

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

**FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2014**

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## FINANCIAL SECTION

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Carroll County Public Service Authority  
Hillsville, Virginia

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Carroll County Public Service Authority, as of and for the year ended, 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 respective financial position of the business-type activities of Carroll County Public Service Authority, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash



flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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 Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Carroll County Public Service Authority's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements

The combining financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2014, on our consideration of Carroll County Public Service 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 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 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 Carroll County Public Service Authority's internal control over financial reporting and compliance.

*Robinson, Farmer, Co. Associates*

Blacksburg, Virginia  
December 1, 2014

## Basic Financial Statements

PUBLIC SERVICE AUTHORITY OF CARROLL COUNTY, VIRGINIA  
(A COMPONENT UNIT OF CARROLL COUNTY)  
Statement of Net Position  
As of June 30, 2014

<b>ASSETS</b>	
Unrestricted Current Assets:	
Cash and cash equivalents	\$ 287,460
Receivables (net of allowance for uncollectibles):	
Water and sewer billings	262,527
Note receivable	383,756
Grants receivable	737,488
Prepaid items	37,729
	<u>          </u>
Total unrestricted current assets	\$ 1,708,960
Restricted Current Assets:	
Cash and cash equivalents - debt service	\$ 769,425
Cash held for others - County gas revenue	202,341
Cash held for others - customer deposits	86,576
Total restricted current assets	\$ 1,058,342
	<u>          </u>
Total current assets	\$ 2,767,302
Noncurrent Assets:	
Capital Assets:	
Land	\$ 264,837
Construction in progress	3,437,344
Machinery and equipment	503,671
Plant and lines	47,819,526
Less accumulated depreciation	(10,232,262)
	<u>          </u>
Total capital assets	\$ 41,793,116
	<u>          </u>
Total assets	\$ 44,560,418
<b>LIABILITIES AND NET POSITION</b>	
Liabilities:	
Current liabilities:	
Accounts payable - operations	\$ 206,449
Accounts payable - construction	767,120
Accrued interest payable	40,349
Amounts held for others	86,576
Due to County of Carroll, Virginia	277,403
Compensated absences - current portion	76,595
Bonds and notes payable - current portion	466,842
	<u>          </u>
Total current liabilities	\$ 1,921,334
Noncurrent liabilities:	
Compensated absences - net of current portion	\$ 25,531
Bonds and notes payable - net of current portion	23,949,480
	<u>          </u>
Total noncurrent liabilities	\$ 23,975,011
	<u>          </u>
Total liabilities	\$ 25,896,345
Net Position:	
Net investment in capital assets	\$ 17,760,550
Restricted	769,425
Unrestricted	134,098
	<u>          </u>
Total net position	\$ 18,664,073
	<u>          </u>

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

PUBLIC SERVICE AUTHORITY OF CARROLL COUNTY, VIRGINIA  
 (A COMPONENT UNIT OF CARROLL COUNTY)  
 Statement of Revenues, Expenses, and Change in Net Position  
 For the Year Ended June 30, 2014

Operating Revenues:		
Water and sewer charges	\$	2,241,852
Penalties and interest		106,769
State fees		9,291
Fire service		21,900
Miscellaneous		4,632
		<u>4,632</u>
Total operating revenues	\$	<u>2,384,444</u>
Operating Expenses:		
Salaries and fringes	\$	939,053
Professional services		109,834
Repairs and maintenance		97,952
Operating materials and supplies		153,667
Vehicle supplies and fuel		43,040
Utilities		177,247
Office and insurance expenses		52,205
Miscellaneous		12,117
Water and sewage treatment purchases		599,375
Depreciation expense		1,175,097
		<u>1,175,097</u>
Total operating expenses	\$	<u>3,359,587</u>
Operating income (loss)	\$	<u>(975,143)</u>
Nonoperating Revenues (Expenses):		
Connection fees	\$	44,709
Interest income		32,382
Interest expense		(694,978)
Recovered costs		9,273
Contribution to New River Regional Water Authority		(384,934)
Contributions from Primary Government		1,199,528
		<u>1,199,528</u>
Total nonoperating revenues (expenses)	\$	<u>205,980</u>
Income (loss) before capital contributions	\$	<u>(769,163)</u>
Capital contributions and construction grants:		
Construction grants	\$	<u>1,414,905</u>
Change in net position	\$	<u>645,742</u>
Net position, beginning of year	\$	<u>18,018,331</u>
Net position, end of year	\$	<u>18,664,073</u>

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



PUBLIC SERVICE AUTHORITY OF CARROLL COUNTY, VIRGINIA  
 (A COMPONENT UNIT OF CARROLL COUNTY)  
 Statement of Cash Flows  
 For the Year Ended June 30, 2014

	Total
Cash flows from operating activities:	
Receipts from customers	\$ 2,360,326
Payments to employees for services	(692,797)
Payments to suppliers for goods and services	(1,184,023)
Net cash provided by (used for) operating activities	\$ 483,506
Cash flows from noncapital financing activities:	
Contribution from Carroll County	\$ 1,199,528
Cash flows from capital and related financing activities:	
Connection charges	\$ 44,709
Acquisition of capital assets	(3,220,455)
Recovered costs	9,273
Contribution to NRRWA	(384,934)
Contributions in aid of construction	913,876
Payments from Wythe County on note receivable	6,689
Proceeds from indebtedness	3,109,707
Principal payments on indebtedness	(1,214,494)
Interest payments on indebtedness	(794,850)
Net cash provided by (used for) capital and related financing activities	\$ (1,530,479)
Cash flows from investing activities:	
Interest received	\$ 32,382
Increase (decrease) in cash and cash equivalents	\$ 184,937
Cash and cash equivalents at beginning of year (including restricted cash equivalents of \$781,639)	\$ 1,160,865
Cash and cash equivalents at end of year (including restricted cash equivalents of \$1,058,342)	\$ 1,345,802
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (975,143)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	1,175,097
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	(30,148)
(Increase) decrease in prepaid items	(3,170)
Increase (decrease) in operating payables	64,584
Increase (decrease) in amount due to Carroll County for payroll	244,025
Increase (decrease) in customer deposits	6,030
Increase (decrease) in compensated absences	2,231
Net cash provided by (used for) operating activities	\$ 483,506

## Supplemental disclosure required:

Interest paid during the year on indebtedness included capitalized interest of \$43,903.

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

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

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2014

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 accounting policies:

A. The Financial Reporting Entity:

The Authority is a discretely presented component unit of County of Carroll, Virginia and is presented as such in the County's financial report for the fiscal year ended June 30, 2014.

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. Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds 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 non-operating revenues and expenses.

C. Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., water and sewer systems), 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 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. Interest capitalized during the fiscal year totaled \$43,903. Interest capitalized in the prior year was \$70,338.

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

<u>Assets</u>	<u>Years</u>
Water & Sewer System	5-50
Equipment	3-10
Buildings	30-50



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

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2014

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

D. Allowance for Uncollectible Accounts:

The Authority calculates its allowance for uncollectible accounts using historical collection data. At June 30, 2014, the allowance amounted to approximately \$179,457.

E. Cash, Cash Equivalents and Investments:

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

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.

G. Restricted Net Position:

Included in restricted cash and cash equivalents are amounts held in debt service reserve accounts in the amount of \$769,425. 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 as they are needed.

H. Compensated Absences:

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expense and a liability on the statement of net position. In accordance with the provisions of Government Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement. The Authority accrues salary-related payments associated with the payment of compensated absences. All vacation pay is accrued when incurred.

I. Prepaid Items:

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

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

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2014

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

J. 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, 2014.

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, 2014.

K. Net Position:

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related 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 also included in this component of net position.

L. Net Position Flow Assumption:

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 proprietary fund 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.

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

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2014

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**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 and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). Carroll County Public Service Authority does not have any investments at June 30, 2014.

**NOTE 3 - DUE TO PRIMARY GOVERNMENT:**

All full-time employees of the Public Service Authority are paid through County of Carroll, Virginia. Part-time employees are paid by the Authority along with any overtime pay that the Public Service Authority Board approves. As of June 30, 2014, the Authority owes County of Carroll, Virginia \$75,062 for prior payroll services.

The Authority bills and collects payments for natural gas on behalf of County of Carroll, Virginia. As of June 30, 2014, the Authority held \$202,341 in collections due to the County.

**NOTE 4 - PENSION PLAN:**

Through County of Carroll, 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 County of Carroll, Virginia.



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

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2014

**NOTE 5 - CAPITAL ASSETS AND DEPRECIATION:**

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 264,837	\$ -	\$ -	\$ 264,837
Construction in progress	4,598,772	3,649,769	(4,811,197)	3,437,344
Total capital assets not being depreciated	\$ 4,863,609	\$ 3,649,769	\$ (4,811,197)	\$ 3,702,181
Capital assets, being depreciated:				
Machinery and equipment	\$ 520,099	\$ -	\$ (16,428)	\$ 503,671
Plant and lines	42,883,597	4,935,929	-	47,819,526
Total capital assets being depreciated	\$ 43,403,696	\$ 4,935,929	\$ (16,428)	\$ 48,323,197
Accumulated depreciation:				
Machinery and equipment	\$ (299,973)	\$ (44,405)	\$ 16,428	\$ (27,977)
Plant and lines	(8,773,620)	(1,130,692)	-	(10,204,285)
Total accumulated depreciation	\$ (9,073,593)	\$ (1,175,097)	\$ 16,428	\$ (10,232,262)
Total capital assets being depreciated, net	\$ 34,330,103	\$ 3,760,832	\$ -	\$ 38,090,935
Capital assets, net	<u>\$ 39,193,712</u>	<u>\$ 7,410,601</u>	<u>\$ (4,811,197)</u>	<u>\$ 41,793,116</u>

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

Changes in Long-term Obligations:

The following is a summary of changes in long-term obligations of the Authority for the fiscal year ended June 30, 2014:

	Balance July 1, 2013	Increases Issuances	Decreases Retirements	Balance June 30, 2014
Revenue bonds	\$ 19,975,353	\$ 3,109,707	\$ (332,502)	\$ 22,752,558
Virginia Resource				
Authority Loans	1,570,189	-	(81,075)	1,489,114
Promissory Notes	186,034	-	(11,384)	174,650
Interim Financing Note	789,533	-	(789,533)	-
Compensated absences	99,895	77,152	(74,921)	102,126
Total	<u>\$ 22,621,004</u>	<u>\$ 3,186,859</u>	<u>\$ (1,289,415)</u>	<u>\$ 24,518,448</u>

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

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2014

**NOTE 6 - LONG-TERM OBLIGATIONS: (CONTINUED)**

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

Year Ending June 30,	Water/Sewer Revenue Bonds		VRA Loans		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 370,509	\$ 688,033	\$ 81,326	\$ 2,561	\$ 15,007	\$ 7,076
2016	416,455	732,166	81,543	2,344	15,652	6,430
2017	437,177	680,479	81,766	2,121	16,325	5,757
2018	451,882	665,774	81,997	1,891	17,027	5,056
2019	467,136	650,519	82,234	1,653	17,759	4,324
2020-2024	2,585,371	3,002,909	414,984	4,451	92,880	9,573
2025-2029	3,063,251	2,525,029	375,545	71	-	-
2030-2034	3,606,507	1,948,273	272,210	-	-	-
2035-2039	3,322,746	1,350,689	17,509	-	-	-
2040-2044	3,316,756	834,704	-	-	-	-
2045-2049	3,112,673	299,221	-	-	-	-
2050-2054	719,388	45,327	-	-	-	-
Totals	<u>\$ 21,869,851</u>	<u>\$ 13,423,123</u>	<u>\$ 1,489,114</u>	<u>\$ 15,092</u>	<u>\$ 174,650</u>	<u>\$ 38,216</u>
Bond in draw down phase	<u>\$ 882,707</u>					
Total	<u>\$ 22,752,558</u>					

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

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2014

**NOTE 6 - LONG-TERM OBLIGATIONS: (CONTINUED)**

Details of Long-Term Obligations:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Payment Installments*	Balance Business-type Activities	Amount Due Within One Year
<u>Rural Development Bonds</u>							
Sewer Revenue Bond	4.50%	7/10/1998	8/10/2040	\$ 977,000	\$53,820/m	\$ 778,002	\$ 19,203
Sewer Revenue Bond	3.25%	12/2/1999	6/2/2039	389,300	17,904/m	306,341	8,068
Sewer Revenue Bond	4.50%	12/17/2008	9/17/2048	3,261,000	179,616/m	3,136,433	39,270
Sewer Revenue Bond	2.38%	3/25/2010	3/25/2052	1,436,974	76,152/m	1,652,919	37,300
Sewer Revenue Bond	2.25%	12/13/2011	7/13/2039	2,000,000	78,480/m	1,983,092	34,235
Water Revenue Bond	4.50%	8/25/1994	4/25/2034	500,300	\$27,564/m	362,033	11,508
Water Revenue Bond	4.50%	4/28/1994	12/5/2037	1,345,400	68,856/m	963,369	31,403
Water Revenue Bond	4.50%	10/20/1994	8/20/2034	650,000	38,676/m	511,053	16,006
Water Revenue Bond	4.50%	10/20/1994	8/20/2034	168,700	6,432/m	84,889	2,667
Water Revenue Bond	4.50%	8/5/1998	12/31/2033	1,250,000	74,112/m	998,987	24,401
Water Revenue Bond	4.50%	12/17/2007	9/17/2037	469,000	25,836/m	445,408	5,914
Water Revenue Bond	4.38%	12/17/2007	6/17/2049	2,567,581	139,308/m	2,441,275	33,163
Water Revenue Bond	2.38%	3/31/2010	3/31/2052	5,000,000	200,400/m	4,811,570	87,069
Water Revenue Bond	2.38%	8/3/2010	5/3/2050	183,000	7,344/m	177,384	3,165
Water Revenue Bond	2.25%	11/16/2011	9/16/2051	1,000,000	39,240/m	990,096	17,137
Water Revenue Bond	2.50%	5/28/2014	5/28/2054	1,256,000	4,271/m	882,707	-
Water Revenue Bond	2.00%	8/29/2013	8/28/2053	2,227,000	6993/m	2,227,000	-
Total Rural Development Bonds						\$ 22,752,558	\$ 370,509
<u>Virginia Resource Authority (VRA) Bonds</u>							
Water Revenue Bond	0.00%	1/1/2002	1/1/2032	\$ 1,173,928	\$19,565/sa	\$ 684,081	\$ 39,131
Water Revenue Bond	0.00%	6/30/2004	6/1/2035	1,129,000	17,509/sa	717,881	35,019
Water Revenue Bond	3.00%	6/30/2004	12/1/2024	153,200	4,869/sa	87,152	7,176
Total VRA Bonds						\$ 1,489,114	\$ 81,326
<u>Notes Payable</u>							
Promissory Note - Sewer	4.21%	4/28/2004	2/16/2024	\$ 250,000	\$1,543/m	\$ 148,060	\$ 12,524
Promissory Note - Water	4.25%	4/1/2013	4/15/2023	29,000	297/m	26,590	2,483
Total Notes Payable						\$ 174,650	\$ 15,007
<u>Other Long term Obligations</u>							
Compensated absences						\$ 102,126	\$ 76,595
Total Long-term Obligations						\$ 24,518,448	\$ 543,437

\* m = monthly, sa = semiannually

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

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2014

**NOTE 7 - COMMITMENTS AND CONTINGENCIES:**

**Purchase Agreement:**

The Authority has an agreement with the Town of Hillsville which provides for the Authority to obtain water and sewage treatment at current cost plus twenty percent (20%).

**Contingent Liabilities:**

Federal programs in which the Authority participates were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

**Construction Commitments:**

At June 30, 2014, the following construction commitments were outstanding:

Project:	Total	Amount of	Accounts	Retainage
	Total Contract	Contract Outstanding	Payable	Payable
Coon Ridge Road project	\$ 1,562,653	\$ 319,778	\$ 231,547	\$ 77,601
Poplar Camp Road project	1,240,808	260,015	138,038	55,489
I-77 Exit 1 project	767,394	651,889	69,236	9,723
Fancy Gap sewer project	2,512,276	152,563	152,563	-
Total	\$ 6,083,131	\$ 1,384,245	\$ 591,384	\$ 142,813

**NOTE 8 - RISK MANAGEMENT:**

The Authority participates with entities in a public entity risk pool for its coverage of general liability, auto, property, equipment and machinery, and crime insurance with the Virginia Association of Counties. Each member of the risk pool jointly and severally agrees to assume, pay and discharge any liability. The Authority pays the Virginia Association of Counties contributions and assessments into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss, deficit, or depletion of all available resources, the pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The Authority continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.



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

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2014

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**NOTE 9 - NOTE RECEIVABLE:**

On February 26, 2009, County of Wythe, Virginia and the Authority agreed to a cost sharing agreement related to the Pump Station and Water Transmission Main (Long Range) project. Carroll County Public Service Authority financed the project and provided oversight for the construction. The agreement states that County of Wythe, Virginia will pay twenty two percent of the debt service and annual operation and maintenance costs of the Pump Station and Water Transmission Main. Each entity has agreed to own the corresponding percentage of the infrastructure. Thus, County of Wythe, Virginia received an asset in the amount of \$580,453. Of this amount, \$398,663 represents a receivable from Wythe County and a grant in the amount of \$181,790. As of June 30, 2014, Wythe County owed the Authority \$383,756.

**NOTE 10 - OPERATING LEASE:**

Beginning in 2007, the Authority entered into an operating lease with City of Galax for sewer treatment capacity. The Authority is required to make semi-annual payments in the amount of \$12,395 until 2031.

**NOTE 11 - LITIGATION:**

As of June 30, 2014, there were no matters of litigation involving the Authority which would materially affect the Authority's financial position should a court decision on pending matters not be favorable.

**NOTE 12 - NON-EXCHANGE FINANCIAL GUARANTEE:**

Carroll County has provided a moral obligation to back all debt of the Authority and, accordingly, makes annual contributions to the Authority for debt service. Carroll County does not have a set contribution plan nor is there an amount agreed to in writing. The County annually appropriates a contribution to aid the Authority in repayment of debt service. In fiscal year 2014, the County contributed \$1,199,528 to help the Authority pay its debt service.

**NOTE 13 - UPCOMING PRONOUNCEMENTS:**

The Governmental Accounting Standards Board has issued statement No. 68, Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27. This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The Authority believes the implementation of Statement No. 68 will significantly impact the Authority's net position; however, no formal study or estimate of the impact of this standard has been performed.

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## Other Supplementary Information

PUBLIC SERVICE AUTHORITY OF CARROLL COUNTY, VIRGINIA  
(A COMPONENT UNIT OF CARROLL COUNTY)  
Combining Statement of Net Position  
As of June 30, 2014

ASSETS	Water Fund	Sewer Fund	Total
Unrestricted Current Assets:			
Cash and cash equivalents	\$ 191,844	\$ 95,616	\$ 287,460
Receivables (net of allowance for uncollectibles):			
Water and sewer billings	171,252	91,275	262,527
Note receivable	383,756	-	383,756
Grants receivable	298,826	438,662	737,488
Prepaid items	26,929	10,800	37,729
Total unrestricted current assets	\$ 1,072,607	\$ 636,353	\$ 1,708,960
Restricted Current Assets:			
Cash and cash equivalents - debt service	\$ 507,821	\$ 261,604	\$ 769,425
Cash held for others - County gas revenue	202,341	-	202,341
Cash held for others - customer deposits	57,140	29,436	86,576
Total restricted current assets	\$ 767,302	\$ 291,040	\$ 1,058,342
Total current assets	\$ 1,839,909	\$ 927,393	\$ 2,767,302
Noncurrent Assets:			
Capital Assets:			
Land	\$ 254,837	\$ 10,000	\$ 264,837
Construction in progress	3,437,344	-	3,437,344
Machinery and equipment	357,294	146,377	503,671
Plant and lines	29,264,105	18,555,421	47,819,526
Less accumulated depreciation	(6,959,254)	(3,273,008)	(10,232,262)
Total capital assets	\$ 26,354,326	\$ 15,438,790	\$ 41,793,116
Total assets	\$ 28,194,235	\$ 16,366,183	\$ 44,560,418
LIABILITIES AND NET POSITION			
Liabilities:			
Current liabilities:			
Accounts payable - operations	\$ 93,164	\$ 113,285	\$ 206,449
Accounts payable - construction	596,114	171,006	767,120
Accrued interest payable	29,438	10,911	40,349
Amounts held for others	57,140	29,436	86,576
Due to County of Carroll, Virginia	263,000	14,403	277,403
Compensated absences - current portion	53,915	22,680	76,595
Bonds and notes payable - current portion	316,242	150,600	466,842
Total current liabilities	\$ 1,409,013	\$ 512,321	\$ 1,921,334
Noncurrent liabilities:			
Compensated absences - net of current portion	\$ 17,971	\$ 7,560	\$ 25,531
Bonds and notes payable - net of current portion	15,795,114	8,154,366	23,949,480
Total noncurrent liabilities	\$ 15,813,085	\$ 8,161,926	\$ 23,975,011
Total liabilities	\$ 17,222,098	\$ 8,674,247	\$ 25,896,345
Net Position:			
Net investment in capital assets	\$ 10,626,726	\$ 7,133,824	\$ 17,760,550
Restricted	507,821	261,604	769,425
Unrestricted	(162,410)	296,508	134,098
Total net position	\$ 10,972,137	\$ 7,691,936	\$ 18,664,073

PUBLIC SERVICE AUTHORITY OF CARROLL COUNTY, VIRGINIA  
(A COMPONENT UNIT OF CARROLL COUNTY)  
Combining Statement of Revenues, Expenses, and Change in Net Position  
For the Year Ended June 30, 2014

	Water Fund	Sewer Fund	Total
Operating Revenues:			
Water and sewer charges	\$ 1,536,935	\$ 704,917	\$ 2,241,852
Penalties and interest	106,769	-	106,769
State fees	9,291	-	9,291
Fire service	21,900	-	21,900
Miscellaneous	1,825	2,807	4,632
Total operating revenues	\$ 1,676,720	\$ 707,724	\$ 2,384,444
Operating Expenses:			
Salaries and fringes	\$ 744,467	\$ 194,586	\$ 939,053
Professional services	53,761	56,073	109,834
Repairs and maintenance	88,086	9,866	97,952
Operating materials and supplies	113,495	40,172	153,667
Vehicle supplies and fuel	25,196	17,844	43,040
Utilities	126,517	50,730	177,247
Office and insurance expenses	43,442	8,763	52,205
Miscellaneous	11,772	345	12,117
Water and sewage treatment purchases	235,916	363,459	599,375
Depreciation expense	763,938	411,159	1,175,097
Total operating expenses	\$ 2,206,590	\$ 1,152,997	\$ 3,359,587
Operating income (loss)	\$ (529,870)	\$ (445,273)	\$ (975,143)
Nonoperating Revenues (Expenses):			
Connection fees	\$ 43,959	\$ 750	\$ 44,709
Interest income	18,507	13,875	32,382
Interest expense	(426,755)	(268,223)	(694,978)
Recovered costs	9,273	-	9,273
Contribution to New River Regional Water Authority	(384,934)	-	(384,934)
Contributions from Carroll County, Virginia	825,000	374,528	1,199,528
Total nonoperating revenues (expenses)	\$ 85,050	\$ 120,930	\$ 205,980
Income (loss) before capital contributions	\$ (444,820)	\$ (324,343)	\$ (769,163)
Capital contributions and construction grants:			
Construction grants	\$ 931,454	\$ 483,451	\$ 1,414,905
Change in net position	\$ 486,634	\$ 159,108	\$ 645,742
Net position, beginning of year	\$ 10,485,503	\$ 7,532,828	\$ 18,018,331
Net position, end of year	\$ 10,972,137	\$ 7,691,936	\$ 18,664,073

PUBLIC SERVICE AUTHORITY OF CARROLL COUNTY, VIRGINIA  
(A COMPONENT UNIT OF CARROLL COUNTY)  
Combining Statement of Cash Flows  
For the Year Ended June 30, 2014

Exhibit 6

	Water Fund	Sewer Fund	Total
Cash flows from operating activities:			
Receipts from customers	\$ 1,668,220	\$ 692,106	\$ 2,360,326
Payments to employees for services	(505,947)	(186,850)	(692,797)
Payments to suppliers for goods and services	(675,007)	(509,016)	(1,184,023)
Net cash provided by (used for) operating activities	\$ 487,266	\$ (3,760)	\$ 483,506
Cash flows from noncapital financing activities:			
Contribution from Carroll County	\$ 825,000	\$ 374,528	\$ 1,199,528
Cash flows from capital and related financing activities:			
Connection charges	\$ 43,959	\$ 750	\$ 44,709
Acquisition of capital assets	(2,691,313)	(529,142)	(3,220,455)
Recovered costs	9,273	-	9,273
Contribution to NRRWA	(384,934)	-	(384,934)
Contributions in aid of construction	656,449	257,427	913,876
Payments from Wythe County on note receivable	6,689	-	6,689
Proceeds from indebtedness	2,809,587	300,120	3,109,707
Principal payments on indebtedness	(907,648)	(306,846)	(1,214,494)
Interest payments on indebtedness	(468,693)	(326,157)	(794,850)
Net cash provided by (used for) capital and related financing activities	\$ (926,631)	\$ (603,848)	\$ (1,530,479)
Cash flows from investing activities:			
Interest received	\$ 18,507	\$ 13,875	\$ 32,382
Increase (decrease) in cash and cash equivalents	\$ 404,142	\$ (219,205)	\$ 184,937
Cash and cash equivalents at beginning of year (including restricted cash equivalents of \$781,639)	\$ 555,004	\$ 605,861	\$ 1,160,865
Cash and cash equivalents at end of year (including restricted cash equivalents of \$1,058,342)	\$ 959,146	\$ 386,656	\$ 1,345,802
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (529,870)	\$ (445,273)	\$ (975,143)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	763,938	411,159	1,175,097
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	(12,480)	(17,668)	(30,148)
(Increase) decrease in prepaid items	2,378	(5,548)	(3,170)
Increase (decrease) in operating payables	20,800	43,784	64,584
Increase (decrease) in amount due to Carroll County for payroll	236,555	7,470	244,025
Increase (decrease) in customer deposits	3,980	2,050	6,030
Increase (decrease) in compensated absences	1,965	266	2,231
Net cash provided by (used for) operating activities	\$ 487,266	\$ (3,760)	\$ 483,506

Supplemental disclosure required:

Interest paid during the year on indebtedness included capitalized interest of \$43,903.



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## COMPLIANCE SECTION

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## 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  
Carroll County Public Service Authority  
Hillsville, 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 Carroll County Public Service Authority, a component unit of Carroll County, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Carroll County Public Service Authority's basic financial statements and have issued our report thereon dated December 1, 2014.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Carroll County Public Service Authority's internal control over financial reporting (internal control) to determine the 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 Carroll County Public Service Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Carroll County Public Service 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Carroll County Public Service 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of



noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### **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, Turner, Co. Associates*  
Blacksburg, Virginia  
December 1, 2014

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors  
Carroll County Public Service Authority  
Hillsville, Virginia

### Report on Compliance for Each Major Federal Program

We have audited Carroll County Public Service Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Carroll County Public Service Authority's major federal programs for the year ended June 30, 2014. Carroll County Public Service Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Carroll County Public Service Authority's major federal programs based on our audit of the types of compliance requirements referred to above. 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*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Carroll County Public Service Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Carroll County Public Service Authority's compliance.

### Opinion on Each Major Federal Program

In our opinion, Carroll County Public Service Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.



## Report on Internal Control over Compliance

Management of Carroll County Public Service Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Carroll County Public Service Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control 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 Carroll County Public 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 of a federal program on a timely basis. A *material weakness 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 of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Robinson, Turner, Co. Associates*

Blacksburg, Virginia  
December 1, 2014



Carroll County Public Service Authority

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2014

Federal Grantor/ State Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<b>DEPARTMENT OF AGRICULTURE:</b>			
Direct payments:			
Water and Waste Program Cluster:			
Water and Waste Disposal Systems for Rural Communities	10.760	Not applicable	\$ 3,650,585
ARRA - Water and Waste Disposal Systems for Rural Communities	10.781	Not applicable	522,303
Pass-through payments:			
Southeast Rural Community Assistance Project, Inc. Intermediary Relending Program	10.767	Not applicable	29,000
Total Expenditures of Federal Awards			<u>\$ 4,201,888</u>

NOTE 1--BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Carroll County Public Service Authority under programs of the federal government for the year ended June 30, 2014. 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 Carroll County Public Service Authority it is not intended to and does not present the financial position, changes in net position, or cash flows of Carroll County Public Service 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 contained 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.

(2) Pass-through entity identifying numbers are presented where available.

NOTE 3--RELATIONSHIP TO FINANCIAL STATEMENTS:

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

Intergovernmental federal revenues:	\$ 1,092,181
Federal loan proceeds:	3,109,707
Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 4,201,888</u>

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2014

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## Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
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 auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	No

## Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.760/10.781	Water and Waste Program Cluster

Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
Auditee qualified as low-risk auditee?	No

**Carroll County Public Service Authority**

Page 2 of 2

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2014**

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**Section II - Financial Statement Findings**

There are no financial statement findings to report.

**Section III - Federal Award Findings and Questioned Costs**

There are no federal award findings and questioned costs to report.

**Section IV - Status of Prior Audit Findings and Questioned Costs**

There were no prior audit findings related to federal awards.



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