

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

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2008

Pulaski County Public Service Authority
(A Component Unit of Pulaski County, Virginia)
Annual Financial Report
Fiscal Year Ended June 30, 2008

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FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

Certified Public Accountants

A Professional limited liability company

Independent Auditors' Report

**TO THE BOARD OF THE
PULASKI COUNTY PUBLIC SERVICE AUTHORITY
PULASKI, VIRGINIA**

We have audited the accompanying financial statements of the Pulaski County Public Service Authority, a component unit of Pulaski County, Virginia as of and for the year ended June 30, 2008 as listed in the table of contents. These financial statements are the responsibility of the Pulaski County Public Service 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.

PULASKI COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)
Proprietary Fund Type
Statement of Net Assets
June 30, 2008

Assets:

Unrestricted Current Assets:

Cash	\$	1,939,744
Receivables (Net of allowance for uncollectibles)		<u>998,134</u>
 Total Unrestricted Current Assets	 \$	 <u>2,937,878</u>

Restricted Current Assets:

Restricted cash	\$	<u>376,066</u>
 Total Current Assets	 \$	 <u>3,313,944</u>

Non-current Assets:

Proprietary capital assets (Net of accumulated depreciation)	\$	15,961,864
Organization expense (Net of amortization)		<u>5,502</u>
 Total Non-current Assets	 \$	 <u>15,967,366</u>

Total Assets	\$	<u>19,281,310</u>
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Liabilities:

Current Liabilities:

Accounts payable	\$	239,074
Interest payable		47,382
Amounts held for others		87,663
Proprietary debt-current portion		317,699
Due to County-current portion		<u>22,546</u>
 Total Current Assets	 \$	 <u>714,364</u>

Non-current Liabilities:

Compensated absences	\$	121,750
Proprietary debt-long-term portion		6,232,772
Due to County-long-term portion		<u>249,847</u>
 Total Non-current Liabilities	 \$	 <u>6,604,369</u>

Total Liabilities	\$	<u>7,318,733</u>
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Net Assets:

Invested in capital assets, net of related debt	\$	9,411,393
Restricted for debt service		376,066
Unrestricted		<u>2,175,118</u>
 Total Net Assets	 \$	 <u>11,962,577</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, 2008

Operating Revenues:

Garbage service	\$	4,390,075
Water service		1,788,733
Sewer service		642,736
Street lights		11,849
Reconnection fees		9,300
Penalties and interest on delinquent accounts		122,993
Miscellaneous		<u>38,946</u>
 Total operating revenues	 \$	 <u>7,004,632</u>

Operating Expenses:

Water Distribution:

Salaries	\$	198,691
Fringes		62,748
Professional Services		15,131
County central services		35,975
Other		62,947
Supplies		3,658
Repair and maintenance		62,041
Depreciation		<u>380,603</u>
 Total Water Distribution	 \$	 <u>821,794</u>

Water Treatment Plant:

Salaries	\$	289,601
Fringes		92,728
Professional Services-Gov't		15,730
County central services		8,099
Other		117,837
Supplies		118,085
Repair and maintenance		<u>128,025</u>
 Total Water Treatment Plant	 \$	 <u>770,105</u>

Sewer Collection and Treatment:

Salaries	\$	45,197
Fringes		17,069
Professional Services		2,804
Professional Services-Gov't		348,603
County central services		11,280
Other		18,010
Supplies		3,063
Repair and maintenance		58,239
Depreciation		<u>380,603</u>
 Total Sewer Collection and Treatment	 \$	 <u>884,868</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, 2008

Non-operating Revenues and (Expenses):

Interest income	\$	71,734
Non-operating transfer from Pulaski County		134,388
Connection fees		132,824
Interest expense		<u>(288,185)</u>

Total non-operating revenues and expenses	\$	<u>50,761</u>
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Net Assets, Beginning of Year	\$	<u>11,633,330</u>
Net Assets, End of Year	\$	<u><u>11,962,577</u></u>

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

PULASKI COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)
Proprietary Fund Type
Statement of Cash Flows
Year Ended June 30, 2008

Cash flows from operating activities:	
Cash received from customers	\$ 6,944,729
Cash paid to suppliers for goods and services	(3,550,299)
Cash paid to employees for services	<u>(2,144,435)</u>
Net cash provided (used) by operating activities	\$ <u>1,249,995</u>
Cash flows from non-capital financing activities:	
Debt service contribution	\$ <u>134,388</u>
Net cash provided (used) by non-capital financing activities	\$ <u>134,388</u>
Cash flows from capital and related financing activities:	
Connection charges	\$ 132,824
Acquisition of capital assets	(636,159)
Retirement of debt	(303,460)
Retirement of advance from County	(20,668)
Interest and loan cost paid on debt	<u>(290,536)</u>
Net cash provided (used) by capital and related financing activities	\$ <u>(1,117,999)</u>
Cash flows from investing activities:	
Interest income	\$ <u>71,734</u>
Net cash provided (used) by investing activities	\$ <u>71,734</u>
Net increase (decrease) in cash	\$ <u>338,118</u>
Cash at beginning of year (including restricted cash of \$364,045)	\$ <u>1,977,692</u>
Cash at end of year (including restricted cash of \$376,066)	\$ <u><u>2,315,810</u></u>

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating income (loss)	\$ <u>278,486</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation/amortization	\$ 1,066,013
(Increase) decrease in receivables	(67,025)
Increase (decrease) in operating accounts payable	(42,412)
Increase (decrease) in compensated absences	7,811
Increase (decrease) in customer deposits	<u>7,122</u>
Net cash provided (used) by operating activities	\$ <u><u>1,249,995</u></u>

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

**PULASKI COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF PULASKI COUNTY)
NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2008**

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 \$376,066.

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, (a multiple financial institution collateral pool), Section 2.2-440 et seq. of the Code of Virginia or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and Loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. Deposits covered by the Act are considered insured since the Treasury Board is authorized to make additional assessments.

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.

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**PULASKI COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF PULASKI COUNTY)
NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2008**

NOTE 3 – CAPITAL ASSETS AND DEPRECIATION:

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Land	\$ 127,700	\$ -	\$ -	\$ 127,700
Construction in progress	399,859	-	(204,639)	195,220
Total capital assets not being depreciated	<u>\$ 527,559</u>	<u>\$ -</u>	<u>\$ (204,639)</u>	<u>\$ 322,920</u>
Capital assets, being depreciated				
Infrastructure	\$ 29,535,311	\$ 391,692	\$ -	\$ 29,927,003
Machinery and equipment	2,894,916	401,042	-	3,295,958
Total capital assets being depreciated	<u>\$ 32,430,227</u>	<u>\$ 792,734</u>	<u>\$ -</u>	<u>\$ 33,222,961</u>
Accumulated depreciation for:				
Infrastructure	\$ (14,751,184)	\$ (761,205)	\$ -	\$ (15,512,389)
Machinery and equipment	(1,727,659)	(343,969)	-	(2,071,628)
Total accumulated depreciation	<u>\$ (16,478,843)</u>	<u>\$ (1,105,174)</u>	<u>\$ -</u>	<u>\$ (17,584,017)</u>
Total capital assets being depreciated, net	<u>\$ 15,951,384</u>	<u>\$ (312,440)</u>	<u>\$ -</u>	<u>\$ 15,638,944</u>
Business-type activities capital assets, net	<u>\$ 16,478,943</u>	<u>\$ (312,440)</u>	<u>\$ (204,639)</u>	<u>\$ 15,961,864</u>

NOTE 4 – PROPRIETARY DEBT:

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

<u>Year Ending June 30,</u>	<u>Water and Sewer Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 315,152	\$ 280,394
2010	328,185	267,937
2011	341,357	254,467
2012	359,676	240,003

**PULASKI COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF PULASKI COUNTY)
NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2008**

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, 2008:

	Balance July 1, 2007	Issuances	Retirements	Balance June 30, 2008
Revenue bonds	\$ 6,797,000	\$ -	\$ (301,185)	\$ 6,495,815
Unamortized bond premium:	56,933	-	(2,277)	54,656
Compensated absences	105,944	15,806	-	121,750
Total	\$ 6,959,877	\$ 15,806	\$ (303,462)	\$ 6,672,221

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	\$ 167,451	\$ 4,266
Stigger Hill	4.50%	4/19/1994	2033	98,860	80,774	1,795
Claytor Lake State Park	4.50%	3/13/1995	2034	402,500	338,336	7,132
Claytor Lake State Park	4.50%	3/13/1995	2033	498,500	409,394	9,277
Landfill Sewer Extension	4.50%	10/15/1996	2034	2,242,042	2,057,979	43,044
Total RD Revenue Bonds					\$ 3,053,934	\$ 65,514
Virginia Resource Authority (VRA) Water and Sewer Revenue Bonds:						
Shrader Hill	0.00%	12/1/1993	2035	\$ 130,000	\$ 71,881	\$ 4,638
Claytor Lake State Park	0.00%	6/30/2004	2032	63,764	54,656	2,547

**PULASKI COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF PULASKI COUNTY)
NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2008**

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 \$121,750.

NOTE 6 – ADVANCES DUE THE COUNTY OF PULASKI:

Advances to the Authority by the County of Pulaski amounting to \$293,061 at June 30, 2008 were as follows:

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

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

NOTE 7 – DEFINED BENEFIT PENSION PLAN:

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

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, 2008

Operating Revenues:

Garbage service	\$ 4,390,075	\$ 4,008,863
Water service	1,788,733	1,769,391
Sewer service	642,736	530,971
Street lights	11,849	11,811
Connection fees	9,300	1,815
Penalties and interest on delinquent accounts	122,993	130,283
Miscellaneous	<u>38,946</u>	<u>29,657</u>
 Total operating revenues	 \$ <u>7,004,632</u>	 \$ <u>6,482,791</u>

Operating Expenses:

Water Distribution:

Salaries	\$ 198,691	\$ 165,862
Fringes	62,748	58,012
Professional Services	15,131	9,319
County central services	35,975	32,636
Other	62,947	72,719
Supplies	3,658	3,896
Repair and maintenance	62,041	50,334
Depreciation	<u>380,603</u>	<u>397,146</u>
 Total Water Distribution	 \$ <u>821,794</u>	 \$ <u>789,924</u>

Water Treatment Plant:

Salaries	\$ 289,601	\$ 264,940
Fringes	92,728	89,263
Professional Services	-	2,769
Professional Services-Gov't	15,730	14,028
County central services	8,099	9,959
Other	117,837	143,983
Supplies	118,085	110,773
Repair and maintenance	<u>128,025</u>	<u>55,191</u>
 Total Water Treatment Plant	 \$ <u>770,105</u>	 \$ <u>690,906</u>

Sewer Collection and Treatment:

Salaries	\$ 45,197	\$ 39,118
Fringes	17,069	15,142
Professional Services	2,804	2,687
Professional Services-Gov't	348,603	342,826
County central services	11,280	6,357
Other	18,010	25,961
Supplies	3,063	4,472
Repair and maintenance	58,239	112,479
Depreciation	<u>380,603</u>	<u>373,731</u>
 Total Sewer Collection and Treatment	 \$ <u>884,868</u>	 \$ <u>922,773</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, 2008

Refuse Collection and Disposal:

Salaries	\$ 887,436	\$ 891,106
Fringes	387,835	354,807
Professional Services	-	36,292
Professional Services-Gov't	1,749,309	1,565,899
County central services	471,484	436,298
Other	52,873	42,082
Supplies	12,844	2,397
Depreciation/amortization		150,160

Repair and maintenance	2,905	7,672
Depreciation	<u>292,627</u>	<u>113,780</u>
Total Refuse Collection and Disposal	\$ <u>3,857,313</u>	\$ <u>3,600,493</u>

Administration:

Salaries	\$ 67,007	\$ 71,429
Fringes	33,447	26,813
Professional Services	69,771	69,066
County central services	16,674	35,212
Other	21,707	17,607
Supplies	2,151	1,732
Depreciation/amortization	<u>12,180</u>	<u>1,839</u>
Total Administration	\$ <u>222,937</u>	\$ <u>223,698</u>

Street Lighting:

Electricity	\$ <u>13,414</u>	\$ <u>10,255</u>
Total Street Lighting	\$ <u>13,414</u>	\$ <u>10,255</u>

Billing:

Salaries	\$ 48,762	\$ 48,364
Fringes	21,725	22,590
Professional Services	20,783	19,032
County central services	8,404	14,533
Other	49,529	37,334
Supplies	6,512	10,810
Repair and maintenance	<u>-</u>	<u>344</u>
Total Billing	\$ <u>155,715</u>	\$ <u>153,007</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, 2008

Non-operating Revenues and (Expenses):

Interest income	\$	71,734	\$	74,044
Non-operating transfer from Pulaski County		134,388		134,388
Connection fees		132,824		77,494
Interest expense		<u>(288,185)</u>		<u>(297,343)</u>
 Total non-operating revenues and expenses	 \$	 <u>50,761</u>	 \$	 <u>(11,417)</u>
 Increase (decrease) in Net Assets	 \$	 <u>329,217</u>	 \$	 <u>80,319</u>

Net Assets, Beginning of Year	\$	<u>11,633,330</u>	\$	<u>11,553,012</u>
Net Assets, End of Year	\$	<u><u>11,962,577</u></u>	\$	<u><u>11,633,330</u></u>

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

Certified Public Accountants

A Professional limited liability company

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the Pulaski County Public Service Authority, a component unit of Pulaski County, Virginia as of and for the year ended June 30, 2008, and have issued our report thereon dated November 20, 2008. 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Pulaski County Public Service 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 Pulaski County Public Service Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Pulaski County Public Service Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, as discussed below, we identified certain deficiencies in internal

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Pulaski County Public Service Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on

the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

Christiansburg, Virginia
November 20, 2008

Pulaski County Service Authority
(A Component Unit of Pulaski County, Virginia)
Schedule of Findings and Responses
Year Ended June 30, 2008

Section I - Summary of Auditor's Results

Financial Statements

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

Section II - Financial Statement Findings

2008-1

Condition: Currently the Authority lacks a proper segregation of duties over the

accounts payable and collection functions.

Criteria: A key concept of internal controls is the segregation of duties. No one