

**PULASKI COUNTY
PUBLIC SERVICE AUTHORITY**

FINANCIAL REPORT

For the Year Ended June 30, 2007

**Pulaski County Public Service Authority
Annual Financial Report
Fiscal Year Ended June 30, 2007**

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FINANCIAL SECTION

**PULASKI COUNTY PUBLIC SERVICE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

Year Ended June 30, 2007

As management of the Pulaski County Public Service Authority, (the Authority), we offer readers of our financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information contained in the audit report.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. Since the Authority is engaged only in business-type activities, its basic financial statements are comprised of four sections:

1. Enterprise fund financial statements as described in several exhibits;
2. Notes to financial statements;
3. Supporting schedules;
4. Compliance statements describing the overall findings by the auditor.

Enterprise Fund Financial Statements. The enterprise fund financial statements are designed to provide readers with a broad overview of the Authority's finances in a manner similar to a private-sector business.

The statement of net assets presents information on the Authority's gross assets and liabilities, with the difference between the two reported as net assets (see Exhibit 1). Over time, increases or decreases in net assets serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of revenues, expenses and changes in net assets (Exhibit 2) presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, (e.g. earned but unused vacation leave or long-term debt).

The basic enterprise fund financial statements can be found in Exhibits 1-3 and also in Schedule 1 of this report.

Notes to financial statements. The notes on pages 14-18 provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Highlights

- As noted in Exhibit 1, the assets of the Authority exceeded its liabilities by \$11,633,330 (net assets) as of June 30, 2007. Of this amount \$1,600,123 (unrestricted net assets) may be used to meet the Authority's ongoing obligations to customers and creditors. The remaining net assets being in the form of installed facilities and equipment such as the water treatment plant, utility lines and vehicles.
- As reported in Exhibit 2, the total net assets of the Authority increased by \$80,318, an increase of \$95,090 over the prior year amount.
- From the cash perspective (described in Exhibit 3), Authority cash flows provided from operations were \$1,171,356, prior to being offset by changes in depreciation and changes in receivables, payables, compensated absences and customer deposits.
- After taking into consideration cash flows from capital and related financing activities and cash flows from investing activities or interest income, the Authority's total cash decreased by \$418,661.
- As part of the above cash transactions of the Authority, the Authority's total debt decreased by \$316,459 (including the amount owed to the County) in the 2006-07 fiscal year.

**PULASKI COUNTY PUBLIC SERVICE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

Year Ended June 30, 2007

The following table provides a breakdown of PSA revenues and expenses based on the provision of each specific service. Thus, otherwise unclassified revenues and expenses, such as revenue from penalty and interest, billing and administrative expenses and all non-operating expenses have been classified into the four operational cost centers as noted beside each item.

For the Fiscal Year Ended June 30, 2007						
	Unclassified	Water	Sewer	Refuse	Streetlights	Total
Operating revenues	\$	\$ 1,769,391	\$ 530,971	\$ 4,008,863	\$ 11,811	\$ 6,321,036
Reconnection fees	1,815	1,815	-	-	-	1,815
Penalty and interest (1)	130,283	36,469	10,944	82,627	243	130,283
Miscellaneous income (1)	29,657	8,302	2,491	18,809	55	29,657
Subtotal categorized operating revenue	\$ 161,755	\$ 1,815,977	\$ 544,406	\$ 4,110,299	\$ 12,110	\$ 6,482,791
Operating expenses	\$	\$ 1,480,830	\$ 922,773	\$ 3,600,493	\$ 10,255	\$ 6,014,351
Billing expenses (1)	153,007	42,830	12,853	97,039	286	153,007
Administrative expenses (2)	223,698	55,078	34,322	133,917	381	223,698
Subtotal categorized operating expenses	\$ 376,705	\$ 1,578,738	\$ 969,947	\$ 3,831,448	\$ 10,922	\$ 6,391,056
Net Operating Income	\$ (214,950)	\$ 237,239	\$ (425,541)	\$ 278,850	\$ 1,188	\$ 91,735
Non-operating revenues (expenses):						
Interest earned (1)	\$ 74,044	\$ 20,726	\$ 6,220	\$ 46,959	\$ 138	\$ 74,044
County transfer (3)	134,388	67,194	67,194	-	-	134,388
Interest expense (3)	(297,343)	(148,672)	(148,672)	-	-	(297,343)
Connection fees (3)	77,494	38,747	38,747	-	-	77,494
Subtotal net non-operating items	\$ (11,417)	\$ (22,004)	\$ (36,511)	\$ 46,959	\$ 138	\$ (11,417)
Net income (loss)	\$ (226,367)	\$ 215,235	\$ (462,052)	\$ 325,810	\$ 1,326	\$ 80,318
For the Fiscal Year Ended June 30, 2006						
	Unclassified	Water	Sewer	Refuse	Streetlights	Total
Operating revenues	\$	\$ 1,766,968	\$ 451,100	\$ 3,366,653	\$ 15,441	\$ 5,600,162
Reconnection fees	14,270	14,270	-	-	-	14,270
Penalty and interest (1)	149,287	47,103	12,025	89,747	412	149,287
Miscellaneous income (1)	26,421	8,336	2,128	15,884	73	26,421
Subtotal categorized operating revenue	\$ 189,978	\$ 1,836,678	\$ 465,253	\$ 3,472,283	\$ 15,925	\$ 5,790,140
Operating expenses	\$	\$ 1,365,771	\$ 875,373	\$ 3,114,222	\$ 14,698	\$ 5,370,064
Billing expenses (1)	151,972	47,950	12,242	91,361	419	151,972
Administrative expenses (2)	230,806	58,701	37,624	133,850	632	230,806
Subtotal categorized operating expenses	\$ 382,778	\$ 1,472,422	\$ 925,238	\$ 3,339,433	\$ 15,749	\$ 5,752,842
Net Operating Income	\$ (192,800)	\$ 364,255	\$ (459,985)	\$ 132,851	\$ 177	\$ 37,298
Non-operating revenues (expenses):						
Interest earned (1)	\$ 55,906	\$ 17,640	\$ 4,503	\$ 33,609	\$ 154	\$ 55,906
County transfer (3)	134,388	67,194	67,194	-	-	134,388
Interest expense (3)	(309,701)	(154,851)	(154,851)	-	-	(309,701)
Connection fees (3)	67,337	33,669	33,669	-	-	67,337
Subtotal net non-operating items	\$ (52,070)	\$ (36,348)	\$ (49,485)	\$ 33,609	\$ 154	\$ (52,070)
Net income (loss)	\$ (244,870)	\$ 327,907	\$ (509,469)	\$ 166,460	\$ 331	\$ (14,772)
Change from FY06 to FY07 Increase(dec)		\$ (112,672)	\$ 47,417	\$ 159,350	\$ 995	\$ 95,090

- (1) Distributed proportionally based on operating revenue
(2) Distributed proportionally based on operating expenses
(3) Distributed 50% to water 50% to sewer

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**PULASKI COUNTY PUBLIC SERVICE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

Year Ended June 30, 2007

Since some of the report from the prior year was restated both fiscal years are presented for comparative purposes. As noted in the above FY07 table, net income for FY07 increased by \$80,318. As has been the case in prior years, sewer services losses offset almost all profits made by the other two services. Sewer losses in the amount of \$462,052 are down by \$47,417 from FY06. Obviously, the rate increase that went into effect January 1, 2007 has had very little impact on the loss. Much of this is due to increased treatment charges and repair and maintenance expenses. Another expense that has a large impact on sewer service profitability is depreciation on infrastructure. Depreciation on sewer lines amounted to \$373,731 which is half of the total depreciation on all infrastructures. This allocation of depreciation between water and sewer is an estimate and should be considered when analyzing profitability of both sewer and water services. Water service profit is down by \$112,672. Water revenue remained constant however operating expenses increased by \$115,059 due to other expenses which include utilities, supply expense and depreciation expense. Refuse profits are up by \$159,350 due largely to James Hardie and an increase in roll-off services.

Long-Term Trends

Capital Plan – In addition to developer-funded expansions in Heron's 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 also planned for the Polyester, Tiny Town, Mabry Court, Eagleview, and Hidden Valley mobile home parks.

The PSA has installed back-up generators at 5 sewer pump stations and rebuilt one of two pump stations serving the Route 100/I-81 interchange. These purchases do not bring in any additional revenue but must be done to prevent sewer spills due to equipment failure or power outages. In addition, the PSA has also purchased several new garbage trucks, several additional compactors, dumpsters, and roll-off garbage containers. These were needed to upgrade the quality of service to the general public as well as in meeting the needs of James Hardie Building Products. Finally, the PSA is currently 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 and the City of Radford. Interconnection of systems could provide greater system reliability as is being required as part of the Homeland Security initiative while providing an increased volume of water to the Commerce Park.

In the long-term, the PSA will need to evaluate rate changes to better balance sewer revenues with sewer collection and treatment costs. The Authority has done a good job of investing in the repair and replacement of its fixed assets and will need to continue to do so as equipment and utility lines continue to age.

Finally, over the next few years, the Authority will need to address combined challenges of providing additional water service to the eastern portion of the County while planning for an upgrade of the existing water treatment plant.

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 interconnections of water treatment facilities.

Cash and Reserves – As noted in Exhibit 1, the Authority had an unrestricted cash balance of \$1,613,647 as of June 30, 2007. The balance represents approximately 3 months of operational expenses. As anticipated from the prior report, this amount is down by \$433,662 attributable to new investment in capital assets, as noted in the capital asset section above. Unrestricted net assets is down by \$569,931 due to the previously described investments in sewer pump stations, refuse trucks and other long-term assets.

**PULASKI COUNTY PUBLIC SERVICE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

Year Ended June 30, 2007

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, Virginia 24301.

FINANCIAL STATEMENTS

PULASKI COUNTY PUBLIC SERVICE AUTHORITY

Proprietary Fund Type
Statement of Net Assets
June 30, 2007

Assets:

Unrestricted Current Assets:

Cash	\$ 1,613,647
Receivables (Net of allowance for uncollectibles)	<u>931,109</u>
Total Unrestricted Current Assets	<u>\$ 2,544,756</u>

Restricted Current Assets:

Restricted cash	<u>\$ 364,045</u>
Total Current Assets	<u>\$ 2,908,801</u>

Non-current Assets:

Proprietary capital assets (Net of accumulated depreciation)	\$ 16,479,481
Organization expense (Net of amortization)	<u>6,039</u>
Total Non-current Assets	<u>\$ 16,485,520</u>

Total Assets	<u>\$ 19,394,321</u>
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Liabilities:

Current Liabilities:

Accounts payable	\$ 369,784
Interest payable	49,733
Amounts held for others	80,541
Proprietary debt-current portion	314,129
Due to County-current portion	<u>22,546</u>
Total Current Assets	<u>\$ 836,733</u>

Non-current Liabilities:

Compensated absences	\$ 113,939
Proprietary debt-long-term portion	6,539,804
Due to County-long-term portion	<u>270,515</u>
Total Non-current Liabilities	<u>\$ 6,924,258</u>

Total Liabilities	<u>\$ 7,760,991</u>
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Net Assets:

Invested in capital assets, net of related debt	\$ 9,669,162
Restricted for debt service	364,045
Unrestricted	<u>1,600,123</u>
Total Net Assets	<u>\$ 11,633,330</u>

The accompanying notes to the 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
Year Ended June 30, 2007

Operating Revenues:	
Garbage service	\$ 4,008,863
Water service	1,769,391
Sewer service	530,971
Street lights	11,811
Reconnection fees	1,815
Penalties and interest on delinquent accounts	130,283
Miscellaneous	<u>29,657</u>
Total operating revenues	\$ <u>6,482,791</u>
Operating Expenses:	
<i>Water Distribution:</i>	
Salaries	\$ 165,862
Fringes	58,012
Professional Services	9,319
County central services	32,636
Other	72,719
Supplies	3,896
Repair and maintenance	50,334
Depreciation	<u>397,146</u>
Total Water Distribution	\$ <u>789,924</u>
<i>Water Treatment Plant:</i>	
Salaries	\$ 264,940
Fringes	89,263
Professional Services	2,769
Professional Services-Gov't	14,028
County central services	9,959
Other	143,983
Supplies	110,773
Repair and maintenance	<u>55,191</u>
Total Water Treatment Plant	\$ <u>690,906</u>
<i>Sewer Collection and Treatment:</i>	
Salaries	\$ 39,118
Fringes	15,142
Professional Services	2,687
Professional Services-Gov't	342,826
County central services	6,357
Other	25,961
Supplies	4,472
Repair and maintenance	112,479
Depreciation	<u>373,731</u>
Total Sewer Collection and Treatment	\$ <u>922,773</u>

PULASKI COUNTY PUBLIC SERVICE AUTHORITY

Proprietary Fund Type
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2007

Refuse Collection and Disposal:

Salaries	\$ 891,106
Fringes	354,807
Professional Services	36,292
Professional Services-Gov't	1,565,899
County central services	436,298
Other	42,082
Supplies	2,397
Dumpsters/containers	150,160
Repair and maintenance	7,672
Depreciation	<u>113,780</u>
 Total Refuse Collection and Disposal	 \$ <u>3,600,493</u>

Administration:

Salaries	\$ 71,429
Fringes	26,813
Professional Services	69,066
County central services	35,212
Other	17,607
Supplies	1,732
Depreciation/amortization	<u>1,839</u>
 Total Administration	 \$ <u>223,698</u>

Street Lighting:

Electricity	\$ <u>10,255</u>
 Total Street Lighting	 \$ <u>10,255</u>

PULASKI COUNTY PUBLIC SERVICE AUTHORITY

Proprietary Fund Type
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2007

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<i>Billing:</i>		
Salaries	\$	48,364
Fringes		22,590
Professional Services		19,032
County central services		14,533
Other		37,334
Supplies		10,810
Repair and maintenance		<u>344</u>
Total Billing	\$	<u>153,007</u>
Total operating expenses	\$	<u>6,391,056</u>
Operating income (loss)	\$	<u>91,735</u>
Non-operating Revenues and (Expenses):		
Interest income	\$	74,044
Non-operating transfer from Pulaski County		134,388
Connection fees		77,494
Interest expense		<u>(297,343)</u>
Total non-operating revenues and expenses	\$	<u>(11,417)</u>
Increase (decrease in Net Assets)	\$	<u>80,318</u>
Net Assets, Beginning of Year, as restated	\$	<u>11,553,012</u>
Net Assets, End of Year	\$	<u><u>11,633,330</u></u>

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

PULASKI COUNTY PUBLIC SERVICE AUTHORITY

Proprietary Fund Type
Statement of Cash Flows
Year Ended June 30, 2007

Cash flows from operating activities:	
Cash received from customers	\$ 6,615,357
Cash paid to suppliers for goods and services	(3,404,550)
Cash paid to employees for services	<u>(2,039,451)</u>
Net cash provided (used) by operating activities	\$ <u>1,171,356</u>
Cash flows from non-capital financing activities:	
Debt service contribution	\$ <u>134,388</u>
Cash flows from capital and related financing activities:	
Connection charges	\$ 77,494
Acquisition of capital assets	(1,258,204)
Retirement of debt	(295,792)
Retirement of advance from County	(20,667)
Interest and loan cost paid on debt	<u>(301,280)</u>
Net cash provided (used) by capital and related financing activities	\$ <u>(1,798,449)</u>
Cash flows from investing activities:	
Interest income	\$ <u>74,044</u>
Net cash provided (used) by investing activities	\$ <u>74,044</u>
Net increase (decrease) in cash	\$ <u>(418,661)</u>
Cash at beginning of year (including restricted cash of \$349,044)	\$ <u>2,396,353</u>
Cash at end of year (including restricted cash of \$364,045)	\$ <u><u>1,977,692</u></u>

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating income (loss)	\$ <u>91,735</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation/amortization	\$ 886,496
(Increase) decrease in receivables	136,110
Increase (decrease) in operating accounts payable	52,564
Increase (decrease) in compensated absences	7,995
Increase (decrease) in customer deposits	<u>(3,544)</u>
Net cash provided (used) by operating activities	\$ <u><u>1,171,356</u></u>

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

PULASKI COUNTY PUBLIC SERVICE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2007

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, 2007.

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>Asset Type</u>	<u>Years</u>
Buildings	30-50
Structures, lines and accessories	5-50
Machinery and equipment	3-10

D. Allowance for Uncollectible Accounts:

The Authority calculates its allowance for uncollectible accounts using historical collection data. At June 30, 2007, the allowance amounted to approximately \$610,769.

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.

PULASKI COUNTY PUBLIC SERVICE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2007

NOTE 3 – CAPITAL ASSETS AND DEPRECIATION:

A summary of changes in capital assets for the year follows:

	<u>Beginning Balance</u>	<u>Adjustments</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:					
Capital assets, not being depreciated:					
Land	\$ 127,700	\$ -	\$ -	\$ -	\$ 127,700
Construction in progress	-	353,998	366,052	(320,191)	399,859
Total capital assets not being depreciated	<u>\$ 127,700</u>	<u>\$ 353,998</u>	<u>\$ 366,052</u>	<u>\$ (320,191)</u>	<u>\$ 527,559</u>
Capital assets, being depreciated:					
Infrastructure	\$ 28,994,599	\$ 221,059	\$ 320,192	\$ -	\$ 29,535,850
Machinery and equipment	2,651,765	-	813,472	(570,322)	2,894,915
Total capital assets being depreciated	<u>\$ 31,646,364</u>	<u>\$ 221,059</u>	<u>\$ 1,133,664</u>	<u>\$ (570,322)</u>	<u>\$ 32,430,765</u>
Accumulated depreciation for:					
Infrastructure	\$ (14,007,775)	\$ -	\$ (743,409)	\$ -	\$ (14,751,184)
Machinery and equipment	(2,169,798)	14,367	(142,550)	570,322	(1,727,659)
Total accumulated depreciation	<u>\$ (16,177,573)</u>	<u>\$ 14,367</u>	<u>\$ (885,959)</u>	<u>\$ 570,322</u>	<u>\$ (16,478,843)</u>
Total capital assets being depreciated, net	<u>\$ 15,468,791</u>	<u>\$ 235,426</u>	<u>\$ 247,705</u>	<u>\$ -</u>	<u>\$ 15,951,922</u>
Business-type activities capital assets, net	<u>\$ 15,596,491</u>	<u>\$ 589,424</u>	<u>\$ 613,757</u>	<u>\$ (320,191)</u>	<u>\$ 16,479,481</u>

NOTE 4 – PROPRIETARY DEBT:

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

	<u>Year Ending June 30,</u>	<u>Revenue Bonds</u>	
		<u>Principal</u>	<u>Interest</u>
2008	\$	\$ 311,852	\$ 282,145
2009		315,153	280,394
2010		328,185	267,937
2011		341,357	254,467
2012		359,676	240,003
2013-2017		1,978,811	952,906
2018-2022		1,183,151	564,335
2023-2027		892,410	335,966
2028-2032		831,701	155,545
2033-2034		254,704	10,772
Totals	\$	<u>\$ 6,797,000</u>	<u>\$ 3,344,470</u>

PULASKI COUNTY PUBLIC SERVICE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2007

NOTE 4 – PROPRIETARY DEBT: (continued)

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, 2007:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2007</u>
Revenue bonds	\$ 7,092,792	\$ -	\$ (295,792)	\$ 6,797,000
Unamortized bond premiums	59,210	-	(2,277)	56,933
Compensated absences	105,944	7,995	-	113,939
Total	\$ 7,257,946	\$ 7,995	\$ (298,069)	\$ 6,967,872

Details of Long-Term Indebtedness:

	<u>Interest</u> <u>Rate(s)</u>	<u>Issue</u> <u>Date</u>	<u>Final</u> <u>Maturity</u> <u>Date</u>	<u>Amount of</u> <u>Original</u> <u>Issue</u>	<u>Balance</u> <u>Business-type</u> <u>Activities</u>	<u>Amount</u> <u>Due Within</u> <u>One Year</u>
Rural Development (RD) Water and Sewer Revenue bonds:						
New River Sewer	5.00%	2/19/1992	2030	\$ 212,600	\$ 171,496	\$ 4,326
Stigger Hill	4.50%	4/19/1994	2033	98,860	82,486	1,832
Claytor Lake State Park	4.50%	3/13/1995	2034	402,500	345,119	7,557
Claytor Lake State Park	4.50%	3/13/1995	2033	498,500	418,222	9,764
Landfill Sewer Extension	4.50%	10/15/1996	2034	2,242,042	2,098,159	48,735
Total RD Revenue bonds					\$ 3,115,482	\$ 72,214
Virginia Resource Authority (VRA) Water and Sewer Revenue bonds:						
Shrader Hill	0%	12/1/1993	2035	\$ 130,000	\$ 76,518	\$ 4,638
See Note A below	2.96%-5.13%	6/30/2004	2032	4,300,000	3,605,000	235,000
Premium	n/a	6/30/2004	2032	63,764	56,933	2,277
Total VRA Revenue bonds					\$ 3,738,451	\$ 241,915
Other obligations:						
Compensated absences	n/a	n/a	n/a	n/a	\$ 113,939	\$ -
Totals					\$ 6,967,872	\$ 314,129

Note A: This revenue bond was issued to refinance all GMAC bonds and one RD bond issued May 5, 1992 for \$220,000. The remaining amount was deposited into a Commonwealth Cash Reserve Fund to pay off another RD bond issued February 19, 1992 for \$212,600 at a later date.

PULASKI COUNTY PUBLIC SERVICE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2007

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 \$113,939.

NOTE 6 – ADVANCES DUE THE COUNTY OF PULASKI:

Advances to the Authority by the County of Pulaski amounting to \$293,061 at June 30, 2007 were as follows:

A \$129,599 advance was provided on October 9, 1980, bearing interest at the rate of 5% per annum payable on demand.

The remaining loan balance of \$163,462 is an interest free loan payable in 360 monthly payments of \$1,667 through October 1985 beginning on July 1, 1984 then, increasing to \$1,879 in the following month, due to the additional advance, and continuing for the remaining term until the loan is repaid in full.

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.

NOTE 8 – RESTATEMENT OF BEGINNING NET ASSETS:

	<u>Net Assets</u>
Business-type Activities:	
As previously stated	\$ 10,963,588
Change in capital assets (see note 3)	589,424
Restated amount	<u>\$ 11,553,012</u>

SUPPORTING SCHEDULES

PULASKI COUNTY PUBLIC SERVICE AUTHORITY

Proprietary Fund Type
Comparative Statement of Revenues, Expenses and Changes in Net Assets
Two Years Ended June 30, 2007

	<u>FY 2007</u>	<u>FY 2006</u>
<i>Refuse Collection and Disposal:</i>		
Salaries	\$ 891,106	\$ 801,048
Fringes	354,807	304,326
Professional Services	36,292	45,960
Professional Services-Gov't	1,565,899	1,374,303
County central services	436,298	394,067
Other	42,082	70,984
Supplies	2,397	614
Dumpsters/containers	150,160	-
Repair and maintenance	7,672	2,758
Depreciation	<u>113,780</u>	<u>120,162</u>
Total Refuse Collection and Disposal	\$ <u>3,600,493</u>	\$ <u>3,114,222</u>
<i>Administration:</i>		
Salaries	\$ 71,429	\$ 69,895
Fringes	26,813	23,217
Professional Services	69,066	93,964
County central services	35,212	21,545
Other	17,607	5,482
Supplies	1,732	2,488
Depreciation/amortization	<u>1,839</u>	<u>14,215</u>
Total Administration	\$ <u>223,698</u>	\$ <u>230,806</u>
<i>Street Lighting:</i>		
Electricity	\$ <u>10,255</u>	\$ <u>14,698</u>
Total Street Lighting	\$ <u>10,255</u>	\$ <u>14,698</u>

PULASKI COUNTY PUBLIC SERVICE AUTHORITY

Proprietary Fund Type
Comparative Statement of Revenues, Expenses and Changes in Net Assets
Two Years Ended June 30, 2007

	<u>FY 2007</u>	<u>FY 2006</u>
<i>Billing:</i>		
Salaries	\$ 48,364	\$ 41,804
Fringes	22,590	17,810
Professional Services	19,032	21,405
County central services	14,533	14,889
Other	37,334	43,198
Supplies	10,810	12,866
Repair and maintenance	<u>344</u>	<u>-</u>
Total Billing	\$ <u>153,007</u>	\$ <u>151,972</u>
Total operating expenses	\$ <u>6,391,056</u>	\$ <u>5,752,842</u>
Operating income (loss)	\$ <u>91,735</u>	\$ <u>37,298</u>
Non-operating Revenues and (Expenses):		
Interest income	\$ 74,044	\$ 55,906
Non-operating transfer from Pulaski County	134,388	134,388
Connection fees	77,494	67,337
Interest expense	<u>(297,343)</u>	<u>(309,701)</u>
Total non-operating revenues and expenses	\$ <u>(11,417)</u>	\$ <u>(52,070)</u>
Increase (decrease in Net Assets)	\$ <u>80,318</u>	\$ <u>(14,772)</u>
Net Assets, Beginning of Year, as restated	\$ <u>11,553,012</u>	\$ <u>11,567,784</u>
Net Assets, End of Year	\$ <u><u>11,633,330</u></u>	\$ <u><u>11,553,012</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 BOARD OF THE PULASKI COUNTY PUBLIC SERVICE AUTHORITY PULASKI, VIRGINIA

We have audited the financial statements of the Pulaski County Public Service Authority (Authority) as of and for the year ended June 30, 2007, and have issued our report thereon dated January 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Authority and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Garner, & Associates

Christiansburg, Virginia
January 15, 2008