

**PULASKI COUNTY PUBLIC SERVICE AUTHORITY**  
**(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)**  
**ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2009**

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**Pulaski County Public Service Authority  
(A Component Unit of Pulaski County, Virginia)  
Annual Financial Report  
Fiscal Year Ended June 30, 2009**

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**FINANCIAL SECTION**

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**FINANCIAL SECTION**

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## Independent Auditors' Report

To the Board of the  
Pulaski County Public Service Authority  
Pulaski, Virginia

We have audited the accompanying financial statements of the Pulaski County PSA as of and for the year ended June 30, 2009, which comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on

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

Year Ended June 30, 2009

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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, 2009. 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 to the financial statements 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 \$12,326,401 (net assets) as of June 30, 2009. Of this amount \$1,913,188 (unrestricted net assets) may be used to meet the Authority's ongoing obligations to customers and creditors. The remaining net assets are in the form of capital assets including 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 \$363,824 over the prior year amount.
- From the cash perspective (described in Exhibit 3), Authority cash flows provided from operations were \$1,543,075, 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 increased by \$337,548.
- As part of the above cash transactions of the Authority, the Authority's total debt decreased by \$339,682 (including the amount owed to the County) in the 2008-09 fiscal year.

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

Year Ended June 30, 2009

- Total depreciation expense for the Authority was \$1,112,725 or approximately 17% of the total operating expenses. It should be noted that depreciation for water and sewer is an estimate and should be taken into consideration when analyzing the profitability of both the water and sewer services.

**Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of the Authority's financial position. The net assets of the Authority exceeded liabilities by \$12,326,401 on June 30, 2009. A year earlier on June 30, 2008, the net assets of the Authority were \$11,962,577. This \$363,824 increase in the net assets of the Authority shows that the increase in refuse revenues has had a positive impact on the Authority's ability to meet expenses however, water services and sewer services continue to be areas of concern due to several water and sewer projects currently undertaken that will be reimbursed with funding from Rural Development in future fiscal years.

By far the largest portion of the Authority's net assets (\$10,031,843 or 81%) reflects its investment in capital assets (such as utility lines, pump stations and trucks), 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.

**Statement of Net Assets**

	<u>2009</u>	<u>2008</u>
Assets:		
Current and Other Assets	\$ 3,561,814	\$ 3,313,944
Capital Assets	16,270,143	15,967,366
Total Assets	<u>\$ 19,831,957</u>	<u>\$ 19,281,310</u>
Liabilities:		
Current Liabilities	\$ 1,238,973	\$ 714,364
Non-Current Liabilities	6,266,583	6,604,369
Total Liabilities	<u>\$ 7,505,556</u>	<u>\$ 7,318,733</u>
Net Assets:		
Invested in Capital Assets, net of related debt	\$ 10,031,843	\$ 9,411,393
Restricted	381,370	376,066
Unrestricted	1,913,188	2,175,118
Total Net Assets	<u>\$ 12,326,401</u>	<u>\$ 11,962,577</u>

As of June 30, 2009, the Authority maintains positive balances in all categories of net assets. The same situation held true for the prior fiscal year.

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

Year Ended June 30, 2009

**Change in Net Assets**

	<u>2009</u>	<u>2008</u>
Revenues:		
Operating revenues	\$ 6,530,186	\$ 7,004,632
Investment income	54,443	71,734
Other income	68,388	132,824
<b>Total Revenues</b>	<b>\$ 7,366,203</b>	<b>\$ 7,343,578</b>
Expenses:		
Operating expenses (excluding depreciation)	\$ 5,617,163	\$ 5,660,133
Depreciation expense	1,112,725	1,066,013
Interest expense	272,491	288,185
<b>Total Expenses</b>	<b>\$ 7,002,379</b>	<b>\$ 7,014,331</b>
<b>Increase (decrease) in Net Assets</b>	<b>\$ 363,824</b>	<b>\$ 329,247</b>
Beginning Net Assets	11,962,577	11,633,330
<b>Ending Net Assets</b>	<b>\$ 12,326,401</b>	<b>\$ 11,962,577</b>

As shown in the above table, the Authority's net assets increased by \$363,824 during the 2008-09 fiscal year. Operating revenues decreased by \$474,446 while operating expenses decreased by \$42,970 from FY 2008 levels. Significant decreases in water and sewer services, combined with an increase in the transfer from the County's General Fund for Rural Development funding resulted in a net increase of \$363,824 from the prior year change in net assets. Key elements of these changes are explained in greater detail under the Review of Operations section below.

**Capital Asset and Debt Administration**

**Capital Assets** – As summarized below, the Authority's investment in capital assets as of June 30, 2009 totaled \$16,265,178 (net of accumulated depreciation). The net investment in capital assets increased by \$303,314, which is approximately 2% over the prior year. Below are the items that make up capital assets as of June 30, 2009 with a comparison to the prior fiscal year.

	<u>2009</u>	<u>2008</u>
Land and improvements	\$ 127,700	\$ 127,700
Construction in progress	950,102	195,220
Vehicles and other equipment	3,437,907	3,295,958
Water and sewer system (infrastructure)	30,415,170	29,927,003
Accumulated depreciation	(18,665,701)	(17,584,017)
<b>Total capital assets</b>	<b>\$ 16,265,178</b>	<b>\$ 15,961,864</b>

More detailed information on the Authority's capital assets is presented in Note 3 of the notes to the financial statements.

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

Year Ended June 30, 2009

The Authority has several bond issues outstanding, funded through Rural Development and the Virginia Resource Authority. As noted in Note 4, the Authority retired \$317,136 in long-term debt and had an increase in compensated absences in the amount of \$5,381, during the 2008-2009 fiscal year. In addition, long term debt was increased by \$16,100 for the net OPEB obligation in accordance with GASB 45. Additional information related to the OPEB obligation can be found in Note 9 – Other Post-Employment Benefits.

**Review of Operations**

Operational Revenues – As shown in Schedule 1, operating revenues decreased by \$474,446 or 7% from \$7,004,632 to \$6,530,186 during the 2008-2009 fiscal year. All major services saw declining revenues during FY 2009, due to the economic impact on local businesses. However, in order to better understand the decrease in operating revenues, it is helpful to further divide all PSA financial transactions operations into specific cost centers based on actual services provided to the citizens of the County.

Operational Expenses – As further described in Schedule 1, total operational expenses held nearly steady increasing by only \$3,742 from \$6,726,146 in the 2007-2008 fiscal year to \$6,729,888 in the 2008-2009 fiscal year. The reduction in operating revenues combined with a slight increase in operating expenses resulted in an operating loss of \$199,702.

Change in Net Assets by Service Based Cost Centers – The Pulaski County Public Service Authority provides four basic types of service: water, sewer, refuse and streetlights. Since each of these functional areas had a different customer base, it is helpful to view PSA revenues and expenses from the perspective of these four services since an excessive financial imbalance in any of the four services result in one customer base subsidizing another.

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

Year Ended June 30, 2009

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.

	c					
	Unclassified	Water	Sewer	Refuse	Streetlights	Total
Operating revenues	\$ -	\$ 1,686,920	\$ 411,178	\$ 4,107,003	\$ 11,371	\$ 6,216,472
Reconnection fees	13,850	13,850	-	-	-	13,850
Penalty and interest (1)	132,065	35,837	8,735	87,251	242	132,065
Miscellaneous income (1)	167,799	45,534	11,099	110,859	307	167,799
Subtotal categorized operating revenue	\$ 313,714	\$ 1,782,141	\$ 431,012	\$ 4,305,113	\$ 11,920	\$ 6,530,186
Operating expenses	\$ -	\$ 1,593,366	\$ 1,043,035	\$ 3,674,875	\$ 10,513	\$ 6,321,789
Billing expenses (1)	164,481	41,456	27,138	95,613	274	164,481
Administrative expenses (2)	243,618	61,402	40,195	141,616	405	243,618
Subtotal categorized operating expenses	\$ 408,099	\$ 1,696,224	\$ 1,110,368	\$ 3,912,104	\$ 11,192	\$ 6,729,888
Net Operating Income	\$ (94,385)	\$ 85,917	\$ (679,356)	\$ 393,009	\$ 728	\$ (199,702)
Non-operating revenues (expenses):						
Interest earned (1)	\$ 54,443	\$ 14,774	\$ 3,601	\$ 35,968	\$ 100	\$ 54,443
County transfer (3)	713,186	356,593	356,593	-	-	713,186
Interest expense (3)	(272,491)	(136,246)	(136,245)	-	-	(272,491)
Connection fees (3)	68,388	34,194	34,194	-	-	68,388
Subtotal net non-operating items	\$ 563,526	\$ 269,315	\$ 258,143	\$ 35,968	\$ 100	\$ 563,526
Net income (loss)	\$ 469,141	\$ 355,232	\$ (421,213)	\$ 428,977	\$ 828	\$ 363,824

For the Fiscal Year Ended June 30, 2008

	Unclassified	Water	Sewer	Refuse	Streetlights	Total
Operating revenues	\$ -	\$ 1,686,920	\$ 411,178	\$ 4,107,003	\$ 11,371	\$ 6,216,472

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

Year Ended June 30, 2009

Both fiscal years are presented for comparative purposes. As noted in the above FY09 table, net income for FY09 increased by \$363,824. As has been the case in prior years, sewer service losses offset the profits made by water services. Sewer losses in the amount of \$421,213 are up by \$144,849 from FY08. Depreciation expense on infrastructure has a large impact on sewer service profitability. Depreciation on sewer lines amounted to \$385,166 which is 31% of sewer expenses and 35% 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 services profits increased by \$195,089 from FY 08 to FY09, while refuse service profits decreased by \$18,392 during FY 09.

**Long-Term Trends**

Capital Plan –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, and Hidden Valley mobile home parks. The majority of these projects will be funded by loans and grants from Rural Development.

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 City of Radford. Interconnection of systems could provide greater system reliability while providing an increased volume of water to the Commerce Park through a regional connection to the City of Radford water treatment plant.

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 invested 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.

Long-Term Debt – The extension of water and sewer lines to the subdivisions and mobile home parks listed above will be funded by federal loans and grants totaling \$6,559,900 to include \$4,544,900 in new long-term debt on the part of the Board of Supervisors. Additional long-term debt will 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 \$2,271,988 as of June 30, 2009. The balance represents approximately 4 months of operational expenses. In comparison with the prior year report, the cash balance has increased by \$337,548. While total net assets increased by \$363,824, unrestricted net assets decreased by \$261,930 during FY 09.

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

Year Ended June 30, 2009

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**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**  
**(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)**  
**Proprietary Fund Type**  
**Statement of Net Assets**  
**June 30, 2009**

<b>Assets:</b>	
<i>Unrestricted Current Assets:</i>	
Cash	\$ 2,271,988
Receivables (Net of allowance for uncollectibles)	<u>908,456</u>
Total Unrestricted Current Assets	<u>\$ 3,180,444</u>
<i>Restricted Current Assets:</i>	
Restricted cash	\$ <u>381,370</u>
Total Current Assets	<u>\$ 3,561,814</u>
<i>Non-current Assets:</i>	
<i>Capital Assets</i>	
Land	\$ 127,700
Proprietary capital assets (Net of accumulated depreciation)	16,137,478
<i>Intangible Assets</i>	
Organization expense (Net of amortization)	<u>4,965</u>
Total Non-current Assets	<u>\$ 16,270,143</u>
Total Assets	<u>\$ 19,831,957</u>
<b>Liabilities:</b>	
<i>Current Liabilities:</i>	
Accounts payable	\$ 752,742
Interest payable	35,392
Amounts held for others	92,889
Proprietary debt-current portion	335,404
Due to County-current portion	<u>22,546</u>
Total Current Liabilities	<u>\$ 1,238,973</u>
<i>Non-current Liabilities:</i>	
Compensated absences	\$ 127,131
Net OPEB obligation	16,100
Proprietary debt-long-term portion	5,897,931
Due to County-long-term portion	<u>225,421</u>
Total Non-current Liabilities	<u>\$ 6,266,583</u>
Total Liabilities	<u>\$ 7,505,556</u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt	\$ 10,031,843
Restricted for debt service	381,370
Unrestricted	<u>1,913,188</u>
Total Net Assets	<u>\$ 12,326,401</u>

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

**PULASKI COUNTY PUBLIC SERVICE AUTHORITY**  
**(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)**  
**Proprietary Fund Type**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Year Ended June 30, 2009**

**Operating Revenues:**

Garbage service	\$ 4,107,003
Water service	1,686,920
Sewer service	411,178
Street lights	11,371
Reconnection fees	13,850
Penalties and interest on delinquent accounts	132,065
Miscellaneous	<u>167,799</u>

Total operating revenues \$ 6,530,186

**Operating Expenses:**

*Water Distribution:*

Salaries	\$ 191,677
Fringes	67,720
Professional Services	6,690
County central services	35,723
Other	88,548
Supplies	1,135
Repair and maintenance	57,565
Depreciation	<u>385,166</u>

Total Water Distribution \$ 834,224

*Water Treatment Plant:*

Salaries	\$ 279,240
Fringes	85,428
Professional Services	224
Professional Services-Gov't	17,090
County central services	6,461
Other	170,414
Supplies	184,146
Repair and maintenance	<u>16,139</u>

Total Water Treatment Plant \$ 759,142

*Sewer Collection and Treatment:*

Salaries	\$ 68,723
Fringes	26,876
Professional Services	1,366
Professional Services-Gov't	424,688
County central services	9,897
Other	80,575
Supplies	7,368
Repair and maintenance	38,376
Depreciation	<u>385,166</u>

Total Sewer Collection and Treatment \$ 1,043,035

**PULASKI COUNTY PUBLIC SERVICE AUTHORITY**  
**(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)**  
**Proprietary Fund Type**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Year Ended June 30, 2009**

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<i>Refuse Collection and Disposal:</i>	
Salaries	\$ 898,798
Fringes	405,190
Professional Services-Gov't	1,542,253
County central services	370,441
Other	62,986
Supplies	59,967
Dumpsters/containers	557
Depreciation	<u>334,683</u>
Total Refuse Collection and Disposal	\$ <u>3,674,875</u>
 <i>Administration:</i>	
Salaries	\$ 67,445
Fringes	34,773
OPEB expense	16,100
Professional Services	75,392
County central services	19,528
Other	21,602
Supplies	1,068
Depreciation/amortization	<u>7,710</u>
Total Administration	\$ <u>243,618</u>
 <i>Street Lighting:</i>	
Electricity	\$ <u>10,513</u>
Total Street Lighting	\$ <u>10,513</u>
 <i>Billing:</i>	
Salaries	\$ 53,922
Fringes	23,054
Professional Services	21,060
County central services	9,515
Other	44,447
Supplies	<u>12,483</u>
Total Billing	\$ <u>164,481</u>
Total operating expenses	\$ <u>6,729,888</u>
Operating income (loss)	\$ <u>(199,702)</u>

**PULASKI COUNTY PUBLIC SERVICE AUTHORITY**  
**(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)**  
**Proprietary Fund Type**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Year Ended June 30, 2009**

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<b>Non-operating Revenues and (Expenses):</b>	
Interest income	\$ 54,443
Non-operating transfer from Pulaski County	713,186
Connection fees	68,388
Bond issuance costs	(5,298)
Interest expense	<u>(267,193)</u>
Total non-operating revenues and expenses	\$ <u>563,526</u>
Increase (decrease in Net Assets)	\$ <u>363,824</u>
<b>Net Assets, Beginning of Year</b>	\$ <u>11,962,577</u>
<b>Net Assets, End of Year</b>	\$ <u><u>12,326,401</u></u>

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



**PULASKI COUNTY PUBLIC SERVICE AUTHORITY**  
**(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)**  
**Proprietary Fund Type**  
**Statement of Cash Flows**  
**Year Ended June 30, 2009**

<b>Cash flows from operating activities:</b>	
Cash received from customers	\$ 6,625,090
Cash paid to suppliers for goods and services	(2,884,550)
Cash paid to employees for services	<u>(2,197,465)</u>
Net cash provided (used) by operating activities	<u>\$ 1,543,075</u>
<b>Cash flows from non-capital financing activities:</b>	
Debt service contribution	\$ <u>713,186</u>
Net cash provided (used) by non-capital financing activities	<u>\$ 713,186</u>
<b>Cash flows from capital and related financing activities:</b>	
Connection charges	\$ 68,388
Acquisition of capital assets	(1,415,502)
Retirement of debt	(317,136)
Retirement of advance from County	(22,546)
Interest and loan cost paid on debt	<u>(286,360)</u>
Net cash provided (used) by capital and related financing activities	<u>\$ (1,973,156)</u>
<b>Cash flows from investing activities:</b>	
Interest income	\$ <u>54,443</u>
Net cash provided (used) by investing activities	<u>\$ 54,443</u>
Net increase (decrease) in cash	<u>\$ 337,548</u>
<b>Cash at beginning of year (including restricted cash of \$376,066)</b>	<u>\$ 2,315,810</u>
<b>Cash at end of year (including restricted cash of \$381,370)</b>	<u><u>\$ 2,653,358</u></u>

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

<b>Operating income (loss)</b>	<u>\$ (199,702)</u>
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>	
Depreciation/amortization	\$ 1,112,725
(Increase) decrease in receivables	89,677
Increase (decrease) in operating accounts payable	513,668
Increase (decrease) in compensated absences	5,381
Increase (decrease) in net OPEB obligation	16,100
Increase (decrease) in customer deposits	<u>5,226</u>
<b>Net cash provided (used) by operating activities</b>	<u><u>\$ 1,543,075</u></u>

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

**PULASKI COUNTY PUBLIC SERVICE AUTHORITY  
(A COMPONENT UNIT OF PULASKI COUNTY)  
NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2009**

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**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, 2009.

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

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Information: Accounting Principles Board (APB) Opinions and Accounting Research Bulletin

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**PULASKI COUNTY PUBLIC SERVICE AUTHORITY  
(A COMPONENT UNIT OF PULASKI COUNTY)  
NOTES TO FINANCIAL STATEMENTS (Continued)  
AS OF JUNE 30, 2009**

**NOTE 3 – CAPITAL ASSETS AND DEPRECIATION:**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities:</b>				
Land	\$ 127,700	\$ -	\$ -	\$ 127,700
Construction in progress	195,220	816,544	(61,662)	950,102
Total capital assets not being depreciated	<u>\$ 322,920</u>	<u>\$ 816,544</u>	<u>\$ (61,662)</u>	<u>\$ 1,077,802</u>
<b>Capital assets, being depreciated</b>				
Infrastructure	\$ 29,927,003	\$ 488,167	\$ -	\$ 30,415,170
Machinery and equipment	3,295,958	297,149	(155,200)	3,437,907
Total capital assets being depreciated	<u>\$ 33,222,961</u>	<u>\$ 785,316</u>	<u>\$ (155,200)</u>	<u>\$ 33,853,077</u>
<b>Accumulated depreciation for:</b>				
Infrastructure	\$ (15,512,389)	\$ (770,332)	\$ -	\$ (16,282,721)
Machinery and equipment	(2,071,628)	(342,392)	31,040	(2,382,980)
Total accumulated depreciation	<u>\$ (17,584,017)</u>	<u>\$ (1,112,724)</u>	<u>\$ 31,040</u>	<u>\$ (18,665,701)</u>
Total capital assets being depreciated, net	<u>\$ 15,638,944</u>	<u>\$ (327,408)</u>	<u>\$ -</u>	<u>\$ 15,311,536</u>
Business-type activities capital assets, net	<u>\$ 15,961,864</u>	<u>\$ 489,136</u>	<u>\$ (185,822)</u>	<u>\$ 16,265,178</u>

**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
2010	\$ 333,127	\$ 262,995
2011	341,079	254,745
2012	359,386	240,294
2013	367,846	224,792
2014	386,466	208,304
2015-2019	1,842,776	781,395
2020-2024	849,692	475,700
2025-2029	828,380	299,069
2030-2034	872,204	94,537
Totals	<u>\$ 6,180,956</u>	<u>\$ 2,841,831</u>

**PULASKI COUNTY PUBLIC SERVICE AUTHORITY  
(A COMPONENT UNIT OF PULASKI COUNTY)  
NOTES TO FINANCIAL STATEMENTS (Continued)  
AS OF JUNE 30, 2009**

**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, 2009:

	Balance July 1, 2008	Issuances	Retirements	Balance June 30, 2009
Revenue bonds	\$ 6,495,815	\$ -	\$ (314,859)	\$ 6,180,956
Unamortized bond premiums	54,656	-	(2,277)	52,379
Net OPEB obligation	-	16,100	-	16,100
Compensated absences	121,750	5,381	-	127,131
Total	<u>\$ 6,672,221</u>	<u>\$ 21,481</u>	<u>\$ (317,136)</u>	<u>\$ 6,376,566</u>

Details of Long-Term Indebtedness:

Details of indebtedness:

	Rate(s)	Date	Date	Issue	Activities	One Year
<b>Rural Development (RD) Water and Sewer Revenue Bonds:</b>						
New River Sewer	5.00%	2/19/1992	2030	\$ 212,600	\$ 163,200	\$ 4,470
Stigger Hill	4.50%	4/19/1994	2033	98,860	78,985	2,170
Claytor Lake State Park	4.50%	3/13/1995	2034	402,500	331,240	7,993
Claytor Lake State Park	4.50%	3/13/1995	2033	498,500	400,161	10,245
Landfill Sewer Extension	4.50%	10/15/1996	2034	2,242,042	2,015,127	48,611
Total RD Revenue Bonds					<u>\$ 2,988,713</u>	<u>\$ 73,489</u>
<b>Virginia Resource Authority (VRA) Water and Sewer Revenue Bonds:</b>						
Shrader Hill	0.00%	12/1/1993	2035	\$ 130,000	\$ 67,243	\$ 4,638
See Note A below	2.96-5.13%	6/30/2004	2032	4,300,000	3,125,000	255,000
Premium	n/a	6/30/2004	2032	63,764	52,379	2,277
Total VRA Revenue Bonds					<u>\$ 3,244,622</u>	<u>\$ 261,915</u>
<b>Other Obligations:</b>						
Net OPEB obligation	n/a	n/a	n/a	n/a	\$ 16,100	\$ -
Compensated absences	n/a	n/a	n/a	n/a	127,131	-
Total Other Obligations					<u>\$ 143,231</u>	<u>\$ -</u>
Totals					<u>\$ 6,376,566</u>	<u>\$ 335,404</u>

**PULASKI COUNTY PUBLIC SERVICE AUTHORITY  
(A COMPONENT UNIT OF PULASKI COUNTY)  
NOTES TO FINANCIAL STATEMENTS (Continued)  
AS OF JUNE 30, 2009**

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**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 \$127,131.

**NOTE 6 – ADVANCES DUE THE COUNTY OF PULASKI:**

Advances to the Authority by the County of Pulaski amounting to \$247,967 at June 30, 2009 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 \$118,368 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 – OTHER POST-EMPLOYMENT BENEFITS:**

Plan Description

The Authority's Post-Retirement Medical Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the County. The Plan provides health insurance benefits to eligible retirees and their spouses. To be eligible, employees must meet the age and service criteria for immediate retirement benefits under VRS, which requires that the employee be age 50 with 10 years of service or permanently, totally disabled and injured in the line of duty. Additionally, the employee must be of full-time status in VRS and must be covered by the active plan at the time of retirement or disability. The benefit provisions, including employer and employee contributions, are governed by the County and can be amended through board action. The Plan does not issue a publicly available financial report.

Funding Policy

The Pulaski County Government establishes employer medical contribution rates for all medical plan participants as part of the budgetary process each year. The Authority determines how the plan will be funded each year, whether it will be partially funded or fully funded in the upcoming fiscal year. The annual required contribution is based on projected pay-as-you-go financing requirements, with an

PULASKI COUNTY PUBLIC SERVICE AUTHORITY  
 (A COMPONENT UNIT OF PULASKI COUNTY)  
 NOTES TO FINANCIAL STATEMENTS (Continued)  
 AS OF JUNE 30, 2009

**Note 9-Other Post-Employment Benefits: (Continued)**

Funding Policy (Continued)

For retirees of the Authority, 100 percent of premiums for both the employee and spouse are the responsibility of the retiree. Coverage under the plan ceases when the employee reaches age 65. The

<b>Medical and Dental Pre-Medicare Coverage</b>	<b>POS</b>	<b>PPO</b>	<b>Delta Dental</b>
Employee Only	\$ 555	\$ 366	\$ 27
Employee and Spouse	1111	740	47
Employee and Child	1123	732	50
Family	1562	1029	83

Annual OPEB Cost and Net OPEB Obligation

The Authority's annual OPEB cost (expense) is calculated based on 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.

**PULASKI COUNTY PUBLIC SERVICE AUTHORITY  
(A COMPONENT UNIT OF PULASKI COUNTY)  
NOTES TO FINANCIAL STATEMENTS (Continued)  
AS OF JUNE 30, 2009**

**Note 9-Other Post-Employment Benefits: (Continued)**

Annual OPEB Cost and Net OPEB Obligation (Continued)

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 and the preceding year were as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
6/30/2009	\$ 22,000	73.18%	\$ 5,900

Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2009 was as follows:

Actuarial accrued liability (AAL)	\$ 186,067
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 186,067</u>
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	1,182,936
UAAL as a percentage of covered payroll	15.73%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into 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, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan as understood by the employer and plan members 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



PULASKI COUNTY PUBLIC SERVICE AUTHORITY  
(A COMPONENT UNIT OF PULASKI COUNTY)  
NOTES TO FINANCIAL STATEMENTS (Continued)  
AS OF JUNE 30, 2009

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**Note 9-Other Post-Employment Benefits: (Continued)**

Actuarial Methods and Assumptions (Continued)

reached. Dental per capita costs, average costs, and premiums are expected to increase 5 percent  
~~initially and will be reduced by increments of 0.5 percent until an ultimate 2 percent increase is reached~~

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The UAAL is being amortized as a level percentage of covered payroll over the remaining amortization period, which at June 30, 2009, was 30 years.

## **Required Supplementary Information**

**Pulaski County PSA  
Required Supplementary Information**

Schedule of Funding Progress OPEB Plan  
For the Year Ended June 30, 2009

Valuation as of (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3)-(2) (4)	Funded Ratio Assets as % of AAL (2)/(3) (5)	Annual Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
July 1, 2008	\$ -	\$ 186,067	\$ 186,067	0.00%	1,182,936	15.73%

## **Supporting Schedules**

**PULASKI COUNTY PUBLIC SERVICE AUTHORITY**  
(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)

**Proprietary Fund Type**

**Comparative Statement of Revenues, Expenses and Changes in Net Assets**  
**June 30, 2009**

	2009	2008
<b>Operating Revenues:</b>		
Garbage service	\$ 4,107,003	\$ 4,390,075
Water service	1,686,920	1,788,733
Sewer service	411,178	642,736
Street lights	11,371	11,849
Connection fees	13,850	9,300
Penalties and interest on delinquent accounts	132,065	122,993
Miscellaneous	167,799	38,946
<b>Total operating revenues</b>	<b>\$ 6,530,186</b>	<b>\$ 7,004,632</b>
<b>Operating Expenses:</b>		
<i>Water Distribution:</i>		
Salaries	\$ 191,677	\$ 198,691
Fringes	67,720	62,748
Professional Services	6,690	15,131
County central services	35,723	35,975
Other	88,548	62,947
Supplies	1,135	3,658
Repair and maintenance	57,565	62,041
Depreciation	385,166	380,603
<b>Total Water Distribution</b>	<b>\$ 834,224</b>	<b>\$ 821,794</b>
<i>Water Treatment Plant:</i>		
Salaries	\$ 279,240	\$ 289,601
Fringes	85,428	92,728
Professional Services	224	-
Professional Services-Gov't	17,090	15,730
County central services	6,461	8,099
Other	170,414	117,837
Supplies	184,146	118,085
Repair and maintenance	16,139	128,025
<b>Total Water Treatment Plant</b>	<b>\$ 759,142</b>	<b>\$ 770,105</b>
<i>Sewer Collection and Treatment:</i>		
Salaries	\$ 68,723	\$ 45,197
Fringes	26,876	17,069
Professional Services	1,366	2,804
Professional Services-Gov't	424,688	348,603
County central services	9,897	11,280
Other	80,575	18,010
Supplies	7,368	3,063
Repair and maintenance	38,376	58,239
Depreciation	385,166	380,603
<b>Total Sewer Collection and Treatment</b>	<b>\$ 1,043,035</b>	<b>\$ 884,868</b>

**PULASKI COUNTY PUBLIC SERVICE AUTHORITY**  
**(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)**  
**Proprietary Fund Type**  
**Comparative Statement of Revenues, Expenses and Changes in Net Assets**  
**June 30, 2009**

	2009	2008
<i>Refuse Collection and Disposal:</i>		
Salaries	\$ 898,798	\$ 887,436
Fringes	405,190	387,835
Professional Services		-
Professional Services-Gov't	1,542,253	1,749,309
County central services	370,441	471,484
Other	62,986	52,873
Supplies	59,967	12,844
Dumpsters/containers	557	-
Repair and maintenance	-	2,905
Depreciation	334,683	292,627
<b>Total Refuse Collection and Disposal</b>	<b>\$ 3,674,875</b>	<b>\$ 3,857,313</b>
<i>Administration:</i>		
Salaries	\$ 67,445	\$ 67,007
Fringes	34,773	33,447
OPEB expense	16,100	-
Professional Services	75,392	69,771
County central services	19,528	16,674
Other	21,602	21,707
Supplies	1,068	2,151
Depreciation/amortization	7,710	12,180
<b>Total Administration</b>	<b>\$ 243,618</b>	<b>\$ 222,937</b>
<i>Street Lighting:</i>		
Electricity	\$ 10,513	\$ 13,414
<b>Total Street Lighting</b>	<b>\$ 10,513</b>	<b>\$ 13,414</b>
<i>Billing:</i>		
Salaries	\$ 53,922	\$ 48,762
Fringes	23,054	21,725
Professional Services	21,060	20,783
County central services	9,515	8,404
Other	44,447	49,529
Supplies	12,483	6,512
<b>Total Billing</b>	<b>\$ 164,481</b>	<b>\$ 155,715</b>
<b>Total operating expenses</b>	<b>\$ 6,729,888</b>	<b>\$ 6,726,146</b>
<b>Operating income (loss)</b>	<b>\$ (199,702)</b>	<b>\$ 278,486</b>

**PULASKI COUNTY PUBLIC SERVICE AUTHORITY**  
**(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)**  
**Proprietary Fund Type**  
**Comparative Statement of Revenues, Expenses and Changes in Net Assets**  
**June 30, 2009**

	<u>2009</u>	<u>2008</u>
<b>Non-operating Revenues and (Expenses):</b>		
<i>Non-operating revenues</i>	\$ 51,110	\$ 71,701
<i>Non-operating expenses</i>	(267,193)	(288,185)
<b>Total non-operating revenues and expenses</b>	<b>\$ 563,526</b>	<b>\$ 50,761</b>
<b>Increase (decrease in Net Assets)</b>	<b>\$ 363,824</b>	<b>\$ 329,247</b>
<b>Net Assets, Beginning of Year</b>	<b>\$ 11,962,577</b>	<b>\$ 11,633,330</b>
<b>Net Assets, End of Year</b>	<b>\$ 12,326,401</b>	<b>\$ 11,962,577</b>

## **Compliance**



# 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  
Pulaski County Public Service Authority  
Pulaski, Virginia

We have audited the financial statements of the Pulaski County Public Service Authority, a component unit of Pulaski County, Virginia, as of and for the year ended June 30, 2009, and have issued our report thereon dated [REDACTED] 2009. We conducted our audit in accordance with auditing standards generally accepted in the

## 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 or other matters that are required to be reported under *Government Auditing Standards*.

The Pulaski County Public Service Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Pulaski County Public Service Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors and management and it is not intended to be and should not be used by anyone other than these specified parties.

*Robinson, Farmer, Cox Associates*

Christiansburg, Virginia  
December 23, 2009

**Pulaski County Service Authority  
(A Component Unit of Pulaski County, Virginia)  
Schedule of Findings and Responses  
Year Ended June 30, 2009**

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**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

**Section II - Financial Statement Findings**

2009-1

Condition: Currently the Authority lacks a proper segregation of duties over the accounts payable and collection functions.

Criteria: A key concept of internal controls is the segregation of duties. No one employee should have access to the billing function and also take in collections. In addition, the individual responsible for the accounts payable function should not have the ability to enter new vendors into the system

Effect: There is more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal controls over financial reporting.

Managements

Response: Management acknowledges that internal controls over the collection function as well as the accounts payable function lack proper segregation of duties. The Authority has implemented changes to put in place proper segregation of duties over the accounts payable process.