PULASKI COUNTY PUBLIC SERVICE AUTHORITY

OF PULASKI COUNTY, VIRGINIA

(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)

FINANCIAL REPORT
YEAR ENDED JUNE 30, 2015

Pulaski County Public Service Authority
(A Component Unit of Pulaski County, Virginia)
Annual Financial Report
Year Ended June 30, 2015

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FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY *CERTIFIED PUBLIC ACCOUNTANTS*

Independent Auditors' Report

To the Honorable Members of
Pulaski County Public Service Authority
Pulaski, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Pulaski County Public Service Authority, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to
express 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Pulaski County Public Service Authority, as of June 30, 2015, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 11 to the financial statements, in 2015, the Authority adopted new accounting guidance, GASB Statement Nos. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules related to pension and OPEB funding on pages 3-8 and 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Pulaski County Public Service Authority's basic financial statements. The supporting schedule is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2015, on our consideration of Pulaski County Public Service Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pulaski County Public Service Authority's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
December 15, 2015

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

Year Ended June 30, 2015

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, 2015. 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 position presents information on the Authority's gross assets and liabilities, with the difference between the two reported as net position (see Exhibit 1). Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of 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 $18,307,374 (net position) as of June 30, 2015. Of this amount, $3,784,315 (unrestricted net assets) may be used to meet the Authority's ongoing obligations to customers and creditors. Of the remaining net position, $1,032,046 is restricted for debt service and $13,491,013 is in the form of capital assets including installed facilities and equipment such as the water treatment plant, utility lines and distribution system and vehicles.

- As reported in Exhibit 2, the total net assets of the Authority increased by $1,260,831 from $17,046,543 in FY 14 to $18,307,374 in FY 15.

- From the cash perspective (described in Exhibit 3), Authority cash flows provided from operations were $2,078,207, cash flows from non-capital financing activities were $394,516, cash flows used for capital and related financing activities were $1,823,769, and cash flows from investing activities were $60,493. Those combined for an overall net increase of $709,447 in cash.

- As part of the above cash transactions of the Authority, the Authority's total debt decreased by $556,166 during FY 2015.

Financial Highlights – (continued)

- Total depreciation expense for the Authority was $1,254,318 or approximately 15% 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 position may serve over time as a useful indicator of the Authority's financial position. The net position of the Authority exceeded liabilities by $18,307,374 on June 30, 2015. A year earlier on June 30, 2014, the net position of the Authority was $17,046,543, resulting in a net increase in net position of the Authority in the amount of $1,260,831 during FY 14-15.

The Authority's net position reflected in its investment in capital assets net of related outstanding debt used to acquire those assets (such as utility lines, pump stations and trucks) was $13,491,013 or 73% of total net position. 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 Position

	2015	2014
Assets:		
Current and Other Assets	$ 6,587,194	$ 5,774,299
Capital Assets	24,672,111	24,793,555
Total Assets	$ 31,259,305	$ 30,567,854
Liabilities:		
Current Liabilites	$ 1,336,175	$ 1,141,675
Non-Current Liabilities	11,421,070	11,471,001
Total Liabilities	$ 12,757,245	$ 12,612,676
Net Position:		
Invested in Capital Assets, net of related debt	$ 13,491,013	$ 13,150,960
Restricted	1,032,046	990,225
Unrestricted	3,784,315	3,813,993
Total Net Position	$ 18,307,374	$ 17,955,178

As of June 30, 2015, 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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Financial Analysis: (continued)

Change in Net Position

		2015		2014
Revenues:				
Operating Revenues	$	9,714,376	$	9,069,856
Investment Income		37,949		40,195
Other Income		52,359		165,998
Contribution		394,516		-
Total Revenues	$	10,199,200	$	9,276,049
Expenses:				
Operating Expenses	$	7,332,843	$	7,173,832
Depreciation Expense		1,254,318		1,268,147
Interest Expense		351,208		500,873
Total Expenses	$	8,938,369	$	8,942,852
Increase (Decrease) in Net Position	$	1,260,831	$	333,197
Beginning Net Position		17,046,543		17,621,981
Ending Net Position	$	18,307,374	$	17,955,178

As shown in the above table, the Authority's net assets increased by $1,260,831 during the 2014-15 fiscal year. Operating revenues increased by $644,520 due in part to the continued commitment by the Public Service Authority Board to slightly increase service rates on water and sewer services to better assist the PSA to pay for the operating and capital needs expenses in the water and sewer departments. In addition, the PSA received funding from Rural Development and a Community Development Block grant to assist with water meter replacements and sewer line extensions as shown in the Contribution line above. Overall operating expenses held relatively constant during FY 2015. 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, 2015 totaled $24,672,111 (net of accumulated depreciation). The net investment in capital assets decreased by 0.5%, or $121,444, less than the prior year. Below is a listing of capital assets as of June 30, 2015 with a comparison to the prior fiscal year.

		2015		**2014**
Land and improvements	$	209,854	$	127,700
Construction in progress		1,524,663		905,529
Buildings and improvements		103,841		-
Vehicles and other equipment		4,028,327		4,217,449
Water and sewer system (infrastructure)		43,933,761		43,669,424
Accumulated depreciation		(25,128,335)		(24,126,547)
Total capital assets	$	24,672,111	$	24,793,555

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

The Authority has several bond issues outstanding, funded through Rural Development, the Virginia Resource Authority, and local banks. As noted in Note 4, the Authority retired $553,888 in bonds payable during the 2014-2015. In addition, other long term obligations experienced a net decrease of ($442,373) made up of net decreases in compensated absences, net OPEB liability and net pension liability. Additional information related to the compensated absences can be found in Note 6 while additional information on the OPEB obligation can be found in Note 8 – Other Post-Employment Benefit and Net Pension Liability Information may be found in Note 7.

Review of Operations

Operational Revenues – As shown in Schedule 1, operating revenues increased by $644,520, or 7%, from $9,069,856 to $9,441,525 during the 2014-2015 fiscal year. Garbage, water and sewer services saw increasing revenues during FY 2015 due in part to an increase in refuse generation by commercial users, additional sewer residential customers added to the customer base from sewer line construction projects, and slight water and sewer rate increases during FY 2015. However, in order to better understand the 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, operational expenses increased by $145,182 or 1.7%, from $8,441,979 in the 2014 fiscal year to $8,587,161 in the 2015 fiscal year. The increase in expenses was due to increases in salaries, benefits, and professional services from other government agencies.

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.

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.

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	Fiscal Year Ending June 30, 2015					
	Unclassified	Water	Sewer	Refuse	Streetlights	Total
Operating revenues	$ -	$ 2,962,200	$ 993,519	$ 5,277,934	$ 14,581	$ 9,248,234
Reconnection fees	8,900	8,900	-	-	-	8,900
Penalty and interest (1)	111,719	35,783	12,002	63,758	176	111,719
Miscellaneous income (1)	345,523	110,671	37,119	197,189	545	345,523
Subtotal categorized operating revenue	$ 466,142	$ 3,117,554	$ 1,042,641	$ 5,538,880	$ 15,301	$ 9,714,376
Operating expenses	$ -	$ 2,346,115	1,299,180	4,413,581	13,508	8,072,384
Billing expenses (1)	180,767	52,537	29,093	98,834	302	180,767
Administrative expenses (2)	334,010	97,075	53,756	182,620	559	334,010
Subtotal categorized operating expenses	$ 514,777	$ 2,495,727	$ 1,382,029	$ 4,695,036	$ 14,369	$ 8,587,161
Net Operating Income	$ (48,635)	$ 621,828	(339,389)	843,844	932	1,127,215
Non-operating revenues (expenses):						
Interest earned (1)	$ 37,949	$ 12,155	4,077	21,656	61	37,949
County transfer (3)	394,516	-	394,516	-	-	394,516
Grants	-	-	-	-	-	-
Interest expense	(351,208)	(248,434)	(102,774)	-	-	(351,208)
Bond Issuaance Costs	-	-	-	-	-	-
Connection fees	52,359	38,114	14,245	-	-	52,359
Subtotal net non-operating items	$ 133,616	$ (198,166)	310,063	21,656	61	133,616
Net income (loss)	$ 84,981	$ 423,662	$ (29,326)	$ 865,501	$ 992	$ 1,260,831

	Fiscal Year Ending June 30, 2014					
	Unclassified	Water	Sewer	Refuse	Streetlights	Total
Operating revenues	$ -	$ 2,549,788	$ 857,967	$ 5,333,719	$ 12,014	$ 8,753,488
Reconnection fees	7,100	7,100	-	-	-	7,100
Penalty and interest (1)	171,189	49,865	16,779	104,310	235	171,189
Miscellaneous income (1)	138,079	40,221	13,534	84,135	190	138,079
Subtotal categorized operating revenue	$ 316,368	$ 2,646,974	$ 888,281	$ 5,522,164	$ 12,437	$ 9,069,856
Operating expenses	$ -	$ 2,232,122	$ 1,364,597	$ 4,359,160	$ 12,490	$ 7,968,369
Billing expenses (1)	187,091	52,408	32,040	102,350	293	187,091
Administrative expenses (2)	286,519	80,261	49,067	156,743	449	286,519
Subtotal categorized operating expenses	$ 473,610	$ 2,364,791	$ 1,445,704	$ 4,618,252	$ 13,232	$ 8,441,979
Net Operating Income	$ (157,242)	$ 282,184	$ (557,424)	$ 903,911	$ (794)	$ 627,877
Non-operating revenues (expenses):						
Interest earned (1)	$ 40,195	$ 11,708	$ 3,940	$ 24,492	$ 55	$ 40,195
County transfer (3)	131,497	65,749	65,749	-	-	131,497
Grants	-	-	-	-	-	-
Interest expense	(500,873)	(398,099)	(102,774)	-	-	(500,873)
Bond Issuaance Costs	-	-	-	-	-	-
Connection fees	34,501	31,501	3,000	-	-	34,501
Subtotal net non-operating items	$ (294,680)	$ (289,142)	$ (30,087)	$ 24,492	$ 55	$ (294,680)
Net income (loss)	$ (451,922)	$ (6,958)	$ (587,510)	$ 928,403	$ (740)	$ 333,197
Change from FY14 to FY15 Increase(dec)		$ 430,620	$ 558,184	$ (62,902)	$ 1,732	$ 927,634

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

Both fiscal years 2015 and 2014 are presented for comparative purposes. As noted in the above FY 15 table, net income for FY 15 increased by $970,507. The Water, Refuse and Street Lighting services had net operating incomes in 2015 while the Sewer department continued to show a net operating loss. When factoring in Non-operating Revenues and Expenses, all departments had an overall net income due. The PSA Board of Directors continues to analyze the impact of rate changes on both Water and Sewer services in order to meet not only operating expenses, but to also fund future capital improvement needs without relying solely on outside funding for water and sewer line construction. The allocation of depreciation between water and sewer is an estimate and should be considered when analyzing profitability on both water and sewer services. Depreciation expense on infrastructure has a large impact on profitability.

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Long-Term Trends

Capital Plan – During FY 2015, the Authority evaluated water treatment plant water intake options due to siltation in Claytor Lake settling around the current water intake which included exploring additional well sites for water availability and consideration to moving the current location of the water intake. The tested well sites failed to generate enough consistent water flow to operate the water treatment plant on a daily basis. As a result, the Authority will move forward with dredging the siltation from the current water intake, which will take place during FY 2016. The need to continue the dredging in future years in order to keep the water intakes clean will continue to generate capital expenses in future budget years until an alternative solution is determined. In addition, the Authority is in the process of exploring grant funding for an emergency electrical connection to be located at the water treatment plant to be used in the event of a power outage. The Authority continues to evaluate the need for capital improvements on aging water and sewer utility lines and the need to repair or replace those aging fixed assets. In addition, the Authority is continuing to install radio read water meters throughout the County to improve the accuracy of the water readings and in turn increase water and sewer service revenues. The PSA continues to evaluate utility rate changes to better balance departmental revenues with operational costs, while at the same time exploring options for reducing costs long term, and the need to fund capital improvements due to aging utility lines.

Long-Term Debt – The Authority will continue to evaluate debt options for refinancing current debt issues as interest rates change and exploring new borrowings as future projects arise.

Cash and Reserves – As noted in Exhibit 1, the Authority had an unrestricted cash balance of $2,659,230 as of June 30, 2015. The balance represents approximately 3.5 months of operational expenses (excluding depreciation). In comparison with the prior year report, the cash balance has increased by $709,447 from FY 14 to FY 15. In addition, the total net position increased by $1,260,831 and unrestricted net position increased by $117,036 during FY 15.

Deferred Inflows/Outflows of Resources – During FY 2015, GASB 68 was instituted to show the net pension liability. This change to the financial statements in the annual comprehensive financial report will continue to impact the future net position of the Authority.

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.

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Financial Statements

PULASKI COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)
Proprietary Fund
Statement of Net Position
Year Ended June 30, 2015

Assets:		
Current Assets:		
Cash	$	2,659,230
Receivables (Net of allowance for uncollectibles)		1,550,068
Loan receivable from Virginia's First IFA, current portion		23,077
Total Current Assets	$	4,232,375
Noncurrent Assets:		
Restricted cash	$	1,032,046
Loan receivable from Virginia's First IFA, long-term portion		1,321,030
Capital Assets		
Land		209,854
Proprietary capital assets (Net of accumulated depreciation)		22,833,753
Building and improvements		103,841
Construction in progress		1,524,663
Total Capital Assets	$	24,672,111
Intangible Assets		
Organization expense (Net of amortization)	$	1,743
Total Noncurrent Assets	$	27,026,930
Total Assets	$	31,259,305
Deferred Outflows of Resources:		
Pension contributions subsequent to the measurement date	$	166,881
Liabilities:		
Current Liabilities:		
Accounts payable	$	569,076
Interest payable		18,131
Amounts held for others		123,835
Proprietary debt-current portion		582,260
Due to County		42,873
Total Current Liabilities	$	1,336,175
Noncurrent Liabilities:		
Compensated absences	$	147,642
Net OPEB obligation		59,500
Net pension liability		615,090
Proprietary debt-long-term portion		10,598,838
Total Noncurrent Liabilities	$	11,421,070
Total Liabilities	$	12,757,245
Deferred Inflows of Resources:		
Items related to measurement of net pension liability	$	361,567
Net Position:		
Net investment in capital assets	$	13,491,013
Restricted for debt service		1,032,046
Unrestricted		3,784,315
Total Net Position	$	18,307,374

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
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2015

Operating Revenues:		
Garbage service	$	5,277,934
Water service		2,962,200
Sewer service		993,519
Street lights		14,581
Reconnection fees		8,900
Penalties and interest on delinquent accounts		111,719
Miscellaneous		345,523
Total operating revenues	$	9,714,376
Operating Expenses:		
Water Distribution:		
Salaries	$	181,289
Fringes		64,463
Professional Services		16,908
County central services		29,873
Other		65,844
Supplies		1,976
Repair and maintenance		75,734
Machinery and equipment		406
Depreciation		675,659
Total Water Distribution	$	1,112,152
Water Treatment Plant:		
Salaries	$	290,314
Fringes		134,514
Professional Services		364,693
County central services		5,384
Other		317,169
Supplies		102,636
Repair and maintenance		2,395
Depreciation		16,858
Total Water Treatment Plant	$	1,233,963

PULASKI COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)
Proprietary Fund
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2015

Operating Expenses: (Continued)		
Sewer Collection and Treatment:		
Salaries	$	62,734
Fringes		41,002
Professional Services		4,086
Professional Services-Government		582,446
County central services		11,130
Other		77,556
Supplies		15,907
Repair and maintenance		57,185
Depreciation		447,134
Total Sewer Collection and Treatment	$	1,299,180
Refuse Collection and Disposal:		
Salaries	$	985,604
Fringes		472,193
Professional Services		555
Professional Services-Government		2,291,173
County central services		466,221
Other		80,606
Supplies		6,047
Depreciation		111,182
Total Refuse Collection and Disposal	$	4,413,581
Administration:		
Salaries	$	157,103
Fringes		56,659
OPEB expense		8,100
Professional Services		82,155
County central services		2,975
Other		22,581
Amortization expense		537
Supplies		3,900
Total Administration	$	334,010
Street Lighting:		
Electricity	$	13,508
Total Street Lighting	$	13,508

PULASKI COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)
Proprietary Fund
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2015

Operating Expenses: (Continued)		
Billing:		
Salaries	$	60,107
Fringes		30,018
Professional Services		33,449
County central services		13,417
Other		37,795
Supplies		2,496
Depreciation		3,485
Total Billing	$	180,767
Total operating expenses	$	8,587,161
Operating income (loss)	$	1,127,215
Nonoperating Revenues (Expenses):		
Interest income	$	37,949
Contributions from Primary Government		394,516
Connection fees		52,359
Interest expense		(351,208)
Total nonoperating revenues (expenses)	$	133,616
Increase (decrease) in Net Position	$	1,260,831
Net Position, Beginning of Year, as restated		17,046,543
Net Position, End of Year	$	18,307,374

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
Statement of Cash Flows
Year Ended June 30, 2015

Cash flows from operating activities:		
Cash received from customers	$	9,634,215
Cash paid to suppliers for goods and services		(4,949,950)
Cash paid to employees for services		(2,606,058)
Net cash provided by (used for) operating activities	$	2,078,207
Cash flows from noncapital financing activities:		
Debt service contribution	$	394,516
Net cash provided by (used for) noncapital financing activities	$	394,516
Cash flows from capital and related financing activities:		
Connection charges	$	52,359
Acquisition of capital assets		(1,063,092)
Proceeds from issuance of debt		94,669
Retirement of debt		(556,166)
Interest and loan cost paid on debt		(351,539)
Net cash provided by (used for) capital and related financing activities	$	(1,823,769)
Cash flows from investing activities:		
Interest income	$	37,949
Payments from loan receivable		22,544
Net cash provided by (used for) investing activities	$	60,493
Net increase (decrease) in cash	$	709,447
Cash at beginning of year (including restricted cash of $990,225)		2,981,829
Cash at end of year (including restricted cash of $1,032,046)	$	3,691,276

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities

Operating income (loss)	$	1,127,215
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation/Amortization	$	1,254,855
(Increase) decrease in receivables		(126,528)
(Increase) decrease in due from other Governments		42,873
Increase (decrease) in operating accounts payable		(153,644)
Increase (decrease) in compensated absences		20,701
Increase (decrease) in net OPEB obligation		8,100
Increase (decrease) in net pension liability		(468,896)
Increase (decrease) in deferred inflows of resources		361,567
(Increase) decrease in deferred outflows of resources		8,470
Increase (decrease) in customer deposits		3,494
Net cash provided by (used for) operating activities	$	2,078,207

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. The Financial Reporting Entity:
The Authority is a discretely presented component unit of County of Pulaski, Virginia and is presented as such in the County's financial report for the fiscal year ended June 30, 2015.

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 Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 the asset's life 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:

Assets	Years
Water & Sewer System	5-50
Equipment	3-10
Buildings	30-50

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, 2015, the allowance amounted to approximately $1,154,259.

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 original maturities of 90 days or less. Certificates of deposit are reported in the accompanying financial statements as cash and cash equivalents.

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

G. Restricted Assets:
Included in restricted cash and cash equivalents are amounts held in debt service reserve accounts in the amount of $1,032,046.

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

I. Deferred Outflows/Inflows of Resources:
In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority only has one item that qualifies for reporting in this category. It is comprised of contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. For more detailed information on those items, see note 7.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one type of item that qualifies for reporting in this category. Certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earning on pension plan investments. For more detailed information on these items, see note 7.

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

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS:

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

Investments:
Statutes authorize the Authority to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP). The Authority had no investments at June 30, 2015.

NOTE 3 – CAPITAL ASSETS AND DEPRECIATION:

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 127,700	$ 82,154	$ -	$ 209,854
Construction in progress	905,529	940,161	(321,027)	1,524,663
Total capital assets not being depreciated	$ 1,033,229	$ 1,022,315	$ (321,027)	$ 1,734,517
Capital assets, being depreciated:				
Infrastructure	$ 43,669,424	$ 264,337	$ -	$ 43,933,761
Buildings and improvements	-	103,841	-	103,841
Machinery and equipment	4,217,449	63,408	(252,530)	4,028,327
Total capital assets being depreciated	$ 47,886,873	$ 431,586	$ (252,530)	$ 48,065,929
Accumulated depreciation:				
Infrastructure	$ (20,906,325)	$ (1,070,496)	$ -	$ (21,976,821)
Buildings and improvements*	-	-	-	-
Machinery and equipment	(3,220,222)	(183,822)	252,530	(3,151,514)
Total accumulated depreciation	$ (24,126,547)	$ (1,254,318)	$ 252,530	$ (25,128,335)
Total capital assets being depreciated, net	$ 23,760,326	$ (822,732)	$ -	$ 22,937,594
Capital assets, net	$ 24,793,555	$ 199,583	$ (321,027)	$ 24,672,111

*Due to timing of the building purchase, no depreciation was recorded during fiscal year 2015.

NOTE 4 – LONG-TERM OBLIGATIONS:

Changes in Long-term Obligations:

The following is a summary of changes in long-term obligations of the Authority for the fiscal year ended June 30, 2015:

	Balance July 1, 2014	Issuances	Retirements	Balance June 30, 2015
Revenue bonds	$ 11,601,601	$ 94,669	$ (553,888)	$ 11,142,382
Unamortized bond premiums	40,994	-	(2,278)	38,716
Net OPEB obligation	51,400	13,300	(5,200)	59,500
Net pension liability	1,083,986	577,453	(1,046,349)	615,090
Compensated absences	126,941	20,701	-	147,642
Total	$ 12,904,922	$ 706,123	$ (1,607,715)	$ 12,003,330

NOTE 4 – LONG-TERM OBLIGATIONS: (continued)

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

Year Ending June 30,	Water and Sewer Revenue Bonds Principal	Interest
2016	$ 579,979	$ 323,033
2017	544,542	319,453
2018	526,017	304,040
2019	378,843	290,722
2020	1,078,058	508,234
2021-2025	1,405,278	1,155,145
2026-2030	1,601,496	913,642
2031-2035	1,002,362	711,958
2036-2040	1,171,451	542,869
2041-2045	1,372,292	342,028
2046-2050	1,428,237	107,755
2051-2055	53,827	240
Totals	$ 11,142,382	$ 5,519,119

Details of Long-term Obligations:

	Interest Rate(s)	Issue Date	Final Maturity Date	Amount of Original Issue	Balance	Amount Due Within One Year
Rural Development (RD) Water and Sewer Revenue Bonds:						
Central Utilites	4.50%	5/11/2009	2049	865,900	$ 823,901	$ 12,902
Highland Park Sewer	4.25%	11/19/2009	2050	601.783	1,137,777	16,652
Dublin Subdivisions Sewer	4.25%	11/19/2009	2050	804,400	771,118	12,005
Commerce Park Initial	2.375%	2/17/2011	2051	3,812,000	3,653,214	73,902
Commerce Park Subsequent	2.375%	2/17/2011	2051	867,312	889,624	16,801
Claytor Lake #1 and #2	3.300%	3/5/2014	2034	2,490,038	2,363,260	92,683
Total RD Revenue Bonds					$ 9,638,894	$ 224,945
Virginia Resource Authority (VRA) Water and Sewer Revenue Bonds:						
Shrader Hill	0.00%	12/1/1993	2035	$ 130,000	$ 39,418	$ 4,638
Premium	n/a	6/30/2004	2032	63,764	38,717	2,277
Claytor Lake #1 and #2		3/5/2014	2034	1,515,489	1,464,069	350,400
Total VRA Revenue Bonds					$ 1,542,204	$ 357,315
Other Obligations:						
Net OPEB obligation	n/a	n/a	n/a	n/a	$ 59,500	$ -
Compensated absences	n/a	n/a	n/a	n/a	147,642	-
Net pension liability	n/a	n/a	n/a	n/a	615,090	-
Total Other Obligations					$ 822,232	$ -
Totals					$ 12,003,330	$ 582,260

NOTE 5 – LOAN RECEIVABLE FROM VIRGINIA'S FIRST RIFA:

During 2013, the PSA entered into an agreement with Virginia's First RIFA whereby the RIFA agreed to repay the PSA for a portion of the cost of the Commerce Park water and sewer expansion project. The agreement resulted in a $2,145,000 loan payable, dated April 13, 2010, which is due to the PSA in annual installments of $55,000. The loan became due and payable upon completion of the PSA Commerce Park water and sewer expansion project on June 30, 2013. The loan is non-interest bearing; however, interest has been imputed at a rate of 2.375% based upon market conditions. The discounted value of the loan at June 30, 2015 is $1,344,107.

NOTE 6 – COMPENSATED ABSENCES:

In accordance with GASB Statement No. 16 "Accounting for Compensated Absences," the Authority has an accrued liability arising from outstanding 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 $147,642.

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NOTE 7 – PENSION PLAN:

Plan Description

All full-time, salaried permanent employees of the Pulaski County Public Service Authority are automatically covered by the Pulaski County Pension Plan, a cost-sharing multiple employer plan. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	**About Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members") • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

NOTE 7 – PENSION PLAN: (continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013. **Hybrid Opt-In Election** VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	**Eligible Members** Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. **Hybrid Opt-In Election** Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. ***Non-Eligible Members** Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

NOTE 7 – PENSION PLAN: (continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Creditable Service** Same as Plan 1.	**Creditable Service** **Defined Benefit Component:** Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. **Defined Contributions Component:** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

NOTE 7 – PENSION PLAN: (continued)

Plan Description (Continued)

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

NOTE 7 – PENSION PLAN: (continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Vesting (Cont.)	**Vesting (Cont.)**	**Vesting (Cont.)** **Defined Contributions Component: (Cont.)** Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **Defined Benefit Component:** See definition under Plan 1

NOTE 7 – PENSION PLAN: (continued)

Plan Description (Continued)

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

NOTE 7 – PENSION PLAN: (continued)

Plan Description (Continued)

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

NOTE 7 – PENSION PLAN: (continued)

Plan Description (Continued)

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

NOTE 7 – PENSION PLAN: (continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Cost-of-Living Adjustment (COLA) in Retirement (Cont.) **Exceptions to COLA Effective Dates:** The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)** **Exceptions to COLA Effective Dates:** Same as Plan 1	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)** **Exceptions to COLA Effective Dates:** Same as Plan 1 and Plan 2.

NOTE 7 – PENSION PLAN: (continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	**Disability Coverage** Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **Defined Benefit Component:** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. **Defined Contribution Component:** Not applicable.

The system issues publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTE 7 – PENSION PLAN: (continued)

Plan Description (Continued)

Contributions

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

The Pulaski County Public Service Authority's contractually required contribution rate for the year ended June 30, 2015 was 12.09% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Pulaski County Public Service Authority were $166,881 and $175,351 for the years ended June 30, 2015, and June 30, 2014, respectively.

Net Pension Liability

At June 30, 2015, the Authority reported a liability of $615,090 for its proportionate share of the net pension liability. The Pulaski County Public Service Authority's net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014. The Authority's proportionate share of the same was calculated using creditable compensation as of June 30, 2014 and 2013 as a basis for allocation. At June 30, 2014 and 2013, the Authority's proportion was 13.35% and 13.20%, respectively.

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NOTE 7 – PENSION PLAN: (continued)

Plan Description (Continued)

Actuarial Assumptions – General Employees

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

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

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

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NOTE 7 – PENSION PLAN: (continued)

Plan Description (Continued)

Actuarial Assumptions – General Employees (Continued)
Mortality rates: 14% of deaths are assumed to be service related

Largest 10 – Non-LEOS:
Pre-Retirement:
RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

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

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

All Others (Non 10 Largest) – Non-LEOS:
Pre-Retirement:
RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

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

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

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

Largest 10 – Non-LEOS:
-Update mortality table
-Decrease in rates of service retirement
-Decrease in rates of disability retirement
-Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

NOTE 7 – PENSION PLAN: (continued)

Plan Description (Continued)

Long-Term Expected Rate of Return

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

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

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

NOTE 7 – PENSION PLAN: (continued)

Plan Description (Continued)

Discount Rate

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

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

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

	(6.00%)	(7.00%)	(8.00%)
Pulaski County Public Service Authority			
Net Pension Liability	$ 1,433,192	$ 615,090	$ (66,042)

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NOTE 7 – PENSION PLAN: (continued)

Plan Description (Continued)

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

For the year ended June 30, 2015, the Pulaski County Public Service Authority recognized pension expense of $68,022. At June 30, 2015, the Pulaski County Public Service Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ 361,567
Employer contributions subsequent to the measurement date	166,881	-
Total	$ 166,881	$ 361,567

$166,881 reported as deferred outflows of resources related to pensions resulting from the Pulaski County Public Service Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	
2016	$ (90,392)
2017	(90,392)
2018	(90,392)
2019	(90,391)
Thereafter	-

For additional information related to actuarial assumptions, long-term expected rates of return, discount rate, sensitivity of the net pension liability to changes in discount rate and required supplementary information, please refer to the County of Pulaski, Virginia.

NOTE 8 – OTHER POSTEMPLOYMENT 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 additional amount to prefund benefits as determined annually by the Authority. For fiscal year 2015, the Authority contributed $5,200 in total for current premiums.

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NOTE 8 – OTHER POSTEMPLOYMENT 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 table below outlines premiums from the most recent actuarial valuation as of July 1, 2014:

Medical and Dental Pre-Medicare Coverage	Health Savings	Choice Plan	Delta Dental
Employee Only	$ 581	$ 767	$ 22
Employee and Spouse	1,157	1,580	37
Employee and Child	1,123	1,534	42
Family	1,609	2,215	67

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.

The following table shows the components of the Authority's annual OPEB cost for the year, the estimated contributions to the plan, and changes in the Authority's net OPEB obligation to the Plan:

Annual Required Contribution (ARC)	$ 13,300
Interest on OPEB Obligation	2,100
Adjustment to ARC	(2,100)
Annual OPEB Cost	$ 13,300
Estimated Contributions Made During FY14	$ (5,200)
Increase in Net OPEB Obligation	$ 8,100
Net OPEB Obligation - beginning of year	51,400
Net OPEB Obligation - end of year	$ 59,500

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

Year Ended	OPEB Cost	Contributed	Obligation
6/30/2013	$ 15,200	37.50%	$ 43,100
6/30/2014	15,800	47.47%	51,400
6/30/2015	13,300	39.10%	59,500

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS: (continued)

Funded Status and Funding Progress

The funded status of the Plan as of July 1, 2014, the most recent actuarial report date, was as follows:

Actuarial accrued liability (AAL)	$	135,600
Actuarial value of plan assets		-
Unfunded actuarial accrued liability (UAAL)	$	135,600
Funded ratio (actuarial value of plan assets/AAL)		0.00%
Covered payroll (active plan members)		1,587,657
UAAL as a percentage of covered payroll		8.54%

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 that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014, most recent actuarial valuation, the entry age normal cost method was used. Under this method, the actuarial present value of projected benefits of every active participant as if the Plan's provisions had always been in effect, is determined as a level percentage of expected annual earnings for each future year of expected service. The actuarial assumptions included a 4 percent discount rate based on continuing with a pay-as-you-go funding method. An annual healthcare cost trend rate of 8 percent is utilized initially, and will be reduced by decrements of 0.5 percent until an ultimate rate of 5 percent is reached. Dental per capita costs, average costs, and premiums are expected to increase 4 percent initially, and will be reduced by decrements of 0.5 percent until an ultimate 3 percent increase is reached. The UAAL is being amortized as a level percentage of covered payroll over the remaining amortization period, which at July 1, 2014, was 30 years.

NOTE 9 – OTHER NONCURRENT ASSETS:

As of June 30, 2015, the Authority had the following intangible assets:

	Beginning Balance	Increases	Decreases	Ending Balance
Intangible assets:				
Organization expense	$ 21,480	$ -	$ -	$ 21,480
Accumulated amortization:				
Organization expense	$ (19,200)	$ (537)	$ -	$ (19,737)
Intangible assets, net	$ 2,280	$ (537)	$ -	$ 1,743

NOTE 10 – LITIGATION:

At June 30, 2015, there were no matters of litigation involving the Authority which would materially affect the Authority's financial position should any court decisions on pending matters not be favorable to the Authority.

NOTE 11 – ADOPTION OF ACCOUNTING PRINCIPLES:

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

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

Net Position, July 1 2014, as previously stated	$ 17,955,178
Net pension liability	(1,083,986)
Deferred outflow	175,351
Net Position, July 1 2014, as restated	$ 17,046,543

NOTE 12 – UPCOMING PRONOUNCEMENTS:

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

NOTE 12 – UPCOMING PRONOUNCEMENTS: (continued)

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

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

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

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

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

Required Supplementary Information

PULASKI COUNTY PUBLIC SERVICE AUTHORITY

Schedule of OPEB Funding Progress

Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3)-(2)	Funded Ratio Assets as % of AAL (2)/(3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
July 1, 2010	-	186,800	186,800	0.00%	1,316,122	14.19%
July 1, 2012*	-	148,700	148,700	0.00%	1,365,833	10.89%
July 1, 2014*	-	135,600	135,600	0.00%	1,149,818	11.79%

* Information for the years ended June 30, 2013 and June 30, 2014 are included in the July 1, 2012 actuarial valuation. Information for the year ended June 30, 2015 is included in the July 1, 2014 actuarial. Valuations are performed every two years, and the July 1, 2010 valuation was the initial one.

Supporting Schedules

PULASKI COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)
Proprietary Fund
Comparative Schedule of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2015

	2015	2014
Operating Revenues:		
Garbage service	$ 5,277,934	$ 5,333,719
Water service	2,962,200	2,549,788
Sewer service	993,519	857,967
Street lights	14,581	12,014
Reconnection fees	8,900	7,100
Penalties and interest on delinquent accounts	111,719	171,189
Miscellaneous	345,523	138,079
Total operating revenues	$ 9,714,376	$ 9,069,856
Operating Expenses:		
Water Distribution:		
Salaries	$ 181,289	$ 155,139
Fringes	64,463	70,992
Professional Services	16,908	29,717
County central services	29,873	32,346
Other	65,844	64,111
Supplies	1,976	103
Repair and maintenance	75,734	115,668
Depreciation	675,659	671,002
Total Water Distribution	$ 1,112,152	$ 1,139,078
Water Treatment Plant:		
Salaries	$ 290,314	$ 282,043
Fringes	134,514	156,411
Professional Services	365,167	315,735
Professional Services-Government	(474)	-
County central services	5,384	11,413
Other	317,169	184,574
Supplies	102,636	122,452
Repair and maintenance	2,395	5,348
Depreciation	16,858	15,068
Total Water Treatment Plant	$ 1,233,963	$ 1,093,044

PULASKI COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)
Proprietary Fund
Comparative Schedule of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2015

		2015		2014
Operating Expenses: (Continued)				
Sewer Collection and Treatment:				
Salaries	$	62,734	$	152,129
Fringes		41,002		66,965
Professional Services		4,086		14,040
Professional Services-Government		582,446		545,036
County central services		11,130		-
Other		77,556		69,334
Supplies		15,907		17,018
Repair and maintenance		57,185		33,377
Depreciation		447,134		466,698
Total Sewer Collection and Treatment	$	1,299,180	$	1,364,597
Refuse Collection and Disposal:				
Salaries	$	985,604	$	975,938
Fringes		472,193		534,979
Professional Services		555		-
Professional Services-Government		2,291,173		2,078,961
County central services		466,221		557,931
Other		80,606		49,145
Supplies		6,047		440
Depreciation		111,182		111,894
Total Refuse Collection and Disposal	$	4,413,581	$	4,359,160
Administration:				
Salaries	$	157,103	$	83,028
Fringes		56,659		42,487
OPEB expense		8,100		8,300
Professional Services		82,155		91,612
County central services		2,975		2,149
Other		22,581		46,360
Amortization expense		537		537
Supplies		3,900		6,130
Computer equipment		-		5,916
Total Administration	$	334,010	$	286,519
Street Lighting:				
Electricity	$	13,508	$	12,490
Total Street Lighting	$	13,508	$	12,490

PULASKI COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)
Proprietary Fund
Comparative Schedule of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2015

	2015	2014
Operating Expenses: (Continued)		
Billing:		
Salaries	$ 60,107	$ 75,350
Fringes	30,018	33,915
Professional Services	33,449	27,519
County central services	13,417	8,186
Other	37,795	34,018
Supplies	2,496	4,618
Depreciation	3,485	3,485
Total Billing	$ 180,767	$ 187,091
Total operating expenses	$ 8,587,161	$ 8,441,979
Operating income (loss)	$ 1,127,215	$ 627,877
Nonoperating Revenues (Expenses):		
Interest income	$ 37,949	$ 40,195
Nonoperating contribution from Pulaski County	394,516	131,497
Connection fees	52,359	34,501
Interest expense	(351,208)	(500,873)
Total nonoperating revenues (expenses)	$ 133,616	$ (294,680)
Increase (decrease) in Net Position	$ 1,260,831	$ 333,197
Net Position, Beginning of Year, as restated*	17,046,543	17,621,981
Net Position, End of Year	$ 18,307,374	$ 17,955,178

*In the year of implemtation of GASB 68, prior year comparative information was unavailable. Therefore, the 2014 information has not been restated to reflect the requirement of GASB 68 and 71.

COMPLIANCE SECTION

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

To the Honorable Members of
Pulaski County Public Service Authority
Pulaski, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards and Commissions,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Pulaski County Public Service Authority as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Pulaski County Public Service Authority's basic financial statements and have issued our report thereon dated December 15, 2015.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We noted no deficiencies in internal controls as a result of our audit.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pulaski County Public Service Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
December 15, 2015