

**Albemarle County Service Authority**  
Charlottesville, Virginia

**Comprehensive Annual Financial Report**

**For the Fiscal Year Ended June 30, 2007**

Prepared By:

Lisa L. Breeden  
Finance Director

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**Albemarle County Service Authority**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2007**

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## **INTRODUCTORY SECTION**

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# **Albemarle County Service Authority Officials**

**June 30, 2007**

## **BOARD MEMBERS**

Mr. Donald J. Wagner, Chairman

Mr. Robert C. Larsen, Vice-Chairman

Mr. Robert R. Humphris

Mr. Hollis Lumpkin

Dr. Lizbeth A. Palmer

Mr. Clarence W. Roberts

## **OFFICER**

Mr. Gary W. Fern, P.E.  
Executive Director  
Secretary-Treasurer

## **FISCAL AGENT**

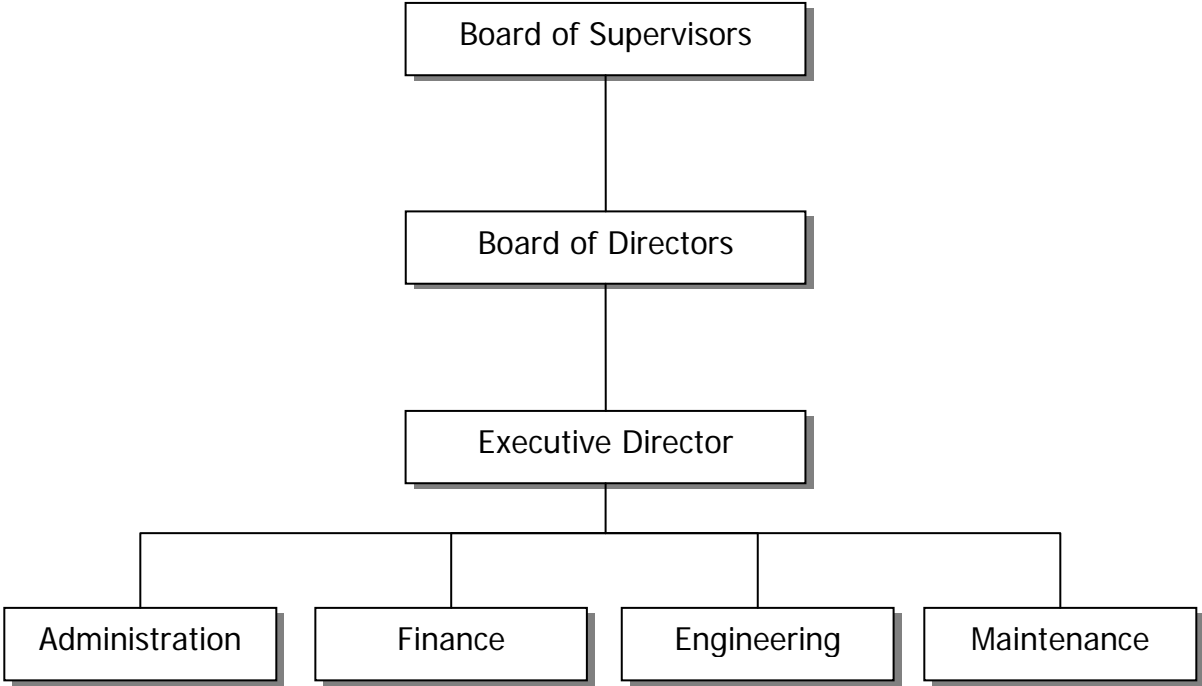
Bank of America Trust Company, Norfolk, VA

## **TRUSTEE**

Bank of New York

**Albemarle County Service Authority**

**Organizational Chart**



September 14, 2007

Board of Directors  
Albemarle County Service Authority  
Charlottesville, Virginia

Dr. Palmer and Gentlemen:

The Comprehensive Annual Financial Report (CAFR) of the Albemarle County Service Authority (Authority) is submitted herewith. With such modifications as apply to our status as an enterprise fund of governmental units and an independently chartered corporation, this report has been prepared in conformity with the reporting and accounting standards promulgated by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, and the Government Finance Officers Association's (GFOA) *Governmental Accounting, Auditing, and Financial Reporting*.

Based upon a comprehensive framework of internal control that it has established for this purpose, management assumes full responsibility for the accuracy of the data and for the completeness and reliability of the information contained in this report.

State law and outstanding bond resolutions require an annual audit of the books and records of the Authority. This requirement has been satisfied by the engagement of independent certified public accountants, Robinson, Farmer, Cox Associates, whose opinion is located at the front of the financial section of this report.

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

### ***Organization and Function***

Located in central Virginia, 100 miles southwest of Washington, DC and less than 65 miles west of Richmond, the state capital of Virginia, the Authority was established in 1964, pursuant to the *Virginia Water and Waste Authorities Act*, to provide water and sewer service to those jurisdictional areas in the County of Albemarle (County) designated by the County's Board of Supervisors. The current service areas include the urbanized ring around the City of Charlottesville (City), the communities of Crozet and Scottsville and the village of Rivanna. A

six-member Board of Directors, appointed by County Supervisors for renewable four-year terms, appoints management and governs Authority operations.

We have determined, after an examination of the factors involved in the Governmental Accounting Standards Board's definition of "component unit" for financial reporting purposes, that we are not a component unit of the County of Albemarle and will not be included in their financial report. Justification for this decision is outlined in Note 1 to the financial statements.

In June 1973 the Authority and the City sold all water and sewer treatment and major distribution facilities to the newly-formed Rivanna Water and Sewer Authority, which wholesales finished water and sewer treatment services to the Authority and to the City. In 1975 the Authority purchased from the City the facilities to serve all current water and sewer customers outside the City limits; since then it has been the sole public retailer of these services in the County.

In addition to retailing finished water and sewer collection services, the Authority constructs pumping stations and line extensions; purchases, connects to the system, and upgrades private water systems; installs water supply and sewage collector systems; inspects water delivery and sanitary sewage systems installed and contributed to it by developers; and maintains these constructed and contributed facilities.

### ***Economic Conditions***

The economy, low unemployment rate, climate, education, arts, and culture continue to attract new development. In the Albemarle Community Profile updated July 27, 2007, the Virginia Employment Commission's Economic Information Services Division reports a low unemployment rate of 2.5% as compared to Virginia (3.2%) and to the Country (4.7%), as a whole.

Residential growth in the Authority's urban and Crozet service areas has slowed a bit as compared to the previous year; however, current information shows no indication of further decline. The Community Development Department of the County reported<sup>1</sup> the issuance of building permits for 575 new residential dwelling units in 2006 compared to 830 units reported in 2005. (In total, these numbers correspond to the number of water connections: 503, 498, and 413 in fiscal years 2005, 2006, and 2007, respectively.) By the end of the second quarter of calendar year 2007, the County reported<sup>2</sup> the issuance of building permits for 594 new residential dwelling units. (Again, these numbers correspond comparatively to the number of water connections; in July and August of this year, the Authority added 179 new water connections whereas in July and August of 2006, the Authority added only 91 new water connections.)

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<sup>1</sup> 2006 Year End Building Report

<sup>2</sup> 2007 2<sup>nd</sup> Quarter Building Report

### ***Major Initiatives and Accomplishments***

- The Board approved several capital projects including the Woodbrook water system replacement project, the Colthurst water system replacement project, and several sewer relining projects designed to reduce infiltration/inflow.
- The Board approved and work began on major renovations to the Albemarle County Service Authority Operations Center, including replacement of the HVAC system.
- The Board approved the purchase of three portable, trailer-mounted generators to provide electrical power to Albemarle County Service Authority pump stations during power outages.
- In cooperation with the Rivanna Water and Sewer Authority, the Rivanna Solid Waste Authority, and HR Diversified Solutions, LLC, the Albemarle County Service Authority conducted a comprehensive compensation and benefits survey.
- In cooperation with the City of Charlottesville and the Rivanna Water and Sewer Authority, the Albemarle County Service Authority established a committee which would develop a comprehensive water and sewer system model.

### ***Operations***

Revenues exceeded expenses resulting in operating income before depreciation of \$9,710 during fiscal year 2007. While operating revenues (\$14,259,267) from water distribution, sewer collection, and service connection fees were up 16% as compared to fiscal year 2006, associated operating expenses (\$14,249,557) were also up 10% compared to fiscal year 2006.

### ***Accounting, Budgetary Controls, and Long-term Financial Planning***

Although no cost-effective set of accounting controls can guarantee complete freedom from unauthorized use of assets or errors in financial data, we believe that our procedures provide reasonable assurance that assets are properly recorded and protected and that financial data can be confidently used in the preparation of reports, historical summaries and projections. Because the Authority is designed to be a self-supporting, self-sustaining entity, the measurement focus of its financial accounting system is on the preservation of assets. The Authority uses the full accrual basis of accounting, in which revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they occur, regardless of the actual receipt or disbursement of cash.

The Authority employs a basic system of accounting controls involving full segregation of duties: employees with the authority to disburse funds are not involved in the preparation or recording of checks, and those who prepare disbursements submit batch total reports to the

Finance Director for approval. Two signatures (the Executive Director's and the Finance Director's) are required for all checks except petty cash and all bank accounts are reconciled monthly.

The Authority is required by Trust Agreements for its Bond to prepare and adopt an annual operating budget. On a fiscal year basis, department heads prepare preliminary operating budgets and submit them to the Executive Director for consideration. Rates are established based upon required revenue projections and associated costs, which include operating expenses, debt service, capital projects, and reserves. (An adequate operating reserve is important to furnish funds for unplanned minor repairs or other significant repairs; it could also be utilized during unusually wet years, when anticipated revenues are reduced due to lesser than anticipated consumption levels. An adequate repair, replacement, and rehabilitation reserve (3R) is important to furnish funds for unexpected major repairs and planned replacement or rehabilitation of equipment or other major capital assets.) The Executive Director submits a proposed budget and rate recommendation to the Board of Directors for adoption.

After adoption, increases or decreases to the budget are made only upon Board approval, and the budget lapses at the end of the fiscal year for all accounts except multi-year construction projects and specific reappropriations for funds committed at year-end for which goods and/or services have not been received. Department heads and the Board of Directors receive monthly reports on revenues and expenses.

### ***Cash Management***

Idle cash, pooled and invested in the Virginia Local Government Investment Pool and managed funds, in addition to longer-term investments consisting of U.S. Government and agency obligations, generated earnings of \$436,257.

### ***Debt Administration***

Revenue bond coverage, the ratio of gross revenues less direct operational expenses to debt service requirements, was 13.39 in fiscal year 2007. The minimum coverage required by outstanding bond indentures is 1.20. At June 30, 2007 outstanding long-term debt, including the current amount payable totaled \$1,408,900.

### ***Risk Management***

The Authority employs a combination of traditional insurance coverage and an active safety program to manage risk. A Safety Committee composed of the Executive Director and one individual each from finance, engineering, and maintenance meets bi-monthly to discuss safety issues and promulgate procedures. Through programs offered by the American Waterworks Association, the Virginia Department of Occupational Safety and Health, and the National Safety Council, regular training sessions are held for employees involved in high-risk activities.

Board of Directors  
September 14, 2007

In accordance with the Federal Motor Carrier Act, the Authority administers an alcohol and drug testing program for all employees required to have Commercial Drivers' Licenses.

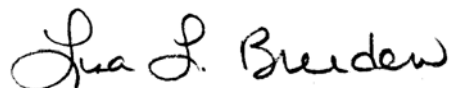
### ***Awards and Acknowledgements***

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Albemarle County Service Authority for its comprehensive annual financial report for the fiscal year ended June 30, 2006. This was the twenty-fifth consecutive year that the Authority received this prestigious award. 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.

A Certificate of Achievement 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 are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the help of the entire staff of the finance department; their hard work and dedication is much appreciated. Gratitude and expressions of appreciation are due also to Gary W. Fern, Executive Director, and to the Board of Directors for their interest in, and support of, the Authority's pursuit of financial reporting excellence.

Respectfully submitted,

A handwritten signature in cursive script that reads "Lisa L. Breeden".

Lisa L. Breeden  
Finance Director

*Certificate of Achievement for Excellence in Financial Reporting*

## **FINANCIAL SECTION**

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## **Independent Auditors' Report**

## **Independent Auditors' Report - 2**

## Management's Discussion and Analysis

As management of the Albemarle County Service Authority (Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Albemarle County Service Authority for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal found on pages 3 - 7 of this report.

### OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended as an introduction to the Authority's basic financial statements. The financial statements, notes to those statements, and required supplementary information are the only items in this report directly addressed in the auditors' opinion; additional data are provided by the Authority to supplement these, but are not subject to the rigorous examination required for the auditors to express an opinion.

**Financial statements.** Since the Authority engages only in business-type activities, the *enterprise fund financial statements* and *notes* are prepared in a manner similar to private-sector businesses.

The ***statement of net assets*** presents information on all of the Authority's assets and liabilities as of the audit dates in fiscal years 2007 and 2006, with the difference between the two reported as *net assets*. Over time, increases and 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 net assets*** presents information showing how the Authority's net assets changed between fiscal years 2007 and 2006. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. As such, some of the revenues and expenses reported in this statement will only affect cash flows in future fiscal periods. (One such example of this is earned but unused vacation leave.)

The ***statement of cash flows*** supplements the previous two statements by presenting changes in cash position as a result of the Authority's activities in the last two fiscal years. Maintenance of or increases in total cash and cash equivalents from year to year suggest that budgetary, debt, and cash management policies are properly maintaining liquidity for operations; decreases in total cash and cash equivalents might indicate a need to examine the reasons for such decreases.

These statements are found on pages 20 - 22 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data presented in the financial reports. The notes are on pages 23 - 35 of this report.

**Other (required supplementary) information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Authority's progress.

## FINANCIAL HIGHLIGHTS

- At the end of fiscal year 2007, the assets of the Authority exceeded its liabilities by \$92,366,143 (*net assets*). Of this amount, \$12,512,904 (*unrestricted net assets*) may be used to meet the Authority's ongoing financial obligations.
- The Authority's total net assets increased by \$4,801,617. This increase was marked by a number of developer contributions of completed capital projects.
- The Authority's total liabilities increased by \$237,099. This increase was marked by a jump in the amount of liability associated with unearned connection fees. With an increase in connection fees scheduled to go into effect September 1, 2007, many local builders/residents were prompted to prepay fees before that date. Unearned connection fees totaled \$433,519 and \$169,118 at June 30, 2007 and 2006, respectively.

## FINANCIAL ANALYSIS

By far the largest portion of the Authority's net assets (86%) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide services to our customers; consequently, these assets are not available for future spending. It is important to note that although the Authority's investment in capital assets is reported net of related debt, the resources necessary to repay this debt must come from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

As mentioned in the previous section, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. At the end of fiscal year 2007, Authority assets exceeded liabilities by \$92,366,143.

The restricted portion of the Authority's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$12,512,904) may be used to meet the Authority's ongoing financial obligations; however, portions of this balance have been *designated* to fund capital and 3R expenses as well as unemployment claims should they occur. These amounts are \$2,738,258 and \$19,504, respectively.

	<b>Net Assets</b>		
	2007	2006	2005
Current and other assets	\$ 14,666,420	\$ 14,081,368	\$ 14,596,322
Capital assets	81,104,538	76,650,873	73,701,962
Total assets	95,770,958	90,732,241	88,298,284
Long-term liabilities outstanding	1,500,219	1,578,018	2,356,575
Other liabilities	1,904,595	1,589,697	1,633,506
Total liabilities	3,404,814	3,167,715	3,990,081
Net assets:			
Invested in capital assets, net of related debt	79,695,638	74,778,472	71,362,564
Restricted for debt service	157,601	157,601	157,601
Unrestricted	12,512,904	12,628,453	12,788,038
Total net assets	\$ 92,366,143	\$ 87,564,526	\$ 84,308,203

During the current fiscal year, the Authority's net assets increased by \$4,801,617, which is 47% higher than last year's increase of \$3,256,323 but 32% less than fiscal year 2005's increase of \$7,048,573. It is important to note that the increases in all fiscal years are attributable (primarily) to the Authority's acceptance of developer constructed and dedicated water and sewer facilities. Developer contributions in excess of \$4.2, \$3.3, and \$7.7 million in fiscal years 2007, 2006, and 2005, respectively, were accepted by the Authority.

	<b>Changes in Net Assets</b>		
	2007	2006	2005
Revenues:			
Operating revenues	\$ 14,259,267	\$ 12,262,464	\$ 11,050,551
Investment income	436,257	251,877	237,438
Rental income	58,839	62,749	48,532
Other revenue	420,634	475,453	372,125
Total revenues	15,174,997	13,052,543	11,708,646
Expenses:			
Operating expenses	14,249,557	12,971,229	12,124,676
Depreciation	1,983,604	1,861,723	1,600,238
Interest expense	40,531	53,517	66,324
Other	70,550	81,627	126,883
Total expenses	16,344,242	14,968,096	13,918,121
Income (loss) before capital contributions	(1,169,245)	(1,915,553)	(2,209,475)
Capital contributions:	5,970,862	5,171,876	9,258,048
Change in net assets	4,801,617	3,256,323	7,048,573
Net assets - July 1	87,564,526	84,308,203	77,259,630
Net assets - June 30	\$ 92,366,143	\$ 87,564,526	\$ 84,308,203

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital assets.** The Authority's investment in capital assets as of June 30, 2007 amounted to \$81,104,538 (net of accumulated depreciation, \$23,263,441). Listed below are the capital assets by category at June 30, 2007, 2006, and 2005:

	Capital Assets (net of depreciation)		
	2007	2006	2005
Land	\$ 946,449	\$ 946,449	\$ 946,449
Structures and improvements	98,800,880	92,300,331	88,641,461
Equipment	2,801,549	2,132,378	1,981,802
Construction in progress	1,819,101	2,741,030	1,824,514
Total	\$ 104,367,979	\$ 98,120,188	\$ 93,394,226

Investment increases in capital assets during fiscal year 2007 included the following:

- More than \$1.6 million was spent on new and existing capital projects. For details on ongoing construction in progress, see Note 6 of the financial statements.
- The Authority capitalized almost \$2.4 million worth of completed projects which accounted for part of the increase (36%) in the value of structures and improvements. The largest project capitalized in FY 2007, although it was essentially completed in FY 2006, was the Crozet Water Project, valued in excess of \$1.7 million. This project was undertaken to encompass two immediate needs in the Crozet service area: 1) the replacement of some major water mains that were becoming increasingly unreliable and 2) the resizing of water mains (from a former well system adopted by the Authority) that provided inadequate fire protection to the Laurel Hills subdivision.
- System infrastructure dedicated to the Authority for operation and maintenance amounted to more than \$4.2 million. These dedications accounted for 64% of the increase to the structures and improvements category.

**Long-term debt.** All outstanding debt was consolidated into one Water and Sewer Revenue Refunding Bond that was issued in October 2002 for \$2,691,100. Details of this indebtedness may be found in Note 7 of the financial statements.

## REVIEW OF OPERATIONS

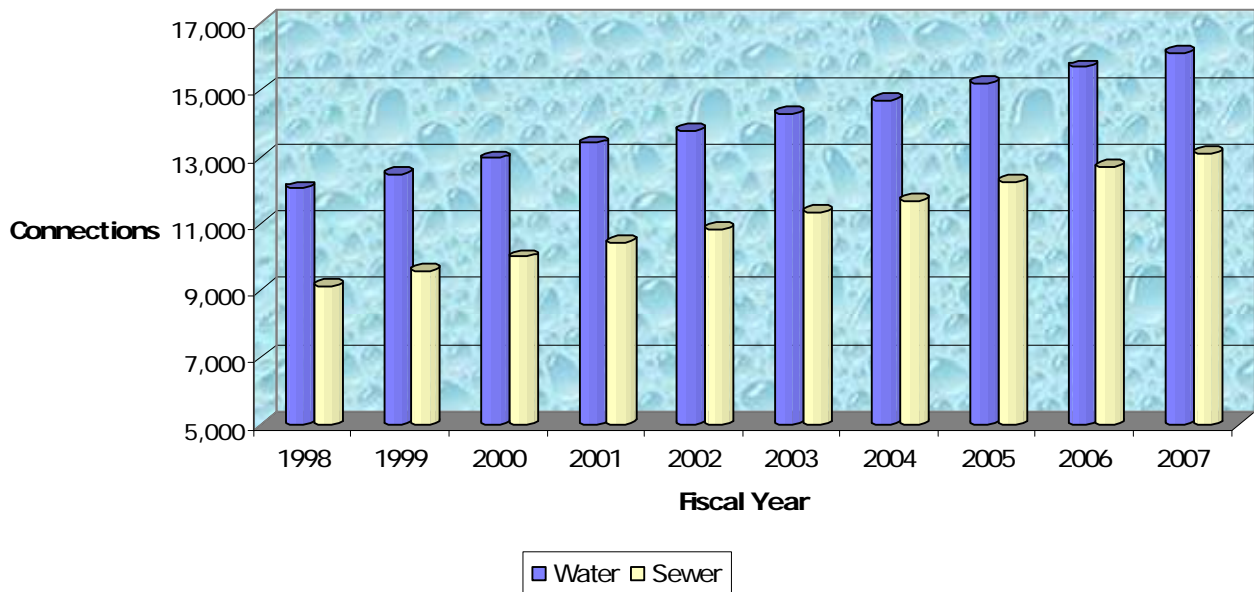
**Budget objectives.** With a rate structure designed to adequately and equitably recover the cost of providing service to our customers while encouraging water conservation, the Board approved an across-the-board increase of 10% to all user and connection fees. The objective

of the budgeting process for fiscal year 2007 was 1) to operate within the revenues anticipated from those newly adopted rates and fees and 2) to fund, through the use of reserves, \$2,300,000 of the \$3,734,000 anticipated capital costs associated with construction in progress.

**Billed water and sewer charges, connection charges.** The Authority's water customer base grew to 16,098 by the end of the fiscal year, up from 15,685 connections at the end of fiscal year 2006. Considering multiple units behind master meters, as in apartment complexes, the Authority now serves approximately 25,771 housing units, businesses, industries, and institutions.

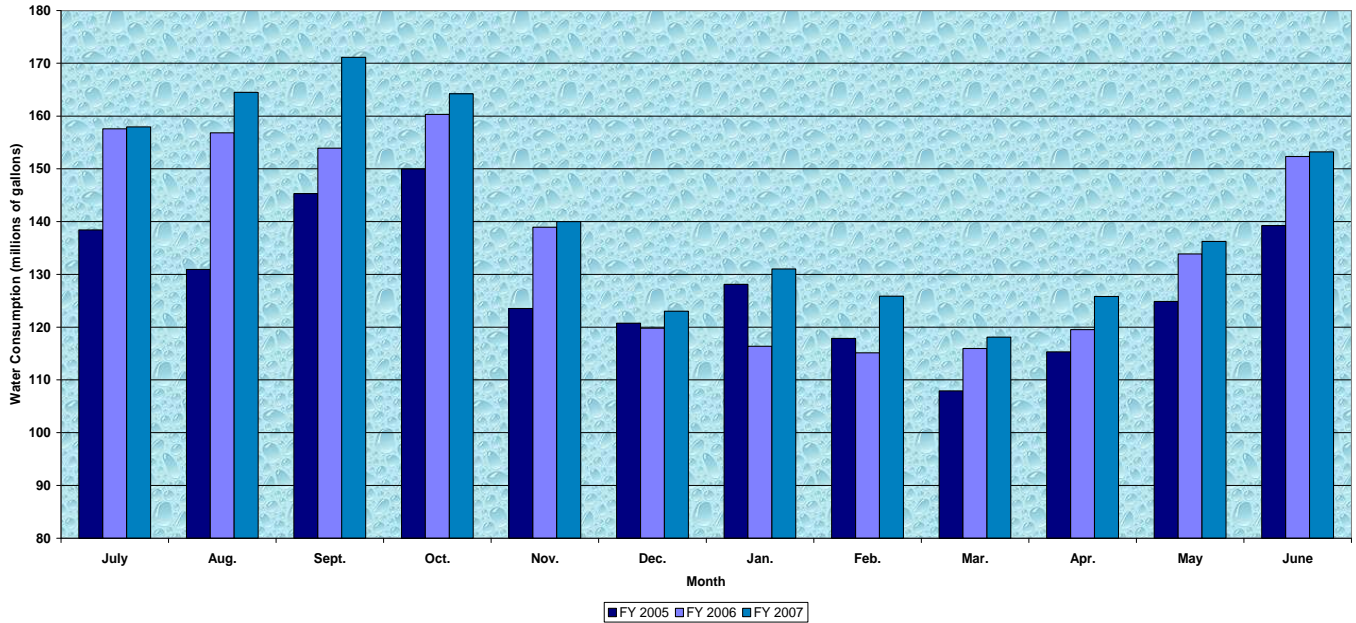
There was an influx of "pre-paid" connection fees received (\$433,519 as compared to \$169,118 received in fiscal year 2006), but there was no change in the pattern of actual (or physical) connection in fiscal year 2007. The increase in connections remains steady at about 3.5% per year.

**Water & Sewer Connections**



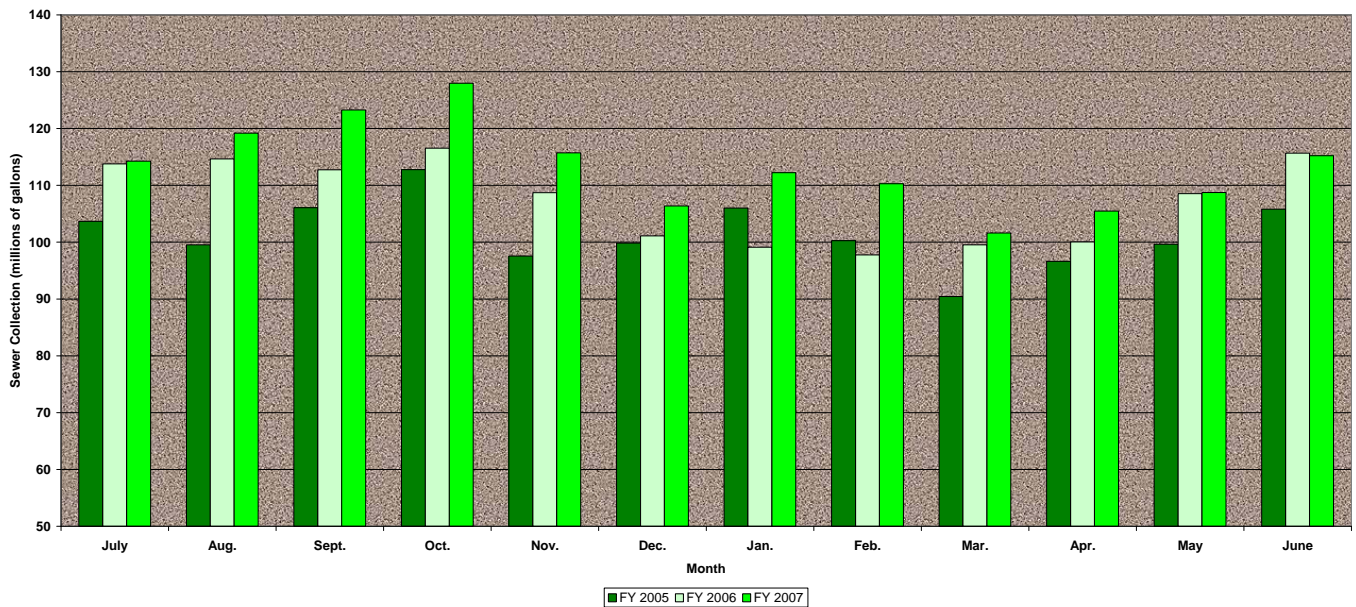
Billed water usage (1.71 billion gallons) in fiscal year 2007 was approximately 4% higher than the previous fiscal year (1.64 billion gallons) and 11% higher than in fiscal year 2005. Continued lack of rainfall in the area contributed to an increase in water usage and prompted calls for voluntary water conservation.

Monthly Water Consumption



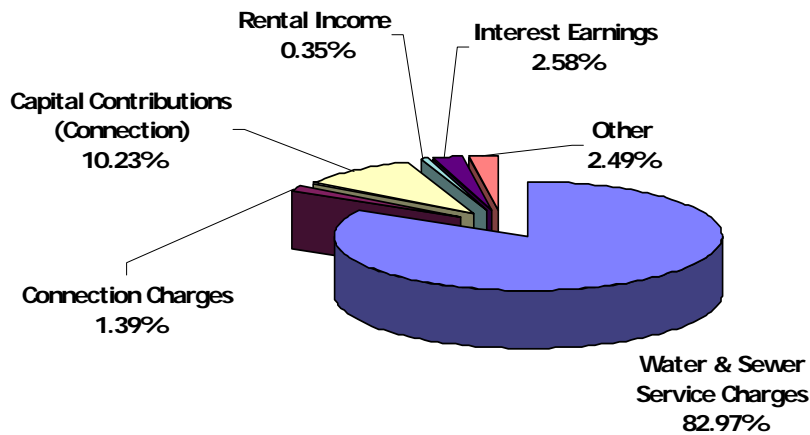
Much like water, the Authority's sewer customer base grew to 13,112 by the end of the fiscal year, up from 12,697 connections at the end of fiscal year 2006. Billed sewer collection (1.36 billion gallons) in fiscal year 2007 was approximately 5% higher than the previous fiscal year (1.29 billion gallons) and 11% higher than in fiscal year 2005.

Monthly Sewer Collection



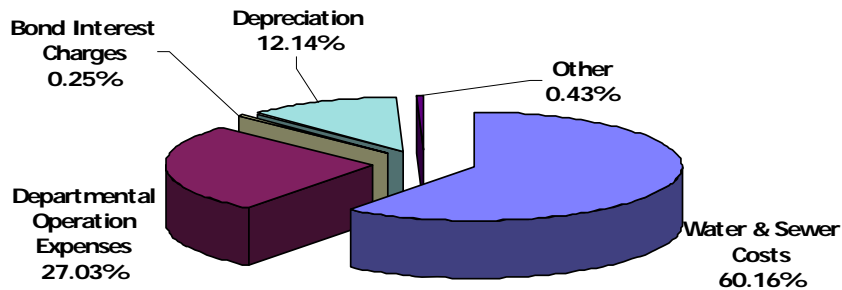
**Revenues.** Revenues, in general, were .56% lower than projected in fiscal year 2007. Of this, total operating revenues exceeded projections by 4.08% while non-operating revenues were 19.83% lower than projections. The surplus in operating revenue is attributable to a slight increase in anticipated water sales and sewer collection charges coupled with a substantial (46.96%) increase in anticipated connection fees. The variation in predicted non-operating revenue is attributable to a shortfall in both interest earnings on investments (8.16%) and in capital contributions, which are capacity and system development fees (25.89%).

**FY 2007 Revenues by Type**



**Expenses – Overall.** Expenses, in general, were .28% lower than projected in fiscal year 2007. Expenses for the purchase of water and the treatment of sewer were 6.87% above budget, while other operating expenses were 12.47% below budget.

**FY 2007 Expenses by Type**



This fiscal year's operating loss, including depreciation charges of \$1,983,604, was \$1,973,894 compared to last year's loss of \$2,570,488. Net loss, after including non-operating revenues and expenses, was \$1,169,245, compared to last fiscal year's net loss of \$1,915,553.

## RESERVES

**Operating reserve.** The Authority has established an operating reserve to provide funds for unplanned minor repairs or other significant cash outlays. This type of reserve is also valuable when lesser than anticipated consumption, during unusually wet years, for example, results in reduced revenues. As part of the budgeting process, operating reserves were set at 2% of anticipated operating costs. For fiscal year 2007, the Authority budgeted \$582,985, but was only able to set aside \$417,123 for this purpose.

**Capital Costs and 3R reserves.** The Authority has established a repair, replacement, and rehabilitation reserve (3R) to provide funds to pay for unexpected major repairs and planned replacement or rehabilitation of equipment or other major capital assets. This reserve is calculated as a percentage of the system's book value. As part of the budgeting process, 3R reserves were set at .9% of our system's book value. For fiscal year 2007, the Authority budgeted and was able to set aside \$729,147 for this purpose.

## LONG-TERM TRENDS

**Operations.** Careful planning and budgeting in combination with the use of established reserves has been a stabilizing factor in our rate-setting process for many years. This process has allowed our customers (over the years) to enjoy relatively low rates for the provision of their water and sewer service.

With new development in combination with aging infrastructure comes the expensive challenge of meeting the water supply needs of a growing community<sup>3</sup>; although the exact cost-sharing figures for this endeavor are unknown at this time, the RWSA will pass these increased costs on to its retailers, the Authority and the City. Since the Authority employs a

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<sup>3</sup> On June 15, 2006, in joint cooperation with the Rivanna Water and Sewer Authority (RWSA) Board of Directors, the Albemarle County Board of Supervisors, and the Charlottesville City Council, the Albemarle County Service Authority Board of Directors approved the Rivanna Water and Sewer Authority's "Ragged Mountain Reservoir Expansion" project as the preferred "alternative to meet the water supply needs [of an additional 9.9 million gallons per day] for this community for the next 50 years.\*" The selection of this project, with cost estimates of approximately \$142 million, was, according to the chairman of the RWSA Board of Directors, "the culmination of many years of hard work by RWSA staff, RWSA consultants, and the citizens who participated throughout the entire process.\*" (\*Excerpts from the minutes of the Special Public Outreach Meeting of the RWSA Board of Directors, 4/18/2006, and from the minutes of the Regular meeting of the RWSA Board of Directors, 04/24/2006.)

“pay-as-you-go<sup>4</sup>” method of recovering the costs of operations, increased costs will be passed on to our customers through higher and higher rates and fees.

**Capital program.** Water capital improvement project cost projections per year for the next ten years range from \$1.4 million to \$3.2 million and sewer capital improvement project cost projections per year for the next ten years range from \$.7 million to \$2.9 million. The Authority hopes to fund these projects through the use of established reserves.

## REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Authority’s finances; for additional information contact the Finance Department in person or by mail at 168 Spotnap Road, Charlottesville, Virginia, 22911, by email through our website, [www.serviceauthority.org](http://www.serviceauthority.org), or by telephone at (434)977-4511.

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<sup>4</sup> Current customers bear the current cost of operations with future customers bearing the cost of expansion through connection, development, and capacity fees.

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## **Basic Financial Statements**

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**Albemarle County Service Authority**  
**Statement of Net Assets**  
**As of June 30, 2007**  
(With Comparative Totals for the Prior Year)

	<b>2007</b>	<b>2006</b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 7,378,589	\$ 8,260,750
Receivables	1,080,212	706,107
Inventory of materials and supplies	275,446	211,391
Prepaid expenses	74,296	90,577
Total current assets	\$ 8,808,543	\$ 9,268,825
Noncurrent assets		
Investments	\$ 5,549,394	\$ 4,469,321
Receivables	150,881	185,621
Restricted assets		
Cash	157,601	157,601
Capital assets		
Land and improvements	946,449	946,449
Structures and improvements	98,800,880	92,300,331
Equipment	2,801,549	2,132,378
Construction in progress	1,819,101	2,741,030
Less accumulated depreciation	(23,263,441)	(21,469,315)
Total noncurrent assets	\$ 86,962,414	\$ 81,463,416
Total assets	\$ 95,770,957	\$ 90,732,241
<b>LIABILITIES</b>		
Current liabilities (payable from current assets)		
Accounts payable	\$ 1,251,214	\$ 854,347
Customer deposits	71,896	64,452
Revenue bonds payable, current portion	342,200	463,500
Interest payable	16,437	21,845
Other accrued expenses	222,848	185,553
Total current liabilities	\$ 1,904,595	\$ 1,589,697
Noncurrent liabilities		
Revenue bonds payable	\$ 1,066,700	\$ 1,408,900
Unearned connection fees	433,519	169,118
Total noncurrent liabilities	\$ 1,500,219	\$ 1,578,018
Total liabilities	\$ 3,404,814	\$ 3,167,715
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	\$ 79,695,638	\$ 74,778,473
Restricted for debt service	157,601	157,601
Unrestricted	12,512,904	12,628,452
Total net assets	\$ 92,366,143	\$ 87,564,526

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

**Albemarle County Service Authority**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**For the Year Ended June 30, 2007**  
(With Comparative Totals for the Prior Year)

	<b>2007</b>	<b>2006</b>
<b>OPERATING REVENUES &amp; EXPENSES</b>		
Operating revenues		
Water sales and sewer service charges	\$ 14,023,928	\$ 12,083,954
Water and sewer connection fees	235,339	178,510
Total operating revenues	14,259,267	12,262,464
Operating expenses		
Purchase of bulk water	5,835,828	5,595,215
Purchase of sewer treatment	3,996,068	3,259,766
Administration	850,416	881,677
Finance	1,010,931	839,215
Engineering	1,024,958	949,240
Maintenance	1,531,356	1,446,116
Total operating expenses	14,249,557	12,971,229
Operating income before depreciation	9,710	(708,765)
Depreciation	1,983,604	1,861,723
Operating income (loss)	(1,973,894)	(2,570,488)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Non-operating revenues (expenses)		
Interest earnings	436,257	251,877
Buck mountain surcharge	77,300	70,400
Rental income	58,839	62,749
Miscellaneous revenues	343,334	405,053
Bond interest charges	(40,531)	(53,517)
Building maintenance	(950)	(3,527)
Buck mountain surcharge expense	(69,600)	(78,100)
Non-operating income (loss)	804,649	654,935
Income (loss) before capital contributions	(1,169,245)	(1,915,553)
Capital contributions	5,970,862	5,171,876
Change in net assets	4,801,617	3,256,323
<b>NET ASSETS</b>		
Total net assets, beginning	87,564,526	84,308,203
Total net assets, ending	\$ 92,366,143	\$ 87,564,526

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

**Albemarle County Service Authority**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2007**  
(With Comparative Totals for the Prior Year)

	<b>2007</b>	<b>2006</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 14,426,006	\$ 12,258,454
Cash payments to suppliers	(10,591,946)	(9,950,153)
Cash payments to employees for services	(3,271,222)	(3,036,704)
Net cash provided by (used for) operating activities	\$ 562,838	\$ (728,403)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal payment on bond maturities	\$ (463,500)	\$ (467,000)
Interest paid on bonds outstanding	(45,938)	(58,965)
Capital contributed by developers, customers, and local government	1,728,418	1,862,967
Repair, replacement, rehabilitation expenses (including capital)	(2,100,777)	(1,373,311)
Cash received - rental income, contracts/contributions receivable	132,545	158,347
Sale of equipment	21,062	12,847
Net cash (used for) provided by capital and related financing activities	\$ (728,190)	\$ 134,885
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investment securities	\$ (5,586,023)	\$ (2,047,190)
Proceeds from sale and maturity of investment securities	4,505,950	2,052,008
Net (increase) decrease in investments	(1,080,073)	4,818
Interest received on investments and cash equivalents	363,264	224,502
Net cash (used for) provided by investing activities	\$ (716,809)	\$ 229,320
(Decrease) in cash and cash equivalents for the year	\$ (882,161)	\$ (364,198)
Cash and cash equivalents at beginning of year	8,260,750	8,624,948
Cash and cash equivalents at end of year	\$ 7,378,589	\$ 8,260,750
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating (loss)	\$ (1,973,894)	\$ (2,570,488)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:		
Depreciation expense	1,983,604	1,861,723
Miscellaneous revenues and expenses, net	299,480	329,377
(Increase) in water/sewer accounts receivable	(404,586)	(26,969)
(Increase) decrease in inventory	(64,055)	1,449
Decrease in prepaid expenses	16,282	26,419
Increase (decrease) in accounts payable	396,867	(59,514)
Increase in customer deposits	7,444	8,639
Increase in accrued payroll expenses	37,294	16,014
Increase (decrease) in unearned connection fees	264,402	(315,053)
Total adjustments	2,536,732	1,842,085
Net cash provided by (used for) operating activities	\$ 562,838	\$ (728,403)
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>		
Contributions of capital assets	\$ 4,242,444	\$ 3,308,910
Capital asset trade-ins	3,505	-
Increase (decrease) in fair value of assets	56,270	(27,053)

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

**Notes to Financial Statements**  
**Fiscal Year Ended June 30, 2007**

**NOTE 1 – FINANCIAL REPORTING ENTITY**

The Albemarle County Service Authority (Authority) is a public body politic and corporate and an instrumentality of the Commonwealth of Virginia organized pursuant to the provisions of the *Water and Waste Authorities Act* (Enabling Act), Chapter 28 of the *Code of Virginia* (1950), as amended. The Authority was created by action of the Board of County Supervisors of Albemarle County, Virginia, and was chartered by the State Corporation Commission on April 23, 1964. By resolution dated October 17, 1974, the Board of Supervisors extended the life of the Authority to October 17, 2024. The purpose of the Authority, as set forth in its articles of incorporation as amended in December 1985, is to undertake such projects as may be specified for the distribution and sale of potable water to retail customers and for the collection of wastewater from retail customers and delivery of such wastewater to the Rivanna Water and Sewer Authority.

The Authority has determined that it is a related organization to Albemarle County, Virginia in accordance with Governmental Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*. The Authority is a legally separate organization whose board members are appointed by the Albemarle County Board of Supervisors. Since the Board of Supervisors cannot impose its will on the Authority and since there is no potential financial benefit or burden in relationship, the Board of Supervisors is not financially accountable for the Authority. Accordingly, the Authority is not considered a component unit of the County.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

- a. **Measurement focus and basis of accounting** – The accounts of the Authority are maintained on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. The measurement focus of financial reporting is on the flow of economic resources; thus, all assets and all liabilities are included on the *statement of net assets*. The Authority applies all Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.
- b. **Budgets** – Budgets are adopted on a basis consistent with generally accepted accounting principles. Appropriations lapse at the end of the fiscal year with the exception of capital projects, which are valid until completion of said project, and specific re-appropriations for goods and services ordered but not received by June 30. Budgetary control is exercised at the departmental level; any changes to the departmental budget totals require Board approval.

- c. **Cash, cash equivalents and investments** – Cash and cash equivalents include cash on hand, amounts in demand deposit accounts, certificates of deposit, and short-term investments with a maturity of less than three months when acquired by the Authority. Investments consist of U.S. Government and agency obligations and are stated at fair value.
- d. **Inventory and prepaid items** – Inventories of materials and supplies are valued at the lower of cost or net realizable value, using the weighted-average method of valuation.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items on the statement of net assets.

- e. **Capital assets** – Capital assets, which include property, equipment and infrastructure assets (such as water/sewer lines, pumps, valves, and fire hydrants, for example), are reported in the financial statements. Purchased and constructed infrastructure assets are recorded on the basis of cost in the “structures and improvements” category. “Structures and improvements” acquired by the Authority through contributions, such as from developers, are capitalized and recorded in the accounts at fair market value on the date accepted. The recorded values exclude normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate.

The Authority provides for depreciation of infrastructure in service on the straight-line method at amounts estimated to amortize the cost of assets over their estimated useful lives, as follows:

Structures and Improvements	10 to 60 years
Equipment	3 to 10 years

It is the Authority’s policy to capitalize capital assets with a cost basis of five hundred dollars (\$500) or more. Capital assets of less than five hundred dollars (\$500) are expensed in the period acquired. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in results of operations.

- f. **Restricted assets** – Certain proceeds of the Authority’s revenue bonds are classified as restricted assets on the statement of net assets because they are maintained in a separate bank account and their use is limited by applicable bond covenants.
- g. **Revenue** – Customer water meters are read on a cyclical basis throughout a monthly period; bills are rendered and revenue is recognized in the periods that meters are read. The Authority does not accrue revenue for water distributed and sewer collected but not yet billed at the end of the fiscal year.

- h. Allowance for uncollectible accounts** – The Authority calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. Historical collection data indicate that any uncollectible amounts would be negligible. Management believes that any accounts that may be written off would not be significant. Accordingly, no allowance for uncollectible accounts has been established.
- i. Compensated absences** – The Authority does not accrue sick pay when earned since its employees do not have vested rights to receive such pay except to the extent of time not worked due to sickness. Vacation pay, which is payable upon separation from employment, is considered a liability and is expensed as earned. Accrued vacation pay is recorded on the statement of net assets at current pay rates in “other accrued expenses.”
- 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 the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management’s knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.
- k. Operating activity** – Operating activities, for preparation of the Authority’s financial statements, are the respective revenues and expenses directly attributable to and associated with the retail of finished water and sewer treatment services. Operating revenues consist of water and sewer charges, service charges, as well as water and sewer connection charges and local facilities fees. Operating expenses include the purchase of bulk water, the cost of sewer treatment, and Authority departmental/operational costs. Other “non”-operating revenues (such as customer and developer contributions, reconnection fees, late charges, penalties, rental income, interest earnings, etc.) and expenses (such as capital/equipment, repair, replacement, and rehabilitation costs, bond principal and interest costs, and other miscellaneous costs) are considered and reported as capital and related activities, non-capital and related activities, and investing activities.
- l. Comparative data** – Prior year totals on the financial statements are presented for informational purposes only.
- m. Prior period adjustments and accounting changes** – Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year’s presentation.

### NOTE 3 – RECEIVABLES

Receivables as of June 30, 2007, including interest receivable on investments, accounts receivable, and contributions receivable, are as follows:

	<u>2007</u>
<b>Receivables, current:</b>	
Interest	\$ 53,102
Accounts	997,112
Contributions	<u>29,998</u>
	<u>\$ 1,080,212</u>
<b>Receivables, noncurrent:</b>	
Contributions	<u>\$ 150,881</u>

Current receivables are those the Authority expects to receive in the next fiscal year.

**Contracts receivable** – *Sale of water and wastewater treatment facilities* – Under the terms of a four-party agreement (Agreement) entered into on June 12, 1973 by the Authority with the County of Albemarle, City of Charlottesville, and the Rivanna Water and Sewer Authority (Rivanna), the Authority agreed to sell certain water production, transmission, and storage facilities and wastewater interception and treatment facilities to Rivanna. The Agreement provides that the sale will not be consummated until ten years from the date of the Agreement or at such later time as the debts, if any, attributable to any of such facilities have been paid, or provision made for their payment, and that Rivanna will lease the facilities until such time as the sale is consummated. Although the sale has not actually been consummated under the terms of the Agreement, the transaction has been recorded as an installment sale for accounting purposes.

*Sale of Ivy Water Line* – In 1977 an agreement was made with Rivanna to sell the Ivy Water Line for a total sales price of \$394,953. This sale was treated as an installment sales contract and bears interest at the rate of five percent (5%) per annum.

The remaining contracts receivable balance at June 30, 2006 was settled in fiscal year 2007.

**Contributions receivable** – The contributions receivable balance represents the amounts due from customers of the Farmington water system for connection payments.

## NOTE 4 – DEPOSITS AND INVESTMENTS

As of 6/30/2007 the Authority had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
U.S. Government and Agencies	\$ 5,549,394	5.2400
Virginia Local Government Investment Pool	6,242,865	0.0027
Total fair value	\$ <u>11,792,259</u>	

### Interest rate risk.

The Authority has no formal investment policy that addresses interest rate risk; in practice, however, the Authority's investment in securities should not exceed an average weighted maturity of five years in order to reduce the likelihood of such risk.

### Credit risk.

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) and Asian Development Bank, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP). The Authority has no investment policy that would further limit its investment choices. As of June 30, 2007, the Authority's investment in the LGIP was rated AAAM<sup>5</sup> by Standard & Poor's Corporation. All of the Authority's investment in U.S. Government and Agency securities was rated AAA by Moody's Investors Service and AAA by Standard & Poor's Corporation.

### Concentration of credit risk.

Because its investment in securities is limited to U.S. government obligations and obligations explicitly guaranteed by the U.S. government, the Authority had minimal credit risk at June 30, 2007.

### Custodial credit risk – deposits.

In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of June 30, 2007, the Authority's *bank balance* of \$1,458,513 was fully covered in demand accounts covered by federal depository insurance (FDIC) and/or collateralized in accordance with the *Virginia Security for Public Deposits Act*, Section 2.2-4400 of the *Code of Virginia*. Under the *Virginia Security for Public Deposits Act*, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the

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<sup>5</sup> S & P's highest money market fund rating.

State Treasury Board. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks. The State Treasury Board may make additional assessments against participating financial institutions in the event the pool cannot cover losses.

**Custodial credit risk – investments.**

For an investment, this is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2007, the State Treasurer’s Local Government Investment Pool (LGIP) held Authority pool shares worth \$6,242,865; the LGIP maintains a stable net asset value of \$1 per share. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7. Fair value of investments in securities held by the counterparty’s trust department or safekeeping agent in the Authority’s name totaled \$5,549,394.

**Deposits and investments.**

The following is a summary and reconciliation of cash and investments at June 30, 2007:

Unrestricted current assets:	
Cash (bank deposits)	\$ 1,135,724
Investments (LGIP)	
Undesignated	3,485,103
Designated	
Unemployment	19,504
3R - Capital	2,738,258
Total designated	2,757,762
Total investments	\$ 6,242,865
Total unrestricted current assets:	\$ 7,378,589
Unrestricted long-term assets:	
Investments (U.S. & Agencies)	
Undesignated	5,549,394
Total unrestricted long-term assets:	\$ 5,549,394
Restricted long-term assets:	
Cash (2002 Revenue Bond)	\$ 157,601
Total deposits and investments	\$ 13,085,584

## NOTE 5 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Capital assets, not being depreciated:</b>				
Land	\$ 874,101	\$ -	\$ -	\$ 874,101
Construction in progress	2,741,030	1,667,991	2,589,920	1,819,101
Total capital assets, not being depreciated	<u>\$ 3,615,131</u>	<u>\$ 1,667,991</u>	<u>\$ 2,589,920</u>	<u>\$ 2,693,202</u>
<b>Other capital assets:</b>				
Land improvements	\$ 72,348	\$ -	\$ -	\$ 72,348
Structures and improvements	92,300,331	6,634,550	134,000	98,800,880
Equipment	2,132,378	730,054	60,883	2,801,549
Total capital assets, being depreciated	<u>\$ 94,505,057</u>	<u>\$ 7,364,604</u>	<u>\$ 194,883</u>	<u>\$ 101,674,777</u>
<b>Less accumulated depreciation:</b>				
Land improvements	\$ 72,348	-	-	\$ 72,348
Structures and improvements	19,904,032	1,770,978	134,000	21,541,010
Equipment	1,492,935	212,626	55,478	1,650,083
Total accumulated depreciation	<u>\$ 21,469,315</u>	<u>\$ 1,983,604</u>	<u>\$ 189,478</u>	<u>\$ 23,263,441</u>
Total capital assets, net	<u>\$ 76,650,873</u>	<u>\$ 7,048,991</u>	<u>\$ 2,595,325</u>	<u>\$ 81,104,538</u>

## NOTE 6 – CONSTRUCTION WORK IN PROGRESS

Details of construction work in progress at June 30, 2007 are as follows:

Project Name	Balance at 6/30/06	Cost of Construction	Transfers to Capital Assets	Balance at 6/30/07
ACSA Office Renovations	\$ 0	\$ 201,160	\$ 0	\$ 201,160
Lampkin Way Water Line	2,085	0	(2,085)	0
Woodbrook WL Replacement	0	87,693	0	87,693
Scottsville Streetscape Project	0	1,021	0	1,021
Oak Hill WL Improvement	59,719	115,939	<sup>1</sup> 0	175,658
Sherwood Manor Water	31,582	0	(31,582)	0
Georgetown Green WL Imp.	34,001	0	(34,001)	0
Glenorchy Water Line	79,102	189	(79,291)	0
West Leigh Dr. WL Repl.	0	46,201	0	46,201
Colthurst WL Replacement	0	177,002	0	177,002
Georgetown Sq WL Repl	8,435	0	(8,435)	0
Crozet Water Improvements	1,761,200	8,040	(1,769,240)	0
Sherwood Manor Sewer Rehab	207	326,328	0	326,535
Camp Holiday Trails Water Main	0	18,005	0	18,005
Red Hill Water System	0	560	0	560
Scottsville Ph. 1 W&S Project	0	66,913	0	66,913
Scottsville WL Repl.	7,200	800	(8,000)	0
Turtle Creek WL Upgrades	4,409	0	(4,409)	0
Hollymead Town Ctr – WL	0	3,595	0	3,595
Stonehenge Sewer Relining	0	100,586	0	100,586
Berkeley Sewer Lining Project	195	204,461	0	204,656
Rt. 250 W WL Repl.	149,544	0	(149,544)	0
Northfields Sewer	281,681	66,789	(281,681)	66,789
ACSA Construction Crew	1,829	(1,829)	<sup>1</sup> 0	0
Rio Hills Berkmar Dr W Int/Cnct	0	7,443	<sup>1</sup> 0	7,443
Union Mission WL Replacement	0	6,325	<sup>1</sup> 0	6,325
Geographical Info System	252,590	3,519	0	256,109
Standby Generator Project	45,449	154,400	(199,850)	<sup>2</sup> 0
Fence Rpl - Crozet Shop	9,200	0	(9,200)	0
Meter Vault Replacement	8,239	0	(8,239)	0
Oversizing Agreements	0	72,851	0	72,851
Miscellaneous Const.	4,363	0	(4,363)	<sup>3</sup> 0
	<u>\$ 2,741,030</u>	<u>\$ 1,667,991</u>	<u>\$ (2,589,920)</u>	<u>\$ 1,819,101</u>

<sup>1</sup> Transfer to permanent capital project

<sup>2</sup> Portable generators classified as equipment

<sup>3</sup> Engineering costs reclassified as operating expense

## Construction Commitments

As of June 30, 2007, the Authority's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
ACSA office renovations	\$ 197,574	\$ 58,515
Water line replacement projects	355,780	757,394
Wastewater line rehabilitation or relining projects	366,375	442,485
Total	<u>\$ 919,729</u>	<u>\$ 1,258,394</u>

## NOTE 7 – LONG-TERM DEBT

### Details of long-term indebtedness:

**Water and Sewer System Revenue Refunding Bond, Series of 2002** – The total amount authorized was \$2,691,100. A single bond was issued for this amount under the terms of a Second Supplemental Agreement of Trust between the Authority and the Bank of New York as Successor Trustee dated October 29, 2002. Proceeds from the sale, along with other funds, were used to retire the Water and Sewer System Revenue Bonds, Series of 1991, and the Water and Sewer System Refunding Revenue Bonds, Series of 1993. This single Bond is in registered form and bears interest at the rate of 2.8% per year, payable semiannually on each February 1 and August 1, commencing February 1, 2003. Principal is payable on August 1, 2004 and each August 1 thereafter until 2010, in amounts ranging from \$342,200 to \$467,000.

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 342,200	\$ 34,658
2009	345,100	25,036
2010	357,500	15,200
2011	364,100	5,098
Totals	<u>\$ 1,408,900</u>	<u>\$ 79,992</u>

Current portion	\$ 342,200
Non-current portion	<u>1,066,700</u>
Total	<u>\$ 1,408,900</u>

## Changes in long-term liability:

Long-term liability activity for the fiscal year ended June 30, 2007, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds payable	\$ 1,872,400	\$	\$ 463,500	\$ 1,408,900	\$ 342,200
Compensated absences	170,384	153,264	114,314	209,334	209,334
Long-term liabilities	<u>\$ 2,042,784</u>	<u>\$ 153,264</u>	<u>\$ 577,814</u>	<u>\$ 1,618,234</u>	<u>\$ 551,534</u>

**Federal arbitrage regulations:** The Authority is in compliance with federal arbitrage regulations. Any potential liabilities arising from arbitrage are estimated to be immaterial in relation to the financial statements.

## NOTE 8 – PURCHASE OF WATER AND SEWAGE TREATMENT SERVICES

The Authority, under the terms of a Service Agreement dated June 12, 1973, purchases all water and sewage treatment services from Rivanna Water and Sewer Authority. These purchases amounted to \$5,835,828 and \$5,595,215 for water and \$3,996,068 and \$3,259,766 for sewage treatment services for the years ended June 30, 2007 and 2006, respectively.

## NOTE 9 - RETIREMENT

### Description and Funding Procedure

The Authority contributes to the Virginia Retirement System (VRS), which is both an agent and cost-sharing multiple-employer defined benefit public employee pension plan that acts as a common investment and administrative agent for political subdivisions in the Commonwealth of Virginia. The Authority's payroll for employees covered by the VRS for the year ended June 30, 2007 was \$2,248,527. The total payroll for all Authority employees was \$2,422,070.

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after 5 years of service. Employees are eligible for an unreduced retirement benefit at age 65 with credit for 5 years of service or at age 50 with credit for 30 years of service with participating employers. Retirement benefits are payable monthly for life in an amount equal to 1.7 percent 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 adjustments (COLA) limited to 5% per year beginning in their second year of retirement. 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 benefits provisions to the General Assembly of Virginia.

VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/2006AnnuRept.pdf> or obtained by writing to the Virginia Retirement System, PO Box 2500, Richmond, Virginia 23218-2500.

## **Funding Policy**

Members (employees) are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual compensation to the VRS. This 5% member contribution has been assumed by the Authority. If an employee leaves covered employment the accumulated contributions plus interest earned may be refunded to the employee. Using the actuarial basis specified by the statute and approved by the VRS Board of Trustees, the Authority is required to contribute the remaining amounts necessary to fund its participation in the VRS. The Authority's contribution rate for the fiscal year ended June 30, 2007 was 8.74% of annual covered payroll.

## **Related Party Investments**

The Authority has no loans from VRS or any related parties to the pension plan.

## **Annual Pension Cost**

For fiscal year 2007, the Authority's annual pension cost of \$196,521 (excluding the employee share assumed by the Authority which was \$112,426) was equal to the Authority's required and actual contributions. The required contribution was determined as part of the June 30, 2006 actuarial valuation using the entry age normal actuarial cost method.

The valuation and actuarial assumptions are as follows:

Valuation date:	6/30/2006
Actuarial cost method:	Entry Age Normal
Amortization method:	Level Percent, Open
Payroll growth rate:	2.50%
Remaining amortization period:	20 years
Asset valuation method:	Modified Market

Actuarial assumptions:	
Investment rate of return *	7.5%
Projected salary increases *	3.75% to 5.60%
Cost-of-living adjustment	2.5%

\*Includes inflation of 2.5%

The annual required contribution rate is as follows:

Contribution rate	7.53%
Funding period in years	20
Amortization factor based on funding period	13.2063

Trend information, which includes employer costs only, is as follows:

<b>Fiscal Year Ended</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
June 30, 2003	\$28,372	100%	-
June 30, 2004	\$20,158	100%	-
June 30, 2005	\$84,373	100%	-
June 30, 2006	\$86,266	100%	-
June 30, 2007	\$196,521	100%	-

#### **NOTE 10 – CONTINGENT LIABILITIES**

**Unemployment insurance** – The Authority has elected to meet the requirements of the Unemployment Compensation Act through self-insurance, whereby the Authority will be responsible for all unemployment benefits paid by the Virginia Employment Commission on its behalf. The Authority incurred no costs for unemployment benefits in fiscal year 2007.

**Pending litigation** – At June 30, 2007 there were no matters of litigation involving the Authority which would materially affect the Authority’s financial position should any court decisions on pending matters be unfavorable to the Authority.

#### **NOTE 11 – DEFERRED COMPENSATION PLAN**

Since 1988 the Authority has offered its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all Authority employees, permits them to defer a maximum of 100 percent of their salary or \$15,500 per year, whichever is less. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

#### **NOTE 12 – RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts, damage to property, injuries to employees, destruction of assets, and natural disasters. These risks are covered by

municipal insurance programs available to cities, counties, and towns (see table 17, page 49).

The Authority is a member of the Virginia Municipal Group Self Insurance Association (VMGSIA) risk pool for workers' compensation coverage and of the Virginia Association of Counties Risk Management Programs for property, automobile, employee crime and dishonesty, public officials, and general liability coverage. Both of these associations are risk pools which, for premiums paid, protect Virginia state and local government entities; the VMGSIA pool is administered by the Virginia Municipal League, and the VACORP pool is administered by the Virginia Association of Counties. Settlement amounts under these policies have not exceeded insurance coverage for the last three fiscal years.

The limits of the pools' liability to the Authority are as follows:

VMGSIA – Workers' Compensation: Specific excess limits as per statute, aggregate excess limits up to the limits of the Aggregate Excess Loss Fund. Employers' Liability: \$1,000,000 for each accident, \$1,000,000 policy limit for injury by disease.

VACORP –

- Property (buildings/contents, computers): blanket up to \$8,500,000
- Automobile:
  - bodily injury and property damage – \$5,000,000 per occurrence
  - medical payments – \$5,000 per occurrence
- Employee crime and dishonesty – \$250,000
- Public Officials' General Liability:
  - \$3,000,000 per occurrence
  - \$3,000,000 annual aggregate
- General Liability: \$5,000,000

The Authority continues to carry commercial insurance for all other risks of loss, namely employee health insurance. Claims have not exceeded coverage for the last three fiscal years.

**Required Supplementary Information**

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## Retirement Plan Schedule of Funding Progress for the Authority

Last Five Fiscal Years

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded	Funded Ratio (2) / (3)	Annual Covered Payroll	Unfunded
			(Excess Funded) Actuarial Accrued Liability (UAAL) (3) - (2)			(Excess Funded) AAL as % Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2006	\$6,290,043	\$7,485,893	\$1,195,850	84.03%	\$2,138,914	55.91%
6/30/2005	\$5,791,827	\$7,234,700	\$1,442,873	80.06%	\$2,079,915	69.37%
6/30/2004	\$5,541,172	\$5,665,158	\$123,986	97.81%	\$2,035,886	6.09%
6/30/2003	\$5,389,914	\$5,196,512	(\$193,402)	103.72%	\$1,918,213	-10.08%
6/30/2002	\$5,232,067	\$4,657,112	(\$574,955)	112.35%	\$1,788,253	-32.15%

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## STATISTICAL SECTION

This part of the Albemarle County Service Authority's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about its financial health.

### Contents

**Financial Trends** ..... 37 - 38

These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.

**Revenue Capacity** ..... 39 - 41

These schedules contain information to help the reader assess the Authority's most significant revenue source, water and sewer charges.

**Debt Capacity** ..... 42 - 43

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

**Demographic and Economic Information** ..... 44 - 45

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.

**Operating Information** ..... 46 - 50

These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The Albemarle County Service Authority implemented GASB Statement 34 in fiscal year 2003; schedules presenting information relating to GASB Statement 34 include information beginning that year.

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## Financial Trends

**Albemarle County Service Authority**  
**Net Assets**  
**Last Five Fiscal Years**  
 (accrual basis of accounting)

**Table 1**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Net assets					
Invested in capital assets, net of related debt	\$62,790,850	\$63,478,888	\$71,362,564	\$74,778,473	\$79,695,638
Restricted for debt service	157,601	162,310	157,601	157,601	157,601
Unrestricted	<u>13,319,998</u>	<u>13,618,433</u>	<u>12,788,038</u>	<u>12,628,452</u>	<u>12,512,904</u>
Total net assets	<u>\$76,268,449</u>	<u>\$77,259,631</u>	<u>\$84,308,203</u>	<u>\$87,564,526</u>	<u>\$92,366,143</u>

## Financial Trends (continued)

**Albemarle County Service Authority**  
**Changes in Net Assets**  
**Last Five Fiscal Years**  
 (accrual basis of accounting)

**Table 2**

	<b>Fiscal Year</b>				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Operating Expenses</b>					
Operating expenses:					
Water	\$5,641,265	\$6,260,849	\$7,197,252	\$7,941,477	\$ 8,353,895
Sewer	3,852,691	4,888,989	4,927,425	5,029,752	5,895,662
Other	<u>1,579,114</u>	<u>1,667,929</u>	<u>1,600,238</u>	<u>1,861,723</u>	<u>1,983,604</u>
Total operating expenses	<u>\$11,073,070</u>	<u>\$12,817,767</u>	<u>\$13,724,915</u>	<u>\$14,832,952</u>	<u>\$16,233,161</u>
<b>Operating Revenues</b>					
Charges for services:					
Water	\$6,372,167	\$5,355,740	\$6,363,346	\$7,301,590	\$ 8,440,152
Sewer	3,027,529	4,263,307	4,501,376	4,782,364	5,583,776
Connection	<u>129,884</u>	<u>169,585</u>	<u>185,829</u>	<u>178,510</u>	<u>235,339</u>
Total operating revenues	<u>\$9,529,580</u>	<u>\$9,788,632</u>	<u>\$11,050,551</u>	<u>\$12,262,464</u>	<u>\$14,259,267</u>
<b>Net (Expense)/Revenue</b>	<u>(1,543,490)</u>	<u>\$(3,029,135)</u>	<u>\$(2,674,364)</u>	<u>\$(2,570,488)</u>	<u>\$(1,973,894)</u>
<b>Other Revenues and changes in net assets</b>					
Investment earnings	\$255,055	\$ 29,311	\$237,438	\$251,877	\$436,257
Miscellaneous revenues	486,455	531,431	504,357	538,202	479,473
Capital contributions	4,785,408	4,109,249	9,258,048	5,171,876	5,970,862
Other expenses	<u>(325,560)</u>	<u>(649,675)</u>	<u>(276,907)</u>	<u>(135,144)</u>	<u>(111,081)</u>
Total other revenues and changes in net assets	<u>\$5,201,358</u>	<u>\$4,020,316</u>	<u>\$9,722,936</u>	<u>\$5,826,811</u>	<u>\$6,775,511</u>
<b>Change in Net Assets</b>	<u>\$3,657,868</u>	<u>\$991,181</u>	<u>\$7,048,572</u>	<u>\$3,256,323</u>	<u>\$4,801,617</u>

## Revenue Capacity

### Albemarle County Service Authority Water and Sewer Sold by Type of Customer Last Ten Fiscal Years (in millions of gallons)

**Table 3**

Type of Water Customer	Fiscal Year									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Single-family residential	704.9	813.9	774.3	773.6	812.1	681.0	694.5	721.6	796.6	809.1
Multi-family residential	279.7	306.1	316.0	328.0	331.6	298.4	332.9	362.2	353.3	386.5
Commercial (offices)	39.7	44.5	44.1	51.8	55.2	42.7	40.6	42.9	48.5	48.2
Commercial (other)	277.1	282.1	275.8	288.4	283.3	237.5	238.6	248.6	263.3	284.7
Industrial	180.5	194.4	191.1	81.4	56.0	39.0	27.7	28.3	30.5	30.8
Institutional (schools, hospitals, etc.)	155.7	159.4	151.5	146.7	157.3	149.2	138.0	138.7	147.1	151.8
<b>TOTAL</b>	<b>1,637.6</b>	<b>1,800.4</b>	<b>1,752.8</b>	<b>1,669.9</b>	<b>1,695.5</b>	<b>1,447.8</b>	<b>1,472.3</b>	<b>1,542.3</b>	<b>1,639.3</b>	<b>1,711.1</b>

#### Rate per 1,000 gallons

0-4,000,000	\$2.18	\$2.25	\$2.25							
Over 4,000,000	1.88	1.95	1.95							
			Summer rates	\$2.70	\$2.82	\$3.27	\$3.45			
			Winter rates	2.20	2.32	2.67	2.85			
						Residential & irrigation 0-3,000	\$3.06	\$3.06	\$3.37	
						3,001-6,000	3.67	3.67	4.04	
						Over 6,000	6.56	6.56	7.22	
						Multi-family & non-residential	3.90	3.90	4.29	

Type of Sewer Customer	Fiscal Year									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Single-family residential	477.4	541.4	522.9	526.0	549.9	475.2	494.9	519.5	559.0	582.4
Multi-family residential	233.1	257.0	266.0	277.6	281.7	261.5	286.9	317.9	339.6	363.2
Commercial (offices)	34.4	34.2	35.0	40.4	40.7	35.3	35.4	35.9	37.9	36.7
Commercial (other)	219.4	219.1	212.1	214.3	205.6	190.1	197.7	207.6	211.6	229.7
Industrial	156.6	152.4	150.1	58.6	30.3	26.0	22.3	23.0	19.9	27.3
Institutional (schools, hospitals, etc.)	109.0	122.2	118.1	114.0	118.0	108.6	111.8	114.4	120.1	121.1
<b>TOTAL</b>	<b>1,229.9</b>	<b>1,326.3</b>	<b>1,304.2</b>	<b>1,230.9</b>	<b>1,226.2</b>	<b>1,096.7</b>	<b>1,149.0</b>	<b>1,218.3</b>	<b>1,288.1</b>	<b>1,360.4</b>
Rate per 1,000 gallons	\$2.20	\$2.25	\$2.25	\$2.25	\$2.51	\$2.91	\$3.74	\$3.74	\$3.74	\$4.11

## Revenue Capacity (continued)

**Albemarle County Service Authority  
Water and Sewer Rates  
Last Ten Fiscal Years**

**Table 4**

Fiscal Year	Water			Sewer	
	Monthly Service Charge	Volume/Period	Rate per	Volume/Period	Rate per
			1,000 Gallons		1,000 Gallons
1998	\$ 4.20	0-4,000,000 Over 4,000,000	\$ 2.18 \$ 1.88	Metered Water Consumption	\$ 2.20
1999 and 2000	\$ 4.20	0-4,000,000 Over 4,000,000	\$ 2.25 \$ 1.95	Metered Water Consumption	\$ 2.25
2001	\$ 4.25	June 1 - October 31 November 1 - May 31	\$ 2.70 \$ 2.20	Metered Water Consumption	\$ 2.25
2002	\$ 4.25	June 1 - October 31 November 1 - May 31	\$ 2.82 \$ 2.32	Metered Water Consumption	\$ 2.51
2003 <sup>1</sup>	\$ 4.25	June 1 - October 31 November 1 - May 31	\$ 3.27 \$ 2.67	Metered Water Consumption	\$ 2.91
2004	\$ 4.25	June 1 - October 31 November 1 - May 31	\$ 3.45 \$ 2.85	Metered Water Consumption	\$ 3.74
2005 and 2006	\$ 4.38	Single-family Residential And all Irrigation: 0-3,000 3,001-6,000 Over 6,000  Multi-family and Non-Residential: all metered consumption	\$ 3.06 \$ 3.67 \$ 6.56  \$ 3.90	Metered Water Consumption	\$ 3.74
2007	\$ 4.82	Single-family Residential And all Irrigation: 0-3,000 3,001-6,000 Over 6,000  Multi-family and Non-Residential: All metered Consumption	\$ 3.37 \$ 4.04 \$ 7.22  \$ 4.29	Metered Water Consumption	\$ 4.11
<sup>1</sup> Drought, declaration of emergency - water rates set at \$7.48 per 1,000 gallons, effective 10/17/2002 - 01/27/2003					

## Revenue Capacity (continued)

Albemarle County Service Authority  
 Top Ten Revenue Payers  
 Current Year and Nine Years Ago

**Table 5**

Water Customers	Fiscal Year 2007			Fiscal Year 1998		
	Water Billed (in gallons)	Rank	% of Total Water Sales	Water Billed (in gallons)	Rank	% of Total Water Sales
Southwood Charlottesville	30,080,000	1	1.76%	26,061,500	3	1.59%
Four Seasons Apartments	26,544,500	2	1.55%	15,345,900	8	0.94%
Joint Security Complex	21,210,000	3	1.24%	-	-	-
Old Salem Apartments	19,414,600	4	1.13%	15,480,700	7	0.95%
Abbingtion Crossing Apts.	18,618,200	5	1.09%	18,855,925	5	1.15%
Westgate Apartments	17,885,000	6	1.05%	22,020,500	4	1.34%
Turtle Creek Apartments	16,610,000	7	0.97%	16,173,000	6	0.99%
Marriott – The Collonades	14,734,500	8	0.86%	-	-	-
Hyosung (tire factory)	11,687,000	9	0.68%	12,156,000	10	0.74%
Eldercare Gardens	10,295,000	10	0.60%	-	-	-
ConAgra Frozen Foods	-	-	-	129,137,200	1	7.89%
Farmington, Inc.	-	-	-	27,840,670	2	1.70%
Boar's Head Inn	-	-	-	14,192,400	9	0.87%
Total top ten	<u>187,078,800</u>		<u>10.93%</u>	<u>297,263,795</u>		<u>18.16%</u>

Sewer Customers	Fiscal Year 2007			Fiscal Year 1998		
	Sewer Billed (in gallons)	Rank	% of Total Sewer Sales	Sewer Billed (in gallons)	Rank	% of Total Sewer Sales
Southwood Charlottesville	27,745,716	1	2.04%	-	-	-
Four Seasons Apartments	26,544,500	2	1.95%	15,345,900	6	1.25%
Joint Security Complex	21,210,000	3	1.56%	11,720,000	9	0.95%
Old Salem Apartments	19,414,600	4	1.43%	15,480,700	5	1.26%
Abbingtion Crossing Apts.	18,618,200	5	1.37%	18,855,925	3	1.53%
Westgate Apartments	17,204,100	6	1.26%	19,331,300	2	1.57%
Turtle Creek Apartments	16,610,000	7	1.22%	16,173,000	4	1.31%
Marriott – The Collonades	12,168,900	8	0.89%	-	-	-
Hyosung (Tire factory)	10,795,900	9	0.79%	-	-	-
Eldercare Gardens	10,295,000	10	0.76%	-	-	-
ConAgra Frozen Foods	-	-	-	134,555,482	1	10.94%
Boar's Head Inn	-	-	-	14,676,300	7	1.19%
Farmington, Inc.	-	-	-	12,446,850	8	1.06%
GE	-	-	-	10,115,000	10	1.05%
Total top ten	<u>180,606,916</u>		<u>13.27%</u>	<u>268,700,457</u>		<u>22.11%</u>

## Debt Capacity

### Albemarle County Service Authority Ratio of Outstanding Debt Last Ten Fiscal Years

**Table 6**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Number of Connections</b>	<b>Debt Per Connection</b>
1998	\$ 255,000	263,538	518,538	12,050	\$ 43.03
1999	270,000	251,135	521,135	12,496	41.70
2000	280,000	236,730	516,730	12,957	39.88
2001	295,000	222,823	517,823	13,410	38.61
2002	310,000	207,600	517,600	13,800	37.51
2003	0	146,981	146,981	14,304	10.28
2004	0	75,351	75,351	14,684	5.13
2005	351,700	66,324	418,024	15,187	27.53
2006	467,000	53,517	520,517	15,685	33.19
2007	463,500	45,938	509,438	16,098	31.65

### Albemarle County Service Authority Debt Limitations

**Table 7**

The Authority is not subject to legal debt computation.

### Albemarle County Service Authority Direct and Overlapping Debt

**Table 8**

The Authority has not issued any debt which is overlapping with other jurisdictions during the last ten fiscal years.

## Debt Capacity (continued)

### Albemarle County Service Authority Revenue Bond Coverage Last Ten Fiscal Years

**Table 9**

Fiscal Year	Gross Revenue	Direct Operating Expense <sup>1</sup>	Net Revenue Available for Debt Service	Principal	Interest	Total	Coverage
1998	\$ 7,932,568	6,632,672	1,299,896	\$ 255,000	263,538	518,538	2.51
1999	8,686,212	6,918,796	1,767,416	270,000	251,135	521,135	3.39
2000	8,721,093	7,308,641	1,412,452	280,000	236,730	516,730	2.73
2001	8,645,352	7,859,995	785,357	295,000	222,823	517,823	1.52
2002	9,019,808	7,990,365	1,029,443	310,000	207,600	517,600	1.99
2003	<sup>2</sup> 14,998,867	9,730,111	5,268,756	0	146,981	146,981	35.85
2004	14,339,922	11,268,843	3,071,079	0	75,351	75,351	40.76
2005	20,966,694	12,124,676	8,842,018	351,700	66,324	418,024	21.15
2006	18,154,018	12,971,229	5,185,889	467,000	53,517	520,517	9.96
2007	21,068,559	14,249,557	6,819,002	463,500	45,938	509,438	13.39

<sup>1</sup>Excluding depreciation and amortization.

<sup>2</sup>Beginning in FY 2003, availability and system development fees for new services formerly classified as contributions on the balance sheet were reclassified as capital contributions in the statement of revenues, expenses, and changes in net assets; this change was made in conformance with the requirements of GASB Statement 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

## Demographic and Economic Information

Albemarle County Service Authority  
 County Demographic and Economic Statistics  
 Last Ten Calendar Years

**Table 10**

Calendar Year	Population (1)	Per Capita Income (2)	Per Capita Income as Percent (%) of U.S. Average (2)	School Enrollment (3)	Unemployment Rate (4)
1997	77,420	\$26,307	104	11,626	2.2
1998	78,401	\$27,780	103	11,644	1.4
1999	80,145	\$29,226	105	11,981	1.5
2000	79,236	\$31,087	104	12,187	1.3
2001	80,487	\$32,505	106	12,237	1.7
2002	80,841	\$33,013	107	12,140	2.2
2003	84,186	\$33,973	108	12,251	2.9
2004	87,670	\$35,698	108	12,356	2.2
2005	88,726	\$37,552	109	12,378	2.3
2006	92,035	\$39,173	108	12,766	2.5

Sources:

- (1) U.S. 2000 Census
- (2) U.S. Bureau of Economic Analysis, Charlottesville-Albemarle Area  
 Per capita personal income is total personal income divided by total midyear population.
- (3) County of Albemarle, Department of Education
- (4) Virginia Employment Commission, Economic Information Services Division

## Demographic and Economic Information (continued)

### Albemarle County Service Authority Ten Largest Employers (Albemarle County) Current Year and Nine Years Ago

**Table 11**

<u>Employer</u>	<u>Product/Service</u>	(1) <u>Estimated Employment</u>	<u>Rank in 2007</u>	<u>Rank in 1998</u>
University of Virginia	Higher education	1,000 - over	1	1
County of Albemarle	Local government	1,000 - over	2	2
State Farm Mutual Automobile Insurance	Insurance services	1,000 - over	3	5
UVA Health Services Foundation	Health care	1,000 - over	4	3
Northrop Grumman Corp.	Computer & electronics manufacturing	500 - 999	5	-
U.S. Department of Defense	National security	500 - 999	6	-
GE Fanuc	Computer & electronics manufacturing	250 - 499	7	4
Crutchfield Corporation	Electronics retailer	250 - 499	8	-
Americare Plus	Health care	250 - 499	9	-
Piedmont Virginia Comm. College	Higher education	250 - 499	10	-
Conagra Inc.	Food manufacturing	500 - 999	-	6
Comdial Business Communications, Inc.	Computer & electronics manufacturing	500 - 999	-	7
SP Marine, Inc.	Computer & electronics manufacturing	500 - 999	-	8
FIC Staff Services	Administration & support services	500 - 999	-	9
Boar's Head Inn	Accommodation & food services	250 - 499	-	10

Sources: Virginia Employment Commission, Virginia Information Services Division

(1) Actual number of employees not available

## Operating Information

### Albemarle County Service Authority Full-Time Employees Last Ten Fiscal Year

**Table 12**

	Fiscal Year									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Administration Department	3	4	4	4	4	4	6	6	6	6
Finance Department <sup>1</sup>	10	10	11	11	11	11	11	11	11	13
Engineering Department	12	12	12	12	12	12	13	13	13	15
Maintenance Department	18	18	23	23	23	23	23	23	23	25
Total	43	44	50	50	50	50	53	53	53	59

<sup>1</sup>Includes meter reading

### Albemarle County Service Authority Operating Indicators Last Ten Fiscal Years

**Table 13**

	Fiscal Year									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
New connections	649	450	504	406	390	504	380	503	498	409
Water meters read <sup>1</sup>	141,708	147,000	152,927	157,702	162,288	168,215	172,684	180,545	185,762	187,808
Service orders processed <sup>2</sup>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	7,762	9,307	9,503
Water main breaks	20	18	19	17	15	12	13	13	7	18
Sewer overflows	6	7	9	7	2	4	5	1	4	10
Sewer blockages	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	6

n/a = not available

<sup>1</sup>Number of meters read for billings.

<sup>2</sup>Includes new service requests, requests for disconnection, meter installations & exchanges, investigations, and miscellaneous customer requests.

**Operating Information (continued)**

**Albemarle County Service Authority  
Capital Asset Statistics  
Last Ten Fiscal Years**

**Table 14**

	<b>Fiscal Year</b>									
<b>Capital Asset Statistics</b>	<b><u>1998</u></b>	<b><u>1999</u></b>	<b><u>2000</u></b>	<b><u>2001</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>
Number of Connections:	12,050	12,500	13,004	13,410	13,800	14,304	14,684	15,187	15,685	16,098
Miles of water lines:	216	228	247	269	279	284	294	304.2	317.18	318.66
Miles of sewer lines:	156	166	184	185	193	200	204	219.3	237.59	(*)231.11
Fire hydrants:	1,569	1,651	1,651	1,742	1,800	1,955	2,016	2,016	2,054	2,193
Water pumping stations:	7	7	7	8	8	8	8	9	9	11
Sewer pumping stations:	10	11	11	11	11	11	11	11	11	11
Water storage tanks:	5	5	5	6	6	6	6	7	7	8

(\*) Sewer rehabilitation

## Operating Information (continued)

### Albemarle County Service Authority Revenues by Source Last Ten Fiscal Years

**Table 15**

Fiscal Year	Service Charges	Connection Charges	Rental Income	Interest Earnings	Other	Total
1998	\$ 6,808,608	330,072	82,710	534,135	177,043	7,932,568
1999	7,625,278	122,912	106,355	509,033	322,634	8,686,212
2000	7,470,537	125,844	135,492	758,740	230,480	8,721,093
2001	7,446,712	125,180	112,486	698,529	262,445	8,645,352
2002	8,091,460	147,450	117,706	395,775	267,417	9,019,808
2003	9,399,696	129,884	119,818	306,223	257,838	10,213,459
2004	9,619,047	169,585	121,844	29,310	290,877	10,230,663
2005	10,864,722	185,829	48,533	237,438	372,125	11,708,647
2006	12,083,954	178,510	62,749	251,877	475,452	13,052,542
2007	14,023,928	235,339	58,839	436,257	420,634	15,174,997

### Albemarle County Service Authority Expenses by Function Last Ten Fiscal Years

**Table 16**

Fiscal Year	Water & Sewer Costs	Departmental Operation Expenses	Bond Interest Charges	Depreciation	Other	Total
1998	\$ 4,111,403	2,371,968	262,326	1,203,937	251,670	8,201,304
1999	4,414,573	2,504,223	251,135	1,296,242	127,969	8,594,142
2000	4,602,401	2,706,240	236,730	1,289,408	147,868	8,982,647
2001	4,959,897	2,900,098	222,823	1,501,485	104,589	9,688,892
2002	5,016,910	2,973,455	207,600	1,547,758	9,574	9,755,297
2003	6,241,488	3,488,623	146,981	1,584,432	68,008	11,529,532
2004	7,523,551	3,626,285	75,351	1,667,929	43,656	12,936,772
2005	8,176,468	3,948,208	66,324	1,600,238	126,884	13,918,122
2006	8,854,981	4,116,248	53,517	1,861,723	84,722	14,971,191
2007	9,831,896	4,417,661	40,531	1,983,604	70,550	16,344,242

**Operating Information (continued)**

**Albemarle County Service Authority  
Schedule of Insurance in Force  
June 30, 2007**

**Table 17**

Insurer	Type of Coverage	Policy Number	Policy Period		Annual Premium
			From	To	
VACORP	General Business Policy: Auto General Liability Property Excess Liability & Crime	VA-AL-004A-07	7/1/2006	6/30/2007	\$51,801
Travelers	Boiler & Machinery	BM21- 3668A824- TIL-07	7/1/2006	6/30/2007	\$914
VACORP	Public Officials' Liability	VA-AL-004A-07	7/1/2006	6/30/2007	\$6,350
Virginia Municipal Group Self Insurance Association	Workers' Compensation	107	7/1/2006	6/30/2007	\$34,928

**Albemarle County Service Authority  
Billed Services and Connections  
Last Ten Fiscal Years**

**Table 18**

Fiscal Year	Water Connections	Water (Billions of gallons)	Consumption		Sewer Connections
			Ratio Water/Sewer	Sewer (Billions of gallons)	
1998	12,050	1.64	1.3	1.23	9,124
1999	12,496	1.80	1.4	1.33	9,566
2000	12,957	1.75	1.3	1.30	10,004
2001	13,410	1.67	1.4	1.23	10,437
2002	13,800	1.70	1.4	1.23	10,839
2003	14,304	1.45	1.3	1.10	11,326
2004	14,684	1.47	1.3	1.15	11,694
2005	15,187	1.54	1.3	1.22	12,260
2006	15,685	1.64	1.3	1.29	12,697
2007	16,098	1.71	1.3	1.36	13,112

## Operating Information (continued)

Albemarle County Service Authority  
Construction Activity, Property Value and Bank Deposits  
Last Ten Fiscal Years

**Table 19**

<b>Fiscal Year</b>		<b>Construction</b>	<b>Property Value</b>	<b>Bank Deposits</b>
1998	\$	1,664,163	49,144,617	353,154
1999		1,038,101	52,466,706	613,653
2000		1,411,587	53,158,555	370,848
2001		1,173,888	56,721,693	349,945
2002		1,766,289	60,267,759	1,314,036
2003		1,447,449	63,341,335	2,069,958
2004		173,456	63,867,874	8,659,515
2005		1,180,133	71,877,448	4,724,948
2006		1,266,241	73,909,843	8,260,750
2007		1,667,991	79,285,437	7,378,589

## **COMPLIANCE SECTION**

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## **Auditors' Report on Internal Control Over Financial Reporting**