

FINANCIAL STATEMENTS



CITY OF GALAX, VIRGINIA

FISCAL YEAR ENDED
JUNE 30, 2015

CITY OF GALAX, VIRGINIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

Prepared By:
Galax City Finance Department

CITY OF GALAX, VIRGINIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED JUNE 30, 2015

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INTRODUCTORY SECTION

CITY OF GALAX, VIRGINIA

CITY COUNCIL

Willie Greene, Vice Mayor
Margo Crouse
John Garner

C. M. Mitchell, Mayor

Dr. Robert Lazo
Sharon Plichta
William Davis, Jr.

CITY SCHOOL BOARD

Dr. James Adams, Vice-Chair
Stewart Merdian

Raymond Kohl, Chair

Helen Kyle
Larry Spangler

CITY SOCIAL SERVICES BOARD

Keith Barker
C.M. Mitchell

Regina Snow

Dr. Eugenia Larrowe
Dr. Art Pemberton

OTHER OFFICIALS

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

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Galax, Virginia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Galax, Virginia, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 20 to the financial statements, in 2015, the City adopted new accounting guidance, GASB Statement Nos. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to pension and OPEB funding on pages 75 and 76-80 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

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

Other Information (continued)

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2015, on our consideration of the City of Galax, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Galax, Virginia's internal control over financial reporting and compliance.

Robinson, Fauser, Co. Associates

Blacksburg, Virginia
November 18, 2015

Basic Financial Statements

City of Galax, Virginia
Statement of Net Position
June 30, 2015

| | Primary Government | | | Component Units | |
|-------------------------------------------------------|----------------------------|-----------------------------|----------------------|-----------------------|---------------------|
| | Governmental Activities | Business-type Activities | Total | School Board | IDA |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 1,328,934 | \$ - | \$ 1,328,934 | \$ 1,721,751 | \$ 119,369 |
| Taxes receivable | 574,443 | - | 574,443 | - | - |
| Accounts receivable | 520,898 | 596,191 | 1,117,089 | - | - |
| Interest receivable | - | - | - | - | - |
| Internal balances | 74,515 | (74,515) | - | - | - |
| Due from component unit | 29,184 | - | 29,184 | - | - |
| Due from primary government | - | - | - | 600,000 | 30,000 |
| Due from other governmental units | 1,667,117 | 3,252 | 1,670,369 | 655,590 | - |
| Inventories | - | - | - | 27,594 | - |
| Loans receivable | 84,497 | - | 84,497 | - | - |
| Prepaid items | 23,024 | 2,548 | 25,572 | 118,812 | - |
| Restricted assets: | | | | | |
| Cash and cash equivalents | 1,118,247 | 66,936 | 1,185,183 | 203,994 | - |
| Capital assets (net of accumulated depreciation): | | | | | |
| Land | 1,786,536 | 149,374 | 1,935,910 | 439,368 | 231,219 |
| Buildings and improvements | 10,496,876 | 1,412,196 | 11,909,072 | 4,194,740 | 793,131 |
| Machinery and equipment | 1,434,078 | 227,437 | 1,661,515 | 450,858 | - |
| Infrastructure | 1,241,328 | 2,793,026 | 4,034,354 | - | - |
| Construction in progress | 2,865,022 | 71,489 | 2,936,511 | - | - |
| Total assets | <u>\$ 23,244,699</u> | <u>\$ 5,247,934</u> | <u>\$ 28,492,633</u> | <u>\$ 8,412,707</u> | <u>\$ 1,173,719</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Deferred charge on refunding | \$ 42,599 | \$ - | \$ 42,599 | \$ - | \$ - |
| Changes in proportionate share of pension liability | - | - | - | 119,000 | - |
| Pension contributions subsequent to measurement date | 423,473 | 115,311 | 538,784 | 1,047,967 | - |
| Total deferred outflows of resources | <u>\$ 466,072</u> | <u>\$ 115,311</u> | <u>\$ 581,383</u> | <u>\$ 1,166,967</u> | <u>\$ -</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ 729,470 | \$ 58,790 | \$ 788,260 | \$ 53,846 | \$ 26,568 |
| Wages and withholdings payable | 217,522 | 48,020 | 265,542 | - | - |
| Due to other governments | 578,116 | - | 578,116 | 842,045 | - |
| Customers' deposits | - | 66,936 | 66,936 | - | - |
| Accrued interest payable | 91,290 | 1,339 | 92,629 | - | - |
| Due to component unit | 630,000 | - | 630,000 | - | - |
| Due to primary government | - | - | - | - | 29,984 |
| Long-term liabilities: | | | | | |
| Due within one year | 844,505 | 275,098 | 1,119,603 | 140,149 | - |
| Due in more than one year | 9,749,079 | 1,935,298 | 11,684,377 | 11,746,405 | - |
| Total liabilities | <u>\$ 12,839,982</u> | <u>\$ 2,385,481</u> | <u>\$ 15,225,463</u> | <u>\$ 12,782,445</u> | <u>\$ 56,552</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Property taxes paid in advance | \$ 7,853 | \$ - | \$ 7,853 | \$ - | \$ - |
| Items related to measurement of net pension liability | 845,813 | 230,313 | 1,076,126 | 1,761,231 | - |
| Total deferred inflows of resources | <u>\$ 853,666</u> | <u>\$ 230,313</u> | <u>\$ 1,083,979</u> | <u>\$ 1,761,231</u> | <u>\$ -</u> |
| NET POSITION | | | | | |
| Net investment in capital assets | \$ 10,357,133 | \$ 3,067,559 | \$ 13,424,692 | \$ 5,084,966 | \$ 1,024,350 |
| Restricted | | | | | |
| Anthem stock proceeds | 101,840 | - | 101,840 | - | - |
| Blue Ridge Post book fund | 14,516 | - | 14,516 | - | - |
| Capital project funds | 1,001,891 | - | 1,001,891 | - | - |
| Cafeteria operations | - | - | - | 203,994 | - |
| Unrestricted | (1,458,257) | (320,108) | (1,778,365) | (10,252,962) | 92,817 |
| Total net position | <u>\$ 10,017,123</u> | <u>\$ 2,747,451</u> | <u>\$ 12,764,574</u> | <u>\$ (4,964,002)</u> | <u>\$ 1,117,167</u> |

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

City of Galax, Virginia
Statement of Activities
For the Year Ended June 30, 2015

| Functions/Programs | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | | | |
|--------------------------------------------------------------|------------------|----------------------|------------------------------------|---------------------------------------------------|-------------------------|---------------------------------------------|----------------|---------------|--------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Primary Government Business-type Activities | School Board | Galax Futures | IDA |
| PRIMARY GOVERNMENT: | | | | | | | | | |
| Governmental activities: | | | | | | | | | |
| General government administration | \$ 1,574,606 | \$ 27,112 | \$ 86,530 | \$ - | \$ (1,460,964) | \$ - | \$ - | \$ - | \$ - |
| Judicial administration | 665,677 | 119,843 | - | - | (545,834) | - | - | - | - |
| Public safety | 2,796,916 | 47,205 | 470,536 | 68,300 | (2,210,875) | - | - | - | - |
| Public works | 2,441,402 | 374,344 | 1,776,202 | 1,228,774 | 937,918 | - | - | - | - |
| Health and welfare | 1,425,069 | - | 1,067,322 | - | (357,747) | - | - | - | - |
| Education | 3,928,234 | - | - | - | (3,928,234) | - | - | - | - |
| Parks, recreation, and cultural | 2,023,767 | 352,341 | 5,000 | - | (1,666,426) | - | - | - | - |
| Community development | 560,934 | - | 231,500 | 748,885 | 419,451 | - | - | - | - |
| Interest on long-term debt | 198,755 | - | - | - | (198,755) | - | - | - | - |
| Total governmental activities | \$ 15,615,360 | \$ 920,845 | \$ 3,637,090 | \$ 2,045,959 | \$ (9,011,466) | \$ - | \$ - | \$ - | \$ - |
| Business-type activities: | | | | | | | | | |
| Water and sewer | \$ 2,562,104 | \$ 2,505,333 | \$ - | \$ 39,552 | \$ - | \$ (17,219) | \$ - | \$ - | \$ - |
| Total primary government | \$ 18,177,464 | \$ 3,426,178 | \$ 3,637,090 | \$ 2,085,511 | \$ (9,011,466) | \$ (17,219) | \$ - | \$ - | \$ - |
| COMPONENT UNITS: | | | | | | | | | |
| School Board | \$ 14,176,584 | \$ 453,194 | \$ 10,163,559 | \$ - | \$ - | \$ - | \$ (3,559,831) | \$ - | \$ - |
| Galax Futures, Inc. | 572,679 | - | - | - | - | - | - | (572,679) | - |
| Industrial Development Authority | 110,007 | 60,000 | 572,679 | - | - | - | - | - | - |
| Total component units | \$ 14,859,270 | \$ 513,194 | \$ 10,736,238 | \$ - | \$ - | \$ - | \$ (3,559,831) | \$ (572,679) | \$ 522,672 |
| General revenues: | | | | | | | | | |
| General property taxes | | | | | \$ 5,008,653 | \$ - | \$ - | \$ - | \$ - |
| Other local taxes: | | | | | | | | | |
| Local sales and use taxes | | | | | 2,232,174 | - | - | - | - |
| Consumers' utility taxes | | | | | 179,601 | - | - | - | - |
| Business license taxes | | | | | 966,296 | - | - | - | - |
| Motor vehicle taxes | | | | | 115,966 | - | - | - | - |
| Restaurant food taxes | | | | | 1,949,064 | - | - | - | - |
| Lodging taxes | | | | | 140,916 | - | - | - | - |
| Bank stock taxes | | | | | 138,242 | - | - | - | - |
| Other local taxes | | | | | 80,540 | - | - | - | - |
| Unrestricted revenues from the use of money and property | | | | | 38,320 | - | 697 | - | - |
| Miscellaneous | | | | | 190,713 | - | 45,704 | - | - |
| Grants and contributions not restricted to specific programs | | | | | 504,695 | - | 3,659,319 | - | - |
| Transfers | | | | | (83) | 83 | - | - | - |
| Total general revenues and transfers | | | | | \$ 11,545,097 | \$ 83 | \$ 3,705,720 | \$ - | \$ - |
| Change in net position | | | | | \$ 2,533,631 | \$ (17,136) | \$ 145,889 | \$ (572,679) | \$ 522,672 |
| Net position - beginning, as restated | | | | | 7,483,492 | 2,764,587 | (5,109,891) | 572,679 | 594,495 |
| Net position - ending | | | | | \$ 10,017,123 | \$ 2,747,451 | \$ (4,964,002) | \$ - | \$ 1,117,167 |

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

City of Galax, Virginia
Balance Sheet
Governmental Funds
June 30, 2015

| | <u>General</u> |
|--------------------------------------------------------------------|----------------|
| ASSETS | |
| Cash and cash equivalents | \$ 2,447,181 |
| Receivables (net of allowance for uncollectibles): | |
| Taxes receivable | 574,443 |
| Accounts receivable | 520,898 |
| Due from other funds | 74,515 |
| Due from component unit | 29,184 |
| Due from other governmental units | 1,667,117 |
| Loan receivable | 84,497 |
| Prepaid items | 23,024 |
| Total assets | \$ 5,420,859 |
| LIABILITIES | |
| Accounts payable | \$ 729,470 |
| Wages and withholdings payable | 217,522 |
| Due to other governments | 578,116 |
| Due to component unit | 630,000 |
| Total liabilities | \$ 2,155,108 |
| DEFERRED INFLOWS OF RESOURCES | |
| Unavailable revenue - property taxes | \$ 259,106 |
| Unavailable revenue - meals tax | 60,068 |
| Property taxes paid in advance | 7,853 |
| Total deferred inflows of resources | \$ 327,027 |
| Fund balance: | |
| Nonspendable | |
| Prepaid items | \$ 23,024 |
| Loans receivable | 84,497 |
| Restricted | 1,118,247 |
| Committed | 45,138 |
| Unassigned | 1,667,818 |
| Total fund balances | \$ 2,938,724 |
| Total liabilities, deferred inflows of resources, and fund balance | \$ 5,420,859 |

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

City of Galax, Virginia
 Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Position
 June 30, 2015

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

| | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|-----------------------------|
| Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds | | \$ 2,938,724 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | |
| Land | \$ 1,786,536 | |
| Buildings and improvements | 10,496,876 | |
| Infrastructure | 1,241,328 | |
| Machinery and equipment | 1,434,078 | |
| Construction in progress | <u>2,865,022</u> | 17,823,840 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. The assets consist of unavailable taxes. | | |
| Unavailable revenue | \$ 319,174 | |
| Items related to measurement of net pension liability | <u>(845,813)</u> | (526,639) |
| Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds. | | 423,473 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. | | |
| Bonds, notes, and loans | \$ (7,509,306) | |
| Less: Unamortized charge on advance refunding | 42,599 | |
| Accrued interest payable | (91,290) | |
| Accrued landfill closure/postclosure monitoring liability | (702,139) | |
| Compensated absences | (375,824) | |
| Net OPEB obligation | (181,550) | |
| Net pension liability | <u>(1,824,765)</u> | (10,642,275) |
| Net position of governmental activities | | <u><u>\$ 10,017,123</u></u> |

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

City of Galax, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

| | <u>General</u> |
|--------------------------------------------------------------|----------------------|
| REVENUES | |
| General property taxes | \$ 5,068,041 |
| Other local taxes | 5,785,608 |
| Permits, privilege fees, and regulatory licenses | 21,470 |
| Fines and forfeitures | 119,843 |
| Revenue from the use of money and property | 38,320 |
| Charges for services | 779,532 |
| Miscellaneous | 190,713 |
| Recovered costs | 221,930 |
| Intergovernmental: | |
| Commonwealth | 3,573,140 |
| Federal | 2,614,604 |
| Total revenues | <u>\$ 18,413,201</u> |
| EXPENDITURES | |
| Current: | |
| General government administration | \$ 1,365,936 |
| Judicial administration | 665,677 |
| Public safety | 2,926,728 |
| Public works | 2,485,768 |
| Health and welfare | 1,455,978 |
| Education | 3,670,781 |
| Parks, recreation, and cultural | 1,856,206 |
| Community development | 437,928 |
| Nondepartmental | 373,928 |
| Capital projects | 2,327,615 |
| Debt service: | |
| Principal retirement | 595,650 |
| Bond issuance cost | 18,500 |
| Interest and other fiscal charges | 172,393 |
| Total expenditures | <u>\$ 18,353,088</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 60,113</u> |
| OTHER FINANCING SOURCES (USES) | |
| Issuance of general obligation bond | <u>\$ 1,414,000</u> |
| Net change in fund balances | \$ 1,474,113 |
| Fund balances - beginning | 1,464,611 |
| Fund balances - ending | <u>\$ 2,938,724</u> |

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

City of Galax, Virginia
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2015

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

Net change in fund balances - total governmental funds \$ 1,474,113

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

| | | |
|-------------------------------------------------------|------------------|-----------|
| Capital outlays | \$ 2,575,289 | |
| Transfers of assets (net) to business-type activities | (83) | |
| Depreciation expense | <u>(802,259)</u> | 1,772,947 |

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position. (26)

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

| | | |
|------------------------------------------------------------------------------------|------------------|-----------|
| Property taxes | \$ (59,388) | |
| Meals tax | 17,191 | |
| Change in deferred inflows related to the measurement of the net pension liability | <u>(845,813)</u> | (888,010) |

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: | | |
| Issuance of general obligation debt | \$ (1,414,000) | |
| Change in accrued landfill closure/postclosure liability | (45,159) | |
| Principal repayments: | | |
| Bonds, notes, and loan agreements | <u>595,650</u> | (863,509) |

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.

| | | |
|--------------------------------------------------------------------------------------------|----------------|-----------|
| Change in compensated absences | \$ 7,219 | |
| Change in accrued interest payable | (7,862) | |
| Change in net OPEB obligation | (35,508) | |
| Change in net pension liability | 1,082,968 | |
| Change in deferred outflows related to pension payments subsequent to the measurement date | <u>(8,701)</u> | 1,038,116 |

Change in net position of governmental activities \$ 2,533,631

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

City of Galax, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2015

| | Enterprise Fund Water and Sewer |
|-----------------------------------------------------------|----------------------------------------------------|
| ASSETS | |
| Current assets: | |
| Accounts receivable (net of allowance for uncollectibles) | \$ 596,191 |
| Due from other governmental units | 3,252 |
| Prepaid items | 2,548 |
| Total current assets | \$ 601,991 |
| Noncurrent assets: | |
| Restricted cash and cash equivalents | \$ 66,936 |
| Capital assets: | |
| Land | 149,374 |
| Utility plant in service | 17,976,656 |
| Machinery and equipment | 665,417 |
| Buildings and improvements | 1,823,395 |
| Construction in progress | 71,489 |
| Accumulated depreciation | (16,032,809) |
| Total net capital assets | \$ 4,653,522 |
| Total noncurrent assets | \$ 4,720,458 |
| Total assets | \$ 5,322,449 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Pension contributions subsequent to measurement date | \$ 115,311 |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable | \$ 58,790 |
| Accrued payroll and related liabilities | 48,020 |
| Due to other funds | 74,515 |
| Customers' deposits | 66,936 |
| Accrued interest payable | 1,339 |
| Compensated absences - current portion | 77,598 |
| Bonds payable - current portion | 197,500 |
| Total current liabilities | \$ 524,698 |
| Noncurrent liabilities: | |
| Compensated absences - net of current portion | \$ 19,400 |
| Bonds payable - net of current portion | 1,388,463 |
| Net OPEB obligation | 30,555 |
| Net pension liability | 496,880 |
| Total noncurrent liabilities | \$ 1,935,298 |
| Total liabilities | \$ 2,459,996 |
| DEFERRED INFLOWS OF RESOURCES | |
| Items related to measurement of net pension liability | \$ 230,313 |
| NET POSITION | |
| Net investment in capital assets | \$ 3,067,559 |
| Unrestricted | (320,108) |
| Total net position | \$ 2,747,451 |

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

City of Galax, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2015

| | Enterprise Fund Water and Sewer |
|------------------------------------------------------|------------------------------------------|
| OPERATING REVENUES | |
| Charges for services: | |
| Water revenues pledged as security for revenue bonds | \$ 1,181,294 |
| Sewer revenues pledged as security for revenue bonds | 1,212,889 |
| Tap fees | 11,000 |
| Penalties and interest | 14,998 |
| Other revenue | 85,152 |
| Total operating revenues | \$ 2,505,333 |
| OPERATING EXPENSES | |
| Personnel services | \$ 1,434,107 |
| Utilities and telecommunication | 305,208 |
| Materials and supplies | 260,258 |
| Repairs and maintenance | 226,113 |
| Contractual services | 28,650 |
| Depreciation | 299,672 |
| Total operating expenses | \$ 2,554,008 |
| Operating income (loss) | \$ (48,675) |
| NONOPERATING REVENUES (EXPENSES) | |
| Interest expense | \$ (8,096) |
| Total nonoperating revenues (expenses) | \$ (8,096) |
| Income before contributions and transfers | \$ (56,771) |
| Capital contributions and construction grants | \$ 39,552 |
| Transfers in | 83 |
| Change in net position | \$ (17,136) |
| Total net position - beginning, as restated | 2,764,587 |
| Total net position - ending | \$ 2,747,451 |

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

City of Galax, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

| | <u>Enterprise Fund Water and Sewer</u> |
|-----------------------------------------------------------------------------------------------------------|----------------------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from customers and users | \$ 2,531,137 |
| Payments to suppliers | (812,644) |
| Payments to employees | (1,479,966) |
| Other operating revenues | 74,515 |
| Net cash provided by (used for) operating activities | <u>\$ 313,042</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Additions to utility plant | \$ (137,250) |
| Principal payments on bonds | (192,500) |
| Contributions in aid of construction | 46,302 |
| Interest expense | (10,454) |
| Net cash provided by (used for) capital and related financing activities | <u>\$ (293,902)</u> |
| Net increase (decrease) in cash and cash equivalents | \$ 19,140 |
| Cash and cash equivalents - beginning (including restricted of \$47,796) | 47,796 |
| Cash and cash equivalents - ending (including restricted of \$66,936) | <u>\$ 66,936</u> |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | |
| Operating income (loss) | <u>\$ (48,675)</u> |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | |
| Depreciation expense | \$ 299,672 |
| (Increase) decrease in accounts receivable | 23,064 |
| (Increase) decrease in prepaid items | (348) |
| (Increase) decrease in deferred outflows of resources | 2,369 |
| Increase (decrease) in deferred inflows of resources | 230,313 |
| Increase (decrease) in customer deposits | 2,740 |
| Increase (decrease) in accrued payroll and related liabilities | 7,475 |
| Increase (decrease) in accounts payable | 7,933 |
| Increase (decrease) in due to primary government | 74,515 |
| Increase (decrease) in compensated absences | 3,094 |
| Increase (decrease) in net OPEB obligation | 5,780 |
| Increase (decrease) in net pension liability | (294,890) |
| Total adjustments | <u>\$ 361,717</u> |
| Net cash provided by (used for) operating activities | <u>\$ 313,042</u> |
| Schedule of non-cash capital activities | |
| Contribution of capital assets (at net book value) | <u>\$ 83</u> |

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

City of Galax, Virginia
 Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2015

| | <u>Agency Funds</u> |
|------------------------------------------|----------------------------|
| | <u>Special Welfare</u> |
| ASSETS | |
| Cash and cash equivalents | \$ 22,261 |
| Total assets | \$ 22,261 |
| LIABILITIES | |
| Amounts held for social services clients | \$ 22,261 |
| Total liabilities | \$ 22,261 |

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

CITY OF GALAX, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1-Summary of Significant Accounting Policies:

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

A. Financial Reporting Entity

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

Blended component units - None

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

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

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

Galax Futures Inc. is a non-profit corporation that was organized to take, hold and transfer title to real estate and other property, for purposes of industrial and economic development in the Galax Community. The Board of Galax Futures Inc. is self-perpetuating and is comprised of current City Council members and management of the City. Under GASB Statements 14 and 61, Galax Futures is considered a "controlled organization" and therefore is reported as a component unit of the City. The financial statements of Galax Futures Inc. include subsidiaries owned (controlled) by Galax Futures Inc. Galax Futures Inc. is presented as an enterprise fund type and does not issue separate financial statements. On August 13, 2014, Galax Futures, Inc. ceased operations and transferred all assets and liabilities to the Galax City IDA.

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

A. Financial Reporting Entity (Continued)

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

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

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

The City and the County of Grayson participate in supporting the Galax-Grayson Ambulance Service. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. The organization's activities are primarily supported by user charges; however the City provided a contribution of \$74,428 during the fiscal year. The City provides accounting services (payroll services) for this organization.

The City and the Counties of Carroll and Grayson participate in the Regional Solid Waste Authority. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. Each jurisdiction provides collection of solid waste and recyclables from within its jurisdiction and delivers the collected materials to the Waste Authority. Operations are financed by tipping fees and the individual jurisdictions are required to fund any annual deficit(s). The City paid \$96,391 in tipping fees during the current year.

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

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

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

A. Financial Reporting Entity (Continued)

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

B. Government-wide and fund financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

The government reports the following major governmental fund:

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

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

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

The government reports the following major proprietary funds:

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

Additionally, the government reports the following fund types:

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

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

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

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

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

1. Cash and cash equivalents

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

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

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

2. Prepaid items

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

3. Receivables and payables

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

4. Capital assets

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

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

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

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

| <u>Assets</u> | <u>Years</u> |
|----------------------------|--------------|
| Infrastructure | 20-50 |
| Buildings and improvements | 20-40 |
| Machinery and equipment | 4-15 |

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

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

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. One item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item is comprised of certain items related to the measurement of the net pension liability. These include differences between expected and actual experience, change in assumptions, the net difference between projected and actual earnings on pension plan investments and contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. For more detailed information on these items, reference the pension note.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two 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 prepaid taxes, which are deferred and recognized as an inflow of resources in the period that the amounts become available. Under the accrual basis, amounts prepaid are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

6. Property Taxes

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

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

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

7. Allowance for Uncollectible Accounts

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$562,237 at June 30, 2015. The allowance consists of delinquent taxes in the amount of \$470,715; delinquent meals tax of \$48,149; and delinquent water, sewer, and garbage bills of \$43,373.

8. Use of Estimates

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

9. Compensated Absences

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

10. Pensions

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

11. Long-term obligations

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

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

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

11. Long-term obligations (Continued)

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

12. Fund equity

The City reports funds in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

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

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

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

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

13. Net position flow assumption

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

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

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

14. Net Position

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.

15. Restricted Assets

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

16. Inventories

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

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

1. Prior to March 30, the City Manager submits to the City Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The following funds have legally adopted budgets: General Fund, Enterprise Fund and the School Operating Fund
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. Only the City Council can revise the appropriation for each fund. The City Manager is authorized to transfer budgeted amounts within general government functions; however, the School Board is authorized to transfer budgeted amounts within the school fund.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund. The School Fund is integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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

A. Budgetary information (Continued)

7. Appropriations lapse on June 30 for all City units.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is not part of the City's accounting system.

B. Excess of expenditures over appropriations

Expenditures did not exceed appropriations in any funds.

C. Deficit fund equity

At June 30, 2015, there were no funds with negative equity.

Note 3-Deposits and Investments:

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

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

Interest Rate Risk

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

Custodial Credit Risk

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 3-Deposits and Investments: (Continued)

Credit Risk of Debt Securities

The City's rated debt investments as of June 30, 2015 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

| City's Rated Debt Investments' Values | |
|---------------------------------------|----------------------|
| Rated Debt Investments | Fair Quality Ratings |
| | AAAm |
| LGIP | \$ 1,001,891 |

External Investment Pools

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

Note 4-Due from Other Governmental Units:

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

| | Primary Government | | Component Unit- School Board |
|--------------------------------------------|----------------------------|-----------------------------|---------------------------------|
| | Governmental Activities | Business-type Activities | |
| Due from other local government agencies | \$ - | \$ 3,252 | \$ 22,145 |
| Commonwealth of Virginia: | | | |
| Local sales tax | 364,672 | - | - |
| Categorical aid-State sales tax | - | - | 200,870 |
| Categorical aid-Shared expenses | 4,791 | - | - |
| Categorical aid-Other | 155,575 | - | 128,000 |
| Non-categorical aid | 56,570 | - | - |
| Categorical aid-Virginia Public Assistance | 25,170 | - | - |
| Categorical aid-Comprehensive Services Act | 35,173 | - | - |
| Federal Government: | | | |
| Categorical aid-Virginia Public Assistance | 42,487 | - | - |
| Categorical aid-Other | 982,679 | - | 304,575 |
| Totals | \$ 1,667,117 | \$ 3,252 | \$ 655,590 |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 5-Component-Unit Contribution and Obligations:

Primary government contributions to component units for the year ended June 30, 2015, consisted of payments to School Board of \$3,651,232.

| <u>Fund</u> | <u>Due to Primary Government/ Component Unit</u> | <u>Due from Primary Government/ Component Unit</u> |
|---------------------|----------------------------------------------------------|------------------------------------------------------------|
| Primary Government: | | |
| General Fund | \$ 630,000 | \$ 29,184 |
| Component Unit | | |
| School Board | \$ - | \$ 600,000 |
| IDA | 29,184 | 30,000 |
| Totals | \$ 659,184 | \$ 659,184 |

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

Note 6-Interfund Transfers and Balance:

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization. During the fiscal year, the City (Governmental type activities) transferred an asset with a net book value of \$83 to the Water and Sewer Fund.

| | <u>Due From</u> | <u>Due To</u> |
|----------------------|-----------------|---------------|
| General Fund | \$ 74,515 | \$ - |
| Water and Sewer Fund | - | 74,515 |
| Total | \$ 74,515 | \$ 74,515 |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 7-Long-Term Obligations:

Primary Government - Governmental Activities Obligations:

The following is a summary of long-term obligation transactions of the City for the year ended June 30, 2015.

| | Balance July 1, 2014, as restated | Increases/ Issuances | Decreases/ Retirements | Balance June 30, 2015 |
|----------------------------------------|-----------------------------------------|-------------------------|---------------------------|--------------------------|
| General Obligation Bonds | \$ 2,015,750 | \$ 1,414,000 | \$ (127,500) | \$ 3,302,250 |
| Note Payable | 138,585 | - | (87,049) | 51,536 |
| Literary Fund Loans | 4,536,621 | - | (381,101) | 4,155,520 |
| Landfill closure/postclosure liability | 656,980 | 45,159 | - | 702,139 |
| Compensated absences | 383,043 | 280,063 | (287,282) | 375,824 |
| Net OPEB obligation | 146,042 | 41,562 | (6,054) | 181,550 |
| Net pension liability | 2,907,733 | 1,425,261 | (2,508,229) | 1,824,765 |
| Total | \$ 10,784,754 | \$ 3,206,045 | \$ (3,397,215) | \$ 10,593,584 |

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

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

| Year Ending June 30, | General Obligation Bonds | | Note Payable | | Literary Fund Loans | |
|-------------------------|--------------------------|-------------------|------------------|-----------------|---------------------|-------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2016 | \$ 130,000 | \$ 86,636 | \$ 51,536 | \$ 1,571 | \$ 381,101 | \$ 89,666 |
| 2017 | 132,500 | 84,057 | - | - | 381,101 | 80,733 |
| 2018 | 194,000 | 80,469 | - | - | 381,101 | 71,800 |
| 2019 | 198,750 | 75,838 | - | - | 381,101 | 62,867 |
| 2020 | 203,500 | 71,085 | - | - | 381,116 | 53,933 |
| 2021-2026 | 798,250 | 287,909 | - | - | 1,250,000 | 175,000 |
| 2027-2030 | 835,000 | 178,805 | - | - | 1,000,000 | 50,000 |
| 2031-2035 | 810,250 | 55,688 | - | - | - | - |
| Totals | \$ 3,302,250 | \$ 920,487 | \$ 51,536 | \$ 1,571 | \$ 4,155,520 | \$ 583,999 |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 7-Long-Term Obligations: (Continued)

Primary Government - Governmental Activities Obligations: (Continued)

Details of long-term obligations:

| Type/ Project | Interest Rates | Issue Date | Final Maturity Date | Amount of Original Issue | Balance Governmental Activities | Amount Due Within One Year |
|-----------------------------------------|-------------------|---------------|---------------------------|--------------------------------|---------------------------------------|----------------------------------|
| General Obligation Bonds: | | | | | | |
| VML/VACO Loan | 2.35% | December-12 | 2034 | \$ 2,136,000 | \$ 1,888,250 | \$ 130,000 |
| VML/VACO Loan | 3.25% | July-14 | 2034 | 1,414,000 | 1,414,000 | - |
| Total General Obligation Bonds | | | | | <u>\$ 3,302,250</u> | <u>\$ 130,000</u> |
| Note Payable: | | | | | | |
| Dump Truck Loan | 3.00% | June-12 | 2015 | 200,000 | \$ 51,536 | \$ 51,536 |
| Literary Fund Loans: | | | | | | |
| State Literacy Loan | 3.00% | April-98 | 2019 | 2,622,035 | \$ 655,520 | \$ 131,101 |
| State Literacy Loan | 2.00% | May-08 | 2028 | 5,000,000 | 3,500,000 | 250,000 |
| Total Literary Fund Loans | | | | | <u>\$ 4,155,520</u> | <u>\$ 381,101</u> |
| Other Obligations: | | | | | | |
| Landfill closure/post-closure liability | n/a | n/a | n/a | n/a | \$ 702,139 | \$ - |
| Compensated Absences | n/a | n/a | n/a | n/a | 375,824 | 281,868 |
| Net OPEB Obligation | n/a | n/a | n/a | n/a | 181,550 | - |
| Net Pension Liability | n/a | n/a | n/a | n/a | 1,824,765 | - |
| Total Other Obligations | | | | | <u>\$ 3,084,278</u> | <u>\$ 281,868</u> |
| Total Long-term obligations | | | | | <u>\$ 10,593,584</u> | <u>\$ 844,505</u> |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 7-Long-Term Obligations: (Continued)

Primary Government - Business-type Activities Obligations:

The following is a summary of long-term obligations transactions of the Enterprise Fund for the year ended June 30, 2015.

| | Balance July 1, 2014, as restated | Increases/ Issuances | Decreases/ Retirements | Balance June 30, 2015 |
|--------------------------|-----------------------------------------|-----------------------------|-----------------------------|-----------------------------|
| Revenue bonds | \$ 1,777,500 | \$ - | \$ (192,500) | \$ 1,585,000 |
| Umamortized bond premium | 2,047 | - | (1,084) | 963 |
| Compensated absences | 93,904 | 78,217 | (75,123) | 96,998 |
| Net OPEB obligation | 24,363 | 6,698 | (506) | 30,555 |
| Net pension liability | 791,770 | 388,096 | (682,986) | 496,880 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total | \$ 2,689,584 | \$ 473,011 | \$ (952,199) | \$ 2,210,396 |

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

| Year Ending June 30, | Revenue Bonds | |
|-------------------------|-----------------------------|-----------------------------|
| | Principal | Interest |
| 2016 | \$ 197,500 | \$ 5,355 |
| 2017 | 92,500 | - |
| 2018 | 92,500 | - |
| 2019 | 92,500 | - |
| 2020 | 92,500 | - |
| 2021-2025 | 462,500 | - |
| 2026-2030 | 462,500 | - |
| 2031 | 92,500 | - |
| | <u> </u> | <u> </u> |
| Totals | \$ 1,585,000 | \$ 5,355 |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 7-Long-Term Obligations: (Continued)

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

Details of long-term obligations:

| | Interest Rates | Issue Date | Final Maturity Date | Amount of Original Issue | Balance Business-type Activities | Amount Due Within One Year |
|-----------------------------|-------------------|---------------|---------------------------|--------------------------------|----------------------------------------|----------------------------------|
| Revenue Bonds: | | | | | | |
| VRA Bond | 0.00% | December-09 | 2031 | \$ 1,850,000 | \$ 1,480,000 | \$ 92,500 |
| VRA Bond | 4.35-5.10% | June-01 | 2016 | 1,125,000 | 105,000 | 105,000 |
| Total Revenue Bonds | | | | | <u>\$ 1,585,000</u> | <u>\$ 197,500</u> |
| Add: | | | | | | |
| Unamortized premium | n/a | n/a | n/a | n/a | 963 | - |
| Net Revenue Bonds | | | | | <u>\$ 1,585,963</u> | <u>\$ 197,500</u> |
| Other Obligations: | | | | | | |
| Compensated Absences | n/a | n/a | n/a | n/a | \$ 96,998 | \$ 77,598 |
| Net OBEP Obligation | n/a | n/a | n/a | n/a | 30,555 | - |
| Net Pension Liability | n/a | n/a | n/a | n/a | 496,880 | - |
| Total Other Obligations | | | | | <u>\$ 624,433</u> | <u>\$ 77,598</u> |
| Total Long-term obligations | | | | | <u>\$ 2,210,396</u> | <u>\$ 275,098</u> |

Note 8-Long-Term Obligations-Component Units:

Discretely Presented Component Unit - School Board Obligations:

The following is a summary of long-term obligations transactions of the Component Unit-School Board for the year ended June 30, 2015.

| | Balance July 1, 2014, as restated | Increases | Decreases | Balance June 30, 2015 |
|-----------------------|-----------------------------------------|---------------------|-----------------------|--------------------------|
| Net OPEB obligation | \$ 173,066 | \$ 64,528 | \$ (18,720) | \$ 218,874 |
| Compensated absences | 186,675 | 137,851 | (149,340) | 175,186 |
| Net Pension liability | 13,036,499 | 1,105,606 | (2,649,611) | 11,492,494 |
| Total | <u>\$ 13,396,240</u> | <u>\$ 1,307,985</u> | <u>\$ (2,817,671)</u> | <u>\$ 11,886,554</u> |

Note 8-Long-Term Obligations-Component Units: (Continued)

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

Details of long-term obligations:

| | <u>Interest Rates</u> | <u>Issue Date</u> | <u>Final Maturity Date</u> | <u>Amount of Original Issue</u> | <u>Balance Governmental Activities</u> | <u>Amount Due Within One Year</u> |
|-----------------------------|---------------------------|-----------------------|------------------------------------|-----------------------------------------|------------------------------------------------|-------------------------------------------|
| Other Obligations: | | | | | | |
| Net OPEB Obligation | n/a | n/a | n/a | n/a | \$ 218,874 | \$ - |
| Compensated Absences | n/a | n/a | n/a | n/a | 175,186 | 140,149 |
| Net Pension Liability | n/a | n/a | n/a | n/a | 11,492,494 | - |
| Total long-term obligations | | | | | <u>\$ 11,886,554</u> | <u>\$ 140,149</u> |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 9-Pension Plan:

Plan Description

All full-time, salaried permanent employees of the City are automatically covered by the City of Galax Retirement Plan upon employment. The Plan includes employees of entities whose financial information is not included in the primary government report, and it is therefore a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia.

All full-time, salaried permanent (nonprofessional) employees of the public school divisions are automatically covered by the Galax City Schools Retirement Plan upon employment. This is an agent multiple-employer plan administered by the System along with plans for other employer groups in the Commonwealth of Virginia.

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This is a cost-sharing multiple employer plan administered by the Virginia Retirement System (the system).

Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

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

| RETIREMENT PLAN PROVISIONS | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> | <p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> | <p>About the Hybrid Retirement Plan 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 Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see “Eligible Members”)</p> <ul style="list-style-type: none"> • The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. |

Note 9-Pension Plan: (Continued)

Plan Description (Continued)

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>About Plan 1 (Cont.)</p> | <p>About Plan 2 (Cont.)</p> | <p>About the Hybrid Retirement Plan (Cont.)</p> <ul style="list-style-type: none"> • 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. |
| <p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> | <p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> | <p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • School division employees • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. |

Note 9-Pension Plan: (Continued)

Plan Description (Continued)

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>Hybrid Opt-In Election (Cont.) The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p> | <p>Hybrid Opt-In Election (Cont.) The Hybrid Retirement Plan’s effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p> | <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p> |
| <p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but 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.</p> | <p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p> | <p>Retirement Contributions A member’s retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee’s creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p> |

Note 9-Pension Plan: (Continued)

Plan Description (Continued)

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

Note 9-Pension Plan: (Continued)

Plan Description (Continued)

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

Note 9-Pension Plan: (Continued)

Plan Description (Continued)

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

Note 9-Pension Plan: (Continued)

Plan Description (Continued)

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

Note 9-Pension Plan: (Continued)

Plan Description (Continued)

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

Note 9-Pension Plan: (Continued)

Plan Description (Continued)

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

Note 9-Pension Plan: (Continued)

Plan Description (Continued)

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

Note 9-Pension Plan: (Continued)

Plan Description (Continued)

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p> | <p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p> | <p>Disability Coverage Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p> |
| <p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. 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.</p> | <p>Purchase of Prior Service Same as Plan 1.</p> | <p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> •Hybrid Retirement Plan members are ineligible for ported service. •The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. •Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p> |

Note 9-Pension Plan: (Continued)

Plan Description (Continued)

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/2014-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Contributions

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

The City's contractually required contribution rate for the year ended June 30, 2015 was 11.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$538,783 and \$549,854 for the years ended June 30, 2015 and June 30, 2014, respectively.

Net Pension Liability

At June 30, 2015, the City reported a liability of \$2,321,645 for its proportionate share of the net pension liability. The City's net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014. In order to allocate the net pension liability to all the employers included in the plan, the City is required to determine its proportionate share of the net pension. Contributions as of June 30, 2015 was used as a basis for allocation to determine the City's proportionate share of the net pension liability. At June 30, 2014 and 2013, the City's proportion was 78.62%.

Note 9-Pension Plan: (Continued)

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the City of Galax Retirement Plan and the Galax City Schools Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

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

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

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

Note 9-Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Actuarial Assumptions - Public Safety Employees

The total pension liability for Public Safety employees in the City of Galax Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

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

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

Note 9-Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees (Continued)

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Note 9-Pension Plan: (Continued)*Long-Term Expected Rate of Return*

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

| <u>Asset Class (Strategy)</u> | <u>Target Allocation</u> | <u>Arithmetic Long-Term Expected Rate of Return</u> | <u>Weighted Average Long-Term Expected Rate of Return</u> |
|-------------------------------|--------------------------|-----------------------------------------------------|-----------------------------------------------------------|
| U.S. Equity | 19.50% | 6.46% | 1.26% |
| Developed Non U.S. Equity | 16.50% | 6.28% | 1.04% |
| Emerging Market Equity | 6.00% | 10.00% | 0.60% |
| Fixed Income | 15.00% | 0.09% | 0.01% |
| Emerging Debt | 3.00% | 3.51% | 0.11% |
| Rate Sensitive Credit | 4.50% | 3.51% | 0.16% |
| Non Rate Sensitive Credit | 4.50% | 5.00% | 0.23% |
| Convertibles | 3.00% | 4.81% | 0.14% |
| Public Real Estate | 2.25% | 6.12% | 0.14% |
| Private Real Estate | 12.75% | 7.10% | 0.91% |
| Private Equity | 12.00% | 10.41% | 1.25% |
| Cash | 1.00% | -1.50% | -0.02% |
| Total | <u>100.00%</u> | | <u>5.83%</u> |
| | | Inflation | <u>2.50%</u> |
| | | *Expected arithmetic nominal return | <u>8.33%</u> |

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

Note 9-Pension Plan: (Continued)

Discount Rate

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

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

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

| | Rate | | |
|------------------------------------------------------------------------------------|-----------|-----------|---------|
| | (6.00%) | (7.00%) | (8.00%) |
| City's proportionate share of the City Retirement Plan Net Pension Liability | 4,883,492 | 2,321,645 | 185,940 |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 9-Pension Plan: (Continued)

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

For the year ended June 30, 2015, the City recognized pension expense of \$248,122. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Primary Government</u> | |
|----------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
| Differences between expected and actual experience | \$ - | \$ - |
| Change in assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investments | - | 1,076,126 |
| Employer contributions subsequent to the measurement date | <u>538,784</u> | <u>-</u> |
| Total | <u>\$ 538,784</u> | <u>\$ 1,076,126</u> |

\$538,784 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year ended June 30</u> | <u>Primary Government</u> |
|---------------------------|-------------------------------|
| 2016 | \$ (269,032) |
| 2017 | (269,032) |
| 2018 | (269,031) |
| 2019 | (269,031) |
| Thereafter | - |

Note 9-Pension Plan: (Continued)

Component Unit School Board (nonprofessional)

Plan Description

Additional information related to the plan description, plan contribution requirements, actuarial assumptions, long-term expected rate of return, and discount rate is included in the first section of this note.

Employees Covered by Benefit Terms

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

| | <u>Component Unit School Board Nonprofessional</u> |
|----------------------------------------------------------------------|-------------------------------------------------------------------|
| Inactive members or their beneficiaries currently receiving benefits | 15 |
| Inactive members: | |
| Vested inactive members | - |
| Non-vested inactive members | 3 |
| Inactive members active elsewhere in VRS | <u>2</u> |
| Total inactive members | 5 |
| Active members | <u>31</u> |
| Total covered employees | <u><u>51</u></u> |

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Note 9-Pension Plan: (Continued)

Component Unit School Board (nonprofessional) (Continued)

Contributions

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2015 was 10.30% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$56,563 and \$58,635 for the years ended June 30, 2015 and June 30, 2014, respectively.

Net Pension Liability

The Component Unit School Board's (nonprofessional) net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

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Note 9-Pension Plan: (Continued)

Component Unit School Board (nonprofessional) (Continued)

Changes in Net Pension Liability

| | Component School Board (nonprofessional) | | |
|------------------------------------------------------------------|------------------------------------------|------------------------------------------|------------------------------------------|
| | Increase (Decrease) | | |
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at June 30, 2013 | \$ 2,012,383 | \$ 1,525,884 | \$ 486,499 |
| Changes for the year: | | | |
| Service cost | \$ 59,100 | \$ - | \$ 59,100 |
| Interest | 138,221 | - | 138,221 |
| Differences between expected and actual experience | - | - | - |
| Contributions - employer | - | 58,635 | (58,635) |
| Contributions - employee | - | 27,537 | (27,537) |
| Net investment income | - | 242,426 | (242,426) |
| Benefit payments, including refunds of employee contributions | (75,607) | (75,607) | - |
| Administrative expenses | - | (1,285) | 1,285 |
| Other changes | - | 13 | (13) |
| Net changes | \$ 121,714 | \$ 251,719 | \$ (130,005) |
| Balances at June 30, 2014 | \$ 2,134,097 | \$ 1,777,603 | \$ 356,494 |

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

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

| | Rate | | |
|------------------------------------------------------------------------|---------|---------|---------|
| | (6.00%) | (7.00%) | (8.00%) |
| Component Unit School Board (nonprofessional) Net Pension Liability | 607,695 | 356,494 | 143,299 |

Note 9-Pension Plan: (Continued)

Component Unit School Board (nonprofessional) (Continued)

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

For the year ended June 30, 2015, the Component Unit School Board (nonprofessional) recognized pension expense of \$36,861. At June 30, 2015, the Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Component Unit School Board (nonprofessional)</u> | |
|----------------------------------------------------------------------------------|------------------------------------------------------|--------------------------------------|
| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
| Differences between expected and actual experience | \$ - | \$ - |
| Change in assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investments | - | 108,231 |
| Employer contributions subsequent to the measurement date | <u>56,563</u> | <u>-</u> |
| Total | <u>\$ 56,563</u> | <u>\$ 108,231</u> |

\$56,563 reported as deferred outflows of resources related to pensions resulting from the Component Unit School Board's (nonprofessional) contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year ended June 30</u> | <u>Component Unit School Board (nonprofessional)</u> |
|---------------------------|------------------------------------------------------|
| 2016 | \$ (27,058) |
| 2017 | (27,058) |
| 2018 | (27,058) |
| 2019 | (27,057) |
| Thereafter | - |

Note 9-Pension Plan: (Continued)

Component Unit School Board (professional)

Plan Description

Additional information related to the plan description, plan contribution requirements, System long-term expected rate of return, and discount rate is included in the first section of this note.

Contributions

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

Each School Division's contractually required contribution rate for the year ended June 30, 2015 was 14.50% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the Teacher Retirement Plan was 18.20%. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2015. Contributions to the pension plan from the School Board were \$991,404 and \$787,000 for the years ended June 30, 2015 and June 30, 2014, respectively.

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

At June 30, 2015, the school division reported a liability of \$11,136,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2014 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2014, the school division's proportion was 0.09215% as compared to 0.09110% at June 30, 2013.

For the year ended June 30, 2015, the school division recognized pension expense of \$907,000. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

Note 9-Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

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

At June 30, 2015, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Component Unit School Board (professional) | |
|---------------------------------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ - | \$ - |
| Change in assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investments | - | 1,653,000 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 119,000 | - |
| Employer contributions subsequent to the measurement date | 991,404 | - |
| Total | \$ 1,110,404 | \$ 1,653,000 |

\$991,404 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year ended June 30</u> | <u>Component Unit School Board (professional)</u> |
|---------------------------|-----------------------------------------------------------|
| 2016 | \$ (387,000) |
| 2017 | (387,000) |
| 2018 | (387,000) |
| 2019 | (387,000) |
| Thereafter | 14,000 |

Note 9-Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

| | |
|---------------------------------------|--------------------------------------------------------------------|
| Inflation | 2.5% |
| Salary increases, including inflation | 3.5% - 5.95% |
| Investment rate of return | 7.0%, net of pension plan investment expense, including inflation* |

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

Mortality rates:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females set back 5 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 3 years

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

Note 9-Pension Plan: (Continued)Component Unit School Board (professional) (Continued)*Long-Term Expected Rate of Return*

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

| <u>Asset Class (Strategy)</u> | <u>Target Allocation</u> | <u>Arithmetic Long-Term Expected Rate of Return</u> | <u>Weighted Average Long-Term Expected Rate of Return</u> |
|-------------------------------|--------------------------|-----------------------------------------------------|-----------------------------------------------------------|
| U.S. Equity | 19.50% | 6.46% | 1.26% |
| Developed Non U.S. Equity | 16.50% | 6.28% | 1.04% |
| Emerging Market Equity | 6.00% | 10.00% | 0.60% |
| Fixed Income | 15.00% | 0.09% | 0.01% |
| Emerging Debt | 3.00% | 3.51% | 0.11% |
| Rate Sensitive Credit | 4.50% | 3.51% | 0.16% |
| Non Rate Sensitive Credit | 4.50% | 5.00% | 0.23% |
| Convertibles | 3.00% | 4.81% | 0.14% |
| Public Real Estate | 2.25% | 6.12% | 0.14% |
| Private Real Estate | 12.75% | 7.10% | 0.91% |
| Private Equity | 12.00% | 10.41% | 1.25% |
| Cash | 1.00% | -1.50% | -0.02% |
| Total | <u>100.00%</u> | | <u>5.83%</u> |
| | | Inflation | 2.50% |
| | | *Expected arithmetic nominal return | <u>8.33%</u> |

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

Note 9-Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Sensitivity of the School Division's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

| | Rate | | |
|---------------------------------------------------------------------------------------------------------|------------|------------|-----------|
| | (6.00%) | (7.00%) | (8.00%) |
| School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability | 16,352,000 | 11,136,000 | 6,841,000 |

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2014 Comprehensive Annual Financial Report (CAFR). A copy of the 2014 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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Note 10-Other Postemployment Benefits - City Health Insurance:

A. Plan Description

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

B. Funding Policy

The City currently pays for post-retirement health care benefits on a pay-as-you-go basis. The City currently has 141 employees that are eligible for the program. In addition, for retirees of the City, 100 percent of premiums are the responsibility of the retiree. The rates (monthly premiums) were as follows at July 1, 2014:

| Participants | Single | Employee/Spouse |
|--------------|--------|-----------------|
| Employee | \$ 620 | \$ 1,260 |

C. Annual OPEB Cost and Net OPEB Obligation

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

For 2015, the City's annual OPEB cost (expense) was \$47,848 and the ARC was \$47,990. The obligation calculation is as follows:

| | |
|--------------------------------------------|-------------------|
| Annual required contribution | \$ 47,990 |
| Interest on net OPEB obligation | 6,832 |
| Adjustment to annual required contribution | (6,562) |
| Annual OPEB cost (expense) | <u>\$ 48,260</u> |
| Contributions made | 6,560 |
| Increase in net OPEB obligation | <u>\$ 41,700</u> |
| Net OPEB obligation - beginning of year | 170,405 |
| Net OPEB obligation - ending of year | <u>\$ 212,105</u> |

Note 10-Other Postemployment Benefits - City Health Insurance: (Continued)

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

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years were as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|----------------------|---------------------|--------------------------------------------------|------------------------|
| 6/30/2015 | \$ 47,848 | 14% | \$ 212,105 |
| 6/30/2014 | 34,831 | 19% | 170,817 |
| 6/30/2013 | 37,734 | 17% | 142,547 |

D. Funded Status and Funding Progress

The funded status of the Plan as of July 1, 2015 (the most recent valuation date), was as follows:

| | |
|---------------------------------------------------|--------------|
| Actuarial accrued liability (AAL) | \$ 428,204 |
| Actuarial value of plan assets | \$ - |
| Unfunded actuarial accrued liability (UAAL) | \$ 428,204 |
| Funded ratio (actuarial value of plan assets/AAL) | 0.00% |
| Covered payroll (active plan members) | \$ 5,216,393 |
| UAAL as a percentage of covered payroll | 8.21% |

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

E. Actuarial methods and Assumptions

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

Note 10-Other Postemployment Benefits - City Health Insurance: (Continued)

E. Actuarial methods and Assumptions (Continued)

In the July 1, 2014, most recent actuarial valuation, the unit credit cost method was used. Under this method, stable employer contributions are produced in amounts that increase at the same rate as the employer’s payroll. The actuarial assumptions included: discount rate at 4%, salary increases (inflation) of 2.5%/year and medical trend rate at 6.5%/year. The UAAL is being amortized as a level percentage over the remaining amortization period, which at July 1, 2014, was 30 years.

Note 11-Other Postemployment Benefits - School Board Health Insurance:

A. Plan Description

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

B. Funding Policy

The School Board currently pays for post-retirement health care benefits on a pay-as-you-go basis. The School Board currently has 187 employees that are eligible for the program. In addition, for retirees of the School Board, 100 percent of premiums are the responsibility of the retiree. The rates (monthly premiums) were as follows at July 1, 2014:

| | | |
|--------------|--------|-----------------|
| Participants | Single | Employee/Spouse |
| Employee | \$ 693 | \$ 1,281 |

C. Annual OPEB Cost and Net OPEB Obligation

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 11-Other Postemployment Benefits - School Board Health Insurance: (Continued)

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

For 2015, the School Board’s annual OPEB cost (expense) was \$64,528 and the ARC was \$64,670. The obligation calculation is as follows:

| | |
|--------------------------------------------|-------------------|
| Annual required contribution | \$ 64,670 |
| Interest on net OPEB obligation | 6,923 |
| Adjustment to annual required contribution | <u>(7,065)</u> |
| Annual OPEB cost (expense) | \$ 64,528 |
| Contributions made | <u>18,720</u> |
| Increase in net OPEB obligation | \$ 45,808 |
| Net OPEB obligation - beginning of year | <u>173,066</u> |
| Net OPEB obligation - ending of year | <u>\$ 218,874</u> |

The School Board’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years were as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|----------------------|---------------------|--------------------------------------------------|------------------------|
| 6/30/2015 | \$ 64,528 | 29% | \$ 218,874 |
| 6/30/2014 | 47,920 | 44% | 173,066 |
| 6/30/2013 | 46,847 | 45% | 146,192 |

D. Funded Status and Funding Progress

The funded status of the Plan as of July 1, 2014 (the most recent valuation date), was as follows:

| | |
|---------------------------------------------------|--------------|
| Actuarial accrued liability (AAL) | \$ 563,375 |
| Actuarial value of plan assets | \$ - |
| Unfunded actuarial accrued liability (UAAL) | \$ 563,375 |
| Funded ratio (actuarial value of plan assets/AAL) | 0.00% |
| Covered payroll (active plan members) | \$ 6,695,000 |
| UAAL as a percentage of covered payroll | 8.41% |

Note 11-Other Postemployment Benefits - School Board Health Insurance: (Continued)

D. Funded Status and Funding Progress (Continued)

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

E. Actuarial methods and Assumptions

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

In the July 1, 2014, most recent actuarial valuation, the unit credit cost method was used. Under this method, stable employer contributions are produced in amounts that increase at the same rate as the employer's payroll. The actuarial assumptions included: discount rate at 4%, salary increases (inflation) of 2.5%/year and a medical trend rate at 6.5%/year. Mortality rates are based on the 1994 GAM. The UAAL is being amortized as a level percentage over the remaining amortization period, which at July 1, 2014, was 30 years.

Note 12-Other Post-Employment Benefits - VRS Health Insurance Credit:

Professional Employees - Discretely Presented Component Unit School Board:

A. Plan Description

The School Board participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service.

A teacher, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$4 per year of creditable service. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a monthly health insurance credit of \$4 multiplied by the smaller of (i) twice the amount of their creditable service or (ii) the amount of creditable service they would have completed at age 60 if they had remained in service to that age.

Note 12-Other Post-Employment Benefits - VRS Health Insurance Credit: (Continued)

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.06% of annual covered payroll. The School Board's contributions to VRS for the year ended June 30, 2015, 2014, and 2013 were \$72,649, \$74,805, and \$72,591, respectively, and equaled the required contributions.

Note 13-Unearned and Deferred/Unavailable Revenue:

Unearned and 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.

Primary Government:

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$259,106 at June 30, 2015.

Unavailable Meals Tax Revenue - Unavailable revenue representing uncollected meals tax not available for funding of current expenditures totaled \$60,068 at June 30, 2015.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2015 but paid in advance by the taxpayers totaled \$7,853. Property taxes paid on advance of an enforceable legal claim by the City are considered deferred inflows under the full and modified accrual basis of accounting and are treated accordingly in the statement of net position and balance sheet.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 14-Capital Assets:

Capital asset activity for the year ended June 30, 2015 was as follows:

Primary Government:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---------------------------------------------|-----------------------|---------------------|--------------------|-----------------------|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,786,536 | \$ - | \$ - | \$ 1,786,536 |
| Construction in progress | 481,804 | 2,464,329 | (81,111) | 2,865,022 |
| Total capital assets not being depreciated | <u>\$ 2,268,340</u> | <u>\$ 2,464,329</u> | <u>\$ (81,111)</u> | <u>\$ 4,651,558</u> |
| Capital assets, being depreciated: | | | | |
| Infrastructure | \$ 1,706,158 | \$ 81,111 | \$ - | \$ 1,787,269 |
| Buildings and improvements | 16,028,197 | - | - | 16,028,197 |
| Machinery and equipment | 4,826,990 | 110,960 | (55,852) | 4,882,098 |
| Total capital assets being depreciated | <u>\$ 22,561,345</u> | <u>\$ 192,071</u> | <u>\$ (55,852)</u> | <u>\$ 22,697,564</u> |
| Accumulated depreciation: | | | | |
| Infrastructure | \$ (489,576) | \$ (56,365) | \$ - | \$ (545,941) |
| Buildings and improvements | (5,022,062) | (509,259) | - | (5,531,321) |
| Machinery and equipment | (3,267,128) | (236,635) | 55,743 | (3,448,020) |
| Total accumulated depreciation | <u>\$ (8,778,766)</u> | <u>\$ (802,259)</u> | <u>\$ 55,743</u> | <u>\$ (9,525,282)</u> |
| Total capital assets being depreciated, net | <u>\$ 13,782,579</u> | <u>\$ (610,188)</u> | <u>\$ (109)</u> | <u>\$ 13,172,282</u> |
| Governmental activities capital assets, net | <u>\$ 16,050,919</u> | <u>\$ 1,854,141</u> | <u>\$ (81,220)</u> | <u>\$ 17,823,840</u> |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 14-Capital Assets: (Continued)

Primary Government: (Continued)

| | Beginning Balance | Increases | Decreases | Ending Balance |
|----------------------------------------------|------------------------|---------------------|---------------------|------------------------|
| Business-type Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 149,374 | \$ - | \$ - | \$ 149,374 |
| Construction in progress | 128,357 | 63,193 | (120,061) | 71,489 |
| Total capital assets not being depreciated | <u>\$ 277,731</u> | <u>\$ 63,193</u> | <u>\$ (120,061)</u> | <u>\$ 220,863</u> |
| Capital assets, being depreciated: | | | | |
| Infrastructure | \$ 17,823,941 | \$ 152,715 | \$ - | \$ 17,976,656 |
| Building and improvements | 1,823,395 | - | - | 1,823,395 |
| Machinery and equipment | 618,135 | 58,051 | (10,769) | 665,417 |
| Total capital assets being depreciated | <u>\$ 20,265,471</u> | <u>\$ 210,766</u> | <u>\$ (10,769)</u> | <u>\$ 20,465,468</u> |
| Accumulated depreciation: | | | | |
| Infrastructure | \$ (14,967,513) | \$ (216,117) | \$ - | \$ (15,183,630) |
| Building and improvements | (319,670) | (91,529) | - | (411,199) |
| Machinery and equipment | (440,158) | (8,591) | 10,769 | (437,980) |
| Total accumulated depreciation | <u>\$ (15,727,341)</u> | <u>\$ (316,237)</u> | <u>\$ 10,769</u> | <u>\$ (16,032,809)</u> |
| Total capital assets being depreciated, net | <u>\$ 4,538,130</u> | <u>\$ (105,471)</u> | <u>\$ -</u> | <u>\$ 4,432,659</u> |
| Business-type activities capital assets, net | <u>\$ 4,815,861</u> | <u>\$ (42,278)</u> | <u>\$ (120,061)</u> | <u>\$ 4,653,522</u> |

Current year increases for assets and accumulated depreciation include the transfer of a truck at a value of \$16,648 net of accumulated depreciation of \$16,565 from Governmental activities.

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

| | |
|----------------------------------------------------|-------------------|
| Governmental activities: | |
| General government administration | \$ 21,601 |
| Public safety | 171,407 |
| Public works | 159,545 |
| Health and welfare | 815 |
| Education | 257,453 |
| Parks, recreation, and culture | 191,438 |
| Total depreciation expense-governmental activities | <u>\$ 802,259</u> |
| Business-type activities: | |
| Water and sewer | <u>\$ 299,672</u> |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015**Note 14-Capital Assets: (Continued)**

Capital asset activity for the School Board for the year ended June 30, 2015 was as follows:

Discretely Presented Component Unit - School Board:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---------------------------------------------|----------------------------|--------------------------|---------------------|----------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 165,460 | \$ 273,908 | \$ - | \$ 439,368 |
| Total capital assets not being depreciated | <u>\$ 165,460</u> | <u>\$ 273,908</u> | <u>\$ -</u> | <u>\$ 439,368</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | \$ 8,853,267 | \$ 164,760 | \$ - | \$ 9,018,027 |
| Machinery and equipment | 1,790,211 | 27,489 | (144,198) | 1,673,502 |
| Total capital assets being depreciated | <u>\$ 10,643,478</u> | <u>\$ 192,249</u> | <u>\$ (144,198)</u> | <u>\$ 10,691,529</u> |
| Accumulated depreciation: | | | | |
| Buildings and improvements | \$ (4,635,535) | \$ (187,752) | \$ - | \$ (4,823,287) |
| Machinery and equipment | (1,277,251) | (89,591) | 144,198 | (1,222,644) |
| Total accumulated depreciation | <u>\$ (5,912,786)</u> | <u>\$ (277,343)</u> | <u>\$ 144,198</u> | <u>\$ (6,045,931)</u> |
| Total capital assets being depreciated, net | <u>\$ 4,730,692</u> | <u>\$ (85,094)</u> | <u>\$ -</u> | <u>\$ 4,645,598</u> |
| School Board capital assets, net | <u><u>\$ 4,896,152</u></u> | <u><u>\$ 188,814</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 5,084,966</u></u> |

Capital asset activity for the IDA for the year ended June 30, 2015 was as follows:

Discretely Presented Component Unit - IDA:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---------------------------------------------|----------------------|----------------------------|--------------------|----------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ - | \$ 231,219 | \$ - | \$ 231,219 |
| Capital assets, being depreciated: | | | | |
| Buildings | \$ - | \$ 923,347 | \$ - | \$ 923,347 |
| Accumulated depreciation: | | | | |
| Buildings | \$ - | \$ (130,216) | \$ - | \$ (130,216) |
| Total capital assets being depreciated, net | <u>\$ -</u> | <u>\$ 793,131</u> | <u>\$ -</u> | <u>\$ 793,131</u> |
| IDA capital assets, net | <u><u>\$ -</u></u> | <u><u>\$ 1,024,350</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 1,024,350</u></u> |

During the fiscal year, Galax Futures ceased operations and all assets and liabilities were transferred to the IDA. Assets were transferred at net book value, therefore, accumulated depreciation of \$106,540 was included in current year increases above.

Note 15-Risk Management:

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

The City participates with other localities in a public entity risk pool for its coverage of workers compensation, crime coverage, boiler and machinery, property insurance, automobile coverage, general liability, and public official's liability insurance with the Virginia Municipal Group. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The City pays the Virginia Municipal Group contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss deficit or depletion of all available excess insurance, the pool may assess all members in the year in which such deficit occurs.

The Component-unit School Board participates with other divisions in a public entity risk pool for its coverage of workers compensation, crime coverage, boiler and machinery, property insurance, automobile coverage, general liability, and public official's liability insurance with the Virginia School Board Association Property and Casualty Pool. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The School Board pays the Pool contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss deficit or depletion of all available excess insurance, the pool may assess all members in the year in which such deficit occurs.

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

Note 16-Contingent Liabilities:

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

Note 17-Landfill Closure and Post-closure Care Cost:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 17-Landfill Closure and Post-closure Care Cost: (Continued)

The presence of certain contaminants has been detected in the groundwater, which thereby extends the monitoring period in excess of the initial requirement. The estimated liability is based on the Virginia Department of Environmental Quality (DEQ) accepting the active remedy proposed by the City as discussed below. If the DEQ does not accept the active remedy, the actual costs may increase. Also, actual costs may be higher due to inflation, changes in technology, changes in regulations, or other unforeseen circumstances. The cumulative amount of estimated postclosure care and corrective costs to date for this site, less cash paid for such costs to date, totals \$702,139. This amount is included in the long-term liabilities in the primary government.

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

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

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

Note 18-Commitments and Contingencies:

Construction Commitments

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

| Project | Contract Amount | Contract Amount Outstanding at June 30, 2015 |
|----------------------------------------------------|-----------------|----------------------------------------------------|
| Shaw Street Storm Drainage Improvements Project | \$ 1,693,801 | \$ 509,714 |
| Shaw Street Storm Drainage Improvements Project | 37,400 | 30,697 |
| Shaw Street Storm Drainage Improvements Project | 147,500 | 22,200 |
| Shaw Street Storm Drainage Improvements Project | 9,500 | 5,595 |
| Safe Routes to School | 458,099 | 35,125 |
| Chestnut Creek Woodworking Studio | 44,790 | 1,134 |
| Chestnut Creek Woodworking Studio | 562,000 | 144,746 |
| Health Department Building Renovation | 212,277 | 6,976 |
| Health Department Building Renovation | 18,600 | 372 |
| IDA BEE Grant | 7,500 | 3,750 |
| Public Safety Building Construction and Renovation | 55,450 | 10,500 |
| Creekview Drive PRV Station Replacement | 53,300 | 34,623 |
| Route 58 Construction | 45,000 | 22,500 |
| Route 58 Construction | 3,000 | 48 |
| Blue Ridge Veteran's Memorial | 45,850 | 45,850 |

Note 18-Commitments and Contingencies: (Continued)

Wired Road Authority

During 2009, the Wired Road Authority entered a lease agreement and received a loan in the amount of \$260,000 to complete a broadband infrastructure project. The Authority is responsible for the debt service on the lease. The City has a non-binding commitment to make the debt service payments for the Authority. The balance remaining on the lease at the end of the year is \$115,595.

Shared Service Fees

The City shares services with Carroll County and Grayson County for costs incurred for the localities courts and sheriff offices. Due to the nature of these services the final amount due to each County is not known until after the financial statement audit has been completed. It is management's policy to record a liability and expenditure during the current period that is equal to the amount paid during the prior year to account for unbilled shared service fees. Any difference caused during the true-up after year end is recorded in the year the bill is paid. During the current year, the shared service liability due to Carroll County and Grayson County is estimated at \$578,116. The true-up amount recorded during the current year for 2015 actual cost was \$45,240.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

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

| | General Fund | Component Unit School Fund |
|--------------------------------|--------------|-------------------------------|
| Governmental Activities/Funds: | | |
| Restricted: | | |
| Anthem stock proceeds | \$ 101,840 | \$ - |
| Blue Ridge Post book fund | 14,516 | - |
| Capital Project funds | 1,001,891 | - |
| Cafeteria funds | - | 203,994 |
| | \$ 1,118,247 | \$ 203,994 |
| Total restricted balances | | |
| Governmental Funds: | | |
| Committed funds: | | |
| Police narcotics | \$ 2,039 | \$ - |
| Police DARE | 10,316 | - |
| Museum | 13,501 | - |
| Fire Department grants | 19,282 | - |
| | \$ 45,138 | \$ - |
| Total committed funds | | |

Note 20-Adoption of Accounting Principles:

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68:*

The City implemented the financial reporting provisions of the above Statements for the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and required supplementary information requirements about pensions are also addressed. The requirements of these Statements will improve financial reporting by improving accounting and financial reporting by state and local governments for pensions. The implementation of these Statements resulted in the following restatement of net position:

| | Governmental Activities | Business-type Activities | Component Unit School Board |
|--------------------------------------------------|----------------------------|-----------------------------|--------------------------------|
| Net Position, July 1, 2014, as previously stated | \$ 9,959,051 | \$ 3,438,677 | \$ 7,080,973 |
| Net pension liability | (2,907,733) | (791,770) | (13,036,499) |
| Deferred outflow | 432,174 | 117,680 | 845,635 |
| Net Position, July 1, 2014, as restated | \$ 7,483,492 | \$ 2,764,587 | \$ (5,109,891) |

Note 21-Upcoming Pronouncements:

Statement No. 72, *Fair Value Measurement and Application*, amends the definitions of fair value used throughout GASB literature to be consistent with the definition and principles provided in FASB Accounting Standards Codification Topic 820, *Fair Value Measurement*. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68 and amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. No formal study or estimate of the impact of this standard has been performed.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017. No formal study or estimate of the impact of this standard has been performed.

Note 21-Upcoming Pronouncements: (Continued)

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, objective is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. No formal study or estimate of the impact of this standard has been performed.

Statement No. 77, *Tax Abatement Disclosures*, will increase the disclosure of tax abatement agreements to disclose information about the agreements. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. No formal study or estimate of the impact of this standard has been performed.

Required Supplementary Information

City of Galax, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2015

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|-----------------------------------------------------------|----------------------|----------------------|----------------------|-----------------------------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| General property taxes | \$ 4,850,900 | \$ 4,850,900 | \$ 5,068,041 | \$ 217,141 |
| Other local taxes | 5,714,320 | 5,714,320 | 5,785,608 | 71,288 |
| Permits, privilege fees, and regulatory licenses | 20,300 | 20,300 | 21,470 | 1,170 |
| Fines and forfeitures | 131,000 | 131,000 | 119,843 | (11,157) |
| Revenue from the use of money and property | 43,085 | 43,085 | 38,320 | (4,765) |
| Charges for services | 837,200 | 837,200 | 779,532 | (57,668) |
| Miscellaneous | 90,905 | 90,905 | 190,713 | 99,808 |
| Recovered costs | 275,329 | 275,329 | 221,930 | (53,399) |
| Intergovernmental: | | | | |
| Commonwealth | 3,998,246 | 3,998,246 | 3,573,140 | (425,106) |
| Federal | 2,446,553 | 2,446,553 | 2,614,604 | 168,051 |
| Total revenues | <u>\$ 18,407,838</u> | <u>\$ 18,407,838</u> | <u>\$ 18,413,201</u> | <u>\$ 5,363</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government administration | \$ 1,508,138 | \$ 1,508,138 | \$ 1,365,936 | \$ 142,202 |
| Judicial administration | 620,566 | 620,566 | 665,677 | (45,111) |
| Public safety | 2,890,563 | 2,890,563 | 2,926,728 | (36,165) |
| Public works | 2,504,411 | 2,504,411 | 2,485,768 | 18,643 |
| Health and welfare | 1,676,408 | 1,676,408 | 1,455,978 | 220,430 |
| Education | 3,670,781 | 3,670,781 | 3,670,781 | - |
| Parks, recreation, and cultural | 1,902,255 | 1,902,255 | 1,856,206 | 46,049 |
| Community development | 764,967 | 764,967 | 437,928 | 327,039 |
| Nondepartmental | 411,473 | 411,473 | 373,928 | 37,545 |
| Capital projects | 2,508,841 | 2,508,841 | 2,327,615 | 181,226 |
| Debt service: | | | | |
| Principal retirement | 596,319 | 596,319 | 595,650 | 669 |
| Bond issuance costs | 27,725 | 27,725 | 18,500 | 9,225 |
| Interest and other fiscal charges | 169,184 | 169,184 | 172,393 | (3,209) |
| Total expenditures | <u>\$ 19,251,631</u> | <u>\$ 19,251,631</u> | <u>\$ 18,353,088</u> | <u>\$ 898,543</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (843,793)</u> | <u>\$ (843,793)</u> | <u>\$ 60,113</u> | <u>\$ 903,906</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Issuance of general obligation bond | \$ 1,405,000 | \$ 1,405,000 | \$ 1,414,000 | \$ 9,000 |
| Total other financing sources (uses) | <u>\$ 1,405,000</u> | <u>\$ 1,405,000</u> | <u>\$ 1,414,000</u> | <u>\$ 9,000</u> |
| Net change in fund balances | \$ 561,207 | \$ 561,207 | \$ 1,474,113 | \$ 912,906 |
| Fund balances - beginning | (561,207) | (561,207) | 1,464,611 | 2,025,818 |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,938,724</u> | <u>\$ 2,938,724</u> |

Note 1: GAAP serves as the budgetary basis of accounting

City of Galax, Virginia
Schedule of OPEB Funding
For the Year Ended June 30, 2015

Primary Government:

City Health Care Plan

| Actuarial Valuation as of | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) (3) - (2) | Funded Ratio of AAL (2)/(3) | Covered Payroll | UAAL as a % of Covered Payroll (4)/(6) |
|---------------------------------|---------------------------------|-----------------------------------------|-------------------------------------|--------------------------------|--------------------|----------------------------------------------|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| July 1, 2014 | \$ - | \$ 428,204 | \$ 428,204 | 0.00% | \$ 5,216,393 | 8.21% |
| July 1, 2012 | - | 336,490 | 336,490 | 0.00% | 4,549,428 | 7.40% |
| July 1, 2010 | - | 295,788 | 295,788 | 0.00% | 4,713,716 | 6.28% |

Discretely Presented Component Unit:

School Board Healthcare Plan

| Actuarial Valuation as of | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) (3) - (2) | Funded Ratio of AAL (2)/(3) | Covered Payroll | UAAL as a % of Covered Payroll (4)/(6) |
|---------------------------------|---------------------------------|-----------------------------------------|-------------------------------------|--------------------------------|--------------------|----------------------------------------------|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| July 1, 2014 | \$ - | \$ 563,375 | \$ 563,375 | 0.00% | \$ 6,695,000 | 8.41% |
| July 1, 2012 | - | 435,711 | 435,711 | 0.00% | 5,800,144 | 7.51% |
| July 1, 2010 | - | 486,866 | 486,866 | 0.00% | 6,219,691 | 7.83% |

City of Galax, Virginia
 Schedule of Employer's Proportionate Share of Net Pension Liability
 For the Year Ended June 30, 2015

| Actuarial Valuation Date | Proportion of the Net Pension Liability (NPL) | Proportionate Share of the NPL | Covered Employee Payroll | Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4) | Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (6) |
|---------------------------------------------------|-----------------------------------------------------|-----------------------------------|-----------------------------|---------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| (1) | (2) | (3) | (4) | (5) | (6) |
| Primary Government - City Retirement Plan | | | | | |
| 2014 | 78.62% | \$ 2,321,645 | \$ 4,588,421 | 50.60% | 88.34% |
| Component Unit School Board (professional) | | | | | |
| 2014 | 0.09215% | \$ 11,136,000 | \$ 6,740,206 | 165.22% | 70.88% |

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

City of Galax, Virginia
 Schedule of Components of and Changes in Net Pension Liability and Related Ratios
 Component Unit School Board (nonprofessional)
 For the Year Ended June 30, 2015

| | <u>2014</u> |
|--------------------------------------------------------------------------------------------|-------------------------|
| Total pension liability | |
| Service cost | \$ 59,100 |
| Interest | 138,221 |
| Changes of benefit terms | - |
| Differences between expected and actual experience | - |
| Changes in assumptions | - |
| Benefit payments, including refunds of employee contributions | (75,607) |
| Net change in total pension liability | <u>\$ 121,714</u> |
| Total pension liability - beginning | <u>2,012,383</u> |
| Total pension liability - ending (a) | <u><u>2,134,097</u></u> |
| | |
| Plan fiduciary net position | |
| Contributions - employer | \$ 58,635 |
| Contributions - employee | 27,537 |
| Net investment income | 242,426 |
| Benefit payments, including refunds of employee contributions | (75,607) |
| Administrative expense | (1,285) |
| Other | 13 |
| Net change in plan fiduciary net position | <u>\$ 251,719</u> |
| Plan fiduciary net position - beginning | <u>1,525,884</u> |
| Plan fiduciary net position - ending (b) | <u><u>1,777,603</u></u> |
| | |
| School Division's net pension liability - ending (a) - (b) | \$ 356,494 |
| | |
| Plan fiduciary net position as a percentage of the total pension liability | 83.30% |
| | |
| Covered-employee payroll | \$ 552,382 |
| | |
| School Division's net pension liability as a percentage of covered-employee payroll | 64.54% |

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

City of Galax, Virginia
 Schedule of Employer Contributions
 For the Year Ended June 30, 2015

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Employee Payroll (4) | Contributions as a % of Covered Employee Payroll (5) |
|------------------------------------------------------|--------------------------------------------------|-------------------------------------------------------------------------------------|-----------------------------------------------|-----------------------------------------------------|---------------------------------------------------------------------|
| Primary Government | | | | | |
| 2015 | \$ 538,784 | \$ 538,784 | \$ - | \$ 4,692,751 | 11.48% |
| Component Unit School Board (nonprofessional) | | | | | |
| 2015 | \$ 56,563 | \$ 56,563 | \$ - | \$ 554,534 | 10.20% |
| Component Unit School Board (professional) | | | | | |
| 2015 | \$ 991,404 | \$ 991,404 | \$ - | \$ 6,853,703 | 14.47% |

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

City of Galax, Virginia
Notes to Required Supplementary Information
For the Year Ended June 30, 2015

Changes of benefit terms - There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Component Unit School Board - Professional Employees

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates withdrawals for 3 through 9 years of service
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Other Supplementary Information

**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL
BOARD**

MAJOR GOVERNMENTAL FUND

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

City of Galax, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2015

| | <u>School Operating Fund</u> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 1,925,745 |
| Due from primary government | 600,000 |
| Due from other governmental units | 655,590 |
| Inventories | 27,594 |
| Prepaid items | 118,812 |
| Total assets | <u>\$ 3,327,741</u> |
| LIABILITIES AND FUND BALANCES | |
| Liabilities: | |
| Accounts payable | \$ 53,846 |
| Salaries payable | 842,045 |
| Total liabilities | <u>\$ 895,891</u> |
| Fund balances: | |
| Nonspendable | |
| Prepaid and inventory | \$ 146,406 |
| Restricted | |
| School cafeterias | 203,994 |
| Unassigned | 2,081,450 |
| Total fund balances | <u>\$ 2,431,850</u> |
| Total liabilities and fund balances | <u>\$ 3,327,741</u> |
| Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because: | |
| Total fund balances per above | \$ 2,431,850 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | |
| Land | \$ 439,368 |
| Buildings and improvements | 4,194,740 |
| Machinery and equipment | 450,858 |
| | <u>5,084,966</u> |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | |
| Items related to measurement of net pension liability | (1,761,231) |
| Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds. | |
| | 1,047,967 |
| Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds. | |
| Compensated absences | \$ (175,186) |
| Net OPEB obligation | (218,874) |
| Net pension liability | (11,492,494) |
| Adjustments for changes in proportionate share of net pension liability | 119,000 |
| | <u>(11,767,554)</u> |
| Net position of governmental activities | <u>\$ (4,964,002)</u> |

City of Galax, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2015

| | | Total Governmental Funds |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|--------------------------------|
| REVENUES | | |
| Revenue from the use of money and property | \$ | 697 |
| Charges for services | | 453,194 |
| Miscellaneous | | 45,704 |
| Recovered costs | | 4,137 |
| Intergovernmental revenues: | | |
| Local government | | 3,659,319 |
| Commonwealth | | 8,643,738 |
| Federal | | 1,519,821 |
| Total revenues | \$ | <u>14,326,610</u> |
| EXPENDITURES | | |
| Current: | | |
| Education | \$ | 14,445,967 |
| Total expenditures | \$ | <u>14,445,967</u> |
| Excess (deficiency) of revenues over (under) expenditures | \$ | <u>(119,357)</u> |
| OTHER FINANCING SOURCES (USES) | | |
| Sale of capital assets | \$ | <u>6,645</u> |
| Net change in fund balances | \$ | (112,712) |
| Fund balances - beginning | | 2,544,562 |
| Fund balances - ending | \$ | <u>2,431,850</u> |
| Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because: | | |
| Net change in fund balances - total governmental funds - per above | \$ | (112,712) |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period. | | |
| Capital outlays | \$ | 466,157 |
| Depreciation expense | | <u>(277,343)</u> |
| | | 188,814 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Change in deferred inflows related to the measurement of the net pension liability | | (1,761,231) |
| 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. | | |
| Change in compensated absences | \$ | 11,489 |
| Change in net OPEB obligation | | (45,808) |
| Change in net pension liability | | 1,544,005 |
| Change in deferred outflows related to pensions | | <u>321,332</u> |
| | | 1,831,018 |
| Change in net position of governmental activities | \$ | <u>145,889</u> |

City of Galax, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2015

| | School Operating Fund | | | Variance with Final Budget Positive (Negative) |
|-----------------------------------------------------------|-----------------------|----------------------|----------------------|---------------------------------------------------------|
| | Budgeted Amounts | | Actual | |
| | Original | Final | | |
| REVENUES | | | | |
| Revenue from the use of money and property | \$ 500 | \$ 500 | \$ 697 | \$ 197 |
| Charges for services | 260,615 | 275,305 | 453,194 | 177,889 |
| Miscellaneous | 30,180 | 35,180 | 45,704 | 10,524 |
| Recovered costs | 1,500 | 1,500 | 4,137 | 2,637 |
| Intergovernmental: | | | | |
| Local government | 3,885,586 | 3,880,871 | 3,659,319 | (221,552) |
| Commonwealth | 8,388,426 | 8,590,323 | 8,643,738 | 53,415 |
| Federal | 1,411,345 | 1,426,898 | 1,519,821 | 92,923 |
| Total revenues | <u>\$ 13,978,152</u> | <u>\$ 14,210,577</u> | <u>\$ 14,326,610</u> | <u>\$ 116,033</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Education | \$ 13,979,152 | \$ 14,211,577 | \$ 14,445,967 | \$ (234,390) |
| Total expenditures | <u>\$ 13,979,152</u> | <u>\$ 14,211,577</u> | <u>\$ 14,445,967</u> | <u>\$ (234,390)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (1,000)</u> | <u>\$ (1,000)</u> | <u>\$ (119,357)</u> | <u>\$ (118,357)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sale of capital assets | \$ 1,000 | \$ 1,000 | \$ 6,645 | \$ 5,645 |
| Total other financing sources (uses) | <u>\$ 1,000</u> | <u>\$ 1,000</u> | <u>\$ 6,645</u> | <u>\$ 5,645</u> |
| Net change in fund balances | \$ - | \$ - | \$ (112,712) | \$ (112,712) |
| Fund balances - beginning | - | - | 2,544,562 | 2,544,562 |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,431,850</u> | <u>\$ 2,431,850</u> |

DISCRETELY PRESENTED COMPONENT UNIT - INDUSTRIAL
DEVELOPMENT AUTHORITY

MAJOR ENTERPRISE FUND

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

City of Galax, Virginia
Discretely Presented Component Unit
City of Galax, Virginia - Industrial Development Authority
Statement of Net Position - Proprietary Fund
June 30, 2015

| | Enterprise Fund |
|------------------------------|--------------------|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 119,369 |
| Due from City | 30,000 |
| Accounts receivable | 0 |
| Total current assets | \$ 149,369 |
| Noncurrent assets: | |
| Capital assets: | |
| Land | \$ 231,219 |
| Buildings | 923,347 |
| Accumulated depreciation | (130,216) |
| Total capital assets | \$ 1,024,350 |
| Total noncurrent assets | \$ 1,024,350 |
| Total assets | \$ 1,173,719 |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable | \$ 26,568 |
| Due to primary government | 29,984 |
| Total current liabilities | \$ 56,552 |
| Net Position | |
| Investment in capital assets | \$ 1,024,350 |
| Unrestricted | 92,817 |
| Total net position | \$ 1,117,167 |

City of Galax, Virginia
Discretely Presented Component Unit
City of Galax, Virginia - Industrial Development Authority
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund
For the Year Ended June 30, 2015

| | Enterprise Fund |
|-----------------------------------------|--------------------|
| OPERATING REVENUES | |
| Charges for services: | |
| Rental income | \$ 60,000 |
| Total operating revenues | \$ 60,000 |
| OPERATING EXPENSES | |
| Miscellaneous | \$ 1,394 |
| Payments to primary government | 58,369 |
| Tax credit closeout | 26,568 |
| Depreciation | 23,676 |
| Total operating expenses | \$ 110,007 |
| Operating income (loss) | \$ (50,007) |
| NONOPERATING REVENUES (EXPENSES) | |
| Contribution from Galax Futures | \$ 572,679 |
| Total nonoperating revenues (expenses) | \$ 572,679 |
| Change in net position | \$ 522,672 |
| Total net position - beginning | 594,495 |
| Total net position - ending | \$ 1,117,167 |

City of Galax, Virginia
Discretely Presented Component Unit
City of Galax, Virginia - Industrial Development Authority
Statement of Cash Flows - Proprietary Fund
For the Year Ended June 30, 2015

| | Enterprise Fund |
|-----------------------------------------------------------------------------------------------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from customers and users | \$ 30,000 |
| Payments to suppliers | (29,779) |
| Net cash provided by (used for) operating activities | \$ 221 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Contribution from Galax Futures | \$ 67,634 |
| Net cash provided by (used for) noncapital financing activities | \$ 67,634 |
| Net increase (decrease) in cash and cash equivalents | \$ 67,855 |
| Cash and cash equivalents - beginning | 51,514 |
| Cash and cash equivalents - ending | \$ 119,369 |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | |
| Operating income (loss) | \$ (50,007) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | |
| Depreciation | 23,676 |
| (Increase) decrease in intergovernmental receivables | (30,000) |
| Increase (decrease) in accounts payable | 26,568 |
| Increase (decrease) in due to primary government | 29,984 |
| Total adjustments | \$ 50,228 |
| Net cash provided by (used for) operating activities | \$ 221 |
| Schedule of non-cash capital activities | |
| Contribution of assets and liabilities of Galax Futures | \$ 505,045 |

DISCRETELY PRESENTED COMPONENT UNIT - GALAX
FUTURES

MAJOR ENTERPRISE FUND

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

City of Galax, Virginia
 Discretely Presented Component Unit
 Galax Futures
 Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund
 For the Year Ended June 30, 2015

| | Enterprise Fund |
|-----------------------------------------|--------------------|
| NONOPERATING REVENUES (EXPENSES) | |
| Contributions to Galax IDA | \$ (572,679) |
| Total nonoperating revenues (expenses) | \$ (572,679) |
| Change in net position | \$ (572,679) |
| Total net position - beginning | 572,679 |
| Total net position - ending | \$ - |

City of Galax, Virginia
Discretely Presented Component Unit
Galax Futures
Statement of Cash Flows - Proprietary Fund
For the Year Ended June 30, 2015

| | Enterprise Fund |
|---------------------------------------------------------------------------------------------------------------|--------------------|
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Contribution to Galax IDA | \$ (67,634) |
| Net cash provided by (used for) noncapital financing activities | \$ (67,634) |
| Net increase (decrease) in cash and cash equivalents | \$ (67,634) |
| Cash and cash equivalents - beginning | 67,634 |
| Cash and cash equivalents - ending | \$ - |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | |
| Operating income (loss) | \$ - |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | |
| Depreciation | \$ - |
| Total adjustments | \$ - |
| Net cash provided by (used for) operating activities | \$ - |

City of Galax, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

| <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 taxes | \$ 3,100,000 | \$ 3,100,000 | \$ 3,185,301 | \$ 85,301 |
| Real and personal public service corporation taxes | 105,000 | 105,000 | 111,380 | 6,380 |
| Personal property taxes | 525,000 | 525,000 | 549,278 | 24,278 |
| Furniture and fixtures | 315,000 | 315,000 | 335,654 | 20,654 |
| Machinery and tools taxes | 765,000 | 765,000 | 777,942 | 12,942 |
| Delinquent administrative fee | 1,900 | 1,900 | 6,397 | 4,497 |
| Penalties | 21,000 | 21,000 | 37,660 | 16,660 |
| Interest | 18,000 | 18,000 | 64,429 | 46,429 |
| Total general property taxes | <u>\$ 4,850,900</u> | <u>\$ 4,850,900</u> | <u>\$ 5,068,041</u> | <u>\$ 217,141</u> |
| Other local taxes: | | | | |
| Local sales and use taxes | \$ 2,191,320 | \$ 2,191,320 | \$ 2,232,174 | \$ 40,854 |
| Consumers' utility taxes | 185,000 | 185,000 | 179,601 | (5,399) |
| Local consumption tax | 50,000 | 50,000 | 48,565 | (1,435) |
| Local admissions tax | 18,000 | 18,000 | 14,784 | (3,216) |
| Business license taxes | 1,065,000 | 1,065,000 | 966,296 | (98,704) |
| Motor vehicle licenses | 115,000 | 115,000 | 115,966 | 966 |
| Bank stock taxes | 130,000 | 130,000 | 138,242 | 8,242 |
| Hotel and motel room taxes | 130,000 | 130,000 | 140,916 | 10,916 |
| Restaurant food taxes | 1,830,000 | 1,830,000 | 1,949,064 | 119,064 |
| Total other local taxes | <u>\$ 5,714,320</u> | <u>\$ 5,714,320</u> | <u>\$ 5,785,608</u> | <u>\$ 71,288</u> |
| Permits, privilege fees, and regulatory licenses: | | | | |
| Animal licenses | \$ 4,000 | \$ 4,000 | \$ 3,918 | \$ (82) |
| Building permits and other licenses | 16,300 | 16,300 | 17,552 | 1,252 |
| Total permits, privilege fees, and regulatory licenses | <u>\$ 20,300</u> | <u>\$ 20,300</u> | <u>\$ 21,470</u> | <u>\$ 1,170</u> |
| Fines and forfeitures: | | | | |
| Court fines and forfeitures | \$ 130,000 | \$ 130,000 | \$ 119,474 | \$ (10,526) |
| Parking fines | 1,000 | 1,000 | 369 | (631) |
| Total fines and forfeitures | <u>\$ 131,000</u> | <u>\$ 131,000</u> | <u>\$ 119,843</u> | <u>\$ (11,157)</u> |
| Revenue from use of money and property: | | | | |
| Revenue from use of money | \$ 85 | \$ 85 | \$ 1,461 | \$ 1,376 |
| Revenue from use of property | 43,000 | 43,000 | 36,859 | (6,141) |
| Total revenue from use of money and property | <u>\$ 43,085</u> | <u>\$ 43,085</u> | <u>\$ 38,320</u> | <u>\$ (4,765)</u> |
| Charges for services: | | | | |
| Charges for animal adoptions | \$ 5,900 | \$ 5,900 | \$ 4,953 | \$ (947) |
| Charges for courthouse maintenance | - | - | 5,315 | 5,315 |
| Charges for parking spaces | 2,000 | 2,000 | 1,494 | (506) |
| Charges for courtroom security | 18,000 | 18,000 | 20,698 | 2,698 |
| Other charges for services | 48,500 | 48,500 | 27,112 | (21,388) |
| Sheriff's fees | 100 | 100 | 84 | (16) |
| Charges for sanitation and waste removal | 398,500 | 398,500 | 367,535 | (30,965) |
| Charges for parks and recreation | 364,200 | 364,200 | 352,341 | (11,859) |
| Total charges for services | <u>\$ 837,200</u> | <u>\$ 837,200</u> | <u>\$ 779,532</u> | <u>\$ (57,668)</u> |

City of Galax, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

| <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) | | | | |
| Miscellaneous revenue: | | | | |
| Miscellaneous | \$ 45,405 | \$ 45,405 | \$ 136,229 | \$ 90,824 |
| Sale of surplus | 3,000 | 3,000 | 6,049 | 3,049 |
| Sale of cemetery lots | 8,000 | 8,000 | 11,300 | 3,300 |
| Donations and contributions | 31,500 | 31,500 | 34,879 | 3,379 |
| Asset forfeiture funds | 3,000 | 3,000 | 2,256 | (744) |
| Total miscellaneous revenue | <u>\$ 90,905</u> | <u>\$ 90,905</u> | <u>\$ 190,713</u> | <u>\$ 99,808</u> |
| Recovered costs: | | | | |
| Wired Road | \$ 31,658 | \$ 31,658 | - | \$ (31,658) |
| Juvenile probation | 37,000 | 37,000 | 28,051 | (8,949) |
| Animal Shelter | 69,502 | 69,502 | 61,542 | (7,960) |
| IDA | 58,369 | 58,369 | 58,369 | - |
| Sanitation recovered costs | 2,500 | 2,500 | 2,480 | (20) |
| Police recovered costs | 48,200 | 48,200 | 43,849 | (4,351) |
| Bottom Area project | - | - | 4,685 | 4,685 |
| Other recovered costs | 28,100 | 28,100 | 22,954 | (5,146) |
| Total recovered costs | <u>\$ 275,329</u> | <u>\$ 275,329</u> | <u>\$ 221,930</u> | <u>\$ (53,399)</u> |
| Total revenue from local sources | <u>\$ 11,963,039</u> | <u>\$ 11,963,039</u> | <u>\$ 12,225,457</u> | <u>\$ 262,418</u> |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Noncategorical aid: | | | | |
| Communications sales and use taxes | \$ 240,000 | \$ 240,000 | \$ 232,946 | \$ (7,054) |
| Recordation tax | 10,000 | 10,000 | 9,885 | (115) |
| Motor vehicle carriers' tax | 25,000 | 25,000 | 30,287 | 5,287 |
| Mobile home titling tax | 2,000 | 2,000 | 1,545 | (455) |
| Rolling stock tax | - | - | 20 | 20 |
| Personal property tax relief funds | 230,000 | 230,000 | 230,012 | 12 |
| Total noncategorical aid | <u>\$ 507,000</u> | <u>\$ 507,000</u> | <u>\$ 504,695</u> | <u>\$ (2,305)</u> |
| Categorical aid: | | | | |
| Shared expenses: | | | | |
| Commissioner of the revenue | \$ 55,000 | \$ 55,000 | \$ 57,215 | \$ 2,215 |
| Registrar/electoral board | 27,000 | 27,000 | 29,315 | 2,315 |
| Total shared expenses | <u>\$ 82,000</u> | <u>\$ 82,000</u> | <u>\$ 86,530</u> | <u>\$ 4,530</u> |
| Other categorical aid: | | | | |
| 599 Funds (Police funding) | \$ 303,461 | \$ 303,461 | \$ 303,961 | \$ 500 |
| Comprehensive services act | 191,410 | 191,410 | 142,267 | (49,143) |
| Street and highway funds | 1,722,472 | 1,722,472 | 1,769,845 | 47,373 |
| Liter control | 6,000 | 6,000 | 6,357 | 357 |
| Virginia Commission for the Arts | 5,000 | 5,000 | 5,000 | - |

City of Galax, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

| <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) | | | | |
| Intergovernmental: (Continued) | | | | |
| Revenue from the Commonwealth: (Continued) | | | | |
| Other categorical aid: (Continued) | | | | |
| Public assistance and welfare administration | \$ 992,773 | \$ 992,773 | \$ 327,523 | \$ (665,250) |
| Department of Fire Programs | 18,000 | 18,000 | 22,310 | 4,310 |
| VTC Marketing Leveraging Grant | 5,000 | 5,000 | 15,000 | 10,000 |
| EMS 4 for Life Funding | 4,000 | 4,000 | 5,545 | 1,545 |
| Tobacco commisison | 125,000 | 125,000 | 216,500 | 91,500 |
| Highway planning and construction grants | 25,000 | 25,000 | 146,259 | 121,259 |
| SRTS Coordinator | - | - | 7,500 | 7,500 |
| Other categorical aid | 11,130 | 11,130 | 13,848 | 2,718 |
| Total other categorical aid | <u>\$ 3,409,246</u> | <u>\$ 3,409,246</u> | <u>\$ 2,981,915</u> | <u>\$ (427,331)</u> |
| Total categorical aid | <u>\$ 3,491,246</u> | <u>\$ 3,491,246</u> | <u>\$ 3,068,445</u> | <u>\$ (422,801)</u> |
| Total revenue from the Commonwealth | <u>\$ 3,998,246</u> | <u>\$ 3,998,246</u> | <u>\$ 3,573,140</u> | <u>\$ (425,106)</u> |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| Public assistance and welfare administration | \$ - | \$ - | \$ 597,532 | \$ 597,532 |
| Community development block grants | 866,375 | 866,375 | 396,328 | (470,047) |
| Public safety grants | 75,675 | 75,675 | 49,483 | (26,192) |
| Community improvement grants | 300,000 | 300,000 | 352,557 | 52,557 |
| FEMA safer grant | 62,755 | 62,755 | 62,963 | 208 |
| DMV grants | - | - | 4,926 | 4,926 |
| Highway planning and construction grants | 1,114,748 | 1,114,748 | 1,082,515 | (32,233) |
| Rural Development grants | 27,000 | 27,000 | 68,300 | 41,300 |
| Total categorical aid | <u>\$ 2,446,553</u> | <u>\$ 2,446,553</u> | <u>\$ 2,614,604</u> | <u>\$ 168,051</u> |
| Total revenue from the federal government | <u>\$ 2,446,553</u> | <u>\$ 2,446,553</u> | <u>\$ 2,614,604</u> | <u>\$ 168,051</u> |
| Total General Fund | <u>\$ 18,407,838</u> | <u>\$ 18,407,838</u> | <u>\$ 18,413,201</u> | <u>\$ 5,363</u> |
| Discretely Presented Component Unit - School Board: | | | | |
| School Operating Fund: | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money and property: | | | | |
| Revenue from the use of property | \$ 500 | \$ 500 | \$ 697 | \$ 197 |
| Charges for services: | | | | |
| Cafeteria sales | \$ - | \$ - | \$ 140,005 | \$ 140,005 |
| Transportation of pupils | 50 | 50 | - | (50) |
| Payments from other divisions | 255,565 | 270,255 | 305,985 | 35,730 |
| Tuition and payments from other divisions | 5,000 | 5,000 | 7,204 | 2,204 |
| Total charges for services | <u>\$ 260,615</u> | <u>\$ 275,305</u> | <u>\$ 453,194</u> | <u>\$ 177,889</u> |
| Miscellaneous revenue: | | | | |
| E-rate | \$ 19,680 | \$ 19,680 | \$ 28,705 | \$ 9,025 |
| Other miscellaneous | 10,500 | 15,500 | 16,999 | 1,499 |
| Total miscellaneous revenue | <u>\$ 30,180</u> | <u>\$ 35,180</u> | <u>\$ 45,704</u> | <u>\$ 10,524</u> |

City of Galax, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

| <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> |
|-----------------------------------------------------------------|----------------------------|-------------------------|---------------|---------------------------------------------------------------------|
| Discretely Presented Component Unit - School Board: (Continued) | | | | |
| School Operating Fund: (Continued) | | | | |
| Revenue from local sources: (Continued) | | | | |
| Recovered costs: | | | | |
| Other recovered costs | \$ 1,500 | \$ 1,500 | \$ 4,137 | \$ 2,637 |
| Total revenue from local sources | \$ 292,795 | \$ 312,485 | \$ 503,732 | \$ 191,247 |
| Intergovernmental: | | | | |
| Revenues from local governments: | | | | |
| Contribution from the City of Galax, Virginia | \$ 3,885,586 | \$ 3,880,871 | \$ 3,659,319 | \$ (221,552) |
| Total revenues from local governments | \$ 3,885,586 | \$ 3,880,871 | \$ 3,659,319 | \$ (221,552) |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Share of state sales tax | \$ 1,040,000 | \$ 1,050,000 | \$ 1,099,229 | \$ 49,229 |
| Basic school aid | 4,266,547 | 4,227,819 | 4,241,930 | 14,111 |
| Remedial summer education | 47,352 | 44,897 | 45,618 | 721 |
| Regular foster care | - | - | 1,232 | 1,232 |
| Adult secondary education | 7,859 | 7,859 | 7,859 | - |
| Gifted and talented | 45,053 | 44,678 | 44,851 | 173 |
| Remedial education | 231,977 | 230,044 | 230,935 | 891 |
| Virginia preschool initiative | 122,002 | 122,002 | 122,002 | - |
| Textbook payment | 92,235 | 91,466 | 91,821 | 355 |
| Vocational SOQ payments | 103,527 | 102,664 | 103,062 | 398 |
| Social security fringe benefits | 267,445 | 265,216 | 266,243 | 1,027 |
| Retirement fringe benefits | 544,476 | 539,938 | 542,030 | 2,092 |
| Group life insurance benefits | 17,255 | 17,111 | 17,177 | 66 |
| Early reading intervention | 25,328 | 27,631 | 27,631 | - |
| Homebound education | 4,822 | 5,242 | 5,242 | - |
| Special education | 455,327 | 451,533 | 453,282 | 1,749 |
| Regional program tuition | 125,000 | 125,000 | 125,841 | 841 |
| Vocation equipment | 3,768 | 21,469 | 4,043 | (17,426) |
| Vocational occupational preparedness | 3,761 | 4,043 | 19,798 | 15,755 |
| At risk payments | 290,493 | 288,255 | 289,374 | 1,119 |
| Mentor teacher program | 245 | 245 | 1,581 | 1,336 |
| Primary class size | 294,977 | 294,977 | 294,977 | - |
| Technology | 128,000 | 128,000 | 128,000 | - |
| Standards of Learning algebra readiness | 28,325 | 33,046 | 33,046 | - |
| School Food | 11,797 | 11,797 | 10,634 | (1,163) |
| Other State revenue | 35,740 | 48,678 | 29,831 | (18,847) |
| English as a second language | 147,014 | 147,014 | 147,014 | - |
| Early reading specialist | 44,200 | 44,200 | 44,200 | - |
| Start up grant for extended school year | - | 210,723 | 210,724 | 1 |
| Other state funds | 3,901 | 4,776 | 4,531 | (245) |
| Total categorical aid | \$ 8,388,426 | \$ 8,590,323 | \$ 8,643,738 | \$ 53,415 |
| Total revenue from the Commonwealth | \$ 8,388,426 | \$ 8,590,323 | \$ 8,643,738 | \$ 53,415 |

City of Galax, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

| <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> |
|-------------------------------------------------------------------------------|------------------------|----------------------|----------------------|---------------------------------------------------------|
| Discretely Presented Component Unit - School Board: (Continued) | | | | |
| School Operating Fund: (Continued) | | | | |
| Intergovernmental: (Continued) | | | | |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| School breakfast program | \$ - | \$ - | \$ 133,707 | \$ 133,707 |
| School lunch program | 530,000 | 544,000 | 478,285 | (65,715) |
| Title I | 484,230 | 482,600 | 482,396 | (204) |
| Title VI-B, Special education flow-through | 244,338 | 244,630 | 250,659 | 6,029 |
| Vocational education | 29,137 | 29,775 | 29,775 | - |
| Title VI-B, Special education pre-school | 13,197 | 12,791 | 22,541 | 9,750 |
| Rural and low income schools | 20,000 | 25,530 | 26,366 | 836 |
| English language acquisition grant | 22,923 | 22,053 | 30,179 | 8,126 |
| Advanced placement program | - | 999 | 2,900 | 1,901 |
| Improving teacher quality | 67,520 | 64,520 | 63,013 | (1,507) |
| Total categorical aid | <u>\$ 1,411,345</u> | <u>\$ 1,426,898</u> | <u>\$ 1,519,821</u> | <u>\$ 92,923</u> |
| Total revenue from the federal government | <u>\$ 1,411,345</u> | <u>\$ 1,426,898</u> | <u>\$ 1,519,821</u> | <u>\$ 92,923</u> |
| Total School Operating Fund | <u>\$ 13,978,152</u> | <u>\$ 14,210,577</u> | <u>\$ 14,326,610</u> | <u>\$ 116,033</u> |
| Total Discretely Presented Component Unit - Total Component-Unit School Board | <u>\$ 13,978,152</u> | <u>\$ 14,210,577</u> | <u>\$ 14,326,610</u> | <u>\$ 116,033</u> |

City of Galax, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

| <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: | | | | |
| Mayor and Council | \$ 40,097 | \$ 40,097 | \$ 35,676 | \$ 4,421 |
| General and financial administration: | | | | |
| City Manager | \$ 478,244 | \$ 478,244 | \$ 449,082 | \$ 29,162 |
| City Attorney | 80,000 | 80,000 | 73,091 | 6,909 |
| Marketing | 138,887 | 138,887 | 133,453 | 5,434 |
| Commissioner of revenue | 153,080 | 153,080 | 151,510 | 1,570 |
| Finance department | 553,583 | 553,583 | 464,760 | 88,823 |
| Total general and financial administration | \$ 1,403,794 | \$ 1,403,794 | \$ 1,271,896 | \$ 131,898 |
| Board of elections: | | | | |
| Electoral Board | \$ 18,806 | \$ 18,806 | \$ 13,841 | \$ 4,965 |
| Registrar | 45,441 | 45,441 | 44,523 | 918 |
| Total board of elections | \$ 64,247 | \$ 64,247 | \$ 58,364 | \$ 5,883 |
| Total general government administration | \$ 1,508,138 | \$ 1,508,138 | \$ 1,365,936 | \$ 142,202 |
| Judicial administration: | | | | |
| Courts: | | | | |
| General district court | \$ 41,250 | \$ 41,250 | \$ 41,272 | \$ (22) |
| Magistrate | 1,200 | 1,200 | 1,049 | 151 |
| Shared services | 578,116 | 578,116 | 623,356 | (45,240) |
| Total courts | \$ 620,566 | \$ 620,566 | \$ 665,677 | \$ (45,111) |
| Total judicial administration | \$ 620,566 | \$ 620,566 | \$ 665,677 | \$ (45,111) |
| Public safety: | | | | |
| Law enforcement and traffic control: | | | | |
| Police department | \$ 1,955,298 | \$ 1,955,298 | \$ 1,985,503 | \$ (30,205) |
| Narcotics | 6,500 | 6,500 | 2,554 | 3,946 |
| Community policing | 18,200 | 18,200 | 18,353 | (153) |
| COPS grant | 47,268 | 47,268 | 48,551 | (1,283) |
| Total law enforcement and traffic control | \$ 2,027,266 | \$ 2,027,266 | \$ 2,054,961 | \$ (27,695) |
| Fire and rescue services: | | | | |
| Fire programs | \$ 330,360 | \$ 330,360 | \$ 256,077 | \$ 74,283 |
| E911 programs | 92,500 | 92,500 | 92,566 | (66) |
| Ambulance and rescue services | 156,569 | 156,569 | 179,523 | (22,954) |
| Total fire and rescue services | \$ 579,429 | \$ 579,429 | \$ 528,166 | \$ 51,263 |

City of Galax, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

| <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) | | | | |
| Public safety: (Continued) | | | | |
| Correction and detention: | | | | |
| Juvenile probation | \$ 135,184 | \$ 135,184 | \$ 159,485 | \$ (24,301) |
| Correction and probation | 3,875 | 3,875 | 4,169 | (294) |
| Total correction and detention | <u>\$ 139,059</u> | <u>\$ 139,059</u> | <u>\$ 163,654</u> | <u>\$ (24,595)</u> |
| Other protection: | | | | |
| Animal control | \$ 25,608 | \$ 25,608 | \$ 30,232 | \$ (4,624) |
| Medical examiner | 200 | 200 | 140 | 60 |
| Animal shelter | 104,253 | 104,253 | 95,413 | 8,840 |
| Safe routes to schools | 14,748 | 14,748 | 54,162 | (39,414) |
| Total other protection | <u>\$ 144,809</u> | <u>\$ 144,809</u> | <u>\$ 179,947</u> | <u>\$ (35,138)</u> |
| Total public safety | <u>\$ 2,890,563</u> | <u>\$ 2,890,563</u> | <u>\$ 2,926,728</u> | <u>\$ (36,165)</u> |
| Public works: | | | | |
| Engineering: | | | | |
| Engineering | <u>\$ 133,165</u> | <u>\$ 133,165</u> | <u>\$ 141,072</u> | <u>\$ (7,907)</u> |
| Maintenance of highways, streets and bridges: | | | | |
| Highways, streets, bridges and sidewalks | \$ 1,559,889 | \$ 1,559,889 | \$ 1,559,912 | \$ (23) |
| Street lighting | 56,000 | 56,000 | 75,325 | (19,325) |
| Traffic signals | 27,500 | 27,500 | 25,495 | 2,005 |
| Total maint. of highways, streets and bridges | <u>\$ 1,643,389</u> | <u>\$ 1,643,389</u> | <u>\$ 1,660,732</u> | <u>\$ (17,343)</u> |
| Sanitation and waste removal: | | | | |
| Refuse collection and disposal | \$ 282,299 | \$ 282,299 | \$ 294,889 | \$ (12,590) |
| Landfill | 52,000 | 52,000 | 33,531 | 18,469 |
| Total sanitation and waste removal | <u>\$ 334,299</u> | <u>\$ 334,299</u> | <u>\$ 328,420</u> | <u>\$ 5,879</u> |
| Maintenance of general buildings and grounds: | | | | |
| Building maintenance | \$ 258,849 | \$ 258,849 | \$ 267,355 | \$ (8,506) |
| Property maintenance | 134,709 | 134,709 | 88,189 | 46,520 |
| Total maintenance of general buildings and grounds | <u>\$ 393,558</u> | <u>\$ 393,558</u> | <u>\$ 355,544</u> | <u>\$ 38,014</u> |
| Total public works | <u>\$ 2,504,411</u> | <u>\$ 2,504,411</u> | <u>\$ 2,485,768</u> | <u>\$ 18,643</u> |
| Health and welfare: | | | | |
| Health: | | | | |
| Supplement of local health department | <u>\$ 111,840</u> | <u>\$ 111,840</u> | <u>\$ 111,840</u> | <u>\$ -</u> |
| Mental health and mental retardation: | | | | |
| Mental health contribution | <u>\$ 34,983</u> | <u>\$ 34,983</u> | <u>\$ 34,983</u> | <u>\$ -</u> |

City of Galax, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

| <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: (continued) | | | | |
| Welfare: | | | | |
| Welfare administration and programs | \$ 1,496,808 | \$ 1,496,808 | \$ 1,276,378 | \$ 220,430 |
| Contributions to welfare agencies | 32,777 | 32,777 | 32,777 | - |
| Total welfare | <u>\$ 1,529,585</u> | <u>\$ 1,529,585</u> | <u>\$ 1,309,155</u> | <u>\$ 220,430</u> |
| Total health and welfare | <u>\$ 1,676,408</u> | <u>\$ 1,676,408</u> | <u>\$ 1,455,978</u> | <u>\$ 220,430</u> |
| Education: | | | | |
| Other instructional costs: | | | | |
| Contributions to Community Colleges | \$ 11,462 | \$ 11,462 | \$ 11,462 | \$ - |
| Contribution to the City School Board | 3,659,319 | 3,659,319 | 3,659,319 | - |
| Total education | <u>\$ 3,670,781</u> | <u>\$ 3,670,781</u> | <u>\$ 3,670,781</u> | <u>\$ -</u> |
| Parks, recreation, and cultural: | | | | |
| Parks and recreation: | | | | |
| Parks | \$ 59,700 | \$ 59,700 | \$ 55,024 | \$ 4,676 |
| Recreation | 1,176,162 | 1,176,162 | 1,191,453 | (15,291) |
| Rosewald Felts | 1,000 | 1,000 | 233 | 767 |
| Rex Theater | 41,570 | 41,570 | 28,831 | 12,739 |
| Golf Course | 216,939 | 216,939 | 178,402 | 38,537 |
| Farmer's Market | 6,141 | 6,141 | 2,403 | 3,738 |
| Total parks and recreation | <u>\$ 1,501,512</u> | <u>\$ 1,501,512</u> | <u>\$ 1,456,346</u> | <u>\$ 45,166</u> |
| Cultural enrichment: | | | | |
| Museum | \$ 31,567 | \$ 31,567 | \$ 30,144 | \$ 1,423 |
| Chestnut Creek School of the Arts | 125,000 | 125,000 | 125,000 | - |
| Art programs and contributions | 18,000 | 18,000 | 18,000 | - |
| Total cultural enrichment | <u>\$ 174,567</u> | <u>\$ 174,567</u> | <u>\$ 173,144</u> | <u>\$ 1,423</u> |
| Library: | | | | |
| Regional library | \$ 226,176 | \$ 226,176 | \$ 226,716 | \$ (540) |
| Total parks, recreation, and cultural | <u>\$ 1,902,255</u> | <u>\$ 1,902,255</u> | <u>\$ 1,856,206</u> | <u>\$ 46,049</u> |
| Community development: | | | | |
| Planning and community development: | | | | |
| Planning and development | \$ 161,934 | \$ 161,934 | \$ 159,574 | \$ 2,360 |
| Broadband | 31,658 | 31,658 | - | 31,658 |
| Bottom area project | 416,375 | 416,375 | 126,165 | 290,210 |
| BRCEDA | 155,000 | 155,000 | 152,189 | 2,811 |
| Total planning and community development | <u>\$ 764,967</u> | <u>\$ 764,967</u> | <u>\$ 437,928</u> | <u>\$ 327,039</u> |
| Total community development | <u>\$ 764,967</u> | <u>\$ 764,967</u> | <u>\$ 437,928</u> | <u>\$ 327,039</u> |

City of Galax, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

| <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) | | | | |
| Nondepartmental: | | | | |
| Nondepartmental | \$ 411,473 | \$ 411,473 | \$ 373,928 | \$ 37,545 |
| Capital projects: | | | | |
| Capital projects | \$ 2,508,841 | \$ 2,508,841 | \$ 2,327,615 | \$ 181,226 |
| Debt service: | | | | |
| Principal retirement | \$ 596,319 | \$ 596,319 | \$ 595,650 | \$ 669 |
| Bond issuance costs | 27,725 | 27,725 | 18,500 | 9,225 |
| Interest and other fiscal charges | 169,184 | 169,184 | 172,393 | (3,209) |
| Total debt service | <u>\$ 793,228</u> | <u>\$ 793,228</u> | <u>\$ 786,543</u> | <u>\$ 6,685</u> |
| Total General Fund | <u>\$ 19,251,631</u> | <u>\$ 19,251,631</u> | <u>\$ 18,353,088</u> | <u>\$ 898,543</u> |
| Discretely Presented Component Unit - School Board | | | | |
| School Operating Fund: | | | | |
| Education: | | | | |
| Administration of schools: | | | | |
| Administration and health services | \$ 767,481 | \$ 767,481 | \$ 669,413 | \$ 98,068 |
| Instruction costs: | | | | |
| Instructional costs | \$ 10,093,529 | \$ 10,316,717 | \$ 10,061,923 | \$ 254,794 |
| Operating costs: | | | | |
| Pupil transportation | \$ 452,648 | \$ 455,339 | \$ 475,842 | \$ (20,503) |
| Operation and maintenance of school plant | 1,385,734 | 1,385,744 | 1,246,301 | 139,443 |
| School food service | 551,797 | 570,797 | 782,554 | (211,757) |
| Facilities | 50,000 | 33,614 | 501,083 | (467,469) |
| Technology | 677,963 | 681,885 | 708,851 | (26,966) |
| Total operating costs | <u>\$ 3,118,142</u> | <u>\$ 3,127,379</u> | <u>\$ 3,714,631</u> | <u>\$ (587,252)</u> |
| Total School Operating Fund | <u>\$ 13,979,152</u> | <u>\$ 14,211,577</u> | <u>\$ 14,445,967</u> | <u>\$ (234,390)</u> |
| Total Discretely Presented Component Unit - School Board | <u>\$ 13,979,152</u> | <u>\$ 14,211,577</u> | <u>\$ 14,445,967</u> | <u>\$ (234,390)</u> |

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

STATISTICAL INFORMATION

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

| Fiscal Year | General Government Administration | Judicial Administration | Public Safety | Public Works | Health and Welfare | Education | Parks, Recreation, and Cultural | Community Development | Interest on Long-Term Debt | Water and Sewer | Total |
|-------------|-----------------------------------|-------------------------|---------------|--------------|--------------------|--------------|---------------------------------|-----------------------|----------------------------|-----------------|---------------|
| 2014-15 | \$ 1,574,606 | \$ 665,677 | \$ 2,796,916 | \$ 2,441,402 | \$ 1,425,069 | \$ 3,928,234 | \$ 2,023,767 | \$ 560,934 | \$ 198,755 | \$ 2,562,104 | \$ 18,177,464 |
| 2013-14 | 1,552,436 | 601,213 | 2,990,921 | 2,594,079 | 1,423,738 | 3,879,492 | 2,016,590 | 728,676 | 157,580 | 2,949,673 | 18,894,398 |
| 2012-13 | 1,543,098 | 394,278 | 2,790,642 | 2,556,297 | 1,508,926 | 4,269,959 | 2,040,066 | 399,464 | 230,446 | 2,725,663 | 18,458,839 |
| 2011-12 | 1,496,085 | 618,300 | 2,803,284 | 2,084,134 | 1,664,552 | 3,700,277 | 1,749,789 | 2,004,859 | 235,567 | 2,572,434 | 18,929,281 |
| 2010-11 | 1,403,607 | 525,130 | 2,764,659 | 2,142,439 | 1,601,606 | 3,395,746 | 1,537,985 | 648,415 | 249,393 | 2,423,328 | 16,692,308 |
| 2009-10 | 1,354,495 | 516,416 | 2,572,717 | 1,399,049 | 1,730,389 | 3,878,868 | 1,728,558 | 1,041,925 | 278,631 | 2,436,820 | 16,937,868 |
| 2008-09 | 1,410,590 | 421,172 | 2,523,114 | 3,671,499 | 1,683,602 | 1,498,542 | 1,838,667 | 922,152 | 279,653 | 2,539,619 | 16,788,610 |
| 2007-08 | 1,216,686 | 252,958 | 2,380,854 | 2,913,678 | 1,878,593 | 2,804,597 | 1,460,945 | 570,362 | 325,285 | 2,587,485 | 16,391,443 |
| 2006-07 | 1,781,858 | 19,150 | 1,622,046 | 2,199,901 | 1,557,938 | 3,651,186 | 1,449,683 | 201,354 | 229,297 | 2,424,384 | 15,136,797 |
| 2005-06 | 1,808,912 | - | 1,771,338 | 2,316,099 | 1,601,371 | 3,553,729 | 1,218,418 | 290,620 | 209,613 | 2,899,388 | 15,669,488 |

Table 2

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

| Fiscal Year | PROGRAM REVENUES | | | GENERAL REVENUES | | | | | | Total |
|-------------|----------------------|------------------------------------|----------------------------------|------------------------|-------------------|----------------------------------|---------------|--------------------------------------------------------------|---------------|-------|
| | 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 | | |
| 2014-15 | \$ 3,426,178 | \$ 3,637,090 | \$ 2,085,511 | \$ 5,008,653 | \$ 5,802,799 | \$ 38,320 | \$ 190,713 | \$ 504,695 | \$ 20,693,959 | |
| 2013-14 | 3,411,297 | 3,935,728 | 694,719 | 4,890,742 | 5,571,854 | 39,350 | 93,493 | 505,750 | 19,142,933 | |
| 2012-13 | 3,288,734 | 3,766,099 | 151,082 | 4,725,836 | 5,564,801 | 43,230 | 131,054 | 516,143 | 18,186,979 | |
| 2011-12 | 3,786,646 | 4,881,858 | 269,036 | 4,107,727 | 4,737,461 | 118 | 127,348 | 465,184 | 18,375,378 | |
| 2010-11 | 4,246,388 | 3,955,984 | 396,163 | 3,870,781 | 4,652,947 | 25,654 | 22,744 | 472,432 | 17,643,093 | |
| 2009-10 | 3,380,558 | 3,458,555 | 1,618,233 | 3,922,184 | 4,630,039 | 1,238 | 72,478 | 481,486 | 17,564,771 | |
| 2008-09 | 3,090,007 | 3,807,358 | 1,687,649 | 3,582,227 | 4,292,452 | 28,292 | 48,352 | 443,907 | 16,980,244 | |
| 2007-08 | 2,994,718 | 3,696,593 | 483,792 | 3,834,008 | 4,533,937 | 394,984 | 31,333 | 492,427 | 16,461,792 | |
| 2006-07 | 2,924,540 | 3,672,182 | - | 3,890,380 | 4,759,332 | 342,730 | 132,585 | 274,273 | 15,996,022 | |
| 2005-06 | 2,920,294 | 3,129,111 | 82,500 | 3,693,111 | 4,476,845 | 237,781 | 450,708 | 269,507 | 15,259,857 | |

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

| Fiscal Year | General Administration | Judicial Administration | Public Safety | Public Works | Health and Welfare | Education (2) | Parks, Recreation & Cultural | Community Development | Non-Departmental | Debt Service | Capital Projects | Totals |
|-------------|------------------------|-------------------------|---------------|--------------|--------------------|---------------|------------------------------|-----------------------|------------------|--------------|------------------|---------------|
| 2014-15 | \$ 1,365,936 | \$ 665,677 | \$ 2,926,728 | \$ 2,485,768 | \$ 1,455,978 | \$ 14,457,429 | \$ 1,856,206 | \$ 437,928 | \$ 373,928 | \$ 786,543 | \$ 2,327,615 | \$ 29,139,736 |
| 2013-14 | 1,379,004 | 601,213 | 2,985,642 | 2,562,375 | 1,418,426 | 13,536,865 | 1,884,408 | 616,302 | 253,793 | 775,335 | 676,722 | 26,690,085 |
| 2012-13 | 1,303,062 | 537,064 | 2,762,814 | 2,788,217 | 1,512,532 | 13,631,180 | 1,851,395 | 369,643 | 276,414 | 785,988 | 322,753 | 26,141,062 |
| 2011-12 | 1,456,338 | 615,081 | 2,849,754 | 2,050,229 | 1,654,794 | 16,316,471 | 1,796,614 | 2,004,859 | - | 757,000 | - | 29,501,140 |
| 2010-11 | 1,362,204 | 521,213 | 2,839,033 | 2,170,537 | 1,575,688 | 15,838,839 | 1,483,293 | 648,415 | - | 768,050 | - | 27,207,272 |
| 2009-10 | 1,328,623 | 516,030 | 2,602,251 | 2,091,801 | 1,723,290 | 17,213,809 | 1,910,866 | 1,041,925 | - | 792,798 | - | 29,221,393 |
| 2008-09 | 1,645,052 | 421,062 | 2,537,988 | 3,787,262 | 1,677,544 | 13,179,538 | 2,267,225 | 899,677 | - | 501,901 | 2,331,368 | 29,248,617 |
| 2007-08 | 1,207,346 | 252,753 | 2,590,060 | 2,563,386 | 1,857,486 | 12,534,267 | 1,421,845 | 703,970 | - | 5,607,283 | 5,916,422 | 34,654,818 |
| 2006-07 | 1,204,142 | 175,625 | 2,116,872 | 2,341,894 | 1,542,713 | 11,512,602 | 1,452,742 | 200,323 | - | 474,784 | 220,054 | 21,241,751 |
| 2005-06 | 2,108,844 | 14,279 | 2,674,843 | 2,315,542 | 1,601,992 | 11,075,092 | 1,678,390 | 282,956 | - | 466,248 | 1,592,429 | 23,810,615 |

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

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit School Board.

City of Galax, Virginia
Governmental Revenues by Source (1)
Last Ten Fiscal Years

| Fiscal Year | General Property Taxes | Other Local Taxes | Permits Privilege Fees and Regulatory Licenses | Fines and Forfeitures | Revenue from use of Money and Property | Charges for Services | Miscellaneous | Recovered Costs | Inter-governmental (2) | Total |
|-------------|------------------------|-------------------|------------------------------------------------|-----------------------|----------------------------------------|----------------------|---------------|-----------------|------------------------|---------------|
| 2014-15 | \$ 5,068,041 | \$ 5,785,608 | \$ 21,470 | \$ 119,843 | \$ 39,017 | \$ 1,232,726 | \$ 236,417 | \$ 226,067 | \$ 16,351,303 | \$ 29,080,492 |
| 2013-14 | 4,817,729 | 5,574,405 | 18,839 | 112,962 | 39,800 | 1,130,665 | 130,179 | 217,555 | 14,381,023 | 26,423,157 |
| 2012-13 | 4,641,973 | 5,570,787 | 26,096 | 142,786 | 43,230 | 1,194,579 | 385,226 | 182,339 | 13,547,049 | 25,734,065 |
| 2011-12 | 4,087,009 | 4,798,066 | 19,390 | 104,879 | 112,220 | 1,768,475 | 144,811 | 942 | 14,296,633 | 25,332,425 |
| 2010-11 | 3,870,688 | 4,675,312 | 16,353 | 114,770 | 127,190 | 2,203,561 | 170,396 | 181 | 13,078,590 | 24,257,041 |
| 2009-10 | 3,816,000 | 4,560,283 | 18,849 | 103,750 | 130,041 | 1,741,837 | 282,077 | 3,601 | 14,371,445 | 25,027,883 |
| 2008-09 | 3,570,161 | 4,296,653 | 20,162 | 89,124 | 68,520 | 1,550,100 | 116,451 | 1,299 | 15,331,075 | 25,043,545 |
| 2007-08 | 3,692,282 | 4,529,736 | 24,176 | 153,381 | 520,585 | 1,627,701 | 195,078 | 453 | 13,225,335 | 23,968,727 |
| 2006-07 | 3,763,326 | 4,759,332 | 31,418 | 123,191 | 525,018 | 1,216,582 | 141,053 | 27,058 | 12,558,189 | 23,145,167 |
| 2005-06 | 3,735,520 | 4,476,845 | 24,917 | 62,003 | 347,199 | 1,034,503 | 494,225 | 1,359,359 | 11,433,998 | 22,968,569 |

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

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit School Board.

Table 5

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

| Fiscal Year | Current Tax Levy | Collected within the Year of Levy | | Collections in Subsequent Years | Total Collections to Date | |
|-------------|------------------|-----------------------------------|-----------------|---------------------------------|---------------------------|-----------------|
| | | Amount | Percent of Levy | | Amount | Percent of Levy |
| 2014-15 | \$ 4,909,132 | \$ 4,758,955 | 96.94% | \$ - | \$ 4,758,955 | 96.94% |
| 2013-14 | 4,849,276 | 4,654,991 | 95.99% | 73,335 | 4,728,326 | 97.51% |
| 2012-13 | 4,643,429 | 4,428,347 | 95.37% | 131,802 | 4,560,149 | 98.21% |
| 2011-12 | 3,999,533 | 3,831,544 | 95.80% | 124,750 | 3,956,294 | 98.92% |
| 2010-11 | 3,728,831 | 3,588,318 | 96.23% | 88,706 | 3,677,024 | 98.61% |
| 2009-10 | 3,916,477 | 3,776,354 | 96.42% | 109,714 | 3,886,068 | 99.22% |
| 2008-09 | 3,923,267 | 3,699,935 | 94.31% | 177,784 | 3,877,719 | 98.84% |
| 2007-08 | 3,991,116 | 3,795,947 | 95.11% | 149,049 | 3,944,996 | 98.84% |
| 2006-07 | 4,212,069 | 3,823,553 | 90.78% | 170,116 | 3,993,669 | 94.81% |
| 2005-06 | 4,176,254 | 3,752,783 | 89.86% | 128,010 | 3,880,793 | 92.93% |

(1) Exclusive of penalties and interest.

Table 6

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

| Fiscal Year | Real Estate (1) | Personal Property (1) | Public Service Companies (2) | Total |
|----------------|--------------------|--------------------------|---------------------------------|----------------|
| 2014-15 | \$ 457,205,000 | \$ 110,616,317 | \$ 15,688,304 | \$ 583,509,621 |
| 2013-14 | 452,108,700 | 108,178,991 | 14,644,537 | 574,932,228 |
| 2012-13 | 449,458,875 | 102,868,300 | 13,364,028 | 565,691,203 |
| 2011-12 | 443,963,100 | 99,871,993 | 14,483,951 | 558,319,044 |
| 2010-11 | 444,067,400 | 96,562,916 | 13,770,881 | 554,401,197 |
| 2009-10 | 442,517,089 | 82,983,895 | 13,567,565 | 539,068,549 |
| 2008-09 | 441,047,000 | 102,287,271 | 13,938,302 | 557,272,573 |
| 2007-08 | 358,067,015 | 98,479,264 | 13,145,695 | 469,691,974 |
| 2006-07 | 356,511,315 | 116,885,023 | 12,232,851 | 485,629,189 |
| 2005-06 | 352,035,705 | 115,136,700 | 12,541,268 | 479,713,673 |

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

(2) Assessed by the State Corporation Commission.

Table 7

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

| Fiscal Year | Real Estate | Mobile Homes | Personal Property | Machinery and Tools |
|----------------|-------------|-----------------|----------------------|---------------------------|
| 2014-15 | \$ 0.69 | \$ 0.69 | \$ 2.25 | \$ 1.50 |
| 2013-14 | 0.69 | 0.69 | 2.25 | 1.50 |
| 2012-13 | 0.67 | 0.67 | 2.25 | 1.50 |
| 2011-12 | 0.62 | 0.62 | 1.68 | 1.42 |
| 2010-11 | 0.57 | 0.70 | 1.68 | 1.42 |
| 2009-10 | 0.57 | 0.70 | 1.68 | 1.42 |
| 2008-09 | 0.55 | 0.55 | 1.42 | 1.42 |
| 2007-08 | 0.50 | 0.50 | 1.42 | 1.42 |
| 2006-07 | 0.70 | 0.70 | 1.42 | 1.42 |
| 2005-06 | 0.70 | 0.70 | 1.42 | 1.42 |

(1) Per \$100 of assessed value.

Table 8

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

| Fiscal Year | Population (1) | Assessed Value (in thousands) (2) | Gross Bonded Debt (3) | Net Bonded Debt | Ratio of Net Bonded Debt to Assessed Value | Net Bonded Debt per Capita |
|-------------|----------------|-----------------------------------|-----------------------|-----------------|--------------------------------------------|----------------------------|
| 2014-15 | 7,034 | 5,835,096 | \$ 7,509,306 | 7,509,306 | 1.29% | 1,068 |
| 2013-14 | 7,035 | 5,749,322 | 6,690,956 | 6,690,956 | 1.16% | 951 |
| 2012-13 | 6,928 | 5,656,912 | 7,275,989 | 7,275,989 | 1.29% | 1,050 |
| 2011-12 | 6,877 | 5,583,190 | 7,402,698 | 7,402,698 | 1.33% | 1,076 |
| 2010-11 | 7,077 | 5,544,012 | 7,873,915 | 7,873,915 | 1.42% | 1,113 |
| 2009-10 | 6,880 | 5,390,685 | 8,348,105 | 8,348,105 | 1.55% | 1,213 |
| 2008-09 | 6,823 | 5,572,726 | 8,822,196 | 8,822,196 | 1.58% | 1,293 |
| 2007-08 | 6,796 | 4,696,920 | 9,435,220 | 9,435,220 | 2.01% | 1,388 |
| 2006-07 | 6,796 | 4,856,292 | 9,418,978 | 9,418,978 | 1.94% | 1,386 |
| 2005-06 | 6,737 | 4,797,137 | 4,712,430 | 4,712,430 | 0.98% | 699 |

(1) Source: United States Census Bureau

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

(3) Includes all long-term general obligation bonded debt, bonded anticipation notes, and literary fund loans.

Excludes revenue bonds, landfill closure/post-closure care liability, capital leases, and compensated absences.

Table 9

City of Galax, Virginia
 Ratio of Annual Debt Service Expenditures for General Bonded
 Debt to Total General Governmental Expenditures (1)
 Last ten Fiscal Years

| Fiscal Year | Principal | Interest | Total Debt Service | Total General Governmental Expenditures | Ratio of Debt Service to General Governmental Expenditures |
|----------------|------------|------------|--------------------------|--------------------------------------------------|------------------------------------------------------------------------|
| 2014-15 | \$ 595,650 | \$ 190,893 | 786,543 | \$ 29,139,736 | 2.70% |
| 2013-14 | 607,493 | 167,842 | 775,335 | 26,690,085 | 2.90% |
| 2012-13 | 555,677 | 230,311 | 785,988 | 26,141,062 | 3.01% |
| 2011-12 | 526,929 | 230,071 | 757,000 | 29,501,140 | 2.57% |
| 2010-11 | 517,681 | 250,369 | 768,050 | 27,207,272 | 2.82% |
| 2009-10 | 516,911 | 275,887 | 792,798 | 29,221,393 | 2.71% |
| 2008-09 | 300,835 | 201,066 | 501,901 | 29,248,617 | 1.72% |
| 2007-08 | 5,261,321 | 345,962 | 5,607,283 | 34,654,818 | 16.18% |
| 2006-07 | 293,452 | 181,332 | 474,784 | 21,241,751 | 2.24% |
| 2005-06 | 246,057 | 220,191 | 466,248 | 23,810,615 | 1.96% |

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

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
the City Council of the
City of Galax, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Galax, Virginia as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Galax, Virginia's basic financial statements and have issued our report thereon dated November 18, 2015.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. [2015-001]

Compliance and Other Matters

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

The City of Galax, Virginia's Response to Findings

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

Purpose of this Report

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

Robinson, Fauser, Cox Associates

Blacksburg, Virginia
November 18, 2015

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
the City Council of the
City of Galax, Virginia

Report on Compliance for Each Major Federal Program

We have audited the City of Galax, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Galax, Virginia's major federal programs for the year ended June 30, 2015. The City of Galax, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Galax, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

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

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

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

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

Robinson, Fauner, Co. Associates

Blacksburg, Virginia
November 18, 2015

CITY OF GALAX, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

| Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title | Federal CFDA Number | Pass-through Entity Identifying Number | Federal Expenditures |
|----------------------------------------------------------------------------------------|---------------------------|-------------------------------------------------|-------------------------|
| DEPARTMENT OF AGRICULTURE: | | | |
| Direct payments: | | | |
| Community Facilities Loans and Grants | 10.766 | NA | \$ 68,300 |
| Pass through payments from: | | | |
| <i>Department of Social Services:</i> | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | 0010110/0040110/0040111 | 113,742 |
| <i>Department of Education:</i> | | | |
| School Breakfast Program (Child Nutrition Cluster) | 10.553 | 40591 | 133,707 |
| National School Lunch Program (Child Nutrition Cluster) | 10.555 | 40623 | \$424,241 |
| <i>State Department of Agriculture:</i> | | | |
| Food Distribution-Schools (Note C) (Child Nutrition Cluster) | 10.555 | Unknown | 54,044 |
| Total Department of Agriculture | | | <u>\$ 794,034</u> |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES: | | | |
| Pass through payments from: | | | |
| <i>Department of Social Services:</i> | | | |
| Promoting Safe and Stable Families | 93.556 | 0950110/0950111 | \$ 10,199 |
| Temporary Assistance for Needy Families | 93.558 | 0400111 | 120,462 |
| Refugee and Entrant Assistance - State Administered Programs | 93.566 | 0500110/0500111 | 136 |
| Low Income Home Energy Assistance | 93.568 | 0600410/0600411 | 14,143 |
| Social Services Block Grant | 93.667 | 1000110/1000111 | 84,491 |
| Chafee Foster Care Independence Program | 93.674 | 9150110/9150111 | 619 |
| Children's Health Insurance Program | 93.767 | 0540110/0540111 | 3,656 |
| Medical Assistance Program | 93.778 | 1200110/1200111 | 129,296 |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | 0900110/0900111 | 836 |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | 0760110/0760111 | 21,565 |
| Foster Care - Title IV E | 93.658 | 1100110/1100111 | 59,965 |
| Adoption Assistance | 93.659 | 1120110/1120111 | 38,422 |
| Total Department of Health and Human Services | | | <u>\$ 483,790</u> |
| DEPARTMENT OF JUSTICE: | | | |
| Direct payments: | | | |
| Public Safety Partnership and Community Policing Grants | 16.710 | NA | \$ 30,235 |
| Pass through payments from: | | | |
| <i>JAG Program Cluster:</i> | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | Unknown | 9,563 |
| Total Department of Justice | | | <u>\$ 39,798</u> |
| DEPARTMENT OF HOMELAND SECURITY: | | | |
| Direct payments: | | | |
| Staffing for Adequate Fire and Emergency Response (SAFER) | 97.083 | NA | \$ 62,963 |
| Pass through payments from: | | | |
| <i>Department of Emergency Management:</i> | | | |
| Emergency Management Performance Grant | 97.042 | 158 | 7,500 |
| Total Department of Homeland Security | | | <u>\$ 70,463</u> |
| DEPARTMENT OF TRANSPORTATION: | | | |
| Pass through payments from: | | | |
| <i>Department of Motor Vehicles:</i> | | | |
| State and Community Highway Safety | 20.600 | 50326 | \$ 2,185 |
| Highway Planning and Construction | 20.205 | Unknown | 1,082,515 |
| Alcohol Open Container Requirements | 20.607 | 154AL-2010 | 4,926 |
| Total Department of Transportation | | | <u>\$ 1,089,626</u> |
| ENVIRONMENTAL PROTECTION AGENCY: | | | |
| Direct payments: | | | |
| Nonpoint Source Implementation Grants (319) | 66.460 | NA | \$ 37,951 |
| Total Environmental Protection Agency | | | <u>\$ 37,951</u> |
| APPALACHIAN REGIONAL COMMISSION | | | |
| Pass through payments from: | | | |
| <i>Department of Housing and Community Development:</i> | | | |
| Appalachian Area Development | 23.002 | Unknown | \$ 314,606 |
| Total Appalachian Regional Commission | | | <u>\$ 314,606</u> |

CITY OF GALAX, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

| Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title | Federal CFDA Number | Pass-through Entity Identifying Number | Federal Expenditures |
|---------------------------------------------------------------------------------------------|---------------------------|-------------------------------------------------|----------------------------|
| DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT: | | | |
| Pass through payments from: | | | |
| <i>Department of Housing and Community Development:</i> | | | |
| Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii | 14.228 | 50790 | \$ 396,328 |
| Total Department of Housing and Urban Development | | | <u>\$ 396,328</u> |
| DEPARTMENT OF EDUCATION: | | | |
| Pass through payments from: | | | |
| <i>Department of Education:</i> | | | |
| Career and Technical Education -- Basic Grants to States | 84.048 | 61095 | \$ 29,775 |
| Improving Teacher Quality State Grants | 84.367 | 61480 | 63,013 |
| English Language Acquisition State Grants | 84.365 | unknown | 30,179 |
| Rural Education | 84.358 | 43481 | 26,366 |
| Advance Placement Program | 84.330 | 60957 | 2,900 |
| Title I Grants to Local Educational Agencies | 84.010 | 42901 | 482,396 |
| Special Education - Grants to States (Special Education Cluster (IDEA)) | 84.027 | 73071 | 250,659 |
| Special Education - Preschool Grants (Special Education Cluster (IDEA)) | 84.173 | 62521 | 22,541 |
| Total Department of Education | | | <u>\$ 907,829</u> |
| Total Expenditures of Federal Awards | | | <u><u>\$ 4,134,425</u></u> |

Note to Schedule of Expenditures of Federal Awards

Note A--Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Galax, Virginia under programs of the federal government for the year ended June 30, 2015. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the City of Galax, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Galax, Virginia.

Note B--Summary of Significant Accounting Policies

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

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

Note C--Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

Note D--Relationship to the Financial Statements:

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

| | |
|-------------------------------------------------------------------------------|----------------------------|
| Primary government: | |
| General Fund | \$ 2,614,604 |
| Component Unit School Board: | |
| School Operating Fund | <u>1,519,821</u> |
| Total federal expenditures per the Schedule of Expenditures of Federal Awards | <u><u>\$ 4,134,425</u></u> |

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

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? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)? No

Identification of major programs:

| CFDA # | Name of Federal Program or Cluster |
|---------------|-----------------------------------------------------------------------------------------|
| 10.553/10.555 | Child Nutrition Cluster |
| 84.010 | Title I Grants to Local Educational Agencies |
| 14.228 | Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii |
| 20.205 | Highway Planning and Construction |
| 23.002 | Appalachian Area Development |

Dollar threshold used to distinguish between Type A and Type B programs \$300,000

Auditee qualified as low-risk auditee? No

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015 (Continued)

Section II - Financial Statement Findings

2015-001

| | |
|------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Criteria: | Per Statement on Auditing Standards 115, identification of adjustments to the financial statements that were not detected by the entity's internal controls indicates that a significant deficiency may exist. |
| Condition: | The City's financial statements required year end adjusting entries by the Auditor to ensure such statements complied with Generally Accepted Accounting Principles. |
| Cause of Condition: | The City failed to identify all year end accounting adjustments necessary for the welfare, CSA and IDA accounts to be prepared in accordance with current reporting standards. |
| Effect of Condition: | There is more than a remote likelihood that a misstatement of the entity's financial statements will not be prevented or detected by the entity's internal controls over financial reporting. |
| Recommendation: | City staff identified closing entries for the general fund and water/sewer fund. In the future, other funds should be reviewed and adjusted as necessary to comply with current reporting standards. |
| Management's Response: | The City's current staff has a good understanding of the City's books and accounting processes. It is anticipated that the number of audit adjustments will decrease in future periods. |

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Status of Prior Audit Findings

There were no prior audit findings related to federal awards.