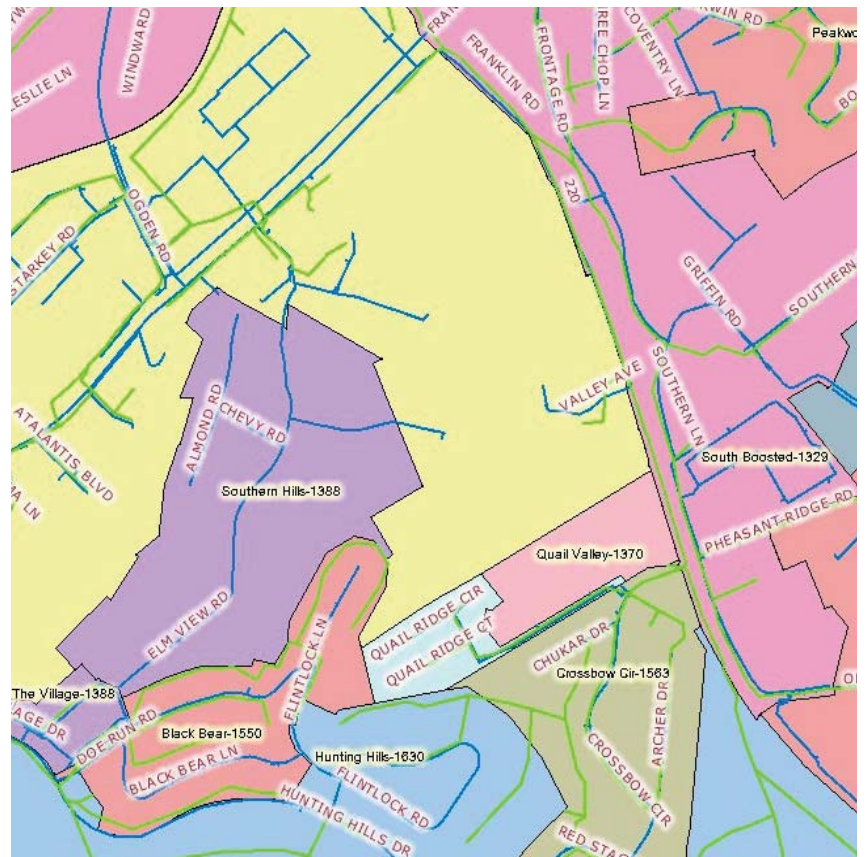


COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEARS ENDED JUNE 30, 2011 AND 2010

Serving the City of Roanoke, Roanoke County and Franklin County



WESTERN VIRGINIA WATER AUTHORITY

ROANOKE, VIRGINIA

**Comprehensive Annual Financial Report
Years Ended June 30, 2011 and 2010**

Prepared by:

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Senior Accountant

Tammy S. Lawfield
Senior Accountant

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WESTERN VIRGINIA WATER AUTHORITY

Comprehensive Annual Financial Report
Years Ended June 30, 2011 and 2010

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WESTERN VIRGINIA WATER AUTHORITY

Comprehensive Annual Financial Report Years Ended June 30, 2011 and 2010

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INTRODUCTORY SECTION

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WESTERN VIRGINIA WATER AUTHORITY

(A Governmental organization established March 2, 2004
under the Water and Wastewater Authorities Act, Chapter 51, Title 15.2,
1950 Code of Virginia, As Amended)

MEMBERS

Marc S. Fink, Chairman

Donald L. Davis

John P. Bradshaw, Jr.

R. Grayson Goldsmith

Shirley B. Holland

H. Odell Minnix

OFFICIALS

Executive Director, Water Operations
Executive Director, Wastewater Operations
Secretary

Gary L. Robertson
Mike T. McEvoy
Jean Thurman

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October 12, 2011

To the Honorable Chairman, Members of the Board of Directors, Customers and Interested Parties:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Western Virginia Water Authority (Authority) for the fiscal year ended June 30, 2011. The CAFR was prepared by the Authority in conformity with U.S. Generally Accepted Accounting Principles (GAAP) and with emphasis on disclosure of the financial activities of the Authority. Responsibility for both the completeness and reliability of the information, including all disclosures, rest with the Authority, and is based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. 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. All disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities have been included.

The basic financial statements have been audited by our independent auditors, Robinson, Farmer, Cox Associates, who have issued an unqualified ("clean") opinion on the financial statements of the Authority as of and for the year ended June 30, 2011. The audit was conducted 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 for the Commonwealth of Virginia. The annual audit is planned and performed to obtain reasonable, rather than absolute, assurance that the basic financial statements of the Western Virginia Water Authority are free of any material misstatement. The independent auditor's report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read with it.

Profile

The Authority was formed by the Council of the City of Roanoke and the Board of Supervisors of the County of Roanoke on July 1, 2004 as a regional water authority to establish and operate a water and sewer disposal system and related facilities. The Authority was chartered in 2004 pursuant to the Virginia Water and Waste Authorities Act, Chapter 51 title 15.2 of the Code of Virginia 1950 as amended. The Authority is authorized to acquire, finance, construct, manage and maintain a fully integrated water, wastewater, septage disposal and related facilities pursuant to the Act. Additional information on the formation of the Authority is covered under Note 1 of the Notes to Financial Statements. On November 5, 2009 Franklin County joined as a member of the Authority when the involved parties reorganized under amended and restated Articles of Incorporation.

Profile (Continued)

The Authority's Board of Directors consists of seven members; three of which are appointed by the City Council of Roanoke, three appointed by the Board of Supervisors of the County of Roanoke, and one member is selected by the Board of Supervisors of County of Franklin. Board terms are four years. Regular meetings of the Board of Directors are normally held monthly.

The Authority is administered by two Executive Directors, one for water operations and one for wastewater operations, who serve at the pleasure of the Board. The Executive Directors have the direct supervision of all employees of the Authority, are responsible for the operation of the Authority, and the establishment of guidelines for efficient and sound fiscal management.

The Authority provides citizens in the Roanoke area and portions of Franklin County with a dependable supply of water. The Authority treats and delivers 22 million gallons of drinking water per day for 58,000 customer accounts (155,000 residents in the Roanoke Valley which include our customers in the Town of Vinton, City of Salem and Botetourt County). Major water sources include the Spring Hollow reservoir, Carvins Cove reservoir, Falling Creek / Beaver Dam Creek reservoirs and Crystal Spring. Other sources include various groundwater wells and water purchased from the Bedford County Public Service Authority for a portion of the Authority's customers in Franklin County. Current rated system treatment capacity is approximately 56 million gallons per day (MGD).

The Spring Hollow reservoir was constructed in 1993 and consists of a 243 foot high by 990 foot long roller-compacted concrete dam with a working volume of 3.2 billion gallons. Water is pumped from the Roanoke River for storage, and the safe yield of this reservoir is 19.4 MGD. The treatment facility was constructed in 1996 and has a capacity of 18 MGD.

The Carvins Cove reservoir was completed in the late 1940's and includes an 80 foot high dam with a 6.47 billion gallon impoundment. Tinker Creek tunnel, constructed in 1966 and the Catawba Creek tunnel, constructed in 1974 enable additional source water to be impounded. The reservoir has a safe yield of between 14 and 18 MGD. The reservoir is also used for limited recreation purposes. The treatment facility capacity is 28 MGD.

Falling Creek / Beaver Dam Creek reservoirs have a combined storage volume of 520 million gallons. The Falling Creek reservoir was constructed in 1900 and the Beaver Dam Creek reservoir was completed in 1926. Both are clay core, rock filled dams and have a combined safe yield of 1.45 MGD. Treatment facility capacity is comparable to the yield. Construction was completed on the dam and spillway in 2011.

Crystal Spring has a safe yield of 3.5 MGD and uses membrane filtration with a capacity of 4.84 MGD. Crystal Spring is located on the north side of Mill Mountain in the City of Roanoke.

The Authority also maintains 1,087 miles of water mains, 85 pumping stations and 5,365 fire hydrants in the service area.

The Authority began operations in Franklin County during fiscal year 2009. The Authority purchased several private water systems in the Smith Mountain Lake area and began operations in January 2009. In May 2009, the County of Franklin and the Authority entered into a water system transfer agreement where the County conveyed the ownership of the transmission and distribution system along State Route 122 from the Franklin - Bedford County line to Westlake Town Center to the Authority. The plan also authorizes the Authority to proceed to develop line extensions in the area which will interconnect some of the private systems purchased by the Authority. The Scruggs Road water line extension was completed in 2010.

Profile (Continued)

This water line connects the customers in the Westlake Town Center with several of the water system in the Smith Mountain Lake area.

The Roanoke Regional Water Pollution Control Facility serves the City of Roanoke, Roanoke County, the City of Salem, the Town of Vinton and portions of Botetourt County. The Water Authority treats 37 million gallons of wastewater a day from throughout the valley for its 52,000 sewer customers (more than 210,000 residents including bulk contracts described below). The facility's permitted capacity was increased to 55 MGD with the completion in 2007 of a three year construction project. The original plant was constructed in 1951, and major upgrades were made in 1959, 1977, 1998 and 2004.

The Authority's collection system consists of 873 miles of sewer gravity mains, over 22,000 manholes, 24 lift stations and 10 miles of force mains in the service area.

The Authority has bulk wastewater treatment agreements with the City of Salem, the Town of Vinton and the County of Botetourt. These jurisdictions share in the Regional Wastewater Treatment Plant capacity and plant upkeep. The agreements include the cost of treatment and the capital maintenance on the regional facility.

In December 2008 Franklin County and the Authority entered into an operating agreement for the Westlake Village Central Sewer System covering the Westlake Overlay area of Franklin County. Under the agreement the Authority contracted to purchase and to operate the wastewater system which is being financed by the County. Additional collection system lines were constructed in 2010 to provide service to more customers.

At the formation of the Authority in 2004, a six - year rate equalization plan was developed to achieve equal user rates for customers in the City of Roanoke and Roanoke County by 2010. This has been completed with the Authority's customers in the City of Roanoke and Roanoke County now having the same user rates. Customers in Franklin County are under a separate user rate schedule.

Economic Condition and Outlook

The Western Virginia Water Authority is located in the Roanoke Valley in South Western Virginia. The valley is located between the Blue Ridge Mountains on the east and the Alleghany Mountains to the west, with Interstate 81 running north and south. The Authority's service area is contained in the Roanoke Metropolitan Statistical Area (RMSA). Area attractions include Smith Mountain Lake to the east and the Blue Ridge Parkway runs through the service area. The Roanoke area is the region's rail center and is the largest metropolitan area in western Virginia. The RMSA has a 2011 estimated population of 309,000, which includes the Cities of Roanoke and Salem and the Counties of Roanoke, Botetourt, Franklin and Craig. For 2010, the City of Roanoke's estimated population was 97,032, Roanoke County's population was estimated to be 92,376 and Franklin County's population was estimated to be 56,159. The Authority serves approximately 79% of the (RMSA).

The principal employers of the area are the industries of manufacturing, retail trade, health care and government. Both the City and Counties of Roanoke and Franklin are proactive in attracting and developing new businesses which will lead to economic growth. Unemployment as of June 30, 2011 was estimated to be 6.7% for the City of Roanoke, 5.7% for the County of Roanoke and 6.4% for the County of Franklin. During the period the Virginia average was 6.3% and the national average was 9.2%.

Major Initiatives and Accomplishments for Fiscal Year 2011

The Executive Directors for Water Operations and Wastewater Services would like to note a number of accomplishments and achievements completed through the dedication and determination of the employees of the Western Virginia Water Authority.

Regional Initiatives

The Authority partnered with the Bedford County Public Service Authority to commence the permitting process for additional water withdrawal from Smith Mountain Lake. The Authority owns a share of the High Point water treatment facility in Bedford County.

The Authority formed a partnership with the Roanoke Area Youth Substance Abuse Coalition (RAYSAC) to form a task force to address proper prescription drug disposal and reduce the incidences of prescription drug abuse among teens. Two take-back days were held during the year, with over 1,100 pounds of prescription medications turned in for proper disposal. The task forces' efforts were recognized as the VA-AWWA's Community Service 2011 Award winner.

The City of Roanoke, with assistance from WPC Plant staff, began contracted work to construct the Roanoke River Greenway extension through the plant. This project, expected to be completed in early 2012, will connect the Roanoke River and Tinker Creek Greenways through the back side of the plant.

Staff from Field Operations worked with Water Operations to complete the Lewis Gale Hospital water line tie-in with the City of Salem. This line will provide a back-up supply of water for the hospital in the event of a water main break in their primary supply.

Staff from Field and Water Operations worked closely with City of Roanoke staff to coordinate the replacement and relocation of water and sewer lines in advance of the Market Building Renovations.

Delegate Onzlee Ware and Senator John Edwards introduced a bill for the 2011 session of the General Assembly on behalf of the Authority to simplify erosion and sediment control planning. The bill, which became law in July, allows public authorities to use the same statewide permitting system available for investor-owned utilities such as Appalachian Power and Roanoke Gas Company.

Water Division

Staff worked with Honeywell Building Solutions for the past year on the development of a system-wide water infrastructure improvement program for the Authority. The program will upgrade outdated and obsolete equipment and perform operations improvements that will provide sustained operations avoided costs. Components that were reviewed include replacement of water meters and implementation of a system wide automatic meter reading network, implementation of a zone metering system, installation of a water leak detection program to reduce unaccounted for water and energy management improvements on pumping systems.

The Authority was honored with a Gold Award for Exceptional Utility Performance by the Association of Metropolitan Water Agencies (AMWA). The award recognizes "industry pace-setters, where forward-looking managers and committed workforces create sustainable utilities providing high quality, affordable water and responsive customer service, while protecting the environment," according to AMWA President James McDaniel.

Major Initiatives and Accomplishments for Fiscal Year 2011 (continued)

In Franklin County, construction on Phase II of the U.S. Route 220 water line extension was completed during July 2010 providing reliable drinking water and fire protection from the Clearbrook area of Roanoke County to the Wirtz Plateau area of Franklin County. The Taylor's Road water line extension was completed in June. The installation of the 2,500-lineal foot 8-inch water line was funded by the Franklin County School Board and will provide domestic water and fire protection for Boones Mill Elementary School.

Funds from the American Recovery and Reinvestment (Stimulus) Act and the DEQ Leaking Underground Storage Tank (LUST) mitigation program were used to construct the Wirtz Road (VA Route 697) water line extension. The Scruggs Road water line extension, completed in June 2010, consisted of 26,260 feet of 12-inch water line, 15,223 feet of 8-inch water line, 36 fire hydrant assemblies and 47 gate valves. The Boardwalk, Windmere and Water Front communities, previously served by groundwater wells, were connected to the Scruggs Road water line.

A two-year remediation project of the Falling Creek Dam was completed in May 2011. The project involved constructing a new emergency spillway to withstand a probable maximum flood event, improving the soils in the dam and the installation of approximately 13,000 articulated block on the face of the dam. Taking advantage of reduced treatment volume during the rehabilitation of the Falling Creek dam, staff also renovated the treatment units at the Falling Creek water treatment plant. The renovated units greatly improved the overall treatment process and allowed for longer run times between backwashes and better overall control of the treatment process.

The Spring Hollow Dam and the Carvins Cove Dam were also reviewed. Technical Foundations completed the drilling and grouting operations at the Clifford D.Craig Memorial Dam (at Spring Hollow) to target those areas that appear to be the primary sources of seepage at the interface between the roller compacted concrete (RCC) dam and the rock foundation. In June, Schnabel Engineering conducted a breach analysis and flood inundation study for the Carvins Cove Dam.

The requirements contained in the Consent Order issued by the Department of Environmental Quality for the Falling Creek Water Treatment Plant were satisfied in November 2010 and the VPDES wastewater discharge permit was terminated in December. The Consent Order was issued by DEQ to address the exceedance of copper concentration in the discharge of backwash water into Falling Creek. To meet the requirements, a backwash water recycling system was installed.

Extreme cold weather during the winter dramatically increased the number of water main breaks. In fact, December 2010's 79 breaks was the second worst month for water main breaks in Authority history. (February 2007 rated as the worst month for water main breaks). Crews from water and sewer divisions volunteered to work extra standby to quickly repair all the breaks.

Based on new information provided by the Environmental Protection Agency, with support by the American Dental Association, CDC and the Virginia Department of Health, the Authority changed the target concentration of fluoride from a range of 0.7-1.2 mg/l to a single value of 0.7 mg/l effective January 5th 2011.

Although our area was considered to be in "moderate drought conditions" by the National Weather Service's "drought monitor" for most of the spring, the reservoirs stayed close to historical spring time of year levels.

The Field Operations Division took delivery of a new horizontal directional drill rig in April to assist in the replacement and rehabilitation of water lines. Horizontal directional drilling helps minimize environmental disruption, saves time and results in much less asphalt repair.

Major Initiatives and Accomplishments for Fiscal Year 2011 (continued)

The Authority initiated an impressive number of capital improvement projects for FY2011 including the following water line replacement projects:

- Ingal Boulevard;
- Liberty Road;
- Club Lane;
- Market Street;
- Glen Heather Farms - Phase 1 and 2;
- Merriman Road Waterline Extension;
- Belle Meade Area; and
- Harrison Area - Phase III.

Water Pollution Control (WPC) Plant and Collection System Division

During the fiscal year, the Regional Water Pollution Control Plant treated 13.55 billion gallons of sewage at an average rate of 37.1 mgd. The Authority's contractor land applied 9,962 dry tons of biosolids on farms in Bedford and Franklin County during Fiscal Year 2011.

Staff was honored with a Gold Award for plant operations by the National Association of Clean Water Agencies. The award signifies 100 percent compliance with permit conditions and the award's operational criteria.

Utilizing grant funds from the Virginia Department of Mines, Minerals and Energy, the WPC Plant took delivery on two combined heat and power (CHP) generators. The generators will be able to convert waste methane gas into usable electricity and will help supply better than 90 percent of the plant's heating requirements and 40 percent of the plant's electrical demand. Projected payback on the \$3.0 million project is slightly less than seven years. Two digester covers were also replaced during the year to facilitate methane gas storage for the generator project.

Contractors from Haymes Brothers completed repairs on the North Road Retaining Wall. Since a significant amount of subsurface plant infrastructure is located in the North Road, a detailed geotechnical and facility location study was conducted prior to the construction. The study results proved to be accurate as the work proceeded without incident.

The Wastewater Division fielded a team for the first time to compete in Operations Challenge Events. Wayne Brown, Lacy Burnette, Mark Fanti, Steve Lofaro and Randy Williams have successfully competed in events that tested their skills in the areas of maintenance, collections, lab processes and safety. The team will compete in the national competition in October 2011.

An impressive number of sewer main capital improvement projects for FY2011 included the following:

- Williamson Road Sewer Renovation;
- Market Street Sewer Relocation;
- Franklin Road Sewer Projects;
- Ferncliff Ave & 9th Street Sewer Projects;
- Corbieshaw Road Sewer Rehabilitation;
- Lower Murray Run Interceptor Replacement;
- Williamson Rd / I-581 Sewer Rehabilitation;

Major Initiatives and Accomplishments for Fiscal Year 2011 (continued)

Lockridge Road Sewer Rehabilitation Project;
Shaffer's Crossing Sewer Replacement; and
Crystal Creek Phase II Sewer Project.

Internal Services

The Government Financial Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting for the 2010 Comprehensive Annual Financial Report. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and the Authority has received this recognition each year.

The Authority's Coulter Building roof was replaced during the fiscal year. The fall project also included new flashing, drain and fascia replacement. The roof of the Field Operations building on Hollins Road was also replaced. The Coulter's Building's center atrium was also renovated and a water and wastewater museum was installed. The museum includes photo, maps and artifacts dating back to the early 1900s.

The Authority was awarded a state-wide Psychologically Healthy Workplace Award for 2010. This award, sponsored by state psychological associations with support from the American Psychological Association, recognizes organizations for their efforts to foster employee health and well-being while enhancing organizational performance.

In addition to working with the Authority on a two-year weight loss program, Virginia Tech selected the Authority for a wellness study to look at the use of social media in weight loss programs. As part of the wellness program, employees participated in the City of Roanoke's co-ed recreational kickball and dodgeball leagues. A Wii tournament was also held as a fun way to enjoy fitness at the Employee Family Day in April.

The Authority introduced on-line access to customer accounts in early December. Customers can now see current balances and due dates, view payment and consumption history and view a summary of monthly billing balances.

Occupational Safety and Health Administration (OSHA) reportable incidents for Calendar Year (CY) 2010 were down compared to previous years. Fifteen OSHA reportable injuries occurred during CY 2010 while 26 occurred in CY2009, 25 in CY2008 and 20 in CY2007.

Staff received bids and completed interviews and scripted demonstrations with vendors who submitted proposals for replacement of the Authority's billing system. Replacement of the billing system is expected to begin in FY12 and will take approximately 18 months.

The Authority's outreach program provided in classroom presentations and tours of our treatment facilities to over 9,600 students during the school year.

The Engineering Department received proposals from engineering firms for the design of the FY2011 Sewer Rehabilitation Projects, a collection of 24 smaller sewer repair projects that were bid and financed as one project.

Relevant Financial Policies

Accounting System & Budget Control

The Authority's accounting records are maintained on an accrual basis under which revenues are recognized when earned and expenses are recognized when incurred. Accounting functions are separated to the extent possible for a small - sized staff. The County of Roanoke, under the Operating Agreement between the City of Roanoke and County of Roanoke provides fleet and fuel management services to the Authority. Under the same agreement, the City of Roanoke provides information services support to the Authority.

Under the Water and Waste Authorities Act, the Authority is not required to adopt a legal budget, but under its bylaws and 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 administration divisions and serves as a framework for the Authority's financial planning for the year. The Executive Directors have authorization from the Board to move funds within the line item budget without additional Board approval. A report of revenues and expenses is presented to the Board each month at the public meeting.

The annual budget process includes the use of rate modeling to prepare a five year plan which is used to assure that short and long term financial objectives are being met. A five year Operational and Maintenance forecast and a five year Capital Improvement Plan are prepared annually in the budget process.

The Authority's finances are organized into two funds, Water and Water Pollution Control. The Water fund fully supports debt incurred for water facilities and the water capital improvement plan, as well as fully funding the water operations division and 50% of field operations, engineering services, finance and administration, and utility internal services.

The WPC Fund supports debt incurred for wastewater facilities, the wastewater and water pollution control plant capital improvement plans, the operations of the water pollution control division, and 50% of field operations, engineering services, finance and administration, and billing and collection services.

The Authority has in place a fiscal policy as a component of its financial strategic plan that will preserve and improve the sound financial condition of the Authority. The policy outlines the targeted levels and timeframe to fund several reserve funds including contingency and emergency operating reserve funds. These funds will accumulate to reach an appropriate level over a 10 to 15 year period. During the year ended June 30, 2011 the scheduled annual funding to each reserve was accomplished.

Risk Management

The Authority relies on several techniques to minimize risk: safety training for employees, proper maintenance of equipment and facilities, continued observation for potential hazards, and prompt response upon discovery of a problem. Not only do these actions reduce potential risks to the Water Authority, they are also sound business practices that improve customer service and overall organizational performance. Worker's compensation, property, vehicle, equipment and liability insurance services are carried by Virginia Municipal League. Note 8 of the Notes to Financial Statements provide additional information on risk management.

Relevant Financial Policies (Continued)

Cash Management

Cash and investments are maintained by the Authority. An investment policy acts to guide the investment of Authority funds in accordance with the terms of the Virginia Water and Waste Authorities Act. The policy's primary objectives are safety of principal, liquidity of funds and yield on investment. Note 2 of the Notes to Financial Statements will provide the reader with additional information.

Debt Administration

Total long-term debt obligations outstanding for the Authority as of June 30, 2011 was \$137,069,719. Of this amount, \$69,930,583 is for the Water fund and \$67,139,136 for the WPC fund. A debt policy is in place which sets forth comprehensive guidelines for the financing of capital expenditures. Objectives of the policy are to assure the credit rating of the Authority stays strong and that the Authority conforms to the applicable state and federal laws and existing indenture covenants. Annual review of specific debt ratios is required. Note 4 of the Notes to Financial Statements will provide additional information to the reader.

Asset Management

The Authority is committed to a best practices approach to managing its infrastructure capital assets that provides a means to protect, maintain, or improve the asset value of our water distribution system and wastewater collection systems with planned maintenance and repair based on predicted deterioration of the systems. Major parts of the asset management program are the five - year capital plan, the geographical information system (GIS), the financial rate model, the work order system and the SCADA system.

Awards and Acknowledgements

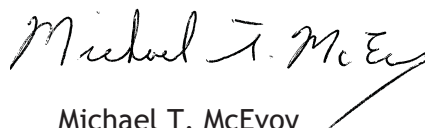
The Government Finance Officers Association of the United States and Canada (GFOA) awarded for a sixth straight year the Certificate of Achievement for Excellence in Financial Reporting to the Western Virginia Water Authority for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2010. In order to be awarded a Certificate of Achievement, the Authority had to publish an easily readable and efficiently organized CAFR that satisfies 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 CAFR 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.

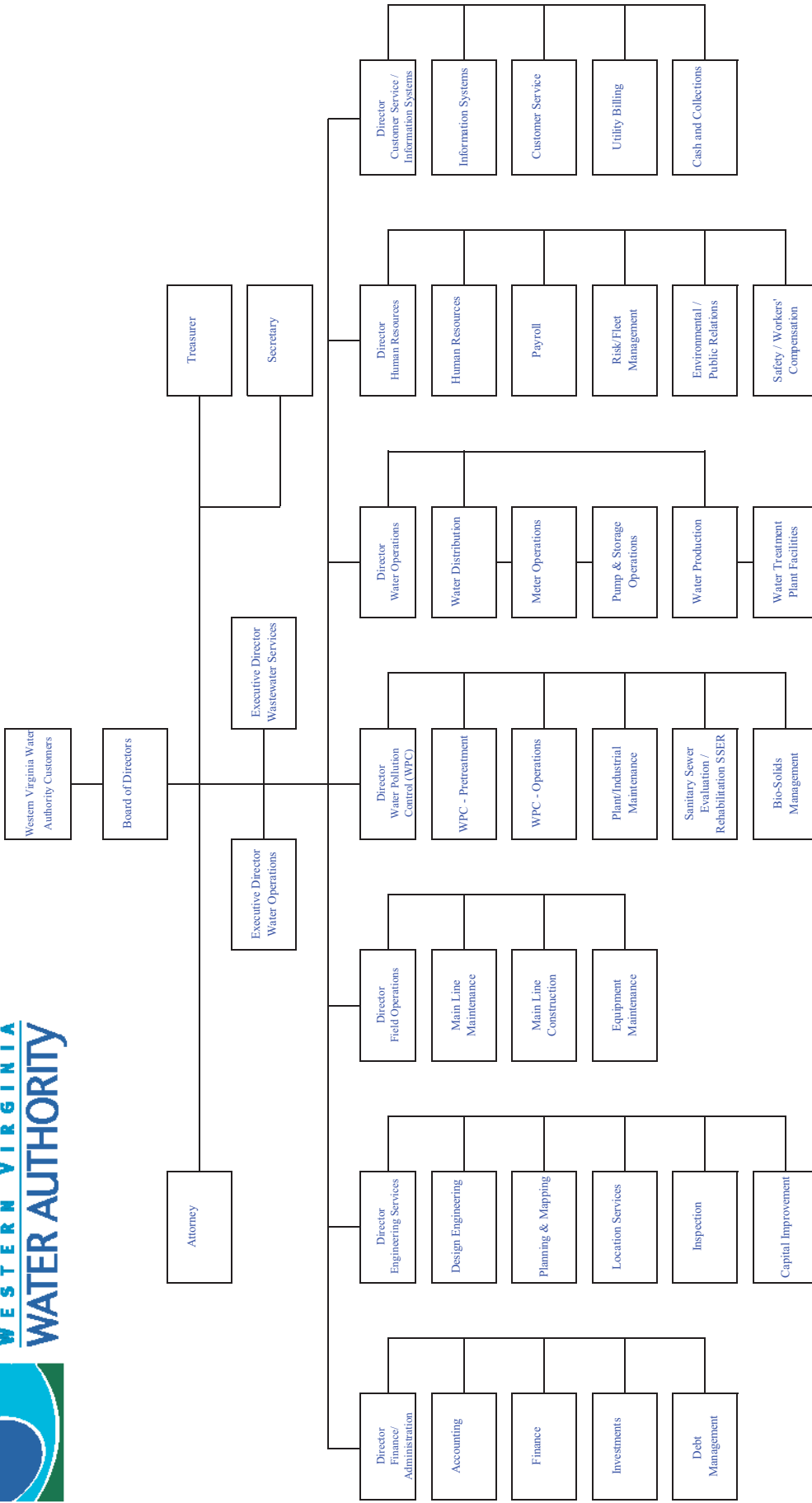
We would like to express our appreciation to the members of the finance department who have worked with dedication to prepare this report. We also wish to thank the Board of Directors of the Authority for their commitment to financial excellence and their support.



Gary Robertson
Executive Director
Water Operations



Michael T. McEvoy
Executive Director
Wastewater Operations



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Western Virginia Water Authority

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



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

President

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

Executive Director

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FINANCIAL SECTION

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

**To the Board of Directors
Western Virginia Water Authority
Roanoke, Virginia**

We have audited the accompanying statement of net assets of the Western Virginia Water Authority as of June 30, 2011 and 2010, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audits 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 Western Virginia Water Authority at June 30, 2011 and 2010, and the 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 October 14, 2011, on our consideration of the Western Virginia Water 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 management's discussion and analysis and the pension and other post employment benefits funding progress as listed in the table of contents 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 opinions on the financial statements that collectively comprise the Western Virginia Water Authority's financial statements as a whole. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying information listed as supporting schedules 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 directly to the underlying accounting and other records used to prepare the financial statements or to 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.

Robinson, Faener, Cox Associates

Christiansburg, Virginia
October 14, 2011

**Western Virginia Water Authority
Management's Discussion and Analysis
For the Year Ended June 30, 2011**

As management of the Western Virginia Water Authority, (the "Authority"), we offer readers of our financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 2 through 10 of this report.

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the fiscal year by \$281,693,827 for the Water fund and \$259,416,910 for the WPC fund. Of this amount \$10,189,206 for the Water fund and \$21,982,391 for the WPC fund are unrestricted net assets and may be used to meet the Authority's ongoing obligations to customers and creditors.
- Operating revenues for the Water fund increased \$1,780,419 over 2010 levels due to a combination of increases in user rates for customer charges, connections and fire service. Operating revenues for the WPC fund increased \$1,543,660 over 2010 due primarily to an increase in customer charges.
- Operating expenses for the Water fund increased \$311,660 from 2010 due to increases in depreciation expense and meter operations. Expenses increased \$350,986 for the WPC fund from 2010 primarily due to increased costs for depreciation and biosolids handling.
- Total long-term debt for the Authority decreased \$7,851,556 in 2011 due to continued retirement of outstanding debt. Water fund debt decreased \$4,064,035 while the WPC fund debt decreased for the year \$3,787,521.

Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. Since the Authority is engaged only in business - type activities, its basic financial statements are comprised of 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. The enterprise fund financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *statement of revenues, expenses and changes in net assets* presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave).

The basic enterprise fund financial statements can be found on pages 27 through 32 of this report.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 34 through 60 of this report.

Overview of the Financial Statements (Continued)

Other 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 and other post employment benefits to its employees.

Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of an Authority's financial position. In the case of the Authority, assets exceeded liabilities by \$541,110,737, \$533,179,765, and \$523,651,950 at June 30, 2011, 2010 and 2009, respectively. In the Water fund, assets exceeded liabilities by \$281,693,827, \$277,683,524, and \$272,932,229 at June 20, 2011, 2010 and 2009, respectively. For the WPC fund, assets exceeded liabilities by \$259,416,910, \$255,496,241, and \$250,719,711 at June 30, 2011, 2010 and 2009, respectively.

By far the largest portion of the Water and WPC fund's net assets reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. For the Water fund, 96% is invested in capital assets net of related debt. For the WPC fund, the percentage is 92%. The Authority uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although the Authority's investment in 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.

Table A presents the Condensed Statement of Nets Assets for the years ended June 30, 2011, 2010 and 2009 by fund. At June 30, 2011, 2010 and 2009, unrestricted net assets were \$10,189,206, \$7,572,125, and \$8,194,136, respectively, for the Water Fund. Of total net assets for the Water fund, unrestricted net assets represented 4%, 3% and 3% for fiscal years 2011, 2010 and 2009, respectively. At June 30, 2011, 2010 and 2009, unrestricted net assets were \$21,982,391, \$19,576,339, and \$16,683,000, respectively, for the WPC Fund. At June 30, 2011 and 2010, unrestricted net assets represented 8% of total net assets for the WPC fund. At June 30, 2009, unrestricted net assets represented 7% of total net assets for the WPC fund. Neither fund has restricted assets.

Table A

	Condensed Statement of Net Assets								
	For the Years ended June 30, 2011, 2010 and 2009								
	Water Fund			Water Pollution Control Fund			Total		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
Assets:									
Current and other assets	\$ 18,036,079	\$ 18,612,118	\$ 21,603,738	\$ 26,827,340	\$ 26,545,400	\$ 23,976,108	\$ 44,863,419	\$ 45,157,518	\$ 45,579,846
Capital assets, net	338,498,846	338,626,714	333,780,012	302,922,683	303,986,932	304,206,905	641,421,529	642,613,646	637,986,917
Total assets	\$ 356,534,925	\$ 357,238,832	\$ 355,383,750	\$ 329,750,023	\$ 330,532,332	\$ 328,183,013	\$ 686,284,948	\$ 687,771,164	\$ 683,566,763
Liabilities:									
Long-term debt outstanding	\$ 69,930,583	\$ 73,994,618	\$ 78,349,448	\$ 67,139,136	\$ 70,926,657	\$ 74,082,338	\$ 137,069,719	\$ 144,921,275	\$ 152,431,786
Other liabilities	4,910,515	5,560,690	4,102,073	3,193,977	4,109,434	3,380,964	8,104,492	9,670,124	7,483,037
Total liabilities	\$ 74,841,098	\$ 79,555,308	\$ 82,451,521	\$ 70,333,113	\$ 75,036,091	\$ 77,463,302	\$ 145,174,211	\$ 154,591,399	\$ 159,914,823
Net assets:									
Invested in capital assets, net of related debt	\$ 271,504,621	\$ 270,111,399	\$ 264,738,093	\$ 237,434,519	\$ 235,919,902	\$ 234,036,711	\$ 508,939,140	\$ 506,031,301	\$ 498,774,804
Unrestricted	10,189,206	7,572,125	8,194,136	21,982,391	19,576,339	16,683,000	32,171,597	27,148,464	24,877,136
Total net assets	\$ 281,693,827	\$ 277,683,524	\$ 272,932,229	\$ 259,416,910	\$ 255,496,241	\$ 250,719,711	\$ 541,110,737	\$ 533,179,765	\$ 523,651,940
Total liabilities and net assets	\$ 356,534,925	\$ 357,238,832	\$ 355,383,750	\$ 329,750,023	\$ 330,532,332	\$ 328,183,013	\$ 686,284,948	\$ 687,771,164	\$ 683,566,763

Financial Analysis (Continued)

Total long-term liabilities to net capital assets are 20.7% for the Water fund and 22.2% for the WPC fund at June 30, 2011. The percentage decreased from 2010 for both funds, indicating that total capital assets are increasing faster than total long term liabilities. The percentage decreased from 2010 for the funds as a result of continued bond payments reducing outstanding debt. This ratio shows the existing debt leverage of capital assets and indicates that the Authority is not heavily leveraged relative to the size of its net capital assets.

Total long-term outstanding liabilities to net capital assets are 21.9% for the Water fund and 23.3% for the WPC fund at June 30, 2010. The percentage decreased from 2009 for both funds, indicating that total capital assets are increasing faster than total long term liabilities. The percentage decreased from 2009 for both funds as a result of continued bond payments reducing outstanding debt.

The current ratio for the Water fund for the years ended June 30, 2011, 2010 and 2009 was 1.64, 1.34, and 1.49, respectively. The current ratio for the WPC fund for the years ended June 30, 2011, 2010 and 2009 was 3.59, 3.01, and 2.86, respectively. The combined funds have a current ratio for the years ended June 30, 2011, 2010 and 2009 of 2.49, 2.10, and 2.12, respectively. The current ratio compares current assets to current liabilities. This ratio is a liquidity ratio and shows the ability of the company to pay its current liabilities with its current assets.

Table B presents the Condensed Statement of Revenues, Expenses and Changes in Fund Net Assets for the years ended June 30, 2011, 2010 and 2009 by each fund.

Table B

Condensed Statement of Revenues, Expenses and Changes in Net Assets For the Years ended June 30, 2011, 2010 and 2009									
	Water Fund			Water Pollution Control Fund			Total		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
Operating Revenues:									
Customer charges	\$ 22,679,166	\$ 20,979,028	\$ 19,890,287	\$ 24,245,313	\$ 22,268,988	\$ 20,546,188	\$ 46,924,479	\$ 43,248,016	\$ 40,436,475
Connection fees	340,800	231,140	196,591	56,750	100,000	66,860	397,550	331,140	263,451
Bulk sales	388,756	421,274	370,470	2,180,514	2,429,476	2,183,217	2,569,270	2,850,750	2,553,687
Fire services	1,256,060	1,204,743	1,120,028	-	-	-	1,256,060	1,204,743	1,120,028
Other revenues	928,899	977,077	942,729	1,207,900	1,348,353	1,172,832	2,136,799	2,325,430	2,115,561
Total operating revenues	\$ 25,593,681	\$ 23,813,262	\$ 22,520,105	\$ 27,690,477	\$ 26,146,817	\$ 23,969,097	\$ 53,284,158	\$ 49,960,079	\$ 46,489,202
Operating Expenses:									
Operating expenses	\$ 8,022,258	\$ 8,010,445	\$ 8,181,443	\$ 10,094,233	\$ 9,856,086	\$ 9,477,354	\$ 18,116,491	\$ 17,866,531	\$ 17,658,797
Field operations	3,395,352	3,341,492	3,380,183	2,766,775	2,846,285	2,675,760	6,162,127	6,187,777	6,055,943
Internal Services	2,812,585	2,728,664	2,614,977	2,812,585	2,728,664	2,645,486	5,625,170	5,457,328	5,260,463
Depreciation expense	7,243,813	7,081,747	6,869,127	7,528,269	7,419,841	7,125,301	14,772,082	14,501,588	13,994,428
Total operating expenses	\$ 21,474,008	\$ 21,162,348	\$ 21,045,730	\$ 23,201,862	\$ 22,850,876	\$ 21,923,901	\$ 44,675,870	\$ 44,013,224	\$ 42,969,631
Operating income	\$ 4,119,673	\$ 2,650,914	\$ 1,474,375	\$ 4,488,615	\$ 3,295,941	\$ 2,045,196	\$ 8,608,288	\$ 5,946,855	\$ 3,519,571
Nonoperating Revenues (Expenses):									
Interest earned	\$ 76,813	\$ 69,558	\$ 227,166	\$ 204,887	\$ 195,883	\$ 272,793	\$ 281,700	\$ 265,441	\$ 499,959
Insurance recoveries	30,493	15,927	35,069	1,194	4,969	58,133	31,687	20,896	93,202
Rental income	489,614	520,885	504,676	127,618	173,552	171,711	617,232	694,437	676,387
Gain (loss) on disposal of assets	(193,647)	(192,738)	(199,293)	12,554	7,759	9,416	(181,093)	(184,979)	(189,877)
Nonoperating contributions	621,137	624,796	215,552	-	-	-	621,137	624,796	215,552
Rental expense	(138,346)	(133,130)	(138,548)	(138,346)	(133,130)	(138,548)	(276,692)	(266,260)	(277,096)
Interest expense	(2,937,637)	(3,239,927)	(3,443,432)	(2,253,895)	(2,431,503)	(2,548,299)	(5,191,532)	(5,671,430)	(5,991,731)
Total nonoperating revenues (expenses)	\$ (2,051,573)	\$ (2,334,629)	\$ (2,798,810)	\$ (2,045,988)	\$ (2,182,470)	\$ (2,174,794)	\$ (4,097,561)	\$ (4,517,099)	\$ (4,973,604)
Income (loss) before contributions	\$ 2,068,100	\$ 316,285	\$ (1,324,435)	\$ 2,442,627	\$ 1,113,471	\$ (129,598)	\$ 4,510,727	\$ 1,429,756	\$ (1,454,033)
Capital contributions & construction grants	1,942,203	4,435,010	1,941,652	1,478,042	3,663,059	6,317,537	3,420,245	8,098,069	8,259,189
Changes in net assets	\$ 4,010,303	\$ 4,751,295	\$ 617,217	\$ 3,920,669	\$ 4,776,530	\$ 6,187,939	\$ 7,930,972	\$ 9,527,825	\$ 6,805,156
Total net assets, beginning of year	277,683,524	272,932,229	272,315,012	255,496,241	250,719,711	244,531,772	533,179,765	523,651,940	516,846,784
Total net assets, end of year	\$ 281,693,827	\$ 277,683,524	\$ 272,932,229	\$ 259,416,910	\$ 255,496,241	\$ 250,719,711	\$ 541,110,737	\$ 533,179,765	\$ 523,651,940

Review of Operations

Operating revenues for the Water fund increased \$1,780,419 from the year ended June 30, 2010 to the year ended June 30, 2011. Customer charges increased 8% due to changes in customer rates and usage. Bulk sales revenues decreased \$32,518 from 2010 revenues due to decreased quantities sold. Income from connection fees increased \$109,660 with the addition of operations in Franklin County. Fire service revenues increased \$51,317 over last year while other revenues decreased from last year by \$48,178.

Operating revenues for the Water fund increased \$1,293,157 from the year ended June 30, 2009 to the year ended June 30, 2010. Customer charges increased 5% due to changes in customer rates and new operations in Franklin County. The water rates were changing for the County of Roanoke customers and the City of Roanoke customers through a six year rate equalization plan scheduled that was completed in January 2010. Bulk sales revenues increased \$50,804 from 2009 revenues due to increased quantities sold. Income from connection fees increased \$34,549 with the addition of operations in Franklin County. Other revenues also increased from last year by \$34,348.

Operating revenues for the WPC fund increased \$1,543,660 from the year ended June 30, 2010 to the year ended June 30, 2011. Customer charges increased 9% due to rate increases and changes in customer usage. Revenue from bulk sales decreased \$248,962 from 2010 attributable to lower flow. Income for other revenues also decreased from 2010 levels by \$140,453.

Operating revenues for the WPC fund increased \$2,177,720 from the year ended June 30, 2009 to year ended June 30, 2010. Customer charges increased 7% due to rate increases for both County of Roanoke customers and City of Roanoke customers through a six year rate equalization plan schedule that was completed in January 2010. Revenue from bulk sales increased \$246,259 from 2009 attributable to higher flow. Income for other revenues increased over 2009 levels by \$175,521.

Operating expenses for the Water fund increased \$311,660 from the year ended June 30, 2010 to the year ended June 30, 2011. The major areas of increased operating costs were depreciation in the amount of \$162,066 and meter operations costs in the amount of \$212,361.

Operating expenses for the Water fund increased \$116,618 from the year ended June 30, 2009 to the year ended June 30, 2010. Major areas of increased operating costs were depreciation in the amount of \$212,620 and \$87,917 in costs related to our new service area in Franklin County. Water purchases declined \$401,268 and water distribution service decreased \$405,045 during the year.

Operating expenses for the WPC fund increased \$350,986 from the year ended June 30, 2010 to the year ended June 30, 2011. Expenses for depreciation increased by \$108,428 and biosolids handling costs increased \$295,761 due to increased application costs.

Operating expenses for the WPC fund increased \$926,975 from the year ended June 30, 2009 to the year ended June 30, 2010. Expenses for depreciation increased by \$294,540, biosolids handling costs increased \$248,138 due to increased application costs. Collection system costs increased \$170,525 and treatment plant operations increased \$148,979 due to increased flow.

The operating margins for the Water and WPC funds were 44% and 43%, 41% and 41%, and 37% and 38%, respectively, for the years ended June 30, 2011, 2010 and 2009. The improvement in the operating margin of both funds is due to a greater increase in operating revenues than the increase in operating expenses. The operating margin indicates the financial margin by comparing operating expenses (less depreciation) with operating revenues. A healthy operating margin indicates that the organization has adequate funds to cover interest and capital requirements. Median operating margins typically range from 30% to 40% for water and sewer utilities.

Capital Asset and Debt Administration

Capital Assets. The Authority's investment in capital assets (net of accumulated depreciation) totaled \$641,421,529, \$642,613,646, and \$637,986,917 at June 30, 2011, 2010 and 2009. Tables C and D present the Net Capital Assets by fund for the years ended June 30, 2011, 2010 and 2009.

The Water fund's net capital assets decreased \$127,868 or 0.04% from June 30, 2010 to June 30, 2011 as capital assets decreased more than the level of annual depreciation expense. Capital assets placed in service increased \$8,017,616 during the year while depreciation expense totaled \$7,243,813. Capital projects closed for the year were primarily distribution and transmission lines, source of supply and the renovated Coulter building. Construction in progress balances decreased \$958,036 from June 30, 2010 to June 30, 2011 as projects were completed.

The Water fund's net capital assets increased \$4,846,702 or 1.45% from June 30, 2009 to June 30, 2010 as capital assets increased more than the level of annual depreciation expense. Capital assets placed in service increased \$6,842,209 during the year while depreciation expense totaled \$7,081,747. Capital projects closed for the year were primarily distribution lines, a water tank and the renovated Field Operations building. Construction in progress balances increased \$4,992,919 from June 30, 2009 to June 30, 2010.

Net capital assets for the WPC fund decreased \$1,064,249 or 0.35% from June 30, 2010 to June 30, 2011. Construction in progress increased \$3,459,325 as new projects began. Net depreciable assets increased \$3,003,746 while depreciation expense totaled \$7,528,269. Capital assets placed in service increased \$2,513,753 reflecting improvements to the gravity collections systems and the Murray Run rehabilitation project.

Net capital assets for the WPC fund decreased \$219,973 or 0.07% from June 30, 2009 to June 30, 2010. Construction in progress decreased \$949,364 as new projects began. Net depreciable assets increased \$8,164,472 while depreciation expense totaled \$7,419,841. Capital assets placed in service increased \$5,730,594 reflecting the completion of Andrew Lewis Place line extension and the Wasena Park Interceptor line and the renovated Field Operation building. The Regional Wastewater Treatment Facility completed \$1,114,647 in improvement projects for the year.

Additional information regarding the Authority's capital assets is located in Note 3 of the Notes to the Financial Statements.

Table C

Capital Assets - Water Fund
Net of Accumulated Depreciation
For the Years Ended June 30, 2011, 2010 and 2009

	Fiscal Year		
	2011	2010	2009
Water supply	\$ 67,868,135	\$ 67,603,373	\$ 67,509,824
Treatment	50,183,303	50,158,303	50,092,442
Transmission and distribution lines	153,822,697	148,730,995	144,827,606
Pumping and storage	11,563,260	10,378,396	10,318,712
Services	65,294,817	64,399,446	63,269,718
General equipment and transportation	7,397,581	6,841,664	5,251,666
Less accumulated depreciation	(47,787,538)	(40,597,611)	(33,605,638)
 Net depreciable assets	 \$ 308,342,255	 \$ 307,514,566	 \$ 307,664,330
Construction in progress	\$ 10,167,941	\$ 11,125,977	\$ 6,133,058
Land	19,988,650	19,986,171	19,982,624
 Net capital assets	 \$ 338,498,846	 \$ 338,626,714	 \$ 333,780,012

Table D

Capital Assets - Water Pollution Control Fund
Net of Accumulated Depreciation
For the Years Ended June 30, 2011, 2010 and 2009

	Fiscal Year		
	2011	2010	2009
Collection facilities	\$ 205,785,768	\$ 203,886,349	\$ 199,350,477
General Plant	62,472	62,472	62,472
Treatment	109,405,559	109,405,559	108,185,508
Pumping and metering	5,236,981	5,236,981	5,236,981
Services	11,117,033	10,700,436	10,031,540
General equipment and transportation	7,332,124	6,644,393	5,062,441
Other Plant	22,986	22,987	22,986
Power generation equipment	298,422	298,422	140,722
Less accumulated depreciation	(46,539,602)	(39,011,333)	(31,591,492)
 Net depreciable assets	 \$ 292,721,743	 \$ 297,246,266	 \$ 296,501,635
Construction in progress	7,377,238	3,917,913	4,867,277
Land	2,823,702	2,822,753	2,837,993
 Net capital assets	 \$ 302,922,683	 \$ 303,986,932	 \$ 304,206,905

Capital Asset and Debt Administration: (Continued)

Major capital asset events during the fiscal year ended June 30, 2011 included the following:

- The Water fund completed additions to transmission and distribution mains in the amount of \$3,909,030 and source of supply in the amount of \$367,530.
- The meter change out program added over \$499,400 in new meters and services.
- Gravity wastewater collection systems completed additions in the amount of \$1,214,505.
- \$1,940,112 in wastewater plant structures and improvements.
- Funded by both funds the Coulter Building renovations were completed in the amount of \$283,796.
- Capital Equipment and vehicles in the amount of \$543,873 for the Water fund and \$469,721 for the WPC fund.

Major capital asset events during the fiscal year ended June 30, 2010 included the following:

- The Water fund completed additions to transmission and distribution mains in the amount of \$1,223,284.
- Hanging Rock Water tank in the amount of \$1,148,592 was completed.
- The meter change out program added over \$677,277 in new meters and services.
- Gravity wastewater collection systems completed additions in the amount of \$3,868,269.
- \$932,280 in wastewater plant structures and improvements.
- Funded by both funds the Field Operations center was completed in the amount of \$2,528,128.
- Capital Equipment and vehicles in the amount of \$275,454 for the Water fund and \$313,960 for the WPC fund.

Debt Administration. Table E presents the long-term debt outstanding of the Authority at June 30, 2011, 2010 and 2009. Note 4 of the Notes to Financial Statements provide additional information about the activity during the fiscal year and balances at June 30, 2011.

During the fiscal year ended June 30, 2011, the Authority issued \$224,127 of revenue bonds in new water debt. The City of Roanoke had a refunding on debt relating to the Authority's locality compensation debt. \$240,000 in locality compensation debt was retired and 231,100 in locality compensation debt was issued by the City of Roanoke. The Water Fund retired other debt during the year in the amount of \$4,284,036.

During the fiscal year ended June 30, 2010, the Authority issued \$63,444 of revenue bonds in new water debt. The City of Roanoke had a refunding on debt relating to the Authority's locality compensation debt. \$3,185,000 in locality compensation debt was retired and 3,263,800 in locality compensation debt was issued by the City of Roanoke. The Water Fund retired other debt during the year in the amount of \$4,418,224.

Capital Asset and Debt Administration: (Continued)

During the fiscal year 2011, the Authority continued to draw bond funds on the sewer revenue bonds for collection system improvements including the Garst Mill Park area in the amount of \$213,771. The Sewer Fund retired debt during the year in the amount of \$3,994,248.

During the fiscal year 2010, the Authority continued to draw bond funds on the sewer revenue bonds for collection system improvements to the Garst Mill Park area in the amount of \$721,249. The Sewer Fund retired debt during the year in the amount of \$3,869,887.

Table E

Long-Term Debt Outstanding			
For the Years Ended June 30, 2011, 2010 and 2009			
	Fiscal Year		
	2011	2010	2009
Water Fund			
Revenue bonds	\$ 61,252,453	\$ 63,779,029	\$ 66,341,743
Locality compensation payments	8,400,450	9,942,683	11,655,948
Premium on issuance	393,264	416,439	439,614
Deferred amount on refunding	(115,584)	(143,533)	(87,857)
Long-term debt	<u>\$ 69,930,583</u>	<u>\$ 73,994,618</u>	<u>\$ 78,349,448</u>
Water Pollution Control Fund			
Revenue bonds	\$ 55,544,619	\$ 58,755,096	\$ 61,348,734
Locality compensation payments	11,475,000	12,045,000	12,600,000
Unamortized premium issuance	119,517	126,561	133,604
Long-term debt	<u>\$ 67,139,136</u>	<u>\$ 70,926,657</u>	<u>\$ 74,082,338</u>

The Authority has a debt policy which sets forth comprehensive guidelines for the financing of capital expenditures. The policy details a number of ratios to be monitored throughout the year and in the five year budget plan to ensure that the debt level and creditworthiness of the Authority remain sound.

The Authority's debt service coverage for the year ended June 30, 2011 was 1.72 times for the Water fund. The Water fund's debt service coverage for the year ended June 30, 2010 was 1.43 times. The Authority's bond issues require a minimum coverage of 1.15 times for its water revenue bonds. Locality compensation debt of the Water fund require only 1.0 times. The debt service coverage for the WPC fund was 2.02 times for the year ended June 30, 2011. The debt service coverage for the WPC fund was 1.81 times for the year ended June 30, 2010. The Authority's bond issues require a minimum coverage of 1.15 times for its wastewater revenue bonds. Locality compensation debt of the WPC fund require only 1.0 times. The Authority has met its debt service coverage for the fiscal year.

Net take down is a ratio to measure the share of revenues remaining after payment of operating expenses. The net take down for the Water fund for the year ended June 30, 2011 is 48% and 45% for the WPC fund. The ratio for the combined funds is 46%. The net take down for the Water fund for the year ended June 30, 2010 was 44% and 42% for the WPC fund. The ratio for the combined funds was 43% for fiscal year 2009. The median for water and sewer utilities is 40%.

Capital Asset and Debt Administration: (Continued)

Total outstanding long-term debt per customer is a measurement that indicates the existing debt burden attributable to each customer. The total outstanding long-term debt at year ended June 30, 2011 per customer is \$1,201 for the water fund and \$1,302 for the WPC fund. The total outstanding long-term debt at year ended June 30, 2010 per customer was \$1,271 for the water fund and \$1,376 for the WPC fund. This information is presented in Table 11.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for the reader. Questions concerning information provided in this report or requests for additional financial information should be addressed to the Western Virginia Water Authority, Finance Department, 601 South Jefferson St., Suite 210, Roanoke, VA 24011.

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Basic Financial Statements

WESTERN VIRGINIA WATER AUTHORITY

Statement of Net Assets
At June 30, 2011 and 2010

	At June 30, 2011		
	Water Fund	Water Pollution Control Fund	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 11,200,407	\$ 20,012,231	\$ 31,212,638
Accounts receivable (net of allowance for uncollectibles)	3,193,276	3,827,870	7,021,146
Accrued interest receivable	399	1,486	1,885
Inventory of materials and supplies, at cost	427,489	1,182,962	1,610,451
Prepaid expenses	38,806	43,589	82,395
Other receivables	159,435	78,881	238,316
Total current assets	\$ 15,019,812	\$ 25,147,019	\$ 40,166,831
Noncurrent Assets:			
Restricted Assets:			
Cash & cash equivalents	\$ 2,936,358	\$ 1,650,972	\$ 4,587,330
Total restricted assets	\$ 2,936,358	\$ 1,650,972	\$ 4,587,330
Other Assets:			
Unamortized bond issue costs	\$ 79,909	\$ 29,349	\$ 109,258
Capital Assets:			
Land	\$ 19,988,650	\$ 2,823,702	\$ 22,812,352
Buildings and system	356,129,793	339,261,345	695,391,138
Less accumulated depreciation	(47,787,538)	(46,539,602)	(94,327,140)
Sub-total	\$ 328,330,905	\$ 295,545,445	\$ 623,876,350
Construction work in progress	10,167,941	7,377,238	17,545,179
Total capital assets	\$ 338,498,846	\$ 302,922,683	\$ 641,421,529
Total noncurrent assets	\$ 341,515,113	\$ 304,603,004	\$ 646,118,117
Total assets	\$ 356,534,925	\$ 329,750,023	\$ 686,284,948
LIABILITIES AND NET ASSETS			
Liabilities:			
Current liabilities:			
Accounts payable and accrued expenses	\$ 1,469,472	\$ 1,701,920	\$ 3,171,392
Compensated absences	518,825	519,217	1,038,042
Customers' deposits	1,716,053	488	1,716,541
Accrued interest payable	817,832	642,950	1,460,782
Claims payable	-	-	-
Revenue bonds payable-current portion	2,857,572	3,536,973	6,394,545
Locality compensation payments payable-current portion	1,752,368	605,000	2,357,368
Total current liabilities	\$ 9,132,122	\$ 7,006,548	\$ 16,138,670
Noncurrent liabilities:			
Compensated absences	\$ 309,356	\$ 250,425	\$ 559,781
Revenue bonds payable-net of current portion	58,788,145	52,127,163	110,915,308
Other post employment benefits	78,977	78,977	157,954
Locality compensation payments payable-net of current portion	6,532,498	10,870,000	17,402,498
Total noncurrent liabilities	\$ 65,708,976	\$ 63,326,565	\$ 129,035,541
Total liabilities	\$ 74,841,098	\$ 70,333,113	\$ 145,174,211
Net Assets:			
Invested in capital assets, net of related debt	\$ 271,504,621	\$ 237,434,519	\$ 508,939,140
Unrestricted	10,189,206	21,982,391	32,171,597
Total net assets	\$ 281,693,827	\$ 259,416,910	\$ 541,110,737

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

At June 30, 2010		
Water Fund	Water Pollution Control Fund	Total
\$ 9,028,800	\$ 18,833,754	\$ 27,862,554
3,091,585	3,538,862	6,630,447
7,413	14,802	22,215
411,417	1,031,575	1,442,992
149,721	154,379	304,100
347,298	81,323	428,621
<u>\$ 13,036,234</u>	<u>\$ 23,654,695</u>	<u>\$ 36,690,929</u>
\$ 5,479,303	\$ 2,859,627	\$ 8,338,930
<u>\$ 5,479,303</u>	<u>\$ 2,859,627</u>	<u>\$ 8,338,930</u>
\$ 96,581	\$ 31,078	\$ 127,659
\$ 19,986,171	\$ 2,822,753	\$ 22,808,924
348,112,177	336,257,599	684,369,776
<u>(40,597,611)</u>	<u>(39,011,333)</u>	<u>(79,608,944)</u>
\$ 327,500,737	\$ 300,069,019	\$ 627,569,756
11,125,977	3,917,913	15,043,890
<u>\$ 338,626,714</u>	<u>\$ 303,986,932</u>	<u>\$ 642,613,646</u>
\$ 344,202,598	\$ 306,877,637	\$ 651,080,235
\$ 357,238,832	\$ 330,532,332	\$ 687,771,164
\$ 2,197,010	\$ 2,581,690	\$ 4,778,700
498,755	484,387	983,142
1,575,849	3,259	1,579,108
863,621	678,407	1,542,028
66,966	66,966	133,932
2,731,206	3,470,018	6,201,224
1,773,333	570,000	2,343,333
<u>\$ 9,706,740</u>	<u>\$ 7,854,727</u>	<u>\$ 17,561,467</u>
\$ 297,389	\$ 233,625	\$ 531,014
61,464,262	55,411,639	116,875,901
61,100	61,100	122,200
<u>8,025,817</u>	<u>11,475,000</u>	<u>19,500,817</u>
\$ 69,848,568	\$ 67,181,364	\$ 137,029,932
<u>\$ 79,555,308</u>	<u>\$ 75,036,091</u>	<u>\$ 154,591,399</u>
\$ 270,111,399	\$ 235,919,902	\$ 506,031,301
7,572,125	19,576,339	27,148,464
<u>\$ 277,683,524</u>	<u>\$ 255,496,241</u>	<u>\$ 533,179,765</u>

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Statement of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2011 and 2010

	Year Ended June 30, 2011			Year Ended June 30, 2010		
	Water Fund	Water Pollution Control Fund	Total	Water Fund	Water Pollution Control Fund	Total
Operating Revenues:						
Customer charges	\$ 22,679,166	\$ 24,245,313	\$ 46,924,479	\$ 20,979,028	\$ 22,268,988	\$ 43,248,016
Connection fees	340,800	56,750	397,550	231,140	100,000	331,140
Bulk sales	388,756	2,180,514	2,569,270	421,274	2,429,476	2,850,750
Fire service	1,256,060	-	1,256,060	1,204,743	-	1,204,743
Other revenues	928,899	1,207,900	2,136,799	977,077	1,348,353	2,325,430
Total operating revenues	\$ 25,593,681	\$ 27,690,477	\$ 53,284,158	\$ 23,813,262	\$ 26,146,817	\$ 49,960,079
Operating Expenses:						
Operating expenses	\$ 8,022,258	\$ 10,094,233	\$ 18,116,491	\$ 8,010,445	\$ 9,856,086	\$ 17,866,531
Field operations	3,395,352	2,766,775	6,162,127	3,341,492	2,846,285	6,187,777
Internal services	2,812,585	2,812,585	5,625,170	2,728,664	2,728,664	5,457,328
Depreciation and amortization	7,243,813	7,528,269	14,772,082	7,081,747	7,419,841	14,501,588
Total operating expenses	\$ 21,474,008	\$ 23,201,862	\$ 44,675,870	\$ 21,162,348	\$ 22,850,876	\$ 44,013,224
Operating income (loss)	\$ 4,119,673	\$ 4,488,615	\$ 8,608,288	\$ 2,650,914	\$ 3,295,941	\$ 5,946,855
Nonoperating Income (Expenses):						
Interest earned	\$ 76,813	\$ 204,887	\$ 281,700	\$ 69,558	\$ 195,883	\$ 265,441
Insurance recoveries	30,493	1,194	31,687	15,927	4,969	20,896
Rental income	489,614	127,618	617,232	520,885	173,552	694,437
Gain (loss) on disposal of assets	(193,647)	12,554	(181,093)	(192,738)	7,759	(184,979)
Nonoperating contribution	621,137	-	621,137	624,796	-	624,796
Rental expenses	(138,346)	(138,346)	(276,692)	(133,130)	(133,130)	(266,260)
Interest expense	(2,937,637)	(2,253,895)	(5,191,532)	(3,239,927)	(2,431,503)	(5,671,430)
Total nonoperating income (expenses)	\$ (2,051,573)	\$ (2,045,988)	\$ (4,097,561)	\$ (2,334,629)	\$ (2,182,470)	\$ (4,517,099)
Income (loss) before contributions	\$ 2,068,100	\$ 2,442,627	\$ 4,510,727	\$ 316,285	\$ 1,113,471	\$ 1,429,756
Capital contributions and construction grants	1,942,203	1,478,042	3,420,245	4,435,010	3,663,059	8,098,069
Change in net assets	\$ 4,010,303	\$ 3,920,669	\$ 7,930,972	\$ 4,751,295	\$ 4,776,530	\$ 9,527,825
Net assets, beginning of year	277,683,524	255,496,241	533,179,765	272,932,229	250,719,711	523,651,940
Net assets, end of year	\$ 281,693,827	\$ 259,416,910	\$ 541,110,737	\$ 277,683,524	\$ 255,496,241	\$ 533,179,765

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

WESTERN VIRGINIA WATER AUTHORITY

Statement of Cash Flows
Years Ended June 30, 2011 and 2010

	Year Ended June 30, 2011		
	Water Fund	Water Pollution Control Fund	Total
Operating activities:			
Receipts from customers and users	\$ 25,710,346	\$ 27,405,105	\$ 53,115,451
Payments to suppliers	(7,074,120)	(9,007,580)	(16,081,700)
Payments to employees	(7,665,618)	(7,586,610)	(15,252,228)
Net cash provided by operating activities	\$ 10,970,608	\$ 10,810,915	\$ 21,781,523
Cash flows from noncapital financing activities			
Subsidy from local governments	\$ 621,137	\$ -	\$ 621,137
Net cash provided by noncapital financing activities	\$ 621,137	\$ -	\$ 621,137
Capital and related financing activities:			
Additions to utility plant	\$ (6,195,307)	\$ (5,916,718)	\$ (12,112,025)
Proceeds from the sale of assets	17,667	12,554	30,221
Principal payments on bonds	(2,750,703)	(3,424,248)	(6,174,951)
Principal payments on locality compensation payments	(1,773,333)	(570,000)	(2,343,333)
Contributions in aid of construction	1,155,683	987,100	2,142,783
Proceeds from indebtedness, net of costs of issuance	455,227	213,771	668,998
Interest payments	(3,307,412)	(2,351,027)	(5,658,439)
Net cash used in capital and related financing activities	\$ (12,398,178)	\$ (11,048,568)	\$ (23,446,746)
Investing activities:			
Rental income	\$ 489,614	\$ 127,618	\$ 617,232
Rental expenses	(138,346)	(138,346)	(276,692)
Interest received	83,827	218,203	302,030
Net cash provided by investing activities	\$ 435,095	\$ 207,475	\$ 642,570
Increase (decrease) in cash and cash equivalents	\$ (371,338)	\$ (30,178)	\$ (401,516)
Cash and cash equivalents at beginning of year (including \$5,479,303 and \$2,859,627, respectively reported in restricted accounts)	14,508,103	21,693,381	36,201,484
Cash and cash equivalents at end of year (including \$2,936,358 and \$1,650,972, respectively reported in restricted accounts)	\$ 14,136,765	\$ 21,663,203	\$ 35,799,968
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 4,119,673	\$ 4,488,615	\$ 8,608,288
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	7,243,813	7,528,269	14,772,082
Insurance recoveries	30,493	1,194	31,687
Changes in operating assets and liabilities:			
(Increase) decrease in receivables	86,172	(286,566)	(200,394)
(Increase) decrease in inventories	(16,072)	(151,387)	(167,459)
(Increase) decrease in prepaid expenses	110,915	110,790	221,705
Increase (decrease) in payables and accrued expenses	(744,590)	(877,229)	(1,621,819)
Increase (decrease) in customer deposits	140,204	(2,771)	137,433
Net cash provided by operating activities	\$ 10,970,608	\$ 10,810,915	\$ 21,781,523
Noncash investing, capital and financing activities:			
Contributions of capital assets	\$ 786,520	\$ 490,942	\$ 1,277,462
Disposal of equipment and land	211,314	12,554	223,868

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

Year Ended June 30, 2010		
Water Fund	Water Pollution Control Fund	Total
\$ 23,808,439	\$ 26,868,734	\$ 50,677,173
(5,336,856)	(7,687,168)	(13,024,024)
<u>(7,337,613)</u>	<u>(7,305,539)</u>	<u>(14,643,152)</u>
\$ <u>11,133,970</u>	\$ <u>11,876,027</u>	\$ <u>23,009,997</u>
\$ 624,796	\$ -	\$ 624,796
\$ <u>624,796</u>	\$ <u>-</u>	\$ <u>624,796</u>
\$ (9,675,724)	\$ (4,777,068)	\$ (14,452,792)
32,162	25,759	57,921
(2,626,159)	(3,314,887)	(5,941,046)
(4,977,065)	(555,000)	(5,532,065)
2,185,653	1,227,069	3,412,722
3,327,244	721,249	4,048,493
<u>(3,609,228)</u>	<u>(2,464,046)</u>	<u>(6,073,274)</u>
\$ <u>(15,343,117)</u>	\$ <u>(9,136,924)</u>	\$ <u>(24,480,041)</u>
\$ 520,885	\$ 173,552	\$ 694,437
(133,130)	(133,130)	(266,260)
<u>67,772</u>	<u>198,593</u>	<u>266,365</u>
\$ <u>455,527</u>	\$ <u>239,015</u>	\$ <u>694,542</u>
\$ (3,128,824)	\$ 2,978,118	\$ (150,706)
<u>17,636,927</u>	<u>18,715,263</u>	<u>36,352,190</u>
\$ <u>14,508,103</u>	\$ <u>21,693,381</u>	\$ <u>36,201,484</u>
\$ 2,650,914	\$ 3,295,941	\$ 5,946,855
7,081,747	7,419,841	14,501,588
15,927	4,969	20,896
(20,750)	716,948	696,198
23,693	(171,170)	(147,477)
(148,600)	(141,392)	(289,992)
972,225	751,412	1,723,637
<u>558,814</u>	<u>(522)</u>	<u>558,292</u>
\$ <u>11,133,970</u>	\$ <u>11,876,027</u>	\$ <u>23,009,997</u>
\$ 2,249,357	\$ 2,435,990	\$ 4,685,347
312,308	18,000	330,308

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WESTERN VIRGINIA WATER AUTHORITY

Notes to Financial Statements
as of June 30, 2011 and 2010

Note 1—Summary of Significant Accounting Policies:

A. Formation of the Authority

The Western Virginia Water Authority was formed in early 2004 by the Board of Supervisors of Roanoke County, Virginia and the Council of the City of Roanoke, Virginia pursuant to the Virginia Water and Waste Water Authorities Act (Chapter 51, Title 15.2 of the 1950 Code of Virginia, as amended) (“Act”). On November 5, 2009 Franklin County joined as a member of the Authority when the involved parties reorganized under amended and restated Articles of Incorporation. The purposes for which the Authority was formed are to exercise all powers granted to the Authority to acquire, finance, construct, operate, manage and maintain a water, wastewater, sewage disposal and storm water control system and related facilities pursuant to the Act. The Authority shall have all of the rights, powers, and duties of an authority under the Act. The Authority services the County of Roanoke, the City of Roanoke, the County of Franklin and to the extent permitted by the Act and by the terms of the Articles of Incorporation and the Western Virginia Water Authority Operating Agreement, such other public or private entities as the Authority may determine upon the terms and conditions established pursuant to such contracts. The Authority began operations on July 1, 2004.

Determination of the Reporting Entity

The Authority’s governing body is comprised of three members appointed by Roanoke County, three members appointed by the City of Roanoke, and one member appointed by Franklin County. Therefore, none of the participants appoints a voting majority of board members.

The Authority is formed for a term of fifty years. No participating government has access to its resources or surpluses, nor is any participant liable for the Authority’s debts or deficits with the exception of the participants’ continuing obligations under their water and sewer general obligation bonds. The Authority also has the ability to finance its capital projects through user charges or the sale of revenue bonds.

Based on the above representations and in accordance with Governmental Accounting Standards Board (GASB) Statement Number 14, the Western Virginia Water Authority has been determined to be a joint venture of the City of Roanoke and the Counties of Roanoke and Franklin. The Authority is not a component unit of any of the participating governments. There are no component units to be included within the Authority’s financial statements.

B. Basis of Accounting

The Western Virginia Water Authority operates as an enterprise activity, and its accounts are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. The Authority accrues revenue for services rendered but not yet billed at the end of the fiscal year. The Authority follows all applicable GASB pronouncements and Financial Accounting Standards Board pronouncements issued before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

The Authority prepares its financial reports utilizing two funds. The Water Fund is used to account for water services and the Water Pollution Control (WPC) Fund is used to account for wastewater treatment services.

WESTERN VIRGINIA WATER AUTHORITY

Notes to Financial Statements
as of June 30, 2011 and 2010 (Continued)

Note 1— Summary of Significant Accounting Policies: (Continued)

B. Basis of Accounting: (Continued)

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services as well as producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Allowance for Doubtful Accounts

Accounts receivable are stated at book value net of the allowance for uncollectible accounts. The allowance for uncollectible accounts amounted to \$750,000 and \$750,000 at June 30, 2011 and \$700,000 and \$700,000 at June 30, 2010 for water and water pollution control, respectively.

D. Basic Financial Statements

The Authority's financial statements are prepared in accordance with GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments. As a result, the financial statements include a Management's Discussion and Analysis (MD&A) section, providing an analysis of the Authority's overall financial position and results of operations.

Since the Authority is only engaged in business-type activities, it is required to present only the financial statements required for enterprise funds. For the Authority, the basic financial statements and required supplementary information consist of:

- Management's Discussion and Analysis
- Enterprise fund financial statements
 - Statement of Net Assets
 - Statement of Revenues, Expenses, and Changes in Net Assets
 - Statement of Cash Flows
 - Notes to Financial Statements
- Required Supplementary Information
 - Schedule of Pension and Other Post Employment Benefits Funding Progress

E. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., pipes, hydrants, pumps, and similar items), are reported in the financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The capital assets donated to the Authority by the organizing localities were valued by a consulting engineer.

WESTERN VIRGINIA WATER AUTHORITY

Notes to Financial Statements
as of June 30, 2011 and 2010 (Continued)

Note 1— Summary of Significant Accounting Policies: (Continued)

E. Capital Assets: (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest in the amount of \$228,268 and \$4,810 was capitalized during the fiscal year ending June 30, 2010 in the water fund and sewer funds, respectively. Interest in the amount of \$345,432 and \$56,360 was capitalized in the water fund and water pollution control funds, respectively, during the fiscal year ended June 30, 2011.

Property, plant, and equipment is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Structures, lines and accessories	10 to 66
Vehicles and equipment	5 to 15

F. Interest on Indebtedness

Interest expense applicable to that portion of indebtedness, the proceeds of which are used to construct new facilities, is capitalized during the period of construction as part of the cost of such facilities. Other interest costs of the Authority are treated as non-operating expenses.

G. Cash and Cash Equivalents

The Authority's cash and cash equivalents consist of demand deposits, certificates of deposit, overnight repurchase agreements and short-term U.S. Governmental obligations, with an original maturity of three months or less, all of which are readily convertible to known amounts of cash.

H. Investments

Investments are stated at fair value.

I. Budgets and Budgetary Accounting

A budget is prepared for information, fiscal planning purposes, and to provide the basis for setting user rates. None of the participating entities are required to approve the budget. The budget is adopted as a planning document and is not a legal control on expenses.

J. Inventory

Inventories of material and supplies are recorded at cost, using the first-in, first-out method of valuation.

WESTERN VIRGINIA WATER AUTHORITY

Notes to Financial Statements
as of June 30, 2011 and 2010 (Continued)

Note 1— Summary of Significant Accounting Policies: (Continued)

K. 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.

L. Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, reduced by accumulated depreciation and by any outstanding debt related to the acquisition, construction or improvement of those assets. The Authority applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

M. Restricted Assets

Certain proceeds of the Authority's revenue bonds are classified as restricted assets on the statement of net assets, because they are maintained in separate bank accounts, and their use is limited by applicable bond covenants. The bond proceeds account receives proceeds from Authority debt issuances and hold the proceeds until project costs are incurred. These assets are held by a trustee financial institution in separate accounts and consist of cash and cash equivalents. At year end, \$4,587,330 in bond proceeds was restricted for planned construction projects.

N. Long-Term Obligations

The Authority assumed existing revenue bond obligations of both Roanoke County and the City of Roanoke upon the formation of the Authority. The obligations of the County and the City which could not be assumed by the Authority are reported as locality compensation payments. These amounts are paid to the locality in accordance with the locality's existing debt service requirements.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

O. Self Insurance

The Authority was self-insured for health insurance prior to the end of the fiscal year ending June 30, 2010. Prior to June 30, 2010, the Authority transitioned to a traditional health insurance plan. As of June 30, 2011, the Authority's liability under the self-insurance plan is \$0.

P. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid accumulated leave balances. The liability is based on the leave accumulated at June 30. Limited leave may be accumulated until retirement or termination. Accumulated leave is paid at the employee's current wage upon retirement or termination.

WESTERN VIRGINIA WATER AUTHORITY

Notes to Financial Statements
as of June 30, 2011 and 2010 (Continued)

Note 2—Deposits and Investments:

A summary of the Authority's deposits and investments at June 30, 2011 is as follows:

	<u>Water</u>	<u>Pollution Control</u>	<u>Total</u>
Petty cash	\$ 3,150	\$ 2,950	\$ 6,100
State Non-arbitrage Pool (SNAP)	2,400,112	1,714,591	4,114,703
Local Government Investment Pool	63,619	1,014,201	1,077,820
Bank Deposits	9,665,059	17,928,598	27,593,657
Certificates of Deposit	2,004,825	1,002,863	3,007,688
Totals	<u>\$ 14,136,765</u>	<u>\$ 21,663,203</u>	<u>\$ 35,799,968</u>

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act"), Section 2.2-4400 et. Seq. of the Code of Virginia . Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

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

Custodial Credit Risk (Investments)

The Authority's investment policy provides that securities purchased for the Authority shall be held by the Authority Treasurer or by the Treasurer's custodian. If held by a custodian, the securities must be in the Authority's name or in the custodian's nominee name and identifiable on the custodian's books as belonging to the Authority. Further, if held by a custodian, the custodian must be a third party, not a counterparty (buyer or seller) to the transaction. At June 30, 2011 all of the Authority's investments were held in accordance with this policy.

WESTERN VIRGINIA WATER AUTHORITY

Notes to Financial Statements
as of June 30, 2011 and 2010 (Continued)

Note 2—Deposits and Investments: (Continued)

Credit Risk of Debt Securities

The Authority's investment policy for credit risk is consistent with the investments allowed by statute as detailed above.

The Authority's rated debt investments as of June 30, 2011 were rated by Standard & Poor's and the ratings are presented below using the Standard & Poor's rating scale.

Authority's Rated Debt Investments' Values

		<u>Fair Quality Ratings</u>
		<u>AAAm</u>
State Non-arbitrage Pool (SNAP)	\$	4,114,703
Local Government Investment Pool		1,077,820
Total	\$	<u>5,192,523</u>

Concentration of Credit Risk

The Authority's investment policy limits the investment in bankers' acceptances to 40% of total funds available for investment. Not more than 35% of the Authority's total investments may be in commercial paper and not more than 5% of commercial paper investments in the obligations of any one issuing corporation.

Interest Rate Risk

All Authority investments must be in securities maturing within five years to reduce the volatility associated with interest rate risk.

Investment Maturities (in years)

<u>Investment Type</u>	<u>Fair Value</u>	<u>1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>Greater than 10 Years</u>
State Non-arbitrage Pool (SNAP)	\$ 4,114,703	\$ 4,114,703	-	-	-
Local Government Investment Pool	1,077,820	1,077,820	-	-	-
Total	<u>\$ 5,192,523</u>	<u>\$ 5,192,523</u>	<u>-</u>	<u>-</u>	<u>-</u>

WESTERN VIRGINIA WATER AUTHORITY

Notes to Financial Statements
as of June 30, 2011 and 2010 (Continued)

Note 3—Capital Assets:

Capital asset activity for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Water Fund:				
Capital assets, not being depreciated:				
Land	\$ 19,986,171	\$ 2,479	\$ -	\$ 19,988,650
Construction in progress	11,125,977	6,407,124	7,365,160	10,167,941
Total capital assets, not being depreciated	<u>\$ 31,112,148</u>	<u>\$ 6,409,603</u>	<u>\$ 7,365,160</u>	<u>\$ 30,156,591</u>
Capital assets, being depreciated:				
Structures, lines and accessories	\$ 344,423,163	\$ 7,738,943	\$ 265,200	\$ 351,896,906
Machinery and equipment	3,689,014	543,873	-	4,232,887
Total capital assets, being depreciated	<u>\$ 348,112,177</u>	<u>\$ 8,282,816</u>	<u>\$ 265,200</u>	<u>\$ 356,129,793</u>
Less accumulated depreciation for:				
Structures, lines and accessories	\$ (39,037,718)	\$ (6,871,359)	\$ (53,886)	\$ (45,855,191)
Machinery and equipment	(1,559,893)	(372,454)	-	(1,932,347)
Total accumulated depreciation	<u>\$ (40,597,611)</u>	<u>\$ (7,243,813)</u>	<u>\$ (53,886)</u>	<u>\$ (47,787,538)</u>
Total capital assets, being depreciated, net	<u>\$ 307,514,566</u>	<u>\$ 1,039,003</u>	<u>\$ 211,314</u>	<u>\$ 308,342,255</u>
Total Water Fund	<u>\$ 338,626,714</u>	<u>\$ 7,448,606</u>	<u>\$ 7,576,474</u>	<u>\$ 338,498,846</u>
Water Pollution Control Fund:				
Capital assets, not being depreciated:				
Land	\$ 2,822,753	\$ 949	\$ -	\$ 2,823,702
Construction in progress	3,917,913	5,972,129	2,512,804	7,377,238
Total capital assets, not being depreciated	<u>\$ 6,740,666</u>	<u>\$ 5,973,078</u>	<u>\$ 2,512,804</u>	<u>\$ 10,200,940</u>
Capital assets, being depreciated:				
Structures, lines and accessories	\$ 332,642,151	\$ 507,886	\$ -	\$ 333,150,037
Machinery and equipment	3,615,448	2,495,860	-	6,111,308
Total capital assets, being depreciated	<u>\$ 336,257,599</u>	<u>\$ 3,003,746</u>	<u>\$ -</u>	<u>\$ 339,261,345</u>
Less accumulated depreciation for:				
Structures, lines and accessories	\$ (37,131,180)	\$ (7,185,744)	\$ -	\$ (44,316,924)
Machinery and equipment	(1,880,153)	(342,525)	-	(2,222,678)
Total accumulated depreciation	<u>\$ (39,011,333)</u>	<u>\$ (7,528,269)</u>	<u>\$ -</u>	<u>\$ (46,539,602)</u>
Total capital assets, being depreciated, net	<u>\$ 297,246,266</u>	<u>\$ (4,524,523)</u>	<u>\$ -</u>	<u>\$ 292,721,743</u>
Total Water Pollution Control Fund	<u>\$ 303,986,932</u>	<u>\$ 1,448,555</u>	<u>\$ 2,512,804</u>	<u>\$ 302,922,683</u>
Total Authority Capital Assets	<u>\$ 642,613,646</u>	<u>\$ 8,897,161</u>	<u>\$ 10,089,278</u>	<u>\$ 641,421,529</u>

WESTERN VIRGINIA WATER AUTHORITY

Notes to Financial Statements
as of June 30, 2011 and 2010 (Continued)

Note 3—Capital Assets: (Continued)

Capital asset activity for the year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Water Fund:				
Capital assets, not being depreciated:				
Land	\$ 19,982,624	\$ 3,547	\$ -	\$ 19,986,171
Construction in progress	6,133,058	9,874,937	4,882,018	11,125,977
Total capital assets, not being depreciated	<u>\$ 26,115,682</u>	<u>\$ 9,878,484</u>	<u>\$ 4,882,018</u>	<u>\$ 31,112,148</u>
Capital assets, being depreciated:				
Structures, lines and accessories	\$ 337,842,937	\$ 6,879,062	\$ 298,836	\$ 344,423,163
Machinery and equipment	3,427,031	275,455	13,472	3,689,014
Total capital assets, being depreciated	<u>\$ 341,269,968</u>	<u>\$ 7,154,517</u>	<u>\$ 312,308</u>	<u>\$ 348,112,177</u>
Less accumulated depreciation for:				
Structures, lines and accessories	\$ (32,375,840)	\$ (6,738,180)	\$ (76,302)	\$ (39,037,718)
Machinery and equipment	(1,229,798)	(343,567)	(13,472)	(1,559,893)
Total accumulated depreciation	<u>\$ (33,605,638)</u>	<u>\$ (7,081,747)</u>	<u>\$ (89,774)</u>	<u>\$ (40,597,611)</u>
Total capital assets, being depreciated, net	<u>\$ 307,664,330</u>	<u>\$ 72,770</u>	<u>\$ 222,534</u>	<u>\$ 307,514,566</u>
Total Water Fund	<u>\$ 333,780,012</u>	<u>\$ 9,951,254</u>	<u>\$ 5,104,552</u>	<u>\$ 338,626,714</u>
Water Pollution Control Fund:				
Capital assets, not being depreciated:				
Land	\$ 2,837,993	\$ 2,760	\$ 18,000	\$ 2,822,753
Construction in progress	4,867,277	5,413,873	6,363,237	3,917,913
Total capital assets, not being depreciated	<u>\$ 7,705,270</u>	<u>\$ 5,416,633</u>	<u>\$ 6,381,237</u>	<u>\$ 6,740,666</u>
Capital assets, being depreciated:				
Structures, lines and accessories	\$ 324,791,639	\$ 7,850,512	\$ -	\$ 332,642,151
Machinery and equipment	3,301,488	313,960	-	3,615,448
Total capital assets, being depreciated	<u>\$ 328,093,127</u>	<u>\$ 8,164,472</u>	<u>\$ -</u>	<u>\$ 336,257,599</u>
Less accumulated depreciation for:				
Structures, lines and accessories	\$ (30,006,920)	\$ (7,124,260)	\$ -	\$ (37,131,180)
Machinery and equipment	(1,584,572)	(295,581)	-	(1,880,153)
Total accumulated depreciation	<u>\$ (31,591,492)</u>	<u>\$ (7,419,841)</u>	<u>\$ -</u>	<u>\$ (39,011,333)</u>
Total capital assets, being depreciated, net	<u>\$ 296,501,635</u>	<u>\$ 744,631</u>	<u>\$ -</u>	<u>\$ 297,246,266</u>
Total Water Pollution Control Fund	<u>\$ 304,206,905</u>	<u>\$ 6,161,264</u>	<u>\$ 6,381,237</u>	<u>\$ 303,986,932</u>
Total Authority Capital Assets	<u><u>\$ 637,986,917</u></u>	<u><u>\$ 16,112,518</u></u>	<u><u>\$ 11,485,789</u></u>	<u><u>\$ 642,613,646</u></u>

WESTERN VIRGINIA WATER AUTHORITY

Notes to Financial Statements
as of June 30, 2011 and 2010 (Continued)

Note 3—Capital Assets: (Continued)

Construction Commitments:

The Authority has active construction projects as of June 30, 2011 as detailed below:

	<u>Contract Amount</u>	<u>Spent- to-Date</u>	<u>Remaining Commitment</u>
<u>Water Fund:</u>			
Harrison Area Waterline	1,114,055	430,688	\$ 683,367
Salem Main Street VDOT Betterment	105,000	28,629	76,371
Coulter Building Renovations	50,999	-	50,999
 <u>Water Pollution Control Fund:</u>			
Corbieshaw Road Sewer Rehabilitation	\$ 406,880	\$ 47,319	\$ 359,561
Lower Murray Run Interceptor	375,581	42,126	333,455
Tinker Creek Interceptor Overflow Abatement	288,469	55,892	232,577
Single Point of Electrical Service	2,778,200	395,513	2,382,687
Salem Main Street VDOT Betterment	65,462	15,831	49,631
Coulter Building Renovations	50,999	-	50,999
Total	\$ <u>5,235,645</u>	\$ <u>1,015,998</u>	\$ <u>4,219,647</u>

The above projects are to be funded from the proceeds of revenue bonds and funds generated from operations.

WESTERN VIRGINIA WATER AUTHORITY

Notes to Financial Statements
as of June 30, 2011 and 2010 (Continued)

Note 4—Long-Term Debt:

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

Year Ending June 30	Water Fund		Water Pollution Control Fund	
	Principal	Interest	Principal	Interest
2012	\$ 4,609,940	\$ 3,136,295	\$ 4,141,973	\$ 2,206,452
2013	4,732,245	2,942,843	4,292,082	2,060,240
2014	4,861,339	2,747,508	4,436,564	1,908,889
2015	3,561,714	2,569,256	4,589,801	1,752,110
2016	3,862,659	2,413,915	4,670,444	1,595,003
2017-2021	20,007,209	9,387,251	22,259,864	5,637,183
2022-2026	21,711,971	4,236,501	20,144,066	2,168,696
2027-2031	6,288,737	270,798	2,484,825	78,761
2032-2036	9,495	-	-	-
2037-2041	7,594	-	-	-
Total	\$ <u>69,652,903</u>	\$ <u>27,704,367</u>	\$ <u>67,019,619</u>	\$ <u>17,407,334</u>

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WESTERN VIRGINIA WATER AUTHORITY

Notes to Financial Statements
as of June 30, 2011 and 2010 (Continued)

Note 4—Long-Term Debt: (Continued)

Changes in long-term indebtedness for the year ended June 30, 2011 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Water Fund:					
Bonds payable:					
Revenue bonds	\$ 63,779,029	\$ 224,127	\$ 2,750,703	\$ 61,252,453	\$ 2,857,572
Locality compensation payments	9,942,683	231,100	1,773,333	8,400,450	1,752,368
Unamortized bond premium	416,439	-	23,175	393,264	-
Less deferred amount on refunding	(143,533)	-	(27,949)	(115,584)	-
Total bonds	<u>\$ 73,994,618</u>	<u>\$ 455,227</u>	<u>\$ 4,519,262</u>	<u>\$ 69,930,583</u>	<u>\$ 4,609,940</u>
Claims	66,966	-	66,966	-	-
Compensated absences	796,144	530,792	498,755	828,181	518,825
Net OPEB obligation	<u>61,100</u>	<u>72,027</u>	<u>54,150</u>	<u>78,977</u>	<u>-</u>
Total Water Fund	<u>\$ 74,918,828</u>	<u>\$ 1,058,046</u>	<u>\$ 5,139,133</u>	<u>\$ 70,837,741</u>	<u>\$ 5,128,765</u>
Water Pollution Control Fund:					
Bonds payable:					
Revenue bonds	\$ 58,755,096	\$ 213,771	\$ 3,424,248	\$ 55,544,619	\$ 3,536,973
Locality compensation payments	12,045,000	-	570,000	11,475,000	605,000
Unamortized bond premium	126,561	-	7,044	119,517	-
Total bonds	<u>\$ 70,926,657</u>	<u>\$ 213,771</u>	<u>\$ 4,001,292</u>	<u>\$ 67,139,136</u>	<u>\$ 4,141,973</u>
Claims	66,966	-	66,966	-	-
Compensated absences	718,012	536,016	484,386	769,642	519,217
Net OPEB obligation	<u>61,100</u>	<u>72,027</u>	<u>54,150</u>	<u>78,977</u>	<u>-</u>
Total Water Pollution Control Fund	<u>\$ 71,772,735</u>	<u>\$ 821,814</u>	<u>\$ 4,606,794</u>	<u>\$ 67,987,755</u>	<u>\$ 4,661,190</u>
Grand Total	<u><u>\$ 146,691,563</u></u>	<u><u>\$ 1,879,860</u></u>	<u><u>\$ 9,745,927</u></u>	<u><u>\$ 138,825,496</u></u>	<u><u>\$ 9,789,955</u></u>

WESTERN VIRGINIA WATER AUTHORITY

Notes to Financial Statements
as of June 30, 2011 and 2010 (Continued)

Note 4—Long-Term Debt: (Continued)

Changes in long-term indebtedness for the year ended June 30, 2010 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Water Fund:					
Bonds payable:					
Revenue bonds	\$ 66,341,743	\$ 63,445	\$ 2,626,159	\$ 63,779,029	\$ 2,731,206
Locality compensation payments	11,655,948	3,263,800	4,977,065	9,942,683	1,773,333
Unamortized bond premium	439,614	-	23,175	416,439	-
Less deferred amount on refunding	(87,857)	(78,800)	(23,124)	(143,533)	-
Total bonds	\$ 78,349,448	\$ 3,248,445	\$ 7,603,275	\$ 73,994,618	\$ 4,504,539
Claims	62,467	659,558	655,059	66,966	66,966
Compensated absences	787,962	501,809	493,627	796,144	498,755
Net OPEB obligation	37,400	70,350	46,650	61,100	-
Total Water Fund	\$ 79,237,277	\$ 4,480,162	\$ 8,798,611	\$ 74,918,828	\$ 5,070,260
Water Pollution Control Fund:					
Bonds payable:					
Revenue bonds	\$ 61,348,734	\$ 721,249	\$ 3,314,887	\$ 58,755,096	\$ 3,470,018
Locality compensation payments	12,600,000	-	555,000	12,045,000	570,000
Less unamortized bond premium	133,604	-	7,043	126,561	-
Total bonds	\$ 74,082,338	\$ 721,249	\$ 3,876,930	\$ 70,926,657	\$ 4,040,018
Claims	62,467	659,558	655,059	66,966	66,966
Compensated absences	740,900	473,515	496,403	718,012	484,387
Net OPEB obligation	37,400	70,350	46,650	61,100	-
Total Water Pollution Control Fund	\$ 74,923,105	\$ 1,924,672	\$ 5,075,042	\$ 71,772,735	\$ 4,591,371
Grand Total	\$ 154,160,382	\$ 6,404,834	\$ 13,873,653	\$ 146,691,563	\$ 9,661,631

WESTERN VIRGINIA WATER AUTHORITY

Notes to Financial Statements
as of June 30, 2011 and 2010 (Continued)

Note 4—Long-Term Debt: (Continued)

Details of the Authority's outstanding long-term indebtedness at June 30, 2011 are as follows:

Water Fund:

Bonds payable:

\$674,269 VRA Revolving Water Loan due in semi-annual installments of \$22,962 through September 1, 2020, payments include interest at 3%	\$ 377,177
\$178,340 VRA Revolving Water Loan due in semi-annual installments of \$6,629 through September 1, 2020, payments include interest at 4%	103,933
\$49,515,000 2003 VRA Water Revenue Refinancing bonds due in annual installments of \$1,225,000 to \$3,930,000 through October 1, 2026, interest at 2.8% to 5.9%	44,695,000
\$1,800,000 Water System Revenue Bond, Series 2005A, due in monthly installments of \$13,116 through February 15, 2020, payments include interest at 3.79%	1,161,160
Locality Compensation Payment payable to the City of Roanoke due in annual installments ranging from \$240,000 to \$270,000 through October 1, 2012, interest at 4% to 4.125%	525,000
Locality Compensation Payment payable to the City of Roanoke due in a single payment on July 30, 2015, with semi annual interest payments. Interest accrues at 3%	231,100
Locality Compensation Payment payable to the City of Roanoke due in annual installments ranging from \$310,000 to \$421,200 through October 1, 2021, interest at 2% to 5%	3,263,800
Locality Compensation Payment payable to the City of Roanoke due in semi-annual installments ranging from \$106,226 to \$1,567,065 through August 1, 2013, interest at 3.5% to 4.625%	4,380,550
\$10,690,000 VRA Water Revenue Bond, Series 2008A, due in annual principal installments ranging from \$355,000 to \$795,000 through October 1, 2028 and interest payable in semi-annual installments at rates ranging from 2.125% to 4.9%	9,970,000
\$400,000 Revenue Bond, Series 2008, issued November 1, 2008. Due in semi-annual principal and interest payments of \$13,683 through November 1, 2028, if the bond is not fully defeased prior to such date. The bond bears interest at 3.05%.	358,525

WESTERN VIRGINIA WATER AUTHORITY

Notes to Financial Statements
as of June 30, 2011 and 2010 (Continued)

Note 4—Long-Term Debt: (Continued)

Water Fund: (continued)

Bonds payable: (continued)

\$2,200,000 Revenue Bond, Series 2008, issued September 1, 2008. Due in semi-annual principal payments ranging from \$144,245 to \$170,727 through September 15, 2015, payments include interest at 2.86%. Proceeds, payments and resulting balances of this bond are prorated between the Water and Waste Pollution Control Funds based on usage. \$ 729,851

\$4,000,000 Revenue Bond, Series 2009, issued May 15, 2009. Due in semi-annual principal and interest payments of \$177,496 through May 15, 2024, payments include interest at 3.91%. 3,591,013

\$803,823 VRA Revolving Water Loan issued on September 1, 2010. Due in semi-annual installments of \$13,397 beginning July 1, 2011 and continuing through January 1, 2041. This is a non-interest bearing loan. The total balance drawn as of June 30, 2011 was: 179,390

\$216,850 VRA Revolving Water Loan issued on March 1, 2011. Due in semi-annual installments of \$7273 beginning June 1, 2012 and continuing through December 1, 2031. This loan bears interest at 2.83%. The total balance drawn as of June 30, 2011 was: 31,340

\$68,588 VRA Revolving Water Loan issued on December 23, 2009. Due in semi-annual installments of \$1,143 beginning December 21, 2010 and continuing through June 21, 2040. This is a non-interest bearing loan. The total balance drawn as of June 30, 2011 was: 55,064

Total Water Fund bonds \$ 69,652,903

Add: Premium on issuance \$ 393,264

Less: Deferred amount on refunding (115,584)

Compensated absences payable 828,181

Net OPEB obligation 78,977

Total Long-Term Obligations Payable from the Water Fund \$ 70,837,741

WESTERN VIRGINIA WATER AUTHORITY

Notes to Financial Statements
as of June 30, 2011 and 2010 (Continued)

Note 4—Long-Term Debt: (Continued)

Water Pollution Control Fund:

Bonds payable:

\$13,100,000 VRA Revolving Sewer Loan due in semi-annual installments of \$518,842 through December 1, 2018, payments include interest at 3.75%	\$ 6,306,516
\$5,357,725 VRA Revolving Sewer Loan due in semi-annual installments of \$189,600 through March 1, 2020, payments include interest at 3.5%	2,905,966
\$9,000,000 VRA Sewer Revenue bond due in semi-annual installments of \$301,962 through October 1, 2026, payments include interest at 3%	7,553,838
\$31,665,134 VRA Sewer Revenue bond due in semi-annual installments of combined principal and interest in the amount of \$1,058,474, through October 1, 2026, payments include interest at 3%.	25,914,057
\$9,993,612 VRA Sewer Revenue Bond due in semi-annual installments of principal and interest in the amount of \$343,375, including interest at 3.10%. The total balance drawn as of June 30, 2010 was:	7,969,643
\$1,800,000 Sewer System Revenue Bond, Series 2005B, due in monthly installments of \$13,116 through February 15, 2020, payments include interest at 3.79%	1,161,161
Locality Compensation Payment payable to the City of Roanoke due in annual installments ranging from \$45,000 to \$1,055,000 through August 1, 2024, interest at 2% to 5%	11,475,000
\$3,215,000 VRA Sewer Revenue Bond, Series 2008A, due in annual installments of principal ranging from \$105,000 to \$240,000 through October 1, 2028. Interest payments are due in semi-annual installments at interest rates ranging from 2.125% to 4.918%.	3,000,000
\$2,200,000 Revenue Bond, Series 2008, issued September 1, 2008. Due in semi-annual principal payments ranging from \$144,245 to \$170,727 through September 15, 2015, payments include interest at 2.86%. Proceeds, payments and resulting balances of this bond are prorated between the Water and Waste Pollution Control Funds based on usage.	<u>733,438</u>
Total Water Pollution Control Fund bonds	<u>\$ 67,019,619</u>

WESTERN VIRGINIA WATER AUTHORITY

Notes to Financial Statements
as of June 30, 2011 and 2010 (Continued)

Note 4—Long-Term Debt: (Continued)

Water Pollution Control Fund (Continued):

Bonds payable: (Continued)		
Add: Unamortized premium on issuance	\$	119,517
Compensated absences payable		769,642
Net OPEB obligation		<u>78,977</u>
 Total Long-Term Obligations Payable from the Water Pollution Control Fund	\$	<u>67,987,755</u>
 Grand Total	\$	<u>138,825,496</u>

The loans from the Virginia Resources Authority (VRA) are governed by covenants which have been complied with through June 30, 2011.

Note 5—Capital Contributions:

The Authority received capital contributions from the following sources during the year:

Year Ended June 30, 2011:

	<u>Water Fund</u>	<u>Water Pollution Control Fund</u>	<u>Total</u>
Availability fees	\$ 649,300	\$ 625,500	\$ 1,274,800
Developer contributions	786,520	490,942	1,277,462
Contributions from other governments	<u>506,383</u>	<u>361,600</u>	<u>867,983</u>
 Total Capital Contributions	<u>\$ 1,942,203</u>	<u>\$ 1,478,042</u>	<u>\$ 3,420,245</u>

Year Ended June 30, 2010:

	<u>Water Fund</u>	<u>Water Pollution Control Fund</u>	<u>Total</u>
Availability fees	\$ 555,089	\$ 493,976	\$ 1,049,065
Developer contributions	2,249,357	2,435,990	4,685,347
Contributions from other governments	<u>1,630,564</u>	<u>733,093</u>	<u>2,363,657</u>
 Total Capital Contributions	<u>\$ 4,435,010</u>	<u>\$ 3,663,059</u>	<u>\$ 8,098,069</u>

WESTERN VIRGINIA WATER AUTHORITY

Notes to Financial Statements
as of June 30, 2011 and 2010 (Continued)

Note 6—Defined Benefit Pension Plans:

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)

The Western Virginia Water Authority contributes to the Virginia Retirement System (VRS), an agent multiple-employer defined benefit pension plan that acts as a common investment and administrative agent for political subdivisions in the Commonwealth of Virginia.

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan. VRS administers two defined benefit plans for local government employees - Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or at age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least 10 years of service credit or at age 50 with at least five years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

WESTERN VIRGINIA WATER AUTHORITY

Notes to Financial Statements
as of June 30, 2011 and 2010 (Continued)

Note 6-Defined Benefit Pension Plans: (Continued)

A. Plan Description (Continued)

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. 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 the report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf> or 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 compensation toward their retirement. All or part of the 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 fiscal year ended 2011 was 7.59% of annual covered payroll.

WESTERN VIRGINIA WATER AUTHORITY

Notes to Financial Statements
as of June 30, 2011 and 2010 (Continued)

Note 6-Defined Benefit Pension Plans: (Continued)

C. Annual Pension Cost

For fiscal year 2011, the Authority's annual pension cost of \$492,766 was equal to the Authority's required and actual contributions.

Three-Year Trend Information for
Western Virginia Water Authority

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost * (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2011	\$ 492,766	100%	\$ -
June 30, 2010	464,114	100%	-
June 30, 2009	449,951	100%	-

* Includes employer costs only.

The FY 2011 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 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% 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 Western Virginia Water 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 Western Virginia Water Authority's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

D. Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the plan was 88.21% funded. The actuarial accrued liability for benefits was \$4,679,422, and the actuarial value of assets was \$4,127,739, resulting in an unfunded actuarial accrued liability (UAAL) of \$551,683. The covered payroll (annual payroll of active employees covered by the plan) was \$6,110,508, and ratio of the UAAL to the covered payroll was 9.03%.

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.

WESTERN VIRGINIA WATER AUTHORITY

Notes to Financial Statements
as of June 30, 2011 and 2010 (Continued)

Note 6-Defined Benefit Pension Plans: (Continued)

City of Roanoke Pension Plan

Employees of the Authority who transferred their employment from the City of Roanoke are eligible to continue their participation in the City's Pension Plan.

A. Plan Description

The Pension Plan is a cost-sharing multiple-employer defined benefit plan established by City Council and is included in the City's basic financial statements as a Pension Trust Fund. The Pension Plan was established by City Ordinance No. 8559 dated May 27, 1946, effective July 1, 1946. The Pension Plan covers substantially all employees of the City, all employees of the Roanoke Regional Airport Commission, and the Roanoke Valley Juvenile Detention Center, certain employees of the City of Roanoke School Board, the Roanoke Valley Resource Authority, and the Western Virginia Water Authority. The City is the major contributor of employer contributions to the Pension Plan. City Council appoints members of the Pension Plan Board of Trustees to administer the Pension Plan. The Pension Plan is not subject to the provisions of the Employee Retirement Income Security Act (ERISA) of 1974.

Effective July 1, 1984, the Pension Plan changed its name from the Employees' Retirement System of the City of Roanoke, Virginia (ERS) to City of Roanoke Pension Plan. This change provided for an Employees' Supplemental Retirement System (ESRS) which modified certain benefits as defined by the ERS. All employees covered under the provisions of the ERS at June 30, 1984, could elect to remain with the ERS or be covered under the provisions of the ESRS. Coverage under the ESRS was mandatory for all employees hired or rehired on or after July 1, 1984. On November 28, 1994, June 1, 1998, November 2, 1998, and June 5, 2000, City Council authorized the Pension Plan to offer members of the ERS an opportunity to transfer to the ESRS. The option was available from February 1, 1995 to May 16, 1995, July 1, 1998 through August 31, 1998, December 1, 1998 through December 31, 1998, and July 1, 2000 through July 31, 2000. Both the ERS and the ESRS share a common trust fund from which all benefits are paid without distinction as to the source of funds and are administered by the Board of Trustees. The Pension Plan provides retirement benefits as well as death and disability benefits.

Employees who are members of the ERS with 30 years of service or age 60 (normal retirement age) are entitled to an annual benefit equal to $1/70$ (1.429%) of their average final salary compensation (highest consecutive 12 months), excluding overtime, for each year of service. Employees may retire with 20 years of service and receive a reduced retirement benefit. For employees who are married at their retirement date, a joint and survivor annuity is payable monthly. There is no mandatory retirement age.

Employees who are members of the ESRS with 5 years or more of credited service and age 65 or over, general employees who have attained age 50 with age plus service equal to 80 and police officers and firefighters who have attained age 45 with age plus service equal to 70, are entitled to an annual retirement benefit, payable monthly for life in an amount equal to 2.1 percent of their final average compensation for each year of credited service up to a maximum of 63 percent. Final average compensation is the employee's average salary, excluding overtime, over the highest 36 consecutive months of credited service. Employees with 5 years of credited service may retire at age 55 and receive a reduced retirement benefit. Employees may elect to receive their retirement benefits in the form of a single life annuity or a joint and survivor annuity payable monthly from retirement.

WESTERN VIRGINIA WATER AUTHORITY

Notes to Financial Statements
as of June 30, 2011 and 2010 (Continued)

Note 6—Defined Benefit Pension Plans: (Continued)

City of Roanoke Pension Plan (Continued)

A. Plan Description: (Continued)

If employees under age 65 terminate before rendering five years of service they forfeit the right to receive any Pension Plan benefits. There is no mandatory retirement age.

Effective July 1, 2000, an additional monthly supplement equal to the greater of (a) \$159; or (b) 75% of the amount the City contributes toward the cost of a single active employee's health insurance shall be paid for eligible retirees until the month in which the retiree attains age 65. Any member of the City of Roanoke Pension who was an employee of one of the participating employers of the Plan (not including employees of the City of Roanoke School Board) and who retired after earning 20 or more years of creditable service but prior to attaining the age of 65 is eligible for this supplement. This supplement is not available to retirees receiving the early retiree incentive plan supplement granted in 1991.

The City of Roanoke Pension Plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the City of Roanoke Retirement Office, Attention: Retirement Administrator, P.O. Box 1220, Roanoke, Virginia 24006.

B. Funding Policy

The Pension Plan is noncontributory for employees. Employer contributions to the Pension Plan are based on a percentage of the annual compensation of the active members. The Authority's contribution rate for the fiscal year ended June 30, 2011 was 15.78% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2011, the Authority's annual pension cost of \$463,821, was equal to the required and actual contribution. As stipulated by City Code, the required contribution was determined as part of the June 30, 2009 actuarial valuation using the projected unit credit actuarial cost method. Any unfunded/(overturned) actuarial liability is amortized using the level percentage of pay amortization method over a 20-year closed amortization period. The actuarial assumptions included (a) 7.75% investment rate of return, (b) projected salary increases ranging from 4.5% to 8.5% per year, and (c) 3.0% cost-of-living adjustments. Projected salary increases include an inflation component of 3.75%. The actuarial value of the assets is determined using a method designed to smooth the impact of market fluctuations. The actuarial value recognizes annual appreciation and depreciation over a five-year period. The following information is provided related to trend information.

WESTERN VIRGINIA WATER AUTHORITY

Notes to Financial Statements
as of June 30, 2011 and 2010 (Continued)

Note 6—Defined Benefit Pension Plans: (Continued)

City of Roanoke Pension Plan (Continued)

C. Annual Pension Cost

**Three-Year Trend Information for
Western Virginia Water Authority**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost * (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2011	\$ 463,821	100%	\$ -
June 30, 2010	547,794	100%	-
June 30, 2009	554,676	100%	-

* Includes employer costs only.

D. Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the plan was 82.29% funded. The actuarial accrued liability for benefits was \$412,550,974 and the actuarial value of assets was \$339,501,962, resulting in an unfunded actuarial accrued liability (UAAL) of (\$73,049,012). The covered payroll (annual payroll of active employees covered by the plan) was \$73,345,609, and ratio of the UAAL to the covered payroll was (99.60%).

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 for benefits.

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WESTERN VIRGINIA WATER AUTHORITY

Notes to Financial Statements
as of June 30, 2011 and 2010 (Continued)

Note 7—Other Post-Employment Benefits:

A. Plan Description

The Authority administers a single-employer healthcare plan (“the Retiree Plan”). The plan provides for participation by eligible retirees of the Authority and their dependents in the health insurance programs available to Authority employees. The Retiree Health Plan will provide retiring employees the option to continue health insurance offered by the Authority. An eligible Authority retiree may receive this benefit until the retiree is eligible to receive Medicare. To be eligible for this benefit a retiree must meet the following criteria:

- The retiree must be a full time employee retiring on or after July 1, 2004.
- The employee must be eligible to retire with the Virginia Retirement System (VRS) or the current City of Roanoke retirement plan.
- Active employees must have at least 10 years of service with combined VRS or City of Roanoke and/or the Water Authority, with a minimum of five continuous years of service with the Water Authority and must be hired before July 1, 2010.
- Disabled employees are eligible after they meet retirement eligibilities
- The employee must be enrolled in the Water Authority medical coverage plan for the entire year prior to retirement to receive Water Authority contributions.

The benefits, employee contributions and the employer contributions are governed by the Board of Directors of the Western Virginia Water Authority and can be amended through Board action. The Retiree Health Plan does not issue a publicly available financial report.

B. Funding Policy

The Authority currently pays for post-employment health care benefits on a pay-as-you-go basis for seven (7) retirees. The Authority currently has 253 employees that are eligible for the program. In addition, retirees pay a percentage of the medical premium which ranged from 8.5% to 38.3%. As of July 1, 2010, the average rates were as follows:

<u>Participants</u>	<u>Total premium</u>
Employee only	\$ 476.00
Employee and Spouse	826.00
Employee and Child	826.00
Employee and Family	1,205.00

The Authority is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

WESTERN VIRGINIA WATER AUTHORITY

Notes to Financial Statements
as of June 30, 2011 and 2010 (Continued)

Note 7—Other Post-Employment Benefits: (Continued)

C. Annual OPEB Cost

For 2011, the Authority's annual OPEB cost (expense) of \$140,054 equaled the ARC of \$140,054; however same did not equal the actual contribution of \$104,300. The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal Year Ended*</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2011	\$ 140,054	74%	\$ 157,954
6/30/2010	136,700	65%	122,200
6/30/2009	139,000	46%	74,800

D. Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2010 (the most recent actuarial valuation), was as follows:

Actuarial accrued liability (AAL)	\$ 1,433,800
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	1,433,800
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	9,110,100
UAAL as a percentage of covered payroll	15.74%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

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

WESTERN VIRGINIA WATER AUTHORITY

Notes to Financial Statements
as of June 30, 2011 and 2010 (Continued)

Note 7—Other Post-Employment Benefits: (Continued)

E. Actuarial Methods and Assumptions: (Continued)

In the June 30, 2010, actuarial valuation, the projected unit credit actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. The actuarial assumptions included: inflation at 2.5%, an investment rate of return at 7%, and a health care trend rate of 7.7% graded to 4.50% over 70 years. The UAAL is being amortized as a level percentage over the remaining amortization period, which at June 30, 2010, was 29 years.

Note 8—Risk Management:

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority joined together with other local governments in the Commonwealth to form the Virginia Municipal League Self Insurance Risk Pool, a public entity risk pool currently operating as a common risk management and insurance program for member governments. The Authority pays an annual premium to the pool for its workers compensation, general liability, automobile liability, property, crime and public official's insurance coverages. The Agreement for Formation of the pool provides that the pool will be self-sustaining through member premiums. Settled claims have not exceeded pool coverage in any of the past three fiscal years.

Health Insurance - The Authority established a self-insured health insurance program July 1, 2004. Monthly contributions are established based upon estimates from the claims processor that should cover administrative expenses, stop loss insurance premiums, and claims. At June 30, 2011 and 2010, incurred but not yet reported claims are estimated to be \$0 and \$133,932 respectively. During the year ending June 30, 2010, the Authority transitioned to a traditional health insurance program and ceased participation in the self insured program. Liabilities remaining at June 30, 2010 were liquidated during the fiscal year ending June 30, 2011.

Changes in claims liability for the years ended June 30, 2011 and 2010 are as follows:

Unpaid claims, June 30, 2009	\$	124,934
Incurred claims (including IBNR and changes in estimates)		1,319,116
Claim payments		<u>(1,310,118)</u>
Unpaid claims, June 30, 2010	\$	133,932
Incurred claims (including IBNR and changes in estimates)		-
Claim payments		<u>(133,932)</u>
Unpaid claims, June 30, 2011	\$	<u><u>-</u></u>

WESTERN VIRGINIA WATER AUTHORITY

Notes to Financial Statements
as of June 30, 2011 and 2010 (Continued)

Note 9—Contingencies:

Authority officials estimate that no claims, not covered by insurance, would have a material effect on the Authority's financial position.

The Authority is operating under the terms of a Consent Special Order dated March 18, 2005 issued by the Virginia State Water Control Board requiring certain improvements to the Authority's water pollution control plant. The Authority intends to comply with the provisions of this consent order through projects already started or future improvements.

Note 10—Arbitrage Rebate Compliance:

As of June 30, 2011 and for the year then ended, the Authority was not liable for any amounts due under current rules governing arbitrage earnings.

Note 11—New Accounting Standards:

The Government Accounting Standards Board (GASB) has issued Statement No. 57 *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). Management does not believe the impact of this statement will have a material effect on the financial statements. This standard will be implemented for the fiscal year ending June 30, 2012.

The Government Accounting Standards Board (GASB) has issued Statement No. 60 *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. Management does not believe the impact of this statement will have a material effect on the financial statements. This standard will be implemented for the fiscal year ending June 30, 2012.

The Government Accounting Standards Board (GASB) has issued Statement No. 61 *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. Management does not believe the impact of this statement will have a material effect on the financial statements. This standard will be implemented for the fiscal year ending June 30, 2013.

WESTERN VIRGINIA WATER AUTHORITY

Notes to Financial Statements
as of June 30, 2011 and 2010 (Continued)

Note 11—New Accounting Standards: (Continued)

The Government Accounting Standards Board (GASB) has issued Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Management does not believe the impact of this statement will have a material effect on the financial statements. This standard will be implemented for the fiscal year ending June 30, 2013.

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Required Supplementary Information

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WESTERN VIRGINIA WATER AUTHORITY

Schedule of Pension and Other Post Employment Benefits Funding Progress
Last Three Fiscal Years

Virginia Retirement System:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
June 30, 2008	\$ 2,302,482	\$ 2,669,604	\$ 367,122	86.25%	\$ 5,384,751	6.82%
June 30, 2009	3,316,382	3,502,789	186,407	94.68%	6,180,726	3.02%
June 30, 2010	4,127,739	4,679,422	551,683	88.21%	6,110,508	9.03%

City of Roanoke Pension Plan:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
June 30, 2008	\$ 351,815,425	\$ 396,469,622	\$ 44,654,197	88.74%	\$ 78,155,029	57.14%
June 30, 2009	351,150,038	407,170,086	56,020,048	86.24%	77,966,593	71.85%
June 30, 2010	339,501,962	412,550,974	73,049,012	82.29%	73,345,609	99.60%

Information reported above is for the entire retirement plan which includes Roanoke City and several other legally separate entities. The System does not segregate plan assets or liabilities for organizations, such as the Western Virginia Water Authority, that participate through a host entity.

Retiree Medical Plan:

Actuarial Valuation Date*	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
June 30, 2008	\$ -	\$ 1,085,700	\$ 1,085,700	0.00%	\$ 5,641,500	19.24%
June 30, 2010	-	1,433,800	1,433,800	0.00%	9,110,100	15.74%

* information only available for two years

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Supporting Schedules

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Schedule of Income and Expenses - Budget and Actual - Water Fund
 Year Ended June 30, 2011

	Final Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues:			
Water sales	\$ 22,665,579	\$ 22,679,166	\$ 13,587
Water connection charges	150,000	340,800	190,800
Bulk sales	435,000	388,756	(46,244)
Fire service	1,209,073	1,256,060	46,987
Other fees	790,000	928,899	138,899
Total Operating Revenues	\$ 25,249,652	\$ 25,593,681	\$ 344,029
Operating Expenses:			
Water treatment administration	\$ 763,174	\$ 769,185	\$ (6,011)
Water treatment plants/systems:			
Carvins Cove	1,519,522	1,568,176	(48,654)
Spring Hollow	1,754,493	1,562,876	191,617
Crystal Spring	246,669	224,839	21,830
Falling Creek	259,985	269,051	(9,066)
Smith Mountain Lake systems	295,500	57,844	237,656
Westlake system	-	149,431	(149,431)
Laboratory services	355,858	311,986	43,872
Water purchases	102,000	73,369	28,631
Contract operations	20,407	11,793	8,614
Pump and storage operations	962,371	850,161	112,210
Well operations	330,536	265,188	65,348
Distribution operations	592,901	779,939	(187,038)
Meter operations	931,948	850,998	80,950
Reservoir operations	375,464	277,422	98,042
Internal services	3,154,422	2,787,599	366,823
Field operations	3,460,515	3,395,352	65,163
Occupancy costs	27,465	24,986	2,479
Depreciation and amortization	7,093,717	7,243,813	(150,096)
Total operating expenses	\$ 22,246,947	\$ 21,474,008	\$ 772,939
Income from operations	\$ 3,002,705	\$ 4,119,673	\$ 1,116,968
Nonoperating Income (Expenses):			
Interest earned	\$ 50,000	\$ 76,813	\$ 26,813
Rental income	13,680	13,680	-
Tower site rental	343,560	348,316	4,756
Office building lease income	125,000	127,618	2,618
Non operating contribution	666,608	621,137	(45,471)
Gain (loss) on disposal of assets	-	(193,647)	(193,647)
Insurance recoveries	-	30,493	30,493
Office building maintenance expense	(135,650)	(138,346)	(2,696)
Interest expense	(3,329,806)	(2,937,637)	392,169
Total nonoperating income (expenses)	\$ (2,266,608)	\$ (2,051,573)	\$ 215,035
Income (loss) before contributions	\$ 736,097	\$ 2,068,100	\$ 1,332,003
Capital contributions	1,450,000	1,942,203	492,203
Change in net assets	\$ 2,186,097	\$ 4,010,303	\$ 1,824,206

Schedule of Income and Expenses - Budget and Actual - Water Pollution Control Fund
 Year Ended June 30, 2011

	Final Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues:			
Water pollution control charges	\$ 24,022,249	\$ 24,245,313	\$ 223,064
Sewer connection charges	75,000	56,750	(18,250)
Bulk sales	2,250,000	2,180,514	(69,486)
Septic disposal fees	350,000	439,761	89,761
Other fees	687,500	768,139	80,639
Total Operating Revenues	\$ 27,384,749	\$ 27,690,477	\$ 305,728
Operating Expenses:			
Water pollution control:			
Administration	\$ 751,316	\$ 758,514	\$ (7,198)
Operations	4,403,459	3,989,367	414,092
Biosolids handling	1,904,666	1,685,592	219,074
Maintenance	1,773,426	1,917,953	(144,527)
Contract operations	60,266	79,314	(19,048)
Inflow and infiltration control	1,348,834	1,057,237	291,597
Collection system metering	265,000	230,098	34,902
Metering and lift stations	174,404	194,159	(19,755)
Pretreatment	169,779	147,637	22,142
Internal services	3,154,422	2,787,599	366,824
Occupancy costs	27,465	24,986	2,479
Field operations	3,001,907	2,766,775	235,132
Westlake system	66,785	34,362	32,423
Depreciation and amortization	7,519,435	7,528,269	(8,834)
Total Operating Expenses	\$ 24,621,164	\$ 23,201,862	\$ 1,419,302
Income from Operations	\$ 2,763,585	\$ 4,488,615	\$ 1,725,030
Non-Operating Income (Expenses):			
Interest earned	\$ 110,000	\$ 204,887	\$ 94,887
Insurance recoveries	-	1,194	1,194
Office building lease income	125,000	127,618	2,618
Gain/disposal on sale of assets	-	12,554	12,554
Office building maintenance expense	(135,650)	(138,346)	(2,696)
Interest expense	(2,396,171)	(2,253,895)	142,276
Total non-operating income (expenses)	\$ (2,296,821)	\$ (2,045,988)	\$ 250,833
Income (loss) before contributions	\$ 466,764	\$ 2,442,627	\$ 1,975,863
Capital contributions	1,657,600	1,478,042	(179,558)
Change in net assets	\$ 2,124,364	\$ 3,920,669	\$ 1,796,305

Statistical Section

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Statistical Section

This part of Western Virginia Water 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 overall financial health.

Contents

Financial Trends – Tables 1-6

These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time as well as show how the revenue and expenses are split between the water and sewer departments

Revenue Trends and Capacity – Tables 7-10

These schedules contain trend information to help the reader assess the Authority's most significant revenue sources, user rates, and the growth in water and sewer connections.

Debt Service Trends and Capacity – Tables 11-12

These schedules present trend information to help the reader assess the Authority's current levels of outstanding debt and the capacity to acquire additional debt with appropriate revenue coverage.

Demographic and Economic Information – Tables 13-14

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

Operating Information – Tables 15-18

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

Sources:

Unless otherwise noted, the information in these schedules is derived from the audited financial reports for the relevant year.

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Net Assets By Component
Last Ten Fiscal Years (1)

Water Fund

	Fiscal Year						
	2011	2010	2009	2008	2007	2006	2005
Invested in capital assets, net of related debt	\$ 271,504,621	\$ 270,111,399	\$ 264,738,093	\$ 263,083,554	\$ 264,494,137	\$ 262,859,176	\$ 262,970,629
Restricted	-	-	-	-	-	3,395,801	3,189,434
Unrestricted	10,189,206	7,572,125	8,194,136	9,231,458	7,627,756	6,247,497	5,378,517
Total water fund net assets	\$ 281,693,827	\$ 277,683,524	\$ 272,932,229	\$ 272,315,012	\$ 272,121,893	\$ 272,502,474	\$ 271,538,580

Water Pollution Control Fund

	Fiscal Year						
	2011	2010	2009	2008	2007	2006	2005
Invested in capital assets, net of related debt	\$ 237,434,519	\$ 235,919,902	\$ 234,036,711	\$ 229,133,685	\$ 228,857,165	\$ 225,749,647	\$ 221,820,321
Restricted	-	-	-	-	-	-	-
Unrestricted	21,982,391	19,576,339	16,683,000	15,398,087	13,689,376	12,541,528	10,712,432
Total water pollution control fund net assets	\$ 259,416,910	\$ 255,496,241	\$ 250,719,711	\$ 244,531,772	\$ 242,546,541	\$ 238,291,175	\$ 232,532,753

Western Virginia Water Authority (Total all funds)

	Fiscal Year						
	2011	2010	2009	2008	2007	2006	2005
Invested in capital assets, net of related debt	\$ 508,939,140	\$ 506,031,301	\$ 498,774,804	\$ 492,217,239	\$ 493,351,302	\$ 488,608,823	\$ 484,790,950
Restricted	-	-	-	-	-	3,395,801	3,189,434
Unrestricted	32,171,597	27,148,464	24,877,136	24,629,545	21,317,132	18,789,025	16,090,949
Total Western Virginia Water Authority	\$ 541,110,737	\$ 533,179,765	\$ 523,651,940	\$ 516,846,784	\$ 514,668,434	\$ 510,793,649	\$ 504,071,333

(1) Fiscal year 2005 was the first year of operation for the Authority.

Changes in Net Assets
Last Ten Fiscal Years (1)

Water Fund

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income (Loss)	Total Nonoperating Revenues/ (Expenses)	Income/(Loss) before Capital Contributions	Capital Contributions	Change in Net Assets
2005	\$ 21,320,023	\$ 20,287,120	\$ 1,032,903	\$ (3,322,489)	\$ (2,289,586)	\$ 273,828,166	\$ 271,538,580
2006	21,461,227	19,228,352	2,232,875	(2,989,324)	(756,449)	1,720,343	963,894
2007	20,366,258	19,555,108	811,150	(2,855,432)	(2,044,282)	1,633,701	(410,581)
2008	21,847,931	20,539,667	1,308,264	(2,523,649)	(1,215,385)	1,408,504	193,119
2009	22,520,105	21,045,730	1,474,375	(2,798,810)	(1,324,435)	1,941,562	617,127
2010	23,813,262	21,162,348	2,650,914	(2,334,629)	316,285	4,435,010	4,751,295
2011	25,593,681	21,474,008	4,119,673	(2,051,573)	2,068,100	1,942,203	4,010,303

Water Pollution Control Fund

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income (Loss)	Total Nonoperating Revenues/ (Expenses)	Income/(Loss) before Capital Contributions	Capital Contributions	Change in Net Assets
2005	\$ 18,919,178	\$ 18,667,649	\$ 251,529	\$ (1,582,922)	\$ (1,331,393)	\$ 233,864,146	\$ 232,532,753
2006	19,179,726	20,283,010	(1,103,284)	(645,413)	(1,748,697)	7,507,119	5,758,422
2007	20,869,422	21,512,707	(643,285)	(299,076)	(942,361)	5,197,727	4,255,366
2008	22,786,707	20,543,227	2,243,480	(2,344,508)	(101,028)	2,086,259	1,985,231
2009	23,969,097	21,923,901	2,045,196	(2,174,794)	(129,598)	6,317,537	6,187,939
2010	26,146,817	22,850,876	3,295,941	(2,182,470)	1,113,471	3,663,059	4,776,530
2011	27,690,477	23,201,862	4,488,615	(2,045,988)	2,442,627	1,478,042	3,920,669

Western Virginia Water Authority (Total all funds)

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income (Loss)	Total Nonoperating Revenues/ (Expenses)	Income/(Loss) before Capital Contributions	Capital Contributions	Change in Net Assets
2005	\$ 40,239,201	\$ 38,954,769	\$ 1,284,432	\$ (4,905,411)	\$ (3,620,979)	\$ 507,692,312	\$ 504,071,333
2006	40,640,953	39,511,362	1,129,591	(3,634,737)	(2,505,146)	9,227,462	6,722,316
2007	41,235,680	41,067,815	167,865	(3,154,508)	(2,986,643)	6,831,428	3,844,785
2008	44,634,638	41,082,894	3,551,744	(4,868,157)	(1,316,413)	3,494,763	2,178,350
2009	46,489,202	42,969,631	3,519,571	(4,973,604)	(1,454,033)	8,259,099	6,805,066
2010	49,960,079	44,013,224	5,946,855	(4,517,099)	1,429,756	8,098,069	9,527,825
2011	53,284,158	44,675,870	8,608,288	(4,097,561)	4,510,727	3,420,245	7,930,972

(1) Fiscal year 2005 was the first year of operation for the Authority.

Operating Revenues By Source
Last Ten Fiscal Years (1)

Water Fund

Fiscal Year	Customer Charges	Connection Fees	Bulk Sales	Fire Service	Other Revenues	Total
2005	\$ 18,643,433	\$ 652,345	\$ 330,289	\$ 1,155,891	\$ 538,065	\$ 21,320,023
2006	18,396,550	636,360	410,994	1,095,467	921,856	21,461,227
2007	17,899,178	329,864	466,733	1,054,830	615,653	20,366,258
2008	19,375,949	236,743	435,083	1,048,790	751,366	21,847,931
2009	19,890,287	196,591	370,470	1,120,028	942,729	22,520,105
2010	20,979,028	231,140	421,274	1,204,743	977,077	23,813,262
2011	22,679,166	340,800	388,756	1,256,060	928,899	25,593,681

Water Pollution Control Fund

Fiscal Year	Customer Charges	Connection Fees	Bulk Sales	Fire Service	Other Revenues	Total
2005	\$ 15,543,664	\$ 304,787	\$ 2,470,577	\$ -	\$ 600,150	\$ 18,919,178
2006	15,679,877	221,049	2,376,902	-	901,898	19,179,726
2007	16,825,071	128,077	2,994,606	-	921,668	20,869,422
2008	19,319,239	84,875	2,437,565	-	945,028	22,786,707
2009	20,546,188	66,860	2,183,217	-	1,172,832	23,969,097
2010	22,268,988	100,000	2,429,476	-	1,348,353	26,146,817
2011	24,245,313	56,750	2,180,514	-	1,207,900	27,690,477

Western Virginia Water Authority (Total all funds)

Fiscal Year	Customer Charges	Connection Fees	Bulk Sales	Fire Service	Other Revenues	Total
2005	\$ 34,187,097	\$ 957,132	\$ 2,800,866	\$ 1,155,891	\$ 1,138,215	\$ 40,239,201
2006	34,076,427	857,409	2,787,896	1,095,467	1,823,754	40,640,953
2007	34,724,249	457,941	3,461,339	1,054,830	1,537,321	41,235,680
2008	38,695,188	321,618	2,872,648	1,048,790	1,696,394	44,634,638
2009	40,436,475	263,451	2,553,687	1,120,028	2,115,561	46,489,202
2010	43,248,016	331,140	2,850,750	1,204,743	2,325,430	49,960,079
2011	46,924,479	397,550	2,569,270	1,256,060	2,136,799	53,284,158

(1) Fiscal year 2005 was the first year of operation for the Authority.

Operating Expenses
Last Ten Fiscal Years (1)

Water Fund

	Fiscal Year						
	2011	2010	2009	2008	2007	2006	2005
Water Purchases	\$ 73,369	\$ 94,369	\$ 495,637	\$ 571,177	\$ -	\$ -	\$ -
Water Treatment	3,936,928	3,989,576	3,959,592	3,911,010	3,997,523	3,737,939	3,820,469
Contract Operations	11,793	11,776	12,609	14,694	8,986	-	-
Pump & Storage Operations	850,161	842,677	535,123	458,692	669,189	707,555	629,342
Reservoir & Well Operations	542,610	649,646	496,960	387,496	451,018	435,351	482,719
Meter Operations	1,630,937	1,440,389	1,950,732	2,048,024	1,406,255	1,380,739	1,259,146
Water Distribution	3,602,627	3,645,581	3,445,489	2,970,048	2,911,890	2,850,867	3,727,660
Internal Services	3,556,784	3,382,491	3,249,952	3,348,680	3,432,115	3,462,297	3,580,506
Occupancy Cost	24,986	24,096	30,509	25,811	22,493	25,285	18,656
Depreciation and amortization	7,243,813	7,081,747	6,869,127	6,804,035	6,655,639	6,628,319	6,768,712
Total Operating Expenses	\$ 21,474,008	\$ 21,162,348	\$ 21,045,730	\$ 20,539,667	\$ 19,555,108	\$ 19,228,352	\$ 20,287,210

Water Pollution Control Fund

	Fiscal Year						
	2011	2010	2009	2008	2007	2006	2005
WPC Utility Administration	\$ 3,693,750	\$ 3,497,739	\$ 3,326,804	\$ 3,468,983	\$ 3,583,971	\$ 2,922,039	\$ 3,398,723
WPC Operations	3,989,367	4,293,532	4,144,553	3,704,141	4,495,378	4,221,900	3,805,640
WPC Maintenance	1,917,953	1,766,895	1,798,198	1,724,997	1,768,891	1,721,135	1,736,895
Contract Operations	113,676	95,976	86,093	59,835	89,405	-	-
Biosolids Handling	1,685,592	1,389,831	1,141,693	1,471,296	2,006,482	1,096,861	-
WPC Distribution	2,766,775	2,846,285	2,675,760	2,637,974	2,503,581	2,910,718	2,055,716
Inflow & Infiltration Control	1,057,237	1,149,071	1,223,315	1,296,517	1,050,219	1,047,018	962,139
Metering & Lift Stations	424,257	367,610	371,675	167,564	155,329	103,084	184,472
Occupancy Cost	24,986	24,096	30,509	25,811	22,493	25,285	18,656
Depreciation and amortization	7,528,269	7,419,841	7,125,301	5,986,109	5,836,958	6,234,970	6,505,408
Total Operating Expenses	\$ 23,201,862	\$ 22,850,876	\$ 21,923,901	\$ 20,543,227	\$ 21,512,707	\$ 20,283,010	\$ 18,667,649

Western Virginia Water Authority (Total all funds)

	Fiscal Year						
	2011	2010	2009	2008	2007	2006	2005
Utility Administration	\$ 7,250,534	\$ 6,880,230	\$ 6,576,756	\$ 6,817,663	\$ 7,016,086	\$ 6,384,336	\$ 6,979,229
Operations and Maintenance	9,056,497	9,100,891	9,024,268	8,397,879	8,889,122	8,466,680	7,913,742
Distribution	6,369,402	6,491,866	6,121,249	5,608,022	5,415,471	5,761,585	5,783,376
Water Purchases	73,369	94,369	495,637	571,177	0	0	0
Water Treatment	3,936,928	3,989,576	3,959,592	3,911,010	3,997,523	3,737,939	3,820,469
Biosolids Handling	1,685,592	1,389,831	1,141,693	1,471,296	2,006,482	1,096,861	0
Inflow & Infiltration Control	1,057,237	1,149,071	1,223,315	1,296,517	1,050,219	1,047,018	962,139
Metering & Lift Stations	424,257	367,610	371,675	167,564	155,329	103,084	184,472
Occupancy Cost	49,972	48,192	61,018	51,622	44,986	50,570	37,312
Depreciation and amortization	14,772,082	14,501,588	13,994,428	12,790,144	12,492,597	12,863,289	13,274,120
Total Operating Expenses	\$ 44,675,870	\$ 44,013,224	\$ 42,969,631	\$ 41,082,894	\$ 41,067,815	\$ 39,511,362	\$ 38,954,859

(1) Fiscal year 2005 was the first year of operation for the Authority.

Non-operating Revenues and Expenses
Last Ten Fiscal Years (1)

Water Fund

Fiscal Year	Interest Earned	Rental Income	Gain (Loss) on Disposal of Assets	Insurance Recoveries	Rental Expense	Interest Expense	Nonoperating Contributions	Total Non-operating Income/ (Expenses)
2005	\$ 241,830	\$ 222,308	\$ 76,025	-	\$ (33,063)	\$ (3,829,589)	-	(3,322,489)
2006	406,456	321,811	2,317	-	(115,958)	(3,603,950)	-	(2,989,324)
2007	486,409	347,924	6,150	-	(118,076)	(3,577,839)	-	(2,855,432)
2008	371,645	521,270	(189,471)	-	(110,808)	(3,116,285)	-	(2,523,649)
2009	227,166	504,676	(199,293)	35,069	(138,548)	(3,443,432)	215,552	(2,798,810)
2010	69,558	520,885	(192,738)	15,927	(133,130)	(3,239,927)	624,796	(2,334,629)
2011	76,813	489,614	(193,647)	30,493	(138,346)	(2,937,637)	621,137	(2,051,573)

Water Pollution Control Fund

Fiscal Year	Interest Earned	Rental Income	Gain (Loss) on Disposal of Assets	Insurance Recoveries	Rental Expense	Interest Expense	Flood Damages Expense	Total Non-operating Income/ (Expenses)
2005	\$ 120,824	\$ 964,334	-	\$ 45,072	\$ (33,063)	\$ (1,291,379)	\$ (1,388,710)	(1,582,922)
2006	403,639	196,733	-	137,586	(115,958)	(1,267,413)	-	(645,413)
2007	633,737	160,496	10,000	140,000	(118,076)	(1,125,233)	-	(299,076)
2008	520,999	168,291	(567,797)	10,956	(110,808)	(2,366,149)	-	(2,344,508)
2009	272,793	171,711	9,416	58,133	(138,548)	(2,548,299)	-	(2,174,794)
2010	195,883	173,552	7,759	4,969	(133,130)	(2,431,503)	-	(2,182,470)
2011	204,887	127,618	12,554	1,194	(138,346)	(2,253,895)	-	(2,045,988)

Western Virginia Water Authority (Total all funds)

Fiscal Year	Interest Earned	Rental Income	Gain (Loss) on Disposal of Assets	Insurance Recoveries	Rental Expense	Interest Expense	Net Nonoperating Income/ (Expenses)	Total Non-operating Income/ (Expenses)
2005	\$ 362,654	\$ 1,186,642	\$ 76,025	\$ 45,072	\$ (66,126)	\$ (5,120,968)	\$ (1,388,710)	(4,905,411)
2006	810,095	518,544	2,317	137,586	(231,916)	(4,871,363)	-	(3,634,737)
2007	1,120,146	508,420	16,150	140,000	(236,152)	(4,703,072)	-	(3,154,508)
2008	892,644	689,561	(757,268)	10,956	(221,616)	(5,482,434)	-	(4,868,157)
2009	499,959	676,387	(189,877)	93,202	(277,096)	(5,991,731)	215,552	(4,973,604)
2010	265,441	694,437	(184,979)	20,896	(266,260)	(5,671,430)	624,796	(4,517,099)
2011	281,700	617,232	(181,093)	31,687	(276,692)	(5,191,532)	621,137	(4,097,561)

(1) Fiscal year 2005 was the first year of operation for the Authority.

Annual Capital Contributions by Source
Last Ten Fiscal Years (1)

Water Fund

Fiscal Year	Water Availability Fees	Developer Contributions	Governments	Total
2005	\$ 975,875	\$ 1,072,979	\$ 271,779,312	\$ 273,828,166
2006	1,316,692	393,651	10,000	1,720,343
2007	1,096,169	567,532	0	1,663,701
2008	886,023	522,481	0	1,408,504
2009	679,318	859,834	402,500	1,941,652
2010	555,089	2,249,357	1,630,565	4,435,011
2011	649,300	786,520	506,383	1,942,203

Water Pollution Control Fund

Fiscal Year	Sewer Availability Fees	Developer Contributions	Governments	Total
2005	\$ 725,508	\$ 1,016,088	\$ 232,122,550	\$ 233,864,146
2006	811,626	641,126	6,054,367	7,507,119
2007	796,717	773,505	3,627,505	5,197,727
2008	634,711	749,828	701,720	2,086,259
2009	636,750	765,409	4,915,378	6,317,537
2010	493,976	2,435,990	733,093	3,663,059
2011	625,500	490,942	361,600	1,478,042

Western Virginia Water Authority (Total all funds)

Fiscal Year	Availability Fees	Developer Contributions	Governments	Total
2005	\$ 1,701,383	\$ 2,089,067	\$ 503,901,862	\$ 507,692,312
2006	2,128,318	1,034,777	6,064,367	9,227,462
2007	1,892,886	1,341,037	3,627,505	6,861,428
2008	1,520,734	1,272,309	701,720	3,494,763
2009	1,316,068	1,625,243	5,317,878	8,259,189
2010	1,049,065	4,685,347	2,363,658	8,098,070
2011	1,274,800	1,277,462	867,983	3,420,245

(1) Fiscal year 2005 was the first year of operation for the Authority.

Water Produced, Consumed and Wastewater Treated
 Gallons In Thousands
 Last Ten Fiscal Years (1)

Fiscal Year	Gallons of Water Produced	Gallons of Water Consumed	Gallons of Water Unbilled	Average Percent Unbilled	Gallons of Wastewater Treated (2)
2005	8,365,190	6,133,341	2,231,949	27%	15,230,226
2006	8,525,690	5,324,230	3,201,460	38%	12,709,420
2007	8,156,749	5,572,182	2,584,567	32%	13,899,690
2008	7,763,848	5,421,272	2,342,576	30%	11,457,290
2009	7,869,326	5,336,598	2,532,728	32%	12,815,400
2010	7,963,322	5,155,621	2,807,701	35%	16,848,400
2011	7,487,117	5,188,055	2,299,062	31%	13,550,000

(1) Fiscal year 2005 was the first year of operation for the Authority.

(2) Regional flow

Number of Customers
Last Ten Fiscal Years (1)

Fiscal Year	Water			Sewer				Total	
	Residential	Commercial	Industrial	Residential	Commercial	Industrial	Bulk	Water	Sewer
2005	51,457	3,999	55	46,658	3,852	50	3	55,511	50,563
2006	51,376	4,276	56	46,570	4,110	49	3	55,708	50,732
2007	51,563	4,242	53	46,764	4,084	47	3	55,858	50,898
2008	51,735	4,253	47	46,951	4,085	38	3	56,038	51,077
2009	52,375	4,281	37	47,229	4,107	28	3	56,693	51,367
2010	53,164	4,468	37	47,326	4,095	32	3	57,669	51,456
2011	53,266	4,440	35	47,317	4,082	29	3	57,741	51,431

(1) Fiscal year 2005 was the first year of operation for the Authority.

Schedule of User Rates
Last Ten Fiscal Years (1)

	Fiscal Year						
	2011 (2)	2010 (3)	2009 (4)	2008 (5)	2007 (6)	2006 (7)	2005 (8)
Water Rates:							
City of Roanoke Residents							
Water Fixed Rate	\$7.75	\$6.25	\$5.30	\$4.50	\$4.00	\$3.50	\$3.50
Water Variable Rate	3.00	3.00	2.90	2.75	2.54	2.42	2.30
Average monthly residential bill	22.75	21.25	19.80	18.25	16.70	15.60	15.00
County of Roanoke Residents							
Water Fixed Rate	\$7.75	\$6.25	\$6.00	\$5.50	\$5.60	\$5.70	\$6.25
Water Variable Rate	3.00	3.00	2.90	2.90	2.90	2.90	2.90
Average monthly residential bill	22.75	21.25	20.50	20.00	20.10	20.20	20.75
County of Franklin Residents (10)							
Water Fixed Rate (9)	\$32.00	\$32.00	na	na	na	na	na
Water Variable Rate	8.00	8.00	na	na	na	na	na
Average monthly residential bill	32.00	32.00	na	na	na	na	na
Sewer Rates:							
City of Roanoke Residents							
Sewer Fixed Rate	\$11.20	\$9.25	\$7.50	\$6.00	\$4.50	\$3.00	\$1.65
Sewer Variable Rate	3.50	3.50	3.30	3.05	2.85	2.70	2.59
Average monthly residential bill	28.70	26.75	24.00	21.25	18.75	16.50	14.60
County of Roanoke Residents							
Sewer Fixed Rate	\$11.20	\$9.25	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00
Sewer Variable Rate	3.50	3.50	3.20	2.80	2.45	2.10	1.80
Average monthly residential bill	28.70	26.75	25.00	23.00	21.25	19.50	18.00
County of Franklin Residents (10)							
Sewer Fixed Rate	\$11.00	\$9.00	na	na	na	na	na
Sewer Variable Rate	7.60	7.25	na	na	na	na	na
Average monthly residential bill	49.00	45.25	na	na	na	na	na

Roanoke residential bill based on 5/8 inch meter using 5,000 gallons

(1) Fiscal year 2005 was the first year of operation for the Authority.

(2) Rates effective January 1, 2011

(3) Rates effective January 1, 2010

(4) Rates effective January 1, 2009

(5) Rates effective January 1, 2008

(6) Rates effective January 1, 2007

(7) Rates effective January 1, 2006

(8) Rates effective January 1, 2005

(9) Includes minimum usage of 4,000 gallons

(10) County of Franklin joined the Authority in fiscal year 2010, rates are not applicable for years before fiscal year 2010

Principal Customers
Comparison of June 30, 2011 and 2005 (1)

Customer	Fiscal Year 2011			
	Water Consumption		Sewer Flow	
	in 000/gals	% of System	in 000/gals	% of System
Wometco Coca Cola	129,111	2.5%	46,790	1.1%
Carilion Hospitals	115,811	2.2%	94,294	2.2%
Norfolk Southern Corporation	90,291	1.7%	38,143	0.9%
Roanoke Redevelopment and Housing Authority	87,165	1.7%	87,165	2.0%
ITT	65,914	1.3%	57,598	1.3%
Steel Dynamics	62,159	1.2%	22,047	0.5%
Snyder Hunt Corporation	58,844	1.1%	58,844	1.4%
Pepsi Bottling Group	38,996	0.8%	-	0.0%
Hollins University	35,597	0.7%	25,911	0.6%
Maple Leaf Bakery	25,781	0.5%	25,781	0.6%
Total consumption (principal customers)	709,669	13.7%	456,573	10.7%
Balance from other customers	4,478,386	86.3%	3,828,373	89.3%
Total system annual consumption	5,188,055	100.0%	4,284,946	100.0%

Customer	Fiscal Year 2005			
	Water Consumption		Sewer Flow	
	in 000/gals	% of System	in 000/gals	% of System
Carilion Hospitals	183,187	3.0%	183,187	3.5%
Wometco Coca Cola	130,732	2.1%	13,073	0.2%
Norfolk Southern Corporation	125,884	2.1%	125,884	2.4%
Roanoke Redevelopment and Housing Authority	103,055	1.7%	103,055	2.0%
Roanoke Electric Steel	76,374	1.2%	15,275	0.3%
Snyder Hunt Corporation	58,802	1.0%	58,802	1.1%
Pepsi Bottling Group	55,391	0.9%	5,539	0.1%
Friendship Manor	41,583	0.7%	41,583	0.8%
Hotel Roanoke	31,368	0.5%	31,368	0.6%
F&W Management Company	16,352	0.3%	16,352	0.3%
Total consumption (principal customers)	822,728	13.4%	594,118	11.3%
Balance from other customers	5,310,613	86.6%	4,686,433	88.7%
Total system annual consumption	6,133,341	100.0%	5,280,551	100.0%

(1) Fiscal year 2005 was the first year of operation for the Authority.

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years (1)

Water Fund

Fiscal Year	Revenue Bonds	Locality Compensation Payments	Total	Per Connection
2005	\$ 55,306,439	\$ 19,090,000	\$ 74,396,439	1,336
2006	54,416,913	17,233,586	71,650,499	1,278
2007	51,740,336	15,293,876	67,034,212	1,191
2008	62,755,142	13,432,165	76,187,307	1,345
2009	66,781,357	11,568,091	78,349,448	1,350
2010	64,195,468	9,799,150	73,994,618	1,271
2011	61,645,717	8,284,866	69,930,583	1,201

Water Pollution Control Fund

Fiscal Year	Revenue Bonds	Locality Compensation Payments	Total	Per Connection
2005	\$ 35,405,391	\$ 15,840,000	\$ 51,245,391	1,021
2006	48,092,679	15,060,000	63,152,679	1,249
2007	54,462,969	14,260,000	68,722,969	1,353
2008	62,222,026	13,440,000	75,662,026	1,480
2009	61,482,338	12,600,000	74,082,338	1,441
2010	58,881,657	12,045,000	70,926,657	1,376
2011	55,664,136	11,475,000	67,139,136	1,302

Western Virginia Water Authority (Total all funds)

Fiscal Year	Revenue Bonds	Locality Compensation Payments	Total	Per Connection
2005	\$ 90,711,830	\$ 34,930,000	\$ 125,641,830	1,187
2006	102,509,592	32,293,586	134,803,178	1,264
2007	106,203,305	29,553,876	135,757,181	1,268
2008	124,977,168	26,872,165	151,849,333	1,409
2009	128,263,695	24,168,091	152,431,786	1,393
2010	123,077,125	21,844,150	144,921,275	1,320
2011	117,309,853	19,759,866	137,069,719	1,249

(1) Fiscal year 2005 was the first year of operation for the Authority.

Schedule of Debt Service & Coverage
Last Ten Fiscal Years (1)

Water Fund

Fiscal Year	Operating Revenues	Availability Fees	Interest Earnings	Other Non-operating Revenues	Gross Revenues	Operating Expenses (excluding depreciation)	Non-operating Expenses	Net Available Revenues	Debt Service Requirements	Coverage Ratio
2005	\$ 21,320,023	\$ 975,875	\$ 241,830	\$ 298,333	\$ 22,836,061	\$ 13,518,408	\$ 33,063	\$ 9,284,590	7,168,086	1.30
2006	21,461,227	1,316,692	406,456	324,128	23,508,503	12,600,033	115,958	10,792,512	7,182,063	1.50
2007	20,366,258	1,096,169	486,409	347,924	22,296,760	12,899,469	118,076	9,279,215	6,995,056	1.33
2008	21,847,931	886,023	371,645	521,270	23,626,869	13,735,632	110,808	9,780,429	5,132,807	1.91
2009	22,520,105	679,318	227,166	755,297	24,181,886	14,176,603	138,548	9,866,735	6,829,539	1.44
2010	23,813,262	555,089	69,558	1,161,608	25,599,517	14,080,601	133,130	11,385,786	7,943,538	1.43
2011	25,593,681	649,300	76,813	1,141,244	27,461,038	14,230,195	138,346	13,092,497	7,594,064	1.72

Water Pollution Control Fund

Fiscal Year	Operating Revenues	Availability Fees	Interest Earnings	Other Non-operating Revenues	Gross Revenues	Operating Expenses (excluding depreciation)	Non-operating Expenses	Net Available Revenues	Debt Service Requirements	Coverage Ratio
2005	\$ 18,919,178	\$ 725,508	\$ 120,824	\$ 1,009,406	\$ 20,774,916	\$ 12,162,241	\$ 1,421,773	\$ 7,190,902	2,789,792	2.58
2006	19,179,725	811,626	403,639	334,319	20,729,309	14,048,040	115,958	6,565,311	2,943,560	2.23
2007	20,869,422	796,717	633,737	300,496	22,600,372	15,675,749	118,076	6,806,547	4,832,829	1.41
2008	22,786,707	634,711	520,999	179,247	24,121,664	14,557,118	110,808	9,453,738	5,600,613	1.69
2009	23,969,097	636,750	272,793	229,844	25,108,484	14,798,600	138,548	10,171,336	6,085,626	1.67
2010	26,146,817	493,976	195,883	178,521	27,015,197	15,431,035	133,130	11,451,032	6,333,934	1.81
2011	27,690,477	625,500	204,887	128,812	28,649,676	15,673,593	138,346	12,837,737	6,345,274	2.02

Western Virginia Water Authority (Total all funds)

Fiscal Year	Operating Revenues	Availability Fees	Interest Earnings	Non-operating Revenues	Gross Revenues	Expenses (excluding depreciation)	Non-operating Expenses	Net Available Revenues	Debt Service Requirements	Coverage Ratio
2005	\$ 40,239,201	\$ 1,701,383	\$ 362,654	\$ 1,307,739	\$ 43,610,977	\$ 25,680,649	\$ 1,454,836	\$ 16,475,492	9,957,878	1.65
2006	40,640,952	2,128,318	810,095	658,447	44,237,812	26,648,073	231,916	17,357,823	10,125,623	1.71
2007	41,235,680	1,892,886	1,120,146	648,420	44,897,132	28,575,218	236,152	16,085,762	11,827,885	1.36
2008	44,634,638	1,520,734	892,644	700,517	47,748,533	28,292,750	221,616	19,234,167	10,733,420	1.79
2009	46,489,202	1,316,068	499,959	985,141	49,290,370	28,975,203	277,096	20,038,071	12,915,165	1.55
2010	49,960,079	1,049,065	265,441	1,340,129	52,614,714	29,511,636	266,260	22,836,818	14,277,472	1.60
2011	53,284,158	1,274,800	281,700	1,270,056	56,110,714	29,903,788	276,692	25,930,234	13,939,338	1.86

(1) Fiscal year 2005 was the first year of operation for the Authority.

Demographic Statistics
Last Ten Fiscal Years (1)

Fiscal Year	City of Roanoke Population (2)	City Per Capita Income (2)	County of Roanoke Population (3)	County of Roanoke Per Capita Income (3)	County of Franklin Population (4)	County of Franklin Per Capita Income (4)	City of Roanoke Unemployment Rate (2)	County of Roanoke Unemployment Rate (3)	County of Franklin Unemployment Rate (4)	National Unemployment Rate (5)
2005	92,600	\$28,814	89,469	\$34,823	49,741	\$25,249	3.7%	3.1%	3.6%	5.1%
2006	93,600	28,550	90,482	35,978	50,100	26,622	3.3%	2.8%	5.8%	4.8%
2007	92,328	32,512	90,902	37,324	51,102	27,082	3.2%	2.7%	3.8%	4.7%
2008	93,504	33,358	90,420	41,019	52,202	28,893	3.9%	3.5%	4.7%	5.7%
2009	92,344	34,482	90,867	41,019	52,841	28,893	7.7%	6.4%	8.2%	9.7%
2010	94,911	34,482	91,011	41,019	53,450	29,313	7.4%	6.4%	7.6%	9.7%
2011	97,032	39,315	92,376	39,166	56,159	33,116	6.7%	5.7%	6.4%	9.2%

- (1) Fiscal year 2005 was the first year of operation for the Authority.
- (2) Estimate from City of Roanoke
- (3) Estimate from County of Roanoke
- (4) Estimate from County of Franklin
- (5) Source: Virginia Employment Commission

Principal Area Employers
 Comparison of June 30, 2011 and 2005 (1)

Employer	Fiscal Year 2011	
	Employees (2)	Rank
Carilion Hospitals	1,000+	1
Roanoke City Public Schools	1,000+	2
City of Roanoke	1,000+	3
Carilion Services	1,000+	4
Roanoke County Schools	1,000+	5
Wells Fargo Bank, N.A.	1,000+	6
County of Roanoke	1,000+	7
Allstate Insurance Company	1,000+	8
Franklin County Public Schools	1,000+	9
MW Manufactures, Incorporated	1,000+	10

Employer	Fiscal Year 2005	
	Employees	Rank
Carilion Health System	9,724	1
Roanoke City Schools	2,580	2
Roanoke County Schools	2,321	3
City of Roanoke	2,170	4
Advance Auto Parts	1,940	5
Wachovia Corporation	1,868	6
Kroger Mid-Atlantic	1,610	7
Lewis-Gale Medical Center	1,498	8
Veterans Administration Medical Center	1,460	9
Allstate Insurance Company	1,427	10

(1) Fiscal year 2005 was the first year of operation for the Authority.

(2) Per current Virginia Employment Guidelines, actual number of employees for each employer are no longer available for publication.

Number of Employees by Identifiable Activity
Last Ten Fiscal Years (1)

	Fiscal Year						
	2011	2010	2009	2008	2007	2006	2005
Water Operations							
Water Administration	4	4	4	4	4	4	3
Carvins Cove	12	9	13	17	17	20	20
Spring Hollow	15	14	13	8	12	10	10
Crystal Springs	1	1	1	1	2	2	2
Falling Creek	2	5	2	2	2	3	4
Pump & Storage	5	5	4	4	4	4	4
Well Operation	3	1	1	1	1	1	1
Meter & Distribution Operations	22	25	25	27	22	22	20
Watershed Maintenance/Security	4	4	4	4	4	5	5
Field Operations							
Field Operations Administration	8	8	8	12	8	12	15
Field Operations Water	32	31	32	29	32	30	28
Field Operations Sewer Maintenance	13	14	13	13	14	14	15
Field Operations Sewer Construction	17	17	17	16	16	16	16
Water Pollution Control Operation							
WPC Administration	3	3	3	3	4	3	4
WPC Operations	33	33	33	34	34	33	33
WPC Maintenance	20	20	20	19	19	19	20
WPC Inflow & Infiltration Control	14	14	14	15	14	17	18
Water Pollution Pretreatment	2	2	2	2	2	2	0
Administration							
General Administration	4	4	4	4	4	4	4
Finance, Payroll & Human Resources	10	12	11	9	9	6	6
Billing & Customer Service	15	13	16	14	14	12	12
Information Technology	3	2	2	1	1	1	1
Engineering	22	22	20	20	20	18	17
Total Employees	264	263	262	259	259	258	258

(1) Fiscal year 2005 was the first year of operation for the Authority.

Operating Statistics
Last Ten Fiscal Years (1)

Water System

	Fiscal Year						
	2011	2010	2009	2008	2007	2006	2005
Number of service connections	58,295	58,219	58,054	56,628	56,272	56,048	55,668
Number of treatment plants	4	4	4	4	4	4	4
Treatment capacity (MGD)	56	56	56	56	56	56	56
Average production (MGD)	21	22	22	24	24	24	23
Number of storage tanks	121	113	96	93	93	93	93
Number of pump stations	85	85	85	85	85	85	85
Miles of water mains	1,087	1,082	1,057	966	960	960	960

Wastewater System

	Fiscal Year						
	2011	2010	2009	2008	2007	2006	2005
Number of service connections	51,607	51,560	51,395	51,133	50,773	50,559	50,187
Number of treatment plants	2	2	2	1	1	1	1
WPC plant permit (MGD)	55	55	55	55	42	42	42
Average annual daily flow (MGD)	37	46	34	31	37	37	37
Number of lift stations	24	22	26	30	30	30	30
Miles of sewer mains	873	873	886	870	870	870	870

(1) Fiscal year 2005 was the first year of operation for the Authority.

Schedule of New Connections
Last Ten Fiscal Years (1)

<u>Fiscal Year</u>	<u>Water Connections</u>	<u>Cumulative Connections</u>	<u>% Water Growth</u>	<u>Sewer Connections</u>	<u>Cumulative Connections</u>	<u>% Sewer Growth</u>	<u>Total Services</u>
2005	665	55,668	1%	640	50,187	1%	105,855
2006	380	56,048	0.68%	372	50,559	0.74%	106,607
2007	224	56,272	0.40%	214	50,773	0.42%	107,045
2008	356	56,628	0.63%	360	51,133	0.71%	107,761
2009	1426	58,054	2.52%	262	51,395	0.51%	109,449
2010	165	58,219	0.28%	165	51,560	0.32%	109,779
2011	76	58,295	0.13%	47	51,607	0.09%	109,902

(1) Fiscal year 2005 was the first year of operation for the Authority.

Water Consumption and Wastewater Flow by Customer Group
 Gallons In Thousands
 Last Ten Fiscal Years (1)

Water Fund

	Fiscal Year						
	2011	2010	2009	2008	2007	2006	2005
Type of Customer:							
Residential consumption	2,808,711	2,814,286	2,900,553	2,834,882	2,826,088	2,780,907	3,394,950
Commercial consumption	1,987,898	1,996,997	2,052,622	2,121,067	2,247,234	2,131,687	2,219,440
Industrial consumption	391,445	344,338	383,423	465,323	498,860	411,636	518,951
Total	<u>5,188,054</u>	<u>5,155,621</u>	<u>5,336,598</u>	<u>5,421,272</u>	<u>5,572,182</u>	<u>5,324,230</u>	<u>6,133,341</u>

Water Pollution Control Fund

	Fiscal Year						
	2011	2010	2009	2008	2007	2006	2005
Type of Customer:							
Residential flow	1,860,807	2,347,872	2,441,164	2,529,674	2,527,755	2,482,076	2,784,507
Commercial flow	2,328,346	1,899,324	1,989,087	2,053,367	2,173,238	1,973,029	2,106,677
Industrial flow	95,793	77,284	105,848	101,967	118,831	175,999	389,367
Total	<u>4,284,946</u>	<u>4,324,480</u>	<u>4,536,099</u>	<u>4,685,008</u>	<u>4,819,824</u>	<u>4,631,104</u>	<u>5,280,551</u>

(1) Fiscal year 2005 was the first year of operation for the Authority.

COMPLIANCE SECTION

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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 Board of Directors
Western Virginia Water Authority
Roanoke, Virginia

We have audited the financial statements of the Western Virginia Water Authority as of and for the year ended June 30, 2011, and have issued our report thereon dated October 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the Western Virginia Water 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 Western Virginia Water Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Western Virginia Water Authority's internal control over financial reporting.

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Western Virginia Water Authority, in a separate letter dated October 14, 2011.

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

Robinson, Farmer, Cox Associates

Robinson, Farmer, Cox Associates

October 14, 2011