

AMHERST COUNTY SERVICE AUTHORITY
(A COMPONENT UNIT OF AMHERST COUNTY, VIRGINIA)
FINANCIAL REPORT
YEARS ENDED DECEMBER 31, 2009 AND 2008

AMHERST COUNTY SERVICE AUTHORITY
FINANCIAL REPORT
YEARS ENDED DECEMBER 31, 2009 AND 2008

Board of Directors

Leon Parrish, Chairman

Chris Adams, Vice-Chairman

Donald Kidd

Ray Vandall

Vernon Wood

Director	Dan E. French
Treasurer	Donald T. Wood
Secretary	C. Lee Lintecum

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

**To the Honorable Board Members
Amherst County Service Authority
Madison Heights, Virginia**

We have audited the accompanying statements of net assets of the Amherst County Service Authority (a component unit of Amherst County, Virginia), as of December 31, 2009 and 2008 and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Amherst County Service Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Amherst County Service Authority, at December 31, 2009 and 2008, and results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2010, on our consideration of the Amherst County Service Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As described more fully in Note 2, the financial statements referred to above do not include the Management's Discussion and Analysis which should be included to conform with accounting principles generally accepted in the United States of America.

The Required Supplementary Information as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia

March 29, 2010

Financial Statements

AMHERST COUNTY SERVICE AUTHORITY

Statements of Net Assets
At December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 10,132,152	\$ 2,562,901
Restricted assets	317,700	317,700
Accounts receivable (net of allowance for uncollectibles)	152,051	243,083
Prepaid expenses	-	26,254
Inventory	<u>225,888</u>	<u>240,199</u>
 Total Current Assets	 \$ <u>10,827,791</u>	 \$ <u>3,390,137</u>
Noncurrent Assets		
Restricted assets	\$ <u>1,000,000</u>	\$ <u>1,000,000</u>
Capital assets:		
Land	\$ 619,290	\$ 619,290
Construction in progress	3,359,749	3,307,331
Buildings and equipment, net of depreciation	13,950,781	13,260,069
Total capital assets	\$ <u>17,929,820</u>	\$ <u>17,186,690</u>
Other assets	<u>2,131,319</u>	<u>2,147,368</u>
Total Noncurrent Assets	\$ <u>21,061,139</u>	\$ <u>20,334,058</u>
 Total Assets	 \$ <u><u>31,888,930</u></u>	 \$ <u><u>23,724,195</u></u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	\$ 498,295	\$ 432,530
Current portion of long-term obligations	254,244	247,856
Total Current Liabilities	\$ <u>752,539</u>	\$ <u>680,386</u>
Noncurrent Liabilities		
Noncurrent portion of long-term obligations	<u>13,435,908</u>	<u>6,436,211</u>
Total Liabilities	\$ <u>14,188,447</u>	\$ <u>7,116,597</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 6,190,820	\$ 13,401,691
Restricted for construction, debt service and other purposes	1,317,700	1,317,700
Unrestricted assets	<u>10,191,963</u>	<u>1,888,207</u>
Total Net Assets	\$ <u>17,700,483</u>	\$ <u>16,607,598</u>
Total Liabilities and Net Assets	\$ <u><u>31,888,930</u></u>	\$ <u><u>23,724,195</u></u>

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

AMHERST COUNTY SERVICE AUTHORITY

Statements of Revenues, Expenses, and Changes in Net Assets
Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating revenues:		
Water	\$ 2,218,137	\$ 2,139,084
Sewer	525,671	627,856
Other	90,099	110,067
	<u>2,833,907</u>	<u>2,877,007</u>
Total operating revenues	\$ 2,833,907	\$ 2,877,007
Operating expenses:		
Source of supply	\$ 313,371	\$ 324,251
Water treatment	423,182	442,759
Water distribution	254,872	235,811
Sewer line	39,485	20,194
Sewage pumping	66,722	47,362
Sewage treatment	230,414	163,400
Customer accounting	228,716	207,658
Administrative and general	660,761	657,332
Depreciation and amortization	568,693	547,962
	<u>2,786,216</u>	<u>2,646,729</u>
Total operating expenses	\$ 2,786,216	\$ 2,646,729
Net operating income (loss)	\$ 47,691	\$ 230,278
Nonoperating revenues (expenses):		
Interest income	\$ 26,586	\$ 137,776
Connection and availability charges	666,108	179,888
Capital contributions	483,049	456,800
Line extension and other fees	453,839	240,086
Interest expense	(326,432)	(291,824)
Capacity payments - City of Lynchburg	(212,304)	(198,900)
Miscellaneous outlays and connection expenses	(83,386)	(52,163)
Other nonoperating revenues	37,734	39,097
	<u>1,045,194</u>	<u>510,760</u>
Total nonoperating revenues (expenses)	\$ 1,045,194	\$ 510,760
Change in net assets	\$ 1,092,885	\$ 741,038
Net assets - beginning of year	<u>16,607,598</u>	<u>15,866,560</u>
Net assets - end of year	<u>\$ 17,700,483</u>	<u>\$ 16,607,598</u>

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

AMHERST COUNTY SERVICE AUTHORITY

Statements of Cash Flows

Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 2,924,939	\$ 2,834,614
Payments to suppliers	(1,287,373)	(1,263,513)
Payments to employees	(819,245)	(774,863)
Net cash provided by (used in) operating activities	<u>\$ 818,321</u>	<u>\$ 796,238</u>
Cash flows from capital and related financing activities:		
Additions to utility plant	\$ (821,765)	\$ (1,004,730)
Proceeds from bonds issued	-	-
Retirement of revenue bonds	(90,000)	(85,000)
Retirement of notes	(825,000)	-
Interest paid on debt	(326,432)	(291,824)
Proceeds from long-term indebtedness issued	7,925,550	-
Connection and availability charges	666,108	179,888
Line extension and other fees	453,839	240,086
Capacity payments - City of Lynchburg	(212,304)	(198,900)
Other nonoperating income	37,736	39,099
Miscellaneous connection expenses	(83,386)	(52,163)
Net cash provided by (used in) capital and related financing activities	<u>\$ 6,724,346</u>	<u>\$ (1,173,544)</u>
Cash flows from investing activities:		
Interest earned	\$ 26,586	\$ 137,776
Net cash provided by (used in) investing activities	<u>\$ 26,586</u>	<u>\$ 137,776</u>
Net increase in cash and cash equivalents	\$ 7,569,253	\$ (239,530)
Cash and cash equivalents (including restricted cash and cash equivalents), beginning of year	<u>3,880,601</u>	<u>4,120,131</u>
Cash and cash equivalents (including restricted cash and cash equivalents), end of year	<u>\$ 11,449,854</u>	<u>\$ 3,880,601</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:		
Operating income	\$ 47,691	\$ 230,278
Adjustments to reconcile operating income to net cash provided by operations:		
Depreciation and amortization	568,693	547,962
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	91,032	(42,393)
Prepaid expenses	26,254	(26,254)
Inventory	14,311	27,305
Increase (decrease) in:		
Accounts payable and accrued expenses	70,340	59,340
Net cash provided by (used in) operating activities	<u>\$ 818,321</u>	<u>\$ 796,238</u>
Noncash Investing, Capital and Financing Activities:		
Estimated fair value of property, plant and equipment received	<u>\$ 483,049</u>	<u>\$ 1,229,305</u>

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

AMHERST COUNTY SERVICE AUTHORITY

Notes to Financial Statements
As of December 31, 2009 and 2008

NOTE 1 - FINANCIAL REPORTING ENTITY:

The Amherst County Service Authority was created by the Amherst County Board of Supervisors, pursuant to the provisions of the Virginia Water and Sewer Authorities Act, Section 15.1-1239 through Section 15.1-1270 of the *Code of Virginia*, 1950, as amended.

The By-laws and rules for the transaction of the business of the Amherst County Service Authority are made pursuant to authority vested in this Authority by Section 15.1-1250(b), *Code of Virginia*, 1950, as amended and in accordance with the general provisions of the Virginia Water and Sewer Authorities Act.

The Authority has determined that it is a related organization to Amherst County in accordance with the Governmental Accounting Standards Board (GASB) Statement 14. The Authority is a legally separate organization whose Board members are appointed by the Amherst County Board of Supervisors. Since the Board of Supervisors can impose its will on the Authority and is considered financially accountable for the Authority, the Authority is considered a component unit of the County.

The Authority applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Management's Discussion and Analysis

GASB Statement No. 34, requires the financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). Management has elected to omit this discussion and analysis for the year ending December 31, 2009.

Enterprise Fund Financial Statements

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The enterprise funds account for those operations that are financed and operated in a manner similar to private business enterprises. The principal operating revenues are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

AMHERST COUNTY SERVICE AUTHORITY

Notes to Financial Statements
As of December 31, 2009 and 2008 (Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Enterprise Fund Financial Statements (Continued)

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

Statement of Net Assets

The Statement of Net Assets is designed to display financial position of the Authority. Governments will report all capital assets, in the government-wide Statement of Net Assets and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net assets of a government will be broken down into three categories - 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Bond Issuance Costs

Bond issuance costs for proprietary fund types are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. (Costs relative to each bond issue are amortized over the life of the bonds.) Amortization expense for the years ended December 31, 2009 and 2008 totaled \$7,010 and \$7,010, respectively.

Use of Estimates

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

Compensated Absences

The Authority has a policy, which allows for the accumulation and vesting of limited amounts of vacation leave until termination or retirement.

Net Assets

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

Capitalization of Interest

The Authority capitalizes interest costs of funds borrowed to finance the construction of various assets. For the year ended December 31, 2009, no interest was capitalized.

Financial Reporting

The financial statements of the Authority are prepared as an "enterprise" commercial unit to conform to financial reporting practices as recommended in *Water Utility Accounting* published jointly by the Governmental Finance Officers Association and the American Water Works Association.

AMHERST COUNTY SERVICE AUTHORITY

Notes to Financial Statements
As of December 31, 2009 and 2008 (Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Basis of Accounting

The accounts of the Amherst County Service Authority are maintained on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. Water and Sewer revenue are recorded when billed.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers cash on hand and in banks and all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Allowance for Uncollectible Accounts

The Authority calculates its allowance for specific account using historical collection data and, in certain cases, specific account analysis. For the years ended December 31, 2009 and 2008, the balance deemed uncollectible was \$6,243 and \$11,631, respectively.

Investments

Investments are reported at fair value.

Inventory

Inventory is reported at average cost.

NOTE 3 - CASH AND INVESTMENTS:

Deposits

All cash of the Authority is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance.

Investments

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

AMHERST COUNTY SERVICE AUTHORITY

Notes to Financial Statements
As of December 31, 2009 and 2008 (Continued)

NOTE 3 - CASH AND INVESTMENTS: (CONTINUED)

Credit Risk of Debt Securities

The Authority does not have a policy related to credit risk of debt securities.

The Authority's rated debt investments as of December 31, 2009 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's Rating Scale.

<u>Authority's Rated Debt Investments' Values</u>	
<u>Related Debt Investments</u>	<u>Fair Quality Rating</u>
	<u>AAAm</u>
Repurchase Agreements Underlying STI Classic Institutional Municipal Money Market Fund \$	<u>317,700</u>
Total	<u>\$ 317,700</u>

NOTE 4 - CAPITAL ASSETS:

Property and Equipment is stated at cost or estimated cost. Donated property is recorded at market value prevailing at date of donation. Depreciation on property and equipment commences on the first day of the fiscal year following the date initially placed in service. Capital assets are defined by the Authority as assets with an initial, individual cost of at least \$5,000 and an estimated useful life of at least 5 years. Depreciation for fixed assets has been provided over the following estimated useful lives using the straight-line method:

Water/Sewer system	15-50 Years
Building	50 Years
Equipment	5-15 Years

AMHERST COUNTY SERVICE AUTHORITY

Notes to Financial Statements
As of December 31, 2009 and 2008 (Continued)

NOTE 4 - CAPITAL ASSETS: (CONTINUED)

Details of changes in property and equipment for the fiscal year are as follows:

	<u>Balance January 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2009</u>
Capital assets, not being depreciated:				
Land	\$ 619,290	\$ -	\$ -	\$ 619,290
Construction in progress	3,307,332	1,273,983	1,208,704	3,372,611
Total capital assets not being depreciated	<u>\$ 3,926,622</u>	<u>\$ 1,273,983</u>	<u>\$ 1,208,704</u>	<u>\$ 3,991,901</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 84,535	\$ -	\$ -	\$ 84,535
Vehicles and other equipment	918,135	30,830	-	948,965
Utility plant in service	25,320,633	1,208,704	-	26,529,337
Total capital assets being depreciated	<u>\$ 26,323,303</u>	<u>\$ 1,239,534</u>	<u>\$ -</u>	<u>\$ 27,562,837</u>
Less accumulated depreciation	<u>\$ 13,063,235</u>	<u>\$ 561,683</u>	<u>\$ -</u>	<u>\$ 13,624,918</u>
Total capital assets being depreciated, net	<u>\$ 13,260,068</u>	<u>\$ 677,851</u>	<u>\$ -</u>	<u>\$ 13,937,919</u>
Governmental activities capital assets, net	<u><u>\$ 17,186,690</u></u>	<u><u>\$ 1,951,834</u></u>	<u><u>\$ 1,208,704</u></u>	<u><u>\$ 17,929,820</u></u>
Construction in Progress Details:				
Graham creek reservior dam	\$ 3,157,279	\$ 202,470	\$ -	\$ 3,359,749
Water line extensions	-	438,402	438,402	-
Sewer line extensions	-	34,927	34,927	-
Water line replacements	-	4,358	4,358	-
Stratford place subdivision water and sewer system	-	483,049	483,049	-
Computer system upgrade	-	12,862	-	12,862
Water tank rehabilitation	150,053	97,914	247,967	-
Total construction in progress	<u><u>\$ 3,307,332</u></u>	<u><u>\$ 1,273,982</u></u>	<u><u>\$ 1,208,703</u></u>	<u><u>\$ 3,372,611</u></u>

Depreciation expense charged to operating expenses for years ended December 31, 2009 and 2008 was \$561,683 and \$540,952, respectively.

AMHERST COUNTY SERVICE AUTHORITY

Notes to Financial Statements
As of December 31, 2009 and 2008 (Continued)

NOTE 4 - CAPITAL ASSETS: (CONTINUED)

Details of changes in property and equipment for the fiscal year are as follows:

	<u>Balance January 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2008</u>
Capital assets, not being depreciated:				
Land	\$ 619,290	\$ -	\$ -	\$ 619,290
Construction in progress	2,577,834	729,498	-	3,307,332
Total capital assets not being depreciated	<u>\$ 3,197,124</u>	<u>\$ 729,498</u>	<u>\$ -</u>	<u>\$ 3,926,622</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 84,535	\$ -	\$ -	\$ 84,535
Vehicles and other equipment	918,135	-	-	918,135
Utility plant in service	24,588,603	732,030	-	25,320,633
Total capital assets being depreciated	<u>\$ 25,591,273</u>	<u>\$ 732,030</u>	<u>\$ -</u>	<u>\$ 26,323,303</u>
Less accumulated depreciation	<u>\$ 12,522,283</u>	<u>\$ 540,952</u>	<u>\$ -</u>	<u>\$ 13,063,235</u>
Total capital assets being depreciated, net	<u>\$ 13,068,990</u>	<u>\$ 191,078</u>	<u>\$ -</u>	<u>\$ 13,260,068</u>
Governmental activities capital assets, net	<u>\$ 16,266,114</u>	<u>\$ 920,576</u>	<u>\$ -</u>	<u>\$ 17,186,690</u>
Construction in Progress Details:				
Graham creek reservoir dam	\$ 2,577,834	\$ 579,445	\$ -	\$ 3,157,279
Water tank rehabilitation	-	150,053	-	150,053
Total construction in progress	<u>\$ 2,577,834</u>	<u>\$ 729,498</u>	<u>\$ -</u>	<u>\$ 3,307,332</u>

NOTE 5 - OTHER ASSETS:

Bond issue costs are amortized over the life of the bond issue, using the straight-line method and costs are summarized as follows:

2009:

	<u>Amortization Costs</u>	<u>Accumulated Amortization January 1, 2009</u>	<u>Current Year Amortization</u>	<u>Total</u>	<u>Net Book Value</u>
2000 Issue	\$ 210,303	\$ 56,081	\$ 7,010	\$ 63,091	\$ 147,212
2009 Issue	118,450	-	-	-	118,450
Total	<u>\$ 328,753</u>	<u>\$ 56,081</u>	<u>\$ 7,010</u>	<u>\$ 63,091</u>	<u>\$ 265,662</u>

AMHERST COUNTY SERVICE AUTHORITY

Notes to Financial Statements
As of December 31, 2009 and 2008 (Continued)

NOTE 5 - OTHER ASSETS: (CONTINUED)

2008:

	<u>Amortization Costs</u>	<u>Accumulated Amortization January 1, 2008</u>	<u>Current Year Amortization</u>	<u>Total</u>	<u>Net Book Value</u>
2000 Issue	\$ <u>210,303</u>	\$ <u>49,071</u>	\$ <u>7,010</u>	\$ <u>56,081</u>	\$ <u>154,222</u>

The Authority invests in various City of Lynchburg Sewage Facilities Projects and agrees to repay the City for its applicable ownership interest annually. Changes in the investment for the year ended December 31, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Balance, beginning of year	\$ 1,993,146	\$ 2,142,391
Increases	22,275	-
Decreases	<u>149,764</u>	<u>149,245</u>
Balance, end of year	\$ <u>1,865,657</u>	\$ <u>1,993,146</u>

NOTE 6 - LONG-TERM OBLIGATIONS:

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

<u>Year Ending December 31,</u>	<u>Revenue Bonds</u>		<u>Long-Term Notes</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 95,000	\$ 615,144	\$ 150,694	\$ 42,338
2011	200,000	577,980	151,270	38,527
2012	330,000	567,480	151,866	34,696
2013	385,000	551,055	152,482	30,843
2014	443,000	532,080	153,120	26,968
2015	467,000	510,420	153,796	23,068
2016	493,000	487,530	144,628	19,145
2017	514,000	463,320	145,333	18,015
2018	541,000	438,090	146,080	14,499
2019	563,000	411,495	146,835	11,028
2020	592,000	383,835	147,615	7,529
2021	621,000	354,720	55,362	1,368
2022	651,000	324,150	32,204	727
2023	682,000	292,080	32,237	696
2024	719,000	258,465	22,519	665
2025	752,000	222,960	22,553	633
2026	790,000	185,820	22,587	600
2027	830,000	146,745	22,621	564
2028	872,000	105,645	848	527
2029	914,000	62,430	882	487
2030	285,000	17,100	933	444
2031	-	-	984	398
2032	-	-	1,018	350
2033	-	-	1,069	301
2034	-	-	1,119	250
2035	-	-	1,170	199
2036	-	-	1,221	145
2037	-	-	1,272	89
2038	-	-	1,339	30
Totals	\$ <u>11,739,000</u>	\$ <u>7,508,544</u>	\$ <u>1,865,657</u>	\$ <u>275,129</u>

AMHERST COUNTY SERVICE AUTHORITY

Notes to Financial Statements
As of December 31, 2009 and 2008 (Continued)

NOTE 6 - LONG-TERM OBLIGATIONS: (CONTINUED)

Changes in Long-Term Obligations:

The following is a summary of long-term obligation transactions of the Authority for the year ended December 31, 2009:

<u>Year Ending December 31,</u>	<u>Revenue Bonds</u>		<u>Long-Term Notes</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 95,000	\$ 615,144	\$ 150,694	\$ 42,338
2011	200,000	577,980	151,270	38,527
2012	330,000	567,480	151,866	34,696
2013	385,000	551,055	152,482	30,843
2014	443,000	532,080	153,120	26,968
2015	467,000	510,420	153,796	23,068
2016	493,000	487,530	144,628	19,145
2017	514,000	463,320	145,333	18,015
2018	541,000	438,090	146,080	14,499
2019	563,000	411,495	146,835	11,028
2020	592,000	383,835	147,615	7,529
2021	621,000	354,720	55,362	1,368
2022	651,000	324,150	32,204	727
2023	682,000	292,080	32,237	696
2024	719,000	258,465	22,519	665
2025	752,000	222,960	22,553	633
2026	790,000	185,820	22,587	600
2027	830,000	146,745	22,621	564
2028	872,000	105,645	848	527
2029	914,000	62,430	882	487
2030	285,000	17,100	933	444
2031	-	-	984	398
2032	-	-	1,018	350
2033	-	-	1,069	301
2034	-	-	1,119	250
2035	-	-	1,170	199
2036	-	-	1,221	145
2037	-	-	1,272	89
2038	-	-	1,339	30
Totals	\$ <u>11,739,000</u>	\$ <u>7,508,544</u>	\$ <u>1,865,657</u>	\$ <u>275,129</u>

AMHERST COUNTY SERVICE AUTHORITY

Notes to Financial Statements
As of December 31, 2009 and 2008 (Continued)

NOTE 6 - LONG-TERM OBLIGATIONS: (CONTINUED)

The following is a summary of long-term obligation transactions of the Authority for the year ended December 31, 2008:

	<u>Revenue Bonds</u>	<u>Notes</u>	<u>Compensated Absences</u>	<u>Total</u>
Total outstanding, January 1, 2008	\$ 3,870,000	\$ 2,967,391	\$ 73,299	\$ 6,910,690
Additions:	\$ -	\$ -	\$ 7,621	\$ 7,621
Retirements:				
Bonds	\$ 85,000	\$ -	\$ -	\$ 85,000
Notes	-	149,244	-	149,244
Total retirements	\$ 85,000	\$ 149,244	\$ -	\$ 234,244
Total outstanding, December 31, 2008	<u>\$ 3,785,000</u>	<u>\$ 2,818,147</u>	<u>\$ 80,920</u>	<u>\$ 6,684,067</u>
Current portion	<u>\$ 90,000</u>	<u>\$ 149,764</u>	<u>\$ 8,092</u>	<u>\$ 247,856</u>

Details of Long-Term Obligations Outstanding:

Revenue Bonds:

\$4,300,000, issued December 28, 2000 due in annual installments ranging from \$65,000 to \$285,000 through December 15, 2030, interest payable semi-annually at 5.95%	\$ 3,695,000
\$8,044,000, issued September 29, 2009 due in annual installments ranging from \$65,000 to \$285,000 through November 1, 2009, interest payable semi-annually at 4.5%	<u>8,044,000</u>
Total revenue bonds	<u>\$ 11,739,000</u>

Long-Term Notes:

\$421,819 issued in 1993, due in annual principal installments of \$9,736 through June 1, 2023, interest at 5.5%	\$ 136,300
\$196,993 issued in 1995, due in annual principal installments of \$9,850 through June 1, 2015, interest at 5.96%	59,100
\$747,643 issued in 1998, due in annual principal installments of \$21,806 through June 1, 2017, interest at 3.5%	392,512
\$1,996,292 issued in 2001, due in annual principal installments of \$93,078 through June 1, 2017, interest at 3%	1,023,862
\$322,159 issued in 2002, due in annual installments of \$23,803 through June 1, 2021	231,609
\$16,696 issued in 2009, due in annual installments of \$1,038 through June 1, 2038	16,696
\$5,578 issued in 2009, due in annual installments of \$347 through June 1, 2038	<u>5,578</u>
Total notes payable	<u>\$ 1,865,657</u>
Compensated absences	<u>\$ 85,495</u>
Total long-term obligations outstanding	<u>\$ 13,690,152</u>

AMHERST COUNTY SERVICE AUTHORITY

Notes to Financial Statements
As of December 31, 2009 and 2008 (Continued)

NOTE 7 - COMPENSATED ABSENCES:

The Authority has accrued the liability arising from compensated absences. Authority employees earn vacation and sick leave each month at rates established by the Board of Directors. No benefit or pay is received for unused sick leave upon termination. The Authority had accrued vacation pay totaling \$85,495 for 2009 and \$80,920 for 2008.

NOTE 8 - DEFINED BENEFIT PENSION PLAN:

A. Plan Description:

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

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters and sheriffs) or at age 50 with 30 years of service if elected by the employer (age 50 with 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.70% of their average final compensation (AFC) for each year of credited service (1.85% for sheriffs and if the employer elects, for other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5.00% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at: <http://www.varetire.org/Pdf/publications/2008annurept.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution 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 Code of Virginia and approved by the VRS Board of Trustees. The Authority's contribution rate for the year ended 2009 was 5.00% and 4.75% of annual covered payroll. The Authority's contribution rate for the first half of the year ended 2008 was 5.00% and 7.24% of annual covered payroll, and the second half's rates were 5.00% and 4.75% of annual covered payroll.

AMHERST COUNTY SERVICE AUTHORITY

Notes to Financial Statements
As of December 31, 2009 and 2008 (Continued)

NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONTINUED):

C. Annual Pension Cost:

During the fiscal year ended December 31, 2009 the Authority's annual pension cost was \$55,768 and its contribution represented 4.75% of covered payroll. The required contributions were determined as a part of the June 30, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% per year for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost of living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Authority's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Authority's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis.

Three-Year Trend Information for the Authority

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) ¹</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
December 30, 2009	\$ 55,768	100%	\$ -
December 30, 2008	52,756	100%	-
December 31, 2007	61,569	100%	-

¹ Employer portion only

D. Funded Status and Funding Programs

As of June 30, 2009, the most recent actuarial valuation date, the plan was 87.00% funded. The actuarial accrued liability for benefits was \$3,367,325 and the actuarial value of assets was \$2,929,465 resulting in an unfunded actuarial accrued liability (UAAL) of \$437,860. The covered payroll (annual payroll of active employees covered by the plan) was \$937,000 and ratio of the UAAL to the covered payroll was 46.73%.

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

AMHERST COUNTY SERVICE AUTHORITY

Notes to Financial Statements
As of December 31, 2009 and 2008 (Continued)

NOTE 9 - RESTRICTED ASSETS:

Restricted assets consist of the following:

	2009		2008	
	Current Assets	Noncurrent Assets	Current Assets	Noncurrent Assets
Rate stabilization fund CD	\$ -	\$ 1,000,000	\$ -	\$ 1,000,000
2000 Debt Service Reserve	<u>317,700</u>	<u>-</u>	<u>317,700</u>	<u>-</u>
Total	<u>\$ 317,700</u>	<u>\$ 1,000,000</u>	<u>317,700</u>	<u>1,000,000</u>

NOTE 10 - LITIGATION:

At December 31, 2009, there were no matters of litigation involving the Authority which would materially affect the Authority's financial position should any court decisions on pending matters not be favorable to the Authority.

NOTE 11 - RISK MANAGEMENT:

The County of Amherst has contracted with private insurance carriers to provide coverage for property damage, employee dishonesty, general liability and workers compensation. The County bills the Authority for its share of the insurance premiums related to coverage provided to the Authority.

There have been no significant reductions in insurance coverage from the prior year, and there have been no insurance settlements in excess of insurance coverage for the past three years.

The Authority also participates in the County's health insurance plan. The County contracts with a private carrier for health insurance coverage. The Authority pays its share of these costs.

NOTE 12 - RELATED PARTY ACTIVITIES:

The County of Amherst provides insurance coverage, for legal, accounting, and other services to the Authority. The County bills the Authority annually for these services. The total amount paid to the County for these services was \$42,100 in 2009 and \$39,722 in 2008. No amounts were due to the County at December 31, 2009.

Required Supplementary Information

AMHERST COUNTY SERVICE AUTHORITY

Required Supplementary Information

Schedule of Funding Progress for the Virginia Retirement System

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio (2)/(3)	Annual Covered Payroll	UAAL as % of Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2009	\$ 2,929,465	\$ 3,367,325	437,860	87.00%	\$ 937,000	46.73%
6/30/2008	2,793,189	3,062,447	269,258	91.21%	881,798	30.54%
6/30/2007	2,457,504	2,684,318	226,814	91.55%	824,223	27.52%

Compliance

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on An Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Honorable Board Members
Amherst County Service Authority
Madison Heights, Virginia

We have audited the financial statements of Amherst County Service Authority (a component unit of Amherst County, Virginia), as of and for the years ended December 31, 2009 and December 31, 2008 and have issued our report thereon dated March 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Specifications for Audits of Authorities Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia

March 29, 2010