

Pulaski County Sewerage Authority

Audit Presentation

February 23, 2021

Robinson, Farmer, Cox Associates, Certified Public Accountants, LLC

Contact Information:

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Communication with Those Charged with Governance

**To the Board Members
Pulaski County Sewerage Authority**

We have audited the financial statements of the business-type activities of Pulaski County Sewerage Authority for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 21, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Pulaski County Sewerage Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2020. We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the Authority's financial statements was (were):

Management's estimate of the depreciation expense is based on the straight line method and historical data. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 11, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Restriction on Use

This information is intended solely for the use of the Board and management of Pulaski County Sewerage Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Robinson, Finner, Cox Associates

Blacksburg, Virginia
January 11, 2021



ROBINSON, FARMER, COX ASSOCIATES, PLLC
Certified Public Accountants

Date: January 11, 2021
Memorandum to: Dennis Setliff, Chairman and Members of the Board
From: Robinson, Farmer, Cox Associates
Regarding: Audit Recommendations

In planning and performing our audit of the financial statements of the Pulaski County Sewerage Authority for the year ended June 30, 2020, we considered the Authority's internal control structure to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted certain matters involving internal control structure and other operational matters that are presented for your consideration. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience.

Rental deposits

Included on the Authority's trial balance is an amount for rental deposits for \$25,600. Currently, there is no list to verify this balance. It is recommended that the Authority come up with a method that will list each person owed this deposit and maintain the list as new customers come on and as current customers are removed.

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Pulaski County Sewerage Authority
Summary Financial Data
Fiscal Years 2016-2020

Statement of Revenues, Expenses and Change in Net Position (Income Statement)

	2016	2017	2018	2019	2020	
OPERATING REVENUES						
Sewer Fees	\$ 376,711	382,982	385,419	408,253	463,258	5.31%
Miscellaneous	1,000	6,100	900	1,350	450	
Total Operating Revenues	\$ 377,711	389,082	386,319	409,603	463,708	
OPERATING EXPENSES						
Salaries and Wages	\$ 26,666	25,396	7,750	7,375	8,900	-23.99%
Employee Benefits	2,040	1,912	563	564	681	-23.99%
Professional Services	31,662	37,401	40,060	39,342	38,612	5.09%
Wastewater Treatment	219,361	215,844	214,617	230,043	248,404	3.16%
Utilities and Telephone Services	4,913	5,121	5,814	6,549	6,305	6.44%
Insurance	3,715	4,002	3,532	3,517	3,517	-1.36%
Supplies, Repairs, and Maintenance	22,016	37,966	108,672	75,416	90,362	42.34%
Miscellaneous	5,193	4,929	7,129	7,487	6,776	6.88%
Interest Expense	-	-	-	-	738	
Amortization	297	297	246	-	-	-100.00%
Depreciation	22,285	34,045	44,432	42,343	40,656	16.22%
Total Operating Expenses	\$ 338,148	366,913	432,815	412,636	444,951	7.10%
Operating Income (Loss)	\$ 39,563	22,169	(46,496)	(3,033)	18,757	
NONOPERATING REVENUES (EXPENSES)						
Interest Income	\$ 3,514	262	-	-	112	
Connection Fees	2,500	2,000	2,000	-	4,800	
Other Contributions	-	-	10,000	-	-	
Total Nonoperating Revenues (Exp)	\$ 6,014	2,262	12,000	-	4,912	
Change in Net Position	\$ 45,577	24,431	(34,496)	(3,033)	23,669	
Net Position, Beginning of Year	1,073,368	1,118,945	1,143,376	1,108,880	1,105,847	
Net Position, End of Year	\$ 1,118,945	1,143,376	1,108,880	1,105,847	1,129,516	0.24%

**Pulaski County Sewerage Authority
Summary Financial Data
Fiscal Years 2016-2020**

Statement of Net Position (Balance Sheet)

Assets:	2016	2017	2018	2019	2020	
Current Assets:						
Cash and Cash Equivalents	\$ 240,534	37,200	86,445	80,573	257,344	1.70%
Accounts Receivable	25,059	22,821	27,206	52,575	57,392	
Prepaid Expenses	3,080	-	-	-	-	
Total Current Assets	\$ 268,673	60,021	113,651	133,148	314,736	
Non-current Assets:						
Capital Assets-Net	\$ 946,201	1,116,323	1,071,891	1,029,548	988,892	
Organization Costs	543	246	-	-	-	
Total Non-current Assets	\$ 946,744	1,116,569	1,071,891	1,029,548	988,892	
Total Assets	\$ 1,215,417	1,176,590	1,185,542	1,162,696	1,303,628	
Liabilities:						
Current Liabilities:						
Accounts Payable	\$ 77,640	18,319	29,916	31,169	53,065	
Deposits	13,845	14,895	15,768	16,469	25,600	
Withholdings	4,987	-	-	100	100	
Notes Payable	-	-	21,867	9,111	15,762	
Total Current Liabilities	\$ 96,472	33,214	67,551	56,849	94,527	
Non-Current Liabilities:						
Notes Payable	\$ -	-	9,111	-	79,585	
Total Liabilities	\$ 96,472	33,214	76,662	56,849	174,112	
Net Position:						
Investment in Capital Assets	\$ 885,987	1,116,323	1,071,891	1,029,548	988,892	2.79%
Unrestricted	232,958	27,053	36,989	76,299	140,624	-11.86%
Total Net Position	\$ 1,118,945	1,143,376	1,108,880	1,105,847	1,129,516	

Pulaski County Sewerage Authority
 Net Position Analysis
 Last 4 Fiscal Years

	FY2017		FY2018		FY2019		FY2020	
	ICA	Unrestricted	ICA	Unrestricted	ICA	Unrestricted	ICA	Unrestricted
Beginning Net Position	\$ 885,987.00	232,958.00	1,116,323.00	27,053.00	\$ 1,071,891.00	36,989.00	\$ 1,029,548.00	76,299.00
Less: Depreciation	(34,045.00)	-	(44,432.00)	-	(42,343.00)	-	(40,656.00)	-
Add: Other Change in NP	-	58,476.00	-	9,936.00	-	39,310.00	-	64,325.00
Ending Net Position	\$ 1,116,323.00	27,053.00	1,071,891.00	36,989.00	\$ 1,029,548.00	76,299.00	\$ 988,892.00	140,624.00
Per Statement of Net Position	\$ 1,116,323.00	27,053.00	1,071,891.00	36,989.00	\$ 1,029,548.00	76,299.00	\$ 988,892.00	140,624.00
	-	-	-	-	-	-	-	-

ICA: Investment in Capital Assets