

**PULASKI COUNTY PUBLIC SERVICE AUTHORITY**

**FINANCIAL REPORT**

**FOR THE YEARS ENDED JUNE 30, 2002 AND 2001**

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**PULASKI COUNTY PUBLIC SERVICE AUTHORITY**

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**BOARD OF DIRECTORS**

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H. W. Huff, Jr., Chairman

Archa Vaughan, Jr., Vice Chairman

Mack Baker, Secretary/Treasurer

Winston Snead

Carl Mathes

## TABLE OF CONTENTS

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|  | <u>Page</u> |
|--|-------------|
| <b>REPORT OF INDEPENDENT AUDITORS</b> .....  | 1           |
| <b>FINANCIAL STATEMENTS:</b>   |             |
| Exhibit 1 Balance Sheet .....  | 2           |
| Exhibit 2 Statement of Revenues, Expenses and Changes in Retained Earnings .....   | 3-5         |
| Exhibit 3 Statement of Cash Flows and Reconciliation of Operating Income to<br>Net Cash Provided by Operating Activities .....   | 6           |
| Notes to Financial Statements .....  | 7-13        |
| <b>COMPLIANCE:</b>   |             |
| Report on Compliance and on Internal Controls over Financial Reporting Based<br>on an Audit of Financial Statements Performed in Accordance with<br><i>Government Auditing Standards</i> ..... | 14          |
| Report on Compliance with Requirements Applicable to Each Major Program<br>and Internal Control Over Financial Reporting in Accordance with OMB<br>Circular A-133 .....                        | 15-16       |
| Schedule 1 Schedule of Expenditures of Federal Awards .....  | 17          |
| Schedule 2 Schedule of Findings and Questioned Cotst .....   | 18          |

# ROBINSON, FARMER, COX ASSOCIATES

Certified Public Accountants

A Professional limited liability company

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Pulaski County Public Service Authority, a component unit of the County of Pulaski, Virginia, as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on 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 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, 2002, and the results of its operations 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 a report dated November 1, 2002 on our consideration of the Pulaski County Public Service Authority's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of the audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Pulaski County Public Service Authority, taken as a whole.

*Robinson, Farmer, Cox Associates*

Christiansburg, Virginia  
November 1, 2002

PULASKI COUNTY PUBLIC SERVICE AUTHORITY

Balance Sheet  
At June 30, 2002 and 2001

|  | <u>2002</u>              | <u>2001</u>              |
|--|--------------------------|--------------------------|
| <b>ASSETS</b>  |                          |                          |
| Cash (Note 2)  | \$ 1,505,988             | \$ 1,365,737             |
| Restricted cash (Note 2, 10)   | 304,988                  | 304,236                  |
| Receivables (Net of Allowances for<br>for Uncollectibles) (Note 3)     | 811,857                  | 679,804                  |
| Proprietary fixed assets (net<br>of accumulated depreciation) (Note 4) | 18,811,855               | 19,319,929               |
| Organization expense (net<br>of amortization)                          | <u>9,262</u>             | <u>9,798</u>             |
| <br>Total Assets   | <br><u>\$ 21,443,950</u> | <br><u>\$ 21,679,504</u> |
| <b>LIABILITIES</b>   |                          |                          |
| Accounts payable   | \$ 216,309               | \$ 189,849               |
| Interest payable   | 11,431                   | 9,059                    |
| Amounts held for others  | 83,701                   | 73,269                   |
| Compensated absences (Note 9)  | 107,976                  | 209,366                  |
| Proprietary debt-current portion (Note 6)                              | 228,938                  | 234,336                  |
| Proprietary debt-long-term portion (Note 6)                            | 7,759,944                | 7,619,427                |
| Due the County (Note 7)  | <u>555,794</u>           | <u>578,341</u>           |
| <br>Total Liabilities  | <br><u>\$ 8,964,093</u>  | <br><u>\$ 8,913,647</u>  |
| <b>EQUITY</b>  |                          |                          |
| Contributed capital:   |                          |                          |
| Contributions in aid of construction (Note 5)                          | <u>\$ 10,975,724</u>     | <u>\$ 11,457,407</u>     |
| Retained earnings  |                          |                          |
| Unreserved   | <u>\$ 1,504,133</u>      | <u>\$ 1,308,450</u>      |
| <br>Total Equity   | <br><u>\$ 12,479,857</u> | <br><u>\$ 12,765,857</u> |
| <br>Total Liabilities and Equity                                       | <br><u>\$ 21,443,950</u> | <br><u>\$ 21,679,504</u> |

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

PULASKI COUNTY PUBLIC SERVICE AUTHORITY

Proprietary Fund Type  
Statement of Revenues, Expenses and Changes In Retained Earnings  
Years Ended June 30, 2002 and 2001

|   | <u>2002</u>  | <u>2001</u>  |
|---|--------------|--------------|
| <b>Operating revenues:</b>                    |              |              |
| Garbage service                               | \$ 2,837,900 | \$ 2,666,298 |
| Water service                                 | 1,656,055    | 1,508,217    |
| Sewer service                                 | 416,257      | 300,415      |
| Reconnection fees                             | 13,765       | 13,210       |
| Operating contribution from Pulaski County    | 166,735      | 134,388      |
| Penalties and interest on delinquent accounts | 56,322       | 71,353       |
| Miscellaneous                                 | 100,922      | 40,127       |
|   | <hr/>        | <hr/>        |
| Total operating revenue                       | \$ 5,247,956 | \$ 4,734,008 |
| <b>Operating expenses:</b>                    |              |              |
| <i>Water and sewer:</i>                       |              |              |
| Salaries and fringes                          | \$ 496,940   | \$ 541,154   |
| Contracted sewer treatment                    | 249,758      | 218,645      |
| Professional services                         | 27,361       | 629,833      |
| Data processing                               | 1,233        | 1,363        |
| Electricity                                   | 108,343      | 109,580      |
| Materials and supplies                        | 87,160       | 64,448       |
| Medical and lab supplies                      | 62,126       | 62,044       |
| Repairs and maintenance                       | 39,529       | 22,485       |
| Garage charges                                | 26,651       | 31,597       |
| Telephone                                     | 22,439       | 20,445       |
| Permits                                       | 7,879        | 8,487        |
| State surcharge                               | 0            | 6,849        |
| Insurance                                     | 3,187        | 3,760        |
| Miscellaneous                                 | 6,390        | 4,008        |
| Printing and binding                          | 0            | 453          |
| Uniform and wearing apparel                   | 3,122        | 2,855        |
| Travel  | 1,202        | 1,084        |
| Depreciation                                  | 722,333      | 678,333      |
|   | <hr/>        | <hr/>        |
| Total water and sewer expenses                | \$ 1,865,653 | \$ 2,407,423 |
| <i>Garbage collection and disposal:</i>       |              |              |
| Salaries and fringes                          | \$ 944,059   | \$ 951,999   |
| Contracted professional services              | 1,272,677    | 1,342,136    |
| Purchase of services                          | 80           | 3,194        |
| Garage charges                                | 209,273      | 240,398      |
| Electricity and other utilities               | 1,245        | 1,452        |
| Telephone                                     | 1,642        | 1,260        |
| Rent of equipment                             | 30,282       | 20,116       |
| Machinery and equipment                       | 0            | 2,015        |
| Insurance                                     | 10,850       | 19,215       |
| Uniform and wearing apparel                   | 16,647       | 16,978       |
| Miscellaneous                                 | 21,498       | 12,042       |

PULASKI COUNTY PUBLIC SERVICE AUTHORITY

Proprietary Fund Type  
Statement of Revenues, Expenses and Changes In Retained Earnings  
Years Ended June 30, 2002 and 2001

|   | <u>2002</u>  | <u>2001</u>  |
|---|--------------|--------------|
| <i>Garbage collection and disposal: (Continued)</i> |              |              |
| Repairs and maintenance                             | \$ 1,024     | \$ 2,373     |
| Materials and supplies                              | 4,767        | 5,143        |
| Depreciation  | 168,700      | 120,829      |
|   | <hr/>        | <hr/>        |
| Total garbage collection and disposal               | \$ 2,682,744 | \$ 2,739,150 |
| <i>Administration:</i>                              |              |              |
| Salaries and fringes                                | \$ 69,019    | \$ 108,524   |
| Administrative fees                                 | 63,000       | 63,000       |
| Data processing                                     | 28,144       | 41,108       |
| Professional services                               | 6,300        | 14,847       |
| Miscellaneous                                       | 2,356        | 1,388        |
| Insurance   | 1,602        | 2,495        |
| Materials and supplies                              | 956          | 1,257        |
| Postage   | 889          | 1,343        |
| Depreciation/Amortization                           | 12,438       | 4,325        |
| Recording fees                                      | 19           | 111          |
| Maintenance service contract                        | 440          | 459          |
| Telephone   | 297          | 308          |
| Printing and binding                                | 101          | 342          |
|   | <hr/>        | <hr/>        |
| Total administration                                | \$ 185,561   | \$ 239,507   |
| <i>Street Lighting:</i>                             |              |              |
| Lighting  | \$ 6,934     | \$ 8,893     |
|   | <hr/>        | <hr/>        |
| Total street lighting                               | \$ 6,934     | \$ 8,893     |
| <i>Billing:</i>                                     |              |              |
| Salaries and fringes                                | \$ 43,039    | \$ 68,153    |
| Professional services                               | 14,510       | 14,918       |
| Maintenance contract                                | 608          | 752          |
| Data processing                                     | 64,738       | 49,705       |
| Travel  | 136          | 125          |
| NSF checks  | 0            | 1,097        |
| Machinery and equipment                             | 400          | 1,079        |
| Postage   | 26,600       | 36,919       |
| Telephone   | 3,281        | 2,956        |
| Materials and supplies                              | 5,522        | 6,971        |
|   | <hr/>        | <hr/>        |
| Total billing                                       | \$ 158,834   | \$ 182,675   |
|   | <hr/>        | <hr/>        |
| Total operating expenses                            | \$ 4,899,726 | \$ 5,577,648 |
|   | <hr/>        | <hr/>        |
| Operating income (loss)                             | \$ 348,230   | \$ (843,640) |





# PULASKI COUNTY PUBLIC SERVICE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2002

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### NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### A. The Financial Reporting Entity:

As provided in Section 42.1 of the Code of Virginia, the Pulaski County Public Service Authority provides water, wastewater treatment, and refuse disposal services to residents of Pulaski County. 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, 2002.

#### B. Financial Statement Presentation:

The accompanying financial statements are prepared in accordance with provisions of Statements of the Governmental Accounting Standards Board (GASB). Principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

Accounts are organized on the basis of fund classifications, each of which is considered to be a separate accounting entity. Operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenue, and expenditures or expenses. The sole fund in the financial statements is as follows:

- (1) Proprietary Fund accounts for operations that are financed in a manner similar to private business enterprises. The Proprietary Fund measurement focus is upon determination of net income, financial position, and cash flows. The Proprietary Fund consists of the Enterprise Fund.

#### Enterprise Fund

Enterprise Fund accounts for the financing of services to the general public where all or most of the operating expenses involved are recovered in the form of charges to users of such services. All activity of the Public Service Authority is accounted for in the Enterprise Fund.

#### C. Basis of Accounting:

Proprietary funds utilize the accrual basis of accounting under which revenues are recognized in the accounting period in which they are earned, while expenses are recognized in the accounting period in which the related liability is 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.

#### D. Cash and Cash Equivalents:

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. Investments are valued at fair value, which approximates market value.

**PULASKI COUNTY PUBLIC SERVICE AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2002**

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**NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**E. Allowance for Uncollectible Accounts:**

The Authority calculates its allowance for uncollectible accounts using historical collection data. At June 30, 2002, the allowance for uncollected water, sewer, and garbage bills amounted to approximately \$385,884.

**F. Property, Plant and Equipment:**

Property, plant and equipment purchased is stated at cost or estimated cost. Depreciation has been provided over the estimated useful lives of the related assets using the straight-line method.

|                              |            |
|------------------------------|------------|
| Plant and lines              | 40 years   |
| Motor vehicles and equipment | 3-10 years |

**G. 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.

**NOTE 2-CASH AND INVESTMENTS:**

**Deposits:**

All cash of the Pulaski County Public Service Authority is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 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).

Investments, if any, are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Authority or its safekeeping agent in the Authority's name. Category 2 includes uninsured or unregistered investments for which the securities are held by the broker's or dealer's trust department or safekeeping agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or safekeeping agent but not in the Authority's name. The Authority had no investments for the year ended June 30, 2002.



**PULASKI COUNTY PUBLIC SERVICE AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2002**

**NOTE 5-CONTRIBUTIONS IN AID OF CONSTRUCTION:**

Contributions received from governmental agencies, sub-dividers, and customers which are used to defray a part or all of the cost of installing a portion of the utility plant are credited to contributions in aid of construction. The Authority amortizes contributions against depreciation of utility plants in service in the ratio that such related contributions bear to total utility plants in service. Contributions in aid of construction include non-refundable donations or contributions in cash, services, or property from corporations, individuals and others for the construction and extension of water and sewer facilities. With the implementation of GASB 33, all current and subsequent year contributions are included in non-operating revenue. Contributions prior to fiscal year ended June 30, 2002 will continue to be amortized as previously explained as follows:

|                                | <u>Amount</u> |
|--------------------------------|---------------|
| County of Pulaski              | \$ 11,098,742 |
| Federal Government             | 6,360,501     |
| State Dept. of Conservation    | 532,521       |
| Developers and others          | 346,000       |
| Town of Pulaski                | 55,000        |
| Subtotal                       | \$ 18,392,764 |
| Less: Accumulated Amortization | (7,417,040)   |
| Per Exhibit 1                  | \$ 10,975,724 |

**NOTE 6-LONG-TERM OBLIGATIONS:**

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

| Year Ended      | Revenue Bonds    |                 |
|-----------------|------------------|-----------------|
| <u>June 30,</u> | <u>Principal</u> | <u>Interest</u> |
| 2002            | \$ 228,938       | \$ 375,903      |
| 2003            | 241,403          | 363,439         |
| 2004            | 253,316          | 351,526         |
| 2005            | 265,830          | 339,012         |
| 2006            | 278,974          | 325,867         |
| 2007-2035       | 6,720,421        | 3,465,263       |
| Total           | \$ 7,988,882     | \$ 5,221,010    |

**Changes in Long-term Obligations:**

|  |              |
|--|--------------|
| Long-term obligations at July 1, 2001  | \$ 7,853,763 |
| Issuance of Revenue Bonds              | \$ 365,665   |
| Retirement of Revenue Bonds            | \$ (230,546) |
| Long-term obligations at June 30, 2002 | \$ 7,988,882 |









# ROBINSON, FARMER, COX ASSOCIATES

Certified Public Accountants

A Professional limited liability company

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## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER FINANCIAL REPORTING IN ACCORDANCE WITH OMB CIRCULAR A-133

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

#### Compliance

We have audited the compliance of the Pulaski County Public Service Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2002. The Authority's major federal programs are identified in the summary of auditor's results section in the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to the Authority's major federal assistance 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 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 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 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 Pulaski County Public Service Authority complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

#### Internal Control Over Compliance

The management of the Pulaski County Public Service Authority is responsible for establishing and maintaining effective internal control over compliance with 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 requirements that could have a direct and material effect on a major federal program in order to determine our 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

*Robinson, Farmer, Cox Associates*

Christiansburg, Virginia  
November 1, 2002

## Pulaski County Public Service Authority

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2002**

| <u>Federal Grantor/<br/>Pass-thru Grantor<br/>Program Title</u> | <u>Federal<br/>CFDA<br/>Number</u> | <u>Federal<br/>Disbursements</u> |
|---|------------------------------------|----------------------------------|
| <b>DEPARTMENT OF AGRICULTURE:</b>                               |                                    |                                  |
| Direct Payments:  |                                    |                                  |
| Farmers Home Administration                                     |                                    |                                  |
| Water and Waste Disposal Loans and Grants                       | 10.760                             | 365,665                          |

**NOTE A--BASIS OF PRESENTATION:**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Pulaski County Public Service Authority and is presented on the accrual basis of accounting. 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. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basis financial statements.

## Pulaski County Public Service Authority

*Schedule of Findings and Questioned Costs**For the year ended June 30, 2002*Summary of Auditor's Results:

1. The auditor's report expresses an unqualified opinion on the financial statements of the Pulaski County Public Service Authority
2. No reportable conditions relating to the audit of the financial statements are reported in Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Pulaski County Public Service Authority were disclosed during the audit.
4. No reportable conditions relating to the audit of major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Financial Reporting in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award program for the Pulaski County Public Service Authority expresses an unqualified opinion on the major federal program.
6. There were no audit findings relative to the major federal award program for the Pulaski County Public Service Authority.
7. The program tested as a major program was:
 

|   |        |
|---|--------|
| Water and Waste Disposal Loans and Grants | 10.760 |
|---|--------|
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Pulaski County Public Service Authority was not determined to be a low risk auditee.

## Findings - Financial Statement Audit

None

## Findings and Questioned Costs - Major Federal Award Program Audit

None