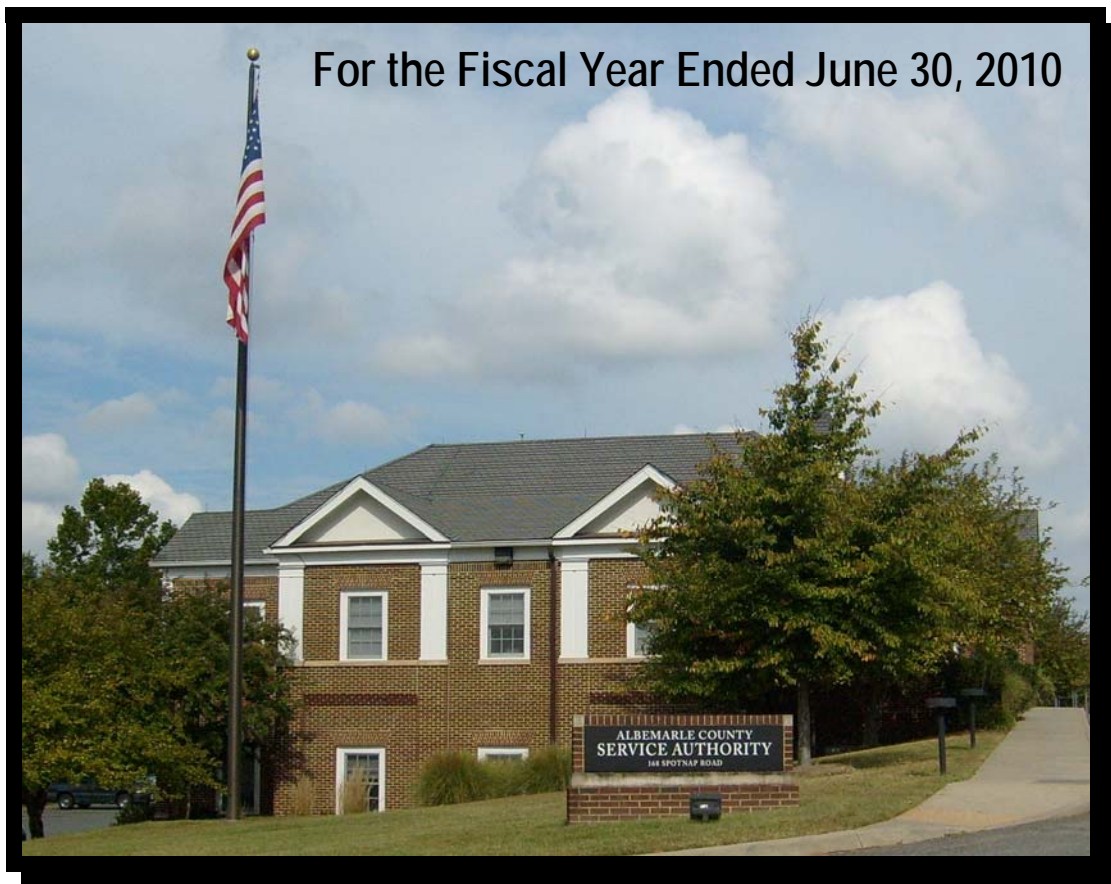




Comprehensive Annual Financial Report



*Conserve today, sustain tomorrow,
and protect water and environmental resources forever.*

Charlottesville, Virginia

Albemarle County Service Authority
Charlottesville, Virginia

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2010

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, 2010

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INTRODUCTORY SECTION

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Albemarle County Service Authority Officials

June 30, 2010

BOARD MEMBERS

Mr. Clarence W. Roberts, Chairman

Mr. John C. Martin, Vice-Chairman

Mr. Richard E. Carter

Mr. James E. Colbaugh

Dr. Lizbeth A. Palmer

Mr. David W. Thomas, Esq.

OFFICER

Mr. Gary B. O'Connell
Executive Director
Secretary-Treasurer

FISCAL AGENT

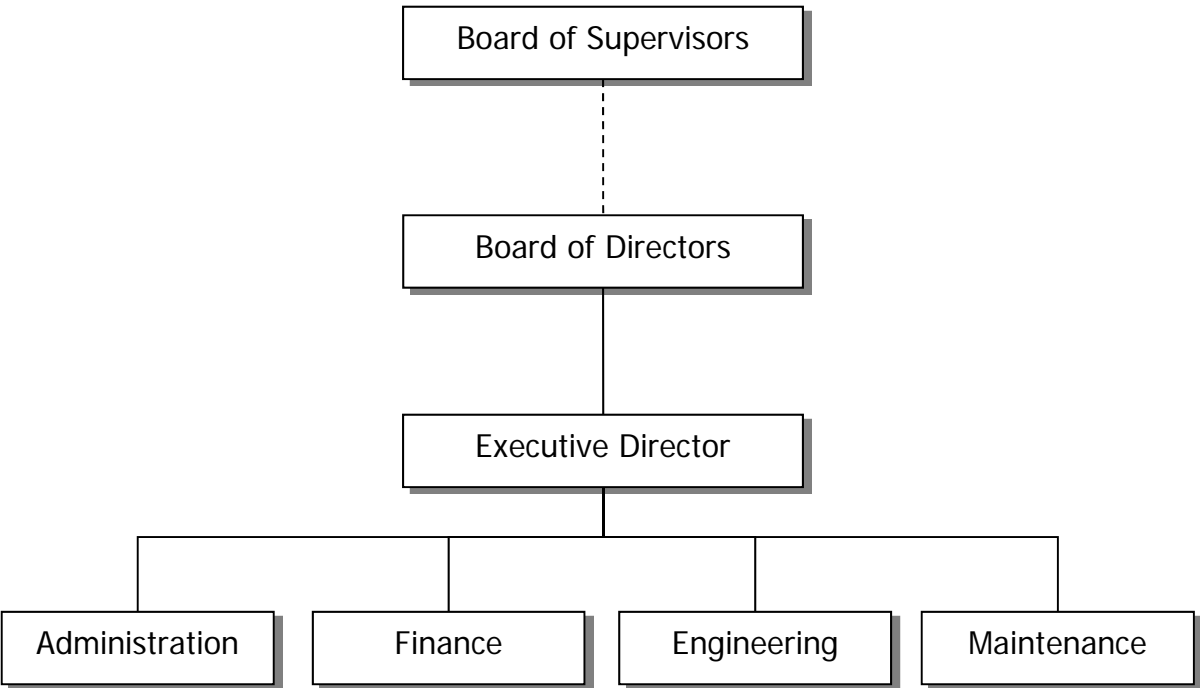
Bank of America Trust Company, Norfolk, VA

TRUSTEE

Bank of New York

Albemarle County Service Authority

Organizational Chart





November 24, 2010

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

Much like the rest of the state and the country, the recession has had an effect on this area's economic activity. In the Albemarle Community Profile updated November 3, 2010, the Virginia Employment Commission's Economic Information Services Division (VEC) reported an incline in the County's 2009 unemployment rate of 3% to 5.1% as compared to Virginia (6.7%) and to the Country (9.3%), as a whole. Unemployment rates in 2010, however, have been higher. According to the VEC, the County's unemployment rate reported by month from January 2010 to September 2010 peaked at 6% in January and then dropped to 5.1% in September. Unemployment (or the fear of unemployment) has, perhaps, hampered recovery in the County; however, other indicators such as sales, meals, hotel/motel tax revenues¹ (up 4.85%, 2%, and 2%, respectively), and home sales and median prices² (up 33% and 1.5% each), suggest that "the County's economy is recovering, albeit slowly."¹

Residential and commercial growth within the Authority's urban and Crozet service areas usually mirrors the economic indicators of the County. In fact, the County's economic indicators play a large role in forecasting and projecting the Authority's revenues and expenses each year; the customer buy-in and connection fee revenues projected for fiscal year 2010 provided no exception. Last fiscal year's drop in the number of new connections, a number unseen in nearly three decades, prompted a very conservative estimate of revenues derived from growth in fiscal year 2010. In startling contrast to fiscal year 2009, the actual revenues collected for customer buy-in and connection fees were more than double the revenues projected in fiscal year 2010. The Community Development Department of the County reported³ the issuance of building permits for 391 new residential dwelling units in *fiscal year* 2010 (compared to 307 units reported in fiscal year 2009 and 503 units reported in fiscal year

¹ *The Albemarle Quarterly Economic Indicator*, July 31, 2010

² CAAR (Charlottesville Area Association of REALTORS) Market Report, 2010 Mid-Year

³ *2010 Third Quarter Building Report*

2008); the number of building permits issued this *calendar* year-to-date rose slightly (16%) as compared to last. In fiscal year 2010, the Authority added 304 new connections as compared to 204 and 368 in fiscal years 2009 and 2008, respectively. (For detailed information regarding operating and non-operating revenues, please refer to page 18.)

Major Initiatives and Accomplishments

- ◆ Developed an operating and capital improvement budget for fiscal year 2011 that was both in keeping with our strategic plan and mindful of the area's economic distress. To that end, our goals were 1) to meet anticipated operating and capital improvement expenses without increasing water and sewer volume charges, and to ensure that current operating expenses will be paid with current operating revenues; 2) to moderate increased customer buy-in and connection fees while maintaining our policy of "growth paying for growth;" and 3) to maintain, to improve, and to extend system infrastructure.
- ◆ The Board approved several capital projects, including the Hollymeade Water Main Replacement Project, the Crozet Drainage Basin Phase 1 Sanitary Sewer Evaluation Study, and several water tank/quality studies. The Authority invested more than \$2.7 million in improvements to capital assets; with the design phases of many projects at or nearing completion, an even greater amount (in actual construction expenses) is expected in fiscal year 2011.
- ◆ Equipment Replacement - A new CCTV (closed-circuit television) van was purchased and put into service to televise sanitary sewers within the system. The van has expanded the Authority's capabilities to review sanitary sewers within the developer's one year warranty period. Information obtained from the televising will be incorporated into the Authority's Geographical Information System.
- ◆ Purchased an electronic leak detection system consisting of a series of transmitters installed on valves throughout the system that record data used to determine if a leak has occurred in the system.

Operations

Revenues exceeded expenses resulting in operating income before depreciation of \$1,386,498 during fiscal year 2010. While operating revenues (\$19,179,938) from water distribution, sewer collection, and service connection fees were up 1% as compared to fiscal year 2009, associated operating expenses (\$17,793,440) reflected an increase of 13% compared to fiscal year 2009.

Unlike the revenues derived from customer buy-in and connection fees, the difference in projected and actual operating revenues and expenses is a little less volatile. While weather conditions play a large role in the discretionary use of water, such as irrigation usage, domestic usage is somewhat more predictable. Actual water, sewer, and service charge revenues collected in fiscal year 2010 were 6% lower than projected with actual irrigation usage down at least 5% as compared to previous years. An uncharacteristic increase in the

measured rain and snowfall (2 storms with total accumulation of more than 56 inches) during the second and third quarters of fiscal year 2010 seemed to negate the need for irrigation. Conversely, the excess precipitation and subsequent "run-off" caused a spike in sewer treatment expenses. Actual sewer treatment expenses exceeded projections by more than 16%. (For detailed information regarding operating and non-operating revenues and expenses, please refer to page 18.)

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.

Debt Administration

Revenue bond coverage, the ratio of gross revenues less direct operational expenses to debt service requirements, was 22.99 in fiscal year 2010. The minimum coverage required by outstanding bond indentures is 1.20. At June 30, 2010 outstanding long-term debt, including the current amount payable, totaled \$364,100.

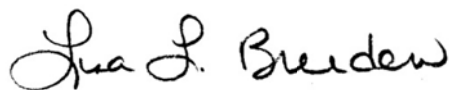
Awards and Acknowledgements

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, 2009. This was the twenty-eighth 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 B. O'Connell, Executive Director, and to the Board of Directors (including Mr. Donald J. Wagner, Chairman, who retired in December of 2009 after more than 23 years of service) for their interest in, and support of, the Authority's pursuit of financial reporting excellence.

Respectfully submitted,



Lisa L. Breeden
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Albermarle County
Service Authority
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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 stylized handwritten signature in black ink.

President

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director

FINANCIAL SECTION

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

To The Honorable Members of The Albemarle County Service Authority Charlottesville, Virginia

We have audited the accompanying statement of net assets of the Albemarle County Service Authority as of June 30, 2010 and the related statements of revenues, expenses and changes in net assets, and cash flows for the year 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 audit. The prior year comparative information has been derived from the Authority's 2009 financial statements, and in our report dated November 6, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audit provides a reasonable basis for our opinion.

As discussed in Notes 2 and 10, the Authority implemented GASB Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and No. 51, *Accounting and Financial Reporting for Intangible Assets*, effective July 1, 2009.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Albemarle County Service Authority, as of June 30, 2010, and the changes in financial position and cash flows for the year 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 November 24, 2010, on our consideration of the Albemarle County Service Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

The Management's Discussion and Analysis and Schedule of Pension Funding Progress as listed in the table of contents, 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 Albemarle County Service 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.

Robinson, Tammen, Cox Associates

Charlottesville, Virginia
November 24, 2010

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, 2010. 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 2010 and 2009, 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 2010 and 2009. 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 21 - 23 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 statements. The notes are on pages 24 - 39 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 2010, the assets of the Authority exceeded its liabilities by \$111,520,188 (*net assets*). Of this amount, \$15,171,563 (*unrestricted net assets*) may be used to meet the Authority's ongoing financial obligations.
- ◆ The Authority's total net assets increased by \$6,319,420. This increase was marked by the capitalization of several capital improvement projects and a number of developer contributions.
- ◆ Driven primarily by the increase in the liability associated with unearned connection fees, the Authority's total liabilities increased by \$912,787. With an increase in connection fees scheduled to go into effect September 1, 2010, many local builders/residents were prompted to prepay fees before that date; so many, in fact, that at June 30, 2010, the number of unearned connection fees was more than triple that of June 30, 2009. After several years of decline, the increase in unearned connection fees could be attributed to the increase of sales⁴ in the County's housing market.

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 2010, Authority assets exceeded liabilities by \$111,520,188.

⁴ The CAAR Market Report *2010 Mid-Year* reported that the number of homes sold in Albemarle was up 33% from last year as compared to -5.4%, -30%, and -13% in 2009, 2008, and 2007, respectively.

FINANCIAL ANALYSIS (Continued)

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* (\$15,171,563) 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 \$4,547,138 and \$20,433, respectively.

	Net Assets		
	2010	2009	2008
Current and other assets	\$ 19,013,513	\$ 15,433,057	\$ 14,929,731
Capital assets	96,555,122	92,903,369	86,669,577
Total assets	115,568,635	108,336,426	101,599,308
Long-term liabilities outstanding	471,327	680,268	999,017
Other liabilities	3,577,120	2,455,392	2,171,530
Total liabilities	4,048,447	3,135,660	3,170,547
Net assets:			
Invested in capital assets, net of related debt	96,191,024	92,181,770	85,602,877
Restricted for debt service	157,601	157,601	157,601
Unrestricted	15,171,563	12,861,397	12,668,284
Total net assets	\$ 111,520,188	\$ 105,200,768	\$ 98,428,762

FINANCIAL ANALYSIS (Continued)

During the current fiscal year, the Authority's net assets increased by \$6,319,420, which is 7% lower than last year's increase of \$6,772,006 but it was 4% higher than fiscal year 2008's increase of \$6,062,617. 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 \$2.6, \$2.7, and \$3.7 million in fiscal years 2010, 2009, and 2008, respectively, were accepted by the Authority.

	Changes in Net Assets		
	2010	2009	2008
Revenues:			
Operating revenues	\$ 19,179,938	\$ 18,964,507	\$ 16,086,971
Investment income	219,634	220,234	633,377
Rental income	39,972	39,972	44,713
Other revenue	491,010	523,987	478,430
Total revenues	19,930,554	19,748,700	17,243,491
Expenses:			
Operating expenses	17,793,440	15,805,202	14,631,298
Depreciation	2,382,631	2,275,108	2,153,004
Interest expense	11,029	21,010	30,666
Other	70,116	52,131	72,542
Total expenses	20,257,216	18,153,451	16,887,510
Income (loss) before capital contributions	(326,662)	1,595,249	355,981
Capital contributions:	6,646,082	5,176,757	5,706,636
Change in net assets	6,319,420	6,772,006	6,062,617
Net assets - July 1	105,200,768	98,428,762	92,366,145
Net assets - June 30	\$ 111,520,188	\$ 105,200,768	\$ 98,428,762

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The Authority's investment in capital assets as of June 30, 2010 amounted to \$96,555,122 (net of accumulated depreciation, \$29,560,798). Listed below are the capital assets by category at June 30, 2010, 2009, and 2008:

	Capital Assets (net of depreciation)		
	2010	2009	2008
Land (including easements)	\$ 1,449,485	\$ 965,244	\$ 962,444
Structures and improvements	115,432,207	105,944,324	103,022,881
Equipment	3,746,644	3,623,147	3,301,491
Construction in progress	5,487,584	9,699,696	4,626,055
Total	\$ 126,115,920	\$ 120,232,411	\$ 111,912,871

Investment increases in capital assets during fiscal year 2010 included the following:

- ◆ More than \$2.7 million was spent on new and existing capital projects. Of that total, \$484,241 was spent for permanent right-of-way easements in fiscal year 2010. For details on ongoing construction in progress, see Note 6 of the financial statements.
- ◆ The Authority capitalized more than \$6.9 million worth of completed projects in fiscal year 2010, which accounted for 73% of the increase to structures and improvements. Some of the projects included in this figure are the Woodbrook Water Line Replacement Project, the Colthurst Water Line Replacement Project, and the Red Hill Water System.
- ◆ System infrastructure dedicated to the Authority for operation and maintenance amounted to more than \$2.6 million. These dedications accounted for 27% 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.

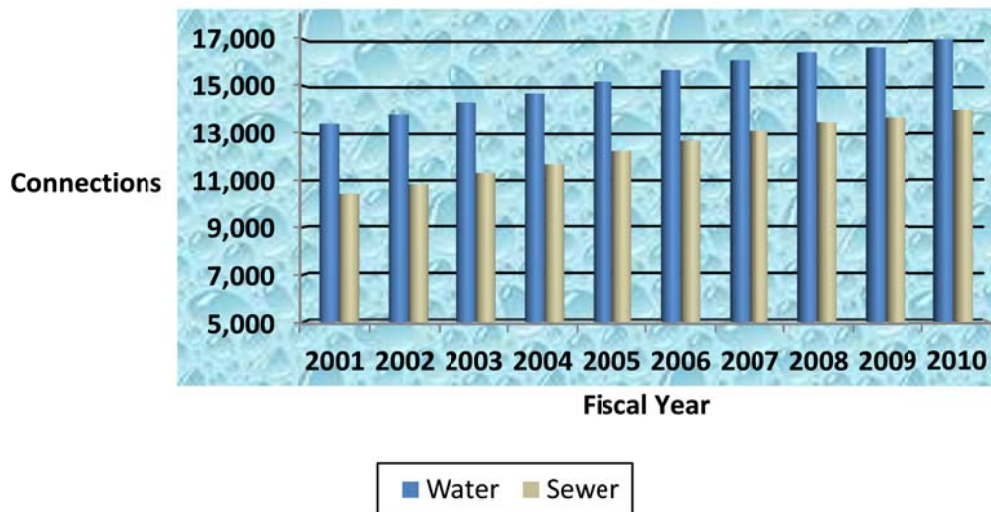
REVIEW OF OPERATIONS

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 increase to all user and connection fees. The objective of the budgeting process for fiscal year 2010 was 1) to operate within the revenues anticipated from those newly adopted rates and fees and 2) to fund, through the use of reserves, \$2,000,000 of the \$11,993,250 anticipated capital costs associated with construction in progress. The Authority planned to fund a portion (\$5 million) of the capital costs incurred in fiscal year 2010 for the North Fork Regional Pump Station Project with the proceeds of a borrowing. (For information on funding progress, please refer to Note 14 on page 39.)

Billed water and sewer charges, connection charges. The Authority's water customer base grew to 16,974 by the end of the fiscal year, up from 16,670 connections at the end of fiscal year 2009. Considering multiple units behind master meters, as in apartment complexes, the Authority now serves approximately 26,806 housing units, businesses, industries, and institutions.

Although the actual number of connections increased, the (ten-year) average number of connections per year dropped from 2.93 to 2.74% in fiscal year 2010.

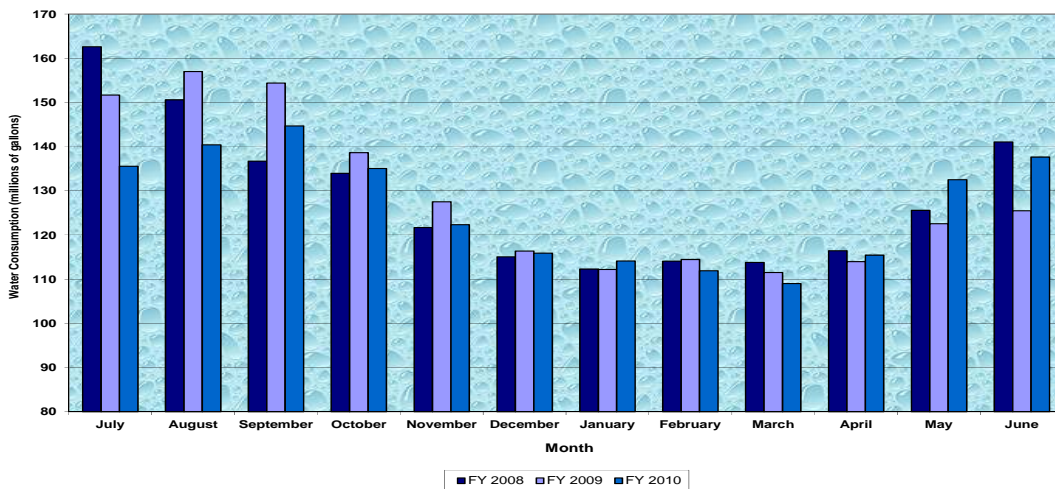
Water & Sewer Connections



REVIEW OF OPERATIONS (Continued)

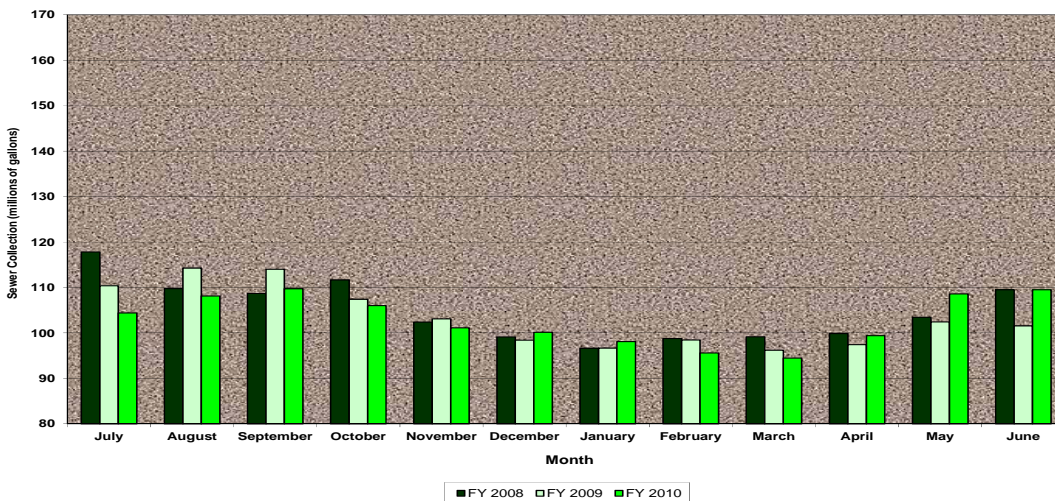
With a drop of more than three million gallons, billed water usage in fiscal year 2010 trailed billed water usage in fiscal year 2009. Billed water usage this fiscal year (1.51 billion gallons) was 2% lower than billed water usage in fiscal years 2009 and 2008. As mentioned in the letter of transmittal, an unusually wet and snowy winter (2009 & 2010) followed by very dry summer in fiscal years 2008 – 2010 coupled with increased conservation efforts caused reduced consumption in all three years.

Monthly Water Consumption



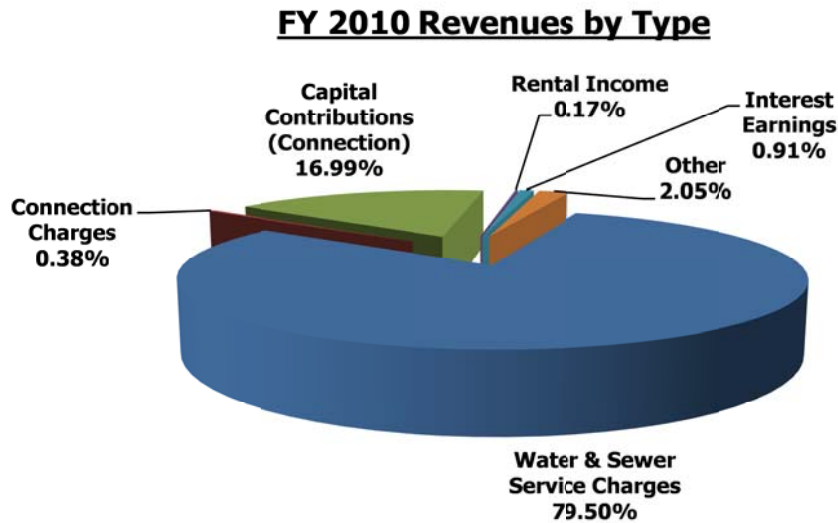
Much like water, the Authority's sewer customer base grew to 13,972 by the end of the fiscal year, up from 13,671 connections at the end of fiscal year 2009. Billed sewer collection (1.24 billion gallons) for fiscal year 2010 and 2009 remained constant. Billed sewer collection in both years, however, is approximately 1% lower than in fiscal year 2008. The increased water conservation efforts mentioned above (with the installation of low-flow toilets, for example) have sustained the decrease in billed sewer collection.

Monthly Sewer Collection

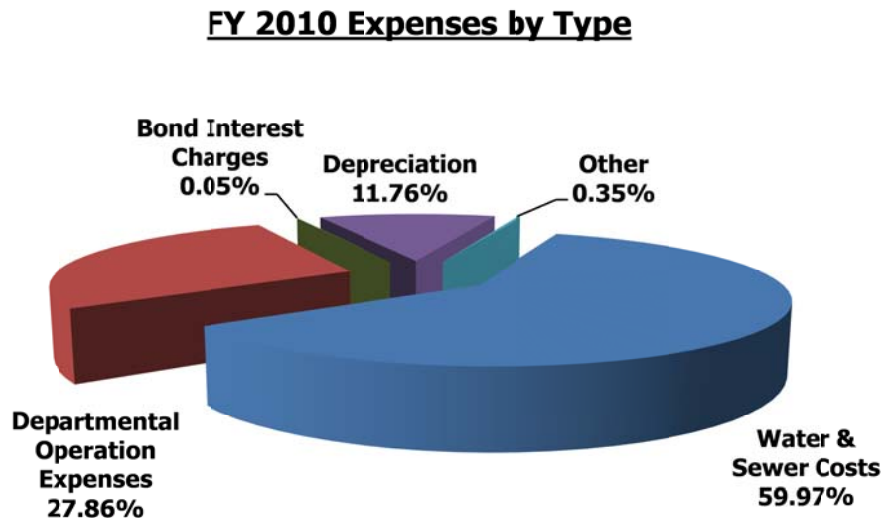


REVIEW OF OPERATIONS (Continued)

Revenues. Revenues, in general, were 6.2% lower than projected in fiscal year 2010. Of this, total operating revenues were 6.35% lower than projected while non-operating revenues were almost 81% higher than projected. The deficit in operating revenue is attributable to the aforementioned reduction in billed water and sewer charges. At almost \$4.1 million, cash capital contributions (system buy-in/connection fees, not developer contributions) collected as compared to projected more than doubled. (For more information, please refer to pages 4 – 6 of the letter of transmittal.)



Expenses – Overall. In response to decreased revenues, significant effort was applied (Authority-wide) towards the reduction of expenses. Operating expenses, other than expenses for the purchase of water and the treatment of sewer, were 9.5% under budget. Expenses, in general, were 5.67% lower than projected in fiscal year 2010. (For more information, please refer to pages 4 – 6 of the letter of transmittal.)



REVIEW OF OPERATIONS (Continued)

This fiscal year's operating loss, including depreciation charges of \$2,382,631, was \$996,133 compared to last year's income of \$884,197. Net loss, including non-operating revenues and expenses, before capital contributions was \$326,662, compared to last fiscal year's net income of \$1,595,249.

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 are usually set at 2% of anticipated operating costs. In order to negate an increase in rates during a time of economic distress, the Authority planned no increase in operating reserves for fiscal year 2010. Even so, a year-to-date surplus of funds attributable to delays in the progression of capital improvement projects, allowed the Authority to set aside \$576,103 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 .4% of our system's book value. For fiscal year 2010, the Authority budgeted \$123,574; however, because of the same surplus mentioned in the preceding paragraph, the Authority was able to set aside \$1,560,157 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, albeit increasing, rates for the provision of their water and sewer service.

With new development in combination with aging infrastructure comes the expensive challenge of meeting both the water supply and the sewer treatment needs and requirements of a growing community. Since the Authority employs a "pay-as-you-go"⁵ method of recovering the costs of operations and most capital projects, increased costs will be passed on to our customers through higher and higher rates and fees.

⁵ Current customers bear the current cost of operations with future customers bearing the cost of expansion through connection, development, and capacity fees.

LONG-TERM TRENDS (Continued)

Capital program. Water capital improvement project cost projections per year for the next ten years range from \$1.8 million to \$6 million and sewer capital improvement project cost projections per year for the next ten years range from \$1.3 million to \$13.2 million. With the exception of the North Fork Regional Pump Station Project, the Authority hopes to fund most of these projects through the use of established reserves; however, the need for funding through long-term debt (bonds) is a possibility. (For more information on funding for the North Fork Regional Pump Station Project, please refer to Note 14 on page 39.)

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, or by telephone at (434)977-4511.

Basic Financial Statements

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Albemarle County Service Authority
Statement of Net Assets
As of June 30, 2010
(With Comparative Totals for the Prior Year)

	2010	2009
ASSETS		
Current assets		
Cash and cash equivalents	\$ 15,424,092	\$ 6,668,592
Receivables	1,413,172	1,360,479
Inventory of materials and supplies	308,353	254,246
Prepaid expenses	167,778	164,625
Total current assets	\$ 17,313,395	\$ 8,447,942
Noncurrent assets		
Investments	\$ 1,483,773	\$ 6,738,429
Receivables	58,744	89,084
Restricted assets		
Cash	157,601	157,601
Capital assets		
Land and improvements (including easements)	1,449,485	965,244
Structures and improvements	115,432,207	105,944,324
Equipment	3,746,644	3,623,147
Construction in progress	5,487,584	9,699,696
Less accumulated depreciation	(29,560,798)	(27,329,041)
Total noncurrent assets	\$ 98,255,240	\$ 99,888,484
Total assets	\$ 115,568,635	\$ 108,336,426
LIABILITIES		
Current liabilities (payable from current assets)		
Accounts payable	\$ 1,659,609	\$ 1,523,569
Customer deposits	108,578	108,436
Revenue bonds payable, current portion	364,100	357,500
Interest payable	4,248	8,419
Other accrued expenses	91,342	56,737
Unearned connection fees, current	1,349,243	400,731
Total current liabilities	\$ 3,577,120	\$ 2,455,392
Noncurrent liabilities:		
Revenue bonds payable, net of unamortized discount	\$ 0	\$ 364,100
Other accrued expenses	318,413	247,942
Unearned connection fees	152,914	68,226
Total noncurrent liabilities	\$ 471,327	\$ 680,268
Total liabilities	\$ 4,048,447	\$ 3,135,660
NET ASSETS		
Invested in capital assets, net of related debt	\$ 96,191,024	\$ 92,181,771
Restricted for debt service	157,601	157,601
Unrestricted	15,171,563	12,861,396
Total net assets	\$ 111,520,188	\$ 105,200,768

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, 2010
(With Comparative Totals for the Prior Year)

	2010	2009
OPERATING REVENUES & EXPENSES		
Operating Revenues		
Water sales and sewer service charges	\$ 19,088,212	\$ 18,797,289
Water and sewer connection fees	91,726	167,218
Total operating revenues	\$ 19,179,938	\$ 18,964,507
Operating Expenses		
Purchase of bulk water	\$ 6,174,451	\$ 5,657,415
Purchase of sewer treatment	5,974,752	4,658,490
Administration	1,206,233	1,302,835
Finance	1,216,541	1,191,793
Engineering	1,246,435	1,159,405
Maintenance	1,975,028	1,835,264
Total operating expenses	\$ 17,793,440	\$ 15,805,202
Operating income before depreciation and amortization	\$ 1,386,498	\$ 3,159,305
Depreciation	2,382,631	2,275,108
Operating income (loss)	\$ (996,133)	\$ 884,197
NON-OPERATING REVENUES (EXPENSES)		
Non-operating revenues (expenses)		
Interest earnings	\$ 219,634	\$ 220,234
Buck mountain surcharge	62,500	51,900
Rental Income	39,972	39,972
Miscellaneous revenues	428,510	472,087
Bond interest charges	(11,029)	(21,010)
Unemployment expenses/claims	(7,616)	(231)
Buck mountain surcharge expense	(62,500)	(51,900)
Non-operating income (loss)	\$ 669,471	\$ 711,052
Income (loss) before capital contributions	\$ (326,662)	\$ 1,595,249
Capital Contributions	6,646,082	5,176,757
Change in net assets	\$ 6,319,420	\$ 6,772,006
NET ASSETS		
Total net assets, beginning	105,200,768	98,428,762
Total net assets, ending	\$ 111,520,188	\$ 105,200,768

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, 2010
(With Comparative Totals for the Prior Year)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 20,557,839	\$ 19,441,297
Cash payments to suppliers	(13,723,795)	(11,786,488)
Cash payments to employees for services	(3,885,788)	(3,964,585)
Net cash provided by operating activities	\$ 2,948,256	\$ 3,690,224
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payment on bond maturities	\$ (357,500)	\$ (345,100)
Interest paid on bonds outstanding	(15,200)	(25,036)
Capital contributed by developers, customers, and local government	4,078,924	2,420,014
Repair, replacement, rehabilitation expenses (including capital)	(3,464,186)	(5,736,255)
Cash received - contributions receivable	31,729	35,726
Sale of equipment	8,053	34,712
Net cash provided by (used for) capital and related financing activities	\$ 281,820	\$ (3,615,939)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	\$ 0	\$ (6,597,950)
Proceeds from sale and maturity of investment securities	5,254,656	6,818,016
Net decrease (increase) in investments	\$ 5,254,656	\$ 220,066
Interest received on investments and cash equivalents	270,768	219,773
Net cash provided by investing activities	\$ 5,525,424	\$ 439,839
Increase (decrease) in cash and cash equivalents for the year	\$ 8,755,500	\$ 514,124
Cash and cash equivalents at beginning of year	6,826,193	6,312,069
Cash and cash equivalents at end of year	\$ 15,581,693	\$ 6,826,193
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (996,133)	\$ 884,197
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	\$ 2,382,631	\$ 2,275,108
Miscellaneous revenues and expenses, net	477,438	382,867
(Increase) in water/sewer accounts receivable	(132,879)	(77,931)
(Increase) decrease in inventory	(54,107)	(491)
(Increase) in prepaid expenses	(3,153)	(87,765)
Increase in accounts payable	136,040	116,102
Increase in customer deposits	142	13,820
Increase in accrued payroll expenses	105,077	26,280
Increase (decrease) in unearned connection fees	1,033,200	158,037
Total adjustments	\$ 3,944,389	\$ 2,806,027
Net cash provided by operating activities	\$ 2,948,256	\$ 3,690,224
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:		
Contributions of capital assets	\$ 2,567,158	\$ 2,756,743
Capital asset trade-ins	7,605	12,085
(Decrease) increase in fair value of assets	(1,710)	(95,050)

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

Notes to Financial Statements
Fiscal Year Ended June 30, 2010

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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 and permanent right-of-way easements, 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 thousand dollars (\$5,000) or more. Capital assets of less than five thousand dollars (\$5,000) 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Miscellaneous revenues (such as reconnection fees, late charges, penalties, and rental income), though not directly attributable to and associated with the retail of finished water and sewer treatment services, are classified as operating revenue for the purpose of cash flow. 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, and 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, 2010, including interest receivable on investments, accounts receivable, and contributions receivable, are as follows:

	<u>2010</u>
Receivables, current:	
Interest	\$ 12,513
Accounts	1,372,280
Contributions	<u>28,379</u>
	<u>\$ 1,413,172</u>
Receivables, noncurrent:	
Contributions	<u>\$ 58,744</u>

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

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

NOTE 4 – DEPOSITS AND INVESTMENTS

As of 6/30/2010 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	\$ 1,483,772	1.8751
Local Government Investment Pool (LGIP)	<u>11,020,543</u>	0.0027
Total fair value	<u>\$ 12,504,315</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), the

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

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 has no investment policy that would further limit its investment choices. As of June 30, 2010, the Authority’s investment in the LGIP was rated AAAM⁶ 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, 2010.

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, 2010, the Authority’s *bank balance* of \$4,723,505 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*. 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.

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, 2010, the State Treasurer’s Local Government Investment Pool (LGIP) held Authority pool shares worth \$11,020,543; 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 \$1,483,772.

⁶ S & P’s highest money market fund rating.

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

Deposits and investments.

The following is a summary and reconciliation of cash and investments at June 30, 2010:

Reconciliation of deposits & investments:

Unrestricted current assets:	
Cash (bank deposits)	<u>\$ 4,403,550</u>
Investments (LGIP)	
Undesignated	<u>\$ 6,797,528</u>
Designated	
Unemployment	\$ 20,433
3R - Capital	<u>4,202,581</u>
Total designated	<u>\$ 4,223,014</u>
Total investments	<u>\$ 11,020,542</u>
Total unrestricted current assets:	<u>\$ 15,424,092</u>
Unrestricted long-term assets:	
Investments (U.S. & Agencies)	
Undesignated	\$ 1,139,216
Designated, 3R - Capital	<u>344,557</u>
Total unrestricted long-term assets	<u>\$ 1,483,773</u>
Restricted long-term assets:	
Cash (2002 Revenue Bond)	<u>\$ 157,601</u>
Total deposits and investments	<u>\$ 17,065,466</u>

NOTE 5 – CAPITAL ASSETS

The changes in capital assets for the fiscal year ended June 30, 2010 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land (including easements)	\$ 892,896	\$ 484,241	\$ -	\$ 1,377,137
Construction in progress	9,699,696	2,708,650	6,920,762	5,487,584
Total capital assets, not being depreciated	\$ 10,592,592	\$ 3,192,891	\$ 6,920,762	\$ 6,864,721
Other capital assets:				
Land improvements	\$ 72,348	\$ -	\$ -	\$ 72,348
Structures and improvements	105,944,324	9,487,883	-	115,432,207
Equipment	3,623,147	279,377	155,880	3,746,644
Total capital assets, being depreciated	\$ 109,639,819	\$ 9,767,260	\$ 155,880	\$ 119,251,199
Less accumulated depreciation:				
Land and improvements	\$ 72,348	\$ -	\$ -	\$ 72,348
Structures and improvements	25,333,425	2,013,159	-	27,346,584
Equipment	1,923,268	369,471	150,873	2,141,866
Total accumulated depreciation	\$ 27,329,041	\$ 2,382,630	\$ 150,873	\$ 29,560,798
Total capital assets, net	\$ 92,903,370	\$ 10,577,521	\$ 6,925,769	\$ 96,555,122

The Authority's leasing activities for the fiscal year ended June 30, 2010 are as follows:

Asset Description and Leasing Arrangements	Asset Value (Land & Structures in Total)			
	Rental Income	Cost	Accumulated Depreciation	Carrying Amount
<u>171 Spotnap Road</u>				
In December of 2001, the Authority acquired the land and structure (house and garage) adjoining its headquarters and maintenance facilities at 168 Spotnap Road. Until such time as the property is needed for office space, storage, and/or expansion, the Authority will lease the house together with the small unfenced yard around the house.	\$ 12,000	\$ 290,638	\$ 34,881	\$ 255,757
<u>Building 1 – Crozet Office/Equipment Yard</u>				
The Authority leases a portion of its yard and storage facility in Crozet.	14,400	25,313	25,313	0
<u>Tank Site, Avon Street Extended</u>				
The Authority leases a 60' X 70' parcel of property at its Avon Street Extended Tank Site for a communications tower and facility.	13,572	147,717	0	147,717
Total	\$ 39,972	\$ 463,668	\$ 60,194	\$ 403,474

NOTE 6 – CONSTRUCTION WORK IN PROGRESS

Details of construction work in progress at June 30, 2010 are as follows:

Project Name	Balance at 6/30/09	Cost of Construction	Transfers to Capital Assets	Balance at 6/30/10
Facility Improvements-Shop/Office	\$ -	\$ 29,626	\$ -	\$ 29,626
ACSA Maintenance Yd Imp.	33,995	-	-	33,995
ACSA Office Renovations	699,495	-	-	699,495
Woodbrook WL Repl Project	1,697,011	36	(1,697,047)	-
Canterbury Hills & Ednam W Pump	69,749	-	(69,749)	-
Scottsville Streetscape Project	1,236	-	-	1,236
Ragged Mtn Water Project	263,091	65,782	(328,873)	-
St. George Ave/Buck Mtn. Rd W	-	74,748	-	74,748
Ashcroft Water System Project	76,342	61,876	-	138,218
West Leigh Dr. Water Line Rep.	664,636	4,892	(669,528)	-
Williston & Emerson Dr. WL Rep	83,871	5,561	-	89,432
Colthurst WL Rep.	836,456	-	(836,456)	-
Owensville Rd. Water Main	294,690	1,601	(296,291)	-
Downtown Crozet Streetscape	6,342	-	-	6,342
Camelot Pressure Reducing Vlv.	50,998	782	(51,780)	-
Berwick Rd. Water Main Rep	-	25,414	-	25,414
Canterbury Hills Water Main Repl	-	86,800	-	86,800
Camp Holiday Trails Water Main	266,416	-	(266,416)	-
Red Hill Water System	671,957	30,332	(702,289)	-
Glenmore Water Tank Study	-	32,453	-	32,453
West Leigh Tank Study	-	55,542	-	55,542
Hardware Water St. Extension	-	107,549	-	107,549
Scottsville Ph. 1 W&S Project	737,580	1,467	(739,047)	-
Camp Holiday Trails W Quality Eval	-	47,312	-	47,312
Buckingham Cl. W&S	-	135,987	-	135,987
Georgetown Grn S Rehab	123,352	-	(123,352)	-
Oak Hill Sewer Project	96,430	27,254	-	123,684
Camelot WWTP Program	4,969	-	-	4,969
Camelot WWTP Upgrade	258,413	(136)	-	258,277
Boar's Head Inn Sewer Repl.	175,174	175,207	-	350,381
Crozet Sewer Pump Station	40,861	30,617	-	71,478
Old Forge Sewer Pump Station	43,353	35,024	-	78,377
Crozet SSES	-	123,104	-	123,104
Stonehenge Sewer Relining	189,756	-	(189,756)	-
Scottsville Drainage Basin SSES	-	47,261	-	47,261
Berkeley Sewer Lining Project	233,222	-	(233,222)	-
Barterbrook/Scottsville S Relining	572,163	-	(572,163)	-
North Fork Pump Station Project	461,317	801,409	-	1,262,726
Meadowcreek Drainage Basin SSES	418,002	251,218	-	669,220
Georgetown Grn Pump Stn Gen.	66,304	-	(66,304)	-
Northfields Sewer	172,623	290,556	-	463,179
Scottsville Fire Hydrant Repl.	20,588	-	(20,588)	-
Redfields Pump Station	-	1,104	-	1,104
Frederick Cl Water Main Repl	17,975	14,055	(32,030)	-
King George's Cl Water Main Repl	18,160	(63)	(18,097)	-
Pen Park Ln Water Main Repl	7,774	-	(7,774)	-
Hollymeade Water Main Repl Ph 1	-	45,547	-	45,547
Geographical Info System	250,325	16,950	-	267,275
Comprehensive W & S Modeling	71,642	-	-	71,642
SCADA System Study	-	37,380	-	37,380
Pump Station Fencing Projects	2,514	-	-	2,514
Pump Station Paving Projects	914	19,682	-	20,596
Oversizing Agreements	-	24,721	-	24,721
	<u>\$ 9,699,696</u>	<u>\$ 2,708,650</u>	<u>\$ (6,920,762)</u>	<u>\$ 5,487,584</u>

NOTE 6 – CONSTRUCTION WORK IN PROGRESS (Continued)

Construction Commitments

As of June 30, 2010, the Authority's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Commitment</u>
Wastewater line rehabilitations or relinings	\$ 505,715	\$ 1,330,078
Other (Facility Upgrades)	17,076	27,058
Total	<u>\$ 522,791</u>	<u>\$ 1,357,136</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>
2011	\$ 364,100	\$ 5,098
Totals	<u>\$ 364,100</u>	<u>\$ 5,098</u>

Current portion	\$ 364,100
Non-current portion	0
Total	<u>\$ 364,100</u>

NOTE 7 – LONG-TERM DEBT (Continued)

Changes in long-term liability:

Long-term liability activity for the fiscal year ended June 30, 2010, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Revenue bonds payable	\$ 721,600	\$ -	\$ 357,500	\$ 364,100	\$ 364,100
Compensated absences	284,002	189,839	190,753	283,088	35,148
Other post-employment benefits	-	134,000	29,328	104,672	34,200
Unearned Connection Fees	468,957	1,454,419	421,219	1,502,157	1,349,243
Long-term liabilities	<u>\$ 1,474,559</u>	<u>\$ 1,778,258</u>	<u>\$ 998,800</u>	<u>\$ 2,254,017</u>	<u>\$ 1,782,691</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 \$6,174,451 and \$5,657,415 for water and \$5,974,752 and \$4,658,490 for sewage treatment services for the years ended June 30, 2010 and 2009, respectively.

NOTE 9 – DEFINED BENEFIT PENSION PLAN

Plan Description.

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

All full-time, salaried 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. This benefit is 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 an annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5% per year. AFC is

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

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/2009-Annual-Report.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. 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 salary 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, 2010 was 8.37% of annual covered payroll.

Annual Pension Cost.

For fiscal year 2010, the Authority's annual pension cost of \$242,174 (excluding the employee share assumed by the Authority which was \$144,668) was equal to the Authority's required and actual contributions.

Three-Year Trend Information for Albemarle County Service Authority

Fiscal Year Ended	Annual Pension Cost (APC)¹	Percentage of APC Contributed	Net Pension Obligation
June 30, 2008	\$219,268	100%	-
June 30, 2009	\$229,068	100%	-
June 30, 2010	\$242,174	100%	-

¹ Employer portion only

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 7.5%, (b) projected salary increases ranging from 3.75 to 5.6% per year, and (c) COLAs of 2.5% per year. Both (a) and (b) included an inflation component of 2.5%. The actuarial value is equal

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

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 payroll on an open basis. The remaining amortization period at June 30, 2007 was twenty years.

Funded Status and Funding Progress.

As of June 30, 2009, the most recent actuarial valuation date, the plan was 82.35% funded. The actuarial accrued liability for benefits was \$10.05 million, and the actuarial value of assets was \$8.28 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.77 million. The covered payroll (annual payroll of active employees covered by the plan) was \$2.90 million, and the ratio of the UAAL to the covered payroll was 61.01%.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year 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 – OTHER POST-EMPLOYMENT BENEFITS:

Plan Description.

The Authority's Voluntary Early Retirement Incentive Program (VERIP) is a single-employer plan which provides retirement and health insurance benefits for up to five years for employees who retire and meet the requirements of the plan. VERIP benefits are paid monthly for a period of five years after retirement or until age 65, whichever comes first. Participants may accept it as a cash payment, or apply it toward the cost of the continuation of their health insurance benefits.

Participants in the Authority's VERIP must meet the following requirements: employees must be eligible and prepare an application for early or full retirement under the provisions of the Virginia Retirement System (VRS), must have been employed by the Authority for 10 years prior to retirement, and must be at least 50 years of age. Any employees retiring under the disability provisions of VRS and/or Social Security will not be eligible for VERIP.

Funding Policy.

The Authority establishes employer health and benefit contribution rates as part of the budgetary process each year. VERIP participants may choose to apply this subsidy to Authority sponsored health insurance premiums or to receive a cash subsidy to purchase other insurance. For fiscal year 2010, the Authority's health and benefit contribution was \$600 per month.

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (Continued):

Annual Required Contribution (ARC).

The annual cost of post employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The estimated pay-as-you-go cost for OPEB benefits is \$134,000 for fiscal year 2010. The Authority has elected not to pre-fund OPEB liabilities. 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 liabilities (or funding excess) over a period not to exceed thirty years.

The Authority's cash payment of \$29,328 was less than the OPEB cost (expense) of \$134,000 and was \$104,672 short of the ARC. The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2010 is as follows:

Fiscal Year Ended	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
June 30, 2010	\$134,000	22%	\$104,672

Funded Status and Funding Progress.

The actuarial accrued liability for benefits was \$1.369 million, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.369 million. The covered payroll (annual payroll of active employees covered by the plan) was \$1.095 million, and the ratio of the UAAL to the covered payroll was 125%.

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 and reflect a long-term perspective. 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 schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (Continued):

Actuarial Methods and Assumptions.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used included techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The July 1, 2009 actuarial valuation used the projected unit credit method, with linear proration to assumed benefit. The unfunded liability is amortized over 30 years as a level percentage of pay. The actuarial assumptions included continuation of the flat dollar VERIP subsidy of \$600 per month to increase with medical trend each year, a discount rate (unfunded) of 4%, and a payroll growth rate of 3.5%.

NOTE 11 – 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 costs of \$7,616 for unemployment benefits in fiscal year 2010; of that amount, \$7,570 was payable at June 30, 2010.

Pending litigation – At June 30, 2010 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 12 – 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% of their salary or \$16,500 per year, whichever is less. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

NOTE 13 – 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

NOTE 13 – RISK MANAGEMENT (Continued):

municipal insurance programs available to cities, counties, and towns (see table 17, page 53).

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 each employee injury by disease.

VACORP

- ◆ Property (buildings/contents, computers): blanket up to \$9,202,000
- ◆ 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.

NOTE 14 – SUBSEQUENT EVENTS

Oak Hill Phase 1 Sewer Project – In July of 2010, the Authority received notification that the County of Albemarle had been named as one of the recipients of the 2010 Community Development Block Grant Awards. Working collaboratively with the Authority, the County was awarded \$712,500 to be used towards the funding of the Oak Hill Phase 1 Sewer Project. This project will extend sewer treatment services to an area suffering with failing septic systems.

NOTE 14 – SUBSEQUENT EVENTS (Continued):

Long-Term Debt – On November 4, 2010, the Authority Board of Directors approved a resolution authorizing the issuance, sale, and award of a Water and Sewer System Revenue Build America Bond, Series 2010, in a maximum principal amount not to exceed \$13 million. This authorization allowed the Authority to move forward with Carter Bank & Trust on the November 12, 2010 closing of a 20-year fixed interest rate of 4.6% for taxable Build America Bonds in the amount of \$10.357 million. Considering the federal subsidy of 35%, the Authority's effective net borrowing rate is 2.99%. The proceeds of the bond will be used to fund a portion of the North Fork Regional Pump Station Project.

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Required Supplementary Information

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Schedule of Funding Progress for the Defined Benefit Pension Plan and Other Post-Employment Benefits

Last Five Fiscal Years

Defined Benefit Pension Plan – Virginia Retirement System:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (3) - (2)	Funded Ratio (2) / (3)	Annual Covered Payroll	Unfunded AAL as % Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2009	\$8,278,447	\$10,052,211	\$1,773,764	82.35%	\$2,907,157	61.01%
6/30/2008	\$7,988,923	\$9,275,221	\$1,286,298	86.13%	\$2,561,668	50.21%
6/30/2007	\$7,136,606	\$8,624,008	\$1,487,402	82.75%	\$2,320,019	64.11%
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%

Other Post-Employment Benefits:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (3) - (2)	Funded Ratio (2) / (3)	Annual Covered Payroll	Unfunded AAL as % Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
7/1/2009	\$ -	\$1,369,000	\$1,369,000	0.00%	\$1,095,000	125%

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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 41 - 42

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 43 - 45

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

Debt Capacity 46 - 47

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 48 - 49

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 50 - 54

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 Eight Fiscal Years
 (accrual basis of accounting)

Table 1

	Fiscal Year							
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Business-type activities								
Invested in capital assets, net of related debt	\$ 62,790,850	\$ 63,478,888	\$ 71,362,562	\$ 74,778,473	\$ 79,695,637	\$ 85,602,877	\$ 92,181,770	\$ 96,191,024
Restricted for debt service	157,601	162,310	157,601	157,601	157,601	157,601	157,601	157,601
Unrestricted	<u>13,319,998</u>	<u>13,618,433</u>	<u>12,788,042</u>	<u>12,628,455</u>	<u>12,512,905</u>	<u>12,668,284</u>	<u>12,861,397</u>	<u>15,171,563</u>
Total business-type activities net assets	<u><u>\$ 76,268,449</u></u>	<u><u>\$ 77,259,631</u></u>	<u><u>\$ 84,308,205</u></u>	<u><u>\$ 87,564,529</u></u>	<u><u>\$ 92,366,143</u></u>	<u><u>\$ 98,428,762</u></u>	<u><u>\$ 105,200,768</u></u>	<u><u>\$ 111,520,188</u></u>

Financial Trends (continued)

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

Table 2

	Fiscal Year							
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Operating Expenses								
Operating expenses								
Water	\$ 5,641,265	\$ 6,260,849	\$ 7,197,252	\$ 7,941,477	\$ 8,353,895	\$ 8,499,109	\$ 8,786,314	\$ 9,391,666
Sewer	3,852,691	4,888,989	4,927,425	5,029,752	5,895,662	6,132,189	7,018,888	8,401,774
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>	<u>2,153,004</u>	<u>2,275,108</u>	<u>2,382,631</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>\$ 16,233,162</u>	<u>\$ 16,784,302</u>	<u>\$ 18,080,311</u>	<u>\$ 20,176,071</u>
Operating Revenues								
Charges for services:								
Water	\$ 6,372,167	\$ 5,355,740	\$ 6,363,346	\$ 7,301,590	\$ 8,440,152	\$ 9,114,653	\$ 10,151,345	\$ 10,248,876
Sewer	3,027,529	4,263,307	4,501,376	4,782,364	5,583,776	6,788,262	8,645,944	8,839,336
Connection	<u>129,884</u>	<u>169,585</u>	<u>185,829</u>	<u>178,510</u>	<u>235,339</u>	<u>184,056</u>	<u>167,218</u>	<u>91,726</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>	<u>\$ 16,086,971</u>	<u>\$ 18,964,507</u>	<u>\$ 19,179,938</u>
Net (Expense)/Revenue	<u>\$ (1,543,490)</u>	<u>\$ (3,029,134)</u>	<u>\$ (2,674,365)</u>	<u>\$ (2,570,488)</u>	<u>\$ (1,973,895)</u>	<u>\$ (697,332)</u>	<u>\$ 884,197</u>	<u>\$ (996,133)</u>
Other Revenues and changes in net assets								
Investment earnings	\$ 255,055	\$ 29,311	\$ 237,438	\$ 251,877	\$ 436,257	\$ 633,377	\$ 220,234	\$ 219,634
Miscellaneous revenues	486,455	531,431	504,357	538,202	479,473	523,143	563,960	530,982
Capital contributions	4,785,408	4,109,249	9,258,048	5,171,876	5,970,862	5,706,636	5,176,757	6,646,082
Other expenses	<u>(325,560)</u>	<u>(649,675)</u>	<u>(276,907)</u>	<u>(135,144)</u>	<u>(111,081)</u>	<u>(103,208)</u>	<u>(73,141)</u>	<u>(81,145)</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>\$ 5,826,812</u>	<u>\$ 6,775,511</u>	<u>\$ 6,759,948</u>	<u>\$ 5,887,809</u>	<u>\$ 7,315,553</u>
Change in Net Assets	<u>\$ 3,657,869</u>	<u>\$ 991,182</u>	<u>\$ 7,048,571</u>	<u>\$ 3,256,324</u>	<u>\$ 4,801,617</u>	<u>\$ 6,062,617</u>	<u>\$ 6,772,006</u>	<u>\$ 6,319,420</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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Single-family residential	773.6	812.1	681.0	694.5	721.6	796.6	809.1	720.7	725.8	705.4
Multi-family residential	328.0	331.6	298.4	332.9	362.2	353.3	386.5	357.0	347.0	347.2
Commercial (Offices)	51.8	55.2	42.7	40.6	42.9	48.5	48.2	41.6	48.3	44.8
Commercial (Other)	288.4	283.3	237.5	238.6	248.6	263.3	284.7	257.1	259.8	253.2
Industrial	81.4	56.0	39.0	27.7	28.3	30.5	30.8	24.8	20.9	20.5
Institutional	146.7	157.3	149.2	138.0	138.7	147.1	151.8	142.5	143.9	143.8
TOTAL WATER SOLD	1,669.9	1,695.5	1,447.8	1,472.3	1,542.3	1,639.3	1,711.1	1,543.7	1,545.7	1,514.9

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	\$3.62	\$3.86
3,001-6,000	3.67	3.67	4.04	5.43	6.10
Over 6,000	6.56	6.56	7.22	9.67	10.90
Multi-family & non-residential	3.90	3.90	4.29	5.33	6.04

Residential & irrigation 0-3,000	3.32
3,001-6,000	6.64
6,001-9,000	9.96
Over 9,000	13.28
Multi-family & non-residential	6.19

Type of Sewer Customer	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Single-family residential	526.0	549.9	475.2	494.9	519.5	559.0	582.4	541.7	538.9	537.0
Multi-family residential	277.6	281.7	261.5	286.9	317.9	339.6	363.2	328.3	315.0	314.2
Commercial (Offices)	40.4	40.7	35.3	35.4	35.9	37.9	36.7	33.8	39.2	36.2
Commercial (Other)	214.3	205.6	190.1	197.7	207.6	211.6	229.7	217.4	211.9	213.8
Industrial	58.6	30.3	26.0	22.3	23.0	19.9	27.3	21.2	17.6	17.7
Institutional	114.0	118.0	108.6	111.8	114.4	120.1	121.1	114.3	117.6	116.2
TOTAL SEWER SOLD	1,230.9	1,226.2	1,096.7	1,149.0	1,218.3	1,288.1	1,360.4	1,256.7	1,240.2	1,235.1

Rate per 1,000 gallons	\$2.25	\$2.51	\$2.91	\$3.74	\$3.74	\$3.74	\$4.11	\$5.41	\$7.00	\$7.21
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Revenue Capacity (continued)

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

Table 4

Fiscal Year	Monthly Service Charge	Water		Sewer	
		Volume/Period	Rate per 1,000 Gallons	Volume/Period	Rate per 1,000 Gallons
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 ¹	\$ 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
2008	\$ 5.11	Single-family Residential and all Irrigation: 0-3,000 3,001-6,000 Over 6,000 Multi-family and Non-Residential: All Metered Consumption	\$ 3.62 \$ 5.43 \$ 9.67 \$ 5.33	Metered Water Consumption	\$ 5.41
2009	\$ 5.27	Single-family Residential and all Irrigation: 0-3,000 3,001-6,000 Over 6,000 Multi-family and Non-Residential: All Metered Consumption	\$ 3.86 \$ 6.10 \$ 10.90 \$ 6.04	Metered Water Consumption	\$ 7.00
2010	\$ 6.15 Varies with Meter Size	Single-family Residential and all Irrigation: 0-3,000 3,001-6,000 6,001-9,000 Over 9,000 Multi-family and Non-Residential: All Metered Consumption	\$ 3.32 \$ 6.64 \$ 9.96 \$ 13.28 \$ 6.19	Metered Water Consumption	\$ 7.21
¹ 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 10 Revenue Payers
 Current Year and Nine Years Ago

Table 5

Customer	Fiscal Year 2010			Fiscal Year 2001		
	Water Billed (in gallons)	Rank	Percent of Total Water Sales	Water Billed (in gallons)	Rank	Percent of Total Water Sales
Joint Security Complex	22,259,000	1	1.47%	16,035,000	9	0.96%
Southwood Mobile Homes	21,784,000	2	1.44%	30,815,300	2	1.85%
Abbingtion Crossing	20,607,500	3	1.36%	-	-	-
Four Seasons Apartments	20,014,800	4	1.32%	18,343,900	7	1.10%
County of Albemarle	19,614,900	5	1.29%	-	-	-
Old Salem Apartments	18,828,300	6	1.24%	16,756,500	8	1.00%
University of Virginia	18,637,500	7	1.23%	-	-	-
Blue Ridge Hospital	16,993,225	8	1.12%	-	-	-
NGIC	14,920,000	9	0.98%	-	-	-
Turtle Creek Apartments	14,666,700	10	0.97%	20,347,200	5	1.22%
Marriott "The Colonnades"	-	-	-	15,961,400	10	0.96%
ConAgra Frozen Foods	-	-	-	34,440,300	1	2.06%
Farmington, Inc.	-	-	-	27,927,300	3	1.67%
Squire Hill Apartments	-	-	-	22,032,650	4	1.32%
Westgate Apartments	-	-	-	20,240,500	6	1.21%
	<u>188,325,925</u>		<u>12.43%</u>	<u>222,900,050</u>		<u>13.35%</u>

Customer	Fiscal Year 2010			Fiscal Year 2001		
	Sewer Billed (in gallons)	Rank	Percent of Total Sewer Sales	Sewer Billed (in gallons)	Rank	Percent of Total Sewer Sales
Joint Security Complex	22,259,000	1	1.79%	16,035,000	7	1.30%
Abbingtion Crossing	20,607,500	2	1.66%	-	-	-
Four Seasons Apartments	20,014,800	3	1.61%	18,343,900	5	1.49%
Old Salem Apartments	18,828,300	4	1.52%	16,756,500	6	1.36%
University of Virginia	18,033,100	5	1.45%	-	-	-
Blue Ridge Hospital	16,993,225	6	1.37%	-	-	-
Turtle Creek Apartments	14,666,700	7	1.18%	20,347,200	3	1.65%
Eldercare Gardens	14,260,000	8	1.15%	11,355,000	10	0.92%
Southwood Mobile Homes	12,069,414	9	0.97%	-	-	-
Westgate Apartments	11,477,000	10	0.93%	19,517,700	4	1.59%
ConAgra Frozen Foods	-	-	-	33,446,600	1	2.72%
Squire Hill Apartments	-	-	-	22,032,650	2	1.79%
Boar's Head Inn	-	-	-	12,974,100	8	1.05%
Marriott "The Colonnades"	-	-	-	12,280,859	9	1.00%
	<u>169,209,039</u>		<u>13.64%</u>	<u>183,089,509</u>		<u>14.87%</u>

Source: Authority billing records

Debt Capacity

Albemarle County Service Authority
Outstanding Debt per Connection, per Capita, and Debt per Capita as a percentage of Income per Capita
Last Ten Fiscal Years

Table 6

Fiscal Year	Outstanding Debt	Number of ¹ Connections	Debt per Connection (3) = (1)/(2)	Estimated ² Population Served (4) = (2) * 2.5	Debt per Capita (5) = (1)/(4)	Income ³ per Capita	Debt per Capita as a %
							Income per Capita (7) = (5)/(6)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
2001	\$ 605,000	13,410	\$ 45.12	33,525	\$ 18.05	\$ 32,505	0.0555%
2002	310,000	13,800	22.46	34,500	8.99	33,013	0.0272%
2003	0	14,304	0.00	35,760	0.00	33,973	0.0000%
2004	2,691,100	14,684	183.27	36,710	73.31	35,698	0.2054%
2005	2,333,600	15,187	153.66	37,968	61.46	37,552	0.1637%
2006	1,981,900	15,685	126.36	39,213	50.54	41,709	0.1212%
2007	1,514,900	16,098	94.10	40,245	37.64	42,919	0.0877%
2008	1,051,400	16,466	63.85	41,165	25.54	45,275	0.0564%
2009	709,200	16,670	42.54	41,675	17.02	46,969	0.0362%
2010	364,100	16,974	21.45	42,435	8.58	46,969 *	0.0183%

¹ Connections from Table 14

² The Virginia Department of Health estimates 2.5 residents per connection; this number is used in lieu of the population data in Table 10 which is representative of the entire county.

³ Per capita income data from Table 10 (Source: U.S. Bureau of Economic Analysis, Charlottesville-Albemarle Area)

* Assumed that 2010 income per capita was the same as 2009 income per capita

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 Pledged-Revenue Coverage Last Ten Fiscal Years

Table 9

Fiscal Year	Gross Revenue	Direct Operating Expense ¹	Net Revenue Available for Debt Service	Principal	Interest	Total	Coverage
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	² 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	18,154,020	12,971,229	5,182,791	467,000	53,517	520,517	9.96
2007	21,068,559	14,249,556	6,819,004	463,500	45,938	509,438	13.39
2008	22,877,727	14,631,298	8,246,428	342,200	34,658	376,858	21.88
2009	24,873,557	15,805,202	9,068,354	345,100	25,036	370,136	24.50
2010	26,514,137	17,793,440	8,720,697	364,100	15,200	379,300	22.99

¹ Excluding depreciation and amortization

² 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)	Personal Income (2)	Per Capita Income (2)	Per Capita Income as Percent (%) of U.S. Average (2)	School Enrollment (3)	Unemployment Rate (4)
2000	79,236	\$4,161,884,000	\$31,087	112	12,187	1.3
2001	80,487	\$4,278,750,000	\$32,505	111	12,237	1.7
2002	80,841	\$4,334,369,000	\$33,013	110	12,140	2.2
2003	84,186	\$4,544,173,000	\$33,973	113	12,251	2.9
2004	87,670	\$4,901,470,000	\$35,698	114	12,356	2.2
2005	88,726	\$5,231,947,000	\$37,552	115	12,378	2.3
2006	92,035	\$5,554,915,000	\$41,709	114	12,766	2.5
2007	93,117	\$5,337,131,100	\$42,919	111	12,803	2.2
2008	94,075	\$6,059,782,000	\$45,275	117	12,830	3.0
2009	96,247	\$6,383,281,000	\$46,969	111	13,035	5.1

Sources: (1) U.S. 2000 Census
 (2) U.S. Bureau of Economic Analysis, Charlottesville-Albemarle Area
 (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)		(1)	
		Estimated Employment <u>in 2010</u>	Rank <u>in 2010</u>	Estimated Employment <u>in 2001</u>	Rank <u>in 2001</u>
University of Virginia	Higher education	1,000 - over	1	1,000 - over	1
County of Albemarle	Local government	1,000 - over	2	1,000 - over	2
State Farm Mutual Automobile Insurance	Insurance services	1,000 - over	3	500 - 999	4
UVA Health Services Foundation	Health care	1,000 - over	4	1,000 - over	3
Northrop Grumman Corp.	Computer & electronics manufacturing	500 - 999	5	500 - 999	-
U.S. Department of Defense	National security	500 - 999	6	500 - 999	-
Piedmont Virginia Comm. College	Higher education	250 - 499	7	250 - 499	9
Wal Mart	Department stores	250 - 499	8	250 - 499	-
Crutchfield Corporation	Electronic retailers	250 - 499	9	250 - 499	8
State Farm Fire and Casualty Insurance	Insurance service	250 - 499	10	-	-
SP Marine, Inc.	Computer & electronics manufacturing	-	-	500 - 999	5
GE Fanuc	Computer & electronics manufacturing	-	-	500 - 999	6
Comdial Business Communications, Inc.	Computer & electronics manufacturing	-	-	500 - 999	7
FIC Staff Services	Administration & support services	-	-	500 - 999	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 Years

Table 12

	Fiscal Year									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Administration Department	4	4	4	6	6	6	6	8	8	8
Finance Department ¹	11	11	11	11	11	11	13	13	14	14
Engineering Department	12	12	12	13	13	13	15	15	15	15
Maintenance Department	23	23	23	23	23	23	25	28	30	30
Total	50	50	50	53	53	53	59	64	67	67

¹Includes meter reading

Albemarle County Service Authority Operating Indicators Last Ten Fiscal Years

Table 13

	Fiscal Year									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
New connections	406	390	504	380	503	498	413	368	204	304
Water meters read ¹	160,920	165,600	171,648	176,208	187,757	192,974	195,020	202,192	204,587	210,320
Service orders processed ²	n/a	n/a	n/a	n/a	n/a	9,307	9,503	11,011	10,618	11,208
Water main breaks	17	15	12	13	13	7	18	20	8	13
Sewer overflows	7	2	4	5	1	4	10	6	6	4
Sewer blockages	n/a	n/a	n/a	n/a	n/a	n/a	n/a	35	11	5

n/a = not available

¹Number of meters read for billings.

²Includes 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

Capital Asset Statistics	Fiscal Year									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Number of Water Connections:	13,410	13,800	14,304	14,684	15,187	15,685	16,098	16,466	16,670	16,974
Number of Sewer Connections:	10,437	10,839	11,326	11,694	12,260	12,697	13,112	13,474	13,671	13,972
Miles of water lines:	269	279	284	294	304.2	317.18	318.66	328.63	341.33	336.39 ²
Miles of sewer lines:	185	193	200	204	219.3	237.59	231.11 ¹	239.86	244.49	243.46
Fire hydrants:	1,742	1,800	1,955	2,016	2,016	2,054	2,193	2,260	2,370	2,149 ³
Water pumping stations:	8	8	8	8	9	9	11	11	11	11
Sewer pumping stations:	11	11	11	11	11	11	11	11	11	11
Water storage tanks:	6	6	6	6	7	7	8	8	8	8

¹ Sewer rehabilitation

² Improved and/or abandoned water lines

³ System improvements and/or abandoned fire hydrants

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
2000	\$ 7,470,537	\$ 125,844	\$ 135,492	\$ 758,740	\$ 230,480	\$ 8,721,092
2001	\$ 7,446,712	\$ 125,180	\$ 112,486	\$ 698,529	\$ 262,445	\$ 8,645,351
2002	\$ 8,091,460	\$ 147,450	\$ 117,706	\$ 395,775	\$ 267,417	\$ 9,019,807
2003	\$ 9,399,696	\$ 129,884	\$ 119,818	\$ 306,223	\$ 257,838	\$ 10,213,458
2004	\$ 9,619,047	\$ 169,585	\$ 121,844	\$ 29,310	\$ 290,877	\$ 10,230,662
2005	\$ 10,864,722	\$ 185,829	\$ 48,590	\$ 237,438	\$ 372,125	\$ 11,708,703
2006	\$ 12,083,954	\$ 178,510	\$ 62,749	\$ 251,877	\$ 475,452	\$ 13,052,541
2007	\$ 14,023,928	\$ 235,339	\$ 58,839	\$ 436,257	\$ 420,634	\$ 15,174,996
2008	\$ 15,902,915	\$ 184,056	\$ 44,713	\$ 633,377	\$ 478,430	\$ 17,243,490
2009	\$ 18,797,289	\$ 167,218	\$ 39,972	\$ 220,234	\$ 523,987	\$ 19,748,700
2010	\$ 19,088,212	\$ 91,726	\$ 39,972	\$ 219,634	\$ 491,010	\$ 19,930,554

**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
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
2008	\$ 9,692,393	\$ 4,938,905	\$ 30,666	\$ 2,153,004	\$ 72,542	\$ 16,887,511
2009	\$ 10,315,905	\$ 5,489,297	\$ 21,010	\$ 2,275,108	\$ 52,131	\$ 18,153,451
2010	\$ 12,149,203	\$ 5,644,236	\$ 11,029	\$ 2,382,631	\$ 70,116	\$ 20,257,215

Operating Information (continued)

Albemarle County Service Authority
 Schedule of Insurance in Force
 June 30, 2010

Table 17

Insurer	Type of Coverage	Policy Number	Policy Period		Annual Premium
			From	To	
VACo	General Business Policy: Auto General Liability Property Excess Liability & Crime	VA-AL-004A-10	7/1/2009	6/30/2010	\$60,259
Travelers	Boiler & Machinery	BM21-3668A824-TIL-10	7/1/2009	6/30/2010	\$1,101
VACo	Public Officials' Liability	VA-AL-004A-10	7/1/2009	6/30/2010	\$6,580
Virginia Municipal Group Self Insurance Association	Workers' Compensation	107	7/1/2009	6/30/2010	\$58,453

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

Table 18

Fiscal Year	Water Connections	Water (Billions of gallons)	Consumption Ratio		Sewer Connections
			Water/Sewer	(Billions of gallons)	
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
2008	16,466	1.54	1.2	1.30	13,474
2009	16,670	1.55	1.3	1.24	13,671
2010	16,974	1.51	1.2	1.24	13,972

Operating Information (continued)

**Albemarle County Service Authority
Construction Activity, Property Value, and Cash Equivalents
Last Ten Fiscal Years**

Table 19

Fiscal Year	Construction	Property Value	Cash & Cash Equivalents
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	\$ 7,536,191
2008	\$ 4,626,055	\$ 82,043,522	\$ 6,312,069
2009	\$ 9,699,696	\$ 83,203,674	\$ 6,826,193
2010	\$ 5,487,584	\$ 91,067,539	\$ 15,581,693

COMPLIANCE SECTION

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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***

**To The Honorable Members of The
Albemarle County Service Authority
Charlottesville, Virginia**

We have audited the accompanying financial statements of the business-type activities of Albemarle County Service Authority, as of and for the year ended June 30, 2010, and have issued our report thereon dated November 24, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Albemarle County Service 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 Albemarle County Service Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Albemarle County Service Authority's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

Our Vision

Conserve today, sustain tomorrow, and protect water and environmental resources forever.

Our Mission

With pride and dedication, we serve our customers by providing clean, safe water, exemplary wastewater services, and fire protection systems.

Together with our community partners, we maintain and improve our infrastructure in a timely, cooperative, and financially responsible manner.

Our Guiding Principles

Value Honesty and Integrity

Maintain the Public Trust

Provide Responsive Customer Service

Recognize Pride and Dedication

Promote Professional Excellence

Foster Mutual Respect and Open Communication

Ensure a Safe Working Environment

Practice Strategic Foresight and Fiscal Responsibility

Collaborate fully with our Community Partners

Commit to Conservation and Environmental Stewardship

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Albemarle County Service 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*.

We noted certain matters that we reported to management of Albemarle County Service Authority in a separate letter dated November 24, 2010.

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

Robinson, Tamara, Cox Associates

Charlottesville, Virginia
November 24, 2010