

**RIVANNA WATER & SEWER AUTHORITY**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**



**YEARS ENDED  
JUNE 30, 2009 AND 2008**

**SERVING**

**CHARLOTTESVILLE &  
ALBEMARLE COUNTY, VIRGINIA**



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

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEARS ENDED JUNE 30, 2009 AND 2008**

**Prepared By:**

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



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Comprehensive Annual Financial Report  
Fiscal Years Ended June 30, 2009 and 2008

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# RIVANNA WATER & SEWER AUTHORITY

Comprehensive Annual Financial Report  
Fiscal Years Ended June 30, 2009 and 2008

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**BOARD MEMBERS**

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Gary B. O'Connell, Vice-Chairman

Robert W. Tucker, Jr., Secretary/Treasurer

Judith M. Mueller

Gary W. Fern

Holly Edwards

Sally H. Thomas

**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 28, 2009

To the 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, 2009 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).

The Authority is governed by a seven 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.

## **LONG-TERM FINANCIAL PLANNING**

The Authority plans to fund its current Capital Improvement Plan (CIP), which includes budgeted costs of \$107 million over the next four years, with cash reserves, grants, and a bond issue planned for late FY 2010. For details, please refer to the MD&A.

## **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).

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 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 and the Local Government Investment Pool), according to the requirements of forecast cash flow. Current safekeeping and delivery arrangements are felt to provide appropriate security for operations investments. In December 2007, the Authority added banking security services called Positive Pay and ACH Debit Filters to its operating cash accounts. Trust account balances are invested in accounts under the supervision of the Authority as allowed by the Trustee. At June 30, 2009, investments in the Trust Funds are chiefly U.S. government money market funds.

## **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, 2008. 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

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# 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, 2008

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.



A handwritten signature in black ink, appearing to read "M. L. Post".

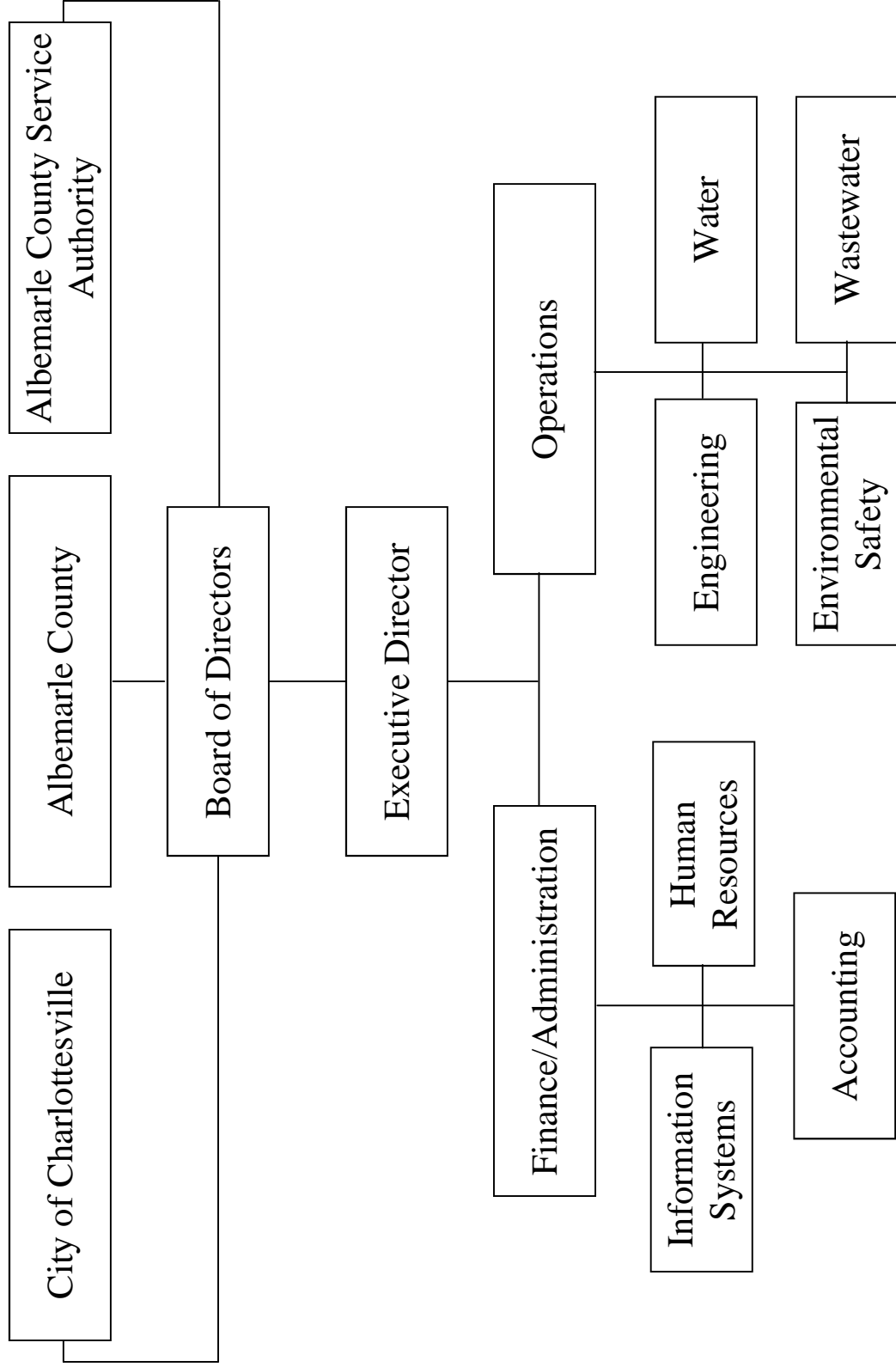
President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

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

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## Independent Auditors' Report

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**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, 2009 and June 30, 2008 and the related statements 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 the 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 as of June 30, 2009 and 2008, and the changes in financial position and 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 our report dated September 16, 2009, 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 important for assessing the results of our audit.

Management's Discussion and Analysis on pages 13 through 21 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 accounting principles generally accepted in the United States of America. 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Rivanna Water & Sewer Authority's basic financial statements. The Introductory and Statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Rainson, Farmer, Co. Associates*

Charlottesville, Virginia  
September 16, 2009

## Management's Discussion and Analysis

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**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, 2009. 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 7 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 24 through 27 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 29 through 49 of this report.

**Required supplementary information.** This report also includes 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 \$70,974,000 (net assets). Of this amount \$20,419,000 (unrestricted net assets) may be used to meet the Authority's ongoing obligations to customers and creditors. \$3.2 million of net assets are restricted for the bondholders.
- Rivanna's total net assets increased by \$6 million, which is an indication of improvement in financial position.
- The Authority's total assets increased by \$3 million during each of the past two fiscal years, primarily due to investment in capital assets.
- Total liabilities decreased by \$3.1 million during the current fiscal year and by \$2.7 million in the previous year, mainly due to bond principal repayments.

## **Financial Analysis**

The largest portion of Rivanna Water and Sewer Authority's net assets (67 percent) reflects its investment in capital assets, net of related debt outstanding that was used to acquire those assets. 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 capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt is derived from the revenue generating capability of these capital assets and not the capital assets themselves. 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.

	<b>Net Assets</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
Current and other assets	\$ 31,255,042	\$ 31,275,844	\$ 31,125,071
Capital assets	<u>86,082,208</u>	<u>83,097,865</u>	<u>80,114,906</u>
Total assets	<u>\$ 117,337,250</u>	<u>\$ 114,373,709</u>	<u>\$ 111,239,977</u>
Long-term liabilities outstanding	\$ 40,749,602	\$ 44,259,122	\$ 47,582,491
Other liabilities	<u>5,613,419</u>	<u>5,213,692</u>	<u>4,608,656</u>
Total liabilities	<u>\$ 46,363,021</u>	<u>\$ 49,472,814</u>	<u>\$ 52,191,147</u>
Net assets:			
Invested in capital assets, net of related debt	\$ 47,324,770	\$ 40,935,774	\$ 36,586,542
Restricted	3,230,185	3,124,165	3,030,350
Unrestricted	<u>20,419,274</u>	<u>20,840,956</u>	<u>19,431,938</u>
Total net assets	<u>\$ 70,974,229</u>	<u>\$ 64,900,895</u>	<u>\$ 59,048,830</u>

**Financial Analysis: (Continued)**

Operating revenues increased \$1,500,000 compared to FY 2008 (mainly due to wastewater charge increases) after decreasing by \$220,000 from FY 2007 to FY 2008. Expenses increased \$811,000 over the previous year and \$941,000 in FY 2008 over FY 2007. Key elements of these changes are explained in greater detail under the Review of Operations section, however; general increases over the last few years in basic utility costs and depreciation relative to the Authority’s capital investments are major factors. Investment earnings decreased \$751,000 this year and \$181,000 in the prior year due to the dramatic decrease in interest rate yields during the heights of the economic recession.

	<b>Changes in Net Assets</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Revenues:</b>			
Operating revenues:			
Metered water sales	\$ 9,867,555	\$ 9,826,958	\$ 10,114,752
Wastewater sewer charges	9,671,122	8,211,378	8,143,177
Nonoperating revenues:			
Investment earnings	418,585	1,169,571	1,350,896
Grant revenues	970,169	810,053	21,000
Buck Mountain revenue	90,300	120,300	128,900
Administrative reimbursement	420,000	419,001	399,800
Other revenues	140,205	104,582	59,139
 Total revenues	 \$ 21,577,936	 \$ 20,661,843	 \$ 20,217,664
 <b>Expenses:</b>			
Operating expenses:			
Personnel	\$ 5,449,513	\$ 5,224,525	\$ 4,939,525
Professional services	210,710	215,377	211,370
Other services and charges	2,291,946	2,054,600	1,666,178
Operations and maintenance	2,515,504	2,366,111	2,233,192
Depreciation expense	2,906,351	2,702,333	2,572,143
Nonoperating expenses:			
Interest expense	2,090,583	2,213,064	2,347,443
Amortization expense	39,995	33,768	34,071
 Total expenses	 \$ 15,504,602	 \$ 14,809,778	 \$ 14,003,922
 Increase in net assets	 \$ 6,073,334	 \$ 5,852,065	 \$ 6,213,742
Net assets - July 1	64,900,895	59,048,830	52,835,088
 Net assets - June 30	 \$ 70,974,229	 \$ 64,900,895	 \$ 59,048,830

**Capital Asset and Debt Administration:**

Capital Assets - The Authority's investment in capital assets net of accumulated depreciation as of June 30, 2009 was \$86,082,000, which is an increase of about \$2,984,000 over last year, similar to the prior year's increase, which is primarily due to construction projects. More detailed information on the Authority's capital assets is presented in Notes 5 and 6 of the Notes to the financial statements.

The various categories of net capital assets at the end of the past three fiscal years are as follows:



<u>Description</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Land and improvements	\$ 7,740,670	\$ 7,740,670	\$ 7,665,679
Buildings and operating equipment	68,420,532	67,046,831	65,750,175
Trucks and autos	271,347	219,399	275,996
Office equipment	59,453	45,853	55,454
Construction in progress	<u>9,590,206</u>	<u>8,045,112</u>	<u>6,367,602</u>
 Total capital assets	 <u>\$ 86,082,208</u>	 <u>\$ 83,097,865</u>	 <u>\$ 80,114,906</u>

Major capital asset activity for the current fiscal year included:

**Current Year Projects:**

MCWWTP Upgrade to ENR Design	\$ 1,177,200
MCWWTP Upgrade to ENR Construction	669,120
MCWWTP Odor Control - Septage Receiving Only	238,074
MCWWTP Odor Control - Other	80,300
Ragged Mountain Dam Design	891,827
Meadowcreek Interceptor Improvements	776,928
South Rivanna Tank Rehabilitation	662,797
Mitigation Plan Implementation	425,176
Camelot WWTP Interim Plant	189,634
Bucks Elbow Water Storage Tank Mixing System	141,994
Comprehensive Sewer Interceptor Study	141,058
MC Lime Tower Rehabilitation	64,014
UWW Misc. Repairs to Pipelines Adjacent to Stream	63,827
Shenks Branch Interceptor	52,780
Other	101,566
Total Current Year Construction Costs	<u>\$ 5,676,295</u>

## **Capital Asset and Debt Administration: (Continued)**

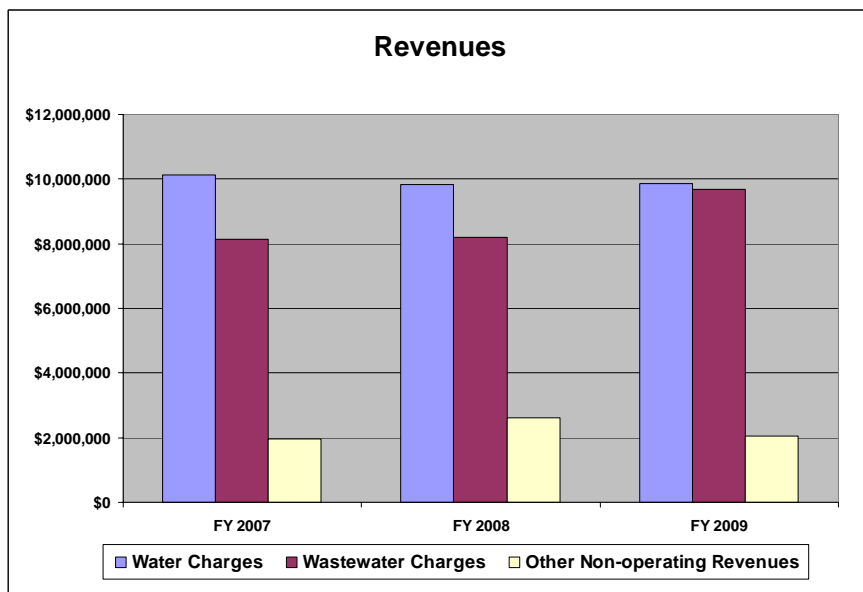
**Long-Term Debt** - At the end of the current fiscal year, the Authority had \$44,350,000 in bonds outstanding versus \$47,765,000 last year, a decrease of \$3,415,000 due to regularly scheduled principal payments, compared to a decrease of \$3,245,000 in the prior year.

The Authority obtained a two-year line of credit with Carter Bank & Trust for \$10 million to bridge fund several projects, but mainly the two sewer projects (Meadow Creek and Schenks Branch.) This was obtained in December 2008 to take advantage of the bank qualified status of the loan at lower interest rates. Those projects are expected to be started in the next several months. The Authority will seek all or partial state revolving loan funding on those projects, which, if obtained, would not close until mid-summer 2010.

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. The Authority did secure a loan through the State of Virginia's Water Facilities Revolving Loan Fund subsequent to the close of the fiscal year in August of 2009 specifically for the Moores Creek WWTP project(s). The loan was issued in parity with existing Authority debt and is also known as the Series 2009A Bond. The bond was for \$24 million and has very favorable terms of 3.35% annual interest over a 20 year term.

## **Review of Operations**

Operating revenues for Fiscal Year 2009 increased \$1,500,000 nearly all of that due to increased wastewater charges. As a comparison, Fiscal Year 2008 operating revenues decreased 1.2% or \$219,600 from Fiscal Year 2007. Metered urban water flows decreased 2.4% yet sales were down only

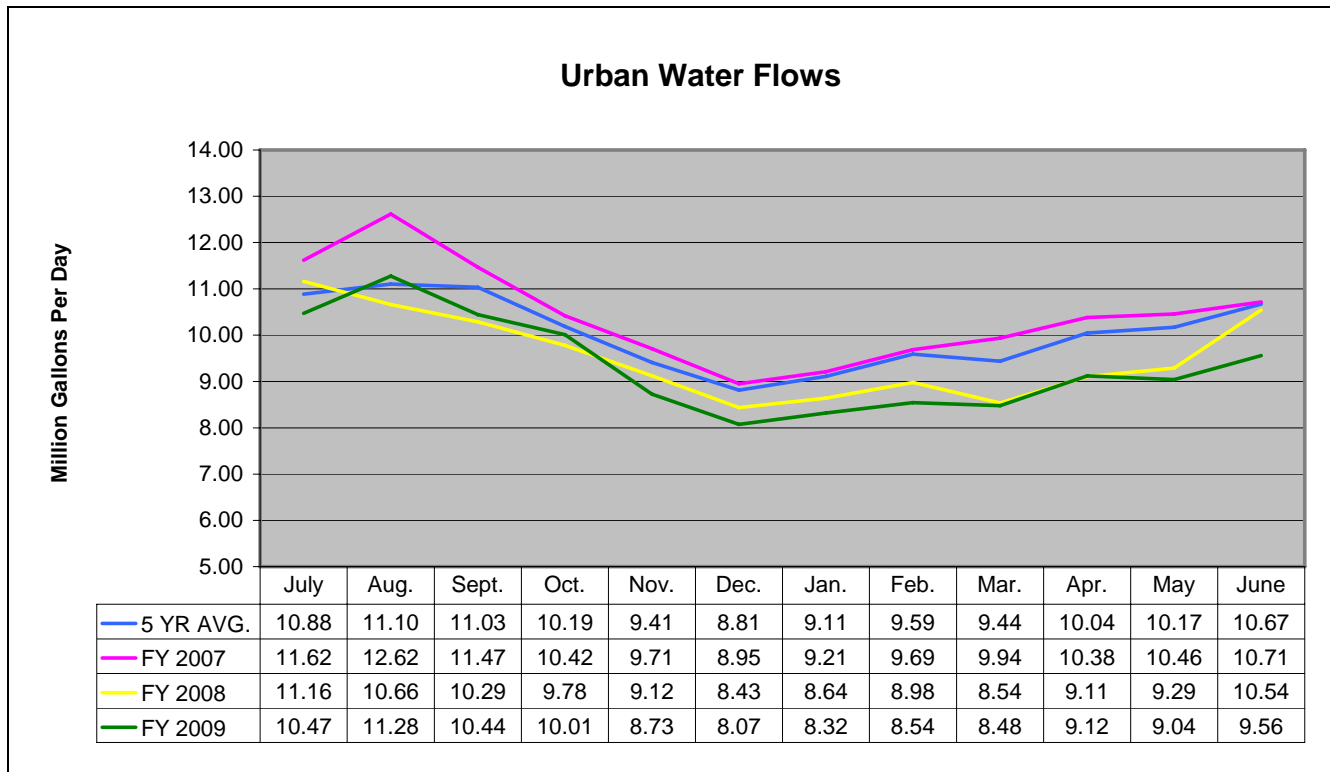


0.4% from the prior fiscal year mainly due to increases in the urban water rates of 2.7% for the City and 2.4% for the County. Wastewater flows treated were significantly higher than last year, with flows increasing 266 million gallons or 8.5%. Related service charges for wastewater were 17.8% higher due to the increased flows just mentioned and a significant urban area rate increase of nearly 10.5% over last year's rates. The additional revenues were needed resulting from operational changes of composting biosolids off-site and significant new debt anticipated as previously detailed in the Long-term

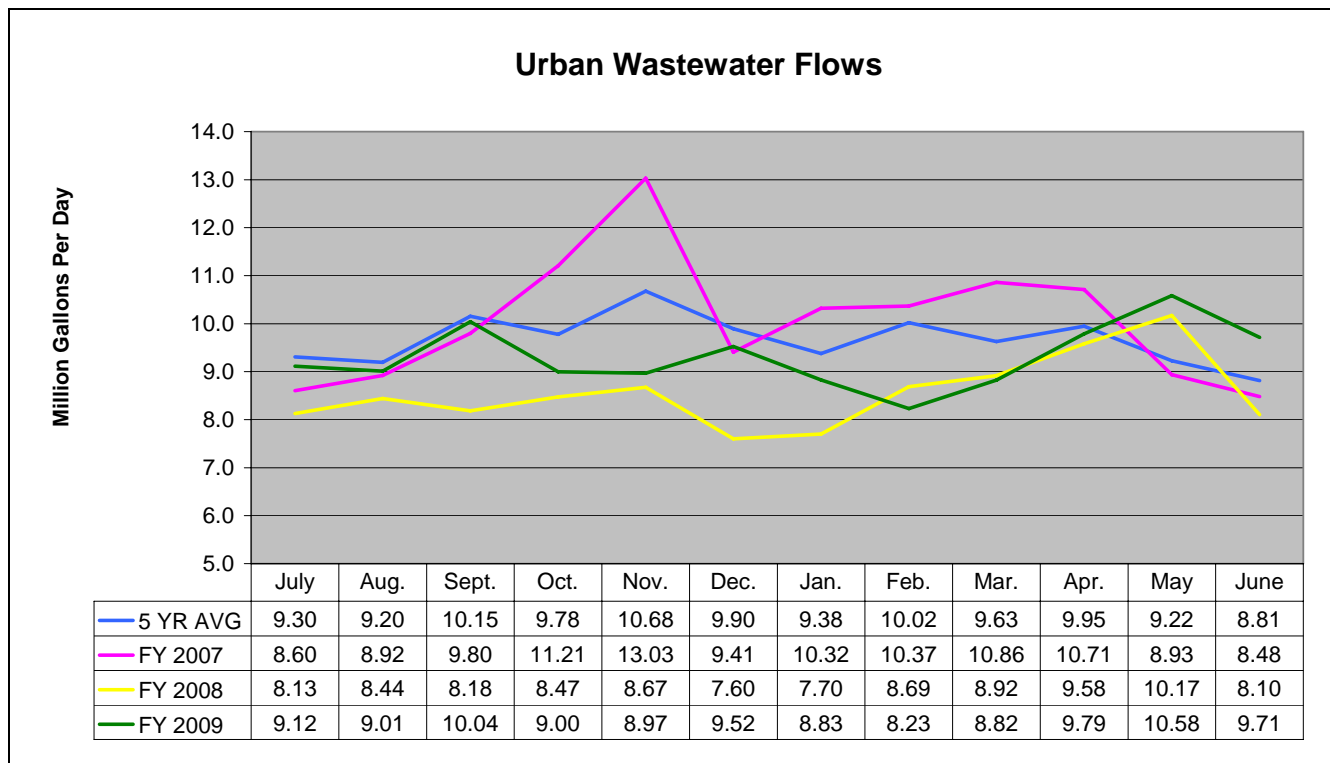
debt section above. Nonoperating revenues declined resulting from interest rates yields on investments dropping to historic lows during the year. Grants for direct support of capital projects continued this year in the amount of \$970,000. These revenues fund the capital program directly and do not support operations.

**Review of Operations: (Continued)**

As mentioned above, 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 2009 Urban Water flows (green line) were down slightly compared to FY 2008 and down significantly compared to FY2007. Weather patterns can significantly affect metered flows and revenues.





## **Review of Operations: (Continued)**

Operating expenses did increase 6.5% last year compared to Fiscal Year 2008 and 8% from 2007 to 2008 after being stagnant the prior two years. Operating expenses were \$13,374,000 for the year, which was an \$811,000 increase from the previous year. The main operational categories where costs are increasing are Utilities, Chemicals and Depreciation with increases of \$200,000-\$250,000 in each category. Personnel costs increased 4% which was expected; actually fewer positions were filled and retirement fund contributions were down; however, Other Post Employment Benefits (OPEB) charges of \$120,000 were posted this year.

Cash balances were stable for the year which is evident in maintaining a strong debt service coverage ratio the past several years. (See Table 8 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 fiscally occurred in FY 2003, the Authority began setting aside funds for rate stabilization to better handle wide fluctuations in flow. Rate stabilization reserves totaled \$1,000,000 at June 30, 2009. 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 \$500,000 at the end of FY 2009. These funds will most likely be used to investigate dredging in some form at the South Fork Rivanna Reservoir.

The Capital fund cash has been accumulating according to the Capital Improvement Plan. The Authority last issued bonds in 2005 to fund the capital projects and all of those proceeds were used by the end of FY 2008; therefore, capital cash funded roughly \$4,600,000 of the capital projects this past year. While these funds are being used as anticipated, the next phase of capital projects financing is being sought as mentioned above in the Long-term debt section. As proceeds are used from these sources, capital cash will again accumulate to fund an ambitious capital program. This is a cash flow cycle that will 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.

### Capital Improvements & Long-Term Trends -

The Authority generally updates the five-year projection on our Capital Improvement Plan (CIP) annually. The following estimates from the CIP adopted in March 2008 are broken out by fiscal year:

2009	\$	37,511,314	Capital Budget
2010		48,488,000	5 year CIP estimate
2011		25,588,200	5 year CIP estimate
2012		18,318,300	5 year CIP estimate
2013		<u>14,294,600</u>	5 year CIP estimate
	\$	144,200,414	

The fiscal challenges placed on the Authority with such an aggressive CIP have prompted the desire to fund a larger portion, roughly 10 percent, of our capital costs through cash reserves. The capital budget for FY 2009 (after capitalization of completed projects) along with the in-progress projects mentioned above have a total budget of \$37.5 million. The total five-year CIP is estimated at \$144.2 million in capital needs through the year 2013.

## **Review of Operations: (Continued)**

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.

**Ragged Mountain Dam Early 1900's**



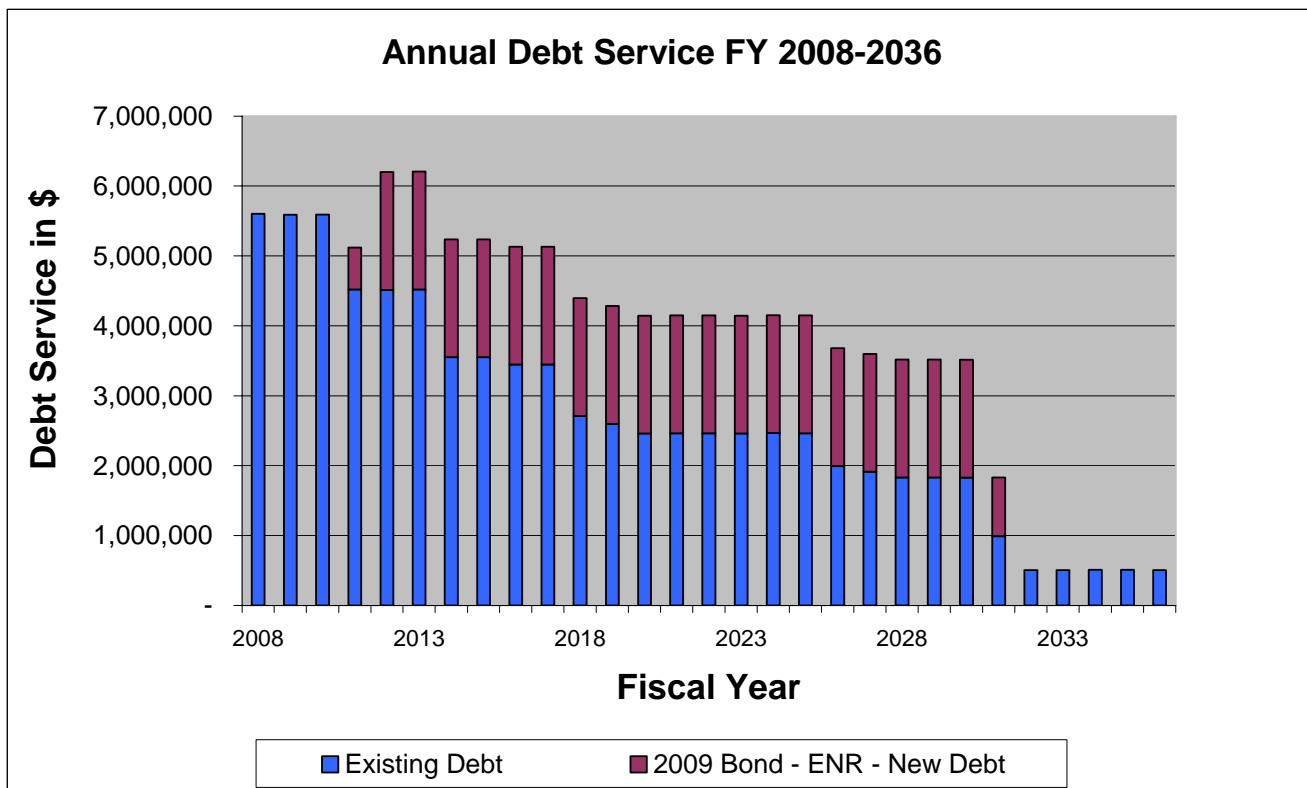
With support from the City, County and the Albemarle County Service Authority, the Authority submitted a permit application to expand the Ragged Mountain Reservoir, replace the existing dam, and construct a new pipeline between the new reservoir and the South Fork Rivanna Reservoir. The permit application was submitted to all the relevant federal and state agencies to approve the construction of this alternative. The permit to proceed with this alternative was received from the Virginia Department of Environmental Quality in February 2008 and the federal permit was received from the Army Corps of Engineers in June 2008. Some public concerns over the dredging of the South Fork Rivanna Reservoir have since been part of the public debate over the long-term water supply

recently. The City and County have directed the Authority to further investigate dredging feasibility concurrently with the preliminary design work on the Ragged Mountain Dam and implementation of the mitigation plans approved by regulators. Last fall, the analysis of the boring of the dam site had discovered some concerns over the bedrock foundation. Further testing and analysis of the bedrock is currently on-going at the identified dam site. 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 over the next 20 to 30 years.

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 project is estimated to cost roughly \$41 million. Several sewer projects, the Meadow Creek and Schenks Branch interceptors, are badly in need of replacement due to age and capacity limitations and are estimated to cost \$31.6 million. These projects along with the Ragged Mountain Reservoir project make up about 73% 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 future. As shown in the graph, which represents debt service payments on existing debt (blue) and recently issued 2009A Bonds (red), 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.

**Review of Operations: (Continued)**



**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.

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## **Basic Financial Statements**

Statement of Net Assets  
At June 30, 2009 and 2008

	<u>At June 30,</u>	
	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 19,645,855	\$ 19,221,027
Restricted cash & cash equivalents	3,221,184	3,150,117
Accounts receivable	1,822,971	2,325,490
Unbilled accounts receivable	21,800	37,500
Total current assets	<u>\$ 24,711,810</u>	<u>\$ 24,734,134</u>
Noncurrent assets:		
Restricted assets:		
Cash & cash equivalents	\$ 6,056,813	\$ 6,061,481
Investments (Note 4)	35,828	41,795
Total restricted assets	<u>\$ 6,092,641</u>	<u>\$ 6,103,276</u>
Other assets:		
Unamortized bond issue costs	<u>\$ 450,591</u>	<u>\$ 438,434</u>
Capital assets: (Note 5)		
Land and improvements	\$ 7,740,670	\$ 7,740,670
Buildings and operating equipment	117,965,424	113,924,923
Trucks and autos	1,112,325	964,723
Office equipment	482,091	454,852
Less accumulated depreciation	<u>(50,808,508)</u>	<u>(48,032,415)</u>
Sub-total	\$ 76,492,002	\$ 75,052,753
Construction work in progress (Note 6)	<u>9,590,206</u>	<u>8,045,112</u>
Total capital assets	<u>\$ 86,082,208</u>	<u>\$ 83,097,865</u>
Total noncurrent assets	<u>\$ 92,625,440</u>	<u>\$ 89,639,575</u>
Total assets	<u><u>\$ 117,337,250</u></u>	<u><u>\$ 114,373,709</u></u>

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

Statement of Net Assets  
At June 30, 2009 and 2008

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	<u>At June 30,</u>	
	<u>2009</u>	<u>2008</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 1,050,057	\$ 867,786
Accrued vacation leave payable	253,000	264,000
Other post employment benefits payable	120,001	-
Revenue bonds payable - current portion (Note 7)	<u>968,827</u>	<u>931,789</u>
Subtotal current liabilities	<u>\$ 2,391,885</u>	<u>\$ 2,063,575</u>
Current liabilities (payable from restricted assets):		
Accrued interest payable	\$ 491,349	\$ 525,952
Revenue bond principal - current portion (Note 7)	<u>2,730,185</u>	<u>2,624,165</u>
Subtotal current liabilities (payable from restricted assets)	<u>\$ 3,221,534</u>	<u>\$ 3,150,117</u>
Total current liabilities	<u>\$ 5,613,419</u>	<u>\$ 5,213,692</u>
Noncurrent liabilities:		
Accrued vacation leave payable	\$ 98,535	\$ 49,709
Revenue bonds payable - noncurrent portion (Note 7)	<u>40,651,067</u>	<u>44,209,413</u>
Total noncurrent liabilities	<u>\$ 40,749,602</u>	<u>\$ 44,259,122</u>
Total liabilities	<u>\$ 46,363,021</u>	<u>\$ 49,472,814</u>
Net assets:		
Invested in capital assets, net of related debt	\$ 47,324,770	\$ 40,935,774
Restricted for bond covenants	3,230,185	3,124,165
Unrestricted	<u>20,419,274</u>	<u>20,840,956</u>
Total net assets	<u>\$ 70,974,229</u>	<u>\$ 64,900,895</u>

Statement of Revenues, Expenses, and Changes in Net Assets  
 Years Ended June 30, 2009 and 2008

	Year Ended June 30,	
	2009	2008
Operating revenues:		
Metered water sales	\$ 9,867,555	\$ 9,826,958
Wastewater service charges	9,671,122	8,211,378
Total operating income	\$ 19,538,677	\$ 18,038,336
Operating expenses:		
Personnel costs	\$ 5,449,513	\$ 5,224,525
Professional services	210,710	215,377
Other services and charges	2,291,946	2,054,600
Operations and maintenance	2,515,504	2,366,111
Depreciation	2,906,351	2,702,333
Total operating expenses	\$ 13,374,024	\$ 12,562,946
Operating income (loss)	\$ 6,164,653	\$ 5,475,390
Nonoperating revenues (expenses):		
Investment earnings	\$ 418,585	\$ 1,169,571
Buck Mountain revenue	90,300	120,300
Administrative reimbursement	420,000	419,001
Grant revenues	970,169	810,053
Other revenues	140,205	104,582
Interest expense	(2,090,583)	(2,213,064)
Amortization expense	(39,995)	(33,768)
Total nonoperating revenues (expenses)	\$ (91,319)	\$ 376,675
Change in net assets	\$ 6,073,334	\$ 5,852,065
Net assets, beginning of year	64,900,895	59,048,830
Net assets, end of year	\$ 70,974,229	\$ 64,900,895

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



Statement of Cash Flows  
Years Ended June 30, 2009 and 2008

	<u>Year Ended June 30,</u>	
	<u>2009</u>	<u>2008</u>
Operating activities:		
Receipts from customers and users	\$ 20,669,795	\$ 18,489,835
Payments to suppliers	(4,835,889)	(4,060,343)
Payments to and on behalf of employees	<u>(5,291,686)</u>	<u>(5,237,748)</u>
Net cash provided by (used in) operating activities	<u>\$ 10,542,220</u>	<u>\$ 9,191,744</u>
Capital and related financing activities:		
Additions to capital assets	\$ (5,893,089)	\$ (5,685,292)
Disposal of capital assets	42,394	15,678
Principal payments on bonds	(3,555,954)	(3,427,506)
Grants	967,776	810,053
Proceeds from indebtedness, net of issue costs	(1,152)	109,356
Interest payments	<u>(2,035,520)</u>	<u>(2,175,771)</u>
Net cash provided by (used in) capital and related financing activities	<u>\$ (10,475,545)</u>	<u>\$ (10,353,482)</u>
Investing activities:		
Maturity of investments	\$ 6,812	\$ 3,564,732
Interest and dividends received	<u>417,740</u>	<u>1,079,649</u>
Net cash provided by (used in) investing activities	<u>\$ 424,552</u>	<u>\$ 4,644,381</u>
Increase (decrease) in cash and cash equivalents	\$ 491,227	\$ 3,482,643
Cash and cash equivalents at beginning of year (including \$9,211,598 and \$7,565,598, respectively reported in restricted accounts)	<u>28,432,625</u>	<u>24,949,982</u>
Cash and cash equivalents at end of year (including \$9,277,997 and \$9,211,598, respectively reported in restricted accounts)	<u>\$ 28,923,852</u>	<u>\$ 28,432,625</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ 6,164,653	\$ 5,475,390
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	2,906,351	2,702,333
Buck Mountain revenue	90,300	120,300
Other nonoperating revenues	522,599	507,903
Changes in operating assets and liabilities:		
(Increase) decrease in receivables	518,219	(176,706)
Increase (decrease) in payables and accrued expenses	<u>340,098</u>	<u>562,524</u>
Net cash provided by (used in) operating activities	<u>\$ 10,542,220</u>	<u>\$ 9,191,744</u>
Noncash investing, capital and financing activities:		
Increase (decrease) in fair value of investments	\$ 845	\$ 97,964

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, 2009 and 2008

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

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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. The City of Charlottesville and the Albemarle County Service Authority 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 three members appointed by the County, three 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:**

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### 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. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in business-type activities to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Authority has elected not to follow subsequent private-sector guidance. 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, 2009 and 2008 (Continued)

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## Note 2—Significant Accounting Policies: (Continued)

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### 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. Accounts Receivable

Accounts receivable are stated at book value utilizing the direct write-off method for uncollectible accounts.

### 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, 2009 and 2008 (Continued)

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## Note 2—Significant Accounting Policies: (Continued)

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### 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 are 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, 2009 and 2008.

### F. Cash and Cash Equivalents

The Authority's cash and cash equivalents consist of demand deposits, certificates of deposit, 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, 2009 and 2008 (Continued)

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## Note 2—Significant Accounting Policies: (Continued)

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### 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, 2009 and 2008 (Continued)

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## Note 2—Significant Accounting Policies: (Continued)

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### 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:

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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, 2009 and 2008 (Continued)

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

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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	\$ 3,680,395
Rental payments this fiscal year	-	-
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, 2009	<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 deferred interest was 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 \$80,378 and \$80,378 for the years ended June 30, 2009 and 2008, respectively.

## Note 4—Deposits and Investments:

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### 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.



# RIVANNA WATER & SEWER AUTHORITY

Notes to the Financial Statements  
as of June 30, 2009 and 2008 (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 risk or interest rate risk.

### Credit Risk of Debt Securities

The Authority’s rated debt investments as of June 30, 2009 were rated by Standard & Poor’s and the ratings are presented below using Standard & Poor’s rating scale.

#### Authority's Rated Debt Investments' Values

	Fair Quality Ratings				
	AAA	AA	A	A1	Unrated
U.S. Agencies Securities	\$ 35,828	\$ -	\$ -	\$ -	\$ -
Local Government Investment Pool	18,504,086	-	-	-	-
U.S. Treasury Money Market Fund	3,826,754	-	-	-	-
Total	<u>\$ 22,366,668</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

#### Investment Maturities (in years)

Investment Type	Fair Value	Greater Than			
		1 Year	1-5 Years	6-10 Years	10 Years
U.S. Agencies Securities	\$ 35,828	\$ -	\$ -	\$ -	\$ 35,828
Total	<u>\$ 35,828</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,828</u>

### 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.

# RIVANNA WATER & SEWER AUTHORITY

Notes to the Financial Statements  
as of June 30, 2009 and 2008 (Continued)

## Note 5—Capital Assets:

Details of changes in capital assets for the year ended June 30, 2009 are as follows:

	<b>Balance July 1, 2008</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2009</b>
<b>Capital assets not being depreciated:</b>				
Land and improvements	\$ 7,740,670	\$ -	\$ -	\$ 7,740,670
Construction in progress	8,045,112	5,637,442	4,092,348	9,590,206
Total capital assets not being depreciated	<u>\$ 15,785,782</u>	<u>\$ 5,637,442</u>	<u>\$ 4,092,348</u>	<u>\$ 17,330,876</u>
<b>Other capital assets:</b>				
Buildings & operating equipment:				
Water system	\$ 47,306,022	\$ 3,804,996	\$ -	\$ 51,111,018
Wastewater system	66,419,433	308,814	122,258	66,605,989
Support departments	199,468	48,949	-	248,417
Subtotal	<u>\$ 113,924,923</u>	<u>\$ 4,162,759</u>	<u>\$ 122,258</u>	<u>\$ 117,965,424</u>
Less: accumulated depreciation	<u>(46,878,092)</u>	<u>(2,789,058)</u>	<u>(122,258)</u>	<u>(49,544,892)</u>
Total	<u>\$ 67,046,831</u>	<u>\$ 1,373,701</u>	<u>\$ -</u>	<u>\$ 68,420,532</u>
Trucks and autos:				
Water system	\$ 302,882	\$ -	\$ 4,158	\$ 298,724
Wastewater system	448,359	-	6,236	442,123
Support departments	213,482	157,996	-	371,478
Subtotal	<u>\$ 964,723</u>	<u>\$ 157,996</u>	<u>\$ 10,394</u>	<u>\$ 1,112,325</u>
Less: accumulated depreciation	<u>(745,324)</u>	<u>(103,654)</u>	<u>(8,000)</u>	<u>(840,978)</u>
Total	<u>\$ 219,399</u>	<u>\$ 54,342</u>	<u>\$ 2,394</u>	<u>\$ 271,347</u>
Office equipment:				
Water system	\$ 282,987	\$ -	\$ -	\$ 282,987
Wastewater system	109,291	-	-	109,291
Support departments	62,574	27,239	-	89,813
Subtotal	<u>\$ 454,852</u>	<u>\$ 27,239</u>	<u>\$ -</u>	<u>\$ 482,091</u>
Less: accumulated depreciation	<u>(408,999)</u>	<u>(13,639)</u>	<u>-</u>	<u>(422,638)</u>
Total	<u>\$ 45,853</u>	<u>\$ 13,600</u>	<u>\$ -</u>	<u>\$ 59,453</u>
Capital assets, net	<u>\$ 83,097,865</u>	<u>\$ 7,079,085</u>	<u>\$ 4,094,742</u>	<u>\$ 86,082,208</u>

# RIVANNA WATER & SEWER AUTHORITY

Notes to the Financial Statements  
as of June 30, 2009 and 2008 (Continued)

## Note 5—Capital Assets: (Continued)

Details of changes in capital assets for the year ended June 30, 2008 are as follows:

	<u>Balance July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2008</u>
<b>Capital assets not being depreciated:</b>				
Land and improvements	\$ 7,665,679	\$ 74,991	\$ -	\$ 7,740,670
Construction in progress	<u>6,367,602</u>	<u>5,523,544</u>	<u>3,846,034</u>	<u>8,045,112</u>
Total capital assets not being depreciated	<u>\$ 14,033,281</u>	<u>\$ 5,598,535</u>	<u>\$ 3,846,034</u>	<u>\$ 15,785,782</u>
<b>Other capital assets:</b>				
Buildings & operating equipment:				
Water system	\$ 46,046,161	\$ 1,259,861	\$ -	\$ 47,306,022
Wastewater system	63,865,136	2,554,297	-	66,419,433
Support departments	<u>125,620</u>	<u>73,848</u>	<u>-</u>	<u>199,468</u>
Subtotal	\$ 110,036,917	3,888,006	\$ -	\$ 113,924,923
Less: accumulated depreciation	<u>(44,286,742)</u>	<u>(2,591,350)</u>	<u>-</u>	<u>(46,878,092)</u>
Total	<u>\$ 65,750,175</u>	<u>\$ 1,296,656</u>	<u>\$ -</u>	<u>\$ 67,046,831</u>
Trucks and autos:				
Water system	\$ 330,127	\$ 16,694	\$ 43,939	\$ 302,882
Wastewater system	472,479	-	24,120	448,359
Support departments	<u>207,947</u>	<u>28,091</u>	<u>22,556</u>	<u>213,482</u>
Subtotal	\$ 1,010,553	\$ 44,785	\$ 90,615	\$ 964,723
Less: accumulated depreciation	<u>(734,557)</u>	<u>(101,382)</u>	<u>(90,615)</u>	<u>(745,324)</u>
Total	<u>\$ 275,996</u>	<u>\$ (56,597)</u>	<u>\$ -</u>	<u>\$ 219,399</u>
Office equipment:				
Water system	\$ 282,987	\$ -	\$ -	\$ 282,987
Wastewater system	109,291	-	-	109,291
Support departments	<u>62,574</u>	<u>-</u>	<u>-</u>	<u>62,574</u>
Subtotal	\$ 454,852	\$ -	\$ -	\$ 454,852
Less: accumulated depreciation	<u>(399,398)</u>	<u>(9,601)</u>	<u>-</u>	<u>(408,999)</u>
Total	<u>\$ 55,454</u>	<u>\$ (9,601)</u>	<u>\$ -</u>	<u>\$ 45,853</u>
Capital assets, net	<u>\$ 80,114,906</u>	<u>\$ 6,828,993</u>	<u>\$ 3,846,034</u>	<u>\$ 83,097,865</u>

# RIVANNA WATER & SEWER AUTHORITY

Notes to the Financial Statements  
as of June 30, 2009 and 2008 (Continued)

## Note 6—Construction Work in Progress:

Details of construction work in progress for the year ended June 30, 2009 are as follows:

	<u>Balance July 1, 2008</u>	<u>Cost of Construction</u>	<u>Expense/ Transfer to Capital Assets</u>	<u>Balance June 30, 2009</u>
Water Supply Engineering	\$ 2,951,922	\$ -	\$ 2,951,922	\$ -
Ragged Mountain Dam Construction	-	1,201	-	1,201
Mitigation Plan Implementation	110,646	425,176	-	535,822
South Fork Reservoir to Ragged Mtn Pipeline R/W	-	147	-	147
Ragged Mountain Dam Design	1,196,649	891,827	-	2,088,476
South Rivanna Tank Rehabilitation	16,312	662,797	679,109	-
Route 29 Pumping Station	73,974	1,140	-	75,114
Route 29 Pipeline	333,186	5,954	-	339,140
Stillhouse System Pump Station	974	17,298	-	18,272
Valve Repair-Replacement	-	1,309	-	1,309
Disinfectants & Disinfection By Products Rule	61,750	-	-	61,750
Bucks Elbow Water Storage Tank Mixing System	10,508	141,994	152,502	-
Meadowcreek Interceptor Improvements	900,895	776,928	-	1,677,823
Shenks Branch Interceptor	-	52,780	-	52,780
Albemarle-Berkley Intercept	-	7,204	-	7,204
Comprehensive Sewer Interceptor Study	649,466	141,058	-	790,524
UWW Misc. Repairs to Pipelines Adjacent to Streams	-	63,827	-	63,827
Interceptor Sewer & Manhole Repair	-	28,459	-	28,459
MC Lime Tower Rehabilitation	12,648	64,014	76,662	-
MCWWTP Upgrade to ENR Design	1,628,664	1,177,200	-	2,805,864
MCWWTP Upgrade to ENR Construction	-	669,120	-	669,120
MCWWTP Odor Control - Other	55,000	80,300	-	135,300
MCWWTP Odor Control - Septage Receiving Only	-	238,074	-	238,074
Camelot WWTP Interim Plant	42,518	189,634	232,152	-
Administration Building Improvements	-	40,854	40,854	-
	<u>\$ 8,045,112</u>	<u>\$ 5,678,295</u>	<u>\$ 4,133,201</u>	<u>\$ 9,590,206</u>

Cost of construction includes interest capitalized during the fiscal year, where applicable. For the years ended June 30, 2009 and 2008, capitalized interest was \$0.

# RIVANNA WATER & SEWER AUTHORITY

Notes to the Financial Statements  
as of June 30, 2009 and 2008 (Continued)

## Note 6—Construction Work in Progress: (Continued)

Details of construction work in progress for the year ended June 30, 2008 are as follows:

<u>Description</u>	<u>Balance July 1, 2007</u>	<u>Cost of Construction</u>	<u>Expense/ Transfer to Capital Assets</u>	<u>Balance June 30, 2008</u>
Water Supply Engineering	\$ 2,690,705	\$ 261,217	\$ -	\$ 2,951,922
Mitigation Plan Implementation	-	110,646	-	110,646
* Ragged Mountain Dam Design	188,927	1,007,722	-	1,196,649
Observatory WTP PAC Storage Facility	-	30,730	30,730	-
South Rivanna Tank Rehabilitation	-	16,312	-	16,312
Route 29 Pumping Station	25,633	48,341	-	73,974
Route 29 Pipeline	89,028	244,158	-	333,186
Dell Water Line Replacement	35,222	360,569	395,791	-
Stillhouse System Pump Station	974	-	-	974
Radio Upgrade	-	72,518	72,518	-
NFR Filter Replacement	-	7,559	7,559	-
Disinfectants & Disinfection By Products Rule	40,624	21,126	-	61,750
CW On-site Generation of Disinfectant	-	27,668	27,668	-
Backwash Water Lagoon Lining	157,098	96,026	253,124	-
CW Security Improvements	-	32,315	32,315	-
Crozet Filter Media Replacement	-	2,958	2,958	-
Bucks Elbow Water Storage Tank Mixing System	-	10,508	-	10,508
SWTP Filter Expansion	-	12,450	12,450	-
SW On-site Generation of Disinfectant	-	21,985	21,985	-
SW Lagoon Rehabilitation	188,575	45,034	233,609	-
SW Security Improvements	1,129	31,192	32,321	-
Meadowcreek Interceptor Improvements	4,045	896,850	-	900,895
Meadowcreek Interceptor Routing Study	97,959	12,560	110,519	-
Comprehensive Sewer Interceptor Study	539,555	109,911	-	649,466
Moore's Creek Pre-treatment	2,219,642	113,002	2,332,644	-
MC Lime Tower Rehabilitation	-	12,648	-	12,648
MCWWTP Upgrade to ENR Design	88,428	1,540,236	-	1,628,664
MCWWTP Odor Control	-	55,000	-	55,000
Camelot WWTP Interim Plant	-	42,518	-	42,518
SWW Pump Station Upgrade	58	1	59	-
Urban Water Security Improvements	-	175,091	175,091	-
Administration Building Improvements	-	104,693	104,693	-
	<u>\$ 6,367,602</u>	<u>\$ 5,523,544</u>	<u>\$ 3,846,034</u>	<u>\$ 8,045,112</u>

\* This is new name given to capital projects in FY 2008.

# RIVANNA WATER & SEWER AUTHORITY

Notes to the Financial Statements  
as of June 30, 2009 and 2008 (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, 2009:

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2009</u>	<u>Due Within One Year</u>
Revenue bonds payable	\$ 49,020,413	\$ 51,000	\$ (3,555,954)	\$ 45,515,459	\$ 3,699,012
Less deferred amounts:					
For issuance discounts	179,915	-	(11,940)	167,975	-
On refunding	(1,434,961)	-	101,606	(1,333,355)	-
Total revenue bonds payable	<u>\$ 47,765,367</u>	<u>\$ 51,000</u>	<u>\$ (3,466,288)</u>	<u>\$ 44,350,079</u>	<u>\$ 3,699,012</u>
Other post employment benefits	<u>\$ -</u>	<u>\$ 120,001</u>	<u>\$ -</u>	<u>\$ 120,001</u>	<u>\$ 120,001</u>
Compensated absences	<u>\$ 313,709</u>	<u>\$ 298,797</u>	<u>\$ (260,971)</u>	<u>\$ 351,535</u>	<u>\$ 253,000</u>
Totals	<u><u>\$ 48,079,076</u></u>	<u><u>\$ 469,798</u></u>	<u><u>\$ (3,727,259)</u></u>	<u><u>\$ 44,821,615</u></u>	<u><u>\$ 4,072,013</u></u>

The following is a summary of long-term debt transactions for the year ended June 30, 2008:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2008</u>	<u>Due Within One Year</u>
Revenue bonds payable	\$ 52,338,563	\$ 109,356	\$ (3,427,506)	\$ 49,020,413	\$ 3,555,954
Less deferred amounts:					
For issuance discounts	191,933	-	(12,018)	179,915	-
On refunding	(1,520,499)	-	85,538	(1,434,961)	-
Total revenue bonds payable	<u>\$ 51,009,997</u>	<u>\$ 109,356</u>	<u>\$ (3,353,986)</u>	<u>\$ 47,765,367</u>	<u>\$ 3,555,954</u>
Compensated absences	<u>\$ 326,932</u>	<u>\$ 313,570</u>	<u>\$ (326,793)</u>	<u>\$ 313,709</u>	<u>\$ 264,000</u>
Totals	<u><u>\$ 51,336,929</u></u>	<u><u>\$ 422,926</u></u>	<u><u>\$ (3,680,779)</u></u>	<u><u>\$ 48,079,076</u></u>	<u><u>\$ 3,819,954</u></u>

**RIVANNA WATER & SEWER AUTHORITY**

Notes to the Financial Statements  
as of June 30, 2009 and 2008 (Continued)

**Note 7—Long-Term Debt: (Continued)**

B. Details of Long-Term Debt:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Revenue Bonds</u>		
<b><i>Water and Sewer System Revenue Bonds - Series of 2000</i></b> - 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.	\$ 330,000	\$ 160,000
<b><i>Water and Sewer System Revenue Bonds - Series of 1999</i></b> - 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.	290,000	290,000

**RIVANNA WATER & SEWER AUTHORITY**

Notes to the Financial Statements  
as of June 30, 2009 and 2008 (Continued)

**Note 7—Long-Term Debt: (Continued)**

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

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<p><b><i>Regional Water and Sewer System Revenue Bonds, Series 1994 B</i></b> - 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</p> <p>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%.</p>		
	\$ 514,357	\$ 79,676
<p><b><i>Water and Sewer System Revenue Bonds, Series of 2001</i></b> - 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</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>		
	8,815,000	1,065,000



**RIVANNA WATER & SEWER AUTHORITY**

Notes to the Financial Statements  
as of June 30, 2009 and 2008 (Continued)

**Note 7—Long-Term Debt: (Continued)**

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

	<b>Total Amount</b>	<b>Amount Due Within One Year</b>
<u>Revenue Bonds (continued)</u>		
<b>Water and Sewer System Revenue Bonds, Series of 2003</b> - 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.		
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%.		
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.		
	\$ 8,183,000	\$ 1,784,000
<b>Water and Sewer System Revenue Bonds, Series 2005B</b> - 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.		
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.		
	25,175,000	225,000

# RIVANNA WATER & SEWER AUTHORITY

Notes to the Financial Statements  
as of June 30, 2009 and 2008 (Continued)

## Note 7—Long-Term Debt: (Continued)

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

	<b>Total Amount</b>	<b>Amount Due Within One Year</b>
<p><b>Water and Sewer System Revenue Bonds - Series of 2005A</b> - On November 10, 2005, the Authority issued \$2,340,929 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>	\$ 2,157,102	\$ 95,336
<p><b>\$10,000,000 Regional Water and Sewer System Revenue Bond Anticipation Note - Series 2008</b> - On December 30, 2008, the Authority issued a \$10,000,000 bond anticipation note to finance the acquisition, construction, equipping and planning of improvements and extensions to it's regional water and sewer system.</p> <p>The bond anticipation note resolution requires semi-annual interest payments, commencing April 1, 2009 at a rate of 2.75%. The entire principal balance is due and payable on December 30, 2010.</p>	51,000	-
Total Revenue Bonds	\$ 45,515,459	\$ 3,699,012
Other post employment benefits	\$ 120,001	\$ 120,001
Compensated Absences	\$ 351,535	\$ 253,000
Total	\$ 45,986,995	\$ 4,072,013

# RIVANNA WATER & SEWER AUTHORITY

Notes to the Financial Statements  
as of June 30, 2009 and 2008 (Continued)

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## Note 7—Long-Term Debt: (Continued)

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### C. Annual Amortization of Long-Term Debt

The annual requirements to amortize all long-term debt outstanding as of June 30, 2009 are as follows:

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2010	\$ 3,699,012	\$ 1,895,031
2011	2,808,221	1,764,897
2012	2,865,585	1,648,772
2013	2,988,109	1,532,673
2014-2018	10,426,845	6,278,453
2019-2023	8,072,009	4,370,132
2024-2028	8,305,678	2,360,273
2029-2033	4,925,000	734,599
2034-2036	1,425,000	100,709
Total	\$ <u>45,515,459</u>	\$ <u>20,685,539</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, 2009, \$2,235,000 of bonds outstanding is considered defeased.

## Note 8—Compensated Absences:

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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 leave amounts are accrued when incurred. At June 30, 2009 and 2008, the liability for accrued vacation leave was \$351,535 and \$313,709, respectively.

# RIVANNA WATER & SEWER AUTHORITY

Notes to the Financial Statements  
as of June 30, 2009 and 2008 (Continued)

## 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)

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 or at age 50 with at least 30 years of service if elected by the employer payable monthly for life in an amount equal to 1.70% of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5.00% per year. AFC is defined as the highest consecutive 36 months of reported compensation. 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 of Virginia.

The system 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/Publications/2008annurept.pdf> or obtained by writing to the System's Chief Financial Officer 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 5.00% of their annual salary to the VRS. This 5.00% member contribution has been assumed by the Authority. 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 contribution rate for the fiscal year ended June 30, 2009 was 6.31% of annual covered payroll.

### C. Annual Pension Cost

For fiscal year 2009, the Authority's annual pension cost of \$236,821 (excluding the member contribution of \$187,657 which was paid by the Authority) was equal to the Authority's required and actual contributions.

#### 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, 2009	\$ 236,821	100%	\$ -
June 30, 2008	356,111	100%	-
June 30, 2007	334,188	100%	-

\* Includes employer costs only.

## RIVANNA WATER & SEWER AUTHORITY

Notes to the Financial Statements  
as of June 30, 2009 and 2008 (Continued)

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### Note 9—Defined Benefit Pension Plan: (Continued)

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#### C. Annual Pension Cost: (Continued)

The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Authority's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Authority's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2007 was 20 years.

#### D. Funded Status and Funding Progress

As of June 30, 2008, the most recent actuarial valuation date, the plan was 92.26% funded. The actuarial accrued liability for benefits was \$12,916,332, and the actuarial value of assets was \$11,916,527, resulting in an unfunded actuarial accrued liability (UAAL) of \$999,805. The covered payroll (annual payroll of active employees covered by the plan) was \$3,486,972, and ratio of the UAAL to the covered payroll was 28.67%.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

### Note 10—Risk Management:

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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.

# RIVANNA WATER & SEWER AUTHORITY

Notes to the Financial Statements  
as of June 30, 2009 and 2008 (Continued)

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## Note 11—Other Post-Employment Benefits Program:

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### A. Plan Description

In addition to the pension benefits described in Note 9, the Authority provides post-retirement healthcare benefits for employees who are eligible under a single-employer defined benefit plan. The Authority will permit retirees to participate and purchase medical benefits under the Authority's existing plan for current employees. Retirees are responsible for the entire cost of the benefits. Benefits are available for a period of five years or until age 65, whichever comes first.

To be eligible, employees must either meet the age and service criteria for unreduced retirement benefits from VRS and be covered by the Authority's group health plan for active employees at retirement or be eligible for reduced retirement benefits at age 50 and employed by the Authority in a benefits-eligible position for 10 years.

### B. Funding Policy

The retirees pay and participate in the same plan for medical benefits as current employees creating an implicit rate subsidy liability for the Authority. The Authority determines how the liability will be funded each year, whether it will partially or fully fund the liability. Eligibility under the plan ceases when retirees reach the age of 65. Participating dependents are also entitled to continue coverage under the plan after the death of the retiree.

### C. Annual Required Contribution (ARC)

The annual cost of other post employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The estimated pay as go cost for OPEB benefits is \$146,426 for fiscal year 2009. As of June 30, 2009 the Authority has elected not to pre-fund the OPEB liability. The Authority is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability (or funding excess) over a period not to exceed thirty years.

#### Annual OPEB Cost

For fiscal year 2009 the Authority's expected cash payment of \$26,425 is less than the OPEB cost (expense), which was equal to the ARC, in the amount of \$120,001. The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2009 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$ 146,426	18%	\$ 120,001

# RIVANNA WATER & SEWER AUTHORITY

Notes to the Financial Statements  
as of June 30, 2009 and 2008 (Continued)

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## Note 11—Other Post-Employment Benefits Program: (Continued)

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### C. Annual Required Contribution (ARC): (Continued)

#### Funded Status and Funding Progress

The funded status of the plan as of June 30, 2009 is as follows:

Actuarial accrued liability (AAL)	\$	1,355,828
Actuarial value of plan assets		-
Unfunded actuarial accrued liability		1,355,828
Funded ratio (actuarial value of plan assets/AAL)		0%
Covered payroll (active plan members)		n/a
UAAL as a percentage of covered payroll		n/a

#### Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

The entry age normal actuarial cost method was used in valuing the liabilities for the June 30, 2009 actuarial valuation. The valuation of the liabilities is based on a closed group, current employees and retirees only are considered; no provision is made for future hires. Under the entry age normal actuarial cost method a present value of benefits and normal cost is determined for each person's entry age. The normal cost assumes that there will be a normal cost each year from the entry age until occurrence of a 100% retirement probability decrement. The present value of each person's future entry age normal costs is subtracted from each person's present value of future benefits to determine an entry age normal accrued liability. The assumptions include the following:

Discount rate (unfunded)	\$	4%
Medical benefits trend rates (FY 2008-2014+)		8% - 5%

## Note 12—Subsequent Event:

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On July 28, 2009 the Board of Directors approved the borrowing of \$24 million from the Virginia Resources Authority with a loan from the Virginia Water Facilities Revolving Fund. The proceeds will be used to finance the construction upgrades to the Moores Creek Wastewater Treatment Plant. The loan is payable over 20 years at a rate of 3.35%.

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**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)	Funded Ratio (d) (a) / (b)	Annual Covered Payroll (e)	UAAL
			Accrued Liability (UAAL) (c) (b) - (a)			as % of Covered Payroll (f) (c) / (e)
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%
06/30/07	10,630,682	11,563,010	932,328	91.94%	3,394,498	27.47%
06/30/08	11,916,527	12,916,332	999,805	92.26%	3,486,972	28.67%

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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 Eight Fiscal Years	2009	2008	2007	2006	2005	2004	2003	2002
Invested in capital assets, net of related debt	\$ 47,324,770	\$ 40,935,774	\$ 36,586,542	\$ 36,777,712	\$ 37,147,880	\$ 35,408,205	\$ 29,256,828	\$ 28,320,782
Restricted	3,230,185	3,124,165	3,030,350	2,919,269	2,763,638	2,617,327	7,597,881	8,874,689
Unrestricted	20,419,274	20,840,956	19,431,938	13,138,107	8,952,111	6,952,238	3,764,534	1,486,929
<b>Total net assets</b>	<b>\$ 70,974,229</b>	<b>\$ 64,900,895</b>	<b>\$ 59,048,830</b>	<b>\$ 52,835,088</b>	<b>\$ 48,863,629</b>	<b>\$ 44,977,770</b>	<b>\$ 40,619,243</b>	<b>\$ 38,682,400</b>

Changes in Net Assets  
Last Eight Fiscal Years

	Fiscal Years Ended June 30,																																																																																																																																																																																																																						
	2009	2008	2007	2006	2005	2004	2003	2002																																																																																																																																																																																																															
Operating revenues:									Metered water sales	\$ 9,867,555	\$ 9,826,958	\$ 10,114,752	\$ 9,876,219	\$ 8,816,327	\$ 8,257,458	\$ 6,512,018	\$ 5,726,981	Wastewater service charges	9,671,122	8,211,378	8,143,177	6,795,118	6,818,840	7,314,528	6,596,802	4,790,192	Total operating revenues	\$ 19,538,677	\$ 18,038,336	\$ 18,257,929	\$ 16,671,337	\$ 15,635,167	\$ 15,571,986	\$ 13,108,820	\$ 10,517,173	Operating expenses:									Personnel costs	\$ 5,449,513	\$ 5,224,525	\$ 4,939,525	\$ 4,619,754	\$ 4,256,623	\$ 3,832,356	\$ 3,460,494	\$ 3,385,511	Professional services	210,710	215,377	211,370	232,970	182,450	230,867	284,403	72,201	Other services and charges	2,291,946	2,054,600	1,666,178	1,765,687	1,427,067	1,398,038	1,280,423	1,386,864	Operations and maintenance	2,515,504	2,366,111	2,233,192	2,489,625	1,976,379	2,019,863	1,784,732	1,211,479	Depreciation	2,906,351	2,702,333	2,572,143	2,512,244	2,424,576	2,374,634	2,387,345	2,254,404	Total operating expenses	\$ 13,374,024	\$ 12,562,946	\$ 11,622,408	\$ 11,620,280	\$ 10,267,095	\$ 9,855,758	\$ 9,197,397	\$ 8,310,459	Operating income	\$ 6,164,653	\$ 5,475,390	\$ 6,635,521	\$ 5,051,057	\$ 5,368,072	\$ 5,716,228	\$ 3,911,423	\$ 2,206,714	Nonoperating revenues (expenses):									Investment earnings	\$ 418,585	\$ 1,169,571	\$ 1,350,896	\$ 728,978	\$ 306,789	\$ 69,303	\$ 196,165	\$ 247,627	Grant revenues	970,169	810,053	21,000	-	-	-	-	-	Buck Mountain revenue	90,300	120,300	128,900	104,600	120,200	157,400	142,300	164,400	Administrative reimbursement	420,000	419,001	399,800	365,500	359,915	324,430	314,432	279,613	Other revenues	140,205	104,582	59,139	101,659	100,115	115,053	68,388	127,135	Interest expense	(2,090,583)	(2,213,064)	(2,347,443)	(2,346,022)	(2,348,380)	(2,541,329)	(2,670,850)	(2,836,685)	Amortization expense	(39,995)	(33,768)	(34,071)	(34,313)	(20,852)	(39,729)	(25,015)	(27,141)	Total nonoperating revenues (expenses)	\$ (91,319)	\$ 376,675	\$ (421,779)	\$ (1,079,598)	\$ (1,482,213)	\$ (1,914,872)	\$ (1,974,580)	\$ (2,045,051)	Income before contributions	\$ 6,073,334	\$ 5,852,065	\$ 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	\$ 6,073,334	\$ 5,852,065	\$ 6,213,742	\$ 3,971,459	\$ 3,885,859	\$ 4,358,527	\$ 1,936,843	\$ 161,663
Metered water sales	\$ 9,867,555	\$ 9,826,958	\$ 10,114,752	\$ 9,876,219	\$ 8,816,327	\$ 8,257,458	\$ 6,512,018	\$ 5,726,981																																																																																																																																																																																																															
Wastewater service charges	9,671,122	8,211,378	8,143,177	6,795,118	6,818,840	7,314,528	6,596,802	4,790,192																																																																																																																																																																																																															
Total operating revenues	\$ 19,538,677	\$ 18,038,336	\$ 18,257,929	\$ 16,671,337	\$ 15,635,167	\$ 15,571,986	\$ 13,108,820	\$ 10,517,173																																																																																																																																																																																																															
Operating expenses:									Personnel costs	\$ 5,449,513	\$ 5,224,525	\$ 4,939,525	\$ 4,619,754	\$ 4,256,623	\$ 3,832,356	\$ 3,460,494	\$ 3,385,511	Professional services	210,710	215,377	211,370	232,970	182,450	230,867	284,403	72,201	Other services and charges	2,291,946	2,054,600	1,666,178	1,765,687	1,427,067	1,398,038	1,280,423	1,386,864	Operations and maintenance	2,515,504	2,366,111	2,233,192	2,489,625	1,976,379	2,019,863	1,784,732	1,211,479	Depreciation	2,906,351	2,702,333	2,572,143	2,512,244	2,424,576	2,374,634	2,387,345	2,254,404	Total operating expenses	\$ 13,374,024	\$ 12,562,946	\$ 11,622,408	\$ 11,620,280	\$ 10,267,095	\$ 9,855,758	\$ 9,197,397	\$ 8,310,459	Operating income	\$ 6,164,653	\$ 5,475,390	\$ 6,635,521	\$ 5,051,057	\$ 5,368,072	\$ 5,716,228	\$ 3,911,423	\$ 2,206,714	Nonoperating revenues (expenses):									Investment earnings	\$ 418,585	\$ 1,169,571	\$ 1,350,896	\$ 728,978	\$ 306,789	\$ 69,303	\$ 196,165	\$ 247,627	Grant revenues	970,169	810,053	21,000	-	-	-	-	-	Buck Mountain revenue	90,300	120,300	128,900	104,600	120,200	157,400	142,300	164,400	Administrative reimbursement	420,000	419,001	399,800	365,500	359,915	324,430	314,432	279,613	Other revenues	140,205	104,582	59,139	101,659	100,115	115,053	68,388	127,135	Interest expense	(2,090,583)	(2,213,064)	(2,347,443)	(2,346,022)	(2,348,380)	(2,541,329)	(2,670,850)	(2,836,685)	Amortization expense	(39,995)	(33,768)	(34,071)	(34,313)	(20,852)	(39,729)	(25,015)	(27,141)	Total nonoperating revenues (expenses)	\$ (91,319)	\$ 376,675	\$ (421,779)	\$ (1,079,598)	\$ (1,482,213)	\$ (1,914,872)	\$ (1,974,580)	\$ (2,045,051)	Income before contributions	\$ 6,073,334	\$ 5,852,065	\$ 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	\$ 6,073,334	\$ 5,852,065	\$ 6,213,742	\$ 3,971,459	\$ 3,885,859	\$ 4,358,527	\$ 1,936,843	\$ 161,663																																				
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Professional services	210,710	215,377	211,370	232,970	182,450	230,867	284,403	72,201																																																																																																																																																																																																															
Other services and charges	2,291,946	2,054,600	1,666,178	1,765,687	1,427,067	1,398,038	1,280,423	1,386,864																																																																																																																																																																																																															
Operations and maintenance	2,515,504	2,366,111	2,233,192	2,489,625	1,976,379	2,019,863	1,784,732	1,211,479																																																																																																																																																																																																															
Depreciation	2,906,351	2,702,333	2,572,143	2,512,244	2,424,576	2,374,634	2,387,345	2,254,404																																																																																																																																																																																																															
Total operating expenses	\$ 13,374,024	\$ 12,562,946	\$ 11,622,408	\$ 11,620,280	\$ 10,267,095	\$ 9,855,758	\$ 9,197,397	\$ 8,310,459																																																																																																																																																																																																															
Operating income	\$ 6,164,653	\$ 5,475,390	\$ 6,635,521	\$ 5,051,057	\$ 5,368,072	\$ 5,716,228	\$ 3,911,423	\$ 2,206,714																																																																																																																																																																																																															
Nonoperating revenues (expenses):									Investment earnings	\$ 418,585	\$ 1,169,571	\$ 1,350,896	\$ 728,978	\$ 306,789	\$ 69,303	\$ 196,165	\$ 247,627	Grant revenues	970,169	810,053	21,000	-	-	-	-	-	Buck Mountain revenue	90,300	120,300	128,900	104,600	120,200	157,400	142,300	164,400	Administrative reimbursement	420,000	419,001	399,800	365,500	359,915	324,430	314,432	279,613	Other revenues	140,205	104,582	59,139	101,659	100,115	115,053	68,388	127,135	Interest expense	(2,090,583)	(2,213,064)	(2,347,443)	(2,346,022)	(2,348,380)	(2,541,329)	(2,670,850)	(2,836,685)	Amortization expense	(39,995)	(33,768)	(34,071)	(34,313)	(20,852)	(39,729)	(25,015)	(27,141)	Total nonoperating revenues (expenses)	\$ (91,319)	\$ 376,675	\$ (421,779)	\$ (1,079,598)	\$ (1,482,213)	\$ (1,914,872)	\$ (1,974,580)	\$ (2,045,051)	Income before contributions	\$ 6,073,334	\$ 5,852,065	\$ 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	\$ 6,073,334	\$ 5,852,065	\$ 6,213,742	\$ 3,971,459	\$ 3,885,859	\$ 4,358,527	\$ 1,936,843	\$ 161,663																																																																																																												
Investment earnings	\$ 418,585	\$ 1,169,571	\$ 1,350,896	\$ 728,978	\$ 306,789	\$ 69,303	\$ 196,165	\$ 247,627																																																																																																																																																																																																															
Grant revenues	970,169	810,053	21,000	-	-	-	-	-																																																																																																																																																																																																															
Buck Mountain revenue	90,300	120,300	128,900	104,600	120,200	157,400	142,300	164,400																																																																																																																																																																																																															
Administrative reimbursement	420,000	419,001	399,800	365,500	359,915	324,430	314,432	279,613																																																																																																																																																																																																															
Other revenues	140,205	104,582	59,139	101,659	100,115	115,053	68,388	127,135																																																																																																																																																																																																															
Interest expense	(2,090,583)	(2,213,064)	(2,347,443)	(2,346,022)	(2,348,380)	(2,541,329)	(2,670,850)	(2,836,685)																																																																																																																																																																																																															
Amortization expense	(39,995)	(33,768)	(34,071)	(34,313)	(20,852)	(39,729)	(25,015)	(27,141)																																																																																																																																																																																																															
Total nonoperating revenues (expenses)	\$ (91,319)	\$ 376,675	\$ (421,779)	\$ (1,079,598)	\$ (1,482,213)	\$ (1,914,872)	\$ (1,974,580)	\$ (2,045,051)																																																																																																																																																																																																															
Income before contributions	\$ 6,073,334	\$ 5,852,065	\$ 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	\$ 6,073,334	\$ 5,852,065	\$ 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	Grant Revenue	Nonoperating Revenues	
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	458,939	21,000	1,959,735	20,217,664
2008	9,826,958	8,211,378	18,038,336	1,169,571	120,300	523,583	810,053	2,623,507	20,661,843
2009	9,867,555	9,671,122	19,538,677	418,585	90,300	560,205	970,169	2,039,259	21,577,936

**RIVANNA WATER & SEWER AUTHORITY**

Water and Wastewater Rates and Flows  
Last Ten Fiscal Years

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
<b>Rates</b>										
Urban Water - City (per 1000 gallons)	\$ 2,285	\$ 2,226	\$ 2,149	\$ 2,071	\$ 1,995	\$ 2,086	various (1)	\$ 1,255	\$ 1,245	\$ 1,068
Urban Water - ACSA (per 1000 gallons)	\$ 2,983	\$ 2,912	\$ 2,717	\$ 2,582	\$ 2,422	\$ 2,173	various (1)	\$ 1,349	\$ 1,337	\$ 1,183
Scottsville Water (per month)	\$ 31,421	\$ 34,127	\$ 31,227	\$ 32,571	\$ 32,794	\$ 26,897	\$ 20,849	\$ 18,596	\$ 18,337	\$ 17,890
Crozet Water (per month)	\$ 50,226	\$ 43,372	\$ 43,587	\$ 45,337	\$ 41,857	\$ 37,660	\$ 34,254	\$ 34,669	\$ 45,094	\$ 41,751
Urban Wastewater - City (per 1000 gallons)	\$ 2,466	\$ 2,233	\$ 1,865	\$ 1,685	\$ 1,543	\$ 1,512	\$ 1,124	\$ 0,976	\$ 0,872	\$ 0,861
Urban Wastewater - ACSA (per 1000 gallons)	\$ 2,722	\$ 2,460	\$ 2,101	\$ 1,955	\$ 1,815	\$ 1,793	\$ 1,361	\$ 1,217	\$ 1,115	\$ 1,068
Scottsville Wastewater (per month)	\$ 25,968	\$ 24,897	\$ 24,022	\$ 21,936	\$ 21,302	\$ 19,885	\$ 18,894	\$ 18,014	\$ 18,906	\$ 18,208
Glenmore Wastewater (per month)	\$ 24,606	\$ 19,726	\$ 18,772	\$ 17,488	\$ 17,262	\$ 15,473	\$ 13,134	\$ 10,498	\$ 10,459	\$ 8,335
<b>Note:</b>										
(1) Water rates changed during FY 2003 as follows due to drought conditions:										
		7/1/02 -	10/1/02 -	2/1/03 -						
		9/30/02	1/31/03	6/30/03						
Urban Water - City (per 1000 gallons)		\$ 1,309	\$ 2,955	\$ 1,955						
Urban Water - ACSA (per 1000 gallons)		\$ 1,391	\$ 3,037	\$ 2,037						

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
<b>Flows (in million gallons per day):</b>										
Urban Water	9,344	9,546	10,435	10,607	9,933	9,622	9,200	10,756	11,177	11,218
Crozet Water	0,384	0,378	0,386	0,395	0,341	0,320	0,309	0,371	0,431	0,743
Scottsville Water	0,077	0,087	0,108	0,118	0,136	0,136	0,135	0,143	0,139	0,149
	9,805	10,011	10,929	11,120	10,410	10,078	9,644	11,270	11,747	12,110
Urban Wastewater	9,307	8,553	10,047	8,993	9,802	10,863	10,531	9,735	10,179	10,547
Scottsville Wastewater	0,064	0,060	0,123	0,075	0,080	0,078	0,105	0,081	0,077	0,077
Glenmore Wastewater	0,115	0,117	0,087	0,111	0,106	0,133	0,094	0,078	0,080	0,074
	9,486	8,730	10,257	9,179	9,988	11,074	10,730	9,894	10,336	10,698

**RIVANNA WATER & SEWER AUTHORITY**

**Table 5**

Current Customers  
Fiscal Year 2009

	Water Revenue		Wastewater Revenue	
	Amount	%	Amount	%
Albemarle County Service Authority	\$ 5,657,415	57.33%	\$ 4,659,854	48.18%
City of Charlottesville	\$ 4,210,140	42.67%	\$ 4,757,032	49.19%
Others	\$ -	0.00%	\$ 254,236	2.63%
	<u>\$ 9,867,555</u>	<u>100.00%</u>	<u>\$ 9,671,122</u>	<u>100.00%</u>

Note: The Authority's two wholesale customers, which are both governmental entities, provide 100% of water revenue and 97% of wastewater revenue. The remaining 3% of revenue comes from septage acceptance customers. Due to lack of materiality, the number of customers by type that provide 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
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
2008	9,860,613	2,702,333	2,246,832	14,809,778
2009	10,467,673	2,906,351	2,130,578	15,504,602

**RIVANNA WATER & SEWER AUTHORITY**

**Table 7**

Outstanding Debt by Type  
Last Eight Fiscal Years

	Fiscal Year							
	2009	2008	2007	2006	2005	2004	2003	2002
Revenue bonds payable	\$ 44,350,079	\$ 47,765,367	\$ 51,009,997	\$ 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	-	-
<b>Total outstanding debt</b>	<b>\$ 44,350,079</b>	<b>\$ 47,765,367</b>	<b>\$ 51,009,997</b>	<b>\$ 52,399,815</b>	<b>\$ 47,009,535</b>	<b>\$ 49,499,004</b>	<b>\$ 51,991,585</b>	<b>\$ 53,653,106</b>
Debt per capita	not available	not available	\$ 381.11	\$ 394.42	\$ 358.66	\$ 382.54	\$ 406.16	\$ 420.84

Note: Debt per capita was calculated based on population figures obtained from U.S. Department of Commerce - Bureau of Economic Analysis for the City of Charlottesville and County of Albemarle

**RIVANNA WATER & SEWER AUTHORITY**

**Table 8**

Revenue Bond Debt Service Coverage  
Last Ten Fiscal Years

<b>Fiscal Year Ended June 30,</b>	<b>Gross Revenue</b>	<b>Direct Operating Expense (1)</b>	<b>Net Available</b>	<b>Required Debt Service Payments (2)</b>	<b>Coverage</b>
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
2008	20,661,843	9,860,613	10,801,230	5,603,277	2.0X
2009	21,577,936	10,467,673	11,110,263	5,591,120	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

<b>Calendar Year</b>	<b>Population (2)</b>	<b>Personal Income (thousands of \$) (2)</b>	<b>Per Capita Personal Income (\$) (2)</b>	<b>Unemployment Rate (1)</b>
2008	not available	not available	not available	3.3%
2007	133,845	6,059,782	45,275	2.4%
2006	132,852	5,767,875	43,416	2.6%
2005	131,071	5,240,402	39,981	3.1%
2004	129,395	4,901,470	37,880	3.3%
2003	128,007	4,544,173	35,499	3.6%
2002	127,489	4,334,369	33,998	3.4%
2001	126,378	4,278,750	33,857	2.6%
2000	124,707	4,161,884	33,373	2.1%
1999	122,911	3,835,944	31,209	1.3%

(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 2008		Fourth Quarter of 1999	
	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	1,000 & over	2
County of Albemarle	1,000 & over	3	1,000 & over	3
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	500-999	7
UVA Health Services Foundation	1,000 & over	7	1,000 & over	8
Charlottesville City School Board	500-999	8	500-999	
Northrop Grumman Corporation	500-999	9		
Aramark Campus LLC	500-999	10		
GE Fanuc Automation North Corporation			1,000 & over	6
Nimbus Records			500-999	9
Reed Elsevier, Inc.			500-999	10

Source: Virginia Employment Commission, Quarterly Census of Employment and Wages  
- for Charlottesville Metropolitan Service Area (MSA)

Each employer's percentage of total employment is not available



**RIVANNA WATER & SEWER AUTHORITY**

**Table 11**

Number of Employees by Identifiable Activity  
Last Eight Fiscal Years

	2009	2008	2007	2006	2005	2004	2003	2002
Number of budgeted full-time equivalent positions:								
Water (1)	27.0	27.0	27.0	27.0	27.0	25.0	25.0	25.0
Wastewater	25.0	25.0	26.0	25.0	25.0	25.0	25.0	25.0
Grounds crew maintenance (2)	2.0	2.0	4.0	4.0	4.0	4.0	3.5	3.5
Operations Management	2.0	2.0	2.0	2.0	2.0	2.0	1.0	1.0
Administration (3)	8.0	7.1	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	3.0	3.0
Engineering	11.0	10.0	7.0	7.0	7.0	7.0	4.0	4.0
<b>Total</b>	<b>78.0</b>	<b>76.1</b>	<b>76.1</b>	<b>75.1</b>	<b>75.1</b>	<b>72.9</b>	<b>66.8</b>	<b>67.0</b>

(1) For FY 2002 and 2003, three of the positions included in Water above worked approximately 20% in the wastewater department.

(2) Grounds crew maintenance positions worked 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 Five Fiscal Years

	2009	2008	2007	2006	2005
<b>Water</b>					
Size of watershed (square miles)	766	766	766	766	766
Raw water safe yield (mgd)					
Urban system	12.41	12.49	12.57	12.64	12.72
Rural system	3.00	3.00	3.00	3.00	3.00
Miles of pipelines	64.30	64.30	64.30	64.30	64.30
Number of treatment plants	5	5	5	5	5
Number of pumping stations	7	7	7	7	7
Number of reservoirs	4	4	4	4	4
Number of finished water storage tanks	11	11	11	11	11
Maximum treatment capacity (mgd)	22.750	22.750	22.750	22.750	22.750
Water treated (mgd)	9.805	10.011	10.929	11.120	10.410
Unused capacity (mgd)	12.945	12.739	11.821	11.630	12.340
Percentage of capacity utilized	43.10%	44.00%	48.04%	48.88%	45.76%
<b>Wastewater</b>					
Miles of pipelines	37	37	37	37	37
Number of treatment plants	5	5	5	5	5
Number of pumping stations	7	7	7	7	7
Maximum treatment capacity (mgd)	15.945	15.945	15.945	15.945	15.945
Wastewater treated (mgd)	9.486	8.730	10.257	9.179	9.988
Unused capacity (mgd)	6.459	7.215	5.688	6.766	5.957
Percentage of capacity utilized	59.49%	54.75%	64.33%	57.57%	62.64%

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, 2009

<u>Type Coverage/Company Name</u>	<u>Coverage</u>	<u>Annual Premium</u>
<u>Commercial Property</u> Virginia Association of Counties 07/01/08-07/01/09	\$ 113,471,590 Property Value and Business Interruption/ Extra Expense	\$ 91,241
<u>Worker's Compensation</u> Virginia Municipal Group Self Insurance Association 07/01/08-07/01/09	\$ 1,000,000 Each Occurrence	\$ 62,427
<u>Comprehensive Automobile</u> Virginia Association of Counties 07/01/08-07/01/09	\$ 5,000,000 Each Occurrence	\$ 25,875
<u>General Liability</u> Virginia Association of Counties 07/01/08-07/01/09	\$ 5,000,000 Each Occurrence	\$ 17,592
<u>Public Officials Liability</u> Virginia Association of Counties 07/01/08-07/01/09	\$ 5,000,000 Each Occurrence	\$ 10,632
<u>Crime Coverage</u> Virginia Association of Counties 07/01/08-07/01/09	\$ 500,000 Each Occurrence	\$ 1,735

**RIVANNA WATER & SEWER AUTHORITY**

**Table 14**

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	16,670
Number of sewer connections	13,671
Miles of water lines	341
Miles of sewer lines	244
Number of fire hydrants	2,370

**Rates (effective FY 2009) per 1,000 gallons metered consumption**

**Water**

Residential Water Rates and all irrigation usage:

Level 1 (0-3,000 gallons per month)	\$3.86
Level 2 (3,001-6,000 gallons per month)	\$6.10
Level 3 (over 6,000 gallons per month)	\$10.90

Non-Residential and Multi-Family Residential Water Rate  
 (except irrigation water)

\$6.04

**Wastewater**

\$7.00

**Ten Largest Customers in FY 2009**

	Water		Wastewater	
	Billed (in gallons)	Percentage of Total	Billed (in gallons)	Percentage of Total
Joint Security Complex	23,621,000	1.53%	23,621,000	1.90%
Southwood Mobile Homes	23,069,000	1.49%	12,133,837	0.98%
Four Seasons Apartments	21,047,500	1.36%	21,047,500	1.70%
Old Salem Apartments	20,075,900	1.30%	20,075,900	1.62%
Abbingdon Crossing	19,448,200	1.26%	19,448,200	1.57%
Turtle Creek Apartments	15,736,400	1.02%	15,736,400	1.27%
Westgate Apartments	13,406,000	0.87%	13,391,600	1.08%
Marriott "The Colonnades"	11,681,600	0.76%	10,252,500	0.83%
Eldercare Gardens	11,415,000	0.74%	11,415,000	0.92%
Trophy Chase Apartments	9,204,950	0.60%	9,204,950	0.74%
	<b>168,705,550</b>	<b>10.91%</b>	<b>156,326,887</b>	<b>12.61%</b>

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	14,224
Number of sewer customers	14,080
Miles of water lines	180
Miles of sanitary sewer lines	164
Number of fire hydrants	985
Bond Rating	AAA/Aaa

Rates FY 2009 per 1,000 cubic feet:

Water	
May - Sept.	\$ 48.17
Oct. - Apr.	\$ 37.06
Wastewater	\$ 38.57

Ten Largest Customers in Fiscal Year 2008:

	Water		Wastewater		Percentage of Total Revenue
	Consumption (in cubic feet)	Billed Revenue	Treated (in cubic feet)	Billed Revenue	
University of Virginia	64,698,009	\$ 1,296,019	56,835,992	\$ 1,721,939	20.31%
City of Charlottesville	3,904,267	172,554	2,548,758	98,517	1.16%
Martha Jefferson Hospital	3,597,258	163,350	1,926,982	74,813	0.88%
Charlottesville Redevelopment & Housing	2,886,445	121,516	2,886,345	111,728	1.32%
Pepsi Cola	1,987,800	87,992	1,664,410	63,757	0.75%
Omni Charlottesville Hotel	1,288,800	58,963	1,117,046	42,815	0.50%
CDQ Hotels	1,188,300	54,384	1,188,300	44,839	0.53%
PBBH Charlottesville Limited	1,030,400	45,828	1,030,400	39,623	0.47%
Edgewood Management (Friendship Court)	1,022,300	46,359	1,022,300	39,187	0.46%
Red Roof Inn	762,300	35,355	762,300	29,233	0.34%
	<b>82,365,879</b>	<b>\$ 2,082,321</b>	<b>70,982,833</b>	<b>\$ 2,266,451</b>	<b>26.73%</b>

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

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## **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***

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**To the 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, 2009, and have issued our report thereon dated September 16, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

### **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 Authority'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 over 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 to be and should not be used by anyone other than these specified parties.

*Robinson, Farmer, Co. Associates*

Charlottesville, Virginia  
September 16, 2009