

# **PULASKI COUNTY PUBLIC SERVICE AUTHORITY**

---

**OF PULASKI COUNTY, VIRGINIA**

**(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)**

**FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2010**

**Pulaski County Public Service Authority  
(A Component Unit of Pulaski County, Virginia)  
Annual Financial Report  
Fiscal Year Ended June 30, 2010**

---

**Table of Contents**

---

**FINANCIAL SECTION**

---

	<u>Page</u>
Independent Auditors' Report .....	1
Management's Discussion and Analysis .....	2-8
 <b>Financial Statements:</b>	
Exhibit 1 - Statement of Net Assets .....	9
Exhibit 2 - Statement of Revenues, Expenses, and Changes in Net Assets .....	10-12
Exhibit 3 - Statement of Cash Flows .....	13
Notes to Financial Statements .....	14-21
 <b>Required Supplementary Information:</b>	
Exhibit 4 – Schedule of OPEB Funding Progress .....	22
 <b>Supporting Schedules:</b>	
Schedule 1- Comparative Statement of Revenues, Expenses and Changes in Net Assets ...	23-25

---

**COMPLIANCE SECTION**

---

**Compliance:**

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	26-27
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 .....	28-29
Schedule of Expenditures of Federal Awards .....	30
Schedule of Findings and Questioned Costs .....	31

---

**FINANCIAL SECTION**

---

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## Independent Auditors' Report

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

We have audited the accompanying statement of net assets of the Pulaski County Public Service Authority (a component unit of Pulaski County, Virginia) as of June 30, 2010, and the related statements of revenues, expenses and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pulaski County Public Service Authority, as of June 30, 2010, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2011, on our consideration of the 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the Schedule of Funding Progress are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pulaski County Public Service Authority's basic financial statements.

The supporting schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Authority. The budgetary comparison schedules, the supporting schedule, and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements, taken as a whole.

*Robinson, Feemer, Cox Associates*

Christiansburg, Virginia  
March 4, 2011

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

Year Ended June 30, 2010

---

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, 2010. We encourage readers to consider the information presented here in conjunction with additional information contained in the audit report.

**Overview of the Financial Statements**

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

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

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

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

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

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

**Notes to financial statements.** The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

**Financial Highlights**

- As noted in Exhibit 1, the assets of the Authority exceeded its liabilities by \$13,056,859 (net assets) as of June 30, 2010. Of this amount \$2,088,322 (unrestricted net assets) may be used to meet the Authority's ongoing obligations to customers and creditors. Of the remaining net assets, \$382,632 is restricted for debt service and \$10,585,905 is in the form of capital assets including installed facilities and equipment such as the water treatment plant, utility lines and vehicles.
- As reported in Exhibit 2, the total net assets of the Authority increased by \$1,309,256 from \$11,747,603 in FY 09 to \$13,056,859 in FY 10.
- From the cash perspective (described in Exhibit 3), Authority cash flows provided from operations were \$118,361, cash flows from non-capital financing activities were \$2,041,300, cash flows used for capital and related financing activities were (\$2,530,947) and cash flow from investing activities was \$26,604. Those combined for an overall net decrease of \$344,682 in cash.
- As part of the above cash transactions of the Authority, the Authority's total debt decreased by \$353,071 (including the amount owed to the County) in the 2009-10 fiscal year.

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

Year Ended June 30, 2010

- Total depreciation expense for the Authority was \$1,102,126 or approximately 16% of the total operating expenses. It should be noted that depreciation for water and sewer is an estimate and should be taken into consideration when analyzing the profitability of both the water and sewer services.

**Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of the Authority's financial position. The total assets of the Authority exceeded liabilities by \$13,056,859 on June 30, 2010. A year earlier on June 30, 2009, the net assets of the Authority were \$11,747,603. This \$1,309,256 increase in the net assets of the Authority is due in part to reimbursements from Rural Development in fiscal year 2010 for water and sewer project expenses occurring in prior fiscal years.

By far the largest portion of the Authority's net assets (\$10,585,905 or 81%) reflects its investment in capital assets (such as utility lines, pump stations and trucks), net of related outstanding debt used to acquire those assets. Since the Authority uses these capital assets to provide services to its customers, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Statement of Net Assets**

	<u>2010</u>	<u>2009</u>
Assets:		
Current and Other Assets	\$ 3,578,982	\$ 3,561,814
Capital Assets	18,765,226	16,270,143
Total Assets	<u>\$ 22,344,208</u>	<u>\$ 19,831,957</u>
Liabilities:		
Current Liabilities	\$ 1,107,899	\$ 1,238,973
Non-Current Liabilities	8,179,450	6,266,583
Total Liabilities	<u>\$ 9,287,349</u>	<u>\$ 7,505,556</u>
Net Assets:		
Invested in Capital Assets, net of related debt	\$ 10,585,905	\$ 10,031,843
Restricted	382,632	381,370
Unrestricted	2,088,322	1,913,188
Total Net Assets	<u>\$ 13,056,859</u>	<u>\$ 12,326,401</u>

As of June 30, 2010, the Authority maintains positive balances in all categories of net assets. The same situation held true for the prior fiscal year.

The remaining portion of this page left blank intentionally

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

Year Ended June 30, 2010

Change in Net Assets	<u>2010</u>	<u>2009</u>
Revenues:		
Operating revenues	\$ 6,259,282	\$ 6,530,186
Investment income	26,604	54,443
Other income	1,953,469	68,388
Transfer	134,388	713,186
Total Revenues	<u>\$ 8,373,743</u>	<u>\$ 7,366,203</u>
Expenses:		
Operating expenses (excluding depreciation)	\$ 5,634,916	\$ 5,617,163
Depreciation expense	1,102,126	1,112,725
Interest expense	327,445	272,491
Total Expenses	<u>\$ 7,064,487</u>	<u>\$ 7,002,379</u>
Increase (decrease) in Net Assets	\$ 1,309,256	\$ 363,824
Beginning Net Assets, as restated	11,747,603	11,962,577
Ending Net Assets	<u>\$ 13,056,859</u>	<u>\$ 12,326,401</u>

As shown in the above table, the Authority's net assets increased by \$1,309,256 during the 2009-10 fiscal year. Operating revenues decreased by \$270,904 while operating expenses increased by \$17,753 from FY 2009 levels. Significant increases in garbage services and miscellaneous revenues, combined with an increase in the transfer from the County's General Fund for Rural Development funding resulted in a net increase of \$1,309,256 from the prior year change in net assets. Key elements of these changes are explained in greater detail under the Review of Operations section below.

**Capital Asset and Debt Administration**

Capital Assets – As summarized below, the Authority's investment in capital assets as of June 30, 2010 totaled \$18,760,798 (net of accumulated depreciation). The net investment in capital assets increased by \$2,495,620, which is approximately 15% over the prior year. Below are the items that make up capital assets as of June 30, 2010 with a comparison to the prior fiscal year.

	<u>2010</u>	<u>2009</u>
Land and improvements	\$ 127,700	\$ 127,700
Construction in progress	3,280,324	950,102
Vehicles and other equipment	3,294,112	3,437,907
Water and sewer system (infrastructure)	31,525,561	30,415,170
Accumulated depreciation	(19,466,899)	(18,665,701)
Total capital assets	<u>\$ 18,760,798</u>	<u>\$ 16,265,178</u>

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 and the Virginia Resource Authority. As noted in Note 4, the Authority retired \$336,230 in long-term debt and had a decrease in compensated absences in the amount of \$15,404, during the 2009-2010 fiscal year. In addition, long term debt was increased by \$21,369 for the net OPEB obligation in accordance with GASB 45. Additional information related to the OPEB obligation can be found in Note 9 – Other Post-Employment Benefits. Revenue Bonds were issued in the amount of \$1,693,285 through Rural Development to finance water and sewer construction projects.

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

Year Ended June 30, 2010

---

**Review of Operations**

Operational Revenues – As shown in Schedule 1, operating revenues decreased by \$270,904 or more than 4% from \$6,530,186 to \$6,259,282 during the 2009-2010 fiscal year. Garbage and water services saw declining revenues during FY 2010 once again due to the economic impact on local businesses. Sewer revenues increased as new customers were added due to current residential sewer line construction projects. However, in order to better understand the decrease in operating revenues, it is helpful to further divide all PSA financial transactions operations into specific cost centers based on actual services provided to the citizens of the County.

Operational Expenses – As further described in Schedule 1, total operational expenses once again held nearly steady increasing less than 1% by only \$7,154 from \$6,729,888 in the 2009 fiscal year to \$6,737,042 in the 2010 fiscal year. The reduction in operating revenues combined with a slight increase in operating expenses resulted in an operating loss of \$477,760.

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 remaining portion of this page left blank intentionally

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

Year Ended June 30, 2010

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

For Fiscal Year Ended June 30, 2010						
	Unclassified	Water	Sewer	Refuse	Streelights	Total
Operating revenues	\$ -	\$ 1,669,507	\$ 462,937	\$ 3,880,621	\$ 11,820	\$ 6,024,885
Reconnection fees	15,410	15,410	-	-	-	15,410
Penalty and interest (1)	133,149	36,896	10,231	85,761	261	133,149
Miscellaneous income (1)	85,838	23,786	6,596	55,288	168	85,838
Subtotal categorized operating revenue	\$ 234,397	\$ 1,745,599	\$ 479,764	\$ 4,021,670	\$ 12,249	\$ 6,259,282
Operating expenses	\$ -	\$ 1,773,249	\$ 1,059,606	\$ 3,483,547	\$ 13,226	\$ 6,329,628
Billing expenses (1)	170,008	47,628	28,460	93,565	355	170,008
Administrative expenses (2)	237,406	66,509	39,743	130,658	496	237,406
Subtotal categorized operating expenses	\$ 407,414	\$ 1,887,386	\$ 1,127,809	\$ 3,707,770	\$ 14,077	\$ 6,737,042
Net Operating Income	\$ (173,017)	\$ (141,787)	\$ (648,045)	\$ 313,900	\$ (1,828)	\$ (477,760)
Non-operating revenues (expenses):						
Interest earned (1)	\$ 26,604	\$ 7,372	\$ 2,044	\$ 17,135	\$ 53	\$ 26,604
County transfer (3)	134,388	67,194	67,194	-	-	134,388
Grants	1,906,912	250,365	1,656,547	-	-	1,906,912
Interest expense (3)	(327,445)	(163,723)	(163,722)	-	-	(327,445)
Connection fees (3)	46,557	27,557	19,000	-	-	46,557
Subtotal net non-operating items	\$ 1,787,016	\$ 188,765	\$ 1,581,063	\$ 17,135	\$ 53	\$ 1,787,016
Net income (loss)	\$ 1,613,999	\$ 46,978	\$ 933,018	\$ 331,035	\$ (1,775)	\$ 1,309,256

For the Fiscal Year Ended June 30, 2009						
	Unclassified	Water	Sewer	Refuse	Streelights	Total
Operating revenues	\$ -	\$ 1,686,920	\$ 411,178	\$ 4,107,003	\$ 11,371	\$ 6,216,472
Reconnection fees	13,850	13,850	-	-	-	13,850
Penalty and interest (1)	132,065	35,837	8,735	87,251	242	132,065
Miscellaneous income (1)	167,799	45,534	11,099	110,859	307	167,799
Subtotal categorized operating revenue	\$ 313,714	\$ 1,782,141	\$ 431,012	\$ 4,305,113	\$ 11,920	\$ 6,530,186
Operating expenses	\$ -	\$ 1,593,366	\$ 1,043,035	\$ 3,674,875	\$ 10,513	\$ 6,321,789
Billing expenses (1)	164,481	41,456	27,138	95,613	274	164,481
Administrative expenses (2)	243,618	61,402	40,195	141,616	405	243,618
Subtotal categorized operating expenses	\$ 408,099	\$ 1,696,224	\$ 1,110,368	\$ 3,912,104	\$ 11,192	\$ 6,729,888
Net Operating Income	\$ (94,385)	\$ 85,917	\$ (679,356)	\$ 393,009	\$ 728	\$ (199,702)
Non-operating revenues (expenses):						
Interest earned (1)	\$ 54,443	\$ 14,774	\$ 3,601	\$ 35,968	\$ 100	\$ 54,443
County transfer (3)	713,186	356,593	356,593	-	-	713,186
Interest expense (3)	(272,491)	(136,246)	(136,246)	-	-	(272,492)
Connection fees (3)	68,388	34,194	34,194	-	-	68,388
Subtotal net non-operating items	\$ 563,526	\$ 269,315	\$ 258,142	\$ 35,968	\$ 100	\$ 563,525
Net income (loss)	\$ 469,141	\$ 355,232	\$ (421,214)	\$ 428,977	\$ 828	\$ 363,823
Change from FY09 to FY10 Increase(decrease)		\$ (308,254)	\$ 1,354,232	\$ (97,942)	\$ (2,603)	\$ 945,433

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

The remaining portion of this page left blank intentionally

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

Year Ended June 30, 2010

Both fiscal years 2010 and 2009 are presented for comparative purposes. As noted in the above FY10 table, net income for FY10 increased by \$1,309,256. The Water, Sewer, and Refuse services had net incomes as shown in the table above while the Street Lighting services show a net loss. 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.

**Long-Term Trends**

Capital Plan –The Authority is currently undertaking a significant expansion of sewer service to the Highland Park, Orchard Hills, Vista, and Rolling Hills subdivisions. The majority of these projects will be funded by loans and grants from Rural Development. In addition, the Authority is currently in the planning and design stages to increase water capacity to the Fairlawn area of Pulaski County and the Commerce Park by connecting to the Radford City Water Treatment Plant. Interconnection of these two systems could provide greater system reliability while providing an increased volume of water to the County. This project will be funded by a grant from Economic Development Administration in the amount \$3,003,401 and a loan from Rural Development in the amount of \$4,741,000 for a total project cost of \$7,744,401.

In the long-term, the PSA will need to continue to evaluate utility rate changes to better balance departmental revenues with departmental costs. The Authority has invested in the repair and replacement of its fixed assets and will need to continue to do so as equipment and utility lines continue to age.

Long-Term Debt – The extension of sewer lines to the subdivisions listed above will be funded by Rural Development with federal loans totaling \$1,992,000 and federal grants totaling \$2,015,000. Additional long-term debt in the amount of \$4,741,000 will be incurred as part of the regional interconnections of water treatment facilities.

Cash and Reserves – As noted in Exhibit 1, the Authority had an unrestricted cash balance of \$1,926,044 as of June 30, 2010. The balance represents approximately 3 1/2 months of operational expenses. In comparison with the prior year report, the cash balance has decreased by \$334,682 due in large part to expenses on the Commerce Park/City of Radford water project that occurred in FY 2010 while reimbursement of those expenses from Rural Development and EDA did not occur until FY 2011. While total net assets increased by \$1,309,256 due in large part to an increase in capital assets, unrestricted net assets increased by \$175,134 during FY 10.

**Requests for Information**

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

## **Financial Statements**

**PULASKI COUNTY PUBLIC SERVICE AUTHORITY**  
**(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)**  
**Proprietary Fund Type**  
**Statement of Net Assets**  
**June 30, 2010**

**Assets:**

*Unrestricted Current Assets:*

Cash	\$	1,926,044
Receivables (Net of allowance for uncollectibles)		947,520
Due from Pulaski County		<u>322,786</u>
 Total Unrestricted Current Assets	 \$	 <u>3,196,350</u>

*Restricted Current Assets:*

Restricted cash	\$	<u>382,632</u>
 Total Current Assets	 \$	 <u>3,578,982</u>

*Non-current Assets:*

<i>Capital Assets</i>		
Land	\$	127,700
Proprietary capital assets (Net of accumulated depreciation)		18,633,098
<i>Intangible Assets</i>		
Organization expense (Net of amortization)		<u>4,428</u>
 Total Non-current Assets	 \$	 <u>18,765,226</u>
 Total Assets	 \$	 <u>22,344,208</u>

**Liabilities:**

*Current Liabilities:*

Accounts payable	\$	596,143
Interest payable		42,329
Amounts held for others		105,074
Proprietary debt-current portion		344,084
Due to County-current portion		<u>22,546</u>
 Total Current Liabilities	 \$	 <u>1,110,176</u>

*Non-current Liabilities:*

Compensated absences	\$	111,727
Net OPEB obligation		31,763
Proprietary debt-long-term portion		7,830,809
Due to County-long-term portion		<u>202,874</u>
 Total Non-current Liabilities	 \$	 <u>8,177,173</u>
 Total Liabilities	 \$	 <u>9,287,349</u>

**Net Assets:**

Invested in capital assets, net of related debt	\$	10,585,905
Restricted for debt service		382,632
Unrestricted		<u>2,088,322</u>
 Total Net Assets	 \$	 <u>13,056,859</u>

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

**PULASKI COUNTY PUBLIC SERVICE AUTHORITY**  
**(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)**  
**Proprietary Fund Type**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Year Ended June 30, 2010**

**Operating Revenues:**

Garbage service	\$	3,880,621
Water service		1,669,507
Sewer service		462,937
Street lights		11,820
Reconnection fees		15,410
Penalties and interest on delinquent accounts		133,149
Miscellaneous		<u>85,838</u>
 Total operating revenues	 \$	 <u>6,259,282</u>

**Operating Expenses:**

*Water Distribution:*

Salaries	\$	189,895
Fringes		72,547
Professional Services		10,124
County central services		38,289
Other		83,394
Supplies		850
Repair and maintenance		63,486
Depreciation		<u>482,610</u>
 Total Water Distribution	 \$	 <u>941,195</u>

*Water Treatment Plant:*

Salaries	\$	285,182
Fringes		108,177
Professional Services		2,190
Professional Services-Gov't		19,136
County central services		10,497
Other		192,379
Supplies		194,788
Repair and maintenance		8,698
Depreciation		<u>11,007</u>
 Total Water Treatment Plant	 \$	 <u>832,054</u>

*Sewer Collection and Treatment:*

Salaries	\$	71,565
Fringes		32,510
Professional Services		1,513
Professional Services-Gov't		521,531
County central services		9,570
Other		53,590
Supplies		6,247
Repair and maintenance		28,192
Depreciation		<u>334,888</u>
 Total Sewer Collection and Treatment	 \$	 <u>1,059,606</u>

**PULASKI COUNTY PUBLIC SERVICE AUTHORITY**  
**(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)**  
**Proprietary Fund Type**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Year Ended June 30, 2010**

<i>Refuse Collection and Disposal:</i>	
Salaries	\$ 890,949
Fringes	466,877
Professional Services-Gov't	1,406,558
County central services	367,530
Other	46,051
Supplies	4,177
Dumpsters/containers	27,784
Depreciation	<u>273,621</u>
Total Refuse Collection and Disposal	\$ <u>3,483,547</u>
<i>Administration:</i>	
Salaries	\$ 80,220
Fringes	32,259
OPEB expense	15,663
Professional Services	77,858
County central services	6,558
Other	23,450
Supplies	<u>1,398</u>
Total Administration	\$ <u>237,406</u>
<i>Street Lighting:</i>	
Electricity	\$ <u>13,226</u>
Total Street Lighting	\$ <u>13,226</u>
<i>Billing:</i>	
Salaries	\$ 51,564
Fringes	23,287
Professional Services	21,572
County central services	18,090
Other	43,004
Supplies	<u>12,491</u>
Total Billing	\$ <u>170,008</u>
Total operating expenses	\$ <u>6,737,042</u>
Operating income (loss)	\$ <u>(477,760)</u>

**PULASKI COUNTY PUBLIC SERVICE AUTHORITY**  
**(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)**  
**Proprietary Fund Type**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Year Ended June 30, 2010**

---

<b>Non-operating Revenues and (Expenses):</b>	
Interest income	\$ 26,604
Non-operating transfer from Pulaski County	134,388
Connection fees	46,557
Grants	1,906,912
Bond issuance costs	(15,869)
Interest expense	<u>(311,576)</u>
Total non-operating revenues and expenses	\$ <u>1,787,016</u>
Increase (decrease in Net Assets)	\$ <u>1,309,256</u>
<b>Net Assets, Beginning of Year - as restated</b>	<b>\$ <u>11,747,603</u></b>
<b>Net Assets, End of Year</b>	<b>\$ <u><u>13,056,859</u></u></b>

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

**PULASKI COUNTY PUBLIC SERVICE AUTHORITY**  
**(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)**  
**Proprietary Fund Type**  
**Statement of Cash Flows**  
**Year Ended June 30, 2010**

<b>Cash flows from operating activities:</b>	
Cash received from customers	\$ 6,232,403
Cash paid to suppliers for goods and services	(3,809,269)
Cash paid to employees for services	<u>(2,304,773)</u>
Net cash provided (used) by operating activities	\$ <u>118,361</u>
<b>Cash flows from non-capital financing activities:</b>	
Debt service contribution	\$ 134,388
Grants received	<u>1,906,912</u>
Net cash provided (used) by non-capital financing activities	\$ <u>2,041,300</u>
<b>Cash flows from capital and related financing activities:</b>	
Connection charges	\$ 46,557
Acquisition of capital assets	(3,597,210)
Proceeds from issuance of debt	1,693,285
Retirement of debt	(330,525)
Retirement of advance from County	(22,546)
Interest and loan cost paid on debt	<u>(320,508)</u>
Net cash provided (used) by capital and related financing activities	\$ <u>(2,530,947)</u>
<b>Cash flows from investing activities:</b>	
Interest income	\$ <u>26,604</u>
Net cash provided (used) by investing activities	\$ <u>26,604</u>
Net increase (decrease) in cash	\$ <u>(344,682)</u>
<b>Cash at beginning of year (including restricted cash of \$376,066)</b>	<b>\$ <u>2,653,358</u></b>
<b>Cash at end of year (including restricted cash of \$382,632)</b>	<b>\$ <u>2,308,676</u></b>
 <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
<b>Operating income (loss)</b>	<b>\$ <u>(477,760)</u></b>
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>	
Depreciation/amortization	\$ 1,102,126
(Increase) decrease in receivables	(39,064)
(Increase) decrease in due from Pulaski County	(322,786)
Increase (decrease) in operating accounts payable	(156,599)
Increase (decrease) in compensated absences	(15,404)
Increase (decrease) in net OPEB obligation	15,663
Increase (decrease) in customer deposits	<u>12,185</u>
<b>Net cash provided (used) by operating activities</b>	<b>\$ <u>118,361</u></b>

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

**PULASKI COUNTY PUBLIC SERVICE AUTHORITY  
(A COMPONENT UNIT OF PULASKI COUNTY)  
NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2010**

---

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

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

A. The Financial Reporting Entity:

The Authority is a discretely presented component unit of the County of Pulaski, Virginia and is presented as such in the County's financial report for the fiscal year ended June 30, 2010.

B. Basis of Accounting:

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

C. Capital Assets:

Capital Assets, which include property, plant and equipment, are reported in the financial statements. Capital Assets are defined by the Authority as assets with an initial, individual cost of more than \$ 5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not to be capitalized.

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

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

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

D. Allowance for Uncollectible Accounts:

The Authority calculates its allowance for uncollectible accounts using historical collection data. At June 30, 2010, the allowance amounted to approximately \$632,594.

E. Cash, Cash Equivalents and Investments:

For the purposes of the Statement of Cash Flows, cash and cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash and investments with maturities of 90 days or less. Certificates of deposits are reported in the accompanying financial statements as cash and cash equivalents.

**PULASKI COUNTY PUBLIC SERVICE AUTHORITY  
(A COMPONENT UNIT OF PULASKI COUNTY)  
NOTES TO FINANCIAL STATEMENTS (Continued)  
AS OF JUNE 30, 2010**

---

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

F. Estimates:

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

G. Restricted Assets:

Included in restricted cash and cash equivalents are amounts held in debt service reserve accounts in the amounts of \$382,632.

H. Net Assets:

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets.

**NOTE 2 – CASH AND INVESTMENTS:**

Deposits:

All cash of the Authority is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-440 et.seq. of the Code of Virginia or covered by federal depository insurance.

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). At fiscal year-end, the Authority had no investments.

Remaining portion of this page left blank intentionally

**PULASKI COUNTY PUBLIC SERVICE AUTHORITY  
(A COMPONENT UNIT OF PULASKI COUNTY)  
NOTES TO FINANCIAL STATEMENTS (Continued)  
AS OF JUNE 30, 2010**

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

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

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Land	\$ 127,700	\$ -	\$ -	\$ 127,700
Construction in progress	950,102	2,651,810	(321,588)	3,280,324
Total capital assets not being depreciated	<u>\$ 1,077,802</u>	<u>\$ 2,651,810</u>	<u>\$ (321,588)</u>	<u>\$ 3,408,024</u>
Capital assets, being depreciated				
Infrastructure	\$ 30,415,170	\$ 1,110,391	\$ -	\$ 31,525,561
Machinery and equipment	3,437,907	157,133	(300,928)	3,294,112
Total capital assets being depreciated	<u>\$ 33,853,077</u>	<u>\$ 1,267,524</u>	<u>\$ (300,928)</u>	<u>\$ 34,819,673</u>
Accumulated depreciation for:				
Infrastructure	\$ (16,282,721)	\$ (770,332)	\$ -	\$ (17,053,053)
Machinery and equipment	(2,382,980)	(331,794)	300,928	(2,413,846)
Total accumulated depreciation	<u>\$ (18,665,701)</u>	<u>\$ (1,102,126)</u>	<u>\$ 300,928</u>	<u>\$ (19,466,899)</u>
Total capital assets being depreciated, net	<u>\$ 15,187,376</u>	<u>\$ 165,398</u>	<u>\$ -</u>	<u>\$ 15,352,774</u>
Business-type activities capital assets, net	<u>\$ 16,265,178</u>	<u>\$ 2,817,208</u>	<u>\$ (321,588)</u>	<u>\$ 18,760,798</u>

**NOTE 4 – PROPRIETARY DEBT:**

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

Year Ending June 30,	Water and Sewer Revenue Bonds	
	Principal	Interest
2011	\$ 341,807	\$ 355,812
2012	376,764	370,197
2013	392,149	319,402
2014	411,847	301,837
2015	431,760	283,866
2016-2020	1,830,757	1,144,474
2021-2025	945,208	845,805
2026-2030	1,101,003	621,267
2031-2035	973,406	363,389
2036-2040	360,329	234,238
2041-2045	447,709	146,858
2046-2050	512,053	40,694
Totals	<u>\$ 8,124,792</u>	<u>\$ 5,027,839</u>

**PULASKI COUNTY PUBLIC SERVICE AUTHORITY  
(A COMPONENT UNIT OF PULASKI COUNTY)  
NOTES TO FINANCIAL STATEMENTS (Continued)  
AS OF JUNE 30, 2010**

**NOTE 4 – PROPRIETARY DEBT: (continued)**

Changes in Long-Term Debt:

The following is a summary of changes in long-term obligations of the Authority for the fiscal year ended June 30, 2010:

	Balance July 1, 2009	Issuances	Retirements	Balance June 30, 2010
Revenue bonds	\$ 6,759,754	\$ 1,693,285	\$ (328,247)	\$ 8,124,792
Unamortized bond premiums	52,379	-	(2,277)	50,102
Net OPEB obligation	16,100	21,369	(5,706)	31,763
Compensated absences	127,131	-	(15,404)	111,727
Total	<u>\$ 6,955,364</u>	<u>\$ 1,714,654</u>	<u>\$ (351,634)</u>	<u>\$ 8,318,384</u>

Details of Long-Term Indebtedness:

Details of indebtedness:

	Interest Rate(s)	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Business-Type Activities	Amount Due Within One Year
Rural Development (RD) Water and Sewer Revenue Bonds:						
New River Sewer	5.00%	2/19/1992	2030	\$ 212,600	\$ 158,731	\$ 4,698
Stigger Hill	4.50%	4/19/1994	2033	98,860	77,113	1,972
Claytor Lake State Park	4.50%	3/13/1995	2034	402,500	323,819	7,789
Claytor Lake State Park	4.50%	3/13/1995	2033	498,500	390,504	10,129
Landfill Sewer Extension	4.50%	10/15/1996	2034	2,242,042	1,969,937	46,853
Central Utilites	4.50%	5/11/2009	2049	865,900	865,900	728
Highland Park Sewer	4.25%	11/19/2009	2050	601,783	601,783	-
Dublin Subdivisions Sewer	4.25%	11/19/2009	2050	804,400	804,400	-
Total RD Revenue Bonds					<u>\$ 5,192,187</u>	<u>\$ 72,169</u>
Virginia Resource Authority (VRA) Water and Sewer Revenue Bonds:						
Shrader Hill	0.00%	12/1/1993	2035	\$ 130,000	\$ 62,605	\$ 4,638
See Note A below	2.96-5.13%	6/30/2004	2032	4,300,000	2,870,000	265,000
Premium	n/a	6/30/2004	2032	63,764	50,101	2,277
Total VRA Revenue Bonds					<u>\$ 2,982,706</u>	<u>\$ 271,915</u>
Other Obligations:						
Net OPEB obligation	n/a	n/a	n/a	n/a	\$ 31,763	\$ -
Compensated absences	n/a	n/a	n/a	n/a	111,727	-
Total Other Obligations					<u>\$ 143,490</u>	<u>\$ -</u>
Totals					<u>\$ 8,318,383</u>	<u>\$ 344,084</u>

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

**PULASKI COUNTY PUBLIC SERVICE AUTHORITY  
(A COMPONENT UNIT OF PULASKI COUNTY)  
NOTES TO FINANCIAL STATEMENTS (Continued)  
AS OF JUNE 30, 2010**

---

**NOTE 5 – CLAIMS, JUDGMENTS AND COMPENSATED ABSENCES:**

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

The Authority's employees earn vacation leave at various rates. No benefit or pay is received for unused sick leave upon termination. Accumulated vacation is paid upon termination. The Authority has outstanding accrued vacation pay totaling \$111,727.

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

Advances to the Authority by the County of Pulaski amounting to \$225,420 at June 30, 2010 were as follows:

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

The remaining loan balance of \$95,821 is an interest free loan payable in 360 monthly payments of \$1,667 through October 1985 beginning on July 1, 1984 then, increasing to \$1,879 in the following month, due to the additional advance, and continuing for the remaining term until the loan is repaid in full.

**NOTE 7 – DEFINED BENEFIT PENSION PLAN:**

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

**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS:**

Plan Description

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

Funding Policy

The Pulaski County Government establishes employer medical contribution rates for all medical plan participants as part of the budgetary process each year. The Authority determines how the plan will be funded each year, whether it will be partially funded or fully funded in the upcoming fiscal year. The annual required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the Authority. For fiscal year 2010, the Authority contributed \$5,706 in total for current premiums.

**PULASKI COUNTY PUBLIC SERVICE AUTHORITY  
(A COMPONENT UNIT OF PULASKI COUNTY)  
NOTES TO FINANCIAL STATEMENTS (Continued)  
AS OF JUNE 30, 2010**

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

Funding Policy (Continued)

For retirees of the Authority, 100 percent of premiums for both the employee and spouse are the responsibility of the retiree. Coverage under the plan ceases when the employee reaches age 65. The table below outlines premiums as of July 1, 2008, the most recent actuarial valuation:

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

Annual OPEB Cost and Net OPEB Obligation

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

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)	\$ 21,382
Interest on OPEB Obligation	644
Adjustment to ARC	(657)
Annual OPEB Cost	<u>\$ 21,369</u>
Estimated Contributions Made During FY10	<u>\$ (5,706)</u>
Increase in Net OPEB Obligation	\$ 15,663
Net OPEB Obligation - beginning of year	16,100
Net OPEB Obligation - end of year	<u>\$ 31,763</u>

The remainder of this page left blank intentionally

**PULASKI COUNTY PUBLIC SERVICE AUTHORITY  
(A COMPONENT UNIT OF PULASKI COUNTY)  
NOTES TO FINANCIAL STATEMENTS (Continued)  
AS OF JUNE 30, 2010**

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

Annual OPEB Cost and Net OPEB Obligation (Continued)

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the preceding year were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2009	\$ 22,000	73.18%	\$ 16,100
6/30/2010	21,369	26.70%	31,763

Funded Status and Funding Progress

The funded status of the Plan as of July 1, 2008, the most recent actuarial report date, was as follows:

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

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan as understood by the employer and plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to 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, 2008, 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 10 percent is utilized initially, and will be reduced by decrements of 0.5 percent until an ultimate rate of 5 percent is

PULASKI COUNTY PUBLIC SERVICE AUTHORITY  
(A COMPONENT UNIT OF PULASKI COUNTY)  
NOTES TO FINANCIAL STATEMENTS (Continued)  
AS OF JUNE 30, 2010

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

Actuarial Methods and Assumptions (Continued)

reached. Dental per capita costs, average costs, and premiums are expected to increase 5 percent initially, and will be reduced by 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 June 30, 2010, was 29 years.

**Note 10-Other Non-Current Assets:**

As of June 30, 2010, the Authority had the following intangible assets:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Intangible assets:				
Organization expense	\$ 21,480	\$ -	\$ -	\$ 21,480
Accumulated depreciation for:				
Organization expense	\$ (16,515)	\$ (537)	\$ -	\$ (17,052)
Business-type activities intangible assets, net	<u>\$ 4,965</u>	<u>\$ (537)</u>	<u>\$ -</u>	<u>\$ 4,428</u>

**Note 11-Restatement of Beginning Net Assets:**

Net assets at June 30, 2009 - as previously reported	\$ <u>12,326,401</u>
Adjustment to beginning long-term debt	<u>(578,798)</u>
Net assets at June 30, 2009 - as restated	<u>\$ <u>11,747,603</u></u>

-

## **Required Supplementary Information**

**Pulaski County PSA  
Required Supplementary Information**

Schedule of Funding Progress OPEB Plan  
For the Year Ended June 30, 2010

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

**Supporting Schedules**

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

**Proprietary Fund Type**

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

**June 30, 2010**

	2010	2009
<b>Operating Revenues:</b>		
Garbage service	\$ 3,880,621	\$ 4,107,003
Water service	1,669,507	1,686,920
Sewer service	462,937	411,178
Street lights	11,820	11,371
Connection fees	15,410	13,850
Penalties and interest on delinquent accounts	133,149	132,065
Miscellaneous	85,838	167,799
	<u>6,259,282</u>	<u>6,530,186</u>
Total operating revenues	\$ <u>6,259,282</u>	\$ <u>6,530,186</u>
<b>Operating Expenses:</b>		
<i>Water Distribution:</i>		
Salaries	\$ 189,895	\$ 191,677
Fringes	72,547	67,720
Professional Services	10,124	6,690
County central services	38,289	35,723
Other	83,394	88,548
Supplies	850	1,135
Repair and maintenance	63,486	57,565
Depreciation	482,610	385,166
	<u>941,195</u>	<u>834,224</u>
Total Water Distribution	\$ <u>941,195</u>	\$ <u>834,224</u>
<i>Water Treatment Plant:</i>		
Salaries	\$ 285,182	\$ 279,240
Fringes	108,177	85,428
Professional Services	2,190	224
Professional Services-Gov't	19,136	17,090
County central services	10,497	6,461
Other	192,379	170,414
Supplies	194,788	184,146
Repair and maintenance	8,698	16,139
Depreciation	11,007	-
	<u>832,054</u>	<u>759,142</u>
Total Water Treatment Plant	\$ <u>832,054</u>	\$ <u>759,142</u>
<i>Sewer Collection and Treatment:</i>		
Salaries	\$ 71,565	\$ 68,723
Fringes	32,510	26,876
Professional Services	1,513	1,366
Professional Services-Gov't	521,531	424,688
County central services	9,570	9,897
Other	53,590	80,575
Supplies	6,247	7,368
Repair and maintenance	28,192	38,376
Depreciation	334,888	385,166
	<u>1,059,606</u>	<u>1,043,035</u>
Total Sewer Collection and Treatment	\$ <u>1,059,606</u>	\$ <u>1,043,035</u>

**PULASKI COUNTY PUBLIC SERVICE AUTHORITY**  
**(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)**  
**Proprietary Fund Type**  
**Comparative Statement of Revenues, Expenses and Changes in Net Assets**  
**June 30, 2010**

	2010	2009
<i>Refuse Collection and Disposal:</i>		
Salaries	\$ 890,949	\$ 898,798
Fringes	466,877	405,190
Professional Services-Gov't	1,406,558	1,542,253
County central services	367,530	370,441
Other	46,051	62,986
Supplies	4,177	59,967
Dumpsters/containers	27,784	557
Depreciation	273,621	334,683
<b>Total Refuse Collection and Disposal</b>	<b>\$ 3,483,547</b>	<b>\$ 3,674,875</b>
<i>Administration:</i>		
Salaries	\$ 80,220	\$ 67,445
Fringes	32,259	34,773
OPEB expense	15,663	16,100
Professional Services	77,858	75,392
County central services	6,558	19,528
Other	23,450	21,602
Supplies	1,398	1,068
Depreciation/amortization	-	7,710
<b>Total Administration</b>	<b>\$ 237,406</b>	<b>\$ 243,618</b>
<i>Street Lighting:</i>		
Electricity	\$ 13,226	\$ 10,513
<b>Total Street Lighting</b>	<b>\$ 13,226</b>	<b>\$ 10,513</b>
<i>Billing:</i>		
Salaries	\$ 51,564	\$ 53,922
Fringes	23,287	23,054
Professional Services	21,572	21,060
County central services	18,090	9,515
Other	43,004	44,447
Supplies	12,491	12,483
<b>Total Billing</b>	<b>\$ 170,008</b>	<b>\$ 164,481</b>
<b>Total operating expenses</b>	<b>\$ 6,737,042</b>	<b>\$ 6,729,888</b>
<b>Operating income (loss)</b>	<b>\$ (477,760)</b>	<b>\$ (199,702)</b>

**PULASKI COUNTY PUBLIC SERVICE AUTHORITY**  
**(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)**  
**Proprietary Fund Type**  
**Comparative Statement of Revenues, Expenses and Changes in Net Assets**  
**June 30, 2010**

	<u>2010</u>	<u>2009</u>
<b>Non-operating Revenues and (Expenses):</b>		
Interest income	\$ 26,604	\$ 54,443
Non-operating transfer from Pulaski County	134,388	713,186
Connection fees	46,557	68,388
Grants	1,906,912	-
Bond issuance costs	(15,869)	(5,298)
Interest expense	<u>(311,576)</u>	<u>(267,193)</u>
 Total non-operating revenues and expenses	 \$ <u>1,787,016</u>	 \$ <u>563,526</u>
 Increase (decrease in Net Assets)	 \$ <u>1,309,256</u>	 \$ <u>363,824</u>
 <b>Net Assets, Beginning of Year - as restated</b>	 \$ <u>11,747,603</u>	 \$ <u>11,962,577</u>
 <b>Net Assets, End of Year</b>	 \$ <u><u>13,056,859</u></u>	 \$ <u><u>12,326,401</u></u>

---

**COMPLIANCE SECTION**

---

## **Compliance**

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS  
COMPANY

A PROFESSIONAL LIMITED LIABILITY

---

## Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

---

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

We have audited the financial statements of the Pulaski County Public Service Authority as of and for the year ended June 30, 2010, and have issued our report thereon dated March 4, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A *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 Organization's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting (2010-1). A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Compliance and Other Matters

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

We noted certain matters that we reported to management of the Pulaski County Public Service Authority in a separate letter dated March 4, 2011.

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

This report is intended solely for the information and use of the Board of Directors and management, others within the entity, federal awarding agencies, and pass-through entities and it is not intended to be and should not be used by anyone other than these specified parties.

*Rabinson, Turner, & Associates*

Christiansburg, Virginia  
March 4, 2011

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

---

## Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 Independent Auditors' Report

---

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

### Compliance

We have audited the Pulaski County Public Service Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2010. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

### Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned

functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, the Authority's Board, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Robinson, Fauser, Cox Associates*

Christiansburg, Virginia  
March 4, 2011

Pulaski County Public Service Authority  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2010

Federal Grantor/State Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Agriculture:			
Direct Payments:			
Water and Waste Disposal Systems for Rural Communities	10.760	Not applicable	<u>\$ 1,693,285</u>
Total Expenditures of Federal Awards			<u>\$ 1,693,285</u>

Note 1 -- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Pulaski County PSA, the "Authority," under programs of the federal government for the year ended June 30, 2010. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Authority.

Note 2 -- Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts may differ from amounts reported in, or used in preparation of, the basic financial statements.
- (2) Pass-through entity identifying numbers are presented where available.

Pulaski County Service Authority  
(A Component Unit of Pulaski County, Virginia)  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2010

---

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

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:  
Material weakness(es) identified? No

Significant deficiency(ies) identified? Yes

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major programs:  
Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

Type of auditor's report issued on compliance for major programs: Unqualified

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

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
10.760	Water and Waste Disposal Systems for Rural Communities

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

Auditee qualified as low-risk auditee? No

**Section II - Financial Statement Findings**

2010-1

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

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

Cause: One employee is responsible for initiating, recording, and posting all transactions.

Recommendation: It is recommended that the Authority assign accounting duties to separate employees.

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

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

**Section III - Federal Award Findings and Questioned Costs**

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

**Section IV - Prior Year Findings and Questioned Costs**

Financial statement finding 2010-1 was recurring this year.