

PULASKI COUNTY PUBLIC SERVICE AUTHORITY

OF PULASKI COUNTY, VIRGINIA

(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)

**FINANCIAL REPORT
YEAR ENDED JUNE 30, 2011**

**Pulaski County Public Service Authority
(A Component Unit of Pulaski County, Virginia)
Annual Financial Report
Fiscal Year Ended June 30, 2011**

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FINANCIAL SECTION

underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Robinson, Turner, Co. Associates

Blacksburg, Virginia
February 13, 2012

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

Year Ended June 30, 2011

As management of the Pulaski County Public Service Authority, (the Authority), we offer readers of our financial statements this discussion and analysis to help them understand better the information presented in the financial statements of the Authority for the fiscal year ended June 30, 2011. 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 prepared in accordance with the following:

1. Enterprise fund financial statements and schedules in accordance with the
2. Notes to financial statements;
3. Supporting schedules;
4. Governmental financial statements described in the Governmental Accounting Standards Board's (GASB) Statement of Financial Accounting Standards (SFAS) No. 34.

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 may be an indication of the Authority's financial health. If the Authority's net assets are 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 uncollected revenue or revenue from term contracts).

The basic enterprise fund financial statements are contained in Exhibits 1 and 2 and 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 \$15,306,458 (net assets) as of June 30, 2011. Of this amount \$7,490,545 (unrestricted net assets), may be used to meet the Authority's long-term obligations to customers and creditors. Of the remaining net assets \$384,428 is restricted for debt service and \$7,431,485 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 \$2,249,599 from \$13,056,859 in FY 10 to \$15,306,458 in FY 11.
- From the cash perspective (described in Exhibit 3), Authority cash flows provided from operations were \$1,917,102, cash flows from non-capital financing activities were \$2,494,024, cash flows from investing activities was \$22,188, and cash flows used for capital and related financing activities were \$3,173,715. Total cash flows provided from operations and non-capital financing activities were \$4,411,126, which was used to pay for capital and related financing activities of \$3,173,715. Total cash flows provided from operations and non-capital financing activities were \$1,237,411, which was used to pay for capital and related financing activities of \$1,237,411.
- As part of the Authority's transactions of the Authority, the Authority's total debt decreased \$347,039 (including the amount owed to the County) in the 2010-11 fiscal year.

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

Year Ended June 30, 2011

- Total depreciation expense for the Authority was \$1,159,599 or approximately 16.7% 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

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

Year Ended June 30, 2011

Change in Net Assets

	<u>2011</u>	<u>2010</u>
Revenues:		
Operating revenues	\$ 6,623,889	\$ 6,259,282
Investment income	22,188	26,604
Other income	2,854,664	1,953,469
Transfer	134,388	134,388
Total Revenues	\$ 9,635,129	\$ 8,373,743
Expenses:		
Depreciation expense (excluding depreciation on land)	\$ 5,782,599	\$ 5,634,916
Depreciation expense	1,159,599	1,102,126
Interest expense	442,365	327,445
Total Expenses	\$ 7,385,530	\$ 7,064,487
Increase (decrease) in Net Assets	\$ 2,249,599	\$ 1,309,256
Beginning Net Assets	13,056,859	11,747,603
Ending Net Assets	\$ 15,306,458	\$ 13,056,859

As shown in the above table, the Authority's net assets increased by \$2,249,599 during the 2010-11 fiscal year. Total revenues increased by \$1,261,386 while total expenses also increased by \$321,043 from FY 2010 levels. Increases in commercial and residential sewer services along with increases in commercial and residential sewer services resulted in a net increase of \$2,249,599 from the prior year change in net assets. Key elements of these increases are discussed in the Management Review of Operations section below.

Capital Asset and Debt Administration

Capital Assets – As summarized below, the Authority's investment in capital assets increased by \$4,103,041, totaling \$22,863,839 (net of accumulated depreciation). The net investment in capital assets increased by 22% or \$4,103,041 over the prior year. Below is a listing of capital assets as of June 30, 2011 with a comparison to the prior fiscal year.

	<u>2011</u>	<u>2010</u>
Land and improvements	\$ 127,700	\$ 127,700
Construction in progress	5,254,106	3,280,324
Vehicles and other equipment	3,404,126	3,294,112
Water and sewer system (infrastructure)	34,569,601	31,525,561
Accumulated depreciation	(20,491,694)	(19,466,899)
Total capital assets	\$ 22,863,839	\$ 18,760,798

The table above and 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 \$347,039 in long-term debt and had a slight decrease in compensated absences during the 2010-2011 fiscal year. In addition, long-term debt was increased by \$2,532,340 due to the issuance of revenue bonds for rural development and an increase in the net TIFIA debt which is recorded in the 2010-11 fiscal year.

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

Year Ended June 30, 2011

Review of Operations

Operational Revenues – As shown in Schedule 1, operating revenues increased by \$364,607, or 6%, from \$6,259,282 to \$6,623,889 during the 2010-2011 fiscal year. Garbage, water and sewer services saw an increase in revenues during FY 2011, due in part to an increase in water consumption by commercial users and additional sewer residential customers added to the system related to line construction projects. However, in order to better understand the operating revenues, it is helpful to further divide the PSA revenues into revenues by service type. Revenues from garbage services have increased by \$100,000 due to the citizens of the County.

Operational Expenses – As further described in Schedule 1, operational expenses increased by \$206,123, or 3%, from \$6,737,042 in the 2010 fiscal year, to \$6,943,165 in the 2011 fiscal year. The increase in revenues was not enough to offset the increase in expenses during the FY 2011 year resulting in an operating loss of \$319,276.

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 four service areas had a different customer base, it is helpful to view PSA revenues and expenses from the perspective of these four services in order to assess the financial impact of each service. Many of the four services result in one customer base subsidizing another.

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

Year Ended June 30, 2011

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, 2011						
	Unclassified	Water	Sewer	Refuse	Streetlights	Total
Operating revenues						
Reconnection fees	13,185	13,185	-	-	-	13,185
Penalty and interest (1)	193,523	57,273	15,997	119,900	352	193,523
Miscellaneous income (1)	56,324	16,669	4,656	34,896	102	56,324
Subtotal categorized operating revenue	\$ 263,032	\$ 1,969,620	\$ 546,469	\$ 4,095,774	\$ 12,026	\$ 6,623,889
Operating expenses						
Billing expenses (1)	187,880	50,171	31,968	105,373	357	187,880
Administrative expenses (2)	211,149	56,384	35,928	118,424	413	211,149
Subtotal categorized operating expenses	\$ 399,029	\$ 1,054,077	\$ 1,181,403	\$ 3,894,109	\$ 13,370	\$ 6,443,163
Net Operating Income	\$ (135,997)	\$ 115,544	\$ (634,935)	\$ 201,664	\$ (1,549)	\$ (319,276)
Non-operating revenues (expenses):						
Interest earned (1)	22,188	6,567	1,834	13,746	41	22,188
County transfer (3)	134,388	67,194	67,194	-	-	134,388
Grants	-	2,459,329	280,665	-	-	2,739,994
Interest expense	(418,050)	(240,253)	(177,797)	-	-	(418,050)
Bond Issuance Costs	(24,315)	(24,315)	-	-	-	(24,315)
Connection fees	114,670	37,820	76,850	-	-	114,670
Subtotal net non-operating items	\$ (171,119)	\$ 2,306,341	\$ 248,745	\$ 13,346	\$ 41	\$ 2,568,875
Net income (loss)	\$ (307,116)	\$ 2,421,884	\$ (386,189)	\$ 215,410	\$ (1,508)	\$ 2,249,599

For the Fiscal Year Ended June 30, 2010						
	Unclassified	Water	Sewer	Refuse	Streetlights	Total
Operating revenues						
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						
Billing expenses (1)	170,008	47,628	28,460	93,565	355	170,008
Administrative expenses (2)	237,406	66,503	39,749	130,659	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)	26,804	7,372	2,044	17,136	52	26,804
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	\$ 17,136	\$ 52	\$ 1,787,016
Net income (loss)	\$ 1,613,999	\$ 46,978	\$ 933,018	\$ 331,036	\$ (1,776)	\$ 1,309,256

Change from FY10 to FY11 Income

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

Year Ended June 30, 2011

Long-Term Trends

Capital Plan – During FY 2011, the Pulaski County Public Service Authority finished construction on Orchard Hills, Vista and Rolling Hills subdivisions sewer line extensions along several new customers. During FY 2012, the Pulaski County Public Service Authority will finish the significant expansion of sewer service to the Highland Park subdivision. In addition, the Authority will finish construction to increase water capacity to the Fairway area of Pulaski County, and the Commerce Park, by connecting to the Radford City Water Treatment Plant. These two systems will provide greater system reliability while providing an increased volume of water to the County and a backup water source. This

Financial Statements

PULASKI COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)
Proprietary Fund Type
Statement of Net Assets
June 30, 2011

Assets:

Current Assets:

Cash	\$	2,835,101
Receivables (Net of allowance for uncollectibles)		952,307
Due from Other Governments		<u>190,179</u>
Total Current Assets	\$	<u>3,977,587</u>

Non-current Assets:

Restricted cash	\$	384,428
Capital Assets		
Land		127,700
Proprietary capital assets (Net of accumulated depreciation)		17,482,033
Construction in Progress		5,254,106
Intangible Assets		
Organization expense (Net of amortization)		<u>3,891</u>
Total Non-current Assets	\$	<u>23,252,158</u>
Total Assets	\$	<u>27,229,745</u>

Liabilities:

Current Liabilities:

Accounts payable	\$	1,146,194
Interest payable		129,395
Amounts held for others		121,131
Proprietary debt-current portion		505,255
Due to County-current portion		<u>22,546</u>
Total Current Liabilities	\$	<u>1,924,521</u>

Non-current Liabilities:

Compensated absences	\$	111,640
Net OPEB obligation		33,800
Proprietary debt-long-term portion		9,767,993
Due to County-long-term portion		<u>185,327</u>
Total Non-current Liabilities	\$	<u>9,998,766</u>
Total Liabilities	\$	<u>11,923,287</u>

Net Assets:

Invested in capital assets, net of related debt	\$	7,431,485
Restricted for debt service		384,428
Unrestricted		<u>7,490,545</u>
Total Net Assets	\$	<u>15,306,458</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, 2011

Operating Revenues:	
Garbage service	\$ 3,940,977
Water service	1,882,493
Sewer service	525,815
Street lights	11,572
Reconnection fees	13,185
Penalties and interest on delinquent accounts	193,523
Miscellaneous	<u>56,324</u>
Total operating revenues	<u>\$ 6,623,889</u>
Operating Expenses:	
<i>Water Distribution:</i>	
Salaries	\$ 193,985
Fringes	73,399
Professional Services	18,823
County central services	42,175
Other	68,774
Supplies	940
Repair and maintenance	68,786
Machinery and equipment	428
Depreciation	<u>495,147</u>
Total Water Distribution	<u>\$ 962,457</u>
<i>Water Treatment Plant:</i>	
Salaries	\$ 270,402
Fringes	106,799
Professional services	11,114
Professional Services-Gov't	16,752
County central services	9,979
Other	171,653
Supplies	175,591
Repair and maintenance	7,017
Machinery and equipment	4,751
Depreciation	<u>11,007</u>
Total Water Treatment Plant	<u>\$ 785,065</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, 2011.

Operating Expenses: (Continued)

Sewer Collection and Treatment:

Salaries	\$	56,880
Fringes		27,986
Professional Services		8,775
Professional Services-Gov't		529,012
County central services		8,566
Other		42,725
Supplies		16,251
Repair and maintenance		26,921
Depreciation		396,391
		1,113,507

Total Sewer Collection and Treatment

\$ 1,113,507

Refuse Collection and Disposal:

Salaries	\$	879,097
Fringes		466,121
Professional Services-Gov't		1,503,384
County central services		485,601
Other		36,773
Supplies		5,168
Dumpsters/containers		37,114
Depreciation		257,054
		3,670,312

Total Refuse Collection and Disposal

\$ 3,670,312

Administration:

Salaries	\$	89,073
Fringes		27,608
OPEB expense		2,037
Professional Services		68,303
County central services		3,548
Other		17,891
Amortization expense		537
Supplies		577
Computer equipment		1,575
		211,149

Total Administration

\$ 211,149

Street Lighting:

Electricity	\$	12,795
		12,795

Total Street Lighting

\$ 12,795

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, 2011.

Operating Expenses: (Continued)

Billing:

Salaries	\$ 57,048
Fringes	24,730
Professional Services	20,433
County central services	25,058
Other	39,820
Supplies	<u>20,791</u>
Total Billing	\$ <u>187,880</u>
Total operating expenses	\$ <u>6,943,165</u>
Operating income (loss)	\$ <u>(319,276)</u>

Non-operating Revenues (Expenses):

Interest income	\$ 22,188
Non-operating transfer from Pulaski County	134,388
Connection fees	114,670
Grants	2,739,994
Bond issuance costs	(21,515)
Interest expense	<u>(418,050)</u>
Total non-operating revenues (expenses)	\$ <u>2,568,875</u>
Increase (decrease) in Net Assets	\$ <u>2,249,599</u>

Net Assets, Beginning of Year \$ 13,056,859

Net Assets, End of Year \$ 15,306,458

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, 2011

Cash flows from operating activities:	
Cash received from customers	\$ 6,825,338
Cash paid to suppliers for goods and services	(2,637,064)
Cash paid to employees for services	<u>(2,271,172)</u>
Net cash provided (used) by operating activities	\$ <u>1,917,102</u>
Cash flows from non-capital financing activities:	
Debt service contribution	\$ 134,388
Grants received	<u>2,359,636</u>
Net cash provided (used) by non-capital financing activities	\$ <u>2,494,024</u>
Cash flows from capital and related financing activities:	
Connection charges	\$ 114,670
Acquisition of capital assets	(5,262,639)
Proceeds from issuance of debt	2,350,393
Retirement of debt	(347,039)
Retirement of restricted cash from Pulaski County	(22,547)
Interest and principal paid on debt	<u>(550,299)</u>
Net cash provided (used) by capital and related financing activities	\$ <u>(3,522,461)</u>
Cash flows from investing activities:	
Interest income	\$ <u>22,188</u>
Net cash provided (used) by investing activities	\$ <u>22,188</u>
Net increase (decrease) in cash	\$ <u>910,853</u>
Cash at beginning of year (including restricted cash of \$382,632)	\$ <u>2,308,676</u>
Cash at end of year (including restricted cash of \$384,428)	\$ <u><u>3,219,529</u></u>

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating income (loss)	\$ <u>(33,276)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation/Amortization	\$ 1,160,136
(Increase) decrease in receivables	(4,787)
(Increase) decrease in due from Pulaski County	322,786
(Increase) decrease in due from other Governments	190,179
Increase (decrease) in compensated absences	(81)
Increase (decrease) in other non-current assets	2,037
Increase (decrease) in other non-current liabilities	<u>116,531</u>
Net cash provided (used) by operating activities	\$ <u><u>1,917,102</u></u>

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

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**PULASKI COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF PULASKI COUNTY),
NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Authority conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the 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, 2011.

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 prior to, and effective after, 1989, unless they conflict with or contradict GASB pronouncements.

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

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources when they are needed.

C. Capital Assets:

Capital assets, which include property, plants 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 cost of normal maintenance and repairs that do not add to the value of the asset, or materially extend the asset's life are not to be capitalized.

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

PULASKI COUNTY PUBLIC SERVICE AUTHORITY
 (A COMPONENT UNIT OF PULASKI COUNTY)
 NOTES TO FINANCIAL STATEMENTS (Continued)
 AS OF JUNE 30, 2011

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

Property, plant, and equipment are depreciated using the straight-line method over their 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, 2011, the allowance amounted to approximately \$785,599.

E. Cash, Cash Equivalents and Investments:

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

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 \$384,428.

H. Net Assets:

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

NOTE 2 - DEPOSITS AND INVESTMENTS:

Deposits:

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized

PULASKI COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF PULASKI COUNTY)
NOTES TO FINANCIAL STATEMENTS (Continued)
AS OF JUNE 30, 2011

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	3,280,324	4,323,682	(2,349,900)	5,254,106
Total capital assets not being depreciated	<u>\$ 3,408,024</u>	<u>\$ 4,323,682</u>	<u>\$ (2,349,900)</u>	<u>\$ 5,381,806</u>
Capital assets, being depreciated				
Infrastructure	\$ 31,525,561	\$ 3,044,040	\$ -	\$ 34,569,601
Machinery and equipment	3,294,112	244,818	(134,804)	3,404,126
Total capital assets being depreciated	<u>\$ 34,819,673</u>	<u>\$ 3,288,858</u>	<u>\$ (134,804)</u>	<u>\$ 38,973,727</u>
Accumulated depreciation, for:				
Infrastructure	\$ (17,053,053)	\$ (1,052,994)	\$ -	\$ (18,106,047)
Machinery and equipment	(2,413,846)	(106,605)	134,804	(2,385,647)
Total accumulated depreciation	<u>\$ (19,466,899)</u>	<u>\$ (1,159,599)</u>	<u>\$ 134,804</u>	<u>\$ (20,491,694)</u>
Total capital assets being depreciated, net	<u>\$ 15,352,774</u>	<u>\$ 2,129,259</u>	<u>\$ -</u>	<u>\$ 17,482,033</u>
Business-type activities capital assets, net	<u>\$ 18,760,798</u>	<u>\$ 6,452,941</u>	<u>\$ (2,349,900)</u>	<u>\$ 22,863,839</u>

NOTE 4 – PROPRIETARY DEBT:

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, 2011:

	Balance July 1, 2010	Issuances	Retirements	Balance June 30, 2011
Revenue bonds	\$ 8,124,792	\$ 2,350,393	\$ (344,762)	\$ 10,130,423
Unamortized bond premiums	50,102	-	(2,277)	47,825
Net OPEB obligation	31,763	2,037	-	33,800
Compensated absences	111,727	-	(81)	111,646
Total	<u>\$ 8,318,384</u>	<u>\$ 2,352,430</u>	<u>\$ (347,120)</u>	<u>\$ 10,323,694</u>

PULASKI COUNTY PUBLIC SERVICE AUTHORITY
 (A COMPONENT UNIT OF PULASKI COUNTY)
 NOTES TO FINANCIAL STATEMENTS (Continued)
 AS OF JUNE 30, 2011

NOTE 4 – PROPRIETARY DEBT: (continued)

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

Year Ending June 30,	Water and Sewer Revenue Bonds	
	Principal	Interest
2012	\$ 502,978	\$ 378,707
2013	492,521	396,187
2014	537,780	363,337
2015	560,313	342,207
2016	579,356	320,440
2017-2021	2,315,252	1,287,293
2022-2026	1,605,228	930,529
2027-2031	1,236,462	648,237
2032-2036	932,401	377,703
2037-2041	555,500	216,222

**PULASKI COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF PULASKI COUNTY)
NOTES TO FINANCIAL STATEMENTS (Continued)
AS OF JUNE 30, 2011**

NOTE 4 - PROPRIETARY DEBT: (continued)

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	\$ 154,033	\$ 4,938
Stigger Hill	4.50%	4/19/1994	2033	98,860	75,155	2,332
Clayton Lake State Park	4.50%	3/13/1995	2034	402,500	316,057	9,314
Clayton Lake State Park	4.50%	3/13/1995	2033	498,500	380,403	12,004
Landfill Sewer Extension	4.50%	10/13/1996	2034	2,242,042	1,925,232	48,750
Central Utilities	4.50%	5/11/2009	2049	865,900	860,558	12,414
Highland Park Sewer	4.25%	11/19/2009	2050	601,783	1,187,042	35,407
Dublin Subdivisions Sewer	4.25%	11/19/2009	2050	804,400	804,400	28,225
Commerce Park	2.375%	2/17/2011	2051	1,764,576	1,764,576	64,956
Total RD Revenue Bonds					\$ 7,467,456	\$ 218,340
Virginia Resource Authority (VRA) Water and Sewer Revenue Bonds:						
Shrader Hill	0.00%	12/1/1993	2035	\$ 130,000	\$ 57,967	\$ 4,638
Sea Vista Highway	2.88-5.10%	6/30/2004	2032	4,380,000	2,695,000	280,000
Prattville	n/a	6/30/2004	2032	92,790	17,825	2,277
Total VRA Revenue Bonds					\$ 2,710,792	\$ 286,915
Other Obligations:						
Net OPEB obligation		n/a	n/a	n/a	n/a	\$ 33,800
Compensated absences		n/a	n/a	n/a	n/a	111,646
Total Other Obligations					\$ 145,446	\$ -
Totals					\$ 10,323,694	\$ 505,255

Note 4: 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 \$220,000.

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**PULASKI COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF PULASKI COUNTY)
NOTES TO FINANCIAL STATEMENTS (Continued)
AS OF JUNE 30, 2011**

NOTE 5 – CLAIMS, JUDGMENTS AND COMPENSATED ABSENCES:

In accordance with GASB Statement No. 16 "Accounting for Claims, Judgments and Compensated Absences," the Authority has an 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 \$111,646.

NOTE 6 – ADVANCES DUE THE COUNTY OF PULASKI:

An advance of \$129,599 was provided to the County of Pulaski amounting to \$202,873 at June 30, 2011, 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 \$73,274 is an interest free loan payable in 360 monthly payments of \$1,667, through October 1, 1984, 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 VRS 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 can be either the employee be aged 50 with 10 years of service or permanently, totally disabled as a result of injury to the job or disability. 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 2011, the Authority authorized \$16,500 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, 2011**

NOTE 8 – 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, 2010, the most recent actuarial valuation:

Medical and Dental Pre-Medicare Coverage	POS	PPO	Delta Dental
Employee Only	\$ 589	\$ 431	\$ 27
Employee and Spouse	1,187	866	51
Employee and Child	1,154	841	44
Family	1,355	1,208	81

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 excesses), 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)	\$ 18,700
Interest on OPEB Obligation	1,300
Adjustment to ARC	(1,363)
Annual OPEB Cost	<u>\$ 18,637</u>
Estimated Contributions Made During FY11	\$ (16,600)
Increase in Net OPEB Obligation	<u>\$ 2,037</u>
Net OPEB Obligation - beginning of year	<u>31,763</u>
Net OPEB Obligation - end of year	<u>\$ 33,800</u>

The data table on this page is a black and white reproduction

PULASKI COUNTY PUBLIC SERVICE AUTHORITY
(A COMPONENT UNIT OF PULASKI COUNTY)
NOTES TO FINANCIAL STATEMENTS (Continued)
AS OF JUNE 30, 2011

NOTE 8 – 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 by the plan, and the net OPEB obligation for 2011 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>
6/30/2010	\$ 21,369	26.70%	\$ 31,763
6/30/2011	18,637	89.07%	33,800

Funded Status and Funding Progress

The funded status of the Plan as of July 1, 2010, the most recent actuarial report date, was as follows:

Actuarial accrued liability (AAL)	\$ 185,200
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 185,200</u>
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	1,316,122
UAAL as a percentage of covered payroll	14.07%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of future events. For example, actuarial valuations involve 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.

PULASKI COUNTY PUBLIC SERVICE AUTHORITY
 (A COMPONENT UNIT OF PULASKI COUNTY),
 NOTES TO FINANCIAL STATEMENTS (Continued),
 AS OF JUNE 30, 2011

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS: (Continued)

Actuarial Methods and Assumptions (Continued)

... initially, and will thereafter be reduced by 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, 2011, was 30 years.

NOTE 9 – OTHER NON CURRENT ASSETS:

As of June 30, 2011, the Authority had the following intangible assets:

	<u>Beginning</u> <u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending</u> <u>Balance</u>
Business-type Activities:				
Intangible assets:				
Organization expense	\$ 21,480	\$ -	\$ -	\$ 21,480
Accumulated amortization for:				
Organization expense	\$ (17,052)	\$ (537)	\$ -	\$ (17,589)
Business-type activities intangible assets, net	<u>\$ 4,428</u>	<u>\$ (537)</u>	<u>\$ -</u>	<u>\$ 3,891</u>

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Required Supplementary Information...

Pulaski County, PSA
Required Supplementary Information

Schedule of Funding Progress OPEB Plan
For the Year Ended June 30, 2011

Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio Assets as % of AAL	Annual Covered Payroll	UAAL as a % of Covered Payroll
(1)	(2)	(3)	(3)-(2)	(2)/(3)	(6)	(4)/(6)
July 1, 2008	\$ -	\$ 186,067	\$ 186,067	0.00%	1,182,936	15.73%
July 1, 2010	-	185,200	185,200	0.00%	1,316,122	14.07%

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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, 2011

	2011	2010
Operating Revenues:		
Garbage service	\$ 3,940,977	\$ 3,880,621
Water service	1,882,493	1,669,507
Sewer service	525,815	462,937
Street lights	11,572	11,820
Connection fees	13,185	15,410
Penalties and interest on delinquent accounts	193,523	133,149
Miscellaneous	56,324	85,838
	<u>6,623,889</u>	<u>6,259,282</u>
Total operating revenues	\$ 6,623,889	\$ 6,259,282
Operating Expenses:		
<i>Water Distribution:</i>		
Salaries	\$ 193,985	\$ 189,895
Fringes	73,399	72,547
Professional Services	18,823	10,124
County central services	42,175	38,289
Other	68,774	83,394
Supplies	940	850
Repair and maintenance	38,786	33,486
Machinery and equipment	428	-
Depreciation	495,147	482,610
	<u>962,457</u>	<u>941,195</u>
Total Water Distribution	\$ 962,457	\$ 941,195
<i>Water Treatment Plant:</i>		
Salaries	\$ 270,402	\$ 285,182
Fringes	106,799	108,177
Professional Services	11,114	2,190
Professional Services-Gov't	16,752	19,136
County central services	3,373	10,497
Other	171,653	192,379
Supplies	175,591	194,788
Repair and maintenance	7,017	8,698
Machinery and equipment	4,751	-
Depreciation	11,007	11,007
	<u>785,065</u>	<u>832,054</u>
Total Water Treatment Plant	\$ 785,065	\$ 832,054

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, 2011

	2011	2010
Operating Expenses: (Continued)		
<i>Sewer Collection and Treatment:</i>		
Salaries	\$ 56,880	\$ 71,565
Fringes	27,986	32,510
Professional Services	8,775	1,513
Professional Services - Gov't.	529,012	521,531
County central services	8,566	9,570
Other	42,725	53,590
Supplies	16,251	6,247
Repair and maintenance	26,921	28,192
Depreciation	396,391	334,888
	<u>1,113,507</u>	<u>1,059,606</u>
Total Sewer Collection and Treatment	\$ 1,113,507	\$ 1,059,606
<i>Refuse Collection and Disposal:</i>		
Salaries	\$ 879,097	\$ 890,949
Fringes	466,121	466,877
Professional Services - Gov't.	1,503,384	1,406,558
County central services	485,601	367,530
Other	36,773	46,051
Supplies	5,168	4,177
Dumpsters/containers	37,114	27,784
Depreciation	257,054	273,621
	<u>3,670,312</u>	<u>3,483,547</u>
Total Refuse Collection and Disposal	\$ 3,670,312	\$ 3,483,547
<i>Administration:</i>		
Salaries	\$ 98,072	\$ 80,220
Fringes	27,608	32,259
OPEB expense	2,037	15,663
Professional Services	68,303	77,858
County central services	3,548	6,558
Other	17,891	22,913
Amortization expense	537	537
Supplies	577	1,398
Computer equipment	1,575	-
	<u>211,149</u>	<u>237,406</u>
Total Administration	\$ 211,149	\$ 237,406
<i>Street Lighting:</i>		
Electricity	\$ 12,795	\$ 13,226
	<u>12,795</u>	<u>13,226</u>
Total Street Lighting	\$ 12,795	\$ 13,226

PULASKI COUNTY PUBLIC SERVICE AUTHORITY
 (A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)
Proprietary Fund Type

Consolidated Statement of Revenues, Expenses and Changes in Net Assets
 June 30, 2011

	2011	2010
Operating Expenses: (Continued)		
<i>Billing:</i>		
Salaries	\$ 57,048	\$ 51,564
Fringes	24,730	23,287
Professional Services	20,433	21,572
County central services	25,058	18,090
Other	39,820	43,004
Supplies	20,791	12,491
Total Billing	\$ 187,880	\$ 170,008
Total operating expenses	\$ 6,943,165	\$ 6,737,042
Operating income (loss)	\$ (319,276)	\$ (477,760)
Non-operating Revenues (Expenses):		
Interest income	\$ 22,188	\$ 26,604
Non-subsidizing transfers from Pulaski County	134,388	134,388
Connection fees	114,670	46,557
Grants	2,739,994	1,906,912
Bond issuance costs	(24,315)	(15,869)
Interest expense	(418,050)	(311,576)
Total non-operating revenues (expenses)	\$ 2,568,875	\$ 1,787,016
Increase (decrease) in Net Assets	\$ 2,249,599	\$ 1,309,256
Net Assets, Beginning of Year	\$ 13,056,859	\$ 11,747,603
Net Assets, End of Year	\$ 15,306,458	\$ 13,056,859

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COMPLIANCE SECTION

Compliance

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ROBINSON, FARMER, COX ASSOCIATES

REGISTERED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' 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

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

Compliance

We have audited the Pulaski County Service Authority's compliance with the types of compliance requirements that could have a direct and material effect on each of the Pulaski County Service Authority's major federal programs for the year ended June 30, 2011. Pulaski County Service Authority's major federal programs are identified in the summary of auditors' results section of the report. The types of compliance requirements that we audited include laws, regulations, contracts, and grants applicable to federal programs. The report includes a summary of the results of the audit. The report also includes a summary of the results of the audit. The report also includes a summary of the results of the 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; the standards of 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 Pulaski County Service Authority's compliance with those requirements and other matters that we consider necessary for the audit. We believe that our audit provides a reasonable basis for our opinion on the compliance requirements.

In our opinion, the Pulaski County Service Authority, complied, in all material respects, with the compliance requirements that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Pulaski County Service 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 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 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 Pulaski County Service 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. A deficiency, or combination of deficiencies, 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 will not be prevented or detected and corrected.

This report is intended solely for the information and use of management, the Board of Directors, 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.

R. Sullivan, Treasurer, Cox Associates

Blacksburg, Virginia
February 13, 2012

**Pulaski County Public Service Authority
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2011**

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	\$ 3,426,275
Department of Commerce Economic Development Administration	11.307	Not applicable	<u>1,664,112</u>
Total Expenditures of Federal Awards			<u>\$ 5,090,387</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 Public Service Authority for the fiscal year ended June 30, 2011. 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 represent 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 outlined in OMB Circular 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.

Note 3 -- Relationship to the Financial Statements:

Federal expenditures, revenues and capital contributions are reported in the Authority's basic financial statements as follows:

Loans	\$ 2,350,393
Grants	<u>2,739,994</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 5,090,387</u>

Pulaski County Service Authority
 (A Component Unit of Pulaski County, Virginia)
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2011

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? Yes

Significant deficiency(ies) identified? None reported

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 45 CFR, 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
11.307	Investments for Public Works and Economic Development Facilities

Dollars in thousands used to distinguish between Type A and Type B programs. \$300,000

Auditee qualified as low-risk auditee? No

Section II - Financial Statement Findings

2011-1

Condition: The financial statements as presented for audit did not contain all necessary adjustments to comply with generally accepted accounting principles (GAAP). As such, the auditor proposed adjustments that were material to the financial statements.

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

Management's Response: Management is dedicated to complying with the concepts set forth by auditing standards and will make efforts in the future to eliminate material errors from its adjusted trial balance.

**Pulaski County Service Authority,
(A Component Unit of Pulaski County, Virginia)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011**

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs reported.

Section IV - Prior Year Findings and Questioned Costs

Financial statement finding 2011-2 was recurring this year.

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