailable revenue - property taxes	2,018,629	-	-	2,018,629
Total deferred inflows of resources	<u>\$ 3,220,969</u>	<u>\$ 206,355</u>	<u>\$ -</u>	<u>\$ 3,427,324</u>
FUND BALANCES				
Nonspendable:				
Inventory	\$ 26,739	\$ -	\$ -	\$ 26,739
Principal Cemetery Maintenance	-	-	525,192	525,192
Restricted for:				
Community and Economic Development	-	1,462,934	-	1,462,934
Housing Rehabilitation	-	-	61,732	61,732
NANO Technology	-	-	5,084	5,084
Assigned to:				
Cemetery Care	-	-	62,225	62,225
Unassigned	1,033,147	-	(47,262)	985,885
Total fund balances	<u>\$ 1,059,886</u>	<u>\$ 1,462,934</u>	<u>\$ 606,971</u>	<u>\$ 3,129,791</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 6,403,374</u>	<u>\$ 1,669,289</u>	<u>\$ 838,601</u>	<u>\$ 8,911,264</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, 2014

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 3,129,791
--	--------------

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

Land	\$ 142,527	
Buildings and improvements	2,894,949	
Improvements other than buildings	851,671	
Machinery and equipment	1,305,292	5,194,439

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	\$ 1,101,417	
Unavailable revenue - loan receivable	270,861	
Unavailable revenue - property taxes	339,546	1,711,824

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	\$ (3,760,744)	
Capital lease	(94,862)	
Accrued interest payable	(22,638)	
Compensated absences	(473,507)	(4,351,751)

Net position of governmental activities	\$ 5,684,303
---	--------------

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, 2014

	<u>General</u>	<u>UDAG Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 2,395,169	\$ -	\$ -	\$ 2,395,169
Other local taxes	2,233,306	-	-	2,233,306
Permits, privilege fees, and regulatory licenses	28,554	-	-	28,554
Fines and forfeitures	57,344	-	-	57,344
Revenue from the use of money and property	85,361	34	3,070	88,465
Charges for services	304,210	-	-	304,210
Miscellaneous	73,449	30,710	8,433	112,592
Recovered costs	262,554	-	-	262,554
Intergovernmental revenues:				
Commonwealth	2,973,179	-	-	2,973,179
Federal	258,887	-	365,493	624,380
Total revenues	<u>\$ 8,672,013</u>	<u>\$ 30,744</u>	<u>\$ 376,996</u>	<u>\$ 9,079,753</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,675,462	\$ -	\$ -	\$ 1,675,462
Public safety	2,980,443	-	-	2,980,443
Public works	2,232,764	-	-	2,232,764
Health and welfare	4,000	-	-	4,000
Parks, recreation, and cultural	765,160	-	1,102	766,262
Community development	230,620	67,001	473,372	770,993
Capital projects	309,108	-	-	309,108
Debt service:				
Principal retirement	3,138,224	-	-	3,138,224
Interest and other fiscal charges	135,679	-	-	135,679
Bond issuance costs	45,249	-	-	45,249
Total expenditures	<u>\$ 11,516,709</u>	<u>\$ 67,001</u>	<u>\$ 474,474</u>	<u>\$ 12,058,184</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,844,696)</u>	<u>\$ (36,257)</u>	<u>\$ (97,478)</u>	<u>\$ (2,978,431)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 312,648	\$ -	\$ -	\$ 312,648
Transfers out	(7,715)	(5,000)	(2,489)	(15,204)
Issuance of general obligation bonds	87,248	-	-	87,248
Issuance of refunding bond	2,588,840	-	-	2,588,840
Total other financing sources (uses)	<u>\$ 2,981,021</u>	<u>\$ (5,000)</u>	<u>\$ (2,489)</u>	<u>\$ 2,973,532</u>
Change in fund balances	\$ 136,325	\$ (41,257)	\$ (99,967)	\$ (4,899)
Fund balances - beginning	923,561	1,504,191	706,938	3,134,690
Fund balances - ending	<u>\$ 1,059,886</u>	<u>\$ 1,462,934</u>	<u>\$ 606,971</u>	<u>\$ 3,129,791</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, 2014

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

Net change in fund balances - total governmental funds	\$	(4,899)
--	----	---------

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

Capital outlays	\$ 370,268	
Depreciation expenses	<u>(437,669)</u>	(67,401)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.		350,000
--	--	---------

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	\$ (77,444)	
Increase (decrease) in unavailable loan revenue - UDAG fund	85,698	
Increase (decrease) in unavailable revenue - County payments	<u>(65,172)</u>	(56,918)

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

Debt issued or incurred:		
Increase in capital leases	\$ (87,248)	
Issuance of refunding bond	(2,588,840)	
Principal repayments:		
General obligation bonds and literary loans	557,926	
Capital leases	36,707	
Debt service - principal	<u>2,543,591</u>	462,136

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

Decrease (increase) in compensated absences	\$ 20,026	
Decrease (increase) in accrued interest payable	<u>46,873</u>	66,899

Change in net position of governmental activities	\$	<u><u>749,817</u></u>
---	----	-----------------------

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, 2014

	Water Fund	Sewer Fund	Total
ASSETS			
Current assets:			
Investments	\$ 401,354	\$ 43,132	\$ 444,486
Accounts receivable, net of allowances for uncollectibles	184,248	425,000	609,248
Due from other funds	131,656	-	131,656
Total current assets	<u>\$ 717,258</u>	<u>\$ 468,132</u>	<u>\$ 1,185,390</u>
Noncurrent assets:			
Capital assets:			
Construction in progress	1,180,789	-	1,180,789
Infrastructure	3,683,364	7,664,215	11,347,579
Buildings	3,107,803	514,672	3,622,475
Machinery and equipment	3,141,955	2,205,646	5,347,601
Less accumulated depreciation	(6,648,468)	(4,545,827)	(11,194,295)
Total noncurrent assets	<u>\$ 4,465,443</u>	<u>\$ 5,838,706</u>	<u>\$ 10,304,149</u>
Total assets	<u>\$ 5,182,701</u>	<u>\$ 6,306,838</u>	<u>\$ 11,489,539</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 446,123	\$ 199,199	\$ 645,322
Reconciled overdraft	125,842	249,272	375,114
Customer deposits	97,520	-	97,520
Accrued interest payable	-	10,643	10,643
Due to other funds	-	110,442	110,442
Bonds payable - current portion	216,901	180,147	397,048
Total current liabilities	<u>\$ 886,386</u>	<u>\$ 749,703</u>	<u>\$ 1,636,089</u>
Noncurrent liabilities:			
Compensated absences	\$ 18,039	-	\$ 18,039
Bonds payable - net of current portion	1,559,359	2,701,726	4,261,085
Total noncurrent liabilities	<u>\$ 1,577,398</u>	<u>\$ 2,701,726</u>	<u>\$ 4,279,124</u>
Total liabilities	<u>\$ 2,463,784</u>	<u>\$ 3,451,429</u>	<u>\$ 5,915,213</u>
NET POSITION			
Net investment in capital assets	\$ 2,689,183	\$ 2,956,833	\$ 5,646,016
Unrestricted	29,734	(101,424)	(71,690)
Total net position	<u>\$ 2,718,917</u>	<u>\$ 2,855,409</u>	<u>\$ 5,574,326</u>

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

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

	<u>Water</u> <u>Fund</u>	<u>Sewer</u> <u>Fund</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services:			
Water and sewer revenues	\$ 1,639,050	\$ 2,959,350	\$ 4,598,400
Miscellaneous	1,509	8,369	9,878
Total operating revenues	<u>\$ 1,640,559</u>	<u>\$ 2,967,719</u>	<u>\$ 4,608,278</u>
OPERATING EXPENSES			
Personnel services	\$ 440,933	\$ 101,316	\$ 542,249
Fringe benefits	160,273	36,596	196,869
Contractual services	120,997	2,443,617	2,564,614
Utilities	221,799	685	222,484
Materials and supplies	189,288	155,496	344,784
Repairs and maintenance	152,503	31,673	184,176
Capital outlay	10,600	263	10,863
Depreciation	219,244	255,582	474,826
Miscellaneous	253	15,252	15,505
Total operating expenses	<u>\$ 1,515,890</u>	<u>\$ 3,040,480</u>	<u>\$ 4,556,370</u>
Operating income (loss)	<u>\$ 124,669</u>	<u>\$ (72,761)</u>	<u>\$ 51,908</u>
NONOPERATING REVENUES (EXPENSES)			
Connection fees	\$ 2,280	\$ 1,800	\$ 4,080
Recovered costs	-	106,456	106,456
Interest revenue	412	44	456
Interest and fiscal charges	(40,127)	(25,789)	(65,916)
VRS grant	67,626	-	67,626
Total nonoperating revenues (expenses)	<u>\$ 30,191</u>	<u>\$ 82,511</u>	<u>\$ 112,702</u>
Income before contributions and transfers	<u>\$ 154,860</u>	<u>\$ 9,750</u>	<u>\$ 164,610</u>
Transfers in	7,500	4,025	11,525
Transfers out	(102,810)	(206,159)	(308,969)
Change in net position	<u>\$ 59,550</u>	<u>\$ (192,384)</u>	<u>\$ (132,834)</u>
Total net position - beginning	2,659,367	3,047,793	5,707,160
Total net position - ending	<u>\$ 2,718,917</u>	<u>\$ 2,855,409</u>	<u>\$ 5,574,326</u>

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

Town of Pulaski, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014

	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,667,457	\$ 2,918,519	\$ 4,585,976
Payments to suppliers	(376,806)	(2,807,959)	(3,184,765)
Payments to employees	(604,267)	(137,912)	(742,179)
Reconciled overdraft	101,715	249,272	350,987
Net cash provided by (used for) operating activities	<u>\$ 788,099</u>	<u>\$ 221,920</u>	<u>\$ 1,010,019</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	\$ 7,500	\$ 4,025	\$ 11,525
Transfers to other funds	(102,810)	(206,159)	(308,969)
Recovered costs	-	106,456	106,456
Operating subsidy from federal grant	67,626	-	67,626
Net cash provided by (used for) noncapital financing activities	<u>\$ (27,684)</u>	<u>\$ (95,678)</u>	<u>\$ (123,362)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital asset additions	\$ (963,108)	\$ (1,360,960)	\$ (2,324,068)
Proceeds from issuance of debt	383,216	1,339,829	1,723,045
Principal payments on bonds	(111,202)	(125,843)	(237,045)
Principal payment on capital lease	(31,474)	(31,475)	(62,949)
Connection fees	2,280	1,800	4,080
Interest payments	(40,127)	(26,639)	(66,766)
Net cash provided by (used for) capital and related financing activities	<u>\$ (760,415)</u>	<u>\$ (203,288)</u>	<u>\$ (963,703)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale (purchase) of investments	\$ (412)	\$ (44)	\$ (456)
Interest and dividends received	412	44	456
Net cash provided by (used for) investing activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net increase (decrease) in cash and cash equivalents	\$ -	\$ (77,046)	\$ (77,046)
Cash and cash equivalents - beginning (including restricted of \$62,894)	-	77,046	77,046
Cash and cash equivalents - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 124,669	\$ (72,761)	\$ 51,908
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	\$ 219,244	\$ 255,582	\$ 474,826
(Increase) decrease in accounts receivable	(7,728)	(49,200)	(56,928)
Increase (decrease) in customer deposits	34,626	-	34,626
Increase (decrease) in accounts payable	318,634	(160,973)	157,661
Increase (decrease) in compensated absences	(3,061)	-	(3,061)
Increase (decrease) in reconciled overdraft	101,715	249,272	350,987
Total adjustments	<u>\$ 663,430</u>	<u>\$ 294,681</u>	<u>\$ 958,111</u>
Net cash provided by (used for) operating activities	<u>\$ 788,099</u>	<u>\$ 221,920</u>	<u>\$ 1,010,019</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, 2014

	PSA Nonexpendable <u>Trust</u>
ASSETS	
Cash and cash equivalents	\$ 180,913
Accounts receivable	81,997
Due from other funds	147
Total assets	<u>\$ 263,057</u>
LIABILITIES	
Amounts payable to other governments	76,534
Due to other funds	58,075
Utility deposits	36,408
Total liabilities	<u>\$ 171,017</u>
NET POSITION	
Held in trust for PSA	<u><u>\$ 92,040</u></u>

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

Town of Pulaski, Virginia
Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended June 30, 2014

	PSA Nonexpendable <u>Trust</u>
ADDITIONS	
Total additions	\$ -
DEDUCTIONS	
Payment to PSA	\$ 4,269
Total deductions	<u>\$ 4,269</u>
 Change in Net Position	 \$ (4,269)
Net position - beginning	96,309
Net position - ending	<u><u>\$ 92,040</u></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, 2014

Note 1-Summary of Significant Accounting Policies:

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

A. Financial reporting entity:

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

Blended Component Units:

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

Discretely Presented Component Units - None

Related Organizations - None

Jointly Governed Organizations - None

B. Government-wide and fund financial statements:

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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 latter are excluded from government-side financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

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

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

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

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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 Cemetery Care Fund, Nano Fund, Neighborhood Revitalization, Tornado Recovery Project, and CDBG Housing Rehabilitation.

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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 Trust Funds, which consist of the PSA Fund. These funds utilize the accrual basis of accounting described in the Governmental Fund Presentation. Fiduciary funds are not included in the government-wide financial statements.

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.

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

Upcoming Pronouncements:

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

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

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

1. Deposits and Investments

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

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

2. 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.

3. Receivables and Payables

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

4. Inventory

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

5. Property Taxes

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

6. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$475,023 for property taxes and \$34,461 for water, sewer, and garbage receivables at June 30, 2014.

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

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

7. Use of Estimates

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

8. Capital Assets

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

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

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

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

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

9. Compensated Absences

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

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

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

10. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net 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.

11. Fund Balance

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

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

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

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

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

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

When fund balance resources are available for a specific purpose in more than one classification, it is the Town's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

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

11. Fund Balance (continued)

Town Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Town Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

12. Net Position

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

13. 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/expenditures) until then. The Town does not have any deferred outflows of resources as of June 30, 2014.

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 and 2nd half installments levied during the fiscal year but due after June 30th and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th are reported as deferred inflows of resources. The governmental funds report unavailable revenues from three sources: property taxes, loans receivable and amount due from County of Pulaski, Virginia.

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.

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the function level. Only the Town Council can revise the appropriation for each department or category. The Town Manager is authorized to transfer budgeted amounts within general government departments.
5. Formal budgetary integration is employed by Water and Sewer Funds as well as the General Fund and UDAG Funds.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all Town units. Several supplemental appropriations were necessary during this fiscal year.
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. Legally adopted budgets: the Town does not adopt a budget for the UDAG fund.

B. Deficit fund equity

At June 30, 2014, the Tornado Recovery and Neighborhood Revitalization had deficit fund equity.

The remainder of this page left blank intentionally.

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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 2.2-400 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).

Credit Risk of Debt Securities

The Town's rated debt investments as of June 30, 2014 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	Fair Quality Ratings
	AAAm
LGIP	\$ 675,147

External Investment Pool

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

The remainder of this page left blank intentionally.

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

Interfund transfers for the year ended June 30, 2014 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 312,648	\$ 7,715
UDAG Fund	-	5,000
CDBG Housing Rehabilitation Fund	-	2,489
Water Fund	7,500	102,810
Sewer Fund	4,025	206,159
Total	<u>\$ 324,173</u>	<u>\$ 324,173</u>

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

Due to/from other funds for the year ended June 30, 2014 consisted of the following:

<u>Fund</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>
General Fund	\$ 1,400,000	\$ 127,609
UDAG Fund	-	1,400,000
Community Development Block Grant	-	33,180
Neighborhood Revitalization Fund	182,003	-
Water Fund	-	131,656
Sewer Fund	110,442	-
Total	<u>\$ 1,692,445</u>	<u>\$ 1,692,445</u>

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 5-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, 2014:

	Balance July 1, 2013	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2014
General obligation bonds	\$ 4,181,927	\$ 2,588,840	\$ (3,010,023)	\$ 3,760,744
Bond anticipation note	69,994	-	(69,994)	-
Capital lease obligations	44,321	87,248	(36,707)	94,862
Note payable	21,500	-	(21,500)	-
Compensated absences	493,533	-	(20,026)	473,507
Total	\$ 4,811,275	\$ 2,676,088	\$ (3,158,250)	\$ 4,329,113

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

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2015	\$ 509,289	\$ 77,746
2016	516,167	68,712
2017	524,192	58,380
2018	532,365	47,899
2019	540,627	37,265
2020-2024	869,443	73,742
2025-2029	173,357	25,630
2030-2032	95,304	4,074
Totals	\$ 3,760,744	\$ 393,448

The remainder of this page left blank intentionally.

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 5-Long-term Obligations: (Continued)

Governmental Activities Long-term Obligations: (continued)

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
General Obligation Bonds:		
\$2,588,840 general obligation bond due in annual installments through 2020. Interest payable in semi-annual installments at 1.81%. 40% of the loan obligation will be reimbursed by County of Pulaski, Virginia.	\$ 2,588,840	\$ 415,221
\$3,000,000 bond (57% due from the general fund) due in annual installments of \$150,000 through 2022, plus interest at a weighted average 4.34%.	1,171,904	94,068
Total General Obligation Bonds	\$ 3,760,744	\$ 509,289
Other Obligations:		
Capital lease obligations	\$ 94,862	\$ 43,888
Compensated absences	473,507	-
Total Other Obligations	\$ 568,369	\$ 43,888
Total Long-term Obligations	\$ 4,329,113	\$ 553,177

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, 2014:

	Balance July 1, 2013	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2014
General obligation bonds	\$ 3,172,134	\$ 1,723,045	\$ (237,046)	\$ 4,658,133
Capital lease obligations	62,948	-	(62,948)	-
Compensated absences	21,100	-	(3,061)	18,039
Total	\$ 3,256,182	\$ 1,723,045	\$ (303,055)	\$ 4,676,172

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 5-Long-term Obligations: (continued)

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

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

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2015	\$ 397,048	\$ 77,409
2016	406,491	63,747
2017	410,116	55,603
2018	342,896	48,112
2019	295,267	41,565
2020-2024	1,377,765	128,738
2025-2029	878,423	50,175
2030-2032	550,127	7,974
Totals	<u>\$ 4,658,133</u>	<u>\$ 473,323</u>

The remainder of this page left blank intentionally.

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 5-Long-term Obligations: (continued)

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

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
General Obligation Bonds:		
\$3,879,454 bond (60.7% and 39.3% due from the water and sewer funds respectively) due in annual installments of principal through 2032, plus interest at 2.85%.	\$ 2,294,241	\$ 184,158
\$2,156,159 revolving loan, issued December 1, 2012, through the Virginia Resource Authority due in semi-annual installments of principal through 2033. As of June 30, 2014 the loan was still in draw-down phase with a balance of \$2,034,579.	1,980,676	107,808
\$2,487,968 revolving loan, issued April 2014, through the Virginia Resource Authority due in semi-annual installments of principal through 2045, plus interest at 2.50%. As of June 30, 2014 the loan was still in draw-down phase with a balance of \$383,216.	383,216	105,082
Total General Obligation Bonds	<u>\$ 4,658,133</u>	<u>\$ 397,048</u>
Other Obligations:		
Compensated absences	\$ 18,039	\$ -
Total Long-term Obligations - Business-type Activities	<u>\$ 4,676,172</u>	<u>\$ 397,048</u>

The remainder of this page left blank intentionally.

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 6-Capital Leases:

The Town has entered into a capital lease for vehicles 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	Office Equipment
Asset:		
Machinery and equipment	\$ 121,819	\$ 87,248
Less: Accumulated depreciation	(36,546)	(17,450)
Total	\$ 85,273	\$ 69,798

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2014, were as follows:

Fiscal Year Ended	Governmental Activities
2015	\$ 48,052
2016	23,844
2017	23,844
2018	5,976
Total minimum lease payments	\$ 101,716
Less: amount representing interest	(6,854)
Present value of minimum lease payments	\$ 94,862

The remainder of this page left blank intentionally.

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 7-Pension Plan:

A. Plan Description

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

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

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

VRS – PLAN 1

1. **Plan Overview** - VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
2. **Eligible Members** - Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
3. **Hybrid Opt-In Election** - VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 7-Pension Plan: (continued)

A. Plan Description (continued)

VRS – PLAN 1 (continued)

4. **Retirement Contributions** - Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
5. **Creditable Service** - Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
6. **Vesting** - Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

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

7. **Calculating the Benefit** - The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.
10. **Normal Retirement Age** - Age 65.

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 7-Pension Plan: (continued)

A. Plan Description (continued)

VRS – PLAN 1 (continued)

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

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

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

- 13. Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

- 14. Eligibility** - For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

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

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

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 7-Pension Plan: (continued)

A. Plan Description (continued)

VRS – PLAN 1 (continued)

- 16. Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.

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

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

- 17. Purchase of Prior Service** - Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

VRS – PLAN 2

- 1. Plan Overview** - VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
- 2. Eligible Members** - Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
- 3. Hybrid Opt-In Election** - VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

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

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

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

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 7-Pension Plan: (continued)

A. Plan Description (continued)

VRS – PLAN 2 (continued)

4. **Retirement Contributions** - Same as VRS Plan 1–Refer to Section 4.
5. **Creditable Service** - Same as VRS Plan 1– Refer to Section 5.
6. **Vesting** - Same as VRS Plan 1–Refer to Section 6.
7. **Calculating the Benefit** - Same as VRS Plan 1–Refer to Section 7.
8. **Average Final Compensation** - A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.
10. **Normal Retirement Age** - Normal Social Security retirement age.
11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.
12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.
13. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.
14. **Eligibility** - Same as VRS Plan 1–Refer to Section 14.
15. **Exceptions to COLA Effective Dates** - Same as VRS Plan 1–Refer to Section 15.

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 7-Pension Plan: (continued)

A. Plan Description (continued)

VRS – PLAN 2 (continued)

- 16. Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

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

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

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

HYBRID RETIREMENT PLAN

- 1. Plan Overview** - The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)
- The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.
 - The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
 - In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 7-Pension Plan: (continued)

A. Plan Description (continued)

HYBRID RETIREMENT PLAN (continued)

2. **Eligible Members** - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
- State employees*
 - School division employees
 - Political subdivision employees*
 - Judges appointed or elected to an original term on or after January 1, 2014
 - Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014
3. ***Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:
- Members of the State Police Officers' Retirement System (SPORS)
 - Members of the Virginia Law Officers' Retirement System (VaLORS)
 - Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

4. **Retirement Contributions** - A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 7-Pension Plan: (continued)

A. Plan Description (continued)

HYBRID RETIREMENT PLAN (continued)

5. Creditable Service

Defined Benefit Component - Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

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

6. Vesting

Defined Benefit Component - Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contribution Component - Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

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

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

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

Distribution is not required by law until age 70½.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 7-Pension Plan: (continued)

A. Plan Description (continued)

HYBRID RETIREMENT PLAN (continued)

7. Calculating the Benefit

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

Defined Contribution Component - The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

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

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

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

10. Normal Retirement Age

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

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

11. Earliest Unreduced Retirement Eligibility

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

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

12. Earliest Reduced Retirement Eligibility

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

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

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 7-Pension Plan: (continued)

A. Plan Description (continued)

HYBRID RETIREMENT PLAN (continued)

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

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

Defined Contribution Component - Not Applicable.

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

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

16. Disability Coverage - Eligible political subdivision and school division members (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

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

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

17. Purchase of Prior Service

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

Defined Contribution Component - Not Applicable.

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

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 7-Pension Plan: (continued)

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2014 was 13.13% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2014, the Town's annual pension cost of \$496,354 was equal to the Town's required and actual contributions for the Town.

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)*	Percentage of APC Contributed	Net Pension Obligation
6/30/2014	\$ 496,354	100.00%	-
6/30/2013	505,925	100.00%	-
6/30/2012	332,644	100.00%	-

*Employer portion only

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

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 7-Pension Plan: (continued)

D. Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the Town's plan was 80.65% funded. The actuarial accrued liability for benefits was \$18,870,834, and the actuarial value of assets was \$15,218,792, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,652,042. The covered payroll (annual payroll of active employees covered by the plan) was \$3,669,037 and ratio of the UAAL to the covered payroll was 99.54%.

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

Note 8-Deferred/Unavailable Revenue:

Deferred/unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Unavailable revenue totaling \$3,694,510 is comprised of the following:

Unavailable Property Tax Revenue - Taxes billed and not due until after June 30, 2014, less allowance for uncollectible accounts totaled \$2,018,629 (including 2nd half tax billings of \$1,679,083 not due until December 5).

Unavailable Loan Revenue - Unearned revenue representing uncollected loans receivable not available for funding current expenditures totaled \$307,278.

Unavailable Revenue Due from Pulaski County - Unearned revenue representing a long-term receivable from Pulaski County for the James Hardie Project not available for funding current expenditures totaled \$1,101,417.

The remainder of this page left blank intentionally.

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 9-Capital Assets:

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 142,527	\$ -	\$ -	\$ 142,527
Capital assets, being depreciated:				
Buildings and Improvements	\$ 5,408,424	\$ -	\$ -	\$ 5,408,424
Improvements other than buildings	1,106,680	28,263	-	1,134,943
Machinery and equipment	5,204,421	692,005	(6,750)	5,889,676
Total capital assets being depreciated	\$ 11,719,525	\$ 720,268	\$ (6,750)	\$ 12,433,043
Accumulated depreciation:				
Buildings and Improvements	\$ (2,418,022)	\$ (95,453)	\$ -	\$ (2,513,475)
Improvements other than buildings	(252,732)	(30,540)	-	(283,272)
Machinery and equipment	(4,279,458)	(311,676)	6,750	(4,584,384)
Total accumulated depreciation	\$ (6,950,212)	\$ (437,669)	\$ 6,750	\$ (7,381,131)
Total capital assets being depreciated, net	\$ 4,769,313	\$ 282,599	\$ -	\$ 5,051,912
Governmental activities capital assets, net	\$ 4,911,840	\$ 282,599	\$ -	\$ 5,194,439

The remainder of this page left blank intentionally.

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 9-Capital Assets: (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 916,568	\$ 2,269,578	\$ (2,005,357)	\$ 1,180,789
Capital assets being depreciated:				
Infrastructure	\$ 9,342,222	\$ 2,005,357	\$ -	\$ 11,347,579
Buildings	3,622,475	-	-	3,622,475
Machinery and equipment	5,315,052	54,492	(21,943)	5,347,601
Total capital assets being depreciated	<u>\$ 18,279,749</u>	<u>\$ 2,059,849</u>	<u>\$ (21,943)</u>	<u>\$ 20,317,655</u>
Accumulated depreciation:				
Infrastructure	\$ (4,182,259)	\$ (273,361)	\$ -	\$ (4,455,620)
Buildings	(2,072,605)	(63,721)	-	(2,136,326)
Machinery and equipment	(4,486,548)	(137,744)	21,943	(4,602,349)
Total accumulated depreciation	<u>\$ (10,741,412)</u>	<u>\$ (474,826)</u>	<u>\$ 21,943</u>	<u>\$ (11,194,295)</u>
Total capital assets being depreciated, net	<u>\$ 7,538,337</u>	<u>\$ 1,585,023</u>	<u>\$ -</u>	<u>\$ 9,123,360</u>
Business-type activities capital assets, net	<u>\$ 8,454,905</u>	<u>\$ 3,854,601</u>	<u>\$ (2,005,357)</u>	<u>\$ 10,304,149</u>

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	\$ 40,587
Public safety	168,568
Public works	189,174
Parks, recreation, and cultural	<u>39,340</u>
Total depreciation expense-governmental activities	<u>\$ 437,669</u>
Business-type activities:	
Water and Sewer	<u>\$ 474,828</u>

TOWN OF PULASKI, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 10-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 11-Surety Bonds:

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

Note 12-Commitments and Contingencies:

The Town was involved in major construction project during the fiscal year as presented below, along with the anticipated funding source.

<u>Project</u>	<u>Contract Amount</u>	<u>Contract Amount Outstanding at June 30, 2014</u>	<u>Funding Source</u>
Sewage Pump Station	\$ 1,653,802	\$ 1,297,756	State Funds

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, 2014

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 2,526,102	\$ 2,526,102	\$ 2,395,169	\$ (130,933)
Other local taxes	2,118,709	2,118,709	2,233,306	114,597
Permits, privilege fees, and regulatory licenses	16,020	16,020	28,554	12,534
Fines and forfeitures	48,988	48,988	57,344	8,356
Revenue from the use of money and property	73,054	73,054	85,361	12,307
Charges for services	244,678	244,678	304,210	59,532
Miscellaneous	23,643	23,643	73,449	49,806
Recovered costs	274,495	274,495	262,554	(11,941)
Intergovernmental revenues:				
Commonwealth	2,613,909	2,617,863	2,973,179	355,316
Federal	6,657	25,116	258,887	233,771
Total revenues	\$ 7,946,255	\$ 7,968,668	\$ 8,672,013	\$ 703,345
EXPENDITURES				
Current:				
General government administration	\$ 1,563,417	\$ 1,555,917	\$ 1,675,462	\$ (119,545)
Public safety	2,821,991	2,878,379	2,980,443	(102,064)
Public works	2,173,600	2,173,600	2,232,764	(59,164)
Health and welfare	-	-	4,000	(4,000)
Parks, recreation, and cultural	858,972	890,472	765,160	125,312
Community development	185,757	185,757	230,620	(44,863)
Capital projects	-	-	309,108	(309,108)
Debt service:				
Principal retirement	686,850	686,850	3,138,224	(2,451,374)
Interest and other fiscal charges	-	-	135,679	(135,679)
Bond issuance costs	-	-	45,249	(45,249)
Total expenditures	\$ 8,290,587	\$ 8,370,975	\$ 11,516,709	\$ (3,145,734)
Excess (deficiency) of revenues over (under) expenditures	\$ (344,332)	\$ (402,307)	\$ (2,844,696)	\$ (2,442,389)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 291,169	\$ 291,169	\$ 312,648	\$ 21,479
Transfers out	(7,500)	(7,500)	(7,715)	(215)
Issuance of capital lease	21,453	21,453	87,248	65,795
Issuance of refunding bond	-	-	2,588,840	2,588,840
Total other financing sources (uses)	\$ 305,122	\$ 305,122	\$ 2,981,021	\$ 2,675,899
Net change in fund balances	\$ (39,210)	\$ (97,185)	\$ 136,325	\$ 233,510
Fund balances - beginning	61,787	49,185	923,561	874,376
Fund balances - ending	\$ 22,577	\$ (48,000)	\$ 1,059,886	\$ 1,107,886

Note 1: GAAP serves as the budgetary basis of accounting

Town of Pulaski, Virginia
Required Supplementary Information

Schedule of Pension Funding Progress - Virginia Retirement System
For the Year Ended June 30, 2014

Town Retirement Plan

Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2013	\$ 15,218,792	\$ 18,870,834	\$ 3,652,042	80.65%	\$ 3,669,037	99.54%
June 30, 2012	14,558,651	18,287,215	3,728,564	79.61%	3,627,480	102.79%
June 30, 2011	14,593,077	17,851,701	3,258,624	81.75%	3,675,831	88.65%

Other Supplementary Information

Town of Pulaski, Virginia
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

	Special Revenue Funds					
	Cemetery <u>Care</u>	CDBG Housing <u>Rehabilitation</u>	Tornado <u>Recovery</u>	<u>Nano</u>	Neighborhood <u>Revitalization</u>	<u>Total</u>
ASSETS						
Cash and cash equivalents	\$ 587,417	\$ 4,049	\$ 2,054	\$ 5,084	\$ 149,458	\$ 748,062
Investments	-	24,503	-	-	-	24,503
Accounts receivable	-	-	32,856	-	-	32,856
Due from other funds	-	33,180	-	-	-	33,180
Total assets	<u>\$ 587,417</u>	<u>\$ 61,732</u>	<u>\$ 34,910</u>	<u>\$ 5,084</u>	<u>\$ 149,458</u>	<u>\$ 838,601</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ 49,480	\$ -	\$ -	\$ 49,480
Due to other funds	-	-	-	-	182,003	182,003
Due to fiduciary funds	-	-	-	-	147	147
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,480</u>	<u>\$ -</u>	<u>\$ 182,150</u>	<u>\$ 231,630</u>
FUND BALANCES						
Nonspendable:						
Principal Cemetery Maintenance	\$ 525,192	\$ -	\$ -	\$ -	\$ -	\$ 525,192
Restricted for:						
Housing Rehabilitation	-	61,732	-	-	-	61,732
NANO Technology	-	-	-	5,084	-	5,084
Assigned to:						
Cemetery Care	62,225	-	-	-	-	62,225
Unassigned	-	-	(14,570)	-	(32,692)	(47,262)
Total fund balance	<u>\$ 587,417</u>	<u>\$ 61,732</u>	<u>\$ (14,570)</u>	<u>\$ 5,084</u>	<u>\$ (32,692)</u>	<u>\$ 606,971</u>
Total liabilities and fund balance	<u>\$ 587,417</u>	<u>\$ 61,732</u>	<u>\$ 34,910</u>	<u>\$ 5,084</u>	<u>\$ 149,458</u>	<u>\$ 838,601</u>

Town of Pulaski, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2014

	Special Revenue Funds					
	Cemetery Care	CDBG Housing Rehabilitation	Tornado Recovery	Nano	Neighborhood Revitalization	Total
REVENUES						
Revenue for the use of money and property	\$ 3,045	\$ 25	\$ -	\$ -	\$ -	\$ 3,070
Miscellaneous	2,100	-	-	-	6,333	8,433
Intergovernmental revenues:						
Federal	-	-	346,198	-	19,295	365,493
Total revenues	<u>\$ 5,145</u>	<u>\$ 25</u>	<u>\$ 346,198</u>	<u>\$ -</u>	<u>\$ 25,628</u>	<u>\$ 376,996</u>
EXPENDITURES						
Current:						
Parks, recreation, and cultural	\$ 1,102	\$ -	\$ -	\$ -	\$ -	\$ 1,102
Community development	-	-	447,552	-	25,820	473,372
Total expenditures	<u>\$ 1,102</u>	<u>\$ -</u>	<u>\$ 447,552</u>	<u>\$ -</u>	<u>\$ 25,820</u>	<u>\$ 474,474</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 4,043</u>	<u>\$ 25</u>	<u>\$ (101,354)</u>	<u>\$ -</u>	<u>\$ (192)</u>	<u>\$ (97,478)</u>
OTHER FINANCING SOURCES (USES)						
Transfers out	\$ -	\$ (2,489)	\$ -	\$ -	\$ -	\$ (2,489)
Net change in fund balances	\$ 4,043	\$ (2,464)	\$ (101,354)	\$ -	\$ (192)	\$ (99,967)
Fund balance - beginning	583,374	64,196	86,784	5,084	(32,500)	706,938
Fund balance - ending	<u>\$ 587,417</u>	<u>\$ 61,732</u>	<u>\$ (14,570)</u>	<u>\$ 5,084</u>	<u>\$ (32,692)</u>	<u>\$ 606,971</u>

Supporting Schedules

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

Schedule 1
Page 1 of 4

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real Property Tax	\$ 1,427,873	\$ 1,427,873	\$ 1,440,202	\$ 12,329
Real and Personal PSC Tax	55,788	55,788	58,961	3,173
Personal Property Tax	557,188	557,188	392,102	(165,086)
Machinery and tools tax	451,253	451,253	462,015	10,762
Penalties	14,000	14,000	18,263	4,263
Interest	20,000	20,000	23,626	3,626
Total general property taxes	\$ 2,526,102	\$ 2,526,102	\$ 2,395,169	\$ (130,933)
Other local taxes:				
Bank stock taxes	\$ 135,826	\$ 135,826	\$ 148,760	\$ 12,934
Business license taxes	405,000	405,000	403,993	(1,007)
Consumers' utility taxes	204,409	204,409	232,634	28,225
Consumption taxes	39,122	39,122	48,636	9,514
Local sales and use taxes	504,734	504,734	517,849	13,115
Lodging tax	7,242	7,242	5,764	(1,478)
Motor vehicle licenses	10,000	10,000	10,730	730
Restaurant food taxes	615,300	615,300	654,793	39,493
Tobacco taxes	178,560	178,560	178,642	82
Utility franchise taxes	18,516	18,516	31,505	12,989
Total other local taxes	\$ 2,118,709	\$ 2,118,709	\$ 2,233,306	\$ 114,597
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 16,020	\$ 16,020	\$ 28,554	\$ 12,534
Fines and forfeitures:				
Court fines and forfeitures	\$ 48,988	\$ 48,988	\$ 57,344	\$ 8,356
Revenue from use of money and property:				
Revenue from use of money	\$ 7,830	\$ 7,830	\$ 18,971	\$ 11,141
Revenue from use of property	65,224	65,224	66,390	1,166
Total revenue from use of money and property	\$ 73,054	\$ 73,054	\$ 85,361	\$ 12,307

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

Schedule 1
Page 2 of 4

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services:				
Charges for police services	\$ 2,800	\$ 2,800	\$ 10,672	\$ 7,872
Charges for fire and rescue services	34,200	34,200	34,200	-
Charges for parks and recreation	94,200	94,200	107,021	12,821
Charges for PSA services	98,478	98,478	113,043	14,565
Charges for museum	-	-	3,004	3,004
Other charges for services	15,000	15,000	36,270	21,270
Total charges for services	<u>\$ 244,678</u>	<u>\$ 244,678</u>	<u>\$ 304,210</u>	<u>\$ 59,532</u>
Miscellaneous revenue:				
Miscellaneous	\$ 23,643	\$ 23,643	\$ 73,449	\$ 49,806
Recovered costs:				
Insurance recoveries	\$ -	\$ -	\$ 3,083	\$ 3,083
Armory reimbursement	22,500	22,500	695	(21,805)
Other recovered costs	251,995	251,995	258,776	6,781
Total recovered costs	<u>\$ 274,495</u>	<u>\$ 274,495</u>	<u>\$ 262,554</u>	<u>\$ (11,941)</u>
Total revenue from local sources	<u>\$ 5,325,689</u>	<u>\$ 5,325,689</u>	<u>\$ 5,439,947</u>	<u>\$ 114,258</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicles rental tax	\$ 800	\$ 800	\$ 3,642	\$ 2,842
Personal property tax relief act funds	-	-	140,332	140,332
Rolling stock tax	9,557	9,557	8	(9,549)
Communication tax	465,120	465,120	456,593	(8,527)
Total noncategorical aid	<u>\$ 475,477</u>	<u>\$ 475,477</u>	<u>\$ 600,575</u>	<u>\$ 125,098</u>
Categorical aid:				
Bulletproof vest partnership	\$ -	\$ -	\$ 2,147	\$ 2,147
Byrne justice assistance grant	30,577	34,531	30,577	(3,954)
Fire prevention	25,000	25,000	27,288	2,288
Law enforcement grant	218,322	218,322	218,324	2
Street and highway maintenance	1,860,533	1,860,533	1,915,268	54,735
Governor's opportunity funds	-	-	175,000	175,000
Virginia commission of the arts	4,000	4,000	4,000	-
Total other categorical aid	<u>\$ 2,138,432</u>	<u>\$ 2,142,386</u>	<u>\$ 2,372,604</u>	<u>\$ 230,218</u>
Total revenue from the Commonwealth	<u>\$ 2,613,909</u>	<u>\$ 2,617,863</u>	<u>\$ 2,973,179</u>	<u>\$ 355,316</u>

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

Schedule 1
Page 3 of 4

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Equitable sharing program	\$ -	\$ -	\$ 241,954	\$ 241,954
DUI/DUID enforcement	2,768	11,768	7,000	(4,768)
Safe Streets DMV grant	3,889	13,348	9,933	(3,415)
Total categorical aid	<u>\$ 6,657</u>	<u>\$ 25,116</u>	<u>\$ 258,887</u>	<u>\$ 233,771</u>
Total revenue from the federal government	<u>\$ 6,657</u>	<u>\$ 25,116</u>	<u>\$ 258,887</u>	<u>\$ 233,771</u>
Total General Fund	<u>\$ 7,946,255</u>	<u>\$ 7,968,668</u>	<u>\$ 8,672,013</u>	<u>\$ 703,345</u>
Special Revenue Funds:				
UDAG Fund:				
Revenue from local sources:				
Revenue from use of money and property	\$ -	\$ -	\$ 34	\$ 34
Miscellaneous	-	-	30,710	30,710
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,744</u>	<u>\$ 30,744</u>
Total UDAG Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,744</u>	<u>\$ 30,744</u>
Nonmajor Special Revenue Funds:				
Cemetery Fund:				
Revenue from local sources:				
Revenues from use of money and property	\$ -	\$ -	\$ 3,045	\$ 3,045
Miscellaneous	-	-	2,100	2,100
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,145</u>	<u>\$ 5,145</u>
Total Cemetery Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,145</u>	<u>\$ 5,145</u>
CDBG Fund:				
Revenue from local sources:				
Revenues from use of money and property	\$ -	\$ -	\$ 25	\$ 25

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

Schedule 1
Page 4 of 4

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Nonmajor Special Revenue Funds: (Continued)				
Tornado Recovery Fund:				
Revenue from the federal government:				
Department of Housing and Community Development	\$ -	\$ -	\$ 346,198	\$ 346,198
Total Tornado Recovery Fund	\$ -	\$ -	\$ 346,198	\$ 346,198
Neighborhood Revitalization Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ -	\$ 6,333	\$ 6,333
Revenue from the federal government:				
Categorical aid:				
Department of Housing and Community Development	\$ -	\$ -	\$ 19,295	\$ 19,295
Total Neighborhood Revitalization Fund	\$ -	\$ -	\$ 25,628	\$ 25,628
Total Governmental Funds	\$ 7,946,255	\$ 7,968,668	\$ 9,079,753	\$ 1,111,085

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

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	\$ 46,430	\$ 46,430	\$ 49,957	\$ (3,527)
Clerk of the Council	60,020	60,020	59,955	65
Office of the Mayor	7,409	7,409	7,810	(401)
Total legislative	<u>\$ 113,859</u>	<u>\$ 113,859</u>	<u>\$ 117,722</u>	<u>\$ (3,863)</u>
General and financial administration:				
Manager	\$ 293,486	\$ 293,486	\$ 302,003	\$ (8,517)
Legal services	-	-	37,501	(37,501)
Independent auditor	90,650	90,650	51,025	39,625
Consultants	20,000	12,500	34,490	(21,990)
Department of Finance	446,226	446,226	448,319	(2,093)
Risk management	92,457	92,457	96,501	(4,044)
Data processing	173,785	173,785	257,207	(83,422)
Other	332,954	332,954	330,694	2,260
Total general and financial administration	<u>\$ 1,449,558</u>	<u>\$ 1,442,058</u>	<u>\$ 1,557,740</u>	<u>\$ (115,682)</u>
Total general government administration	<u>\$ 1,563,417</u>	<u>\$ 1,555,917</u>	<u>\$ 1,675,462</u>	<u>\$ (119,545)</u>
Public safety:				
Law enforcement and traffic control:				
Police department	<u>\$ 2,057,418</u>	<u>\$ 2,113,806</u>	<u>\$ 2,175,883</u>	<u>\$ (62,077)</u>
Fire and rescue services:				
Fire department	\$ 668,315	\$ 668,315	\$ 708,265	\$ (39,950)
Building inspections	96,258	96,258	96,295	(37)
Total fire and rescue services	<u>\$ 764,573</u>	<u>\$ 764,573</u>	<u>\$ 804,560</u>	<u>\$ (39,987)</u>
Total public safety	<u>\$ 2,821,991</u>	<u>\$ 2,878,379</u>	<u>\$ 2,980,443</u>	<u>\$ (102,064)</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
General engineering/administration	\$ 212,739	\$ 212,739	\$ 211,276	\$ 1,463
Highway, street, bridge and sidewalk maintenance	1,607,558	1,607,558	1,683,213	(75,655)
Total maintenance of highways, streets, bridges & sidewalks	<u>\$ 1,820,297</u>	<u>\$ 1,820,297</u>	<u>\$ 1,894,489</u>	<u>\$ (74,192)</u>
Sanitation and waste removal:				
Refuse disposal	<u>\$ 2,700</u>	<u>\$ 2,700</u>	<u>\$ 2,358</u>	<u>\$ 342</u>
Maintenance of general buildings and grounds:				
General properties	\$ 225,057	\$ 225,057	\$ 222,639	\$ 2,418
Garage and motor vehicles	103,046	103,046	111,859	(8,813)
Armory	22,500	22,500	1,419	21,081
Total maintenance of buildings and grounds	<u>\$ 350,603</u>	<u>\$ 350,603</u>	<u>\$ 335,917</u>	<u>\$ 14,686</u>
Total public works	<u>\$ 2,173,600</u>	<u>\$ 2,173,600</u>	<u>\$ 2,232,764</u>	<u>\$ (59,164)</u>

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

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:				
Mental health and mental retardation:				
New River Valley Community Action	\$ -	\$ -	\$ 4,000	\$ (4,000)
Total health and welfare	\$ -	\$ -	\$ 4,000	\$ (4,000)
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation centers and playgrounds	\$ 706,502	\$ 738,002	\$ 583,396	\$ 154,606
Cemeteries	22,804	22,804	27,728	(4,924)
Senior citizen center	82,448	82,448	87,125	(4,677)
Total parks and recreation	\$ 811,754	\$ 843,254	\$ 698,249	\$ 145,005
Cultural enrichment:				
Agency on aging	\$ -	\$ -	\$ 3,193	\$ (3,193)
Fine arts center	-	-	4,000	(4,000)
Friends of the Theater	-	-	4,000	(4,000)
Train station museum	47,218	47,218	55,718	(8,500)
Total cultural enrichment	\$ 47,218	\$ 47,218	\$ 66,911	\$ (19,693)
Total parks, recreation, and cultural	\$ 858,972	\$ 890,472	\$ 765,160	\$ 125,312
Community development:				
Planning and community development:				
Planning and zoning	\$ 57,207	\$ 57,207	\$ 12,528	\$ 44,679
Economic development	95,731	95,731	111,035	(15,304)
Airport commission	-	-	14,907	(14,907)
Pulaski transit authority	-	-	77,087	(77,087)
NRV planning commission	29,419	29,419	11,745	17,674
Neighborhood revitalization	3,400	3,400	3,318	82
Total community development	\$ 185,757	\$ 185,757	\$ 230,620	\$ (44,863)
Capital projects:	\$ -	\$ -	\$ 309,108	\$ (309,108)
Debt service:				
Principal retirement	\$ 686,850	\$ 686,850	\$ 3,138,224	\$ (2,451,374)
Interest and fiscal charges	-	-	135,679	(135,679)
Bond issuance cost	-	-	45,249	(45,249)
Total debt service	\$ 686,850	\$ 686,850	\$ 3,319,152	\$ (2,632,302)
Total General Fund	\$ 8,290,587	\$ 8,370,975	\$ 11,516,709	\$ (3,145,734)

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

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	\$ -	\$ -	\$ 67,001	\$ (67,001)
Total UDAG fund	\$ -	\$ -	\$ 67,001	\$ (67,001)
Nonmajor Special Revenue Funds:				
Cemetery Fund:				
Parks, recreation, and cultural	\$ -	\$ -	\$ 1,102	\$ (1,102)
Total Cemetery Fund	\$ -	\$ -	\$ 1,102	\$ (1,102)
Tornado Recovery Fund:				
Community development				
Tornado Recovery	\$ -	\$ -	\$ 447,552	\$ (447,552)
Total Tornado Recovery Fund	\$ -	\$ -	\$ 447,552	\$ (447,552)
Neighborhood Revitalization Fund:				
Community development	\$ -	\$ -	\$ 25,820	\$ (25,820)
Total Neighborhood Revitalization Fund	\$ -	\$ -	\$ 25,820	\$ (25,820)
Total Governmental Funds	\$ 8,290,587	\$ 8,370,975	\$ 12,058,184	\$ (3,687,209)

Other Statistical Information

Table 1

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

Fiscal Year	General Government Administration	Public Safety	Public Works	Health and Welfare	Parks, Recreation, and Cultural	Community Development	Interest and Other Fiscal Charges	Water and Sewer	Total
2013-14	\$ 1,330,825	\$ 2,999,517	\$ 2,438,856	\$ 4,000	\$ 804,662	\$ 945,993	\$ 199,227	\$ 4,622,286	\$ 13,345,366
2012-13	1,651,582	2,871,557	2,210,606	5,500	801,277	676,456	342,142	4,380,816	12,939,936
2011-12	1,473,576	2,971,184	1,718,281	4,000	734,382	1,149,023	160,785	4,512,216	12,723,447
2010-11	1,472,132	2,898,794	2,108,173	4,900	738,149	810,796	182,720	4,156,514	12,372,178
2009-10	1,433,020	3,022,020	2,515,448	5,000	771,332	494,366	177,898	4,497,128	12,916,212
2008-09	1,341,262	3,056,230	1,854,982	5,000	704,360	616,043	243,355	4,265,969	12,087,201
2007-08	1,350,939	2,884,530	2,040,017	7,000	381,506	1,043,828	245,968	3,432,832	11,386,620
2006-07	1,395,220	2,584,260	1,730,965	-	573,139	1,497,569	314,043	3,691,440	11,786,636

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

Table 2

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES					
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Total
2013-14	\$ 4,992,588	\$ 2,456,491	\$ 890,493		\$ 2,317,725	\$ 2,233,306	\$ 174,619	\$ 228,926	\$ 668,201	\$ 13,962,349
2012-13	4,729,776	2,244,198	384,688		2,417,256	2,164,954	44,728	244,300	642,716	12,872,616
2011-12	4,822,568	2,872,383	751,280		2,601,592	2,166,079	166,431	56,095	613,304	14,049,732
2010-11	4,281,902	2,570,675	369,838		2,253,038	2,173,149	9,900	521,276	613,274	12,793,052
2009-10	3,742,501	3,260,180	-		1,952,460	2,543,883	35,040	183,094	181,222	11,898,380
2008-09	4,225,484	2,372,075	-		1,884,781	2,798,698	42,569	115,954	165,126	11,604,687
2007-08	4,100,746	2,765,211	-		1,993,958	2,699,631	58,710	113,174	-	11,731,430
2006-07	3,903,467	3,103,518	138,714		1,822,129	2,606,209	376,013	513,322	2,253,260	14,716,632

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

Table 3

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

Fiscal Year	General Administration	Public Safety	Public Works	Health and Welfare	Parks, Recreation & Cultural	Community Development	Debt Service	Capital Projects	Totals
2013-14	\$ 1,675,462	\$ 2,980,443	\$ 2,232,764	\$ 4,000	\$ 765,160	\$ 230,620	\$ 3,319,152	\$ 309,108	\$ 11,516,709
2012-13	1,516,366	2,765,291	2,083,753	5,500	632,822	291,808	677,056	312,030	8,284,626
2011-12	1,497,493	2,847,535	2,157,923	4,000	606,866	407,017	2,007,941	-	9,528,775
2010-11	1,497,960	2,933,997	2,024,421	4,900	1,173,339	404,113	765,269	-	8,803,999
2009-10	1,471,785	2,932,565	2,531,012	5,000	1,507,979	206,837	779,341	-	9,434,519
2008-09	1,473,858	2,885,890	1,839,567	5,000	617,364	271,305	1,028,035	-	8,121,019
2007-08	1,550,052	2,814,354	2,009,564	7,000	581,995	643,666	843,405	-	8,450,036
2006-07	1,476,474	2,484,252	1,720,656	-	562,298	1,458,856	609,735	-	8,312,271
2005-06	1,034,612	2,862,498	1,890,358	-	517,923	4,172,041	257,898	523,761	11,259,091
2004-05	948,622	2,612,614	1,740,845	-	528,554	5,498,631	252,986	688,946	12,271,198

Note: (1) Includes only General Fund.

Table 4

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits Privilege Fees and Regulatory Licenses	Fines and Forfeitures	Revenue from use of Money and Property (2)	Charges for Services	Miscellaneous	Recovered Costs (2)	Inter- governmental	Total
2013-14	\$ 2,395,169	\$ 2,233,306	\$ 28,554	\$ 57,344	\$ 85,361	\$ 304,210	\$ 73,449	\$ 262,554	\$ 3,232,066	\$ 8,672,013
2012-13	2,420,085	2,164,954	18,460	51,534	80,627	298,706	21,350	300,835	2,873,783	8,230,334
2011-12	2,332,089	2,166,079	19,710	52,119	60,178	273,409	14,138	103,990	3,463,696	8,485,408
2010-11	2,232,902	2,173,149	17,540	44,221	1,224	262,524	127,407	46,596	2,800,516	7,706,079
2009-10	2,053,216	2,543,883	13,531	29,107	5,988	288,498	16,320	137,982	2,244,120	7,332,645
2008-09	1,841,932	2,798,698	5,959	39,913	42,037	241,046	8,814	121,837	2,281,074	7,381,310
2007-08	1,923,474	2,699,631	25,143	44,825	105,635	310,363	14,447	113,919	2,549,670	7,787,107
2006-07	1,815,054	2,606,209	34,657	36,284	349,391	179,420	475,818	43,905	3,540,627	9,081,365
2005-06	1,618,493	2,518,659	33,692	47,260	-	95,826	976,595	-	5,028,293	10,318,818
2004-05	1,741,477	2,396,194	22,273	44,365	-	71,985	562,949	-	1,831,271	6,670,514

Note: (1) Includes only General Fund.

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

Table 5

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
2013-14	\$ 2,435,456	\$ 2,381,344	97.78%	\$ 112,268	\$ 2,493,612	102.39%	\$ 850,712	34.93%
2012-13	2,301,511	2,258,694	98.14%	108,761	2,367,455	102.87%	672,502	29.22%
2011-12	2,278,796	2,153,748	94.51%	133,493	2,287,241	100.37%	516,884	22.68%
2010-11	2,441,686	2,319,618	95.00%	98,834	2,418,452	99.05%	513,591	21.03%
2009-10	2,160,968	2,047,005	94.73%	140,791	2,187,796	101.24%	493,119	22.82%
2008-09	2,074,855	1,911,904	92.15%	207,675	2,119,579	102.16%	588,180	28.35%
2007-08	1,866,273	1,698,288	91.00%	306,922	2,005,210	107.44%	550,949	29.52%
2006-07	1,804,296	1,723,151	95.50%	204,919	1,928,070	106.86%	546,729	30.30%
2005-06	1,580,261	1,433,919	90.74%	152,821	1,586,740	100.41%	661,679	41.87%
2004-05	1,588,261	1,567,744	98.71%	125,716	1,693,460	106.62%	594,464	37.43%

(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
2013-14	\$ 472,785,450	\$ 38,582,813	\$ 72,016,366	\$ 18,441,141	\$ 601,825,770
2012-13	470,522,350	57,892,456	72,007,925	19,922,986	620,345,717
2011-12	470,533,050	61,898,293	56,406,645	20,636,052	609,474,040
2010-11	462,208,333	53,883,613	49,841,853	20,559,217	586,493,016
2009-10	467,392,000	48,922,969	45,425,511	20,359,739	582,100,219
2008-09	430,594,500	55,765,468	38,544,618	15,705,676	540,610,262
2007-08	393,632,600	56,212,241	41,490,001	15,209,324	506,544,166
2006-07	352,295,900	57,412,925	40,651,435	13,383,761	463,744,021
2005-06	349,768,350	53,326,001	15,456,423	8,225,320	426,776,094
2004-05	347,240,800	50,840,638	18,393,401	14,979,048	431,453,887

(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
2013-14	\$ 0.32	\$ 0.80	\$ 0.32	\$ 0.80
2012-13	0.30	0.80	0.30	0.80
2011-12	0.30	0.80	0.30	0.80
2010-11	0.30	0.80	0.30	0.80
2009-10	0.30	0.74	0.30	0.74
2008-09 (2)	0.32/0.30	0.74	0.30	0.74
2007-08	0.32	0.74	0.32	0.74
2006-07	0.30	0.74	0.30	0.74
2005-06	0.30	0.74	0.30	0.74
2004-05	0.30	0.74	0.30	0.74

(1) Per \$100 of assessed value.

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

Table 8

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

Fiscal Year	Population (1)	Assessed Value (in thousands)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2013-14	9,086	\$ 601,826	\$ 3,760,744	0.62%	\$ 414
2012-13	9,086	620,346	4,251,921	0.69%	468
2011-12	9,086	609,474	4,724,944	0.78%	520
2010-11	9,086	586,493	4,764,896	0.81%	524
2009-10	9,473	582,100	5,246,276	0.90%	554
2008-09	9,473	540,610	5,713,023	1.06%	603
2007-08	9,173	393,633	6,431,726	1.63%	701
2006-07	9,173	463,744	6,901,478	1.49%	752
2005-06	9,173	426,776	7,014,316	1.64%	765
2004-05	9,173	431,454	6,476,182	1.50%	706

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

Table 9

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

Fiscal Year	Principal	Interest and Bond Issuance Costs	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2013-14	\$ 3,138,224	\$ 180,928	\$ 3,319,152	\$ 11,516,709	28.82%
2012-13	514,791	162,265	677,056	8,284,626	8.17%
2011-12	1,796,783	211,158	2,007,941	9,528,775	21.07%
2010-11	519,902	245,367	765,269	8,803,999	8.69%
2009-10	466,747	244,668	711,415	9,434,519	7.54%
2008-09	718,703	241,406	960,109	8,121,019	11.82%
2007-08	469,752	215,285	685,037	8,450,036	8.11%
2006-07	176,305	433,430	609,735	8,312,271	7.34%
2005-06	193,535	64,363	257,898	11,259,091	2.29%
2004-05	183,475	69,511	252,986	12,291,198	2.06%

(1) Includes General Fund.

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Pulaski, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Town of Pulaski, Virginia's basic financial statements, and have issued our report thereon dated December 19, 2014.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
December 19, 2014

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
December 19, 2014

Town of Pulaski, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/State Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Appalachian Region Commission:			
Pass-through Payments:			
Department of Housing and Community Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	50797	\$ 365,493
Department of Justice:			
Direct payments:			
Equitable Sharing Program	16.922	Not Applicable	\$ 241,954
Department of Transportation			
Pass-through Payments:			
State and Community Highway Safety	20.600	50326	\$ 9,933
Alcohol Impaired Driving Countermeasures Incentives Grants	20.601	53414, 54456	7,000
Total Department of Transportation			\$ 16,933
Total Expenditures of Federal Awards			\$ 624,380

Note 1 -- Basis of Presentation

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

Note 2 -- Summary of Significant Accounting Policies

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

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

Note 3 -- Relationship to the Financial Statement:

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

Intergovernmental federal revenues per the basic financial statements:

 Primary Government:

General Fund total	\$ 258,887
Neighborhood Revitalization Fund total	19,295
Sewer Fund total	346,198
Total Primary Government	\$ 624,380

Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 624,380
---	------------

Town of Pulaski, Virginia

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

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

CFDA #	Name of Federal Program or Cluster
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

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

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings to report.

Section IV - Status of Prior Audit Findings and Questioned Costs

None