

RIVANNA WATER & SEWER AUTHORITY

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

YEARS ENDED JUNE 30, 2007 AND 2006

SERVING

**CHARLOTTESVILLE &
ALBEMARLE COUNTY, VIRGINIA**

**RIVANNA WATER & SEWER AUTHORITY
CHARLOTTESVILLE, VIRGINIA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEARS ENDED JUNE 30, 2007 AND 2006

Prepared By:

Lonzy E. Wood, III, Director of Finance and Administration

RIVANNA WATER & SEWER AUTHORITY

Comprehensive Annual Financial Report
Fiscal Years Ended June 30, 2007 and 2006

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RIVANNA WATER & SEWER AUTHORITY

Comprehensive Annual Financial Report
Fiscal Years Ended June 30, 2007 and 2006

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BOARD MEMBERS

Michael A. Gaffney, Chairman

Gary B. O'Connell, Vice-Chairman

Robert W. Tucker, Jr., Secretary/Treasurer

Judith M. Mueller

Gary W. Fern

EXECUTIVE DIRECTOR

Thomas L. Frederick, Jr., P.E.

DIRECTOR OF FINANCE/ADMINISTRATION

Lonzy E. Wood, III, CPA

GENERAL COUNSEL

McGuire Woods, LLP
Charlottesville, Virginia

TRUSTEE AND ESCROW AGENT

Bank of New York
New York, New York

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RIVANNA WATER & SEWER AUTHORITY

695 MOORES CREEK LANE • CHARLOTTESVILLE, VIRGINIA 22902-9016
(434) 977-2970 • FAX: (434) 293-8858 • WEBSITE: WWW.RIVANNA.ORG

October 16, 2007

Board of Directors
Rivanna Water and Sewer Authority
Charlottesville, VA

The Comprehensive Annual Financial Report (CAFR) of the Rivanna Water and Sewer Authority (Authority) is submitted herewith. This report has been prepared in conformity with the reporting and accounting standards promulgated by the Government Accounting Standards Board and the Financial Accounting Standards Board and with the accounting and reporting standards for enterprise funds set out by the Government Finance Officer's Association of the United States and Canada, with such modifications as apply to our status as an independently chartered corporation. The information in the report is believed by Authority management to be sufficient to fully represent the financial result of the Authority's operations for the year ended June 30, 2007 and to provide an accurate and useful picture of the Authority's status as of that date. All information included is the responsibility of the management of the Authority with respect to accuracy, completeness and fairness.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

ORGANIZATION AND SERVICES PROVIDED

The Rivanna Water and Sewer Authority is a regional non-profit public corporation and political subdivision of the Commonwealth chartered in 1972 under the *Virginia Water and Sewer Authorities Act* (1950, as amended), that supplies drinking water to and treats the sewage of Charlottesville (City) and certain areas of Albemarle County (County). The Authority is a wholesale agency and bills monthly both Charlottesville and the Albemarle County Service Authority, which handle retail distribution of water and collection of sewage in their respective service areas.

The Authority is charged to acquire, finance, construct, operate and maintain facilities for the impoundment, production, storage, treatment and transmission of potable water and for the interception, treatment and discharge of wastewater. The Authority operates under the terms of a Service Agreement signed June 12, 1973 by the officers of the Charlottesville City Council, the Albemarle County Board of Supervisors, the Albemarle County Service Authority and the Rivanna Water and Sewer Authority. The Authority has determined that it is not part of the reporting entity of either the City of Charlottesville or the County of Albemarle and will not be included in the financial report of either (see Note 1 to the Financial Statements).

ORGANIZATION AND SERVICES PROVIDED: (CONTINUED)

The Authority is governed by a five member Board of Directors (Board). The Board appoints an Executive Director, who manages Authority operations under their direction. The Authority is now organized in administration, laboratory, engineering, water, and wastewater departments. The Authority operates and maintains five water treatment plants and four wastewater treatment plants and the associated water storage facilities, pump stations, transmission mains and interceptor sewers, as well as a hydropower generating facility and a sludge-composting yard. Retail distribution of water and collection of wastewater is performed by the Authority's two customers: the City of Charlottesville's Public Utilities Division and the Albemarle County Service Authority.

JOINT ADMINISTRATION

By mutual agreement of the respective Boards of Directors, the Authority currently shares administrative staff and office space with the Rivanna Solid Waste Authority, which is billed monthly for its portion of the costs. Administrative procedures were implemented to ensure proper segregation of funds, purchasing activity, personnel, and similar matters. In general, the Rivanna Solid Waste Authority adopted existing Authority administrative policies, procedures and regulations for its own use. The Authorities have also agreed to adopt and administer joint Safety Regulations and a joint Safety Program.

ECONOMIC CONDITION AND PROSPECTS

The University of Virginia provides a significant buffer against large swings in the economy of our service area. In addition, the Charlottesville urban area is a major retail trade center for the surrounding region. Housing growth remains steady. Although the majority of such growth occurs in County developments, in-filling in Charlottesville continues. Both Charlottesville and Albemarle County enjoy low unemployment rates, steady economic growth and high bond ratings.

The Authority expects continued growth in demand for water supply and sewage disposal services. The University of Virginia has begun several large capital projects that will continue to be the impetus of growth for water and sewer services. Our current Capital Improvement Program, as discussed below, reflects the Authority's response to the current and projected service burden on our facilities and to the need to respond to regulatory requirements.

ACCOUNTING AND BUDGETARY CONTROLS

The Authority's accounting records are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recorded when incurred, without regard to receipt or payment of cash. Current controls provide reasonable assurance that the Authority's assets are properly recorded and protected and that the financial data may be used with confidence in the preparation of historical reports and projections. Accounting control is maintained by segregation of duties and data security systems in all areas of record keeping, disbursements, and purchasing authority. All of these control systems are reviewed regularly by staff and are evaluated as part of the annual financial audit (see Annual Audit section below).

ACCOUNTING AND BUDGETARY CONTROLS: (CONTINUED)

The Authority is required by the Service Agreement to adopt an annual budget for setting wholesale rates as well as for fiscal guidance to staff. Separate fiscal year budgets are currently prepared for six rate centers to include direct costs and allocations of administrative, engineering, lab and debt service expenses. Projections of flows and expenses are used to calculate rates per thousand gallons for the two Urban rate centers and flat monthly charges for the other rate centers. A proposed budget for each fiscal year is prepared by the Authority Directors and the Executive Director and submitted to the Board of Directors, usually in February, with a public hearing held on the proposed rates in April or May. All budget items lapse at the end of the fiscal year, with the exception of encumbrances and capital commitments. It should be noted that the budget is prepared for internal use and does not reflect the accrual basis of accounting. An example of this is that principal and interest payments on debt are shown as an expense.

Budgetary compliance is monitored and reported to the Board by the Director of Finance & Administration and the Executive Director. Projections of both revenues and expenses are understood to reflect anticipated service levels and to incorporate a variety of economic, climatic, and demographic forecasts. Variances from budget line items are examined at least monthly to assure a reasonable relation between actual costs and actual service levels, emergencies, or economic conditions.

CASH MANAGEMENT

Idle operations cash is pooled and invested in short-term securities (chiefly U.S. Government obligations, repurchase agreements, and the Local Government Investment Pool), according to the requirements of forecast cash flow. A repurchase agreement account was maintained to provide reserve daily liquidity in the Authority's controlled disbursement arrangement with Bank of America for its disbursement account until April 2007, when the account was converted to an interest bearing account. Current safekeeping and delivery arrangements are felt to provide appropriate security for operations investments. Trust account balances are invested in accounts under the supervision of the Authority as allowed by the Trustee. Investments in the Trust Funds are chiefly U.S. government securities.

RISK MANAGEMENT

The Authority maintains a comprehensive array of property and liability insurance relevant to its operations (see Table 11 in the Statistical Section). A Safety Program, including comprehensive Safety Regulations, is actively administered and enforced to minimize exposures and manage incidents. The Safety Program is administered jointly with the Rivanna Solid Waste Authority. As part of its commitment to provide a safe and healthy workplace, the Authorities have jointly committed to a comprehensive review and implementation of all relevant Occupational Health and Safety Administration standards.

ANNUAL AUDIT

The Code of Virginia, the June 12, 1973 Service Agreement, the Trust Agreement and its Supplements require an annual audit of the books and records of the Authority. The opinion of our independent certified public accountants is included in the Financial Section.

AWARDS

The Government Finance Officer's Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Rivanna Water and Sewer Authority for its comprehensive annual financial report for the fiscal year ended June 30, 2006. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

This report is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we will submit it to the GFOA to determine its eligibility for a certificate.

ACKNOWLEDGEMENTS

The help of staff and of our certified public accountants is gratefully acknowledged. Such help and the Board of Directors' support and commitment to financial reporting excellence are essential to the preparation of this report.

Respectfully submitted,

Lonzy E. Wood, III
Director of Finance and Administration

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Rivanna Water & Sewer
Authority, Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

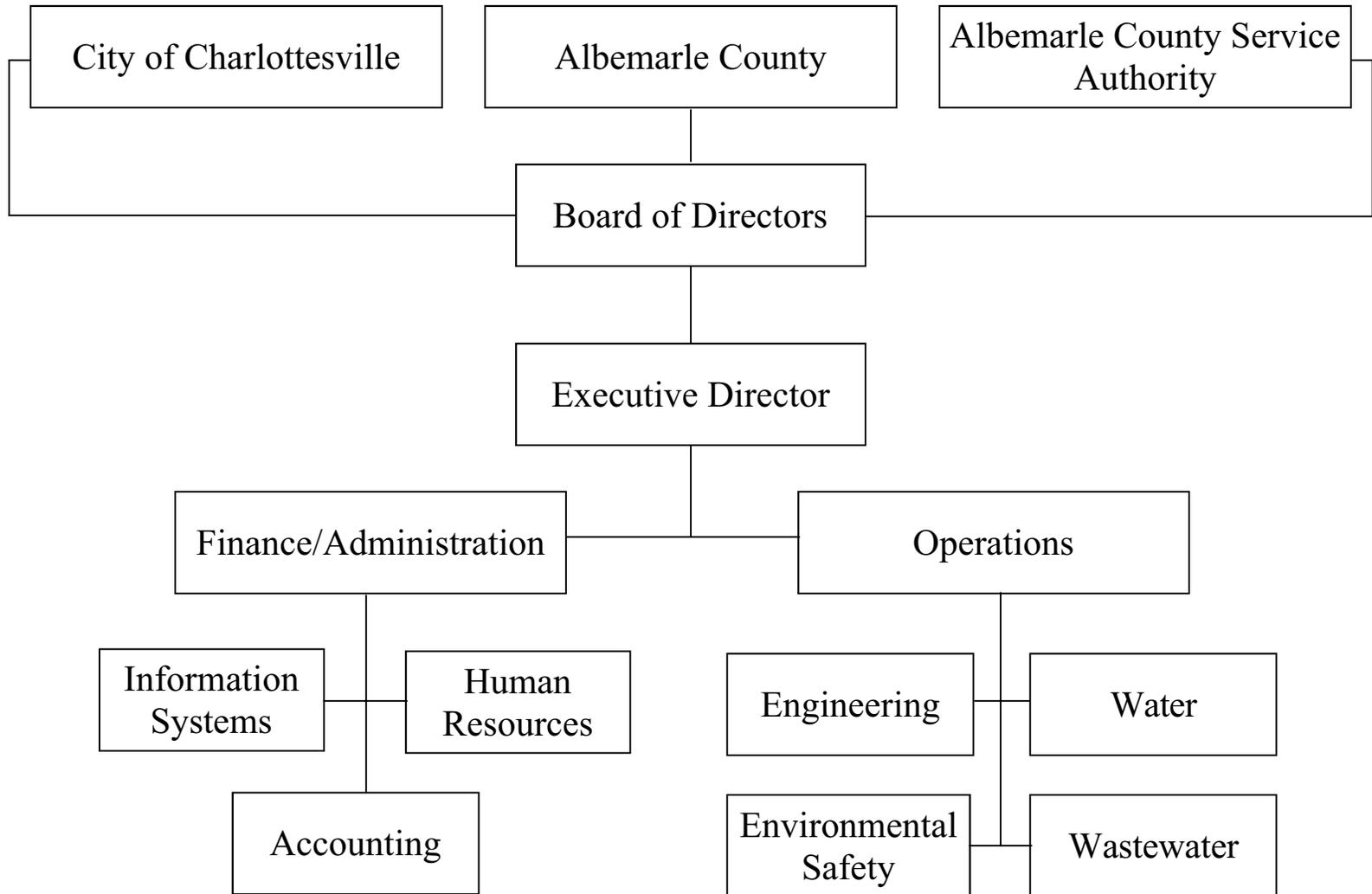


President

Executive Director

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Rivanna Water & Sewer Authority



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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

**To the Board of Directors
Rivanna Water & Sewer Authority
Charlottesville, Virginia**

We have audited the accompanying statement of net assets of the Rivanna Water & Sewer Authority as of June 30, 2007 and June 30, 2006 and the related statement of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rivanna Water & Sewer Authority at June 30, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated September 28, 2007 on our consideration of the Rivanna Water & Sewer 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 13 through 20 and the Schedule of Funding Progress for the Defined Benefit Pension Plan are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Introductory and Statistical sections are presented for the purpose of additional analysis and are not a required part of the basic financial statements, and we did not audit or apply limited procedures to such information. Accordingly, we do not express any assurance on such information.

Robinson, Farmer, & Associates

Charlottesville, Virginia

September 28, 2007

Management's Discussion and Analysis

**To the Board of Directors
Rivanna Water & Sewer Authority
Charlottesville, Virginia**

As management of the Rivanna Water & Sewer Authority (the Authority), we offer readers of our financial statements this narrative and overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 3 through 6 of this report.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. Since the Authority is engaged only in business-type activities, its basic financial statements are comprised of only two components: 1) enterprise fund financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Enterprise fund financial statements. The enterprise fund financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of revenues, expenses and changes in fund net assets presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, (e.g. earned but unused vacation leave).

The basic enterprise fund financial statements can be found on pages 22 through 25 of this report.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 27 through 46 of this report. Required supplementary information concerning the Authority's progress in funding its obligation to provide pension benefits to its employees is located immediately following the notes to financial statements.

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$59,048,830 (net assets). Of this amount \$18,925,668 (unrestricted net assets) may be used to meet the Authority's ongoing obligations to customers and creditors. \$3.0 million of net assets are restricted for the bondholders.
- The Authority's total net assets increased by \$6,213,742.
- The Authority's total liabilities decreased by \$1,629,430 during the current fiscal.

Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of an Authority's financial position. In the case of the Authority, assets exceeded liabilities by \$59,048,830 at the close of the most recent fiscal year.

By far the largest portion of the Authority's net assets (63 percent) reflects its investment in capital assets, net of related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to pay these liabilities. At the end of the current fiscal year, the Authority is able to report positive balances in all categories of net assets. The same situation held true for the prior two fiscal years.

| | Net Assets | | |
|---|-----------------------|-----------------------|----------------------|
| | 2007 | 2006 | 2005 |
| Current and other assets | \$ 31,125,071 | \$ 27,252,940 | \$ 18,028,689 |
| Capital assets | <u>80,114,906</u> | <u>79,402,725</u> | <u>79,000,776</u> |
| Total assets | <u>\$ 111,239,977</u> | <u>\$ 106,655,665</u> | <u>\$ 97,029,465</u> |
| Long-term liabilities outstanding | \$ 47,582,491 | \$ 49,162,467 | \$ 43,445,670 |
| Other liabilities | <u>4,608,656</u> | <u>4,658,110</u> | <u>4,720,166</u> |
| Total liabilities | <u>\$ 52,191,147</u> | <u>\$ 53,820,577</u> | <u>\$ 48,165,836</u> |
| Net assets: | | | |
| Invested in capital assets, net of related debt | \$ 37,092,812 | \$ 36,777,712 | \$ 37,147,880 |
| Restricted | 3,030,350 | 2,919,269 | 2,763,638 |
| Unrestricted | <u>18,925,668</u> | <u>13,138,107</u> | <u>8,952,111</u> |
| Total net assets | <u>\$ 59,048,830</u> | <u>\$ 52,835,088</u> | <u>\$ 48,863,629</u> |

Financial Analysis: (Continued)

The Authority's net assets increased by \$6,213,742 during the current year. Operating revenues increased by \$1,586,592 while operating expenses increased \$2,128 over FY 2006. Key elements of these changes are explained in greater detail under the Review of Operations section. By comparison, fiscal year 2006 operating revenues and operating expenses increased over fiscal year 2005 by \$1,036,170 and \$1,353,185, respectively. Total net assets increased \$3,971,459 in fiscal year 2006.

| | Change in Net Assets | | |
|-------------------------------|-----------------------------|----------------------|----------------------|
| | 2007 | 2006 | 2005 |
| Revenues: | | | |
| Operating revenues: | | | |
| Water sales | \$ 10,114,752 | \$ 9,876,219 | \$ 8,816,327 |
| Wastewater sewer charges | 8,143,177 | 6,795,118 | 6,818,840 |
| Nonoperating revenues: | | | |
| Investment earnings | 1,350,896 | 728,978 | 306,789 |
| Buck Mountain revenue | 128,900 | 104,600 | 120,200 |
| Administrative reimbursement | 399,800 | 365,500 | 359,915 |
| Other revenue | 80,139 | 101,659 | 100,115 |
| Total revenues | \$ 20,217,664 | \$ 17,972,074 | \$ 16,522,186 |
| Expenses: | | | |
| Operating expenses: | | | |
| Personnel | \$ 4,939,525 | \$ 4,619,754 | \$ 4,256,623 |
| Professional services | 211,370 | 232,970 | 182,450 |
| Other services and charges | 1,666,178 | 1,765,687 | 1,427,067 |
| Operations and maintenance | 2,233,192 | 2,489,625 | 1,976,379 |
| Depreciation expense | 2,572,143 | 2,512,244 | 2,424,576 |
| Nonoperating expenses: | | | |
| Interest expense | 2,347,443 | 2,346,023 | 2,348,380 |
| Amortization expense | 34,071 | 34,312 | 20,852 |
| Total expenses | \$ 14,003,922 | \$ 14,000,615 | \$ 12,636,327 |
| Increase in net assets | \$ 6,213,742 | \$ 3,971,459 | \$ 3,885,859 |
| Net assets—July 1 | 52,835,088 | 48,863,629 | 44,977,770 |
| Net assets—June 30 | \$ 59,048,830 | \$ 52,835,088 | \$ 48,863,629 |

Capital Asset and Debt Administration:

Capital Assets - The Authority's investment in capital assets as of June 30, 2007 amounts to \$80,114,906 (net of accumulated depreciation). Investment in capital assets increased by approximately \$712,000 during the year, due to the construction of various assets (reference Note 6 for further explanation of this change). Investment in capital assets increased from fiscal year 2005 to 2006 by approximately \$402,000. Below is a comparison of the items that make up capital assets as of June 30, 2007 with that of June 30, 2006 and 2005.

| | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|-----------------------------------|----------------------|----------------------|----------------------|
| Land and improvements | \$ 7,665,679 | \$ 7,665,679 | \$ 7,665,679 |
| Buildings and operating equipment | 65,750,175 | 67,877,156 | 68,404,532 |
| Trucks and autos | 275,996 | 237,661 | 267,585 |
| Office equipment | 55,454 | 10,614 | 17,439 |
| Construction in progress | <u>6,367,602</u> | <u>3,611,615</u> | <u>2,645,541</u> |
| Total capital assets | <u>\$ 80,114,906</u> | <u>\$ 79,402,725</u> | <u>\$ 79,000,776</u> |

Major capital asset activity for the current fiscal year included:

Current Year Projects:

| | |
|---|---------------------|
| Moore's Creek Pretreatment | \$ 1,628,668 |
| Water Supply Engineering | 376,334 |
| Comprehensive Sewer Interceptor Study | 322,895 |
| Scottsville WTP Filter Expansion | 230,362 |
| SW Lagoon Rehabilitation | 188,513 |
| Backwash Water Lagoon Lining | 157,036 |
| Meadowcreek Interceptor Routing Study | 97,959 |
| Route 29 Pipeline | 88,077 |
| MCWWTP Upgrade to ENR Design | 46,016 |
| Disinfectants & Disinfection By Products Rule | 40,624 |
| Other | <u>93,056</u> |
| Total Costs of Construction | <u>\$ 3,269,540</u> |

More detailed information on the Authority's capital assets is presented in Notes 5 and 6 of the Notes to the financial statements.

Long-Term Debt - At the end of the current fiscal year, the Authority had \$51,009,997 in bonds and notes outstanding versus \$52,399,815 last year, a 3% decrease, due to regularly scheduled principal payments. In comparison, debt increased from fiscal year 2005 to fiscal year 2006 by \$6,055,822, approximately 13%, due to the issuance of the Series 2005 bonds.

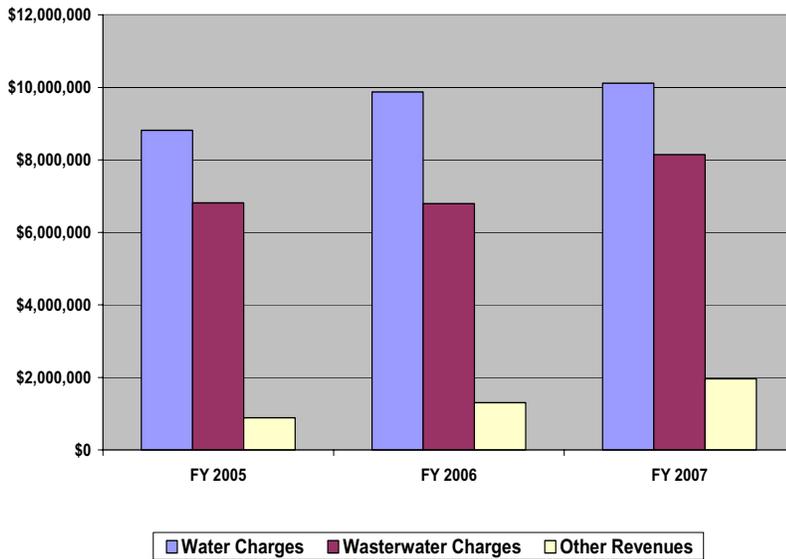
The most recent bond issue, the 2005B Series, was rated AA by Standard & Poor's; however several other bond issues outstanding were rated A+ by Standard & Poor's and Aa3 by Moody's Investors Service. More detailed information on the Authority's long-term liabilities is presented in Note 7 of the notes to the financial statements.

Review of Operations

Operating revenues for Fiscal Year 2007 increased 9.5% or approximately \$1,587,000 over Fiscal Year 2006. Despite a slight decrease in the flow, metered water sales increased 2% over the prior fiscal year mainly due to increases in the rates. Water sales represented roughly 55% of the Authority’s overall

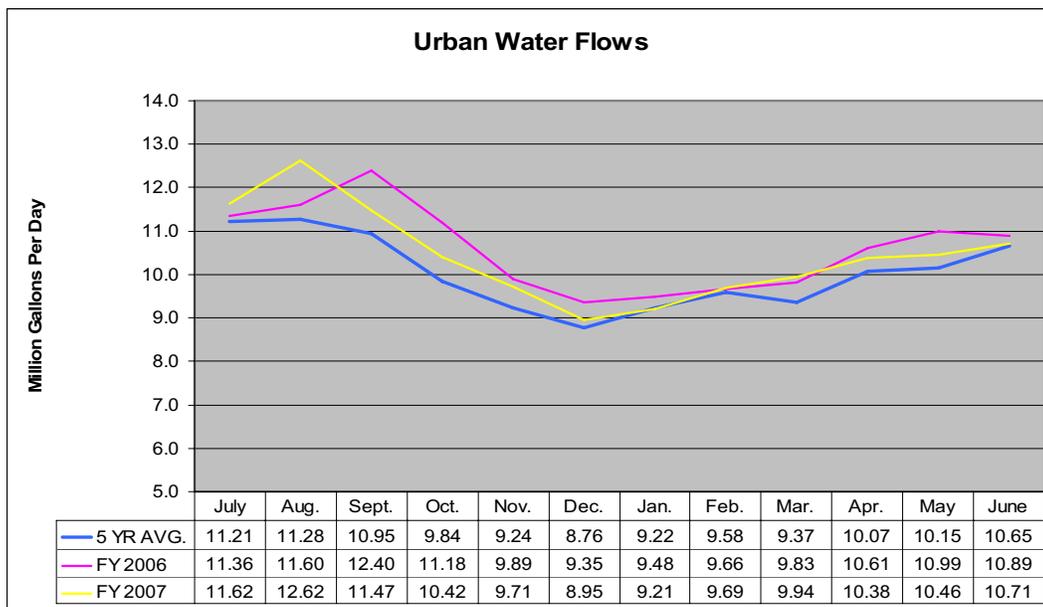
revenues, while wastewater charges represented 45%. Wastewater service charges were significantly higher compared to FY 2006 due to an increase in flows of 12% and rate increases of 7.5% to 10.5% over last year. The previous three years (FY2004 to FY 2006) had wastewater flows trending downward that caused revenues to go from \$7,315,000 in FY 2004 down to \$6,795,000 in FY 2006, which is a major reason for the rate increase in FY 2007. Non-operating revenues increased as a percentage of overall revenues due to a rebound in the interest rates and related investment earnings.

Revenues

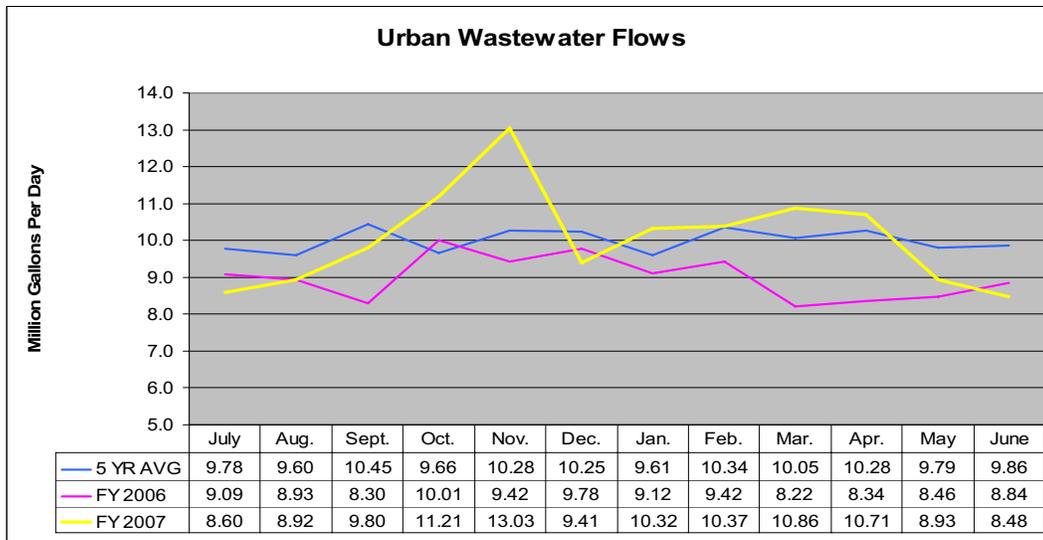


The flows in the two urban rate centers are the single largest determining factor in the revenues charged to our two customers. The graphs below show the flows for the year compared to last year and the five-year average. FY 2007 water flows were stable in comparison although slightly below last year.

Urban Water Flows



Review of Operations: (Continued)



Wastewater flows had a very dramatic increase in October and November of 2006 comparatively due to significant rainfall in those months. More treatment is needed in months where rainfall is heavy due to infiltration.

Operating expenses were virtually unchanged for the past two years. Operational expenses of \$11,622,000 for the year were only a \$2,000 increase from the previous year. There was a 7% increase in personnel costs due to increased insurance and retirement costs; however, there was a 10% reduction in maintenance costs. In FY 2006, there was a rash of line breaks and, although there were several line breaks in FY 2007, they were not as severe in terms of time, material and costs.

Utility costs decreased 20% after a large increase two years ago. The Hydroelectric plant was operational nearly the whole fiscal year at the South Rivanna Reservoir offsetting electrical costs. A considerable change in the treatment and handling of the wastewater sludge at the Moores Creek Treatment Plant has and will continue to have a large financial impact. The composting operation of the sludge cake into a retail quality compost product has been discontinued. Typically compost sales were generating \$100,000 in revenue the past several years. Now the sludge is shipped to an off-site composting vendor at a cost of roughly \$450,000 annually. The complaints by the neighbors concerning odors were the driving factor over this decision.



Cash balances continue to improve which is evident in maintaining a strong debt service coverage ratio the past several years. (See Table 3 in the Statistical Section.) The Authority has been able to meet targets to increase cash reserves for rate stabilization, maintenance and capital replacement through the rate setting policies. After the drought of 2002, which occurred in FY 2003, the Authority began setting aside funds for rate stabilization to better handle wide fluctuations in flow. Rate stabilization reserves totaled \$800,000 at June 30, 2007. The water supply strategy and objectives developed in 2002 identified the environmental health of the watershed as a key resource to ensuring the long-term viability of current water supplies. The Authority began setting aside funds in FY 2004 for watershed and water resources management projects in the future, which totaled \$400,000 at the end of FY 2007.

Review of Operations: (Continued)

The Capital fund cash has been accumulating according to the Capital Improvement Plan. The Authority issued bonds in 2005 to fund the capital projects. Now that most of those bond fund proceeds have been drawn, the Authority will use capital fund cash. This is a cash flow cycle that is anticipated to keep repeating over the next few years due to the large size and amount of capital expansion at the Authority which is discussed more in depth in the next section.

Long-Term Trends

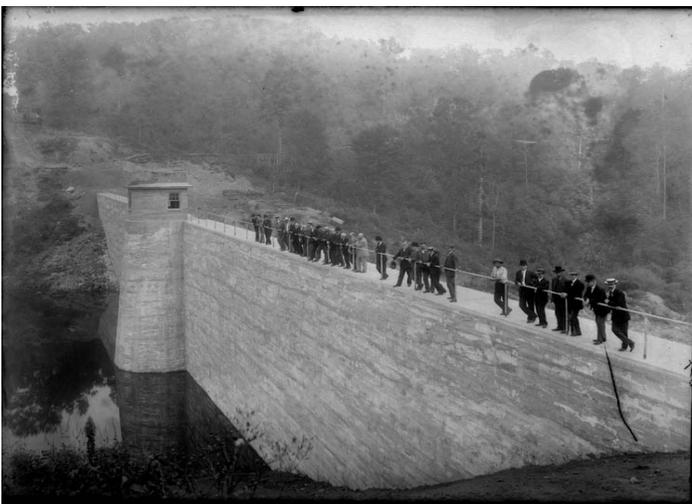
The capital budget for FY 2007 was \$10.4 million, of which a total of \$6.97 million has been spent over the life of the current projects (\$3.36 million was expended in FY 2007.) Several projects were completed. The filter media replacement and expansions at Scottsville and Crozet water treatment plants and the Lewis Mountain tank rehabilitation were all completed. Those and a few smaller projects were budgeted at \$800,000, and have been capitalized. See Note 6.

The Authority annually updates the five-year projection on our Capital Improvement Plan (CIP). The following estimates are broken out by year:

| | | |
|------|-----------------------|---------------------|
| 2007 | \$ 10,373,278 | Capital budget |
| 2008 | 9,451,000 | 5 year CIP estimate |
| 2009 | 29,321,000 | 5 year CIP estimate |
| 2010 | 37,736,000 | 5 year CIP estimate |
| 2011 | 28,081,000 | 5 year CIP estimate |
| 2012 | <u>3,142,000</u> | 5 year CIP estimate |
| | <u>\$ 118,104,278</u> | |

The fiscal challenges placed on the Authority with such an aggressive CIP have prompted the desire to fund a larger portion, roughly 10 to 15 percent, of our capital costs through cash reserves.

The capital budget for FY 2007 along with the in-progress projects mentioned above have a total budget of \$10.4 million. The total five-year CIP is estimated at \$118 million in capital needs through the year 2012. By far the largest and most publicly scrutinized project in the capital programs is the future increase to water supply better known as the Community Water Supply project. The Authority finished several years of public awareness meetings and outreach to solidify support from the community on the best alternative to meet the 50 year need for additional water supply.



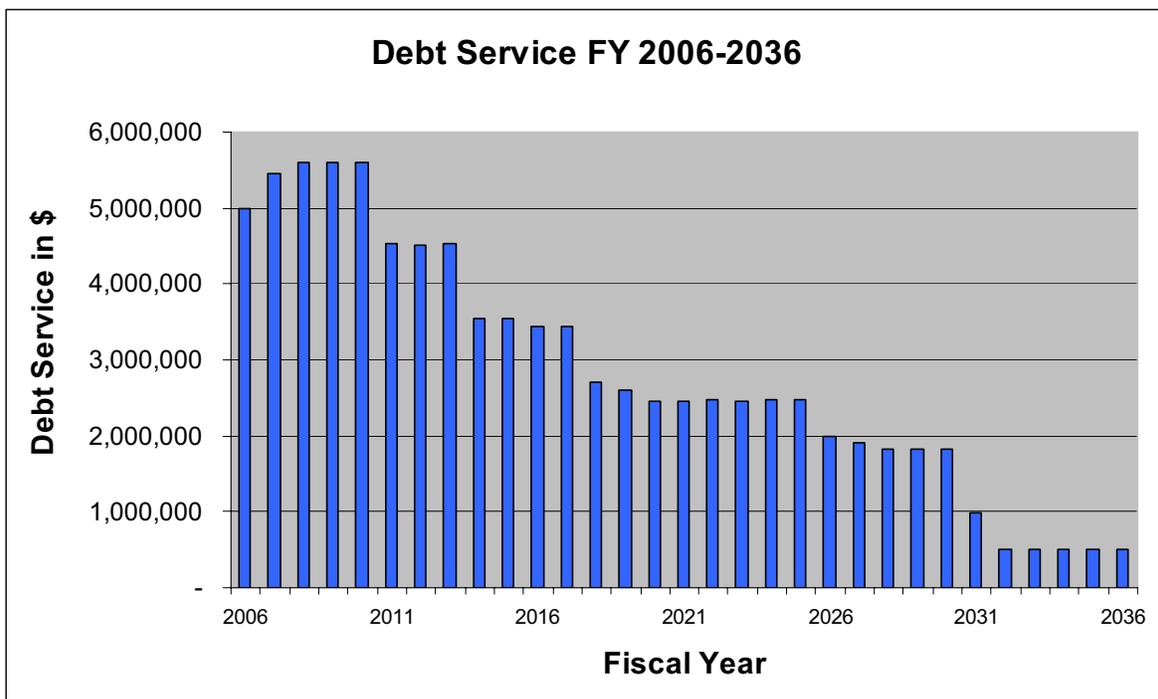
With support from the City, County and the Albemarle County Service Authority, the Authority submitted a permit application to expand the Ragged Mountain Reservoir, replace the existing dam, and construct a new pipeline between the new reservoir and the South Fork Rivanna Reservoir. The permit application was submitted to all the relevant federal and state agencies to approve the construction of this alternative. The water supply project is actually several projects including building the reservoir, building a new pipeline, mitigation work and plant expansion at the Observatory Water Treatment Plant. These projects are estimated to cost \$142.1 million over the next 20 years.

Ragged Mt. Dam - 1908

Review of Operations: (Continued)

Nutrient removal requirements from the wastewater treatment process are being mandated by the State as part of the statewide efforts in the clean-up of the Chesapeake Bay. This caused another major project to be included in the CIP for the Moores Creek Wastewater Treatment Plant. This project is estimated to cost roughly \$34.3 million. These two projects make up about 65% of the total CIP.

Despite the significant infrastructure needs identified in the CIP, the Authority is well positioned to provide for these needs by using more cash up front for projects and having a debt structure that will accommodate more debt in the near future. As shown in the graph, which represents existing debt only, the Authority has a declining debt structure with a rapid amortization of existing principal in the next 10 years. Almost half of the debt service obligations will be retired in this time frame. Taking advantage of this declining debt will be a significant objective as we finance future needs identified in the CIP.



Requests for Information

This financial report is designed to provide a general overview of the Authority’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, at 695 Moores Creek Lane, Charlottesville, Virginia 22902-9016.

Basic Financial Statements

Statement of Net Assets
At June 30, 2007 and 2006

| | At June 30, | |
|--|-----------------------|-----------------------|
| | 2007 | 2006 |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 17,384,384 | \$ 12,502,260 |
| Restricted cash & cash equivalents | 3,092,228 | 3,000,484 |
| Interest receivable | 8,042 | 15,502 |
| Accounts receivable (net of allowance for uncollectible accounts) (Note 2) | 2,122,484 | 1,415,990 |
| Unbilled accounts receivable | 63,800 | 43,900 |
| Total current assets | <u>\$ 22,670,938</u> | <u>\$ 16,978,136</u> |
| Noncurrent assets: | | |
| Restricted assets: | | |
| Cash & cash equivalents | \$ 4,473,370 | \$ 5,318,625 |
| Investments (Note 4) | 3,508,562 | 4,449,907 |
| Total restricted assets | <u>\$ 7,981,932</u> | <u>\$ 9,768,532</u> |
| Other assets: | | |
| Unamortized bond issue costs | \$ 472,201 | \$ 506,272 |
| Capital assets: (Note 5) | | |
| Land and improvements | \$ 7,665,679 | \$ 7,665,679 |
| Buildings and operating equipment | 110,036,917 | 109,784,850 |
| Trucks and autos | 1,010,553 | 879,628 |
| Office equipment | 454,852 | 403,871 |
| Less accumulated depreciation | <u>(45,420,697)</u> | <u>(42,942,918)</u> |
| Sub-total | \$ 73,747,304 | \$ 75,791,110 |
| Construction work in progress | <u>6,367,602</u> | <u>3,611,615</u> |
| Total capital assets | <u>\$ 80,114,906</u> | <u>\$ 79,402,725</u> |
| Total noncurrent assets | <u>\$ 88,569,039</u> | <u>\$ 89,677,529</u> |
| Total assets | <u>\$ 111,239,977</u> | <u>\$ 106,655,665</u> |

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

Statement of Net Assets
At June 30, 2007 and 2006 (continued)

| | At June 30, | |
|---|----------------------|----------------------|
| | 2007 | 2006 |
| LIABILITIES AND EQUITY | | |
| Liabilities: | | |
| Current liabilities: | | |
| Accounts payable | \$ 292,039 | \$ 584,148 |
| Accrued vacation leave payable | 326,932 | 255,398 |
| Revenue bonds payable - current portion (Note 7) | <u>1,418,508</u> | <u>786,386</u> |
| Subtotal current liabilities | <u>\$ 2,037,479</u> | <u>\$ 1,625,932</u> |
| Current liabilities (payable from restricted assets): | | |
| Accrued interest payable | \$ 562,179 | \$ 581,216 |
| Contracts payable - current portion | - | 35,265 |
| Revenue bond principal - current portion (Note 7) | <u>2,008,998</u> | <u>2,415,697</u> |
| Subtotal current liabilities (payable from restricted assets) | <u>\$ 2,571,177</u> | <u>\$ 3,032,178</u> |
| Total current liabilities | <u>\$ 4,608,656</u> | <u>\$ 4,658,110</u> |
| Noncurrent liabilities: | | |
| Revenue bonds payable - noncurrent portion (Note 7) | <u>\$ 47,582,491</u> | <u>\$ 49,162,467</u> |
| Total noncurrent liabilities | <u>\$ 47,582,491</u> | <u>\$ 49,162,467</u> |
| Total liabilities | <u>\$ 52,191,147</u> | <u>\$ 53,820,577</u> |
| Net assets: | | |
| Invested in capital assets, net of related debt | \$ 37,092,812 | \$ 36,777,712 |
| Restricted for bond covenants | 3,030,350 | 2,919,269 |
| Unrestricted | <u>18,925,668</u> | <u>13,138,107</u> |
| Total net assets | <u>\$ 59,048,830</u> | <u>\$ 52,835,088</u> |

Statement of Revenues, Expenses and Changes in Net Assets
 Years Ended June 30, 2007 and 2006

| | Year Ended June 30, | |
|--------------------------------------|---------------------|----------------|
| | 2007 | 2006 |
| Operating revenues: | | |
| Metered water sales | \$ 10,114,752 | \$ 9,876,219 |
| Wastewater service charges | 8,143,177 | 6,795,118 |
| Total operating income | \$ 18,257,929 | \$ 16,671,337 |
| Operating expenses: | | |
| Personnel costs | \$ 4,939,525 | \$ 4,619,754 |
| Professional services | 211,370 | 232,970 |
| Other services and charges | 1,666,178 | 1,765,687 |
| Operations and maintenance | 2,233,192 | 2,489,625 |
| Depreciation | 2,572,143 | 2,512,244 |
| Total operating expenses | \$ 11,622,408 | \$ 11,620,280 |
| Operating income (loss) | \$ 6,635,521 | \$ 5,051,057 |
| Nonoperating revenues (expenses): | | |
| Investment earnings | \$ 1,350,896 | \$ 728,978 |
| Buck Mountain revenue | 128,900 | 104,600 |
| Other revenues | 80,139 | 101,659 |
| Administrative reimbursement | 399,800 | 365,500 |
| Interest expense | (2,347,443) | (2,346,023) |
| Amortization expense | (34,071) | (34,312) |
| Total nonoperating income (expenses) | \$ (421,779) | \$ (1,079,598) |
| Change in net assets | \$ 6,213,742 | \$ 3,971,459 |
| Net assets, beginning of year | 52,835,088 | 48,863,629 |
| Net assets, end of year | \$ 59,048,830 | \$ 52,835,088 |

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

Statement of Cash Flows
Years Ended June 30, 2007 and 2006

| | Year Ended June 30, | |
|--|-----------------------|----------------------|
| | 2007 | 2006 |
| Operating activities: | | |
| Receipts from customers and users | \$ 18,162,888 | \$ 17,177,794 |
| Payments to suppliers | (4,402,849) | (4,270,121) |
| Payments to employees | (4,867,991) | (4,606,600) |
| Net cash provided by (used in) operating activities | <u>\$ 8,892,048</u> | <u>\$ 8,301,073</u> |
| Capital and related financing activities: | | |
| Additions to capital assets | \$ (3,449,587) | \$ (2,914,193) |
| Proceeds from the sale of assets | 142,750 | 1,977 |
| Principal payments on bonds | (3,202,083) | (2,868,009) |
| Principal payments on contracts payable | (35,265) | (27,788) |
| Refunding of bonds | - | (17,459,558) |
| Proceeds from indebtedness, net of issue costs | 1,769,880 | 26,062,488 |
| Net payments on line of credit for capital expenses | - | (665,542) |
| Interest payments | (2,288,831) | (2,223,524) |
| Net cash provided by (used in) capital and related financing activities | <u>\$ (7,063,136)</u> | <u>\$ (94,149)</u> |
| Investing activities: | | |
| Maturity of investments | \$ 1,030,852 | \$ 13,603 |
| Interest and dividends received | 1,268,849 | 799,444 |
| Net cash provided by (used in) investing activities | <u>\$ 2,299,701</u> | <u>\$ 813,047</u> |
| Increase (decrease) in cash and cash equivalents | \$ 4,128,613 | \$ 9,019,971 |
| Cash and cash equivalents at beginning of year (including \$8,319,109 and \$3,663,474, respectively reported in restricted accounts) | <u>20,821,369</u> | <u>11,801,398</u> |
| Cash and cash equivalents at end of year (including \$7,565,758 and \$8,319,109, respectively reported in restricted accounts) | <u>\$ 24,949,982</u> | <u>\$ 20,821,369</u> |
| Reconciliation of operating income to net cash provided by (used in) operating activities: | | |
| Operating income | \$ 6,635,521 | \$ 5,051,057 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation | 2,572,143 | 2,512,244 |
| Other nonoperating revenues | 502,453 | 467,159 |
| Buck Mountain revenue | 128,900 | 104,600 |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in receivables | (726,394) | (65,302) |
| Increase (decrease) in payables and accrued expenses | (220,575) | 231,315 |
| Net cash provided by operating activities | <u>\$ 8,892,048</u> | <u>\$ 8,301,073</u> |
| Noncash investing, capital and financing activities: | | |
| Increase (decrease) in fair value of investments | \$ 89,507 | \$ (85,968) |

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

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RIVANNA WATER & SEWER AUTHORITY

Notes to the Financial Statements
as of June 30, 2007 and 2006

Note 1—Formation of the Rivanna Water & Sewer Authority:

In the interest of efficient water quality management for the upper Rivanna River Basin, the Rivanna Water and Sewer Authority was formed on June 7, 1972 as a joint venture of the City of Charlottesville, the Albemarle County Service Authority, and the County of Albemarle, pursuant to the Virginia Water and Sewer Authorities Act (1950 as amended). The Authority is responsible for acquiring, financing, constructing and maintaining facilities for the improvement, treatment, storage and transmission of potable water, and for the interception, treatment and discharge of wastewater for the City and County. The Authority operates under the terms of a Service Agreement among the Authority, the Albemarle County Service Authority, the City of Charlottesville, and the County of Albemarle which was signed June 12, 1973.

Determination of the Reporting Entity

The Rivanna Water & Sewer Authority was established according to the Agreement mentioned above for the purposes stated. The participating entities are City of Charlottesville, County of Albemarle, and Albemarle County Service Authority. These governmental entities have an ongoing financial responsibility to the Authority because a covenant to pay the Authority's rates and charges is included in the operating agreement.

The Authority's governing body is composed of two members appointed by the County, two members appointed by the City, and one member who is jointly appointed by the City and County. Therefore, none of the participants appoints a voting majority of board members.

The Authority is perpetual. No participating government has access to its resources or surpluses, nor is any participant liable for the Authority's debts or deficits. The Authority also has the ability to finance its capital projects through user charges or the sale of revenue bonds.

Based on the above representations, the Rivanna Water & Sewer Authority has been determined to be a joint venture of the City of Charlottesville, County of Albemarle and Albemarle County Service Authority. The Authority is not a component unit of any of the participating governments. There are no component units to be included within the Authority's financial statements.

For purposes of reporting entity disclosure, it should be noted that a separate entity, the Rivanna Solid Waste Authority, provides garbage and refuse transfer and disposal services to the City of Charlottesville and Albemarle County. Although certain administrative employees provide services to both Authorities, each Authority is operationally and legally independent.

Note 2—Significant Accounting Policies:

A. Basis of Accounting

Rivanna Water & Sewer Authority operates as an enterprise activity, uses the flow of economic resources measurement focus, 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 follows all applicable GASB pronouncements and FASB pronouncements issued before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The Authority accounts have been audited by an independent firm annually since its founding in accordance with the requirements of the Service Agreement, dated June 12, 1973, among the Authority, the City of Charlottesville, Albemarle County, and Albemarle County Service Authority.

RIVANNA WATER & SEWER AUTHORITY

Notes to the Financial Statements
as of June 30, 2007 and 2006 (Continued)

Note 2—Significant Accounting Policies: (Continued)

A. Basis of Accounting: (Continued)

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

B. Allowance for Doubtful Accounts

Accounts receivable are stated at book value net of the allowance for uncollectible accounts. The allowance for uncollectible accounts amounted to \$0 and \$0 at June 30, 2007 and 2006, respectively.

C. Basic Financial Statements

Since the Authority is only engaged in business-type activities, it is required to present only the financial statements required for enterprise funds. For the Authority, the basic financial statements and required supplementary information consist of:

- Management's discussion and analysis
- Enterprise fund financial statements
 - Statement of Net Assets
 - Statement of Revenues, Expenses, and Changes in Net Assets
 - Statement of Cash Flows
 - Notes to Financial Statements
- Required Supplementary Information
 - Schedule of Funding Progress for Defined Benefit Pension Plan

D. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), 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.

RIVANNA WATER & SEWER AUTHORITY

Notes to the Financial Statements
as of June 30, 2007 and 2006 (Continued)

Note 2—Significant Accounting Policies: (Continued)

D. Capital Assets: (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not 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. No interest was capitalized during the current or previous fiscal year.

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

| <u>Assets</u> | <u>Years</u> |
|---------------------------------|--------------|
| Buildings & operating equipment | 5 to 50 |
| Trucks & autos | 5 to 10 |
| Office equipment | 5 to 10 |
| Data processing equipment | 5 |

E. Interest on Indebtedness

Interest expense applicable to that portion of indebtedness, the proceeds of which are used to construct new facilities, is capitalized during the period of construction as part of the cost of such facilities. Other interest costs of the Authority are treated as nonoperating expenses. No interest was capitalized for the years ended June 30, 2007 and 2006.

F. Cash and Cash Equivalents

The Authority's cash and cash equivalents consist of demand deposits, certificates of deposit, overnight repurchase agreements and short-term U.S. Governmental obligations, with an original maturity of three months or less, all of which are readily convertible to known amounts of cash.

G. Investments

Investments are stated at fair value.

RIVANNA WATER & SEWER AUTHORITY

Notes to the Financial Statements
as of June 30, 2007 and 2006 (Continued)

Note 2—Significant Accounting Policies: (Continued)

H. Budgets and Budgetary Accounting

A budget is prepared for information, fiscal planning purposes, and to provide the basis for setting wholesale rates, in accordance with the requirements of the Service Agreement, dated June 12, 1973, among the Authority, the City of Charlottesville, Albemarle County, and the Albemarle County Service Authority. Rates charged by the six rate centers are not subjected to regulatory scrutiny but may be changed at any time by the Authority's Board of Directors, if necessary, in order to adjust revenues. None of the participating entities are required to approve the budget. The budget is adopted as a planning document and is not a legal control on expenses.

The budgets are adopted on an appropriation basis. Principally, the appropriation basis of budgeting provides for a full accrual basis of accounting, capital expenditures, and bond principal payments and partially provides for depreciation of utility plant and amortization.

I. Inventory

Consumption of materials and supplies is recorded as an expense when used. No inventory amounts are recorded as an asset, as available inventories are not significant.

J. Use of Estimates

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

K. Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, reduced by accumulated depreciation and by any outstanding debt related to the acquisition, construction or improvement of those assets. Restricted net assets represent restricted assets reduced by any related outstanding debt. The balance in the replacement reserve is presented as a restricted net asset.

L. Restricted Assets

Certain proceeds of the Authority's revenue bonds and certain resources set aside for their repayment are classified as restricted assets on the statement of net assets, because they are maintained in separate bank accounts, and their use is limited by applicable bond covenants. The "revenue bond general operating reserve" is used to report resources set aside to subsidize potential deficiencies from the Authority's operation that could adversely affect debt service payments. The "revenue bond payment account" is used to segregate resources accumulated for debt service payments over the next twelve months. The "debt service reserve" is used to report resources set aside to make up potential future deficiencies in the revenue bond payment account. The "repair and replacement reserve" is used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements.

RIVANNA WATER & SEWER AUTHORITY

Notes to the Financial Statements
as of June 30, 2007 and 2006 (Continued)

Note 2—Significant Accounting Policies: (Continued)

M. Long-Term Obligations

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

N. Reclassification

Certain amounts in previously issued financial statements have been restated to conform to the current year's classifications.

Note 3—Acquisition of Water and Wastewater Facilities:

Under the terms of the Service Agreement (See Note 1), the Authority agreed to purchase certain water production, transmission and storage facilities and wastewater interception and treatment facilities from the City and the Albemarle County Service Authority. The agreement provides that the sale be consummated ten years from the date of the agreement or at such later time as the debts, if any, attributed to each such facility have been paid or provision is made for their payment, and that the Authority will lease the facility until such time as the sale is consummated. The purchase price is the fair value of the facilities as of June 12, 1973, as determined by all payments paid by the Authority during the term of lease applicable to the principal retired on the debt of such facilities. In accordance with generally accepted accounting principles, the aforementioned agreement has been treated as an installment purchase of the facilities, with the purchase price being discounted at an annual rate of 6% for ten years.

The following tabulation reflects the agreed upon purchase price and accounting thereof:

| | |
|--|----------------------------|
| Fair value as of June 12, 1973: | |
| Facilities acquired from City of Charlottesville | \$ 6,128,124 |
| Facilities acquired from Albemarle County Service Authority | <u>3,604,384</u> |
| Total purchase price | \$ 9,732,508 |
| Add: Interest portion of rental payments not applied to principal reduction | <u>1,154,074</u> |
| Total contracts payable | \$ 10,886,582 |
| Less: Interest included in contract price computed at annual rate of 6% for 10 years | <u>4,940,705</u> |
| Asset carrying value | \$ <u><u>5,945,877</u></u> |

RIVANNA WATER & SEWER AUTHORITY

Notes to the Financial Statements
as of June 30, 2007 and 2006 (Continued)

Note 3—Acquisition of Water and Wastewater Facilities: (Continued)

The contracts payable have been reduced by the amount of the annual rental payments on the facilities as outlined in the following tabulation:

| | <u>City of Charlottesville</u> | <u>Albemarle County Service Authority</u> |
|---|------------------------------------|---|
| Contracts payable, June 12, 1973 | \$ 6,354,634 | \$ 4,531,948 |
| Rental payments and contract adjustments in prior fiscal years | \$ 1,760,676 | \$ 3,678,723 |
| Rental payments this fiscal year | - | 1,672 |
| Total rental payments | \$ 1,760,676 | \$ 3,680,395 |
| Final payment on facilities with no outstanding debt as of June 30, 1983 | <u>4,593,958</u> | <u>851,553</u> |
| Total payments | \$ <u>6,354,634</u> | \$ <u>4,531,948</u> |
| Contracts payable, June 30, 2007 | <u>\$ -</u> | <u>\$ -</u> |

The total annual rental payments over the initial ten year agreement were not sufficient to retire the contracts payable to the Albemarle County Service Authority.

The remaining balance will be due and payable at the time the relevant debt on each facility is retired. Any balance due, if left unpaid, will bear interest at 6% annually. The deferred interest has been amortized over the initial ten year period of the agreement and was fully amortized as of June 30, 1983.

Depreciation has been based upon the engineer's estimates of useful lives remaining as of the valuation date (June 12, 1973). Depreciation expense on these facilities amounted to \$83,009 and \$83,343 for the years ended June 30, 2007 and 2006, respectively.

Note 4—Deposits and Investments:

Deposits

All cash of the Authority is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (a multiple financial institution collateral pool), Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of State Treasury Board. Savings and Loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. Deposits covered by the Act are considered insured since the Treasury Board is authorized to make additional assessments.

RIVANNA WATER & SEWER AUTHORITY

Notes to the Financial Statements
as of June 30, 2007 and 2006 (Continued)

Note 4—Deposits and Investments: (Continued)

Investments

Statutes authorize the Authority to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, banker’s acceptances, repurchase agreements and the State Treasurer’s Local Government Investment Pool (LGIP).

The Authority does not have a formal investment policy that addresses credit risks of debt securities or concentration of credit risk.

Credit Risk of Debt Securities

The Authority’s rated debt investments as of June 30, 2007 were rated by Standard & Poor’s and the ratings are presented below using Standard & Poor’s rating scale.

Authority's Rated Debt Investments' Values

| | <u>Fair Quality Ratings</u> | | | | |
|-----------------------------------|-----------------------------|-------------|-------------|-------------|------------------|
| | <u>AAA</u> | <u>AA</u> | <u>A</u> | <u>A1</u> | <u>Unrated</u> |
| U.S. Agencies Securities | \$ 3,462,412 | \$ - | \$ - | \$ - | \$ 46,150 |
| Local Government Investment Pool | 17,179,671 | - | - | - | - |
| Virginia State Non-Arbitrage Pool | 1,873,856 | - | - | - | - |
| U.S. Treasury Money Market Fund | 5,189,008 | - | - | - | - |
| Total | <u>\$ 27,704,947</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 46,150</u> |

Concentration of Credit Risk

The Authority had investments at June 30, 2007, with more than 5 percent of the total in securities of the Federal Home Loan Mortgage Corp. This investment represented 7 percent of total investments.

Interest Rate Risk

Investment Maturities (in years)

| <u>Investment Type</u> | <u>Fair Value</u> | <u>1 Year</u> | <u>1-5 Years</u> | <u>6-10 Years</u> | <u>Greater Than 10 Years</u> |
|------------------------|---------------------|---------------|---------------------|-------------------|------------------------------|
| U.S. Agencies | \$ 3,508,562 | \$ - | \$ 3,462,412 | \$ - | \$ 46,150 |
| Total | <u>\$ 3,508,562</u> | <u>\$ -</u> | <u>\$ 3,462,412</u> | <u>\$ -</u> | <u>\$ 46,150</u> |

RIVANNA WATER & SEWER AUTHORITY

Notes to the Financial Statements
as of June 30, 2007 and 2006 (Continued)

Note 4—Deposits and Investments: (Continued)

External Investment Pools

The fair value of the positions in the external investment pool (Local Government Investment Pool) is the same as the value of the pool shares. As these pools are not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. Local Government Investment Pool maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

Note 5—Capital Assets:

Details of changes in capital assets for the year ended June 30, 2007 are as follows:

| | Balance July 1, 2006 | Increases | Decreases | Transfers | Balance June 30, 2007 |
|--|-------------------------------------|-----------------------|-------------------|------------------|--------------------------------------|
| Capital assets not being depreciated: | | | | | |
| Land and improvements | \$ 7,665,679 | \$ - | \$ - | \$ - | \$ 7,665,679 |
| Construction in progress | 3,611,615 | 3,269,540 | 513,553 | - | 6,367,602 |
| Total capital assets not being depreciated | <u>\$ 11,277,294</u> | <u>\$ 3,269,540</u> | <u>\$ 513,553</u> | <u>\$ -</u> | <u>\$ 14,033,281</u> |
| Other capital assets: | | | | | |
| Buildings & operating equipment: | | | | | |
| Water system | \$ 45,488,300 | \$ 511,695 | \$ - | \$ 46,166 | \$ 46,046,161 |
| Wastewater system | 64,170,930 | - | 259,628 | (46,166) | 63,865,136 |
| Support departments | 125,620 | - | - | - | 125,620 |
| Subtotal | <u>\$ 109,784,850</u> | <u>511,695</u> | <u>\$ 259,628</u> | <u>\$ -</u> | <u>\$ 110,036,917</u> |
| Less: accumulated depreciation | <u>(41,907,693)</u> | <u>(2,473,412)</u> | <u>(94,363)</u> | <u>-</u> | <u>(44,286,742)</u> |
| Total | <u>\$ 67,877,157</u> | <u>\$ (1,961,717)</u> | <u>\$ 165,265</u> | <u>\$ -</u> | <u>\$ 65,750,175</u> |
| Trucks and autos: | | | | | |
| Water system | \$ 278,345 | \$ 51,782 | \$ - | \$ - | \$ 330,127 |
| Wastewater system | 425,983 | 46,496 | - | - | 472,479 |
| Support departments | 175,300 | 32,647 | - | - | 207,947 |
| Subtotal | <u>\$ 879,628</u> | <u>\$ 130,925</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,010,553</u> |
| Less: accumulated depreciation | <u>(641,967)</u> | <u>(92,590)</u> | <u>-</u> | <u>-</u> | <u>(734,557)</u> |
| Total | <u>\$ 237,661</u> | <u>\$ 38,335</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 275,996</u> |
| Office equipment: | | | | | |
| Water system | \$ 282,987 | \$ - | \$ - | \$ - | \$ 282,987 |
| Wastewater system | 109,291 | - | - | - | 109,291 |
| Support departments | 11,593 | 50,981 | - | - | 62,574 |
| Subtotal | <u>\$ 403,871</u> | <u>\$ 50,981</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 454,852</u> |
| Less: accumulated depreciation | <u>(393,258)</u> | <u>(6,140)</u> | <u>-</u> | <u>-</u> | <u>(399,398)</u> |
| Total | <u>\$ 10,613</u> | <u>\$ 44,841</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 55,454</u> |
| Capital assets, net | <u>\$ 79,402,725</u> | <u>\$ 1,390,999</u> | <u>\$ 678,818</u> | <u>\$ -</u> | <u>\$ 80,114,906</u> |

RIVANNA WATER & SEWER AUTHORITY

Notes to the Financial Statements
as of June 30, 2007 and 2006 (Continued)

Note 5—Capital Assets: (Continued)

Details of changes in capital assets for the year ended June 30, 2006 are as follows:

| | <u>Balance July 1, 2005</u> | <u>Increases</u> | <u>Decreases</u> | <u>Transfers</u> | <u>Balance June 30, 2006</u> |
|--|-------------------------------------|-----------------------|---------------------|------------------|--------------------------------------|
| Capital assets not being depreciated: | | | | | |
| Land and improvements | \$ 7,665,679 | \$ - | \$ - | \$ - | \$ 7,665,679 |
| Construction in progress | <u>2,645,541</u> | <u>2,664,035</u> | <u>1,697,961</u> | <u>-</u> | <u>3,611,615</u> |
| Total capital assets not being depreciated | <u>\$ 10,311,220</u> | <u>\$ 2,664,035</u> | <u>\$ 1,697,961</u> | <u>\$ -</u> | <u>\$ 11,277,294</u> |
| Other capital assets: | | | | | |
| Buildings & operating equipment: | | | | | |
| Water system | \$ 44,472,790 | \$ 1,022,129 | \$ 6,619 | \$ - | \$ 45,488,300 |
| Wastewater system | 63,439,006 | 834,131 | 7,901 | (94,306) | 64,170,930 |
| Support departments | <u>-</u> | <u>31,314</u> | <u>-</u> | <u>94,306</u> | <u>125,620</u> |
| Subtotal | \$ 107,911,796 | \$ 1,887,574 | \$ 14,520 | \$ - | \$ 109,784,850 |
| Less: accumulated depreciation | <u>\$ (39,507,264)</u> | <u>\$ (2,414,949)</u> | <u>\$ (14,520)</u> | <u>\$ -</u> | <u>\$ (41,907,693)</u> |
| Total | <u>\$ 68,404,532</u> | <u>\$ (527,375)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 67,877,157</u> |
| Trucks and autos: | | | | | |
| Water system | \$ 364,470 | \$ - | \$ 9,078 | \$ (77,047) | \$ 278,345 |
| Wastewater system | 508,242 | 31,857 | 21,180 | (92,936) | 425,983 |
| Support departments | <u>-</u> | <u>17,095</u> | <u>11,778</u> | <u>169,983</u> | <u>175,300</u> |
| Subtotal | \$ 872,712 | \$ 48,952 | \$ 42,036 | \$ - | \$ 879,628 |
| Less: accumulated depreciation | <u>(605,127)</u> | <u>(78,876)</u> | <u>(42,036)</u> | <u>-</u> | <u>(641,967)</u> |
| Total | <u>\$ 267,585</u> | <u>\$ (29,924)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 237,661</u> |
| Office equipment: | | | | | |
| Water system | \$ 282,987 | \$ - | \$ - | \$ - | \$ 282,987 |
| Wastewater system | 109,291 | - | - | - | 109,291 |
| Support departments | <u>-</u> | <u>11,593</u> | <u>-</u> | <u>-</u> | <u>11,593</u> |
| Subtotal | \$ 392,278 | \$ 11,593 | \$ - | \$ - | \$ 403,871 |
| Less: accumulated depreciation | <u>(374,839)</u> | <u>(18,419)</u> | <u>-</u> | <u>-</u> | <u>(393,258)</u> |
| Total | <u>\$ 17,439</u> | <u>\$ (6,826)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 10,613</u> |
| Capital assets, net | <u>\$ 79,000,776</u> | <u>\$ 2,099,910</u> | <u>\$ 1,697,961</u> | <u>\$ -</u> | <u>\$ 79,402,725</u> |

RIVANNA WATER & SEWER AUTHORITY

Notes to the Financial Statements
as of June 30, 2007 and 2006 (Continued)

Note 6—Construction Work in Progress:

Details of construction work in progress for the year ended June 30, 2007 are as follows:

| Description | Balance July 1, 2006 | Cost of Construction | Expense/ Transfer to Capital Assets | Balance June 30, 2007 |
|---|----------------------------|-------------------------|---|-----------------------------|
| Water Supply Engineering | \$ 2,314,371 | \$ 376,334 | \$ - | \$ 2,690,705 |
| * New Ragged Mountain Dam Rehabilitation | 170,640 | 18,287 | - | 188,927 |
| Meadowcreek Interceptor Improvements | - | 4,045 | - | 4,045 |
| Stillhouse System | - | 974 | - | 974 |
| Tank Painting/Rehabilitation | 117,279 | 2,769 | 120,048 | - |
| Moore's Creek Pre-treatment | 590,974 | 1,628,668 | - | 2,219,642 |
| Dell Water Line Replacement | 23,959 | 11,263 | - | 35,222 |
| Beaver Creek Reservoir Improvements | 30,533 | 3,586 | 34,119 | - |
| Route 29 Pumping Station | - | 25,633 | - | 25,633 |
| Interim Storage Containers | - | 9,669 | 9,669 | - |
| Route 29 Pipeline | 951 | 88,077 | - | 89,028 |
| * NFR On-site Generation of Disinfectant | 2,077 | 14,558 | 16,635 | - |
| Lickinghole Creek Basin Dredging | 5 | - | 5 | - |
| Backwash Water Lagoon Lining | 62 | 157,036 | - | 157,098 |
| Crozet Filter Media Replace | 36,519 | 1,085 | 37,604 | - |
| SWTP Filter Expansion | 63,260 | 230,362 | 293,622 | - |
| SW Lagoon Rehabilitation | 62 | 188,513 | - | 188,575 |
| Disinfectants & Disinfection By Products Rule | - | 40,624 | - | 40,624 |
| Comprehensive Sewer Interceptor Study | 216,660 | 322,895 | - | 539,555 |
| Process Piping Replacement | 41 | - | 41 | - |
| Security Improvements | - | 1,129 | - | 1,129 |
| Meadowcreek Interceptor Routing Study | - | 97,959 | - | 97,959 |
| SWW Pump Station Upgrade | - | 58 | - | 58 |
| * MCWWTP Upgrade to ENR Design | 42,412 | 46,016 | - | 88,428 |
| Camelot WWTP Interim Plant | 1,810 | - | 1,810 | - |
| Total | \$ 3,611,615 | \$ 3,269,540 | \$ 513,553 | \$ 6,367,602 |

Cost of construction includes interest capitalized during the fiscal year, where applicable. For the years ended June 30, 2007 and 2006, capitalized interest was \$0 and \$0, respectively.

* This is new name given to capital project in FY2007.

RIVANNA WATER & SEWER AUTHORITY

Notes to the Financial Statements
as of June 30, 2007 and 2006 (Continued)

Note 6—Construction Work in Progress: (Continued)

Details of construction work in progress for the year ended June 30, 2006 are as follows:

| Description | Balance July 1, 2005 | Cost of Construction | Expense/ Transfer to Capital Assets | Balance June 30, 2006 |
|--|----------------------------|-------------------------|---|-----------------------------|
| Water Supply Engineering | \$ 1,701,332 | \$ 613,039 | \$ - | \$ 2,314,371 |
| Ragged Mountain Dam Rehabilitation | 168,614 | 2,026 | - | 170,640 |
| Meadowcreek Sewer Study | 87,911 | 319 | 88,230 | - |
| Rivanna Pump Station | 242,909 | 36,754 | 279,663 | - |
| Tank Painting/Rehabilitation | 303,725 | 541,338 | 727,784 | 117,279 |
| Moore's Creek Pre-treatment | 98,357 | 492,617 | - | 590,974 |
| Dell Water Line Replacement | 8,070 | 15,889 | - | 23,959 |
| Beaver Creek Reservoir Improvements | 12,532 | 18,001 | - | 30,533 |
| Security Improvements | 56 | 201,761 | 201,817 | - |
| Sugar Hollow Raw Water Line | 22,035 | - | 22,035 | - |
| Route 29 Pipeline | - | 951 | - | 951 |
| NFR Filter Replacement | - | 63,674 | 63,674 | - |
| NFR Conversion to Alternative Disinfection | - | 2,077 | - | 2,077 |
| Lickinghole Creek Basin Dredging | - | 5 | - | 5 |
| Backwash Water Lagoon Lining | - | 62 | - | 62 |
| Crozet Filter Media Replace | - | 36,519 | - | 36,519 |
| SWTP Filter Expansion | - | 63,260 | - | 63,260 |
| SW Lagoon Rehabilitation | - | 62 | - | 62 |
| Rivanna Pump Station Emergency Generator Improvements | - | 131,130 | 131,130 | - |
| Comprehensive Sewer Interceptor | - | 216,660 | - | 216,660 |
| Process Piping Replacement | - | 41 | - | 41 |
| Replace Trommel Screen | - | 183,628 | 183,628 | - |
| MCWWTP Nutrient Treatment | - | 42,412 | - | 42,412 |
| Camelot WWTP Interim Plant | - | 1,810 | - | 1,810 |
| Total | \$ 2,645,541 | \$ 2,664,035 | \$ 1,697,961 | \$ 3,611,615 |

RIVANNA WATER & SEWER AUTHORITY

Notes to the Financial Statements
as of June 30, 2007 and 2006 (Continued)

Note 7—Long-Term Debt:

A. Changes in Long-Term Debt

The following is a summary of long-term debt transactions for the year ended June 30, 2007:

| | <u>Balance July 1, 2006</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance June 30, 2007</u> | <u>Due Within One Year</u> |
|-----------------------------|-------------------------------------|---------------------|-----------------------|--------------------------------------|--------------------------------|
| Contracts payable | \$ 35,265 | \$ - | \$ (35,265) | \$ - | \$ - |
| Revenue bonds payable | \$ 53,770,766 | \$ 1,769,880 | \$ (3,202,083) | \$ 52,338,563 | \$ 3,427,506 |
| Less deferred amounts: | | | | | |
| For issuance discounts | 204,026 | - | (12,093) | 191,933 | - |
| On refunding | <u>(1,610,242)</u> | <u>-</u> | <u>89,743</u> | <u>(1,520,499)</u> | <u>-</u> |
| Total revenue bonds payable | \$ 52,364,550 | \$ 1,769,880 | \$ (3,124,433) | \$ 51,009,997 | \$ 3,427,506 |
| Compensated absences | \$ 255,398 | \$ 71,534 | \$ - | \$ 326,932 | \$ 326,932 |
| Totals | <u>\$ 52,655,213</u> | <u>\$ 1,841,414</u> | <u>\$ (3,159,698)</u> | <u>\$ 51,336,929</u> | <u>\$ 3,754,438</u> |

The following is a summary of long-term debt transactions for the year ended June 30, 2006:

| | <u>Balance July 1, 2005</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance June 30, 2006</u> | <u>Due Within One Year</u> |
|-----------------------------|-------------------------------------|----------------------|------------------------|--------------------------------------|--------------------------------|
| Contracts payable | \$ 63,053 | \$ - | \$ (27,788) | \$ 35,265 | \$ 35,265 |
| Revenue bonds payable | \$ 47,107,082 | \$ 26,266,693 | \$ (19,603,009) | \$ 53,770,766 | \$ 3,202,083 |
| Less deferred amounts: | | | | | |
| For issuance discounts | (150,965) | 204,026 | 150,965 | 204,026 | - |
| On refunding | <u>(675,177)</u> | <u>(1,028,259)</u> | <u>93,194</u> | <u>(1,610,242)</u> | <u>-</u> |
| Total revenue bonds payable | \$ 46,280,940 | \$ 25,442,460 | \$ (19,358,850) | \$ 52,364,550 | \$ 3,202,083 |
| Compensated absences | \$ 242,244 | \$ 259,766 | \$ (246,612) | \$ 255,398 | \$ 255,398 |
| Totals | <u>\$ 46,586,237</u> | <u>\$ 25,702,226</u> | <u>\$ (19,633,250)</u> | <u>\$ 52,655,213</u> | <u>\$ 3,492,746</u> |

RIVANNA WATER & SEWER AUTHORITY

Notes to the Financial Statements
as of June 30, 2007 and 2006 (Continued)

Note 7—Long-Term Debt: (Continued)

B. Details of Long-Term Debt:

| | Total Amount | Amount Due Within One Year |
|--|-------------------------|---|
| <u>Revenue Bonds</u> | | |
| <i>Water and Sewer System Revenue Bonds - Series of 2000</i> - On September 1, 2000, the Authority issued, for the purpose of financing the cost of construction of various water and wastewater facilities, \$7,440,000 in bonds. These bonds are secured by an agreement between the Authority and the trustee for the bondholders. This agreement states that these obligations will be repaid from revenues generated by the Authority and also provides for the establishment of several accounts to insure the timely payment of interest and debt maturities. These accounts are included in the restricted current assets section of the statement of net assets. | | |
| The bond resolution provides a redemption schedule with principal due annually through October 1, 2010. The bonds bear interest at an annual rate which varies from 4.625% to 4.750%. Other maturities of the bond in the amount of \$6,060,000 were refunded with the proceeds of the 2005B series bonds. | \$ 630,000 | \$ 145,000 |
| <i>Water and Sewer System Revenue Bonds - Series of 1999</i> - On August 1, 1999, the Authority issued, for the purpose of financing the cost of construction of various water and wastewater facilities, \$12,990,000 in bonds. These bonds are secured by an agreement between the Authority and the trustee for the bondholders. This agreement states that these obligations will be repaid from revenues generated by the Authority and also provides for the establishment of several accounts to insure the timely payment of interest and debt maturities. These accounts are included in the restricted current assets section of the statement of net assets. | | |
| The bond resolution provides a redemption schedule with principal due annually through October 1, 2009. The bonds bear interest at an annual rate of 5%. Other maturities of the bond in the amount of \$10,675,000 were refunded with the proceeds of the 2005B series bonds. | 825,000 | 260,000 |

RIVANNA WATER & SEWER AUTHORITY

Notes to the Financial Statements
as of June 30, 2007 and 2006 (Continued)

Note 7—Long-Term Debt: (Continued)

B. Details of Long-Term Debt: (Continued)

| | Total Amount | Amount Due Within One Year |
|---|-------------------------|---|
| <u>Revenue Bonds (continued)</u> | | |
| <i>Water and Sewer System Revenue Bonds - Series of 1993</i> - On August 1, 1993, the Authority issued \$25,215,000 in bonds for the purpose of refinancing the following issues: \$10,175,000 of the 1979 Series Revenue Bonds, \$7,705,000 of the 1986 Series Revenue Bonds, \$4,130,000 of the 1988 Series Revenue Bonds, and \$1,280,000 of the 1990 Series Revenue Bonds. These bonds are secured by a supplemental trust agreement between the Authority and the trustee for the bondholders. This agreement states that these obligations will be repaid from revenue generated by the Authority and also provides for the establishment of several accounts to insure the timely payment of interest and debt maturities. These accounts are included in the restricted current assets section of the statement of net assets. | | |
| The bond resolution provides a redemption schedule with principal due serially through October 1, 2008. The remaining maturities after October 1, 2008 were defeased with the 2003 refunding bond issue. The bonds bear interest at an annual rate which varies from 4.5% to 4.875%. | \$ 1,745,000 | \$ 1,590,000 |
| <i>Regional Water and Sewer System Revenue Bonds, Series 1994 B</i> - On November 23, 1994, the Authority issued \$1,321,652 in bonds through the Virginia Revolving Loan Fund for the purpose of financing improvements to the Scottsville Wastewater Treatment System. These bonds are secured by a supplemental trust agreement between the Authority and the trustee for the bondholders. This agreement states that these obligations will be repaid from revenue generated by the Authority and also provides for the establishment of several accounts to insure the timely payment of interest and debt maturities. These accounts are included in the restricted current assets section of the statement of net | | |
| The bond resolution provides a redemption schedule with interest only due on October 1, 1995 and semi-annual payments of combined principal and interest of \$47,010 through April 1, 2015. Effective April 1, 2004, the bonds bear interest at an annual rate of 2.9%. | 666,990 | 75,218 |

RIVANNA WATER & SEWER AUTHORITY

Notes to the Financial Statements
as of June 30, 2007 and 2006 (Continued)

Note 7—Long-Term Debt: (Continued)

C. Details of Long-Term Debt: (Continued)

| | Total Amount | Amount Due Within One Year |
|--|-------------------------|---|
| <u>Revenue Bonds (continued)</u> | | |
| <p><i>Water and Sewer System Revenue Bonds, Series of 2001</i> - On July 10, 2001, the Authority issued \$14,755,000 in Revenue Refunding Bonds with an average interest rate of 4.51% to advance refund \$7,755,000 of outstanding 1991 Series bonds with an average interest rate of 6.2%, and \$6,405,000 of outstanding 1994 Series bonds with an average interest rate of 5.88%. The net proceeds of \$14,660,358 (after payment of \$259,518 in underwriting and other issuance costs) plus an additional \$29,543 of Debt Service Reserve and Bond Funds were used to purchase the Revenue Bonds. These funds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1991 and 1994 Series bonds. As a result, the 1991 and 1994 Series bonds are considered to be defeased, and the liability for</p> <p>The bond resolution provides a redemption schedule with principal due serially through October 1, 2024. The balance of \$460,000 is payable October 1, 2024. The bonds bear interest at an annual rate of 4.51%.</p> <p>The Authority advance refunded the 1991 and 1994 Series bonds to reduce its total debt service payments over the next 25 years by \$1.81 million and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1.12 million.</p> | \$ 10,825,000 | \$ 990,000 |
| <p><i>Water and Sewer System Revenue Bonds, Series of 2003</i> - On September 17, 2003, the Authority issued \$10,000,000 in Revenue Refunding Bonds with an interest rate of 3.69% to advance refund \$9,665,000 of outstanding 1993 Series bonds with an average interest rate of 4.7%. The net proceeds of \$9,919,641 (after payment of \$80,359 in underwriting and other issuance costs) plus an additional \$146,947 of Debt Service Reserve and Bond Funds were used to purchase the Revenue Bonds. These funds were deposited in an irrevocable trust with an escrow agent to provide funds to call this portion of the 1993 bonds on October 20, 2003.</p> <p>The bond resolution provides a redemption schedule with principal due serially through October 1, 2018. The bonds bear interest at an annual rate of 3.69%.</p> <p>The Authority advance refunded the 1993 Series bonds to reduce its total debt service payments over the next 16 years by \$675,475 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$531,473.</p> | 9,815,000 | 66,000 |

RIVANNA WATER & SEWER AUTHORITY

Notes to the Financial Statements
as of June 30, 2007 and 2006 (Continued)

Note 7—Long-Term Debt: (Continued)

B. Details of Long-Term Debt: (Continued)

| | Total Amount | Amount Due Within One Year |
|--|-------------------------|---|
| <p>Water and Sewer System Revenue Bonds, Series 2005B - On December 7, 2005, the Authority issued \$25,805,000 in Revenue Refunding Bonds with an interest rate between 3.50% to 5.00% to advance refund \$10,675,000 of outstanding 1999 Series bonds with an interest rate from 4.85% to 6.00% and \$6,060,000 of outstanding 2000 Series bonds with an interest rate from 4.35% to 5.40%. Proceeds of \$7,800,000 will be used for the construction of various water and sewer projects. The net proceeds (after payment of \$383,538 in underwriting and other issuance costs, construction funds of \$7,800,000 and a deposit of \$368,870 to the debt service reserve) of \$17,266,922 plus an additional \$151,827 of prior debt service reserve funds were used to purchase the Revenue bonds. These funds were deposited in an irrevocable trust with an escrow agent to call the bonds beginning October 2027.</p> <p>The bond resolution provides a redemption schedule with principal due annually through October 1, 2035. The bonds bear interest at an annual rate of 3.50% to 5.00%. The Authority advanced refunded the 1999 and 2000 Series bonds to reduce its total debt service payments over the next 25 years by \$1.81 million and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1.17 million.</p> | \$ 25,600,000 | \$ 210,000 |
| <p>Water and Sewer System Revenue Bonds - Series of 2005A - On November 10, 2005, the Authority issued \$2,377,600 in bonds through the Virginia Resources Authority for purposes of financing the Moores Creek wastewater pre-treatment project. These bonds are secured by a supplemental trust agreement between the Authority and trustee for the bondholders. This agreement states that these obligations will be repaid from revenue generated by the Authority and are backed by a restricted cash account.</p> <p>The bond resolution provides a redemption schedule with annual payments from October 2007 through October 2026. The bonds bear interest at 3%.</p> | \$ 2,231,573 | \$ 91,288 |
| <p>Total Revenue Bonds</p> | \$ 52,338,563 | \$ 3,427,506 |
| <p>Compensated Absences</p> | \$ 326,932 | \$ 326,932 |
| <p>Total</p> | \$ 52,665,495 | \$ 3,754,438 |

RIVANNA WATER & SEWER AUTHORITY

Notes to the Financial Statements
as of June 30, 2007 and 2006 (Continued)

Note 7—Long-Term Debt: (Continued)

C. Annual Amortization of Long-Term Debt

The annual requirements to amortize all long-term debt outstanding as of June 30, 2007 are as follows:

| Year Ending June 30, | Revenue Bonds | |
|-------------------------|----------------------|----------------------|
| | Principal | Interest |
| 2008 | \$ 3,427,506 | \$ 2,180,572 |
| 2009 | 3,557,462 | 2,036,074 |
| 2010 | 3,700,566 | 1,894,672 |
| 2011 | 2,758,822 | 1,764,491 |
| 2012 | 2,867,234 | 1,649,720 |
| 2013-2017 | 11,800,001 | 6,730,717 |
| 2018-2022 | 7,966,062 | 4,737,848 |
| 2023-2027 | 8,551,937 | 2,753,740 |
| 2028-2032 | 6,000,000 | 985,278 |
| 2033-2036 | 1,708,973 | 176,559 |
| Total | \$ <u>52,338,563</u> | \$ <u>24,909,671</u> |

D. Advance Refunding

The Authority issued \$25,085,000 (of which \$16,735,000 was used for the refunding) of revenue refunding bonds to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$16,735,000 of outstanding 1999 and 2000 Series revenue bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Authority's Statement of Net Assets. The reacquisition price exceeded the net carrying amount of the old debt by \$1,028,259. This amount is being netted against the new debt and amortized over the life of the debt. This advance refunding was undertaken to reduce total debt service payments over the next 25 years by \$1,819,511 and resulted in an economic gain of \$1,172,758.

E. Prior-Year Defeasance of Debt

In prior years, the Authority defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements. At June 30, 2007, \$2,235,000 of bonds outstanding is considered defeased.

RIVANNA WATER & SEWER AUTHORITY

Notes to the Financial Statements
as of June 30, 2007 and 2006 (Continued)

Note 8—Compensated Absences:

Authority employees earn vacation leave each month at a scheduled rate in accordance with the years of service and sick leave at the rate of eight hours per month. Accumulated unpaid vacation and other compensatory leave amounts are accrued when incurred. At June 30, 2007 and 2006, the liability for accrued vacation leave was \$326,932 and \$255,398, respectively.

Sick leave does not vest and is not recorded as a liability in the financial statements.

Note 9—Defined Benefit Pension Plan:

A. Plan Description

| | |
|-------------------------|---|
| Name of Plan: | Virginia Retirement System (VRS) |
| Identification of Plan: | Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan |
| Administering Entity: | Virginia Retirement System (System) |

The Authority contributes to the Virginia Retirement System (VRS), an agent multiple-employer defined benefit pension plan administered by the Virginia Retirement System. All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service and at age 50 with 30 years of service, payable monthly for life in an amount equal to 1.7% of average final salary (AFS) multiplied by years of service credit. An optional reduced retirement benefit is available to members of VRS as early as age 50 with 10 years of credited service. In addition, retirees qualify for annual cost-of-living increases beginning in their second year of retirement. AFS is defined as the highest consecutive 36 months of salary. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits.

The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly. The VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/pdf/2006ANNUREPT.pdf> or obtained by writing the System at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their salary to the VRS. The employer may assume this 5% member contribution. In addition, the Authority is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Authority's required contribution rate for the fiscal year ended 2007 was 10.01% of annual covered payroll.

RIVANNA WATER & SEWER AUTHORITY

Notes to the Financial Statements
as of June 30, 2007 and 2006 (Continued)

Note 9—Defined Benefit Pension Plan: (Continued)

C. Annual Pension Cost

| | <u>Rivanna Water & Sewer Authority Retirement Plan</u> |
|-------------------------------|--|
| Contribution rates: | |
| Employer | 10.01% |
| Plan members ¹ | 5.00% |
| Annual pension cost | \$334,188 |
| Contributions made | \$334,188 |
| Actuarial valuation date | 6/30/2006 |
| Actuarial cost method | Entry age normal |
| Amortization method | Level percentage of pay, open |
| Remaining amortization period | 20 years |
| Asset valuation method | Modified market |
| Actuarial assumptions: | |
| Investment rate of return* | 7.50% |
| Projected salary increases* | 3.50% to 5.60% |
| *Includes inflation at | 2.50% |
| Cost-of-Living adjustments | 2.50% |

¹ This member contribution has been assumed by the employer.

**Three-Year Trend Information for
Rivanna Water & Sewer Authority**

| <u>Fiscal Year Ending</u> | <u>Annual Pension Cost * (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|-------------------------------|--|--|-----------------------------------|
| June 30, 2007 | \$ 334,188 | 100% | \$ - |
| June 30, 2006 | 96,103 | 100% | - |
| June 30, 2005 | 91,745 | 100% | - |

* Includes employer costs only.

RIVANNA WATER & SEWER AUTHORITY

Notes to the Financial Statements
as of June 30, 2007 and 2006 (Continued)

Note 10—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 joined together with other local governments in the Commonwealth to form the Virginia Municipal Group Self Insurance Association, a public entity risk pool currently operating as a common risk management and insurance program for member governments. The Authority pays an annual premium to the pool for its workers compensation coverage. For property and liability insurance the Authority joined together with other local governments in the State to form the Virginia Association of Counties Group Self-Insurance Pool, a public entity risk pool. The Agreements for Formation of the associations provide that the associations will be self-sustaining through member premiums. Settled claims have not exceeded pool coverage in any of the past three fiscal years.

Required Supplementary Information

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RIVANNA WATER & SEWER AUTHORITY

Schedule of Funding Progress for Defined Benefit Pension Plan
Last Five Fiscal Years

| Valuation Date | Actuarial Value of Assets (AVA) (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL) (c) | Funded Ratio (d) | Annual Covered Payroll (e) | UAAL as % of Covered Payroll (f) |
|-----------------------|--|--|--|-------------------------|-----------------------------------|---|
| | | | (b) - (a) | (a) / (b) | | (c) / (e) |
| 06/30/02 | \$ 7,661,305 | \$ 6,788,409 | \$ (872,896) | 112.86% | \$ 2,473,799 | -35.29% |
| 06/30/03 | 7,883,451 | 7,296,942 | (586,509) | 108.04% | 2,289,908 | -25.61% |
| 06/30/04 | 8,092,765 | 8,309,564 | 216,799 | 97.39% | 2,791,220 | 7.77% |
| 06/30/05 | 8,438,287 | 10,587,964 | 2,149,677 | 79.70% | 3,125,651 | 68.78% |
| 06/30/06 | 9,090,456 | 10,412,813 | 1,322,357 | 87.30% | 3,103,465 | 42.61% |

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Statistical Section

Contents

Tables

Financial Trends

These tables contain trend information to help the reader understand how the the Authority's financial performance has changed over time.

1-2

Revenue, Rates and Useage Information

These tables contain information to help the reader assess the factors affecting the Authority's change in revenues and its ability to generate revenues.

3-5

Expenses

This table contains comparative information about the Authority's expenses.

6

Debt Capacity

These tables present information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the Authority's ability to issue debt in the future.

7-8

Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place and to help make comparisons over time.

9-10

Operating Information

These tables contain information about the Authority's operations and resources to help the reader understand how the Authority's financial information relate to the activities it performs.

11-12

Other Information

These tables contain miscellaneous data such as insurance coverage and data from related organizations, Albemarle County Service Authority and City of Charlottesville.

13-15

Sources:

Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year. The Authority implemented GASB Statement 34 in fiscal year 2002; tables presenting net asset information include information beginning in that year.

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RIVANNA WATER & SEWER AUTHORITY

Table 1

Net Assets by Component
Last Six Fiscal Years

| | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Invested in capital assets, net of related debt | \$ 37,092,812 | \$ 36,777,712 | \$ 37,147,880 | \$ 35,408,205 | \$ 29,256,828 | \$ 28,320,782 |
| Restricted | 3,030,350 | 2,919,269 | 2,763,638 | 2,617,327 | 7,597,881 | 8,874,689 |
| Unrestricted | 18,925,668 | 13,138,107 | 8,952,111 | 6,952,238 | 3,764,534 | 1,486,929 |
| Total net assets | <u>\$ 59,048,830</u> | <u>\$ 52,835,088</u> | <u>\$ 48,863,629</u> | <u>\$ 44,977,770</u> | <u>\$ 40,619,243</u> | <u>\$ 38,682,400</u> |

RIVANNA WATER & SEWER AUTHORITY

Table 2

Changes in Net Assets
Last Six Fiscal Years

| | Fiscal Years Ended June 30, | | | | | |
|--|-----------------------------|----------------|----------------|----------------|----------------|----------------|
| | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
| Operating revenues: | | | | | | |
| Metered water sales | \$ 10,114,752 | \$ 9,876,219 | \$ 8,816,327 | \$ 8,257,458 | \$ 6,512,018 | \$ 5,726,981 |
| Wastewater service charges | 8,143,177 | 6,795,118 | 6,818,840 | 7,314,528 | 6,596,802 | 4,790,192 |
| Total operating revenues | \$ 18,257,929 | \$ 16,671,337 | \$ 15,635,167 | \$ 15,571,986 | \$ 13,108,820 | \$ 10,517,173 |
| Operating expenses: | | | | | | |
| Personnel costs | \$ 4,939,525 | \$ 4,619,754 | \$ 4,256,623 | \$ 3,832,356 | \$ 3,460,494 | \$ 3,385,511 |
| Professional services | 211,370 | 232,970 | 182,450 | 230,867 | 284,403 | 72,201 |
| Other services and charges | 1,666,178 | 1,765,687 | 1,427,067 | 1,398,038 | 1,280,423 | 1,386,864 |
| Operations and maintenance | 2,233,192 | 2,489,625 | 1,976,379 | 2,019,863 | 1,784,732 | 1,211,479 |
| Depreciation | 2,572,143 | 2,512,244 | 2,424,576 | 2,374,634 | 2,387,345 | 2,254,404 |
| Total operating expenses | \$ 11,622,408 | \$ 11,620,280 | \$ 10,267,095 | \$ 9,855,758 | \$ 9,197,397 | \$ 8,310,459 |
| Operating income | \$ 6,635,521 | \$ 5,051,057 | \$ 5,368,072 | \$ 5,716,228 | \$ 3,911,423 | \$ 2,206,714 |
| Nonoperating revenues (expenses): | | | | | | |
| Investment earnings | \$ 1,350,896 | \$ 728,978 | \$ 306,789 | \$ 69,303 | \$ 196,165 | \$ 247,627 |
| Buck Mountain revenue | 128,900 | 104,600 | 120,200 | 157,400 | 142,300 | 164,400 |
| Other revenues | 80,139 | 101,659 | 100,115 | 115,053 | 68,388 | 127,135 |
| Administrative reimbursement | 399,800 | 365,500 | 359,915 | 324,430 | 314,432 | 279,613 |
| Interest expense | (2,347,443) | (2,346,022) | (2,348,380) | (2,541,329) | (2,670,850) | (2,836,685) |
| Amortization expense | (34,071) | (34,313) | (20,852) | (39,729) | (25,015) | (27,141) |
| Total nonoperating revenues (expenses) | \$ (421,779) | \$ (1,079,598) | \$ (1,482,213) | \$ (1,914,872) | \$ (1,974,580) | \$ (2,045,051) |
| Income before contributions | \$ 6,213,742 | \$ 3,971,459 | \$ 3,885,859 | \$ 3,801,356 | \$ 1,936,843 | \$ 161,663 |
| Capital contributions | - | - | - | 557,171 | - | - |
| Change in net assets | \$ 6,213,742 | \$ 3,971,459 | \$ 3,885,859 | \$ 4,358,527 | \$ 1,936,843 | \$ 161,663 |

RIVANNA WATER & SEWER AUTHORITY

Table 3

Revenues by Source
Last Ten Fiscal Years

| Fiscal Year Ended June 30, | Operating Revenues | | | Nonoperating Revenues | | | | Total Revenues |
|----------------------------------|--------------------|----------------------------------|--------------------------------|------------------------------------|-----------------------------|------------------|-----------------------------------|-------------------|
| | Water Sales | Wastewater Service Charges | Total Operating Revenues | Investment Earnings (Losses) | Buck Mountain Revenue | Other Revenue | Total Nonoperating Revenues | |
| 1998 | \$ 4,672,694 | \$ 4,105,687 | \$ 8,778,381 | \$ 296,768 | \$ 170,700 | \$ 73,631 | \$ 541,099 | \$ 9,319,480 |
| 1999 | 5,349,471 | 4,107,632 | 9,457,103 | (11,521) | 133,500 | 82,831 | 204,810 | 9,661,913 |
| 2000 | 5,282,932 | 4,381,033 | 9,663,965 | 567,060 | 121,900 | 337,118 | 1,026,078 | 10,690,043 |
| 2001 | 5,921,229 | 4,243,535 | 10,164,764 | 898,199 | 76,300 | 382,674 | 1,357,173 | 11,521,937 |
| 2002 | 5,726,981 | 4,790,192 | 10,517,173 | 270,092 | 164,400 | 384,283 | 818,775 | 11,335,948 |
| 2003 | 6,512,018 | 6,596,802 | 13,108,820 | 151,327 | 142,300 | 427,657 | 721,284 | 13,830,104 |
| 2004 | 8,257,457 | 7,314,529 | 15,571,986 | 69,304 | 157,400 | 439,482 | 666,186 | 16,238,172 |
| 2005 | 8,816,327 | 6,818,840 | 15,635,167 | 306,789 | 120,200 | 460,030 | 887,019 | 16,522,186 |
| 2006 | 9,876,219 | 6,795,118 | 16,671,337 | 728,978 | 104,600 | 467,159 | 1,300,737 | 17,972,074 |
| 2007 | 10,114,752 | 8,143,177 | 18,257,929 | 1,350,896 | 128,900 | 479,939 | 1,959,735 | 20,217,664 |

RIVANNA WATER & SEWER AUTHORITY

Table 4

Water and Wastewater Rates and Flows
Last Ten Fiscal Years

| | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> | <u>2001</u> | <u>2000</u> | <u>1999</u> | <u>1998</u> |
|--|-------------|-------------|-------------|-------------|----------------|-------------|-------------|-------------|-------------|-------------|
| Rates | | | | | | | | | | |
| Urban Water - City (per 1000 gallons) | \$ 2.149 | \$ 2.071 | \$ 1.995 | \$ 2.086 | \$ various (1) | \$ 1.255 | \$ 1.245 | \$ 1.068 | \$ 1.015 | \$ 0.948 |
| Urban Water - ACSA (per 1000 gallons) | \$ 2.717 | \$ 2.582 | \$ 2.422 | \$ 2.173 | \$ various (1) | \$ 1.349 | \$ 1.337 | \$ 1.183 | \$ 1.134 | \$ 1.074 |
| Scottsville Water (per month) | \$ 31,227 | \$ 32,571 | \$ 32,794 | \$ 26,897 | \$ 20,849 | \$ 18,596 | \$ 18,337 | \$ 17,890 | \$ 17,130 | \$ 15,163 |
| Crozet Water (per month) | \$ 43,587 | \$ 45,337 | \$ 41,857 | \$ 37,660 | \$ 34,254 | \$ 34,669 | \$ 45,094 | \$ 41,751 | \$ 43,078 | \$ 30,669 |
| Urban Wastewater - City (per 1000 gallons) | \$ 1.865 | \$ 1.685 | \$ 1.543 | \$ 1.512 | \$ 1.124 | \$ 0.976 | \$ 0.872 | \$ 0.861 | \$ 0.867 | \$ 0.803 |
| Urban Wastewater - ACSA (per 1000 gallons) | \$ 2.101 | \$ 1.955 | \$ 1.815 | \$ 1.793 | \$ 1.361 | \$ 1.217 | \$ 1.115 | \$ 1.068 | \$ 1.060 | \$ 1.006 |
| Scottsville Wastewater (per month) | \$ 24,022 | \$ 21,936 | \$ 21,302 | \$ 19,885 | \$ 18,894 | \$ 18,014 | \$ 18,906 | \$ 18,208 | \$ 15,271 | \$ 13,675 |
| Glenmore Wastewater (per month) | \$ 18,772 | \$ 17,488 | \$ 17,262 | \$ 15,473 | \$ 13,134 | \$ 10,498 | \$ 10,459 | \$ 8,335 | \$ 7,954 | \$ 7,232 |

Note:

(1) Water rates changed during FY 2003 as follows due to drought conditions:

| | 7/1/02 - 9/30/02 | 10/1/02 - 1/31/03 | 2/1/03 - 6/30/03 |
|---------------------------------------|---------------------|----------------------|---------------------|
| Urban Water - City (per 1000 gallons) | \$ 1.255 | \$2.955 | \$1.955 |
| Urban Water - ACSA (per 1000 gallons) | \$ 1.349 | \$3.037 | \$2.037 |

| | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> | <u>2001</u> | <u>2000</u> | <u>1999</u> | <u>1998</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Flows (in million gallons per day): | | | | | | | | | | |
| Urban Water | 10.435 | 10.607 | 9.933 | 9.622 | 9.200 | 10.756 | 11.177 | 11.218 | 11.929 | 11.330 |
| Crozet Water | 0.386 | 0.395 | 0.341 | 0.320 | 0.309 | 0.371 | 0.431 | 0.743 | 0.712 | 0.661 |
| Scottsville Water | 0.108 | 0.118 | 0.136 | 0.136 | 0.135 | 0.143 | 0.139 | 0.149 | 0.165 | 0.137 |
| | 10.929 | 11.120 | 10.410 | 10.078 | 9.644 | 11.270 | 11.747 | 12.110 | 12.806 | 12.128 |
| Urban Wastewater | 10.047 | 8.993 | 9.802 | 10.863 | 10.531 | 9.735 | 10.179 | 10.547 | 10.289 | 12.380 |
| Scottsville Wastewater | 0.123 | 0.075 | 0.080 | 0.078 | 0.105 | 0.081 | 0.077 | 0.077 | 0.075 | 0.097 |
| Glenmore Wastewater | 0.087 | 0.111 | 0.106 | 0.133 | 0.094 | 0.078 | 0.080 | 0.074 | 0.066 | 0.061 |
| | 10.257 | 9.179 | 9.988 | 11.074 | 10.730 | 9.894 | 10.336 | 10.698 | 10.430 | 12.538 |

RIVANNA WATER & SEWER AUTHORITY

Table 5

Current Customers
Fiscal Year 2007

| | Water Revenue | | Wastewater Revenue | |
|------------------------------------|----------------------|----------------|---------------------------|----------------|
| | Amount | % | Amount | % |
| Albemarle County Service Authority | \$ 5,835,829 | 57.70% | \$ 3,997,418 | 49.09% |
| City of Charlottesville | 4,278,923 | 42.30% | 3,839,871 | 47.15% |
| Others | - | 0.00% | 305,889 | 3.76% |
| | <u>\$ 10,114,752</u> | <u>100.00%</u> | <u>\$ 8,143,177</u> | <u>100.00%</u> |

Note: The Authority's two wholesale customers, which are both governmental entities, provide 100% of water revenue and 96% of wastewater revenue. The remaining 4% of revenue comes from compost sales septage acceptance customers. Due to lack of materiality, the number customers by type that provides that revenue is not presented here.

RIVANNA WATER & SEWER AUTHORITY

Table 6

Expenses by Type
Last Ten Fiscal Years

| Fiscal Year Ended June 30, | Operations | Depreciation | Interest | Total |
|---|-------------------|---------------------|-----------------|--------------|
| 1998 | \$ 4,930,738 | \$ 1,824,628 | \$ 2,260,233 | \$ 9,015,599 |
| 1999 | 5,270,503 | 1,859,407 | 2,171,914 | 9,301,824 |
| 2000 | 5,703,784 | 1,837,423 | 2,673,529 | 10,214,736 |
| 2001 | 6,094,125 | 1,868,920 | 2,997,085 | 10,960,130 |
| 2002 | 6,056,056 | 2,254,404 | 2,863,826 | 11,174,286 |
| 2003 | 6,810,052 | 2,387,345 | 2,695,865 | 11,893,262 |
| 2004 | 7,481,126 | 2,374,634 | 2,581,058 | 12,436,818 |
| 2005 | 7,842,519 | 2,424,576 | 2,369,232 | 12,636,327 |
| 2006 | 9,108,036 | 2,512,244 | 2,380,335 | 14,000,615 |
| 2007 | 9,050,265 | 2,572,143 | 2,381,514 | 14,003,922 |

RIVANNA WATER & SEWER AUTHORITY

Table 7

Outstanding Debt by Type
Last Six Fiscal Years

| | Fiscal Year | | | | | |
|-------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
| Revenue bonds payable | \$ 51,009,998 | \$ 52,364,550 | \$ 46,280,940 | \$ 48,956,452 | \$ 51,253,837 | \$ 52,861,280 |
| Contracts payable | - | 35,265 | 63,053 | 123,781 | 737,748 | 791,826 |
| Line of credit payable | - | - | 665,542 | 418,771 | - | - |
| Total outstanding debt | \$ 51,009,998 | \$ 52,399,815 | \$ 47,009,535 | \$ 49,499,004 | \$ 51,991,585 | \$ 53,653,106 |

RIVANNA WATER & SEWER AUTHORITY

Table 8

Revenue Bond Debt Service Coverage
Last Ten Fiscal Years

| Fiscal Year Ended June 30, | Gross Revenue | Direct Operating Expense (1) | Net Available | Required Debt Service Payments (2) | Coverage |
|---|--------------------------|---|--------------------------|---|-----------------|
| 1998 | \$ 9,319,480 | \$ 4,930,738 | \$ 4,388,742 | \$ 3,847,557 | 1.1X |
| 1999 | 9,661,913 | 5,270,503 | 4,391,410 | 3,824,373 | 1.1X |
| 2000 | 10,690,043 | 5,703,784 | 4,986,259 | 4,239,202 | 1.2X |
| 2001 | 11,521,937 | 6,094,126 | 5,427,811 | 4,902,748 | 1.1X |
| 2002 | 11,335,948 | 6,056,056 | 5,279,892 | 4,928,180 | 1.1X |
| 2003 | 13,830,104 | 6,810,052 | 7,020,052 | 5,115,286 | 1.4X |
| 2004 | 16,238,172 | 7,481,126 | 8,757,046 | 5,084,496 | 1.7X |
| 2005 | 16,522,186 | 7,842,519 | 8,679,667 | 5,079,040 | 1.7X |
| 2006 | 17,972,074 | 9,108,036 | 8,864,038 | 4,942,800 | 1.8X |
| 2007 | 20,217,664 | 9,050,265 | 11,167,399 | 5,526,143 | 2.0X |

(1) Excluding depreciation expense

(2) Including payments on revenue bonds and contracts payable.

RIVANNA WATER AND SEWER AUTHORITY

Table 9

Demographic Data for the Service Area
 City of Charlottesville & Albemarle County, Virginia
 Last Ten Calendar Years

| <u>Calendar Year</u> | <u>Population (2)</u> | <u>Personal Income (thousands of \$) (2)</u> | <u>Per Capita Personal Income (\$) (2)</u> | <u>Unemployment Rate (1)</u> |
|----------------------|-----------------------|--|--|----------------------------------|
| 2006 | not available | not available | not available | 2.6% |
| 2005 | 130,854 | 5,082,982 | 38,845 | 2.9% |
| 2004 | 129,674 | 4,786,130 | 36,909 | 3.2% |
| 2003 | 128,287 | 4,544,173 | 35,422 | 3.5% |
| 2002 | 127,480 | 4,334,369 | 34,000 | 3.2% |
| 2001 | 126,414 | 4,278,750 | 33,847 | 2.6% |
| 2000 | 124,651 | 4,161,884 | 33,388 | 2.1% |
| 1999 | 122,911 | 3,835,944 | 31,209 | 1.3% |
| 1998 | 121,329 | 3,643,151 | 30,027 | 1.3% |
| 1997 | 119,866 | 3,328,990 | 27,773 | 1.9% |

(1) Virginia Employment Commission - Virginia's Electronic Labor Market Access

(2) U.S. Department of Commerce - Bureau of Economic Analysis

RIVANNA WATER & SEWER AUTHORITY

Table 10

Principal Employers in the Charlottesville Area
Current Year and Nine Years Ago

| Employer | Fourth Quarter of 2006 | | Fourth Quarter of 1997 | |
|---|-------------------------------|-------------|-------------------------------|-------------|
| | Number of Employees | Rank | Number of Employees | Rank |
| University of Virginia/ Blue Ridge Hospital | 1,000 & over | 1 | 1,000 & over | 1 |
| University of Virginia Medical Center | 1,000 & over | 2 | | |
| County of Albemarle | 1,000 & over | 3 | 1,000 & over | 2 |
| Martha Jefferson Hospital | 1,000 & over | 4 | 1,000 & over | 4 |
| City of Charlottesville | 1,000 & over | 5 | 1,000 & over | 5 |
| State Farm Mutual Automobile Insurance | 1,000 & over | 6 | | |
| UVA Health Services Foundation | 1,000 & over | 7 | 1,000 & over | 3 |
| Charlottesville City School Board | 500-999 | 8 | 500-999 | 7 |
| Northrop Grumman Corporation | 500-999 | 9 | | |
| Aramark Campus | 500-999 | 10 | | |
| GE Fanuc Automation North Corporation | | | 1,000 & over | 6 |
| Comdial Business Communications Inc. | | | 500-999 | 9 |
| Conagra, Inc. | | | 500-999 | 8 |
| Reed Elsevier, Inc. | | | 500-999 | 10 |

Source: Virginia Employment Commission - for Charlottesville Metropolitan Service Area (MSA)

RIVANNA WATER & SEWER AUTHORITY

Table 11

Number of Employees by Indentifiable Activity
Last Six Fiscal Years

| | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| Number of budgeted full-time equivalent positions: | | | | | | |
| Water (1) | 27.0 | 27.0 | 27.0 | 25.0 | 25.0 | 25.0 |
| Wastewater | 26.0 | 25.0 | 25.0 | 25.0 | 25.0 | 25.0 |
| Ground crew maintenance (2) | 4.0 | 4.0 | 4.0 | 4.0 | 3.5 | 3.5 |
| Operations Management | 2.0 | 2.0 | 2.0 | 2.0 | 1.0 | 1.0 |
| Administration (3) | 7.1 | 7.1 | 7.1 | 6.9 | 5.3 | 5.5 |
| Laboratory | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| Engineering | 7.0 | 7.0 | 7.0 | 7.0 | 4.0 | 4.0 |
| Total | <u>76.1</u> | <u>75.1</u> | <u>75.1</u> | <u>72.9</u> | <u>66.8</u> | <u>67.0</u> |

- (1) For FY 2002 and 2003, three of the positions included in Water above worked approximately 20% in the wastewater department.
- (2) Ground crew maintenance positions work approximately 60% (80% in FY 2002-2005) on wastewater department maintenance and 40% (20% in FY 2002-2005) on water department maintenance.
- (3) Administration staff is shared with Rivanna Solid Waste Authority. The number of employees noted above is the number of full time employee equivalents allocated to Rivanna Water and Sewer Authority.

RIVANNA WATER & SEWER AUTHORITY

Table 12

Operating and Capital Indicators
Last Four Fiscal Years

| | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> |
|--|-------------|-------------|-------------|-------------|
| Water | | | | |
| Size of watershed (square miles) | 766 | 766 | 766 | 766 |
| Raw water safe yield (mgd) | | | | |
| Urban system | 14.4 | 14.4 | 14.4 | 14.4 |
| Rural system | 3.0 | 3.0 | 3.0 | 3.0 |
| Miles of pipelines | 64.3 | 64.3 | 64.3 | 64.3 |
| Number of treatment plants | 5 | 5 | 5 | 5 |
| Number of pumping stations | 7 | 7 | 7 | 7 |
| Number of reservoirs | 4 | 4 | 4 | 4 |
| Number of finished water storage tanks | 11 | 11 | 11 | 11 |
| Maximum treatment capacity (mgd) | 22.750 | 22.750 | 22.750 | 22.750 |
| Water treated (mgd) | 10.929 | 11.120 | 10.410 | 10.078 |
| Unused capacity (mgd) | 11.821 | 11.630 | 12.340 | 12.672 |
| Percentage of capacity utilized | 48.04% | 48.88% | 45.76% | 44.30% |
| Wastewater | | | | |
| Miles of pipelines | 37 | 37 | 37 | 37 |
| Number of treatment plants | 5 | 5 | 5 | 5 |
| Number of pumping stations | 7 | 7 | 7 | 7 |
| Maximum treatment capacity (mgd) | 15.945 | 15.945 | 15.945 | 15.945 |
| Wastewater treated (mgd) | 10.257 | 9.179 | 9.988 | 11.074 |
| Unused capacity (mgd) | 5.688 | 6.766 | 5.957 | 4.871 |
| Percentage of capacity utilized | 64.33% | 57.57% | 62.64% | 69.45% |

Notes: mgd = millions of gallons per day

Safe yield is a measure of raw water resources during a drought of record.

Urban system safe yield is affected by sedimentation in the South Fork Rivanna Reservoir equivalent to losing approximately .078 mgd of safe yield per year.

RIVANNA WATER & SEWER AUTHORITY

Table 13

Insurance in Force
June 30, 2007

| <u>Type Coverage/Company Name</u> | <u>Coverage</u> | <u>Annual Premium</u> |
|---|---|-----------------------|
| <u>Commercial Property</u> Virginia Association of Counties 07/01/06-07/01/07 | \$ 113,554,855 Property Value | \$ 77,949 |
| <u>Boiler and Machinery Coverage</u> Virginia Association of Counties 07/01/06-07/01/07 | \$ 10,254,130 Per Occurrence | \$ 11,792 |
| <u>Worker's Compensation</u> Virginia Municipal Group Self Insurance Association 07/01/06-06/30/07 | \$ 1,000,000 Per Occurrence | \$ 68,391 |
| <u>Comprehensive Automobile</u> Virginia Association of Counties 07/01/06-07/01/07 | \$ 5,000,000 Liability Comprehensive & Collision | \$ 21,771 |
| <u>General Liability</u> Virginia Association of Counties 07/01/06-07/01/07 | \$ 5,000,000 Per Occurrence | \$ 16,838 |
| <u>Public Officials Liability</u> Virginia Association of Counties 07/01/06-07/01/07 | \$ 5,000,000 Per Occurrence | \$ 9,777 |
| <u>Crime Coverage</u> Virginia Association of Counties 07/01/06-07/01/07 | \$ 500,000 Per Covered Employee | \$ 1,735 |

Miscellaneous Statistical Data
 Albemarle County Service Authority

Year of Incorporation: 1964

Type of Entity:

Independent authority created pursuant to the "Virginia Water & Waste Authorities Act", Section 15.1-1239, Code of Virginia (1950), as amended

| | |
|-----------------------------|--------|
| Number of water connections | 16,098 |
| Number of sewer connections | 13,112 |
| Miles of water lines | 319 |
| Miles of sewer lines | 231 |
| Number of fire hydrants | 2,193 |

Rates (effective FY 2007) per 1,000 gallons metered consumption

Water

Residential Water Rates and all irrigation usage:

| | |
|---|--------|
| Level 1 (0-3,000 gallons per month) | \$3.37 |
| Level 2 (3,001-6,000 gallons per month) | \$4.04 |
| Level 3 (over 6,000 gallons per month) | \$7.22 |

| | |
|--|--------|
| Non-Residential and Multi-Family Residential Water Rate (except irrigation water) | \$4.29 |
|--|--------|

| | |
|-------------------|--------|
| Wastewater | \$4.82 |
|-------------------|--------|

Ten Largest Customers in FY 2007

| | Water | | Wastewater | |
|--------------------------------|------------------------|------------------------|------------------------|------------------------|
| | Billed (in gallons) | Percentage of Total | Billed (in gallons) | Percentage of Total |
| Southwood Charlottesville | 30,080,000 | 1.76% | 27,745,716 | 2.04% |
| Four Seasons Apartments | 26,544,500 | 1.55% | 26,544,500 | 1.95% |
| Joint Security Complex | 21,210,000 | 1.24% | 21,210,000 | 1.56% |
| Old Salem Apartments | 19,414,600 | 1.13% | 19,414,600 | 1.43% |
| Abbingtion Crossing Apartments | 18,618,200 | 1.09% | 18,618,200 | 1.37% |
| Westgate Apartments | 17,885,000 | 1.05% | 17,204,100 | 1.26% |
| Turtle Creek Apartments | 16,610,000 | 0.97% | 16,610,000 | 1.22% |
| Marriott - The Colonnades | 14,734,500 | 0.86% | 12,168,900 | 0.89% |
| Hyosung (tire factory) | 11,687,000 | 0.68% | 10,795,900 | 0.79% |
| Eldercare Gardens | 10,295,000 | 0.60% | 10,295,000 | 0.76% |
| | 187,078,800 | 10.93% | 180,606,916 | 13.27% |

Miscellaneous Statistical Data
City of Charlottesville, Virginia

| | |
|-------------------------------|-------------------|
| Date of incorporation | 1888 |
| Date present charter adopted | 1976 |
| Form of government | Council Manager |
| Area | 10.4 square miles |
| Miles of streets | 156 |
| Number of water customers | 13,662 |
| Number of sewer customers | 13,501 |
| Miles of water lines | 179 |
| Miles of sanitary sewer lines | 163 |
| Number of fire hydrants | 949 |
| Bond Rating | AAA/Aaa |

Rates FY 2006 per 1,000 cubic feet:

| | |
|-------------|----------|
| Water | |
| May - Sept. | \$ 43.44 |
| Oct. - Apr. | \$ 33.41 |
| Wastewater | \$ 30.62 |

Ten Largest Customers in Fiscal Year 2007:

| | Water | | | Wastewater | | |
|---|-----------------------------------|---------------------|-----------------------------|------------------------------------|---------------------|-----------------------------|
| | Water Consumption (in cubic feet) | Billed Revenue | Percentage of Total Revenue | Wastewater Treated (in cubic feet) | Billed Revenue | Percentage of Total Revenue |
| University of Virginia Facilities Management | 63,411,931 | \$ 1,294,951 | 16.28% | 63,403,027 | \$ 1,680,476 | 24.62% |
| Martha Jefferson Hospital | 3,785,063 | 155,418 | 1.95% | 1,657,586 | 51,457 | 0.75% |
| Pepsi Cola Bottling Co. | 2,072,800 | 82,910 | 1.04% | 1,449,070 | 44,291 | 0.65% |
| Erin, Inc. | 1,450,100 | 60,237 | 0.76% | 1,450,100 | 44,210 | 0.65% |
| Omni Charlottesville Hotel | 1,421,900 | 58,432 | 0.73% | 1,421,900 | 43,391 | 0.64% |
| Edgewood Management | 1,018,000 | 41,600 | 0.52% | 1,018,000 | 31,106 | 0.46% |
| Holiday Inn | 872,700 | 36,462 | 0.46% | 872,700 | 26,635 | 0.39% |
| Charlottesville Redevelopment & Housing Auth. | 3,100,979 | 118,460 | 1.49% | 3,100,979 | 96,273 | 1.41% |
| Hearthwood Apts | 1,767,945 | 73,989 | 0.93% | 1,767,945 | 54,392 | 0.80% |
| City of Charlottesville | 3,026,142 | 110,807 | 1.39% | 3,026,142 | 78,641 | 1.15% |
| | <u>81,927,560</u> | <u>\$ 2,033,266</u> | <u>25.57%</u> | <u>79,167,449</u> | <u>\$ 2,150,872</u> | <u>31.51%</u> |

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

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*

**Board of Directors
Rivanna Water & Sewer Authority
Charlottesville, Virginia**

We have audited the financial statements of the Rivanna Water & Sewer Authority as of and for the year ended June 30, 2007, and have issued our report thereon dated September 28, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*; and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Rivanna Water & Sewer Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Rivanna Water & Sewer Authority's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control of financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Rivanna Water & Sewer Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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

Robinson, Farmer, & Associates

Charlottesville, Virginia
September 28, 2007

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

**Board of Directors
Rivanna Water & Sewer Authority
Charlottesville, Virginia**

Compliance

We have audited the compliance of the Rivanna Water & Sewer Authority with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The Rivanna Water & Sewer Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Rivanna Water & Sewer Authority's management. Our responsibility is to express an opinion on the Rivanna Water & Sewer Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, 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 the Rivanna Water & Sewer 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. Our audit does not provide a legal determination of Rivanna Water & Sewer Authority's compliance with those requirements.

In our opinion, the Rivanna Water & Sewer Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the Rivanna Water & Sewer Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Rivanna Water & Sewer Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures 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 the Authority's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than remote likelihood that material noncompliance with a type of compliance requirement of a federal program will be prevented or detected by the Authority's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Farmer, Co. Associates
Charlottesville, Virginia
September 28, 2007

RIVANNA WATER & SEWER AUTHORITY

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007

| <u>Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number</u> | <u>Federal Catalogue Number</u> | <u>Pass - Through Entity Identifying Number</u> | <u>Federal Expenditures</u> |
|---|--|--|--|
| Environmental Protection Agency Pass-through payments: Capitalization grants for clean water state revolving funds | 66.458 | Project WSL | \$ 1,474,900 |

RIVANNA WATER & SEWER AUTHORITY

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007

Note 1 - General

The accompanying schedule of expenditures of federal awards presents the activity of all federally assisted programs of the Rivanna Water and Sewer Authority. The Authority's reporting entity is defined in note 1 to the Authority's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

Note 2 - Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Rivanna Water and Sewer Authority and is presented on the accrual basis of accounting. 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

RIVANNA WATER & SEWER AUTHORITY

Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Section I - Summary of Auditor's Results

Financial Statements

| | |
|---|---------------|
| Type of auditor's report issued: | Unqualified |
| Internal control over financial reporting: | |
| Material weaknesses identified? | No |
| Significant deficiencies identified not considered to be material weaknesses? | None reported |
| Noncompliance material to financial statements noted? | No |

Federal Awards

| | |
|--|---------------|
| Internal control over major programs: | |
| Material weaknesses identified? | No |
| Significant deficiencies identified not considered to be material weaknesses? | None reported |
| Type of auditor's report issued on compliance for major programs: | Unqualified |
| Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)? | No |

Identification of major programs:

| <u>CFDA #</u> | <u>Name of Federal Program or Cluster</u> |
|---------------|---|
| 66.458 | Capitalization grants for clean water state revolving funds |

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

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.

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