
**PULASKI COUNTY
PUBLIC SERVICE AUTHORITY**

**FINANCIAL REPORTS
FOR THE YEAR ENDED JUNE 30, 2005**

ROBINSON, FARMER, COX ASSOCIATES
A PROFESSIONAL LIMITED LIABILITY COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Charlottesville ♦ Christiansburg ♦ Richmond ♦ Verona

**PULASKI COUNTY
PUBLIC SERVICE AUTHORITY**

FINANCIAL REPORT

For the Year Ended June 30, 2005

TABLE OF CONTENTS

Page(s)

FINANCIAL SECTION

Independent Auditors' Report	1
Management's Discussion and Analysis	2-7
Financial Statements:	
Exhibit 1 – Statement of Net Assets	8
Exhibit 2 - Statement of Revenues, Expenses and Changes in Net Assets	9-11
Exhibit 3 - Statement of Cash Flows and Reconciliation of Operating Income to Net Cash Provided by Operating Activities.....	12
Notes to Financial Statements.....	13-19
Supporting Schedules:	
Schedule 1 – Comparative Statement of Revenues, Expenses and Changes in Net Assets.....	20-22

COMPLIANCE SECTION

Compliance:

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	23
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FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

Certified Public Accountants

A Professional limited liability company

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF THE BOARD PULASKI COUNTY PUBLIC SERVICE AUTHORITY PULASKI, VIRGINIA

We have audited the accompanying statement of net assets of the Pulaski County Public Service Authority, a discretely presented component of the County of Pulaski, Virginia, as of and for the year ended June 30, 2005, and the related statements of revenues, expenses and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion 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 Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the Pulaski County Public Service Authority, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 29, 2005 on our consideration of the Pulaski County Public Service Authority's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, grant agreement and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America.

- From the cash perspective described in Exhibit 3, Authority operations netted \$50,836 prior to being offset by changes in depreciation and changes in receivables, payables, compensated absences and customer deposits.
- As part of the above cash transactions of the Authority, the Authority's total debt decreased by \$296,800 in the 2004-05 fiscal year.

Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of an Authority's financial position. The net assets of the Authority exceeded liabilities by \$11,553,418 on June 30, 2005. However, a year earlier on June 30, 2004, the net assets of the Authority were \$12,009,564. This \$456,146 decline in the net assets of the Authority is of concern and will be addressed through consideration of a combination of improvements in operational efficiencies, rate increases, and the expansion of services which result in a net income to the Authority.

By far the largest portion of the Authority's net assets (\$8,767,053, or 75 percent) reflects its investment in capital assets, net of related outstanding debt used to acquire those assets. Since the Authority uses these capital assets to provide services to its customers, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Net Assets	
	2004	2005
Current and other assets	\$ 3,509,050	\$ 3,546,333
Capital assets	\$ 16,960,568	\$ 16,211,829
Total assets	\$ 20,469,618	\$ 19,758,162
Current liabilities	\$ 583,016	\$ 625,437
Noncurrent liabilities	\$ 7,877,038	\$ 7,579,307
Total liabilities	\$ 8,460,054	\$ 8,204,744
Net assets:		
Invested in capital assets, net of related debt	\$ 9,208,052	\$ 8,767,053
Unrestricted	\$ 2,801,512	\$ 2,786,365
Total net assets	\$ 12,009,564	\$ 11,553,418

As of June 30, 2005, the Authority is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year.

Restatement of Revenues, Expenditures and Changes in Net Assets by Service Type

	Unclassified					Total
	by Audit	Water	Sewer	Refuse	Streetlights	
Operating Revenues		1,695,846	476,810	2,931,485	14,620	5,118,761
Reconnection fees	14,000	14,000				14,000
Penalty and Interest (divided proportionately to revenue)	102,246	33,874	9,524	58,556	292	102,246
Miscellaneous income (divided proportionately to revenue)	8,958	2,968	834	5,130	26	8,958
Subtotal Categorized Operating Revenue	125,204	1,746,688	487,169	2,995,171	14,938	5,243,965
Operating Expenses		1,450,875	985,403	2,852,653	10,763	5,299,694
Billing expenses (divided proportionately to revenue)	125,149	41,462	11,658	71,672	357	125,149
Administrative expenses (divided by expenses)	198,219	54,266	36,856	106,695	403	198,219
Subtotal Categorized Operating Expenses	323,368	1,546,602	1,033,917	3,031,020	11,523	5,623,062
Net Operating Income (loss)	(198,164)	200,085	(546,748)	(35,849)	3,415	(379,097)
Non-Operating Revenues (Expenses)						
Interest earned (divided proportionately to revenue)	47,124	15,612	4,390	26,988	135	47,124
County transfer (divided proportionately to expenditures)	134,388	36,791	24,988	72,337	273	134,388
Interest paid on debt (33% water, sewer, refuse)	(331,901)	(110,634)	(110,634)	(110,634)		(331,901)
Connection fees (50% water 50% sewer)	73,340	36,670	36,670			73,340
Subtotal Net Non-Operating Items	(77,049)	(21,561)	(44,587)	(11,309)	408	(77,049)
Net income (loss)	(275,213)	178,525	(591,335)	(47,158)	3,822	(456,146)

As noted in the above table, sewer system losses are primarily responsible for the reduction in the net assets. Thus, adjustments will be proposed to improve efficiencies, reduce expenditures or increase revenues. The sewer pump station behind the Texaco Service Station at the intersection of Route 100 and I-81 has required extensive repairs and is slated for replacement in the 2005-06 fiscal year. Otherwise, operational efficiencies are difficult to improve since much of the sewer cost is attributable to electric costs, debt service and the payment of sewer treatment fees to the Peppers Ferry Regional Wastewater Treatment Plant. These factors leave little recourse but to consider an increase in sewage disposal fees.

Long-Term Trends

Capital Plan – In addition to developer-funded expansions in Herons' Landing and Stone Ridge developments, the Authority is currently undertaking a significant expansion of sewer service to the Highland Park, Orchard Hills, Vista, and Rolling Hills subdivisions as well as the Polyester, Tiny Town, Mabry Court, and Hidden Valley mobile home parks. Water service extensions are planned for the Polyester, Tiny Town, Mabry Court, Eagleview, and Hidden Valley mobile home parks.

In the current 2005-06 fiscal year, the PSA is installing back-up generators at 5 sewer pump stations and purchasing a new garbage truck, several additional compactors, dumpster and roll-off garbage containers as well as considering the purchase of additional refuse equipment needed to service the James Hardie Building Products manufacturing facility. In addition, the PSA is reviewing options for participation in a regional water authority for the purpose of interconnecting existing PSA water treatment and distribution facilities with those serving the Town of Pulaski, the City of Radford and perhaps the Radford Army Ammunition Plant. Interconnection of systems will provide greater system reliability as is being required as part of the Homeland Security initiative while providing better water service to the Commerce Park.

Long-Term Debt – The extension of water and sewer lines to the subdivisions and mobile home parks listed above will be funded by federal grants totaling \$4,625,131 to be matched by \$3,276,171 in new long-term debt on the part of the Board of Supervisors. Additional long-term debt may be incurred as part of the regional interconnection of water treatment facilities.

Cash and Reserves – As noted in Exhibit 3, the Authority had a cash balance of \$2,660,170 as of June 30, 2005. The balance represents 6 months of operational expenses. It is anticipated that this cash balance will decline, pending needed rate increases to offset equipment needs in the refuse department, replacement of the Route 100/I-81 sewer pump station and the installation of generators at the sewer pump stations.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Peter Huber, Executive Director, Pulaski County Public Service Authority, 143 Third Street, NW, Suite 1, Pulaski, VA 24301.

PULASKI COUNTY PUBLIC SERVICE AUTHORITY

Statement of Net Assets
At June 30, 2005**ASSETS****Unrestricted current assets:**

Cash	\$	2,322,200
Receivables (Net of Allowances for for Uncollectibles)		<u>886,163</u>
Total unrestricted current assets	\$	<u>3,208,363</u>

Restricted current assets:

Restricted cash	\$	<u>337,970</u>
Total current assets	\$	<u>3,546,333</u>

Proprietary fixed assets (net of accumulated depreciation)	\$	16,204,716
Organization expense (net of amortization)		<u>7,113</u>
Total noncurrent assets	\$	<u>16,211,829</u>

Total Assets	\$	<u>19,758,162</u>
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LIABILITIES**Current liabilities:**

Accounts payable	\$	193,622
Interest payable		49,784
Amounts held for others		75,943
Proprietary debt - current portion		283,541
Due to the County - current portion		<u>22,547</u>
Total current liabilities	\$	<u>625,437</u>

Noncurrent liabilities:

Compensated absences	\$	111,457
Proprietary debt - long-term portion		7,154,122
Due to the County - long-term portion		<u>313,728</u>
Total noncurrent liabilities	\$	<u>7,579,307</u>

Total Liabilities	\$	<u>8,204,744</u>
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NET ASSETS

Invested in capital assets, net of related debt	\$	8,767,053
Unrestricted		<u>2,786,365</u>
Total Net Assets	\$	<u>11,553,418</u>

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

PULASKI COUNTY PUBLIC SERVICE AUTHORITY
Proprietary Fund Type
Statement of Revenues, Expenses and Changes In Net Assets
Years Ended June 30, 2005

Operating revenues:	
Garbage service	\$ 2,931,485
Water service	1,695,846
Sewer service	476,810
Street lights	14,620
Reconnection fees	14,000
Penalties and interest on delinquent accounts	102,246
Miscellaneous	8,958
Total operating revenue	\$ 5,243,965
 Operating expenses:	
<i>Water:</i>	
Salaries	\$ 182,517
Fringes	50,778
Professional services	12,280
County central services	24,090
Other expenses	55,039
Supplies	43,843
Repairs and maintenance	110,574
Depreciation	376,890
Total water expenses	\$ 856,011
 <i>Water treatment plant:</i>	
Salaries	\$ 241,974
Fringes	80,754
Professional services	8,454
Professional services-Gov't	18,151
County central services	5,921
Other expenses	109,400
Supplies	107,864
Repairs and maintenance	22,346
Total water treatment expenses	\$ 594,864
 <i>Sewer collection and treatment:</i>	
Salaries	\$ 59,983
Fringes	18,256
Professional services	4,890
Professional services-Gov't	286,056
County central services	6,991
Other expenses	20,637
Supplies	51,152
Repairs and maintenance	160,548
Depreciation	376,890
Total sewer collection and treatment expenses	\$ 985,403

PULASKI COUNTY PUBLIC SERVICE AUTHORITY
 Proprietary Fund Type
 Statement of Revenues, Expenses and Changes In Net Assets
 Years Ended June 30, 2005

<i>Refuse collection and disposal:</i>	
Salaries	\$ 797,347
Fringes	293,827
Professional services	56,333
Professional services-Gov't	1,088,768
County central services	290,281
Other expenses	34,350
Supplies	19,629
Repairs and maintenance	137,830
Depreciation	<u>134,288</u>
Total refuse collection and disposal	\$ <u>2,852,653</u>
<i>Administration:</i>	
Salaries	\$ 65,440
Fringes	22,641
Professional services	71,042
County central services	15,463
Other expenses	9,135
Supplies	283
Depreciation/amortization	<u>14,215</u>
Total administration	\$ <u>198,219</u>
<i>Street Lighting:</i>	
Lighting	\$ <u>10,763</u>
Total street lighting	\$ <u>10,763</u>
<i>Billing:</i>	
Salaries	\$ 44,643
Fringes	16,895
Professional services	14,786
County central services	6,774
Other expenses	33,271
Supplies	7,283
Repairs and maintenance	<u>1,497</u>
Total billing	\$ <u>125,149</u>
Total operating expenses	\$ <u>5,623,062</u>
Operating income (loss)	\$ <u>(379,097)</u>

PULASKI COUNTY PUBLIC SERVICE AUTHORITY

Proprietary Fund Type
Statement of Cash Flows
Years Ended June 30, 2005

Cash flows from operating activities:	
Cash received from customers	\$ 5,260,515
Cash payments to suppliers for goods and services	(2,822,224)
Cash payments to employees for services	<u>(1,864,652)</u>
Net cash provided by operating activities	\$ <u>573,639</u>
Cash flows from noncapital financing activities	\$ <u>134,388</u>
Cash flows from capital and related financing activities:	
Connection charges	\$ 73,340
Acquisition of capital assets	(153,544)
Retirement of debt	(307,203)
Retirement of advance from County	(22,547)
Interest and loan cost paid on debt	<u>(294,361)</u>
Net cash used by capital and related financing activities	\$ <u>(704,315)</u>
Cash flows from investing activities:	
Interest income	\$ <u>47,124</u>
Net increase in cash	\$ <u>50,836</u>
Cash at beginning of year (including restricted cash of \$332,000)	\$ <u>2,609,334</u>
Cash at end of year (including restricted cash of \$337,970)	\$ <u><u>2,660,170</u></u>

**Reconciliation of Operating Income to
Net Cash Provided by Operating Activities**

Operating income (loss)	\$ <u>(379,097)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	\$ 901,746
Amortization	537
Decrease (increase) in receivables	13,553
Increase (decrease) in accounts payable	23,499
Increase (decrease) in compensated absences	10,403
Increase (decrease) in customer deposits	<u>2,998</u>
Net cash provided by operating activities	\$ <u><u>573,639</u></u>

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

PULASKI COUNTY PUBLIC SERVICE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Authority conform to generally accepted accounting principles (GAAP) applicable to government units promulgated by the Government Accounting Standards Board (GASB).

The following is a summary of the more significant policies:

A. The Financial Reporting Entity:

The Authority is a discretely presented component unit of the County of Pulaski, Virginia and is presented as such in the County's financial report for the fiscal year ended June 30, 2005.

B. Basis of Accounting:

Proprietary Funds - The accrual basis of accounting is used for the Authority. Under the accrual method, revenues are recognized when earned and expenses are recognized when incurred. The Proprietary Funds apply all applicable Governmental Accounting Standards Board (GASB) pronouncements and all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

C. Capital Assets:

Capital Assets, which include property, plant and equipment, are reported in the financial statements. Capital assets are defined by the Authority 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 costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not to be 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. There was no interest capitalized during the current or previous fiscal year.

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

<u>Assets</u>	<u>Years</u>
Water & Sewer System	5-50
Equipment	3-10
Buildings	30-50

PULASKI COUNTY PUBLIC SERVICE AUTHORITY

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

- D. Allowance for Uncollectible Accounts:
The Authority calculates its allowance for uncollectible accounts using historical collection data. At June 30, 2005, the allowance amounted to approximately \$707,075.
- E. Cash, Cash Equivalents and Investments:
For the purposes of the Statement of Cash Flows, cash and cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash and investments with maturities of 90 days or less. Certificates of deposits are reported in the accompanying financial statements as cash and cash equivalents.
- F. 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.
- G. Restricted Assets:
Included in restricted cash and cash equivalents are amounts held in debt service reserve accounts in the amounts of \$337,970.
- H. Net Assets:
Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets.

NOTE 2 – CASH AND INVESTMENTS:

Deposits:

All cash of the Authority is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, (a multiple financial institution pool), Section 2.2-440 et.seq. of the Code of Virginia or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and Loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. Deposits covered by the Act are considered insured since the Treasury Board is authorized to make additional assessments.

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PULASKI COUNTY PUBLIC SERVICE AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2005**

NOTE 4 – PROPRIETARY DEBT:

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

Year Ending June 30,	Water and Sewer Revenue Bonds	
	Principal	Interest
2006	\$ 281,264	\$ 311,841
2007	293,884	302,538
2008	301,626	292,371
2009	314,495	281,052
2010	327,496	268,626
2011-2015	1,857,602	1,122,020
2016-2020	1,676,472	704,190
2021-2025	753,512	442,940
2026-2030	862,798	264,905
2031-2034	707,027	62,912
Totals	\$ 7,376,176	\$ 4,053,395

Changes in Long-Term Debt:

The following is a summary of changes in long-term obligations of the Authority for the fiscal year ended June 30, 2005:

	Balance July 1, 2004	Adjustments	Issuances	Retirements	Balance June 30, 2005
Revenue bonds	\$ 7,681,102	\$ -	\$ -	\$ (304,926)	\$ 7,376,176
Premium on revenue bonds	63,764	-	-	(2,277)	61,487
Compensated absences	101,054	-	10,403	-	111,457
Total	\$ 7,845,920	\$ -	\$ 10,403	\$ (307,203)	\$ 7,549,120

PULASKI COUNTY PUBLIC SERVICE AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2005**

NOTE 4 – PROPRIETARY DEBT: (Continued)

Details of Long-Term Indebtedness: (continued)

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Virginia Resource Authority (VRA) Water and Sewer Revenue Bonds:		
\$130,000 interest free loan, issued December 1, 1993 for the Shrader Hill project, with semi annual principal payments totaling \$2,319 through December 1, 2034	\$ 85,794	\$ 4,638
\$4,300,000 revenue bond, issued June 30, 2004 to refinance all GMAC revenue bonds and one Rural Development revenue bond issued May 5, 1992 for \$220,000. The remaining amount was deposited into a Commonwealth Cash Reserve Fund to pay off another Rural Development revenue bond issued February 19, 1992 for \$212,600 at a later date. The bond will mature annually on October 1 in amounts ranging from \$15,000 to \$325,000 through October 1, 2031. Interest is payable semi-annually on October 1 and April 1 at rates varying from 2.9571% to 5.1313%.	4,055,000	220,000
Add: Premium on issuance of \$4,300,000 VRA revenue bond	<u>61,487</u>	<u>2,277</u>
Total VRA Water and Sewer Revenue Bonds	\$ <u>4,202,281</u>	\$ <u>226,915</u>
Other Obligations:		
Compensated absences	\$ <u>111,457</u>	\$ <u> </u>
Total Long-term Obligations	\$ <u><u>7,549,120</u></u>	\$ <u><u>283,541</u></u>

NOTE 5 – CLAIMS, JUDGMENTS AND COMPENSATED ABSENCES:

In accordance with FASB Statement No. 16 "Accounting for Claims, Judgments and Compensated Absences," the Authority has accrued liability arising from outstanding claims, judgments and compensated absences.

The Authority's employees earn vacation leave at various rates. No benefit or pay is received for unused sick leave upon termination. Accumulated vacation is paid upon termination. The Authority has outstanding accrued vacation pay totaling \$111,457.

PULASKI COUNTY PUBLIC SERVICE AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2005**

NOTE 6 – ADVANCES DUE THE COUNTY OF PULASKI:

Advances to the Authority by the County of Pulaski amounting to \$336,275 at June 30, 2005 were as follows:

A \$179,599 advance was provided on October 9, 1980, bearing interest at the rate of 5% per annum payable on demand.

A \$76,400 advance was provided in 1979, bearing interest at the rate of 5% per annum payable on demand.

A \$50,000 advance was provided in 1979, bearing interest at the rate of 5% per annum payable on demand.

A loan with a balance of \$30,276 is an interest free loan receivable in 360 monthly payments of \$1,667 which began on July 1, 1984. In November 1985, the monthly payment increased to \$1,879.

NOTE 7 – DEFINED BENEFIT PENSION PLAN:

Through the County of Pulaski, Virginia, the Authority contributes to the Virginia Retirement System (VRS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for political subdivisions in the Commonwealth of Virginia. Actuarial information, trend information and the funding status and progress of the plan are included in the annual financial report for the County of Pulaski, Virginia.

PULASKI COUNTY PUBLIC SERVICE AUTHORITY

Proprietary Fund Type
Comparative Statement of Revenues, Expenses and Changes In Net Assets
Two Years Ended June 30, 2005

	FY 2005	FY 2004
Operating revenues:		
Garbage service	\$ 2,931,485	\$ 2,711,634
Water service	1,695,846	1,681,444
Sewer service	476,810	430,739
Street lights	14,620	7,722
Reconnection fees	14,000	11,790
Penalties and interest on delinquent accounts	102,246	92,651
Miscellaneous	8,958	16,528
	<u>5,243,965</u>	<u>4,952,508</u>
Operating expenses:		
<i>Water:</i>		
Salaries	\$ 182,517	\$ 165,872
Fringes	50,778	40,938
Professional services	12,280	16,521
County central services	24,090	20,341
Other expenses	55,039	54,117
Supplies	43,843	25,730
Repairs and maintenance	110,574	34,567
Depreciation	376,890	369,758
	<u>856,011</u>	<u>727,844</u>
<i>Water treatment plant:</i>		
Salaries	\$ 241,974	\$ 246,741
Fringes	80,754	68,347
Professional services	8,454	7,696
Professional services-Gov't	18,151	20,296
County central services	5,921	3,348
Other expenses	109,400	120,985
Supplies	107,864	82,707
Repairs and maintenance	22,346	-
	<u>594,864</u>	<u>550,120</u>
<i>Sewer collection and treatment:</i>		
Salaries	\$ 59,983	\$ 42,004
Fringes	18,256	9,900
Professional services	4,890	8,284
Professional services-Gov't	286,056	349,847
County central services	6,991	5,931
Other expenses	20,637	13,282
Supplies	51,152	28,543
Repairs and maintenance	160,548	64,940
Depreciation	376,890	369,758
	<u>985,403</u>	<u>892,489</u>

PULASKI COUNTY PUBLIC SERVICE AUTHORITY

Proprietary Fund Type
Comparative Statement of Revenues, Expenses and Changes In Net Assets
Two Years Ended June 30, 2005

	<u>FY 2005</u>	<u>FY 2004</u>
<i>Refuse collection and disposal:</i>		
Salaries	\$ 797,347	\$ 832,314
Fringes	293,827	252,069
Professional services	56,333	58,112
Professional services-Gov't	1,088,768	1,125,269
County central services	290,281	277,035
Other expenses	34,350	50,506
Supplies	19,629	5,059
Repairs and maintenance	137,830	8,817
Depreciation	134,288	172,571
	<u>2,852,653</u>	<u>2,781,752</u>
Total refuse collection and disposal	\$ 2,852,653	\$ 2,781,752
<i>Administration:</i>		
Salaries	\$ 65,440	\$ 64,433
Fringes	22,641	19,508
Professional services	71,042	82,952
County central services	15,463	16,544
Other expenses	9,135	19,873
Supplies	283	311
Repairs and maintenance	-	1,217
Depreciation/amortization	14,215	7,506
	<u>198,219</u>	<u>212,344</u>
Total administration	\$ 198,219	\$ 212,344
<i>Street Lighting:</i>		
Lighting	\$ 10,763	\$ 11,145
	<u>10,763</u>	<u>11,145</u>
Total street lighting	\$ 10,763	\$ 11,145
<i>Billing:</i>		
Salaries	\$ 44,643	\$ 41,148
Fringes	16,895	15,249
Professional services	14,786	13,324
County central services	6,774	15,757
Other expenses	33,271	38,587
Supplies	7,283	9,951
Repairs and maintenance	1,497	3,337
	<u>125,149</u>	<u>137,353</u>
Total billing	\$ 125,149	\$ 137,353
Total operating expenses	\$ 5,623,062	\$ 5,313,047
Operating income (loss)	\$ (379,097)	\$ (360,539)

PULASKI COUNTY PUBLIC SERVICE AUTHORITY

Proprietary Fund Type
Comparative Statement of Revenues, Expenses and Changes In Net Assets
Two Years Ended June 30, 2005

	<u>FY 2005</u>	<u>FY 2004</u>
<i>Non-operating revenues and (expenses):</i>		
Interest earned	\$ 47,124	\$ 37,323
Non-operating transfer from the County	134,388	123,189
Interest paid on debt	(331,901)	(364,238)
Loan cost	-	(28,719)
Connection fees	<u>73,340</u>	<u>72,178</u>
 Total non-operating revenues (expenses)	 \$ <u>(77,049)</u>	 \$ <u>(160,267)</u>
 Net income (loss)	 \$ <u>(456,146)</u>	 \$ <u>(520,806)</u>
 Increase (Decrease) in net assets	 \$ <u>(456,146)</u>	 \$ <u>(520,806)</u>
 <i>Net assets, beginning of year, as restated (FY 2004)</i>	 \$ <u>12,009,564</u>	 \$ <u>12,530,370</u>
 <i>Net assets, end of year</i>	 \$ <u><u>11,553,418</u></u>	 \$ <u><u>12,009,564</u></u>

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

Certified Public Accountants

A Professional limited liability company

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

**TO THE MEMBERS OF THE BOARD
PULASKI COUNTY PUBLIC SERVICE AUTHORITY
PULASKI, VIRGINIA**

We have audited the financial statements of the Pulaski County Public Service Authority, as of and for the year ended June 30, 2005, which collectively comprise the Pulaski County Public Service Authority's basic financial statements and have issued our report thereon dated September 29, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Pulaski County Public Service Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance and Other Matters

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

However, we noted certain matters that we reported to management of the Pulaski County Public Service Authority in a separate letter dated September 29, 2005.

This report is intended solely for the information and use of management, the Authority's Board, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Robinson, Farmer, Cox Associates

Christiansburg, Virginia
September 29, 2005