



# Comprehensive Annual Financial Report

For the Fiscal Years Ended

June 30, 2010



Moneta Wastewater Treatment Plant  
Moneta, VA

**BEDFORD COUNTY  
PUBLIC SERVICE AUTHORITY**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended June 30, 2010**

**BEDFORD COUNTY PUBLIC SERVICE AUTHORITY**

**BEDFORD, VIRGINIA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

*For the Fiscal Year Ended  
June 30, 2010*

**PREPARED BY THE ADMINISTRATIVE DEPARTMENT**

**BEDFORD COUNTY PUBLIC SERVICE AUTHORITY**

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**BEDFORD COUNTY PUBLIC SERVICE AUTHORITY**

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# INTRODUCTORY SECTION

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(540) 586-5805 (fax)  
psa@bcpsa.com



September 13, 2010

Board of Directors  
Bedford County Public Service Authority  
Bedford, Virginia

The Comprehensive Annual Financial Report (CAFR) for the Bedford County Public Service Authority, ("Authority"), is hereby submitted for the fiscal year ended June 30, 2010. The Authority's management assumes full responsibility for the completeness and reliability of the information contained in this report. To the best of our knowledge and belief, the enclosed financial data is accurate in all material respects and fairly presents the financial position, results of operations, and cash flows of the Authority.

Since its inception, the Authority has had its financial statements audited by a Certified Public Accountant. The annual audit of this Comprehensive Annual Financial Report has been performed by Brown, Edwards & Company, LLP Certified Public Accountants. This audit was conducted in accordance with the following:

- 1) auditing standards generally accepted in the United States of America,
- 2) the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

The independent auditor's report is presented in the Financial Section on page 1.

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

### **Organization and Function**

The Authority was chartered in June 1970 pursuant to the Virginia Water and Sewer Authorities Act, Chapter 51 Title 15.2 of the Code of Virginia 1950 as amended, by the Board of Supervisors of Bedford County. The Authority is authorized to acquire, finance, contract, operate, and maintain water systems, sewer systems, sewerage disposal and treatment systems, and other facilities or combinations thereof; furthermore, it is able to borrow money and to issue its revenue bonds to pay all or any part of the cost of such systems and facilities and related financing costs. The Authority has no taxing power; the revenues of the Authority are primarily derived from water and sewage disposal charges based on metered and unmetered water consumption of the Authority's users of the system.

The Authority's Board of Directors consist of seven members, one member for each election district in Bedford County; they are appointed for four (4) year terms by their respective representative from their district on the Board of Supervisors. Regular meetings of the Authority Board of Directors are held the third Tuesday of every month, with special meetings scheduled as needed.

The Authority provides water service to the following major service areas within the County: Forest, Smith Mountain Lake, and Stewartsville. It also provides service to one small well system located just west of the Bedford City limits. At the end of the fiscal year, the total water connections numbered 8,472.

- In the Forest area, water is purchased from the City of Lynchburg; the contract is effective for fifteen years from July 1, 2007 through June 30, 2022. At the end of year thirteen (June 30, 2020), each party will notify the other of its intention to terminate the contract at the end of year fifteen or renew the contract in ten year increments. If one or both parties wishes to terminate the contract they must do so in writing two years prior to the ten year renewal period.
- In the Smith Mountain Lake (SML) area water is provided from the Highpoint surface water plant and from two independent well systems. The Authority recently constructed several new waterlines in the SML area which allowed for the abandonment of multiple older well sources in order to improve water quality, reliability, and to increase its operating efficiencies.
- In the Stewartsville area, water is purchased from the Western Virginia Water Authority to provide service to customers along the Route 24 corridor. The original contract was executed on February 2, 1999 with the City of Roanoke and revised in 2005; the revision was prepared due to the merger of the utility systems in the City of Roanoke and Roanoke County into the Western Virginia Water Authority in July 2004. This contract expires on June 30, 2014.
- The Authority provides water to the Hillcrest subdivision, located just west of Bedford City, from a well system.

The Authority provides sewer service to two major service areas within the County: Forest and Smith Mountain Lake. It also provides sewer service to a small service area located in Montvale. At the end of the fiscal year, the total sewer connections numbered 1,492. The Authority also contract operates the wastewater systems for the Bedford County Public School System.

- In the Forest area, sewage is collected by the Authority and then transmitted to the City of Lynchburg's Regional Wastewater Treatment Plant (WWTP). The Regional Sewage Treatment Plant Agreement was executed on June 6, 1974, and it is in effect in perpetuity. The regional plant is rated at 22 million gallons per day (MGD), and the Authority has purchased 1.0mgd capacity in the WWTP and sufficient capacity in the City's interceptor lines allow for one million gallons per day of sewage to flow to and be treated by the regional plant.
- At Smith Mountain Lake, the Authority owns and operates the WWTP and the collection system, which includes four pump stations and several miles of sewer pipe. The wastewater is treated at the Moneta WWTP, which has a current capacity of 500,000 gallons per day and can readily be expanded to treat 1,500,000 gallons per day.
- The Authority operates a WWTP in the Montvale area, which has a capacity of 50,000 gallons per day. The collection system in Montvale includes a 20,000 gallon per day pump station.

The Authority is not legally required to adopt a budget; however, as part of its bond covenants, the Authority's Board of Directors must adopt an annual budget before the first day of each fiscal year. The budget is prepared by the Finance and Administrative departments, and serves as a framework for the Authority's financial planning for the year. The Executive Director has authorization from the Board to move funds within the line item operating budget without further Board action, provided that a report of revenues and expenditures is presented at the monthly Board meeting. The Executive Director can also reprioritize any of the items on the capital budget, provided the total spent does not exceed the approved budget.

### ***Local Economic Condition and Outlook***

Bedford County has a land area of 764 square miles consisting primarily of rolling hills and mountainous terrain; it is located in west-central Virginia, just east of the Roanoke metropolitan area and just west of the Lynchburg metropolitan area. The County is considered to be one of the fastest growing areas in the Commonwealth of Virginia. Bedford is an area of great scenic diversity with the Blue Ridge Mountains to the west, the James River to the north-east and Smith Mountain Lake to the south.

The most recent population figure for the County, as of 2009, is 67,154 (*source: Virginia Workforce Connection*). During the past ten years water connections have increased from 5,596 to 8,472 connections and sewer connections have increased from 657 to 1,492 connections; these figures are based on the end of the fiscal year, and a ten year review of revenue and connection totals can be found in the statistical section. The 2010 Bedford County Community Profile reports an unemployment rate, as of June 2010, of 6.5%; compared to the same time period where Virginia was at 6.7% and the Country was at 9.3%.

### ***Relevant Financial Policies***

The Authority's accounting records are maintained on the accrual basis of accounting under which revenues are recognized when earned and expenses are recognized when incurred.

The Authority operates as an independent entity as allowed by the Virginia Water and Sewer Authorities Act. Under this act and the Authority's charter, sufficient rates and fees are established so that the Authority can pay its operating expenses, principal and interest payments, and provide a margin of revenue that is sufficient to cover any contingencies that may arise. As part of the annual budget process, rates are examined to insure they are adequate for the Authority's obligations.

The Authority has adopted the following financial policies: Credit Card Use, Purchasing, Employee Awards, Capital Assets, Investments, Debt Management, and Disposal of Surplus Property.

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

The following are a few of the major initiatives that the Authority has recently accomplished:

- During FY 2010 18,070 linear feet (l.f.) of water line and 5,144 linear feet (l.f.) of sewer line was installed by the Authority. Of these totals Developer Dedications included 11,619 l.f. of waterline and 3,031 l.f. of sewer line and totaled \$947,957.
- The Waywood Hills Phase 2 waterline in Stewartsville was completed. This project was funded through a grant obtained by the Virginia Department of Environmental Quality (DEQ).
- An inventory building and an additional pole shed were constructed at the main office facility on Falling Creek Road.

- The Homestead Sewer line project was completed in the first part of the fiscal year. This project replaced old sewer pipes that were deteriorating and could have potentially caused sewage to leak out of the pipes and ground water and rain water to leak into the pipes. The City of Lynchburg completed the same work on their side of the line and the Authority is repaying the costs of the construction to the City over a ten year period.
- The first phase of the Geographical Information System (GIS) was completed by consultants and is in use by several departments. The system is constantly being updated by the Authority with new features being added to better serve the Authority's needs.
- The access road to the Moneta WWTP was recently paved. The traffic from the septic haulers caused extreme wear and tear on the access road and required these repairs to be made.
- The Fleming Mountain Neighborhood Line Extension project was completed this fiscal year. This project was funded by the property owners and the Authority. This waterline extension has enabled the Authority to begin the creation of a waterline loop, to eventually provide better operating reliability in the area in the event that repairs must be made to the line.
- Other capital purchases included several computer replacements, the replacement of several trailers that are used to haul equipment, a new copier that eliminates the current copier lease, and a new network switch for the Annex building to improve computer speed and stability. The current switch being used by the Annex building will be moved to the Moneta WWTP to replace an older switch that is no longer adequate.

This fiscal year has not been as financially challenging as the previous fiscal year. The Authority surpassed the conservative estimates that were budgeted for facility fees. Several commercial connections were received during the year, as well as residential connections.

During the fiscal year, several projects were completed that should improve operating efficiencies. Since an internal capital budget was not adopted, the focus was on completing current projects and preparing for new projects that should materialize as the economy improves. A Preliminary Engineering Report (PER) was begun at the end of the fiscal year to analyze the possibility of constructing a waterline from Smith Mountain Lake to Forest. The construction of this waterline would reduce the amount of water purchased from the City of Lynchburg dramatically and enable the Authority to expand the Highpoint surface water treatment plant. The PER is expected to be complete within the first couple of months of FY 2010-2011.

For the upcoming fiscal year, strategic planning and long range financial planning will be the focus for management, with the Preliminary Engineering Report being the start to this process.

### ***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 Bedford County Public Service Authority for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2009. This was the fourteenth consecutive year that the Authority has received this prestigious award. In order to be awarded a Certificate of Achievement, a government 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 hard work and dedication of the Authority's Financial and Administrative departments. We wish to express our appreciation to all of the departments who contributed information used to prepare this report. Appreciation is also given to Brian M. Key, Executive Director, and to the Board of Directors for their interest in, and support of, the Authority's pursuit of financial reporting excellence.

Respectfully submitted,

Jill W. Underwood  
Financial Manager

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## Bedford County Public 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.



President

Executive Director

**BEDFORD COUNTY PUBLIC SERVICE AUTHORITY**

**DIRECTORY OF PRINCIPAL OFFICIALS**

**June 30, 2010**

MEMBERS OF THE BOARD

Robert Flynn – Chairman

Gerald Foutz – Vice Chairman

Roy E. Dooley, Jr.

Carl Wells

Thomas Segroves

Roger Hessenius

Jerry Falwell, Jr.

Brian M. Key – Executive Director

INDEPENDENT AUDITOR

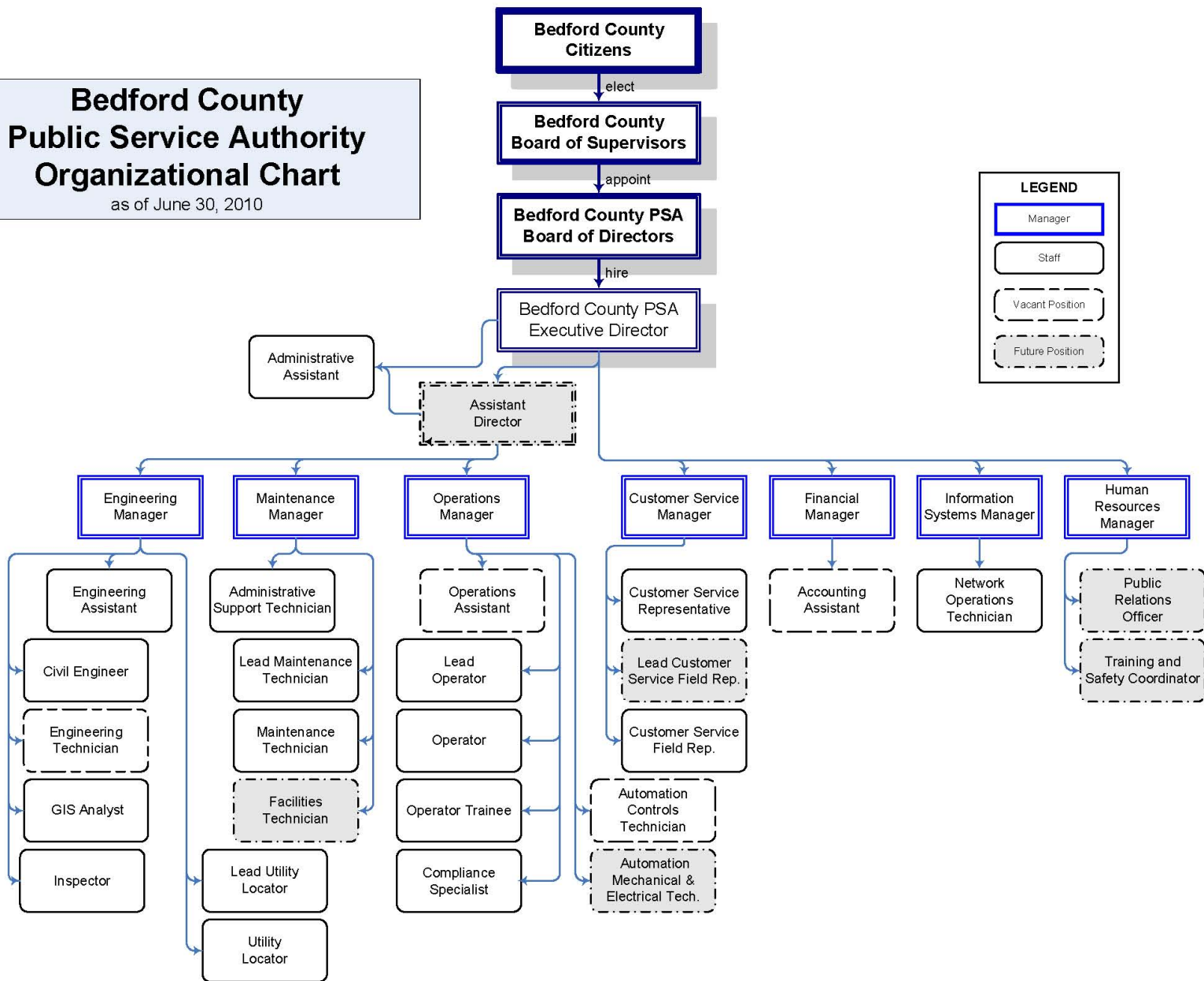
Brown, Edwards & Company, L.L.P.

ATTORNEYS

Glenn, Feldmann, Darby & Goodlatte

# Bedford County Public Service Authority Organizational Chart

as of June 30, 2010



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## **FINANCIAL SECTION**

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**Financial Section contains the  
Basic Financial Statements.**

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Bedford County Public Service Authority  
Bedford, Virginia

We have audited the accompanying financial statements of the Bedford County Public Service Authority as of and for the year ended June 30, 2010, as listed in the table of contents. 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 partial comparative information has been derived from the Authority's 2009 financial statements and, in our report dated September 24, 2009, we expressed an unqualified opinion on the respective 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 *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

**In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bedford County Public Service Authority as of June 30, 2010, and the changes in financial position and its 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 September 13, 2010 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and the Analysis of Funding Progress for Defined Benefit Pension Plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's financial statements as a whole. The Introductory Section, Schedule of Departmental Operating Income, and Statistical Section are presented for the purpose of additional analysis and are not a required part of the financial statements. The Schedule of Departmental Operating Income is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. 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 do not express an opinion or provide any assurance on them.

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
September 13, 2010

## Management's Discussion and Analysis

The Bedford County Public Service Authority (the "Authority") has prepared this Management's Discussion and Analysis (MD&A) as a supplement to the Authority's financial statements, to provide a narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2010. The Authority encourages the information presented here to be considered in conjunction with additional details that we have furnished in our letter of transmittal, which can be found on pages i-v of this financial report.

### Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$42,654,807 (*net assets*). Of this amount \$1,114,810 (*unrestricted net assets*) may be used to meet the Authority's ongoing obligations to customers and creditors.
- The Authority's total net assets increased during the fiscal year by \$1,543,662. The primary cause for this increase relates to capital contributions

### Overview of the Financial Statements

This discussion and analysis is intended as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of two components: 1) enterprise fund financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**Enterprise fund 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 the Authority's assets and liabilities as of June 30, 2010 and June 30, 2009, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The ***statement of revenues, expenses, and changes in fund net assets*** presents information showing how the Authority's net assets changed 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. Thus, some of the revenues and expenses that are reported in this statement will only affect cash flows in future fiscal periods (e.g. earned but unused vacation leave).

The ***statement of cash flows*** supplements the above two statements by presenting the changes in cash position as a result of the Authority's activities over the last two fiscal years.

These statements can be found on pages 9 through 11 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential for a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 12 through 25 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 in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 27 of this report.

## Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$ 42,654,807 at the close of the most recent fiscal year. At the close of the previous fiscal year, assets exceeded liabilities by \$ 41,111,145.

By far the largest portion of the Authority's net assets (97.4%) reflects its investment in capital assets, less any related debt used to acquire those assets that are still outstanding. The Authority uses these capital assets to provide services to customers; consequently, these assets are *not* available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### Condensed Statement of Net Assets

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Current Assets	\$ 2,937,651	\$ 2,345,653	\$ 2,696,777
Restricted investments	896,975	1,367,003	2,681,918
Capital assets, net	66,824,758	67,320,062	65,098,263
Bond issuance costs, net	<u>270,047</u>	<u>258,224</u>	<u>279,115</u>
<b>Total Assets</b>	<u>70,929,431</u>	<u>71,290,942</u>	<u>70,756,073</u>
Current Liabilities	2,372,346	2,422,453	4,640,045
Long-term debt	<u>25,902,278</u>	<u>27,757,344</u>	<u>27,559,011</u>
<b>Total Liabilities</b>	<u>28,274,624</u>	<u>30,179,797</u>	<u>32,199,056</u>
Invested in capital assets, net of related debt	41,539,997	41,104,093	39,379,175
Unrestricted	<u>1,114,810</u>	<u>7,052</u>	<u>(822,158)</u>
<b>Total Net Assets</b>	<u>\$ 42,654,807</u>	<u>\$ 41,111,145</u>	<u>\$ 38,557,017</u>

**Financial Analysis (continued)**

**Condensed Statements of Revenues, Expenses and Changes in Fund Net Assets**

	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Revenues:</b>			
Operating Revenues:			
Water Sales	\$ 3,849,670	\$ 3,569,027	\$ 3,335,895
Facility Fees	854,125	911,344	1,310,719
Sewer Service	1,070,281	839,973	692,191
Wastewater treatment plant operation fees	109,719	96,347	100,028
Other Revenues from customers	253,537	340,971	335,679
Non-operating revenues:			
Investment Income	30,928	66,707	147,412
<b>Total Revenues</b>	<u><u>\$ 6,168,260</u></u>	<u><u>\$ 5,824,369</u></u>	<u><u>\$ 5,921,924</u></u>
<b>Expenses:</b>			
Operating Expenses:			
Water & Sewer Systems	\$ 2,387,648	\$ 2,331,226	\$ 2,102,713
Salaries & Benefits	1,798,933	2,062,034	1,868,171
Management & General	154,470	155,514	204,748
Customer Service & Information Systems	121,224	138,747	177,850
Vehicles	80,824	96,057	106,331
Engineering, Operations, and Maintenance	10,538	14,588	25,491
Depreciation	2,242,339	2,223,432	2,055,829
Non-operating Expenses:			
(Gain)/Loss on disposal of capital assets	(33,794)	161,097	187,444
Interest expense- net of capitalized interest	1,070,135	1,176,818	1,212,063
<b>Total Expenses</b>	<u><u>\$ 7,832,317</u></u>	<u><u>\$ 8,359,513</u></u>	<u><u>\$ 7,940,640</u></u>
Loss before capital contributions	\$ (1,664,057)	\$ (2,535,144)	\$ (2,018,716)
Capital Contributions	3,207,719	5,089,272	4,091,984
Changes in net assets	1,543,662	2,554,128	2,073,268
Net assets- July 1	41,111,145	38,557,017	36,483,749
Net assets- June 30	<u><u>\$ 42,654,807</u></u>	<u><u>\$ 41,111,145</u></u>	<u><u>\$ 38,557,017</u></u>

At the end of the current fiscal year, the Authority is able to report positive balances in total net assets. The same situation held true for the prior fiscal year. At the end of fiscal year 2010, the Authority had a positive balance in unrestricted net assets. At the end of fiscal years 2009 and 2008, the Authority had a negative balance in unrestricted net assets.

### Financial Analysis (continued)

During the current fiscal year the Authority's net assets increased by \$1,543,662.

Operating revenues increased by \$379,670, or 6.6% and operating expenses decreased by \$225,622 or 3.2%. During the previous fiscal year the Authority's net assets increased by \$2,554,128. Also in the previous fiscal year operating revenues decreased by \$16,850 or 0.29% and operating expenses increased by \$480,465 or 7.35%.

Key elements of these changes are as follows:

- At the beginning of the fiscal year water consumption rates were increased 11% and sewer consumption rates were increased 20%.
- Facility fees received surpassed the conservative amounts that were budgeted for the year.
- The Authority went through a reduction in force in May 2009 which resulted in a decrease in salary expenditures and employee benefit costs.
- Due to economic conditions the first half of the fiscal year the Authority had spending restrictions on discretionary items; this resulted in a decrease in operating expenditures.

### Capital Asset and Debt Administration

**Capital assets.** The Authority's investment in capital assets as of June 30, 2010 amounted to \$66,824,758 (net of accumulated depreciation). This investment in capital assets includes land and land rights, buildings, water and sewer systems, vehicles, equipment, and furniture and fixtures. The total increase in the Authority's investment in capital assets for the current fiscal year was (0.74)%. Additional information related to capital assets is located in Note 4 of the *Notes to Financial Statements*.

	Capital Assets		
	2010	2009	2008
Land and land rights	\$ 210,689	\$ 210,689	\$ 202,699
Construction in progress	268,956	477,717	1,768,957
Water and sewer systems	78,179,379	76,528,245	71,181,853
Vehicles	1,302,525	1,298,979	1,193,347
Office Facilities	1,860,260	1,757,310	1,676,973
Information Systems Equipment	1,152,312	1,021,515	989,631
Total Book Value	82,974,121	81,294,455	77,013,460
Less- accumulated depreciation	(16,149,363)	(13,974,393)	(11,915,197)
Total- net of accumulated depreciation	\$ 66,824,758	\$ 67,320,062	\$ 65,098,263

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

Major capital asset events during the fiscal year included the following:

- Developer dedications of water and sewer lines throughout Bedford County totaled \$947,957.
- Vehicle and Equipment additions totaled \$11,281 for the year. This included several new trailer purchases and an electrical testing tool. Due to budget constraints, there were no replacement vehicles purchased for the year. The FY 2010-2011 budget includes funding for the replacement purchases.
- A total of \$142,637 was spent on Information Technology. This includes the GIS system, software purchases, several new and replacement computers, a new network switch to improve stability and a new copier to eliminate a copier that is currently being leased.
- The following projects were placed into service during the fiscal year:
 

SML withdrawal permit .....	\$48,680
PSA Pole Shed Building .....	\$22,094
PSA Inventory Building.....	\$78,078
Homestead Drive Sewer line (Authority portion).....	\$170,472
Homestead Drive sewer line (Lynchburg portion) .....	\$77,336
GIS Implementation.....	\$110,809
Fleming Mountain waterline .....	\$38,953

**Long-term debt.** At the end of the fiscal year, the Authority had \$24,869,318 in bonds and notes outstanding versus \$26,413,195 last year, a decrease of 5.85% as shown below. The key factor in this decrease was the principal payments on the outstanding obligations. The Authority also refunded the 2002 A Pooled Loan Bonds, which resulted in a Net Present Value savings of \$435,885.

The Authority’s Virginia Resource Authority Bonds are rated “AAA” from Standard and Poor’s. Other obligations include accrued paid time off (PTO). More detailed information on the Authority’s long-term liabilities is presented in the *notes to the basic financial statements*.

	<b>Long-Term Debt</b>		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
Lynchburg Sewer System Bonds	\$ 1,529,237	\$ 1,508,037	\$ 1,670,032
2002A Pooled Loan Bonds	580,000	10,650,000	11,180,000
2002B Pooled Loan Bonds	1,995,000	2,340,000	2,680,000
2004 Building Fund Bonds	190,081	280,158	367,080
2005 Revenue Bonds	11,150,000	11,635,000	12,105,000
2009B Pooled Loan Bonds	9,425,000	-	-
Unamortized costs on bonds	1,163,910	323,740	352,794
Deferred costs on Refunding	(788,329)	(48,446)	(56,634)
	<u>\$ 25,244,899</u>	<u>\$ 26,688,489</u>	<u>\$ 28,298,272</u>

**Requests for information**

This financial report is designed to provide a general overview of the Authority’s finances for all those with an interest in the Authority’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Bedford County Public Service Authority, Finance Department, 1723 Falling Creek Road, Bedford, VA 24523.

# FINANCIAL STATEMENTS

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## BEDFORD COUNTY PUBLIC SERVICE AUTHORITY

## STATEMENT OF NET ASSETS

June 30, 2010

	2010	(For Comparative Purposes Only) 2009
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 2)	\$ 1,620,979	\$ 1,193,565
Accounts receivable (Note 3)	1,214,583	1,037,306
Inventory	58,552	95,067
Prepays	43,537	19,715
Total current assets	<u>2,937,651</u>	<u>2,345,653</u>
<b>Noncurrent assets</b>		
Restricted investments (Note 2)	896,975	1,367,003
Bond issuance costs, net of amortization	270,047	258,224
Capital assets: (Note 4)		
Nondepreciable	479,645	688,406
Depreciable, net	66,345,113	66,631,656
Total noncurrent assets	<u>67,991,780</u>	<u>68,945,289</u>
Total assets	<u>\$ 70,929,431</u>	<u>\$ 71,290,942</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 226,241	\$ 326,140
Accrued liabilities (Note 11)	97,161	111,508
Interest payable	261,683	287,829
Compensated absences (Note 6)	37,800	37,989
Current maturities of long-term debt (Note 6)	1,749,462	1,658,987
Total current liabilities	<u>2,372,347</u>	<u>2,422,453</u>
<b>Long-term liabilities</b>		
Customer security deposits	311,427	465,938
Deferred revenue	1,601,201	1,767,076
Compensated absences (Note 6)	113,399	113,967
Due to other governmental units (Note 5)	380,814	380,861
Long-term debt – due in more than one year (Note 6)	23,495,437	25,029,502
Total long-term liabilities	<u>25,902,278</u>	<u>27,757,344</u>
Total liabilities	<u>28,274,624</u>	<u>30,179,797</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	41,539,997	41,104,093
Unrestricted	1,114,810	7,052
Total net assets	<u>42,654,807</u>	<u>41,111,145</u>
Total liabilities and net assets	<u>\$ 70,929,431</u>	<u>\$ 71,290,942</u>

The Notes to Financial Statements are an integral part of this statement.

**BEDFORD COUNTY PUBLIC SERVICE AUTHORITY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**Year Ended June 30, 2010**

	<b>2010</b>	<b>(For Comparative Purposes Only) 2009</b>
	<u>2010</u>	<u>2009</u>
<b>OPERATING REVENUES</b>		
Water sales	\$ 3,849,670	\$ 3,569,027
Facility fees	854,125	911,344
Sewer service	1,070,281	839,973
Wastewater treatment plant operation fees	109,719	96,347
Review fees	29,082	78,527
Meter base installation fees	31,500	62,176
Account changes	25,910	26,207
Other	116,446	125,557
Penalties	50,599	48,504
Total operating revenues	<u>6,137,332</u>	<u>5,757,662</u>
<b>OPERATING EXPENSES</b>		
Water and sewer systems	2,387,648	2,331,226
Depreciation and amortization	2,242,339	2,223,432
Salaries and employee benefits	1,798,933	2,062,034
Management and general	154,470	155,514
Customer service and information systems	121,224	138,747
Vehicles	80,824	96,057
Engineering, operations, and maintenance	10,538	14,588
Total operating expenses	<u>6,795,976</u>	<u>7,021,598</u>
Operating loss	<u>(658,644)</u>	<u>(1,263,936)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Gain (loss) on disposal of capital assets	33,794	(161,097)
Investment income	30,928	66,707
Interest expense	(1,070,135)	(1,176,818)
Total nonoperating revenues (expenses)	<u>(1,005,413)</u>	<u>(1,271,208)</u>
Loss before capital contributions	(1,664,057)	(2,535,144)
<b>CAPITAL CONTRIBUTIONS (Note 7)</b>		
Change in net assets	1,543,662	2,554,128
Net assets – beginning at July 1	41,111,145	38,557,017
Net assets – ending at June 30	<u>\$ 42,654,807</u>	<u>\$ 41,111,145</u>

The Notes to Financial Statements are  
an integral part of this statement.

## BEDFORD COUNTY PUBLIC SERVICE AUTHORITY

STATEMENT OF CASH FLOWS  
Year Ended June 30, 2010

	2010	(For Comparative Purposes Only) 2009
<b>OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 5,639,669	\$ 5,525,547
Cash paid for goods and services	(2,841,910)	(2,997,545)
Cash paid to employees	(1,814,037)	(2,008,440)
Net cash provided by operating activities	983,722	519,562
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from intergovernmental capital debt assistance	2,000,000	2,000,000
Acquisition and construction of capital assets	(410,285)	(1,516,416)
Principal paid on long-term borrowings	(1,663,096)	(1,590,520)
Proceeds from bond refunding	10,382,867	-
Escrow payments to refunding trust	(10,245,826)	-
Debt issuance costs on refunding	(137,093)	-
Interest paid on long-term borrowings	(1,106,843)	(1,193,411)
Proceeds from sale of capital assets	123,012	-
Net cash used in capital and related financing activities	(1,057,264)	(2,300,347)
<b>INVESTING ACTIVITIES</b>		
Interest received	30,928	66,707
Net change in investments	470,028	1,314,915
Net cash provided by investing activities	500,956	1,381,622
Net increase (decrease) in cash and cash equivalents	427,414	(399,163)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning at July 1	1,193,565	1,592,728
Ending at June 30	\$ 1,620,979	\$ 1,193,565
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>		
Operating loss	\$ (658,644)	\$ (1,263,936)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	2,242,339	2,223,432
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(177,277)	(122,135)
Inventory	36,515	29,685
Prepays	(23,822)	44,411
Increase (decrease) in:		
Accounts payable	(99,899)	(335,510)
Deferred revenue	(165,875)	(99,064)
Customer security deposits	(154,511)	(10,916)
Compensated absences and accrued liabilities	(15,104)	53,595
Net cash provided by operating activities	\$ 983,722	\$ 519,562
<b>SCHEDULE OF NONCASH ACTIVITIES</b>		
Contributions of capital assets	\$ 1,207,719	\$ 3,089,272
Increase in Lynchburg Sewer System rights	\$ 209,219	\$ -

The Notes to Financial Statements are an integral part of this statement.

# BEDFORD COUNTY PUBLIC SERVICE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2010

### Note 1. Summary of Significant Accounting Policies

#### Reporting entity:

The Bedford County Public Service Authority (the "Authority") was chartered June 8, 1970 under the Water and Sewer Authorities Act of 1950 of the Commonwealth of Virginia. The Authority primarily serves water and sewer needs of the Smith Mountain Lake, Forest, Montvale, Stewartsville, New London, and Boonsboro areas of Bedford County, Virginia. The Authority operates on a Board-administrator form of government. The Board consists of a Chairman and six other Board members, who are appointed by the Bedford County Board of Supervisors. The Authority is not a component unit of the County of Bedford, since it is neither fiscally dependent on nor governed by the County.

#### Measurement focus and basis of accounting:

The Authority's financial statements are reported using the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the Authority's financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Authority also has the *option* of following subsequent private-sector guidance, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

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

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

#### Cash and cash equivalents:

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities three months or less from the date of acquisition.

#### Accounts receivable:

Accounts receivable are stated net of an allowance for doubtful accounts. The Authority calculates its allowance for doubtful accounts using historical collection data and specific account analysis.

**BEDFORD COUNTY PUBLIC SERVICE AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

**Note 1. Summary of Significant Accounting Policies (Continued)**

Unbilled accounts receivable:

Unbilled accounts receivable consist of amounts earned as of year end, but not yet billed because billing dates do not coincide with year end.

Inventory:

Inventory consists of grinder pumps, parts, meters, and supplies on hand at year-end, reported at the lower of cost (first-in, first-out) or market. Inventory is generally used for construction and for operation and maintenance work and is not held for resale. Costs of inventory are charged to construction or operations when used at moving average cost.

Investments:

Investments have been reported at fair value in the statement of net assets. Changes in the fair value of investments are recorded as nonoperating income in the statement of revenues, expenses, and changes in fund net assets. Fair value is estimated based on quoted market prices at year end.

Bond issuance costs:

Bond issuance costs are being amortized over the life of the related debt on the straight-line method.

Capital assets:

Capital assets are stated at cost, except for donated assets, which are recorded at fair market value at the date of acquisition. The threshold for recording capital assets is \$1,000. Depreciation of property and equipment is computed using the straight-line method over useful lives as follows:

Transmission/distribution lines	50-66 years
Sewer system	50-66 years
Reservoirs, standpipes, and source of supply structures	50-66 years
Motor vehicles	5-7 years
Office furniture, fixtures, and equipment	5-7 years
Maintenance and engineering equipment	5-10 years

Leasehold improvements include administrative and other facilities constructed and additions affixed to those facilities on land leased from Bedford County. These leasehold improvements are depreciated over the shorter of the useful life of the asset or the remaining term of the lease. The lease term includes all reasonably assured renewals.

**BEDFORD COUNTY PUBLIC SERVICE AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

**Note 1. Summary of Significant Accounting Policies (Continued)**

Capitalization of interest:

Interest expense applicable to indebtedness used to construct new facilities is capitalized during the period of construction as part of the cost of such facilities. Other interest costs of the Authority are treated as nonoperating expenses. Interest capitalized for the year ended June 30, 2010 was \$10,562.

Compensated absences:

The paid-time-off (PTO) policy of the Authority provides for up to 296 hours per year of earned vacation leave, depending on years of service. Employees may carry over an unlimited amount of PTO hours to the succeeding year. Upon termination, the first 200 hours of accumulated PTO is 100% payable and the next 200 hours is 50% payable

Deferred revenue:

Deferred revenue consists of monies or tangible assets given to the Authority under prescribed conditions by developers in exchange for credit vouchers to be used to pay facility fees (both water and sewer) in order to connect to the Authority's system. The Authority recognizes the revenue when the credit voucher is redeemed.

Net assets:

Net assets are the difference between assets and liabilities. Net assets invested in capital assets, net of related debt represent capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction, or improvement of those assets.

Comparative information:

The basic financial statements include certain prior year summarized comparative information in total, but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Authority's financial statements for the prior year from which the summarized information was derived.

Estimates:

Management uses estimates and assumptions in preparing its financial statements. Actual results could differ from those estimates.

Reclassifications:

Certain accounts in the prior-year comparative information have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

**BEDFORD COUNTY PUBLIC SERVICE AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

**Note 2. Cash and Investments**

Deposits:

At year-end, the Authority's deposits with banks were \$1,663,033. Of the bank balances, \$250,000 was covered by federal depository insurance and \$1,413,033 was collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act"), Section 2.2-440 *et. seq.* of the *Code of Virginia*. Under the provisions of the Act, banks holding public deposits in excess of the amounts insured by federal depository insurance must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings institutions are required to collateralize 100% of deposits in excess of federal depository insurance limits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments and authorities of compliance by banks and savings institutions.

Investments:

Statutes authorize the Authority to invest in obligations of the United States or agencies thereof; obligations of the Commonwealth of Virginia or political subdivisions thereof; commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Investor Services; banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

The Authority has invested bond proceeds subject to rebate of arbitrage earnings in the Virginia State Non-Arbitrage Program (SNAP). SNAP is designed to assist local governments in complying with the arbitrage rebate requirements of the Tax Reform Act of 1986. These programs provide comprehensive investment management, accounting, and arbitrage rebate calculation services for proceeds of general obligation and revenue tax-exempt financing of Virginia local governments.

Investments (including the portions considered cash equivalents) consisted of the following at June 30, 2010:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>
Money Market Account	\$ 1,663,033	None
LGIP	730,016	6 months
SNAP	124,905	3 months
	<u>\$ 2,517,954</u>	

Investments: (Continued)

The items above are reflected in the statements as follows:

Statement of net assets:	
Cash and cash equivalents	\$ 1,620,979
Restricted investments	<u>896,975</u>
	<u>\$ 2,517,954</u>

**BEDFORD COUNTY PUBLIC SERVICE AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2010**

**Note 2. Cash and Investments (Continued)**

Interest rate risk:

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy specifies that no investment may have a maturity greater than one year from the date of purchase.

Credit risk:

The Authority has no policy regarding credit risk. The investments in LGIP and SNAP funds are rated AAAM by Standard and Poor's.

Investment restrictions:

**Reserve Fund.** In connection with issuance of the 1993 Virginia Resource Authority (VRA) bonds, the Authority and the VRA agreed to establish and maintain the Bedford County Public Service Authority Reserve Fund, pledged as additional collateral for the local bonds. The Authority and County of Bedford each made an initial deposit of \$182,009, equal to the reserve requirement. Interest earned on the reserve requirement is paid to the County of Bedford on a monthly basis. Upon retirement of the bonds, the Reserve Fund will be refunded to the Authority. The carrying value of the Reserve Fund was \$364,017 at June 30, 2010. As this is an internal restriction, this amount is not included with restricted net assets.

**Construction Fund.** The Construction Fund consists of unexpended VRA bond proceeds to be used for construction. The Construction Fund amounted to \$124,905 at June 30, 2010. These amounts are included with the related debt in the calculation of net assets invested in capital assets net of related debt.

**Debt Coverage Reserve Fund.** The Authority established a Debt Coverage Reserve Fund with the LGIP to ensure its debt coverage requirements would be met. Establishing this account gave the Authority more time to implement new billing rates. When compliance with the debt coverage requirement is contingent upon this fund, such as the current year, this amount will be shown as restricted. The Debt Coverage Reserve Fund amounted to \$408,053 at June 30, 2010. As this is an internal restriction, this amount is not included with restricted net assets.

**Note 3. Accounts Receivable**

Accounts receivable, net consist of the following:

	<u>Billed</u>	<u>Unbilled</u>	<u>Total</u>
Water	\$ 470,872	\$ 404,515	\$ 875,387
Sewer	251,760	91,248	343,008
Other	16,188	-	16,188
	<u>738,820</u>	<u>495,763</u>	<u>1,234,583</u>
Less:			
Allowance for doubtful accounts	<u>(20,000)</u>	<u>-</u>	<u>(20,000)</u>
	<u>\$ 718,820</u>	<u>\$ 495,763</u>	<u>\$ 1,214,583</u>

**BEDFORD COUNTY PUBLIC SERVICE AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2010**

**Note 4. Capital Assets**

Capital asset activity for the year was as follows:

	<u>Beginning July 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending June 30</u>
Capital assets, not being depreciated				
Land and land rights	\$ 210,689	\$ -	\$ -	\$ 210,689
Construction in progress	477,717	522,161	(730,922)	268,956
	<u>688,406</u>	<u>522,161</u>	<u>(730,922)</u>	<u>479,645</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated				
System, lines, and source of supply structures	76,528,245	1,791,897	(140,763)	78,179,379
Leasehold improvements	1,757,311	102,949	-	1,860,260
Vehicles and equipment	1,298,979	11,281	(7,735)	1,302,525
Information systems equipment	1,021,515	142,637	(11,840)	1,152,312
	<u>80,606,050</u>	<u>2,048,764</u>	<u>(160,338)</u>	<u>82,494,476</u>
Total capital assets, being depreciated				
Less accumulated depreciation for:				
System, lines, and source of supply structures	(11,786,126)	(1,927,327)	49,751	(13,663,702)
Leasehold improvements	(629,313)	(99,779)	-	(729,092)
Vehicles and equipment	(784,309)	(144,580)	7,311	(921,578)
Information systems equipment	(774,646)	(72,185)	11,840	(834,991)
	<u>(13,974,394)</u>	<u>(2,243,871)</u>	<u>68,902</u>	<u>(16,149,363)</u>
Total accumulated depreciation				
Total capital assets being depreciated, net	<u>66,631,656</u>	<u>(195,107)</u>	<u>(91,436)</u>	<u>66,345,113</u>
Total capital assets, net	<u>\$ 67,320,062</u>	<u>\$ 327,054</u>	<u>\$ (822,358)</u>	<u>\$ 66,824,758</u>

**BEDFORD COUNTY PUBLIC SERVICE AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

**Note 4. Capital Assets (Continued)**

The leasehold improvement represents the Authority's administrative building, which is located on land leased from the County of Bedford. The lease began on March 30, 1999 and is for an initial term of 40 years, with renewal options for four additional ten-year periods. The land reverts to the County at the end of the lease.

Construction commitments:

The Authority has no active construction projects as of June 30, 2010.

**Note 5. Due to Other Governmental Units**

Due to other governmental units consists of unsecured advances from the County of Bedford with no stated maturity date or interest rate, as follows:

Operating advances:

June 30, 1988	\$ 318,814
June 30, 1989	<u>62,000</u>
	<u>\$ 380,814</u>

**BEDFORD COUNTY PUBLIC SERVICE AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2010**

**Note 6. Long-Term Liabilities**

The following is a summary of the Authority's long-term debt transactions for the year:

	<u>Beginning July 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending June 30</u>	<u>Due Within One Year</u>
Lynchburg Sewer System					
Bonds	\$ 1,508,037	\$ 209,219	\$ (188,019)	\$ 1,529,237	\$ 181,562
2002A Pooled Loan Bonds	10,650,000	-	(10,070,000)	580,000	580,000
2002B Pooled Loan Bonds	2,340,000	-	(345,000)	1,995,000	365,000
2004 Building Fund Bonds	280,158	-	(90,077)	190,081	93,347
2005 Revenue Bonds	11,635,000	-	(485,000)	11,150,000	500,000
2009B Pooled Loan Bonds	-	9,425,000	-	9,425,000	-
	<u>26,413,195</u>	<u>9,634,219</u>	<u>(11,178,096)</u>	<u>24,869,318</u>	<u>1,719,909</u>
Add:					
Unamortized premium on:					
2002A Pooled Loan Bonds	35,983	-	(35,983)	-	-
2002B Pooled Loan Bonds	79,498	-	(13,436)	66,062	13,436
2005 Revenue Bonds	208,259	-	(13,016)	195,243	13,107
2009B Pooled Loan Bonds	-	957,867	(55,262)	902,605	72,265
Less:					
Deferred costs on:					
2002B Pooled Loan Bonds	(48,446)	-	8,188	(40,258)	(8,188)
2009B Pooled Loan Bonds	-	(793,871)	45,800	(748,071)	(61,067)
	<u>\$ 26,688,489</u>	<u>\$ 9,798,215</u>	<u>\$ (11,241,805)</u>	<u>\$ 25,244,899</u>	<u>\$ 1,749,462</u>

The Lynchburg Sewer System Bonds were issued on various dates from 1993 to 2002 in the total amount of \$3,236,174. An additional \$209,219 was issued in 2010 due to new wastewater treatment capital projects. The bonds are due in annual installments ranging from \$183,321 to \$9,277, with interest rates from 1.75% to 5.0% per annum, paid annually, through June 1, 2021.

The 2002A Pooled Loan Bonds were issued on June 1, 2002 in the amount of \$13,580,000. Bonds, totaling \$9,515,000, were refunded in the current year with 2009B Pooled Loan Bonds. The remaining bonds are due in an annual installment of \$580,000 with an interest rate of 4.2% per annum, paid semi-annually, on April 1, 2011.

The 2002B Pooled Loan Bonds were issued on October 15, 2002 in the amount of \$4,135,000. The bonds are due in annual installments ranging from \$195,000 to \$435,000, with interest rates from 3.0% to 5.5% per annum, paid semi-annually, through November 15, 2019.

The 2004 Building Fund Bonds were issued on July 23, 2004 in the amount of \$610,000. The bonds are due in annual installments of \$100,247, with interest at 3.63% per annum, paid annually, through July 23, 2011.

**BEDFORD COUNTY PUBLIC SERVICE AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

**Note 6. Long-Term Liabilities (Continued)**

The 2005 Revenue Bonds were issued on May 17, 2005 in the amount of \$13,000,000. The bonds are due in annual installments ranging from \$440,000 to \$935,000, with interest rates from 3.28% to 4.32% per annum, paid semi-annually, through October 1, 2025.

On October 22, 2009, the Authority issued \$9,425,000 in Pooled Loan Bonds with interest rates ranging between 4.1% and 5.0%. The Authority issued the bonds to advance refund \$9,515,000 of the outstanding series 2002A Pooled Loan Bonds with interest rates ranging from 3.1% to 5.1% per annum. The Authority used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 2002A series bonds. As a result, that portion of the 2002A series bonds is considered defeased, and the Authority has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$9,515,000 at June 30, 2010.

The advance refunding reduced total debt service payments over the next 13 years by nearly \$675,000. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$435,885.

**BEDFORD COUNTY PUBLIC SERVICE AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2010**

**Note 6. Long-Term Liabilities (Continued)**

The annual requirements to amortize bond principal and related interest are as follows:

Fiscal Year	Pooled Loan Bonds		Lynchburg Sewer System		2009 Refunding	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 945,000	\$ 106,980	\$ 181,562	\$ 33,800	\$ -	\$ 430,881
2012	380,000	65,750	182,427	30,418	610,000	418,300
2013	400,000	48,150	183,321	27,007	645,000	390,166
2014	415,000	27,775	164,867	23,565	670,000	364,494
2015	435,000	8,700	165,824	20,091	695,000	337,616
2016-2020	-	-	641,957	48,899	3,950,000	1,183,600
2021-2025	-	-	9,279	244	2,855,000	216,722
2026-2030	-	-	-	-	-	-
	<u>\$ 2,575,000</u>	<u>\$ 257,355</u>	<u>\$ 1,529,237</u>	<u>\$ 184,024</u>	<u>\$ 9,425,000</u>	<u>\$ 3,341,779</u>

Fiscal Year	2004 Building Fund Bonds		2005 Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 93,347	\$ 6,900	\$ 500,000	\$ 454,508	\$ 1,719,909	\$ 1,033,069
2012	96,734	3,511	520,000	437,017	1,789,161	954,996
2013	-	-	540,000	418,820	1,768,321	884,143
2014	-	-	560,000	399,591	1,809,867	815,425
2015	-	-	585,000	1,585,956	1,880,824	1,952,363
2016-2020	-	-	3,355,000	809,583	7,946,957	2,042,082
2021-2025	-	-	4,155,000	78,083	7,019,279	295,049
2026-2030	-	-	935,000	-	935,000	-
	<u>\$ 190,081</u>	<u>\$ 10,411</u>	<u>\$ 11,150,000</u>	<u>\$ 4,183,558</u>	<u>\$ 24,869,318</u>	<u>\$ 7,977,127</u>

The following is a summary of changes in compensated absences for the year:

	<u>Beginning July 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending June 30</u>	<u>Due Within One Year</u>
Compensated absences	<u>\$ 151,956</u>	<u>\$ 37,231</u>	<u>\$ 37,988</u>	<u>\$ 151,199</u>	<u>\$ 37,800</u>

**BEDFORD COUNTY PUBLIC SERVICE AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2010**

**Note 7. Capital Contributions**

Capital contributions by source are summarized as follows:

Developers and customers	\$ 1,157,719
County of Bedford – capital debt assistance	2,000,000
County of Bedford – capital projects	<u>50,000</u>
	<u>\$ 3,207,719</u>

**Note 8. Defined Benefit Pension Plan**

**A. Plan Description**

The Authority contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (the "System"). All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with five years of service or at age 50 with 30 years of service if elected by the employer, payable monthly for life in an amount equal to 1.7% of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5% per year beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of reported compensation. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend 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 obtained by writing to the System at P.O. Box 2500, Richmond, VA 23218-2500.

**B. Funding Policy**

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual reported compensation to the VRS. This 5% member contribution may be assumed by the employer. In addition, the Authority is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The Authority's contribution rate for the fiscal year ended 2010 was 5.16% of annual covered payroll.

**BEDFORD COUNTY PUBLIC SERVICE AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2010**

**Note 8. Defined Benefit Pension Plan (Continued)**

**C. Annual Pension Cost**

For fiscal year 2010, the Authority's annual pension cost of \$133,447 was equal to the Authority's required and actual contributions. The required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a 7.5% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.75% to 5.60% per year, and (c) 2.50% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of the Authority's assets is equal to the five-year smoothed market value of assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period.

**Three-Year Trend Information**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2010	\$ 133,447	100 %	\$ -
June 30, 2009	\$ 150,550	100 %	\$ -
June 30, 2008	\$ 150,740	100 %	\$ -

**D. Funded Status and Funding Progress**

As of June 30, 2009, the most recent actuarial valuation date, the plan was 95.28% funded. The actuarial accrued liability for benefits was \$1,943,991, and the actuarial value of assets was \$1,852,288, resulting in an unfunded actuarial accrued liability (UAAL) of \$91,703. The covered payroll (annual payroll of active employees covered by the plan) was \$1,415,334, and ratio of the UAAL to the covered payroll was 6.48%. The schedule of funding progress for the postemployment defined benefit plan immediately follows the notes to the financial statements and shows whether the actuarial value of the plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

**Note 9. Service Contracts**

City of Lynchburg:

Effective July 1, 2007, the Authority renewed its water purchase contract with the City of Lynchburg. The new contract is effective through June 30, 2022. The contract is renewable in ten-year increments, if mutually agreed. Substantially all water for the Forest service area are purchased under the contract.

**BEDFORD COUNTY PUBLIC SERVICE AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

**Note 9. Service Contracts (Continued)**

Western Virginia Water Authority (WVWA):

The Authority has an agreement through February 2014 to purchase surplus water from the WVWA at a bulk rate, which is determined by a mutually agreed upon formula. The agreement also establishes minimum annual average daily quantities to be purchased. The water purchased serves the Stewartsville area of Bedford County.

Franklin County:

Effective October 18, 2002, the Authority entered into a twelve-year agreement with Franklin County, Virginia to provide up to 400,000 gallons per day of water to residents and businesses near Smith Mountain Lake. This agreement was assigned from Franklin County to the Western Virginia Water Authority on May 26, 2009. All other terms of the agreement remain unchanged.

Mariner's Landing Water and Sewer Company:

Effective May 13, 2009, the Authority entered into an agreement to sell water to the Mariner's Landing Water and Sewer Company (Mariner's Landing), a utility company regulated by the State Corporation Commission of the Commonwealth of Virginia. The agreement may be terminated within 180 days written notice by either party. No minimum purchase amounts are stipulated in the contract. The Authority will charge Mariner's Landing a rate based upon a mutually agreed upon formula. The water purchased serves the Mariner's Landing area of Bedford County.

**Note 10. Risk Management**

The Risk Management Programs of the Authority are as follows:

Worker's compensation:

Worker's Compensation Insurance is provided through the Virginia Mutual Self Insurance Association. During fiscal 2010, total premiums paid were \$17,722. Benefits are those afforded through the Commonwealth of Virginia as outlined in the Code of Virginia Section 65.2-100; premiums are based upon payroll, job rates and claims experience.

General liability and other:

The Authority provides general liability and other insurance through policies with the Virginia Municipal League Pool. General liability, business, and automobile have a \$1,000,000 limit. Boiler and machinery coverage maintains an additional \$2,000,000 umbrella policy over all forms of liability insurance. The Virginia Municipal League Pool was organized to formulate, develop, and administer on behalf of the member localities, a program of insurance, lower costs for that coverage, and a comprehensive loss control program. Pool members are not subject to a supplemental assessment in the event of deficiencies. The Pool maintains a re-insurance policy, which prevents members' responsibility for the Pool's liabilities if the assets of the Pool were exhausted. The Pool limits membership to small- to medium-sized Virginia localities and currently has approximately 500 members.

**BEDFORD COUNTY PUBLIC SERVICE AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

**Note 10. Risk Management (Continued)**

General liability and other: (Continued)

There were no significant reductions in insurance coverage from the prior year and no settlements that exceeded the amount of insurance coverage during the last three fiscal years.

Unemployment benefits:

The Authority does not pay state unemployment taxes for employees to draw upon should they be terminated and qualify for unemployment. Instead, should an employee be terminated and qualify for unemployment benefits, the state will pay the employee and charge the Authority for reimbursement.

**Note 11. Commitments and Contingencies**

Arbitrage:

The Authority has certain debt instruments subject to arbitrage regulations. The Authority is working to ensure that the final spend down test for the 2005 Revenue Bonds is met by funding general government projects currently in progress instead of utility projects that were deferred due to construction issues. During 2010, approximately \$53,000 of rebate liabilities were calculated and have been included in accrued liabilities; however, management is of the opinion that ultimately no amounts will be required to be rebated.

Litigation:

A certain claim is pending against the Authority. In the opinion of the Authority's management, after consulting with counsel, the potential loss, given insurance coverage, will not materially affect the Authority's financial position.

Water and sewer purchases:

The Authority has agreements to purchase water and sewer services from the City of Lynchburg. Under these agreements, the Authority is charged provisional rates for water purchases and sewer services which are then adjusted in subsequent fiscal years for the actual cost of providing those services to the Authority. These adjustments totaled \$82,266 for water and \$61,665 for sewer in 2010. The adjustments are not estimable and are therefore accounted for in the year they are charged to the Authority.

**Note 12. New Accounting Standards**

The Governmental Accounting Standards Board (GASB) has issued the following statement which is not yet effective.

GASB Statement No. 59, *Financial Instruments Omnibus*. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. **Management has not yet evaluated the effect, if any, of adopting this standard, but does not expect them to be material. This statement will be effective for the year ending June 30, 2011.**

# **REQUIRED SUPPLEMENTARY INFORMATION**

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## BEDFORD COUNTY PUBLIC SERVICE AUTHORITY

ANALYSIS OF FUNDING PROGRESS FOR DEFINED BENEFIT PENSION PLAN  
June 30, 2010

<b>Actuarial Valuation Date</b>	<b>(a) Actuarial Value of Assets</b>	<b>(b) Actuarial Accrued Liability (AAL)</b>	<b>(b-a) Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>(a/b) Funded Ratio</b>	<b>(c) Annual Covered Payroll</b>	<b>((b-a)/c) UAAL as a Percentage of Payroll</b>
June 30, 2007	\$ 1,392,172	\$ 1,542,408	\$ 150,236	90.26%	\$ 1,209,681	12.42%
June 30, 2008	\$ 1,648,605	\$ 1,706,437	\$ 57,832	96.61%	\$ 1,298,320	4.45%
June 30, 2009	\$ 1,852,288	\$ 1,943,991	\$ 91,703	95.28%	\$ 1,415,334	6.48%

## **SUPPORTING SCHEDULE**

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## BEDFORD COUNTY PUBLIC SERVICE AUTHORITY

## SCHEDULE OF DEPARTMENTAL OPERATING INCOME

Year Ended June 30, 2010

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Water sales	\$ 3,849,670	\$ -	\$ 3,849,670
Facility fees	527,625	326,500	854,125
Sewer service	-	1,070,281	1,070,281
Wastewater treatment plant operation fees	-	109,719	109,719
Review fees	29,082	-	29,082
Meter base installation fees	31,500	-	31,500
Account charges	19,926	5,984	25,910
Other	116,446	-	116,446
Penalties	41,284	9,315	50,599
	<u>4,615,533</u>	<u>1,521,799</u>	<u>6,137,332</u>
Total operating revenues			
<b>OPERATING EXPENSES</b>			
Water and sewer systems	1,874,665	512,983	2,387,648
Depreciation and amortization	1,181,042	1,061,297	2,242,339
Salaries and employee benefits	1,337,686	461,247	1,798,933
Management and general	114,864	39,606	154,470
Customer service and information services	92,445	28,779	121,224
Vehicles	61,636	19,188	80,824
Engineering operations and maintenance	8,036	2,502	10,538
	<u>4,670,374</u>	<u>2,125,602</u>	<u>6,795,976</u>
Total operating expenses			
Operating income (loss)	<u>\$ (54,841)</u>	<u>\$ (603,803)</u>	<u>\$ (658,644)</u>

# STATISTICAL SECTION

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This part of the Bedford County Public 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 the Authority's financial health.

## Contents

### ***Financial Trends***

***Tables 1-4***

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***

***Tables 5-14***

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

### ***Debt Capacity***

***Table 15-16***

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

### ***Demographic and Economic Information***

***Tables 17-18***

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***

***Tables 19-20***

These schedules contain information about the Authority's operations and resources to help the reader understand how the Authority's financial information relates to the services the Authority provides.

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The Authority implemented GASB Statement 34 in fiscal year 2001; schedules presenting information relating to GASB Statement 34 include information beginning in that year.

**Table 1**

**BEDFORD COUNTY PUBLIC SERVICE AUTHORITY**

**NET ASSETS BY COMPONENT  
LAST NINE FISCAL YEARS\***

	<b>Fiscal Year</b>								
	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
Primary Government									
Invested in capital assets, net of related debt	\$41,539,997	\$41,104,093	\$39,379,175	\$36,589,085	\$21,623,772	\$ 9,641,489	\$24,225,423	\$21,956,242	\$21,019,775
Restricted	-	-	-	-	8,197,558	17,912,328	-	-	-
Unrestricted	1,114,810	7,052	(822,158)	(105,336)	364,542	711,617	1,555,524	1,677,170	1,005,813
Total primary government net assets	<u>\$42,654,807</u>	<u>\$41,111,145</u>	<u>\$38,557,017</u>	<u>\$36,483,749</u>	<u>\$30,185,872</u>	<u>\$28,265,434</u>	<u>\$25,780,947</u>	<u>\$23,633,412</u>	<u>\$22,025,588</u>

\*The Authority implemented GASB 34 in 2001. Net asset information prior to 2001 is not comparable and is therefore excluded.

Table 2

## BEDFORD COUNTY PUBLIC SERVICE AUTHORITY

CHANGES IN NET ASSETS  
LAST NINE FISCAL YEARS\*

<b>Fiscal Year</b>	<b>Operating Revenues</b>	<b>Operating Expenses</b>	<b>Operating Income (Loss)</b>	<b>Total Nonoperating Revenues/ (Expenses)</b>	<b>Income/(Loss) before Capital Contributions</b>	<b>Capital Contributions</b>	<b>Changes in Net Assets</b>
2010	\$ 6,137,332	\$ 6,795,976	\$ (658,644)	\$ (1,005,413)	\$ (1,664,054)	\$ 3,207,719	\$ 1,543,665
2009	\$ 5,757,662	\$ 7,021,598	\$ (1,263,936)	\$ (1,271,208)	\$ (2,535,144)	\$ 5,089,272	\$ 2,554,128
2008	\$ 5,774,512	\$ 6,541,133	\$ (766,621)	\$ (1,252,095)	\$ (2,018,716)	\$ 4,091,984	\$ 2,073,268
2007	\$ 5,799,673	\$ 5,900,620	\$ (100,947)	\$ (669,564)	\$ (770,511)	\$ 7,068,388	\$ 6,297,877
2006	\$ 5,144,285	\$ 4,890,095	\$ 254,190	\$ (585,854)	\$ (331,664)	\$ 2,252,102	\$ 1,920,438
2005	\$ 4,210,668	\$ 4,304,456	\$ (93,788)	\$ (676,809)	\$ (770,597)	\$ 3,255,084	\$ 2,484,487
2004	\$ 3,911,378	\$ 3,850,061	\$ 61,317	\$ (786,741)	\$ (725,424)	\$ 2,872,959	\$ 2,147,535
2003	\$ 3,847,557	\$ 3,473,082	\$ 374,475	\$ (625,042)	\$ (250,567)	\$ 1,858,391	\$ 1,607,824
2002	\$ 3,566,850	\$ 3,230,715	\$ 336,135	\$ (254,702)	\$ 81,433	\$ 2,662,909	\$ 2,744,342

\*The Authority implemented GASB 34 in 2001. Net asset information prior to 2001 is not comparable and is therefore excluded.

Table 3

**BEDFORD COUNTY PUBLIC SERVICE AUTHORITY**

**OPERATING EXPENSES  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Water Systems</b>	<b>Sewer Systems</b>	<b>Employment Costs</b>	<b>General Office and Departmental Expenses</b>	<b>Subtotal, Expenses before Depreciation and Amortization</b>	<b>Depreciation and Amortization</b>	<b>Total</b>
2010	\$ 1,874,665	\$ 512,983	\$ 1,798,933	\$ 367,056	\$ 4,553,637	\$ 2,242,339	\$ 6,795,976
2009	\$ 1,858,887	\$ 472,339	\$ 2,062,034	\$ 404,906	\$ 4,798,166	\$ 2,223,432	\$ 7,021,598
2008	\$ 1,420,557	\$ 447,614	\$ 2,102,713	\$ 514,420	\$ 4,485,304	\$ 2,055,829	\$ 6,541,133
2007	\$ 1,362,533	\$ 387,670	\$ 1,933,656	\$ 456,610	\$ 4,140,469	\$ 1,760,151	\$ 5,900,620
2006	\$ 1,206,837	\$ 174,619	\$ 1,849,955	\$ 416,187	\$ 3,647,598	\$ 1,242,496	\$ 4,890,094
2005	\$ 1,197,526	\$ 168,110	\$ 1,459,387	\$ 393,892	\$ 3,218,915	\$ 1,085,541	\$ 4,304,456
2004	\$ 1,036,593	\$ 132,836	\$ 1,173,461	\$ 594,746	\$ 2,937,636	\$ 924,119	\$ 3,861,755
2003	\$ 951,974	\$ 87,078	\$ 1,024,708	\$ 565,645	\$ 2,629,405	\$ 843,677	\$ 3,473,082
2002	\$ 818,475	\$ 59,555	\$ 1,081,577	\$ 498,991	\$ 2,458,598	\$ 772,117	\$ 3,230,715
2001	\$ 686,589	\$ 92,299	\$ 801,328	\$ 386,173	\$ 1,966,389	\$ 686,541	\$ 2,652,930

Table 4

**BEDFORD COUNTY PUBLIC SERVICE AUTHORITY**  
**NONOPERATING REVENUES AND EXPENSES**  
**LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Interest Expense<sup>a</sup></b>	<b>Investment Income</b>	<b>Gain (Loss) on Disposal of Capital Assets</b>	<b>Total Nonoperating Expenses</b>
2010	\$ (1,070,135)	\$ 30,928	\$ 33,794	\$ (1,005,413)
2009	\$ (1,176,818)	\$ 66,707	\$ (161,097)	\$ (1,271,208)
2008	\$ (1,212,063)	\$ 147,412	\$ (187,444)	\$ (1,252,095)
2007	\$ (1,024,977)	\$ 367,678	\$ (12,265)	\$ (669,564)
2006	\$ (1,024,634)	\$ 572,397	\$ (133,617)	\$ (585,854)
2005	\$ (836,747)	\$ 175,150	\$ (15,212)	\$ (676,809)
2004	\$ (632,809)	\$ 103,157	\$ (257,089)	\$ (786,741)
2003	\$ (857,582)	\$ 232,540	\$ -	\$ (625,042)
2002	\$ (310,799)	\$ 56,097	\$ -	\$ (254,702)
2001	\$ (311,712)	\$ 117,524	\$ -	\$ (194,188)

<sup>a</sup> Net of capitalized amounts

Table 5

**BEDFORD COUNTY PUBLIC SERVICE AUTHORITY**

**OPERATING REVENUES BY SOURCE  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Water Revenue</b>	<b>Sewer Revenue</b>	<b>Water Facility Revenue</b>	<b>Sewer Facility Revenue</b>	<b>Penalties and Fees <sup>a</sup></b>	<b>Miscellaneous <sup>b</sup></b>	<b>Total</b>
2010	\$ 3,849,670	\$ 1,180,000	\$ 527,625	\$ 326,500	\$ 137,091	\$ 116,446	\$ 6,137,332
2009	\$ 3,569,027	\$ 936,320	\$ 491,344	\$ 420,000	\$ 215,414	\$ 125,557	\$ 5,757,662
2008	\$ 3,335,895	\$ 792,219	\$ 919,969	\$ 390,750	\$ 224,633	\$ 111,046	\$ 5,774,512
2007	\$ 3,045,864	\$ 724,692	\$ 1,015,519	\$ 651,300	\$ 285,969	\$ 76,329	\$ 5,799,673
2006	\$ 2,770,724	\$ 618,487	\$ 1,068,878	\$ 458,375	\$ 203,212	\$ 24,609	\$ 5,144,285
2005	\$ 2,466,691	\$ 541,954	\$ 849,932	\$ 183,625	\$ 163,105	\$ 5,361	\$ 4,210,668
2004	\$ 2,196,634	\$ 574,608	\$ 772,317	\$ 211,742	\$ 154,747	\$ 1,330	\$ 3,911,378
2003	\$ 2,279,847	\$ 517,751	\$ 734,439	\$ 130,812	\$ 178,148	\$ 6,560	\$ 3,847,557
2002	\$ 2,104,362	\$ 472,467	\$ 623,589	\$ 217,737	\$ 145,089	\$ 3,606	\$ 3,566,850
2001	\$ 1,922,728	\$ 379,502	\$ 467,869	\$ 147,843	\$ 103,072	\$ 8,083	\$ 3,029,097

<sup>a</sup> Penalties and Fees include review fees, account charges, and meter installation fees.

<sup>b</sup> Miscellaneous includes reconnect fees, cellular antennae rental on water tanks, and other miscellaneous revenue.

**Table 6**

**BEDFORD COUNTY PUBLIC SERVICE AUTHORITY**

**WATER PRODUCED AND CONSUMED AND WASTEWATER TREATED  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Water</b>				<b>Sewer</b>			
	<b>Gallons Produced (000's)</b>	<b>Gallons Billed (000's)</b>	<b>Other Unbilled Uses</b>	<b>Water Accountability</b>	<b>Gallons Treated (000's)</b>	<b>Gallons Billed (000's)</b>	<b>Other Unbilled Uses</b>	<b>Sewer Accountability</b>
2010	681,511	577,341	24,890	88.37%	149,610	135,828	4,247	93.63%
2009	687,019	588,568	38,893	91.33%	138,584	130,914	-	94.47%
2008	692,156	584,365	53,673	92.18%	139,175	127,911	5,438	95.81%
2007	650,341	535,457	45,267	89.30%	111,432	111,432	-	100.00%
2006	601,620	504,070	22,801	87.58%	104,986	104,986	-	100.00%
2005	549,245	470,502	24,618	90.15%	86,431	98,967	-	114.50%
2004	494,826	421,137	2,491	85.61%	95,374	92,025	-	96.49%
2003	519,276	436,424	-	84.04%	90,247	92,718	-	102.74%
2002	515,739	427,074	-	82.81%	70,071	88,420	-	126.19%
2001	410,391	405,841	-	98.89%	67,683	81,701	-	120.71%

Note: Other unbilled uses include water that is used for flushing and new construction. During FY 2002-03, the Authority purchased and installed metering equipment that more fully allowed it to monitor these uses.

**Table 7**

**BEDFORD COUNTY PUBLIC SERVICE AUTHORITY**

**ANNUAL CONNECTIONS  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Water Connections</b>	<b>Sewer Connections</b>	<b>Total New Connections</b>
2010	174	67	241
2009	145	64	209
2008	250	123	373
2007	357	255	612
2006	415	129	544
2005	306	38	344
2004	324	51	375
2003	287	60	347
2002	320	52	372
2001	239	37	276

Note: Connections are the total connections sold within a fiscal year. Customers may pay connection charges and wait to connect to the system. Connections sold do not necessarily represent new customers that are active and paying monthly rates.

**Table 8****BEDFORD COUNTY PUBLIC SERVICE AUTHORITY****NUMBER OF WATER CUSTOMERS BY TYPE  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Residential</b>	<b>Commercial</b>	<b>Industrial</b>	<b>Institutional</b>	<b>Irrigation</b>	<b>Total</b>
2010	7,987	331	31	42	81	8,472
2009	7,865	302	31	42	52	8,292
2008	7,716	236	14	20	2	7,988
2007	7,316	236	14	20	0	7,586
2006	6,884	248	19	37	41	7,229
2005	6,343	222	17	37	41	6,660
2004	6,163	268	17	32	50	6,530
2003	5,846	265	17	30	44	6,202
2002	5,569	257	18	36	43	5,923
2001	5,265	255	17	29	30	5,596

## Notes:

1. Institutional includes governmental and educational user types.
2. Beginning in FY 2005-2006, the BCPSA began more closely examining our user type classifications.

**Table 9****BEDFORD COUNTY PUBLIC SERVICE AUTHORITY****NUMBER OF SEWER CUSTOMERS BY TYPE  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Residential</b>	<b>Commercial</b>	<b>Industrial</b>	<b>Institutional</b>	<b>nm</b>	<b>Total</b>
2010	1,301	154	14	22	1	1,492
2009	1,261	132	14	22	1	1,430
2008	1,166	120	8	8	1	1,303
2007	1,064	115	6	7	0	1,192
2006	834	84	7	11	1	937
2005	750	67	7	10	1	835
2004	694	108	7	9	2	820
2003	644	107	7	9	2	769
2002	607	85	6	9	2	709
2001	562	80	5	8	2	657

## Notes:

1. Institutional includes governmental and educational user types.
2. Beginning in FY 2005-2006, the BCPSA began more closely examining our user type classifications.
3. “nm” denotes no meter and sanitary sewer service only.

**Table 10**

**BEDFORD COUNTY PUBLIC SERVICE AUTHORITY**

**TEN LARGEST WATER CUSTOMERS  
CURRENT YEAR**

<b>Customer</b>	<b>2010</b>	
	<b>Revenue</b>	<b>Percentage</b>
Franklin County	\$ 203,079	5.28%
Barr Laboratories	91,810	2.38
Jefferson Forest High School	34,553	0.90
Hill City Rental – Jefferson Ridge Apartments	25,456	0.66
Boonsboro Country Club	20,048	0.52
Blue Ridge Regional Jail	10,634	0.28
The Forest Partners – Food Lion	9,042	0.23
CDR LLC/Cedar Rock Mobile Home Park	8,837	0.23
Thomas Jefferson Elementary School	8,092	0.21
Coleman Family LLC	6,176	0.16
Subtotal (10 largest)	417,727	10.85
Balance from other customers	3,431,943	89.15
Grand totals	\$ 3,849,670	100.00%

Note: Prior to 2005, this data was not tracked. Information for the period nine years prior to the current period will begin in 2014.

**Table 11**

**BEDFORD COUNTY PUBLIC SERVICE AUTHORITY**

**TEN LARGEST SEWER CUSTOMERS  
CURRENT YEAR**

<b>Customer</b>	<b>2010</b>	
	<b>Revenue</b>	<b>Percentage</b>
Barr Laboratories	\$ 108,219	10.68%
Jefferson Forest High School	40,305	3.98
Hill City Rental – Jefferson Ridge Apartments	23,747	2.34
Blue Ridge Regional Jail	11,402	1.13
The Forest Partners – Food Lion	10,616	1.05
Coleman Family LLC	8,569	0.85
Thomas Jefferson Elementary School	8,640	0.85
Mail America	7,299	0.72
M&M Cleaners	5,601	0.55
Runk & Pratt of Forest	5,243	0.52
Subtotal (10 largest)	229,641	22.67
Balance from other customers	783,226	77.33
Grand totals	\$ 1,012,867	100.00%

Note: Prior to 2005, this data was not tracked. Information for the period nine years prior will begin in 2014.

Table 12

**BEDFORD COUNTY PUBLIC SERVICE AUTHORITY**

**SCHEDULE OF WATER AND SEWER RATES  
LAST TEN FISCAL YEARS**

Fiscal Year	Water			Sewer		
	Base Charge <sup>1</sup>	Volume	Rate per 1,000 Gallons	Base Charge <sup>1</sup>	Rate per 1,000 Gallons	Unmetered Sewer Service <sup>2</sup>
July 1996 – December 2001	\$ 15.00	0-50,000 gallons Over 50,000	\$ 3.56 \$ 2.50	\$ 15.00	\$ 3.25	n/a
January 2002 – January 2006	\$ 16.00	n/a	\$ 3.75	\$ 16.00	\$ 4.00	\$ 25.00
January 2006 – September 2008	\$ 18.00	n/a	\$ 4.26	\$ 18.00	\$ 4.26	\$ 37.50
September 2008 – June 2009	\$ 20.00	n/a	\$ 4.50	\$ 20.00	\$ 5.00	\$ 50.00
July 2009 – present	\$ 20.00	n/a	\$ 5.00	\$ 20.00	\$ 6.00	\$ 50.00

<sup>1</sup> Base charges are billed on a bi-monthly basis.

<sup>2</sup> Unmetered sewer service is billed per bi-monthly billing cycle for customers that are not connected to the Authority's water supply but do have sewer service.

**Table 13**

**BEDFORD COUNTY PUBLIC SERVICE AUTHORITY**  
**SCHEDULE OF WATER AND SEWER FACILITY FEES**  
**JULY 1996 – DECEMBER 2001**

	<u>Water</u>	<u>Sewer</u>
Single family residence	\$ 1,750.00	\$ 2,000.00
Multi-family (per unit)	\$ 1,312.50	\$ 1,500.00
Mobile home (per unit)	\$ 1,312.50	\$ 1,500.00
Mobile home park (per space)	\$ 1,312.50	\$ 1,500.00
Motels (per room)	\$ 284.67	\$ 325.33
Restaurants (per seat)	\$ 109.67	\$ 125.33
Shopping center (per sq. foot)	\$ 0.66	\$ 0.75
Office space ( per sq. foot)	\$ 0.33	\$ 0.38
Factories (per person per shift)	\$ 109.67	\$ 125.33
Warehouses (per sq. foot)	\$ 0.06	\$ 0.07
Service stations (per vehicle service space)	\$ 22.17	\$ 25.33
Laundromats (per machine)	\$ 1,093.75	\$ 1,250.00
Nursing homes (per bed)	\$ 437.50	\$ 500.00
Elderly care facilities (per bed)	\$ 218.75	\$ 250.00
Hospitals (per bed)	\$ 656.25	\$ 750.00
Doctor's office (per office)	\$ 1,093.75	\$ 1,250.00
High schools (per person)	\$ 35.00	\$ 40.00
Elementary schools (per person)	\$ 22.17	\$ 25.33
Boarding schools (per person)	\$ 163.92	\$ 187.33
Community colleges (per person)	\$ 32.67	\$ 37.33
Auditoriums, churches (per seat)	\$ 11.08	\$ 12.67
Picnic areas, camps (per person)	\$ 11.08	\$ 12.67
Swimming pools (per sq. foot)	\$ 0.82	\$ 0.93

Notes:

Beginning in 2002, availability fees were calculated based on meter size, the fees prior to 2002 are shown in a separate table due to the various components in determining the fees.

The minimum availability fee is \$1,000 for water and \$1,000 for sewer.

At its discretion, the Authority may elect to calculate the availability charge on an Equivalent Residential Connection (ERC) basis. For purposes of this calculation, one ERC equals GPD (gallons per day).

Table 14

**BEDFORD COUNTY PUBLIC SERVICE AUTHORITY**  
**SCHEDULE OF WATER AND SEWER FACILITY FEES**  
**JANUARY 2002 – PRESENT**

Facility Fees (based on meter size)	January 2002 - January 2006 <sup>1</sup>		January 2006 - August 2008 <sup>2</sup>		August 2008 - present <sup>2</sup>	
	Water	Sewer	Water	Sewer	Water	Sewer
Residential 5/8"	\$ 2,250.00	\$ 2,750.00	\$ 2,250.00	\$ 3,000.00	\$ 2,250.00	\$ 3,000.00
3/4"	n/a	n/a	\$ 2,250.00	\$ 3,000.00	\$ 3,375.00	\$ 5,000.00
Per multi-family unit (individual meter)	\$ 1,687.50	\$ 2,062.50	n/a	n/a	n/a	n/a
Commercial 5/8"	\$ 2,250.00	\$ 2,750.00	n/a	n/a	n/a	n/a
1 ERC (equivalent residential connection)	\$ 2,250.00	\$ 2,750.00	\$ 2,250.00	\$ 3,000.00	\$ 2,250.00	\$ 3,000.00
1"	\$ 5,625.00	\$ 6,875.00	\$ 5,625.00	\$ 7,500.00	\$ 5,625.00	\$ 7,500.00
1-1/2"	\$ 9,844.00	\$ 12,031.00	\$ 9,844.00	\$ 13,125.00	\$ 9,844.00	\$ 13,125.00
2"	\$ 18,000.00	\$ 22,000.00	\$ 18,000.00	\$ 24,000.00	\$ 18,000.00	\$ 24,000.00
3"	\$ 36,000.00	\$ 44,000.00	\$ 36,000.00	\$ 48,000.00	\$ 36,000.00	\$ 48,000.00
4"	\$ 56,250.00	\$ 68,750.00	\$ 56,250.00	\$ 75,000.00	\$ 56,250.00	\$ 75,000.00
6"	\$ 112,500.00	\$ 137,500.00	\$ 112,500.00	\$ 150,000.00	\$ 112,500.00	\$ 150,000.00
8"	\$ 180,000.00	\$ 220,000.00	\$ 180,000.00	\$ 240,000.00	\$ 180,000.00	\$ 240,000.00
10"	n/a	n/a	\$ 295,000.00	\$ 394,000.00	\$ 295,000.00	\$ 394,000.00
12"	n/a	n/a	\$ 484,000.00	\$ 646,000.00	\$ 484,000.00	\$ 646,000.00

Notes:

<sup>1</sup> The minimum availability fee is \$2,250 for water and \$2,750 for sewer.

<sup>2</sup> The minimum availability fee is \$2,250 for water and \$3,000 for sewer.

Table 15

**BEDFORD COUNTY PUBLIC SERVICE AUTHORITY**

**SCHEDULE OF DEBT COVERAGE  
LAST TEN FISCAL YEARS**

<b>Fiscal Year Ended June 30</b>	<b>Debt Coverage Reserve</b>	<b>Operating Revenues</b>	<b>Direct Operating Expenses**</b>	<b>Bedford County Support</b>	<b>Net Available for Debt Service</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Debt Coverage</b>
2010	\$ 408,053	\$ 6,137,332	\$ 4,553,637	\$ 2,000,000	\$ 3,991,748	\$ 1,719,908	\$ 1,033,069	\$ 2,752,977	145%
2009	\$ 406,829	\$ 5,757,662	\$ 4,798,166	\$ 2,000,000	\$ 3,366,325	\$ 1,589,532	\$ 1,213,598	\$ 2,803,130	120%
2008	\$ 399,961	\$ 5,774,512	\$ 4,485,304	\$ 2,000,000	\$ 3,689,169	\$ 1,536,279	\$ 1,263,855	\$ 2,800,134	132%
2007	\$ 383,468	\$ 5,799,673	\$ 4,140,469	\$ 2,000,000	\$ 4,042,672	\$ 1,498,139	\$ 1,310,029	\$ 2,808,168	144%
2006	\$ 363,798	\$ 5,144,285	\$ 3,647,598	\$ 1,481,064	\$ 3,341,549	\$ 1,030,109	\$ 1,292,606	\$ 2,322,715	144%
2005	\$ 349,107	\$ 4,210,668	\$ 3,218,915	\$ 1,000,000	\$ 2,340,860	\$ 931,819	\$ 836,747	\$ 1,768,566	132%
2004	\$ -	\$ 3,911,378	\$ 2,937,636	\$ 1,000,000	\$ 1,973,742	\$ 806,636	\$ 783,495	\$ 1,590,131	124%
2003	\$ -	\$ 3,847,557	\$ 2,629,405	\$ 500,000	\$ 1,718,152	\$ 418,999	\$ 714,928	\$ 1,133,927	152%
2002	\$ -	\$ 3,566,850	\$ 2,458,598	\$ -	\$ 1,108,252	\$ 465,107	\$ 357,347	\$ 822,454	135%
2001	\$ -	\$ 3,029,097	\$ 1,966,389	\$ -	\$ 1,062,708	\$ 327,862	\$ 324,470	\$ 652,332	163%

\*\*Excluding depreciation, interest, and amortization

Table 16

**BEDFORD COUNTY PUBLIC SERVICE AUTHORITY**

**OUTSTANDING DEBT BY CATEGORY  
LAST TEN FISCAL YEARS**

<b>Fiscal Year Ended June30</b>	<b>Lynchburg Sewer System Bonds</b>	<b>Pooled Loan Bonds</b>	<b>Building Fund Bonds</b>	<b>2005 Revenue Bond</b>	<b>Uamortized Premium</b>	<b>Deferred Loss on Refunding</b>	<b>Total</b>
2010	\$ 1,529,237	\$ 12,000,000	\$ 190,081	\$ 11,150,000	\$ 1,163,910	\$ (788,329)	\$ 25,244,899
2009	\$ 1,508,037	\$ 12,990,000	\$ 280,158	\$ 11,635,000	\$ 323,740	\$ (48,446)	\$ 26,688,489
2008	\$ 1,670,032	\$ 13,860,000	\$ 367,080	\$ 12,105,000	\$ 352,794	\$ (56,634)	\$ 28,298,272
2007	\$ 1,825,756	\$ 14,695,000	\$ 450,957	\$ 12,560,000	\$ 381,848	\$ (64,822)	\$ 29,848,739
2006	\$ 1,987,956	\$ 15,510,000	\$ 531,896	\$ 13,000,000	\$ 410,902	\$ (73,010)	\$ 31,367,744
2005	\$ 2,148,961	\$ 16,300,000	\$ 610,000	\$ 13,000,000	\$ 439,956	\$ (81,198)	\$ 32,417,719
2004	\$ 2,311,779	\$ 17,070,000	\$ -	\$ -	\$ 195,669	\$ (89,385)	\$ 19,488,063
2003	\$ 2,473,415	\$ 17,715,000	\$ -	\$ -	\$ 211,707	\$ (97,573)	\$ 20,302,549
2002	\$ 2,503,530	\$ 18,150,000	\$ -	\$ -	\$ 53,976	\$ -	\$ 20,707,506
2001	\$ 2,723,657	\$ 4,815,000	\$ -	\$ -	\$ -	\$ -	\$ 7,538,657

Table 17

**BEDFORD COUNTY PUBLIC SERVICE AUTHORITY**

**TEN LARGEST EMPLOYERS (BEDFORD COUNTY)  
CURRENT YEAR AND NINE YEARS AGO**

Employer	2010			2001		
	Employees	Rank	% Total Employment	Employees	Rank	% Total Employment
Bedford County School Board	1,000+	1		1,000+	1	
Staffmark Investment LLC	500-999	2		-	-	
County of Bedford	500-999	3		250-499	3	
Barr Laboratories Inc.	500-999	4		-	-	
GP Big Island LLC (formerly Nekoosa Packaging Corporation	250-499	5		250-499	4	
Wal-Mart	250-499	6		-	-	
Mail America Communications	250-499	7		250-499	7	
Inservice America	250-499	8		250-499	6	
Food Lion	100-249	9		250-499	5	
Sentry Equipment Erectors	100-249	10		-	-	
Alpha Omega Resources	-	-	-	500-999	2	
Emeritus Corporation	-	-	-	100-249	8	
Grayson Wireless Electronics	-	-	-	100-249	9	
R.S.T. Marketing Associates	-	-	-	100-249	10	

Source: Virginia Employment Commission, Quarterly Census of Employment and Wages (QCEW)

Table 18

**BEDFORD COUNTY PUBLIC SERVICE AUTHORITY**  
**OTHER DEMOGRAPHIC DATA (BEDFORD COUNTY)**  
**LAST TEN FISCAL YEARS**

<b>Year</b>	<b>Population <sup>1</sup></b>	<b>Personal Income <sup>2</sup> (thousands of dollars)</b>	<b>Per Capita Personal Income <sup>2</sup></b>	<b>Unemployment Rate <sup>3</sup></b>
2010	67,154	\$ 2,618,524	\$ 35,934	6.5%
2009	66,831	\$ 2,421,037	\$ 33,674	6.9%
2008	66,457	\$ 2,237,837	\$ 33,647	3.7%
2007	*	\$ *	\$ *	2.9%
2006	66,507	\$ *	\$ *	2.9%
2005	65,286	\$ 2,276,982	\$ 32,282	3.1%
2004	63,919	\$ 2,148,905	\$ 30,961	3.5%
2003	62,779	\$ 2,055,234	\$ 30,052	3.9%
2002	61,866	\$ 2,018,540	\$ 29,795	4.5%
2001	61,210	\$ 1,972,182	\$ 29,286	3.2%

Sources: <sup>1</sup> Virginia Workforce Connection.

<sup>2</sup> Virginia Workforce Connection, includes Bedford City and County.

<sup>3</sup> Bedford Community Profile, VEC Economic Information Services Division.

\* Unavailable

**Table 19**

**BEDFORD COUNTY PUBLIC SERVICE AUTHORITY**  
**NUMBER OF EMPLOYEES BY IDENTIFIABLE ACTIVITY**  
**LAST TEN FISCAL YEARS**

	<b>Full-time Equivalent Employees as of June 30,</b>									
	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
Administration	4.0	5.0	4.0	5.0	4.0	3.0	3.0	1.0	1.0	1.0
Customer services	5.0	5.0	6.0	6.0	6.0	6.0	4.0	3.0	3.0	3.0
IT	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.5	0.5
Finance	1.0	1.0	2.0	2.0	1.0	1.0	1.0	-	-	-
Engineering	8.0	8.0	9.0	8.0	7.0	7.0	5.0	4.0	4.5	4.5
Plant operations	7.0	8.0	8.0	8.0	5.0	5.0	5.0	4.5	4.5	4.5
Maintenance	8.0	8.0	8.0	7.0	6.0	6.0	6.0	6.5	6.5	6.5
	<b>34.0</b>	<b>36.0</b>	<b>38.0</b>	<b>37.0</b>	<b>30.0</b>	<b>29.0</b>	<b>25.0</b>	<b>20.0</b>	<b>20.0</b>	<b>20.0</b>

**Table 20**

**BEDFORD COUNTY PUBLIC SERVICE AUTHORITY**

**OPERATING INDICATORS  
LAST TEN FISCAL YEARS**

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Water meters read <sup>1</sup>	50,267	47,670	47,696	45,231	43,314	n/a	n/a	n/a	n/a	n/a
Meter installations and change outs <sup>2</sup>	243	353	854	597	598	n/a	n/a	n/a	n/a	n/a
Payments transacted	46,929	40,844	51,465	50,042	46,033	n/a	n/a	n/a	n/a	n/a

n/a = not available – Prior to 2006, this data was not tracked.

<sup>1</sup>Number of meters read for billing purposes

<sup>2</sup>Includes a pilot switch-out in 2006

**Table 21**

**BEDFORD COUNTY PUBLIC SERVICE AUTHORITY**

**CAPITAL ASSET STATISTICS  
LAST TEN FISCAL YEARS**

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Miles of water line	208	204	193	184	171	169	n/a	n/a	n/a	n/a
Miles of sewer line	65	58	54	50	42	33	n/a	n/a	n/a	n/a
Water pump stations	2	2	2	2	2	2	n/a	n/a	n/a	n/a
Sewer pump stations	9	9	8	8	4	3	n/a	n/a	n/a	n/a
Water storage tanks	8	8	11	11	12	12	n/a	n/a	n/a	n/a
Wastewater treatment plants	2	2	2	2	1	1	n/a	n/a	n/a	n/a
Water treatment plants	5	5	9	9	10	10	n/a	n/a	n/a	n/a

n/a = not available

Prior to 2005, this data was not tracked on a consistent basis.

# **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***

Board of Directors  
Bedford County Public Service Authority  
Bedford, Virginia

We have audited the financial statements of the Bedford County Public Service Authority as of and for the year ended June 30, 2010, and have issued our report thereon dated September 13, 2010. 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 *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design of 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. **We consider the deficiency described as 08-1 in the accompanying schedule of findings and responses to be a material weakness in internal control over financial reporting.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 also noted certain matters that we reported to management of the Authority in a separate letter dated September 13, 2010.

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Authority's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information of management, the board, and state regulatory agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

*Brown, Edwards & Company, L.L.P.*  
CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
September 13, 2010

**BEDFORD COUNTY PUBLIC SERVICE AUTHORITY**

**SUMMARY OF COMPLIANCE MATTERS**

**June 30, 2010**

As more fully described in the 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*, we performed tests of the Authority's compliance with certain provisions of the laws, regulations, and contracts shown below.

STATE COMPLIANCE MATTERS

*Code of Virginia:*

- Cash and Investment Laws
- Conflicts of Interest Act
- Local Retirement Systems
- Debt Provisions
- Procurement Laws
- Uniform Disposition of Unclaimed Property Act

LOCAL COMPLIANCE MATTERS

Authority By-Laws

**BEDFORD COUNTY PUBLIC SERVICE AUTHORITY**

**SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2010**

**A. FINDINGS – FINANCIAL STATEMENT AUDIT**

**08-1: Segregation of Duties (Material Weakness)**

*Condition:*

A fundamental concept of internal controls is the separation of duties. No one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. A proper segregation of duties has not been established in functions related to cash receipts, accounts receivable, cash disbursements, and accounts payable.

*Recommendation:*

Steps should be taken to eliminate performance of conflicting duties where possible or to implement effective compensating controls.

*Management's Response:*

Management understands this concern; however, the current staff size limits the separation of duties in regards to these functions.