Pulaski County Sewerage Authority

Financial Report

For the Year Ended June 30, 2020

PULASKI COUNTY SEWERAGE AUTHORITY
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020

DIRECTORS

Dennis Setliff - Chairman

Joe Sheffey – Vice Chairman

Joe Guthrie

Randy Miles

Tom Lillard

PULASKI COUNTY SEWERAGE AUTHORITY
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020

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FINANCIAL SECTION

Independent Auditors' Report

To the Board of Directors
Pulaski County Sewerage Authority
Fairlawn, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Pulaski County Sewerage Authority, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Pulaski County Sewerage Authority, as of June 30, 2020, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2021, on our consideration of Pulaski County Sewerage Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Pulaski County Sewerage Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pulaski County Sewerage Authority's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
January 11, 2021

Basic Financial Statements

Exhibit 1

Pulaski County Sewerage Authority
Statement of Net Position
June 30, 2020

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	231,744
Restricted Cash - Customer Deposits		25,600
Accounts Receivable		57,392
Total Current Assets	$	314,736
Noncurrent Assets:		
Capital Assets, Net of Accumulated Depreciation:		
Sewer System	$	988,892
Total Capital Assets	$	988,892
Total Noncurrent Assets	$	988,892
Total Assets	$	1,303,628
LIABILITIES		
Current Liabilities:		
Accounts Payable	$	53,065
Customer Deposits Payable - Restricted Cash		25,600
Withholdings Payable		100
Loan Payable-Current Portion		15,762
Total Current Liabilities	$	94,527
Noncurrent Liabilities:		
Loan Payable-Long-term Portion	$	79,585
Total Noncurrent Liabilities	$	79,585
Total Liabilities	$	174,112
NET POSITION		
Investment in Capital Assets	$	988,892
Unrestricted		140,624
Total Net Position	$	1,129,516

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

Exhibit 2

Pulaski County Sewerage Authority
Statement of Revenues, Expenses and Change in Net Position
For the Year Ended June 30, 2020

OPERATING REVENUES		
Sewer Fees	$	463,258
Miscellaneous		450
Total Operating Revenues	$	463,708
OPERATING EXPENSES		
Salaries and Wages	$	8,900
Employee Benefits		681
Professional Services		38,612
Wastewater Treatment		248,404
Utilities and Telephone Services		6,305
Insurance		3,517
Supplies, Repairs, and Maintenance		90,362
Miscellaneous		6,776
Interest Expense		738
Depreciation		40,656
Total Operating Expenses	$	444,951
Operating Income (Loss)	$	18,757
NONOPERATING REVENUES (EXPENSES)		
Interest Income	$	112
Connection Fees		4,800
Total Nonoperating Revenues (Expenses)	$	4,912
Change in Net Position	$	23,669
Net Position, Beginning of Year		1,105,847
Net Position, End of Year	$	1,129,516

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

Exhibit 3

Pulaski County Sewerage Authority
Statement of Cash Flows
For the Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	$	468,022
Payments to Suppliers for Goods and Services		(372,818)
Payments to Employees for Services		(9,581)
Net Cash Provided by (Used for) Operating Activities	$	85,623
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from Indebtedness	$	100,000
Retirement of Debt		(13,764)
Net Cash Provided by (Used for) Noncapital Financing Activities	$	86,236
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Connection Charges	$	4,800
Interest Income		112
Net Cash Provided by (Used for) Capital and Related Financing Activities	$	4,912
Increase (Decrease) in Cash and Cash Equivalents	$	176,771
Cash and Cash Equivalents at Beginning of Year (including restricted cash of $16,469)		80,573
Cash and Cash Equivalents at End of Year (including restricted cash of $25,600)	$	257,344
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:		
Operating Income (Loss)	$	18,757
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:		
Depreciation	$	40,656
Changes in operating assets and liabilities:		
Decrease (Increase) in Accounts Receivable		(4,817)
Increase (Decrease) in Customer Deposits		9,131
Increase (Decrease) in Accounts Payable		21,896
Total Adjustments	$	66,866
Net Cash Provided by (Used for) Operating Activities	$	85,623

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

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 Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

A. Financial Reporting Entity:

The Authority was created in 1966 as an authority pursuant to the Virginia Water and Sewer Authorities Act, Code of Virginia (1950, as amended) for the purpose of acquiring, constructing, operating, and maintaining a public sewer system for the Fairlawn area of Pulaski County, Virginia. The Authority's Board consists of five members.

The Governmental Accounting Standards Board (GASB) has determined that, under certain circumstances, related organizations should be considered component units of a primary entity and, as such, reported as part of the primary entity. In so doing, GASB established criteria for determining whether a related entity should be reported as a component unit and, under different circumstances, how component units must be presented. In defining the Authority as a primary reporting entity, related organizations were evaluated for possible inclusion, using the criteria established by the GASB. The criteria would require the reporting entity to include entities that hold resources entirely or almost entirely for the direct benefit of the Authority where the Authority has the ability to access a majority of those resources and those resources are significant to the Authority. Based on these criteria, the Authority does not have any component units, nor is the Authority considered a component unit of any of the participating jurisdictions. Therefore, these financial statements are for the primary entity only.

B. Basis of Accounting:

Pulaski County Sewerage Authority operates as an enterprise fund and its accounts are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. The Authority accrues revenue for services rendered but not yet billed at the end of the fiscal year.

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 sewer charges. Operating expenses include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

C. Capital Assets:

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend 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.

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

Assets	Years
Sewer System	20-40
Machinery and Equipment	3-10

D. Allowance for Uncollectible Accounts:

The Authority does not recognize an allowance for uncollectible accounts due to the immateriality of the amount of such accounts.

E. Cash and Cash Equivalents:

Cash and cash equivalents include cash on hand, amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, the Authority considers their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Restricted cash consists of customer deposits made when initiating service.

F. Use of Estimates:

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

G. Prepaid Items:

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is expensed when consumed rather than when purchased.

H. Net Position:

For the Authority the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

I. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority does not have any deferred outflows of resources as of June 30, 2020.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority does not have any deferred inflows of resources as of June 30, 2020.

NOTE 2 – DEPOSITS AND INVESTMENTS:

Deposits:
Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments:
Statutes authorize local governments and other public bodies 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 that has received at least two of the following ratings: P-1 by Moody's Investors Service, Inc.; A-1 by Standards and Poor's; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

For the year ended June 30, 2020, the Authority did not have any investments.

NOTE 3 – CAPITAL ASSETS:

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

	Beginning Balance July 1, 2019	Increases	Decreases	Ending Balance June 30, 2020
Capital assets, being depreciated:				
Sewer system	$ 2,226,014	$ -	$ -	$ 2,226,014
Machinery and Equipment	68,052	-	-	68,052
Total capital assets being depreciated	$ 2,294,066	$ -	$ -	$ 2,294,066
Accumulated depreciation:				
Sewer system	$ (1,196,466)	$ (40,656)	$ -	$ (1,237,122)
Machinery and Equipment	(68,052)	-	-	(68,052)
Total accumulated depreciation	$ (1,264,518)	$ (40,656)	$ -	$ (1,305,174)
Total capital assets being depreciated, net	$ 1,029,548	$ (40,656)	$ -	$ 988,892
Capital assets, net	$ 1,029,548	$ (40,656)	$ -	$ 988,892

NOTE 4 – LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligation transactions of the Authority for the year ended June 30, 2020:

	Balance July 1, 2019	Issuances	Retirements	Balance June 30, 2020
Direct Borrowings and Placements:				
Pulaski County PSA loan	$ 9,111	$ -	$ (9,111)	$ -
Pulaski County Sewerage Authority Note (1)	-	100,000	(4,653)	95,347
Total	$ 9,111	$ 100,000	$ (13,764)	$ 95,347

(1) The County can declare the balance of the Note to be immediately due and payable, both as to principal and accrued interest, without presentment, demand, protest or notice of any kind and such balance(s) shall accrue interest at the Default Rate until paid in full. The Default Rate is also 3.00%.

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

Year Ending June 30,	Direct Borrowings and Placements Pulaski County Note Principal	Interest
2021	$ 15,762	$ 2,207
2022	19,441	2,122
2023	20,032	1,530
2024	20,641	921
2025	19,471	293
Totals	$ 95,347	$ 7,073

Details of indebtedness:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance	Amount Due Within One Year
Notes:						
Pulaski County Note	3.00%	5/1/2020	2025	$ 100,000	$ 95,347	$ 15,762
Notes Total					$ 95,347	$ 15,762

NOTE 5 – RISK MANAGEMENT:

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance for all risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 6 – INTERGOVERNMENTAL AGREEMENTS:

The Authority has an agreement with Pulaski Public Service Authority to maintain the utility lines for $50,000 annually.

NOTE 7 – LITIGATION:

As of June 30, 2020, there were no matters of litigation involving the Authority which would materially affect the Authority's financial position should any court decisions on pending matters not be favorable.

NOTE 8 – SUBSEQUENT EVENTS:

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency stemming from a new strain of coronavirus that was spreading globally (the "COVID-19 outbreak"). On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and a significant negative impact on the global economy. The COVID-19 pandemic has developed rapidly in 2020 and remains a quickly evolving situation. As a result of the spread of COVID-19, economic uncertainties have arisen which are likely to negatively impact economic activity. Pulaski County Sewerage Authority is not able to estimate the effects of the COVID-19 pandemic for fiscal year 2021.

NOTE 9 – UPCOMING PRONOUNCEMENTS:

Statement No. 84, Fiduciary Activities, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 87, Leases, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

NOTE 9 – UPCOMING PRONOUNCEMENTS (continued):

Statement No. 90, Majority Equity Interests – An Amendment of GASB Statements No, 14 and No. 61, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 91, Conduit Debt Obligations, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

Statement No. 92, Omnibus 2020, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics such as leases, assets related to pension and postemployment benefits, and reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. The effective dates differ by topic, ranging from January 2020 to periods beginning after June 15, 2021.

Statement No. 93, Replacement of Interbank Offered Rates, establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate and the requirements related to lease modifications, are effective for reporting periods beginning after June 15, 2020. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All requirements related to lease modifications in this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 94, Public-Private and Public-Public Partnerships and Availability of Payment Arrangements, addresses issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs), (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

NOTE 9 – UPCOMING PRONOUNCEMENTS (continued):

Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement. No 32, (1) increases consistency and comparability related to reporting of fiduciary component units in certain circumstances; (2) mitigates costs associated with the reporting of certain plans as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans. The effective dates differ based on the requirements of the Statement, ranging from June 2020 to reporting periods beginning after June 15, 2021.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

Compliance

Independent Auditors' 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 Board of Directors
Pulaski County Sewerage Authority
Fairlawn, Virginia

We have audited, in accordance with the 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, the financial statements of the business-type activities of Pulaski County Sewerage Authority as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Pulaski County Sewerage Authority's basic financial statements and have issued our report thereon dated January 11, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pulaski County Sewerage Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pulaski County Sewerage Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Pulaski County Sewerage Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2020-001 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pulaski County Sewerage Authority's financial statements are free from 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 financial statements. 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*.

Pulaski County Sewerage Authority's Response to Finding

Pulaski County Sewerage Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Pulaski County Sewerage Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
January 11, 2021

Pulaski Authority Sewerage Authority
Schedule of Findings and Responses
For the Year Ended June 30, 2020

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Section II - Financial Statement Findings

2020-001

Criteria:	A key component of internal controls is the segregation of duties. No one employee should have access to both accounting records and related assets.
Condition:	The service organization that keeps the books for the Authority lacks proper segregation of duties over the billings and collections of revenue.
Cause of Condition:	The service organization only has two employees and the Authority Board Members do not review monthly billing reports, daily collections, bank deposits and bank reconciliations.
Effect of Condition:	There is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal controls over financial reporting.
Recommendation:	The Board should review monthly reports, where practical, to help alleviate risk created by improper segregation of duties.
Management's Response:	The Board acknowledges that internal control over the billing and collection of revenue lacks proper segregation of duties and reviews, where practical, the work of the service organization to help mitigate the risk.

Section III - Status of Prior Audit Findings

2019-001

Finding 2019-001 was recurring in fiscal year 2020 as 2020-001.