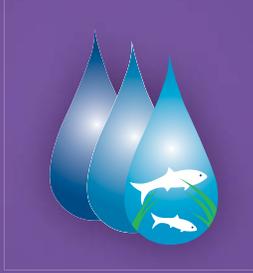


FAIRFAX COUNTY
WASTEWATER MANAGEMENT



Quality of Water = Quality of Life

COMPREHENSIVE
ANNUAL FINANCIAL
REPORT

FOR THE FISCAL YEARS ENDED
JUNE 30, 2010 AND 2009



INTEGRATED SEWER SYSTEM
An Enterprise Fund of the County of Fairfax, Virginia

Published December, 2010

INTEGRATED SEWER SYSTEM

AN ENTERPRISE FUND OF THE
COUNTY OF FAIRFAX, VIRGINIA

FAIRFAX COUNTY
WASTEWATER MANAGEMENT



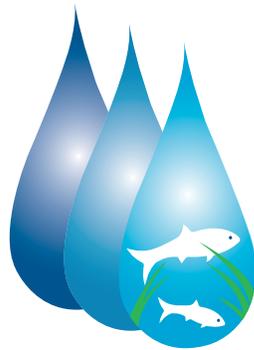
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COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Years Ended June 30, 2010 and 2009

DEPARTMENT OF PUBLIC WORKS AND ENVIRONMENTAL SERVICES
12000 Government Center Parkway, Suite 358
Fairfax, Virginia 22035
(703) 324-5030, TTY 711
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FAIRFAX COUNTY WASTEWATER MANAGEMENT



Quality of Water = Quality of Life

INTEGRATED SEWER SYSTEM COUNTY OF FAIRFAX, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the Fiscal Years Ended June 30, 2010 and 2009

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FAIRFAX COUNTY WASTEWATER MANAGEMENT



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INTRODUCTORY SECTION



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Integrated Sewer System,
An Enterprise Fund of the County
of Fairfax, Virginia

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

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



A handwritten signature in black ink, appearing to be "JHR".

President

A handwritten signature in black ink, reading "Jeffrey R. Emmer".

Executive Director



County of Fairfax, Virginia

To protect and enrich the quality of life for the people, neighborhoods and diverse communities of Fairfax County

November 12, 2010

The Board of Supervisors
County of Fairfax
Commonwealth of Virginia

Honorable Chairman and Members of the Board:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the County of Fairfax, Virginia (the County) Integrated Sewer System (the System) for the years ended June 30, 2010 and 2009. The financial statements included in this report conform to U.S. generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). Responsibility for both the accuracy of the presented data and completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the System. All necessary disclosures have been included to enable the reader to gain the maximum understanding of the System's financial affairs.

The General Bond Resolution dated July 29, 1985, governing the issuance of sewer revenue bonds, as modified through July 2009, requires an annual audit of the financial records and transactions of the System by independent certified public accountants, as selected by the Board of Supervisors. The System's financial statements for the years ended June 30, 2010 and 2009, were audited by KPMG LLP, a firm of licensed certified public accountants. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering their opinion that the financial statements are fairly presented in conformity with GAAP. The independent auditors' report is presented in the financial section of this CAFR.

This CAFR consists of management's representations concerning the finances of the System. To provide a reasonable basis for making these representations, the System's accounting system is dependent upon a strong foundation of internal accounting controls to ensure that financial information generated is both accurate and reliable. GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of the Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The System's MD&A can be found immediately following the independent auditors' report.

PROFILE OF THE SYSTEM

The Fairfax County, Virginia Integrated Sewer System is operated as the Wastewater Management Program (WWM), one of five major activities of the Department of Public Works and Environmental Services, and governed by the County of Fairfax, Board of Supervisors. The System handles approximately 100 million gallons of wastewater per day (MGD) generated from approximately 880,000 County residents and approximately

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60,000 residents from nearby counties, cities, and towns. More than 85% of the 390,000 County households and virtually all businesses in the County are connected to the public sewer system.

The System consists of nearly 3,380 miles of sewer lines and force mains ranging in size from 8 inches to 72 inches, 65 pump stations ranging in capacity from 0.1 to 37 MGD, and 54 metering stations. The total System workforce is 321 employees. The sewer service area covers approximately 234 square miles in the Potomac River Watershed, a tributary shed of the Chesapeake Bay Basin.

Nearby counties, cities, and towns served by the System receive service through sales of service agreements. The System currently has agreements with the Counties of Loudoun and Arlington, Fort Belvoir, the Cities of Fairfax and Falls Church, and the Towns of Herndon and Vienna. As prescribed by each service agreement, each entity shares in the cost of operating the System. Each entity's share is determined on the basis of actual wastewater flows or reserved treatment capacity.

To treat the wastewater flows generated, the System operates and maintains one advanced wastewater treatment plant, the 67 MGD Noman M. Cole, Jr. Pollution Control Plant, and has 91 MGD of purchased capacity entitlement at four non-County facilities, all of which are advanced wastewater treatment facilities. Purchased capacity entitlements are managed through treatment by contract agreements with the District of Columbia Water and Sewer Authority (the Blue Plains Advanced Water Treatment Facility), the Alexandria Sanitation Authority, the Upper Occoquan Sewage Authority (UOSA), and Arlington County. In addition, the System has purchased 0.1 MGD of capacity from the Prince William County Service Authority. As prescribed by each agreement, the System pays its share of the operating, capital, and/or debt costs of each entity's system based on actual wastewater flows and allocated capacity.

FACTORS AFFECTING FINANCIAL CONDITION

Local Economy

Economic indicators show that the County's economy is experiencing a slow but stronger pattern of recovery compared to the national economy. The housing market in the Northern Virginia area is showing signs of improvement but factors that continue to challenge the economy include high unemployment, decreased consumer spending, and low consumer confidence. Still, the underlying strength of the region's economy boosted by strong federal spending and hiring has helped it to outperform the national economy. Fairfax County's unemployment rate as of the end of fiscal year 2010 decreased to 5.1% well below the national average of 9.5%. Residential sewer connections in the System, which are a measure of System growth, grew by 1.01% in fiscal year 2010. Plumbing permits issued, which are a measure of System development, increased by 0.37% as a percent of existing residential connections.

Debt Management

To finance major capital projects, the System borrows money by issuing sewer revenue bonds, obtaining financing from the Virginia Water Facilities Revolving Fund, acting by and through the Virginia Resources Authority (VRA), or sharing in debt issued by other service authorities. Authorization to issue any debt or share in any debt service rests with the County's Board of Supervisors. On October 5, 2004, the System issued \$94.005 million in Series 2004 Sewer Revenue Refunding Bonds with an average interest rate of 4.6% to advance refund \$91.43 million of the outstanding Series 1996 Bonds with an average interest rate of 5.8%. This refunding resulted in a present value economic gain of approximately \$7.7 million. On June 17, 2009, the System issued \$152.255 million in Series 2009 Sewer Revenue Bonds with an average interest rate of 4.7% to pay for the upgrade of its wastewater treatment facilities. As of June 30, 2010, the System had \$237.305 million in Sewer revenue bonds, \$61.237 million in VRA financing, and \$248.241 million in UOSA debt outstanding. The System continues to maintain

its status as a top rated bond issuer: AAA from Fitch Investor Service and Standard and Poor's Corporation and Aa1 from Moody's Investors Service, Inc.

Note (8) to the Financial Statements provides information pertaining to future debt service payments. Table 3 in the Statistical Section provides historical information regarding debt coverage and debt service requirements of the System.

RELEVANT FINANCIAL POLICIES

Sewer rates are reviewed and revised annually as part of the County's annual strategic planning and budgeting process to minimize the annual cost impact on customers due to increases in funding needs for Wastewater Program funding. Sewer service charges and availability fee rates increased 9.76% and 6.00% respectively in fiscal year 2010.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

Nutrient Removal at Area Treatment Plants – Upgraded biological nitrogen removal facilities were initiated in fiscal years 2003 and 2004 and became fully operational in fiscal year 2005. All System treatment plants met or exceeded water quality permit requirements for ammonia nitrogen discharges and began voluntarily discharging treated wastewater with total nitrogen levels near or below 8.0 milligrams per liter (mg/l). In fiscal year 2010, total nitrogen discharges from the County's Noman M. Cole, Jr. Pollution Control Plant averaged less than 4.5 mg/l.

Enhanced nutrient removal will be required of all wastewater treatment plants serving Fairfax County to meet more stringent Chesapeake Bay water quality standards by January 1, 2011. As specified under the 2000 Chesapeake Bay agreement between the Chesapeake Bay states (Virginia, Maryland, Delaware, Pennsylvania, New York, and West Virginia), the District of Columbia, and the U.S. Environmental Protection Agency (EPA), limits on nitrogen, phosphorus, and sediment loadings to the Chesapeake Bay must be further reduced. In August 2004, the Virginia Department of Environmental Quality proposed reduced nutrient waste load allocations for Virginia wastewater treatment facilities as amendments to the Water Quality Management Regulation (9VAC25-720).

In December 2004, the EPA, Chesapeake Bay states, and the District of Columbia agreed to a unified permitting strategy, requiring hundreds of wastewater treatment plants discharging to the Bay to have enforceable limits on nutrient pollution. A limit of 3.0 mg/l of total nitrogen is currently proposed for effluents from Northern Virginia wastewater treatment plants. Significant capital funding will be needed to bring treatment facilities into compliance. The System's preliminary capital improvement program cost estimate to comply with proposed nitrogen discharge standards is in the range of \$165 to \$180 million.

AWARDS

GFOA Certificate of Achievement for Excellence in Financial Reporting – For the seventh consecutive year, the Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the System for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009. In order to be awarded a Certificate of Achievement, a government entity must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable financial reporting requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate. The Certificate of Achievement is a prestigious national award recognizing

conformance with the highest standards of state and local government financial reports.

NACWA Platinum Peak Performance Award - The System's Noman M. Cole Jr. Pollution Control Plant received the Platinum Peak Performance Award from National Association of Clean Water Agencies (NACWA), recognizing the facility's accomplishments in protecting water quality in the County. The award recognizes plants that meet 100% of federal standards for preventing pollution for more than five consecutive years. The System's Noman M. Cole Jr. Pollution Control Plant has been in compliance for 12 consecutive years. The plant has protected the water quality of the County's streams and watersheds, as well as the Chesapeake Bay.

Extraordinary Environmental Enterprise - The Wastewater Management program has received the designation of Extraordinary Environment Enterprise (E4) from the Virginia Department of Environmental Quality (DEQ) Virginia Environmental Excellence Program (VEEP) for its Environmental Management System (EMS). Currently approximately 440 public and private organizations participate in the VEEP EMS certification program at the E2, E3, and E4 levels. Of these 440 organizations, approximately 26 facilities within the State have reached the E4 level of certification. This designation recognizes facilities that have fully implemented an EMS emphasizing pollution prevention, environmental outreach, and sustainability. This program encourages facilities to exceed compliance with federal and local regulations and engage in environmental stewardship and sustainability practices.

ACKNOWLEDGMENTS

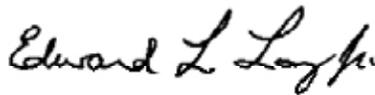
We express our sincere appreciation to all staff who contributed to this CAFR, especially the members of the System's Wastewater Planning and Monitoring Division of the Department of Public Works and Environmental Services and the Financial Reporting Division of the Department of Finance, who prepared and compiled this report. We commend them for their professionalism, hard work, and continued efforts to improve this report.

This CAFR reflects our continued commitment to the citizens of Fairfax County, the Board of Supervisors, and all interested readers of this report to provide information in conformance with the highest standards of financial reporting.

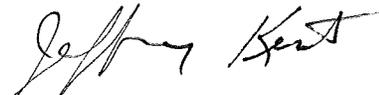
Respectfully,



Anthony H. Griffin
County Executive



Edward L. Long, Jr.
Deputy County Executive



Jeffrey B. Kent
Financial Manager
Integrated Sewer System

INTEGRATED SEWER SYSTEM
COUNTY OF FAIRFAX, VIRGINIA
Urban County Executive Form of Government
As of June 30, 2010

BOARD OF SUPERVISORS

Sharon S. Bulova, Chairman	At-large
Penelope A. Gross, Vice Chairman	Mason District
John C. Cook	Braddock District
Gerald W. Hyland	Mount Vernon District
John W. Foust	Dranesville District
Linda Q. Smyth	Providence District
Catherine M. Hudgins	Hunter Mill District
Patrick S. Herrity	Springfield District
Jeffrey C. McKay	Lee District
Michael R. Frey	Sully District

COUNTY EXECUTIVE
Anthony H. Griffin

DEPUTY COUNTY EXECUTIVE
Robert A. Stalzer

DEPARTMENT OF PUBLIC WORKS AND ENVIRONMENTAL SERVICES
James W. Patteson, Director

WASTEWATER COLLECTION DIVISION
Thomas Russell, Director

WASTEWATER TREATMENT DIVISION
Michael McGrath, Director

WASTEWATER PLANNING AND MONITORING DIVISION
Shahram Mohsenin, Director

DEPUTY COUNTY EXECUTIVE
Edward L. Long, Jr.

DEPARTMENT OF FINANCE
Victor L. Garcia, Director

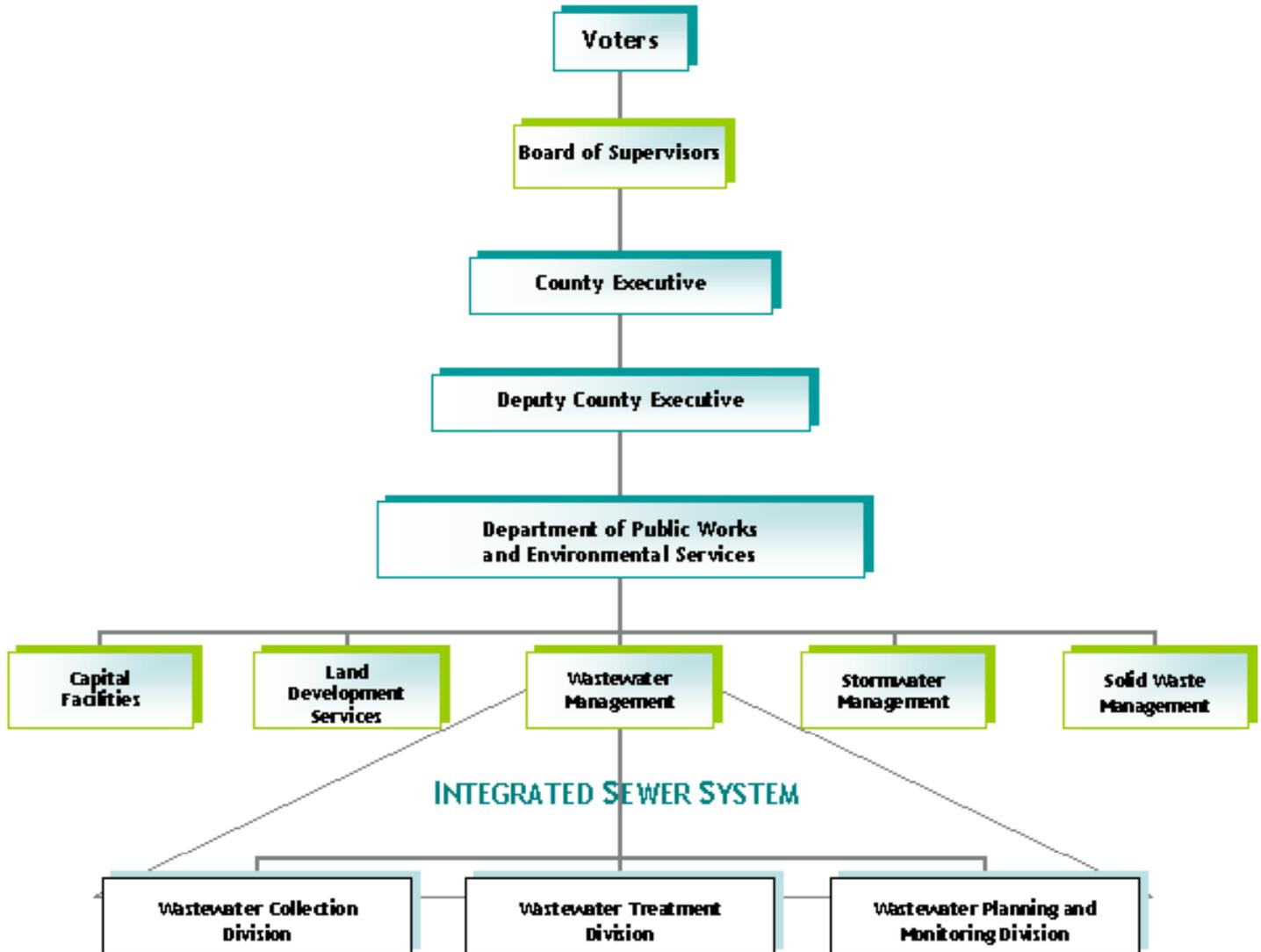
OFFICE OF THE COUNTY ATTORNEY
David P. Bobzien, County Attorney

FAIRFAX COUNTY WASTEWATER MANAGEMENT



Quality of Water = Quality of Life

ORGANIZATION OF THE INTEGRATED SEWER SYSTEM COUNTY OF FAIRFAX, VIRGINIA



This report was prepared by:

COUNTY OF FAIRFAX, VIRGINIA
WASTEWATER MANAGEMENT PROGRAM AND DEPARTMENT OF FINANCE

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Fairfax, Virginia 22035
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WASTEWATER MANAGEMENT PROGRAM

Jeffrey B. Kent, Financial Manager
Robin Henderson, Fiscal Administrator
Dianne L. Love
Yvonne T. Sullivan
Charese Willis

DEPARTMENT OF FINANCE

Victor L. Garcia, CPA, Director
Richard Modie Jr., (Acting) Chief, Financial Reporting Division
Karen Cummings
Sue Donelson
Anand Goutam, CPA
Nanette A. Velasco

FAIRFAX COUNTY WASTEWATER MANAGEMENT



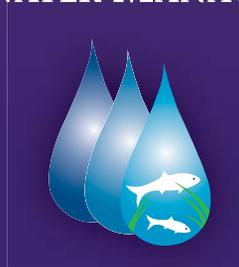
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FINANCIAL SECTION



**FAIRFAX COUNTY
WASTEWATER MANAGEMENT**



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KPMG LLP
2001 M Street, NW
Washington, DC 20036-3389

Independent Auditors' Report

The Board of Supervisors
County of Fairfax, Virginia

We have audited the accompanying Statements of Net Assets of the County of Fairfax, Virginia, Integrated Sewer System (the System), an enterprise fund of the County of Fairfax, Virginia, as of June 30, 2010 and 2009, and the related Statements of Revenues, Expenses, and Changes in Net Assets and Cash Flows for the years then ended. These basic financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the System and do not purport to, and do not, present fairly the financial position of the County of Fairfax, Virginia, as of June 30, 2010 and 2009, the changes in its financial position, or its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the County of Fairfax, Virginia, Integrated Sewer System as of June 30, 2010 and 2009, and the changes in its financial position and its cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The introductory section and the statistical section, as listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

November 5, 2010

FAIRFAX COUNTY WASTEWATER MANAGEMENT



Quality of Water = Quality of Life

INTEGRATED SEWER SYSTEM COUNTY OF FAIRFAX, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010 and 2009

This section of the County of Fairfax, Virginia Integrated Sewer System's (System) Comprehensive Annual Financial Report presents a discussion and analysis of the System's financial performance for the fiscal years that ended on June 30, 2010 and 2009.

The System is a County of Fairfax, Virginia (County) business-type activity that is funded separately from other County activities. The System is accounted for separately in an enterprise fund, and it is included in the County's Comprehensive Annual Financial Report.

We encourage readers to consider the information presented here in conjunction with the System's financial statements and notes to the financial statements to enhance their understanding of the System's financial performance.

FINANCIAL HIGHLIGHTS

The System's total net assets (assets less liabilities) were \$869.9 million at June 30, 2010, compared to \$878.1 million at June 30, 2009.

Operating expenses of \$129.8 million, which include depreciation and amortization of \$46.7 million, exceeded operating revenues of \$126.7 million by \$3.1 million. After factoring in non-operating revenues and expenses – availability fees, investment revenue, interest expense, etc. – and capital contributions, the result was a \$8.2 million decrease in net assets for fiscal year 2010, which compares to a \$17.5 million decrease in net assets for fiscal year 2009.

The System's cash and cash equivalents decreased by \$50.7 million during fiscal year 2010. This decrease compares to a \$90.1 million increase in the prior fiscal year and is primarily due to \$44.1 million Series 2009 Sewer Revenue Bonds proceeds being spent for capital construction. Capital asset acquisitions made during both fiscal years 2010 and 2009 were funded with available resources.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this annual report consists of (1) the independent auditors' report, (2) this management's discussion and analysis, and (3) the financial statements of the System. The financial statements, which include notes to explain information in the financial statements and to provide more detailed data, report information about the System using the economic resources measurement focus and the accrual basis of accounting, which are similar to those used by private sector companies. The following required financial statements provide both short-term and long-term information about the System's overall financial status.

Statement of Net Assets

The Statement of Net Assets presents information on all of the System's assets and liabilities, with the difference between the two reported as net assets. This statement provides information about the nature and the amounts of investments in resources (assets) and the obligations to the System's creditors (liabilities). It provides a basis for evaluating the capital structure of the System and assessing the liquidity and financial flexibility of the System.

Statement of Revenues, Expenses, and Changes in Net Assets

All of the revenues and expenses for the fiscal year are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the results of the System's operations for the fiscal year and can be used to determine whether the System has successfully recovered all of its expenses through its user fees and charges and its other revenues.

Statement of Cash Flows

The Statement of Cash Flows reports all cash receipts, cash payments, and changes in cash from operating, investing, and capital and related financing activities. This statement provides information about all the sources and uses of cash and the net change in the balance of cash and cash equivalents for the fiscal year.

FINANCIAL ANALYSIS OF THE SYSTEM

Net Assets

Net assets may serve as a useful indicator of an entity's financial position. The following table presents a summary of the Statements of Net Assets for the System as of June 30, 2010, 2009, and 2008:

Summary of Net Assets As of June 30 (\$ in millions)							
	2010	\$ Change	% Change	2009	\$ Change	% Change	2008
Assets:							
Current assets	\$ 103.1	0.5	0.5	\$ 102.6	(25.7)	(20.0)	\$ 128.3
Noncurrent assets:							
Restricted and other assets	126.6	(41.8)	(24.8)	168.4	131.1	351.5	37.3
Capital assets (net)	<u>1,209.3</u>	<u>22.4</u>	1.9	<u>1,186.9</u>	<u>25.9</u>	2.2	<u>1,161.0</u>
Total assets	<u>1,439.0</u>	<u>(18.9)</u>	(1.3)	<u>1,457.9</u>	<u>131.3</u>	9.9	<u>1,326.6</u>
Liabilities:							
Current liabilities	31.7	5.6	21.5	26.1	0.6	2.4	25.5
Noncurrent liabilities	<u>537.4</u>	<u>(16.3)</u>	(2.9)	<u>553.7</u>	<u>148.2</u>	36.5	<u>405.5</u>
Total liabilities	<u>569.1</u>	<u>(10.7)</u>	(1.8)	<u>579.8</u>	<u>148.8</u>	34.5	<u>431.0</u>
Net assets:							
Invested in capital assets, net of related debt	748.7	(9.2)	(1.2)	757.9	0.1	0.0	757.8
Restricted	44.4	8.5	23.7	35.9	7.6	26.9	28.3
Unrestricted	<u>76.8</u>	<u>(7.5)</u>	(8.9)	<u>84.3</u>	<u>(25.2)</u>	(23.0)	<u>109.5</u>
Total net assets	<u>\$ 869.9</u>	<u>(8.2)</u>	(0.9)	<u>\$ 878.1</u>	<u>(17.5)</u>	(2.0)	<u>\$ 895.6</u>

Nearly 86%, 86%, and 85% of the System's total net assets for the fiscal years 2010, 2009, and 2008, respectively, are represented by its investment in capital assets (e.g. treatment plants, sewer lines and equipment) net of depreciation and amortization, less the outstanding debt that was issued to acquire these assets. Although the System's investment in its capital assets is reported net of related debt, it should be noted that the resources to pay this debt must be provided from other resources, since the assets themselves are not intended to be used to liquidate these liabilities. The \$8.2 million decrease in net assets in fiscal year 2010 was primarily the result of increased interest expense due to the Revenue Bonds Series 2009. The \$17.5 million decrease in net assets in fiscal year 2009 was primarily the result of operating expenditures exceeding operating revenues due to higher than usual chemical and energy costs.

The restricted portion of net assets represents resources that are subject to external restrictions on how they may be used. Certain assets are restricted for sewer extensions and improvements and for debt service. The \$8.5 and \$7.6 million increases during fiscal years 2010 and 2009, respectively, were primarily due to increases in debt service payments and reserve, respectively, associated with the Revenue Bonds Series 2009. See Note (5) to the Financial Statements for detailed information pertaining to restricted net assets.

The unrestricted component of net assets represents resources that are not subject to any external restrictions as to use, hence, they are available for future operations.

Changes in Net Assets

The following table summarizes the Statements of Revenues, Expenses, and Changes in Net Assets for the System for the fiscal years ended June 30, 2010, 2009, and 2008:

Summary of Revenues, Expenses, and Changes in Net Assets For the Fiscal Years Ended June 30 (\$ in millions)							
	2010	\$ Change	% Change	2009	\$ Change	% Change	2008
Operating revenues - Sales of service	\$126.7	18.0	16.6	\$108.7	8.4	8.4	\$100.3
Less operating expenses:							
Personnel services	23.1	0.2	0.9	22.9	1.3	6.0	21.6
Materials and supplies	11.6	(2.2)	(15.9)	13.8	1.9	16.0	11.9
Contractual services and other	48.4	(0.2)	(0.4)	48.6	2.2	4.7	46.4
Depreciation and amortization	46.7	1.1	2.4	45.6	(0.1)	(0.2)	45.7
Total operating expenses	129.8	(1.1)	(0.8)	130.9	5.3	4.2	125.6
Operating loss	(3.1)	19.1	(86.0)	(22.2)	3.1	(12.3)	(25.3)
Nonoperating revenues (expenses):							
Availability fees	10.7	(0.8)	(7.0)	11.5	(2.4)	(17.3)	13.9
Investment and other revenues	1.5	(1.1)	(42.3)	2.6	(2.9)	(52.7)	5.5
Interest and other expenses	(25.9)	(7.6)	41.5	(18.3)	(1.1)	6.4	(17.2)
Total nonoperating revenues (expenses)	(13.7)	(9.5)	226.2	(4.2)	(6.4)	(290.9)	2.2
Loss before contributions	(16.8)	9.6	(36.4)	(26.4)	(3.3)	14.3	(23.1)
Capital contributions	8.6	(0.3)	(3.4)	8.9	(1.1)	(11.0)	10.0
Special item - gain on sale of purchase capacity	-	-	-	-	(11.0)	-	11.0
Change in net assets	(8.2)	9.3	(53.1)	(17.5)	(15.4)	733.3	(2.1)
Total net assets at beginning of year	878.1	(17.5)	(2.0)	895.6	(2.1)	(0.2)	897.7
Total net assets at end of year	\$869.9	(8.2)	(0.9)	\$878.1	(17.5)	(2.0)	\$895.6

The System's operating revenues consist of service charges to County users and to neighboring jurisdictions, which reflect a 9.76% and 9.63% rate increase implemented during fiscal years 2010 and 2009, respectively. The \$19.1 million decrease in the operating loss from fiscal year 2009 to fiscal year 2010 was primarily the result of the increases in operating revenues tied to the service charge rate increase. The \$3.1 million decrease in the operating loss from fiscal year 2008 to fiscal year 2009 was primarily the result of the increases in operating revenues tied to the service charge rate increase which exceeded the increases in operating expenses.

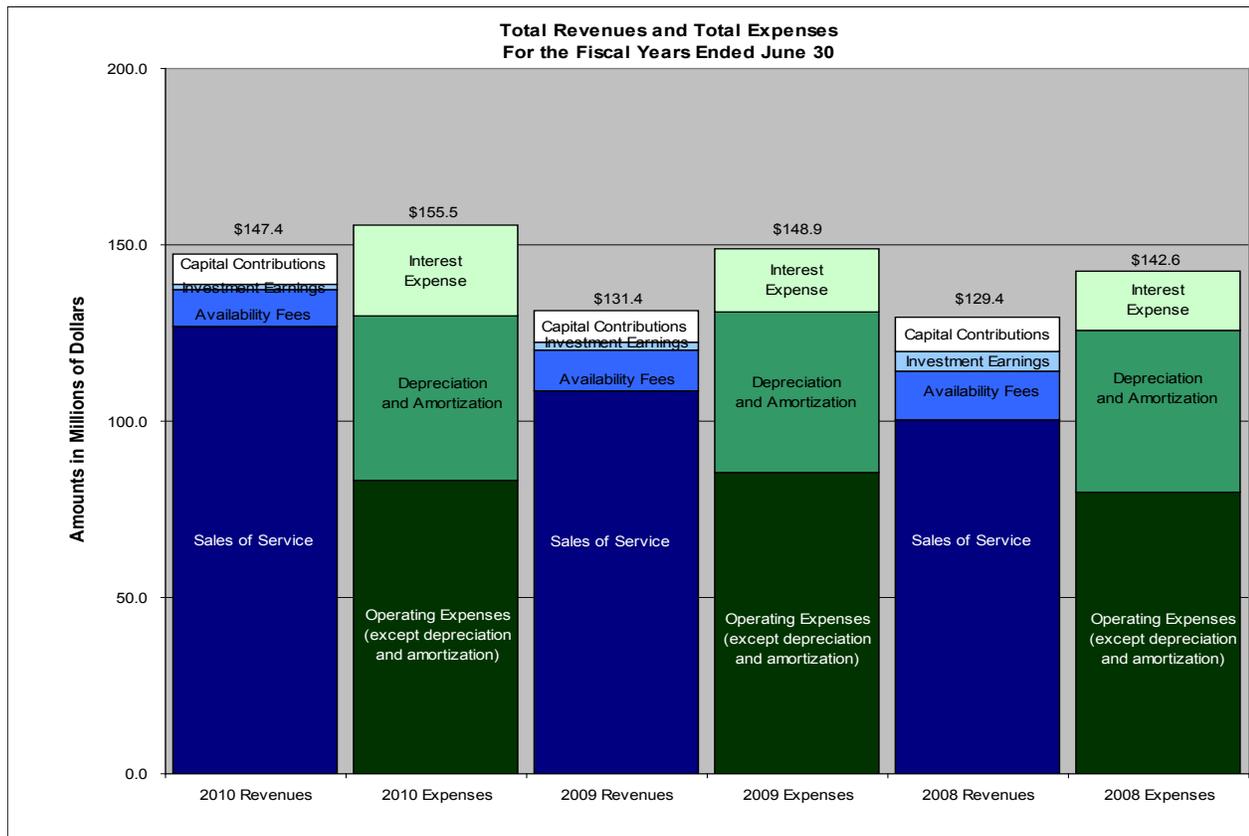
Sewer rates are established by the Board of Supervisors pursuant to Chapter 67.1 of the County Code. Rates and code language are reviewed annually as part of the County's annual strategic planning and budgeting processes and are revised as necessary to ensure that rates generate revenues equitably from new and existing customers, based on the allocation of capital and operating costs, so that growth pays for growth.

System operations and upgrades are funded primarily through sewer service charges to existing customers based on water consumption, in 1,000 gallons, as measured by a water service meter. System expansion and increased treatment capacity is funded primarily through availability fees, one-time charges collected from new sewer

customers prior to connection to the System.

The System owns and operates one treatment facility rated at 67.0 MGD, has a 24.6 MGD capacity entitlement in a joint venture facility, and has acquired capacity entitlements totaling 66.5 MGD at four facilities owned by neighboring jurisdictions. The System's share of renovation, upgrade, and expansion costs at non-System-owned facilities is reported as purchased capacity and amortized over thirty years.

A graphic comparison of total revenues, including capital contributions, to total expenses for fiscal years 2010, 2009, and 2008 is shown below:



CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The System's gross investment in capital assets as of June 30, 2010, amounted to \$1,865.9 million, or \$1,209.4 million after deducting accumulated depreciation and amortization, as summarized in the table below:

Capital Assets As of June 30 (\$ in millions)							
	2010	\$ Change	% Change	2009	\$ Change	% Change	2008
Land	\$ 17.4	-	-	\$ 17.4	-	-	\$ 17.4
Easement	0.3	-	-	0.3	0.1	50.0	0.2
Construction in progress	83.0	34.2	70.1	48.8	(2.5)	(4.9)	51.3
Buildings and improvements	1,003.5	2.8	0.3	1,000.7	39.3	4.1	961.4
Equipment	11.2	(0.2)	(1.8)	11.4	0.4	3.6	11.0
Purchased capacity	750.5	31.8	4.4	718.7	33.8	4.9	684.9
Gross capital assets	1,865.9	68.6	3.8	1,797.3	71.1	4.1	1,726.2
Accumulated depreciation and amortization	(656.5)	(46.1)	7.6	(610.4)	(45.2)	8.0	(565.2)
Total capital assets, net	\$1,209.4	22.5	1.9	\$1,186.9	25.9	2.2	\$1,161.0

The \$68.6 million increase in gross capital assets during fiscal year 2010 reflects the following major capital asset additions, which were funded with available resources:

The ongoing improvement costs of the System's wastewater treatment facilities at its Noman M. Cole Pollution Control Plant amounted to \$20.6 million.

The System's share of the ongoing upgrade costs of the Arlington County, City of Alexandria, and the District of Columbia's wastewater treatment facilities, which provide service to certain County residents, was \$7.1 million, \$11.9 million, and \$12.8 million, respectively.

Improvements to sewer lines and pumping stations in the System, other than donations from developers, totaled \$13.7 million.

Developers contributed sewer lines and manholes valued at \$2.5 million.

Additional information relative to the System's capital assets is contained in Note (6) to the Financial Statements.

Long-term Debt

The following is a summary of the System's gross outstanding long-term debt as of June 30, 2010, 2009, and 2008:

Gross Outstanding Debt As of June 30 (\$ in millions)							
	<u>2010</u>	<u>\$ Change</u>	<u>% Change</u>	<u>2009</u>	<u>\$ Change</u>	<u>% Change</u>	<u>2008</u>
Sewer revenue bonds	\$237.3	(2.7)	(1.1)	\$240.0	149.6	165.5	\$ 90.4
Subordinated bonds:							
Sewer Revenue bonds	61.2	(4.2)	(6.4)	65.4	(3.9)	(5.6)	69.3
System's share of UOSA's debt	<u>248.2</u>	<u>(5.5)</u>	<u>(2.2)</u>	<u>253.7</u>	<u>(5.1)</u>	<u>(2.0)</u>	<u>258.8</u>
Total outstanding debt	\$546.7	(12.4)	(2.2)	\$559.1	140.6	33.6	\$418.5

The \$237.3 million of outstanding sewer revenue refunding bonds and sewer revenue bonds issued in 2004 and 2009 by the System are currently rated AAA by Fitch Investor Service and Standard and Poor's Corporation and Aa1 by Moody's Investors Service, Inc. These high credit ratings have enabled the County to sell bonds on behalf of the System at interest rates lower than those obtained by most sewer authorities, thereby achieving savings throughout the life of the bonds.

On June 17, 2009, the System issued \$152,255,000 of Series 2009 Sewer Revenue Bonds with a true interest cost of 4.415% to provide funds for upgrade costs allocable to the County at certain wastewater treatment facilities that are owned by, or that provide service to, the County, the purchase of additional capacity at certain wastewater treatment facilities, and the cost of certain additions, extensions, and improvements to the County's sewage collection, treatment, and disposal systems.

On October 14, 2004, the System took advantage of lower market interest rates and issued \$94.005 million of Series 2004 Sewer Revenue Refunding Bonds with an average interest rate of 4.61% to advance refund \$91.430 million of the outstanding Series 1996 Sewer Revenue Bonds with an average interest rate of 5.82%. Although the reacquisition prices exceeded the net carrying values of the refunded bonds by \$9.1 million, which is being amortized over the life of the new refunding bonds, the System reduced total debt service payments over future years by approximately \$16.8 million and obtained an economic gain (the difference between the present values of the debt service payments on the old and new debt) of approximately \$7.7 million.

In June 2002 and June 2001, the System issued twenty-year subordinated sewer revenue bonds in the amounts of \$50 million and \$40 million at interest rates of 3.75% and 4.10%, respectively, to the Virginia Water Facilities Revolving Fund, acting by and through the Virginia Resources Authority, to fund its share of the ongoing expansion costs of the ASA's wastewater treatment facilities, which provide service to some of the System's customers. The proceeds of these bonds cover construction costs already incurred and are expected to fund 50% of the System's share of the total expansion costs, with the remaining funding being generated from operations.

The Upper Occoquan Sewage Authority (UOSA), a joint venture which operates a regional sewage facility, issued regional sewer system revenue bonds in 1993 and 1996 to finance the expansion of its treatment facility's capacity from 27 MGD to 32 MGD to 54 MGD. In December 2003, November 2004, July 2005, and February 2007, UOSA issued new bonds to advance refund certain of its outstanding bonds, resulting in accounting gains totaling approximately \$4 million for the System, which are being amortized over the life of the new bonds. In December 2007, UOSA issued \$119,715,000 of Regional Sewer System Revenue Bonds, of which the System's share is \$53,925,458, to finance the cost of expanding its wastewater treatment and conveyance facilities. As of June 30, 2010, the System's share of UOSA's outstanding debt is \$248.2 million.

The System is required by the covenants of the 2009 General Bond Resolution to generate net revenues (defined as all revenues except grants and contributed assets, less operating expenses, except depreciation and amortization) at least equal to the debt service on its sewer revenue bonds each year. The ratios of net revenues to debt service for the senior sewer revenue bonds are 5.11 and 5.60 for fiscal years 2010 and 2009, respectively. The fiscal year 2010 ratio is less favorable than fiscal year 2009 ratio due to a 64% increase in senior revenue bonds debt service requirement which offset a 49% increase in net revenues. Taking all long-term debt into account, the ratios are 1.58 and 1.25 for fiscal years 2010 and 2009, respectively. The fiscal year 2010 ratio is more favorable than fiscal year 2009 ratio due to a 49% increase in net revenue which exceeded the 19% increase in total debt service requirement. Additional information related to the debt coverage ratios is contained in Table 3 of the Statistical Section.

Additional information relative to the System's long-term debt can be found in Note (8) to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The following factors, decisions and conditions are expected to have a significant effect on the financial position and the results of operations for fiscal year 2010 and beyond:

The sewer service charge rate to System users has been increased from \$4.50 to \$5.27 per 1,000 gallons of water consumption for fiscal year 2011. Subsequent rate increases to \$6.17, \$7.03, and \$7.72 for fiscal years 2012, 2013, and 2014, respectively, have also been approved.

Sewer availability fees have been increased by 6.00% for fiscal year 2011. No fee increases for fiscal years 2012, 2013 and 2014 have been approved. Unit sales of sewer availability taps averaged 24 per month during the first quarter of fiscal year 2011, compared to 25 per month during the comparable period of fiscal year 2010.

Interest rates on short-term investments through the first quarter of fiscal year 2011 have been approximately 0.83%, a decrease from fiscal year 2010 rates.

The System's adopted budget for operating expenses, excluding depreciation and amortization, for fiscal year 2011 is \$100.0 million.

The System's adopted budget for capital asset acquisitions for fiscal year 2011 is \$164.8 million, to be funded with available resources. This budget includes \$24.5 million for the rehabilitation and renovation of the System's sewer lines, \$91.3 million for upgrades to the county-owned treatment plant, and the System's share of the upgrade costs of the Alexandria Sanitation Authority's (ASA), Arlington's and the District of Columbia's wastewater treatment facilities in the amounts of \$20.0 million, \$9.0 million, and \$20.0 million, respectively.

CONTACTING THE SYSTEM'S FINANCIAL MANAGEMENT

This financial report is designed to provide the System's customers and investors and creditors with a general overview of the System's finances and to demonstrate the System's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the County of Fairfax, Virginia, Department of Finance, 12000 Government Center Parkway, Fairfax, Virginia, 22035.

FAIRFAX COUNTY WASTEWATER MANAGEMENT



Quality of Water = Quality of Life

FAIRFAX COUNTY WASTEWATER MANAGEMENT



Quality of Water = Quality of Life

INTEGRATED SEWER SYSTEM COUNTY OF FAIRFAX, VIRGINIA
STATEMENTS OF NET ASSETS
June 30, 2010 and 2009

	2010	2009
Assets		
Current assets:		
Cash and investments on deposit with the County of Fairfax, Virginia	\$ 58,549,462	67,470,553
Investments (note 3)	-	244,600
Restricted investments (notes 3 and 5)	10,823,396	4,733,929
Accrued interest receivable	83,786	199,020
Due from intergovernmental units (note 2):		
Service charges	17,352,220	15,567,668
Unbilled service charges	15,748,402	11,889,120
Inventories and other	548,325	2,539,948
Total current assets	103,105,591	102,644,838
Long-term assets:		
Restricted assets (note 5):		
Cash and investments on deposit with the County of Fairfax, Virginia	108,889,253	150,663,667
Investments (note 3)	16,547,900	16,547,900
Total long-term restricted assets	125,437,153	167,211,567
Capital assets (note 6):		
Non-depreciable:		
Land	17,370,540	17,370,540
Easement	318,144	289,243
Construction in progress	82,966,213	48,839,141
Depreciable/amortizable:		
Buildings, improvements, and sewer lines	1,003,515,511	1,000,720,738
Equipment	11,257,743	11,376,730
Purchased capacity	750,474,294	718,700,236
Gross capital assets	1,865,902,445	1,797,296,628
Accumulated depreciation and amortization	(656,535,842)	(610,363,557)
Total capital assets, net	1,209,366,603	1,186,933,071
Deferred bond issuance costs (net of amortization)	1,128,719	1,174,195
Total long-term assets	1,335,932,475	1,355,318,833
Total assets	\$ 1,439,038,066	1,457,963,671

See accompanying notes to the financial statements.

	<u>2010</u>	<u>2009</u>
Liabilities		
Current liabilities:		
Accrued salaries and wages	\$ 1,214,281	1,170,694
Accounts payable and accrued liabilities	2,298,509	4,089,242
Contracts payable	4,337,190	3,990,063
Due to County of Fairfax, Virginia	386,508	356,087
Accrued interest payable	6,161,590	3,124,268
Compensated absences	1,244,301	890,819
Bonds payable (note 7 & 8)	<u>16,025,381</u>	<u>12,515,598</u>
Total current liabilities	<u>31,667,760</u>	<u>26,136,771</u>
Long-term liabilities:		
Compensated absences	913,362	1,186,050
Bonds payable (note 7 & 8)	<u>536,533,012</u>	<u>552,558,392</u>
Total long-term liabilities	<u>537,446,374</u>	<u>553,744,442</u>
Total liabilities	<u>569,114,134</u>	<u>579,881,213</u>
Net Assets		
Invested in capital assets, net of related debt	748,697,093	757,858,955
Restricted for (note 5):		
Sewer extensions and improvements	33,548,270	31,211,693
Debt service	10,823,396	4,733,929
Unrestricted	<u>76,855,173</u>	<u>84,277,881</u>
Total net assets	<u>\$ 869,923,932</u>	<u>878,082,458</u>



INTEGRATED SEWER SYSTEM COUNTY OF FAIRFAX, VIRGINIA
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating revenues:		
Sales of service	\$ 126,681,734	108,723,096
Operating expenses:		
Personnel services	23,131,023	22,907,919
Materials and supplies	11,636,425	13,774,422
Contractual services	47,468,305	47,861,675
Depreciation and amortization	46,680,568	45,575,080
Professional fees and other	876,238	762,872
Total operating expenses	129,792,559	130,881,968
Operating loss	(3,110,825)	(22,158,872)
Nonoperating revenues (expenses):		
Availability fees	10,668,539	11,461,530
Investment earnings	1,303,897	2,301,005
Interest expense	(25,929,969)	(18,309,964)
Amortization of bond issuance costs	(45,476)	(18,729)
Amortization of deferred gains on UOSA bond refinancings	229,931	229,931
Gain (Loss) on disposal of capital assets	47,503	46,048
Total nonoperating revenues (expenses)	(13,725,575)	(4,290,179)
Loss before contributions	(16,836,400)	(26,449,051)
Capital contributions:		
Grants from the Commonwealth of Virginia	4,100,498	-
Federal Stimulus Grants	1,974,575	-
From Fairfax County	78,301	-
From developers	2,524,500	8,950,919
Total capital contributions	8,677,874	8,950,919
Change in net assets	(8,158,526)	(17,498,132)
Total net assets at beginning of year	<u>878,082,458</u>	<u>895,580,590</u>
Total net assets at end of year	<u>\$ 869,923,932</u>	<u>878,082,458</u>

See accompanying notes to the financial statements.

INTEGRATED SEWER SYSTEM COUNTY OF FAIRFAX, VIRGINIA
STATEMENTS OF CASH FLOWS
For the Fiscal Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 121,037,900	105,861,140
Payments to employees	(23,057,015)	(22,790,605)
Payments to suppliers and contractors	(59,352,157)	(64,550,705)
Net cash provided by operating activities	<u>38,628,728</u>	<u>18,519,830</u>
Cash flows from capital and related financing activities:		
Capital grants received	6,075,073	-
Availability fees received	10,668,539	11,461,530
Principal payments on revenue bonds	(12,286,810)	(11,778,398)
Interest payments on revenue bonds	(22,891,504)	(17,888,217)
Revenue bonds issued, including premium	-	160,536,294
Payment of bond issuance costs	-	(877,909)
Payment to revenue bonds escrow agent	-	(9,654,775)
Purchases of capital assets, other than purchased capacity	(34,737,241)	(28,730,167)
Acquisition of purchased capacity	(31,774,058)	(33,792,190)
Proceeds from the sale of capital assets	47,503	48,613
Net cash used by capital and financing activities	<u>(84,898,498)</u>	<u>69,324,781</u>
Cash flows from investing activities:		
(Purchases) sales of restricted investments (net)	(5,844,866)	98,426
Interest received	1,419,131	2,160,818
Net cash provided by investing activities	<u>(4,425,735)</u>	<u>2,259,244</u>
Net increase (decrease) in cash and cash equivalents	(50,695,505)	90,103,855
Cash and cash equivalents at beginning of year	<u>218,134,220</u>	<u>128,030,365</u>
Cash and cash equivalents at end of year	<u>\$ 167,438,715</u>	<u>218,134,220</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (3,110,825)	(22,158,872)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization expense	46,680,568	45,575,080
Changes in assets and liabilities:		
(Increase) decrease in intergovernmental receivables	(5,643,834)	(2,861,956)
(Increase) in inventories and other assets	1,991,623	(1,976,823)
Increase (decrease) in accounts payable and accrued liabilities, net of interest	(1,635,931)	230,555
Increase (decrease) in contracts payable	347,127	(288,154)
Total adjustments	<u>41,739,553</u>	<u>40,678,702</u>
Net cash provided by operating activities	<u>\$ 38,628,728</u>	<u>18,519,830</u>
Noncash investing, capital, and financing activities:		
Capital contributions - sewer lines, manholes, etc.	\$ 2,602,801	8,950,919
Increase in fair value of investments not classified as cash and cash equivalents	15,412	13,403

See accompanying notes to the financial statements.

FAIRFAX COUNTY WASTEWATER MANAGEMENT



Quality of Water = Quality of Life

INTEGRATED SEWER SYSTEM COUNTY OF FAIRFAX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010 and 2009

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The County of Fairfax, Virginia Integrated Sewer System (System) is an enterprise fund of the County of Fairfax, Virginia (County), and provides sewer services to approximately 950,000 residents through a County-wide sewer system of more than 3,380 miles of sewer lines. The sewer service area, approximately 234 square miles, is defined and controlled through the County of Fairfax Board of Supervisors (Board). The System is governed by the Board and managed and operated separately as the Wastewater Management Program, one of six major activities of the County's Department of Public Works and Environmental Services.

As a County business-type activity, System financial information is separately accounted for in an enterprise fund and is included in the County's Comprehensive Annual Financial Report (CAFR).

The accompanying financial statements present only the System and are not intended to present fairly the financial position of the County and results of its operations and the cash flows of its proprietary funds as a whole in conformity with U.S. generally accepted accounting principles.

(b) Basis of Accounting

The System is required to recover the costs of providing services, including capital costs, through user charges. Accordingly, the System uses enterprise fund accounting, an economic resources measurement focus, and the accrual basis of accounting. Consequently, revenues are recognized when earned and expenses are recorded as incurred. The System defines operating revenues and expenses as those directly related to providing sewer services. Operating revenues consist of charges to System users. Operating expenses include personnel, materials and supplies, services purchased from other local jurisdictions, and depreciation and amortization of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses; these include sewer availability fees, investment earnings and interest on outstanding debt. In preparing the financial statements, the System has not elected to apply the option provided in paragraph 7 of Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*. Therefore, the System has applied only Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

(c) Use of Estimates

The preparation of financial statements in conformity with U.S. 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.



(d) Tax Status

The System, as part of a local government, is not subject to federal, state, or local income taxes, and, accordingly, no provision for income taxes is made.

(e) Sewer Service Charges

The major sources of revenue for the System are sales to existing customers for continuing sewer service. Customers are charged for sewer service based on metered water usage. Sewer service charges are designed to recover the costs of operation and maintenance of the System, as well as debt service and capital project costs attributable to supporting or improving wastewater treatment services to the System customers. Sewer service charges are recorded as operating revenue.

(f) Unbilled Service Charges

An estimated amount has been recorded for services rendered but not yet billed as of the close of the fiscal year. This estimated receivable is calculated by prorating water consumption and billings for certain prior months.

(g) Availability Fees

New customers connecting to the System are required to pay an availability fee before obtaining a building permit in the County. Availability fees are used to recover the construction and financing costs associated with expanding System capacity. Availability fees are reported as nonoperating revenue.

(h) Cash and Investments on Deposit with the County of Fairfax, Virginia

The System maintains the majority of its available cash in a cash and investment pool administered by the County. Such amounts are considered to be cash equivalents for purposes of the Statements of Cash Flows. To optimize investment returns, the System's funds are invested together with all other County pooled funds, all of which are fully insured or collateralized. The County allocates, on a monthly basis, any investment earnings based on the System's average balance in pooled cash and investments, less an administrative charge.

(i) Flow Assumption for Restricted Assets

Restricted assets are liquid assets which have third-party limitations on their use. When both restricted and unrestricted assets are available for use, it is the System's policy to use restricted resources first, then unrestricted assets when needed. See Note 5 for additional information regarding restricted assets.

(j) Investments

Investments consist primarily of U.S. government securities that mature in less than one year from the date of purchase and discount government-sponsored enterprise (GSE) securities, which are stated at amortized cost, which approximates fair value.

(k) Inventories

Inventories are carried at the lower of cost or market using an average unit cost method. The System's inventories consist of operating supplies and certain system replacement parts.

(l) Capital Assets

Capital assets that individually cost \$5,000 or more are capitalized and recorded at cost. Contributed capital assets are recorded at their estimated fair value on the date of donation. Capital assets are depreciated/ amortized over their estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Sewer lines	50 years
Buildings	30-50 years
Purchased capacity	30 years
Improvements	10-30 years
Equipment	5-15 years
Software	3-5 years

For constructed assets, all costs necessary to bring such assets to the condition and location necessary for the intended use, including interest on related debt, are initially treated as construction in progress and subsequently as buildings, improvements, or purchased capacity once the assets are substantially complete. Depreciation and amortization on constructed assets begin when the assets are substantially ready for their intended use.

(m) Retirement Plan

Employees of the System participate in the Fairfax County Employees’ Retirement System (Retirement Plan), a cost-sharing multiple-employer defined benefit pension plan, which covers substantially all County employees who are not members of the Virginia Retirement System or other County-funded retirement plans.

Benefit provisions are established and may be amended by County ordinances. All benefits vest at five years of creditable service. To be eligible for normal retirement, an individual must meet the following criteria: (a) attain the age of 65 with five years of creditable service, or (b) attain the age of 50 with age plus years of creditable service being greater than or equal to 80. The normal retirement benefit is calculated using average final compensation (i.e., the highest 78 consecutive two-week pay periods or the highest 36 consecutive monthly pay periods) and years (or partial years) of creditable service at date of termination. In addition, if normal retirement occurs before Social Security benefits are scheduled to begin, an additional monthly benefit is paid to retirees. Annual cost-of-living adjustments are provided to retirees and beneficiaries equal to the lesser of 4.0% or the percentage increase in the Consumer Price Index for the Washington Consumer Metropolitan Service Area. The Retirement Plan provides that unused sick leave credit may be used in the calculation of average final compensation by projecting the final salary during the unused sick leave period. The benefit for early retirement is actuarially reduced and payable at early termination.

The contribution requirements of the Retirement Plan members are established and may be amended by County ordinances. Members may elect to join Plan A or Plan B. Plan A requires member contributions of 4.0% of compensation up to the Social Security wage base and 5.33% of compensation in excess of the wage base. Plan B requires member contributions of 5.33% of compensation.

For fiscal years 2010, 2009, and 2008, the System contributed at the contractually fixed rates of 9.71%, 9.62% and 9.59%, respectively, of annual covered payroll. These rates were established by the Board to cover the actuarially-determined normal cost plus administrative expenses of the Retirement Plan. In the event the Retirement plan’s funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) exceeds 120% or falls below 90%, the contribution rate will be adjusted to bring the funded ratio back within these parameters.

The System's contributions to the Retirement Plan for the years ended June 30, 2010, 2009, and 2008, were approximately \$1,478,000, \$1,420,000, and \$1,349,000, respectively, which represent the System's allocated share of the County's funding requirements.

Information relating to the Retirement Plan as a whole is available in the County's June 30, 2010 CAFR. In addition, the Retirement Plan issues a publicly available annual financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Fairfax County Employees' Retirement System, 10680 Main Street, Suite 280, Fairfax, VA 22030, or by calling (703) 279-8200.

(n) Compensated Absences

Employees earn vacation pay based on a prescribed formula, which allows employees with less than 10 years of service to accumulate a maximum of 240 hours and employees with 10 years or more of service to accumulate a maximum of 320 hours of vacation benefits as of the end of each calendar year. In addition, employees may accrue compensatory leave for hours worked in excess of their scheduled hours. Compensatory leave in excess of 240 hours at the end of the calendar year is forfeited. The current pay rate and certain employer-related fringe benefits are used to calculate the year end accruals. At June 30, 2010 and 2009, the System accrued \$2,157,663 and \$2,076,869, respectively, for such compensated absences.

(o) Intergovernmental Agreements

The County has entered into several intergovernmental agreements for the purpose of sharing sewage flow and treatment facility costs. The payments to other governmental units made to reimburse operating costs are reported as expenses in the year incurred. The interest payments for debt service are reported as nonoperating expenses. The payments made for construction costs for facility capacity expansions are reported as purchased capacity (see notes 6 and 9). Through these capital payments, the System has exclusive entitlements to treatment capacities at other governmental sewage treatment facilities.

(2) DUE FROM OTHER GOVERNMENTAL ENTITIES

Amounts due from other governmental entities consist of customer service charges, which are billed and collected by Fairfax Water and other local water authorities, and sales of sewer services to other jurisdictions which utilize the System's sewage treatment and collection facilities.

The Board appoints the members of the board of Fairfax Water; however, the County's accountability does not extend beyond making the appointments. During fiscal year 2010, Fairfax Water collected approximately \$97.4 million on behalf of the System, and as of June 30, 2010, the System has receivables of approximately \$ 25.3 million due from Fairfax Water.

(3) INVESTMENTS

The System's available cash is invested in the County's cash and investment pool. The County maintains an investment policy, the overall objectives of which are the preservation of capital and the protection of investment principal; maintenance of sufficient liquidity to meet operating requirements; conformance with federal, state, and other legal requirements; diversification to avoid incurring unreasonable risks regarding specific security types or individual financial institutions; and attainment of a market rate of return. Oversight of investment activity is the responsibility of the Investment Committee, which is comprised of the chief financial officer and certain key management and investment staff.

The Code of Virginia (Code) authorizes the County and the System to purchase the following types of investments:

- Commercial paper
- U.S. Treasury and agency securities
- U.S. Treasury strips
- Negotiable certificates of deposits and bank notes
- Money market funds
- Bankers acceptances
- Repurchase agreements
- Medium term corporate notes
- Local government investment pool
- Asset-backed securities
- Hedged debt obligations of sovereign governments
- Securities lending programs
- Obligations of the Asian Development Bank
- Obligations of the African Development Bank
- Obligations of the International Bank for Reconstruction and Development
- Obligations of the Commonwealth of Virginia and its instrumentalities
- Obligations of counties, cities, towns, and other public bodies located within the Commonwealth of Virginia
- Obligations of state and local government units located within other states
- Savings accounts or time deposits in any bank or savings institution within the Commonwealth that complies with the Code

However, the County's investment policy precludes the investment of pooled funds in derivative securities, reverse repurchase agreements, or security lending programs.

The System's investment in the pool is covered by the County's policy to minimize the risk that the market value of securities in its portfolio will fall due to changes in market interest rates. To achieve this minimization of risk, the County structures the pooled investment portfolio so that sufficient securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. Pooled investments that are purchased to meet liquidity needs shall have a target weighted average

maturity of 90 days. All other pooled funds are invested primarily in shorter-term securities, with a maximum maturity of one year.

It is also the County’s policy to minimize the risk of loss due to the failure of an issuer or other counterparty to an investment to fulfill its obligations. The County pre-qualifies financial institutions, broker-dealers, intermediaries, and advisers with which the County does business. Based on the County’s investment policy, the pooled investments are limited to relatively safe types of securities and are diversified so that potential losses on individual securities will be minimized. Also, new investments shall not be made in securities that are listed on Moody’s Investors Service, Inc. (Moody’s) Watchlist or Standard & Poor’s, Inc. (S&P) Credit Watch with a short term negative rating. The policy specifies the following acceptable credit ratings for specific types of investments in the pooled portfolio:

- U.S. government-sponsored enterprise (GSE) instruments shall be rated by both Moody’s and S&P with a minimum rating of Prime 1 and A-1, respectively.
- Prime quality commercial paper shall be as rated by at least two of the following: Moody’s, with a minimum rating of Prime 1; S&P, with a minimum rating of A-1; Fitch Investor’s Services, Inc. (Fitch), with a minimum rating of F-1; or by Duff and Phelps, Inc., with a minimum rating of D-1.
- Mutual funds must have a rating of AAA or better by S&P, Moody’s, or another nationally recognized rating agency.
- Bank deposit notes must have a rating of at least A-1 by S&P and P-1 by Moody’s.
- Banker’s acceptances must have a rating by at least two of the following: Moody’s P-1, S&P A-1, Fitch F-1 and Duff and Phelps D-1.
- Corporate notes must have a rating of at least Aa by Moody’s and a rating of at least AA by S&P.

The County’s investment policy sets the following limits for the types of securities held in its pooled investment portfolio:

Repurchase agreements and mutual funds	30%	maximum
Bank notes, banker's acceptances and negotiable certificates of deposit	40%	maximum
Commercial paper	35%	maximum
Corporate notes	25%	maximum
US Treasury and agency securities	100%	maximum
Non-negotiable certificates of deposits	40%	maximum

In addition, not more than 5% of the total pooled funds available for investment at the time of purchase may be invested in any one issuing or guaranteeing corporation for commercial paper, banker’s acceptances, corporate notes, and bank notes.

For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the Virginia Security for Public Deposits Act (Act), all of the County’s deposits are covered by federal depository insurance or collateralized in accordance with the Act, which provides for the pooling of collateral pledged by financial institutions with the Treasurer of Virginia to secure public deposits as a class. No specific collateral can be identified as security for one public depositor, and public depositors are prohibited from holding collateral in their name as security for deposits. If any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of

governmental entities. If the value of the pool’s collateral is inadequate to cover a loss, additional amounts are assessed on a pro rata basis to the members of the pool. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by participating financial institutions. A multiple financial institution collateral pool that provides for additional assessments is similar to depository insurance, therefore, funds deposited in accordance with the requirements of the Act are considered to be fully insured.

For investments, custodial credit risk is the risk that, in the event of the failure of a counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Per policy, all of the pooled investments purchased by the County are insured or registered or are securities held by the County or its agent in the County’s name.

The portfolio weighted average maturity for the County’s entire cash and investment pool was 132.24 days as of June 30, 2010. The percentage of the County’s portfolio with credit ratings of AAA, AA, and A as of June 30, 2010, was 10.1%, 7.9%, and 58.9%, respectively (23.1% of the portfolio was unrated). Additional information and information by investment type related to the interest rate risk and the credit risk pertaining to the entire cash and investment pool can be found in the County’s Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010.

Certain investments are separately held by the System apart from the County’s cash and investment pool and are made in accordance with bond indentures. All of these investments, which are summarized below at carrying value as of June 30, 2010, and 2009, are insured, registered or held by the System or its agent in the System’s name:

	<u>2010</u>	<u>2009</u>
U.S. Treasury securities	\$ 24,756,607	11,626,273
Mutual and short-term investment funds	-	9,655,556
Money Market Mutual Fund	<u>2,614,689</u>	<u>-</u>
Total	<u>\$ 27,371,296</u>	<u>21,281,829</u>

(4) RECLASSIFICATION OF RESTRICTED NET ASSETS

In fiscal year 2009, the System issued \$152,255,000 of Sewer Revenue Bonds with \$112,814,902 being unspent as of June 30, 2009; however, the unspent bonds proceeds were not taken into consideration in the calculation of the sub-categories of Net Assets. This resulted in an understatement of Net Assets-Invested in capital assets, net of related debt and an overstatement of Restricted for Sewer extension and improvements of \$112,814,902. The reported amounts of \$645,044,053 for Net Assets-Invested in capital assets, net of related debt and \$144,026,595 for Restricted for Sewer extension and improvements in fiscal year 2009 are being reclassified as \$757,858,955 and \$31,211,693 respectively, in the fiscal year 2010 comparative financial statements.

(5) RESTRICTED ASSETS AND RESTRICTED NET ASSETS

As of June 30, 2010 and 2009, the System had restricted cash and investments of \$136,260,549 and \$171,945,496 respectively, for internal purposes in order to manage its funds in accordance with the 1985 General Bond Resolution (the Resolution), as modified through July 2009. The Resolution requires that the System must set aside or restrict funds for certain purposes, including sewer construction, extensions and improvements, establishing a long-term debt service reserve, and funding current debt service requirements.

The System's restricted assets and restricted net assets as of June 30, 2010 and 2009, are as follows:

	<u>2010</u>	<u>2009</u>
Assets are restricted for:		
Extensions and improvements	\$ 102,252,181	\$ 144,026,595
Long-term debt service requirements:		
Sewer revenue bonds:		
Series 2004 & 2009	16,547,900	16,547,900
Subordinated sewer revenue bonds:		
2001 VRA	2,999,284	2,999,284
2002 VRA	3,637,788	3,637,788
Total long-term debt service requirements	<u>23,184,972</u>	<u>23,184,972</u>
Current debt service requirements	<u>10,823,396</u>	<u>4,733,929</u>
Total restricted assets	136,260,549	171,945,496
Unspent bond proceeds	<u>(68,703,911)</u>	<u>(112,814,902)</u>
Less related debt	<u>(91,888,883)</u>	<u>(135,999,874)</u>
Total restricted net assets	<u>\$ 44,371,666</u>	<u>35,945,622</u>

(6) CAPITAL ASSETS

Changes in capital assets for the years ended June 30, 2010 and 2009, are as follows:

	<u>Balances June 30, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances June 30, 2010</u>
Capital assets:				
Non-depreciable:				
Land	\$ 17,370,540	-	-	17,370,540
Easement	289,243	28,901	-	318,144
Construction in progress	48,839,141	34,426,246	(299,174)	82,966,213
Depreciable/amortizable:				
Buildings	58,235,773	-	-	58,235,773
Improvements and sewer lines	942,484,965	2,823,674	(28,901)	945,279,738
Equipment	11,376,730	360,395	(479,382)	11,257,743
Purchased capacity	718,700,236	31,774,058	-	750,474,294
Total capital assets	<u>1,797,296,628</u>	<u>69,413,274</u>	<u>(807,457)</u>	<u>1,865,902,445</u>
Accumulated depreciation/amortization for:				
Buildings	(32,526,912)	(1,198,778)	-	(33,725,690)
Improvements and sewer lines	(402,844,257)	(21,825,477)	28,901	(424,640,833)
Equipment	(8,270,336)	(686,623)	479,382	(8,477,577)
Purchased capacity	(166,722,052)	(22,969,690)	-	(189,691,742)
Total accumulated depreciation/ amortization	<u>(610,363,557)</u>	<u>(46,680,568)</u>	<u>508,283</u>	<u>(656,535,842)</u>
Total capital assets, net	<u>\$ 1,186,933,071</u>	<u>22,732,706</u>	<u>(299,174)</u>	<u>1,209,366,603</u>

	Balances June 30, 2008	Increases	Decreases	Balances June 30, 2009
Capital assets:				
Non-depreciable:				
Land	\$ 17,370,540	-	-	17,370,540
Easement	259,548	29,695	-	289,243
Construction in progress	51,343,979	27,864,693	(30,369,531)	48,839,141
Depreciable/amortizable:				
Buildings	58,235,773	-	-	58,235,773
Improvements and sewer lines	903,164,516	39,320,449	-	942,484,965
Equipment	11,002,819	835,779	(461,868)	11,376,730
Purchased capacity	684,908,046	33,792,190	-	718,700,236
Total capital assets	<u>1,726,285,221</u>	<u>101,842,806</u>	<u>(30,831,399)</u>	<u>1,797,296,628</u>
Accumulated depreciation/amortization for:				
Buildings	(31,322,565)	(1,204,347)	-	(32,526,912)
Improvements and sewer lines	(381,750,230)	(21,094,027)	-	(402,844,257)
Equipment	(7,994,228)	(735,409)	459,301	(8,270,336)
Purchased capacity	(144,180,755)	(22,541,297)	-	(166,722,052)
Total accumulated depreciation/ amortization	<u>(565,247,778)</u>	<u>(45,575,080)</u>	<u>459,301</u>	<u>(610,363,557)</u>
Total capital assets, net	<u>\$ 1,161,037,443</u>	<u>56,267,726</u>	<u>(30,372,098)</u>	<u>1,186,933,071</u>

Changes in purchased capacity, net of accumulated amortization, for the years ended June 30, 2010 and 2009, in relation to each jurisdiction, are detailed as follows:

	Balances June 30, 2009	Additions	Amortization	Balances June 30, 2010
Purchased capacity, net:				
Blue Plains	\$ 94,010,516	12,851,793	(4,912,516)	101,949,793
UOSA	236,446,829	-	(10,519,086)	225,927,743
Alexandria Sanitation Authority	189,504,903	11,865,568	(7,146,659)	194,223,812
Arlington County	31,343,936	7,056,697	(359,429)	38,041,204
Prince William County Service Authority	672,000	-	(32,000)	640,000
Total purchased capacity, net	<u>\$ 551,978,184</u>	<u>31,774,058</u>	<u>(22,969,690)</u>	<u>560,782,552</u>

	Balances June 30, 2008	Additions	Amortization	Balances June 30, 2009
Purchased capacity, net:				
Blue Plains	\$ 89,711,300	8,783,339	(4,484,123)	94,010,516
UOSA	246,965,914	-	(10,519,085)	236,446,829
Alexandria Sanitation Authority	181,212,851	15,438,711	(7,146,659)	189,504,903
Arlington County	22,133,225	9,570,140	(359,429)	31,343,936
Prince William County Service Authority	704,000	-	(32,000)	672,000
Total purchased capacity, net	<u>\$ 540,727,290</u>	<u>33,792,190</u>	<u>(22,541,296)</u>	<u>551,978,184</u>

(7) MISCELLANEOUS LONG-TERM ASSETS

At June 30, 2010 and 2009, the System had miscellaneous long-term assets consisting of bond issuance costs, net of accumulated amortization, related to the Series 2009 and 2004 Bonds; these costs are being amortized over 30 and 20 years, respectively.

(8) LONG-TERM LIABILITIES

The following is a summary of the changes in the System’s long-term liabilities for the fiscal years ended June 30, 2010 and 2009:

	Balances June 30, 2009	Increases	Decreases	Balances June 30, 2010	Current Portions
Compensated absences	\$ 2,076,869	1,278,502	(1,197,708)	2,157,663	1,244,301
Sewer Revenue Bonds - 2009 Series	152,255,000	-	-	152,255,000	2,380,000
Sewer Refunding Revenue Bonds - 2004 Series	87,790,000	-	(2,740,000)	85,050,000	2,835,000
Premium on Sewer Refunding Revenue Bonds (net)	10,463,944	-	(395,341)	10,068,603	395,341
Subordinated Revenue Bonds - 2001	28,204,116	-	(1,861,805)	26,342,311	1,938,922
Subordinated Revenue Bonds - 2002	37,159,917	-	(2,265,332)	34,894,585	2,351,078
Subordinated UOSA Revenue Bonds	253,660,620	-	(5,419,671)	248,240,949	6,291,594
Deferred amounts on bond refundings (net)	<u>(4,459,607)</u>	<u>-</u>	<u>166,553</u>	<u>(4,293,054)</u>	<u>(166,553)</u>
	<u>\$ 567,150,859</u>	<u>1,278,502</u>	<u>(13,713,304)</u>	<u>554,716,057</u>	<u>17,269,683</u>

	Balances June 30, 2008	Increases	Decreases	Balances June 30, 2009	Current Portions
Compensated absences	\$ 2,159,615	843,565	(926,311)	2,076,869	890,819
Sewer Revenue Bonds - 2009 Series	-	152,255,000	-	152,255,000	-
Sewer Revenue Bonds - 2004 Series	90,435,000	-	(2,645,000)	87,790,000	2,740,000
Premium on Sewer Refunding Revenue Bonds (net)	2,313,834	8,281,293	(131,183)	10,463,944	395,341
Subordinated Revenue Bonds - 2001	29,991,872	-	(1,787,756)	28,204,116	1,861,805
Subordinated Revenue Bonds - 2002	39,342,630	-	(2,182,713)	37,159,917	2,265,332
Subordinated UOSA Revenue Bonds	258,823,551	-	(5,162,931)	253,660,620	5,419,673
Deferred amounts on bond refundings (net)	<u>(4,626,161)</u>	<u>-</u>	<u>166,554</u>	<u>(4,459,607)</u>	<u>(166,553)</u>
	<u>\$ 418,440,341</u>	<u>161,379,858</u>	<u>(12,669,340)</u>	<u>567,150,859</u>	<u>13,406,417</u>

(a) Sewer Revenue Bonds

The System issues bonds under the 1985 General Bond Resolution (Resolution) adopted by the County Board of Supervisors. The Resolution includes a rate covenant under which the System has agreed that it will charge reasonable rates for the use of services rendered by the System. Furthermore, the System will adjust the rates, from time to time, to generate net revenues sufficient to provide an amount equal to 100% of its annual principal and interest requirements and the System’s annual commitments to fund its proportionate share of other jurisdictions’ debt service requirements. In the opinion of the System’s management, the System is in compliance with all Resolution covenants.

Payment of the principal and interest on all Sewer revenue bonds is secured by a pledge of gross revenues derived from the System after provisions for payment of the operating expenses of the System. The bonds do not constitute general obligations of the County, and authorization to issue any additional debt rests with the Board. In addition, the System is required to adhere to and is in compliance with the rebate and reporting requirements of the federal regulations pertaining to arbitrage.

In August 1986, the System issued \$75 million of revenue bonds (the Series 1986 Bonds) payable from the net revenues generated through the System’s operations. The proceeds of the bonds were used primarily

to fund the expansion of the System's Noman M. Cole, Jr. Pollution Control Plant and the System's share of the expansion of Blue Plains. On May 18, 1993, the System issued \$72,100,000 of variable rate revenue bonds (the Series 1993 Bonds) to advance refund the outstanding Series 1986 Bonds. The net proceeds of \$70,806,000 (net of a discount of \$232,000 and after payment of \$1,062,000 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities which were deposited in an irrevocable trust with an escrow agent to provide the resources for all future debt service payments on and to redeem the Series 1986 Bonds. As a result, the advance refunded Series 1986 Bonds are considered to be defeased and the liability for these bonds has been removed from the System's statements of net assets. On November 15, 2003, the System used available resources to redeem all of the outstanding Series 1993 Bonds in the total principal amount of \$55,330,000. Although this redemption resulted in the recognition of an accounting loss of \$1,813,460, reported as a special item in the statement of revenues, expenses, and changes in net assets, the System reduced its aggregate interest payments over the next 13 years by approximately \$20.9 million and obtained an economic gain (the present value of the debt service savings) of approximately \$4.4 million.

On July 24, 1996, the System issued \$104,000,000 of Sewer Revenue Bonds (the Series 1996 Bonds) to fund plant expansion at the Noman M. Cole, Jr. Pollution Control Plant and other system improvements. On October 14, 2004, the System issued \$94,005,000 of Series 2004 Sewer Revenue Refunding Bonds with an average interest rate of 4.61% (true interest cost of 4.33%) to advance refund \$91,430,000 of the outstanding Series 1996 Bonds with an average interest rate of 5.82%. Net proceeds of \$96,287,570 together with \$3,257,766 of the System's resources being held in reserve for debt service on the Series 1996 Bonds were used to purchase U.S. government securities which were deposited into an irrevocable escrow account to provide the resources for future debt service payments on and to redeem the Series 1996 Bonds on July 15, 2006. As a result, the advance refunded Series 1996 Bonds are considered defeased, and the liability for these bonds has been removed from the System's Statements of Net Assets. Although the reacquisition prices exceeded the net carrying values of the refunded bonds by \$9,119,135, which is being amortized over the life of the refunding bonds, the System reduced total debt service payments over future years by approximately \$16.8 million and obtained an economic gain (the difference between the present values of the debt service payments on the old and new debt) of approximately \$7.7 million.

On June 17, 2009, the System issued \$152,255,000 of Sewer Revenue Bonds (the Series 2009 Bonds), to fund upgrade costs allocable to the System at certain treatment facilities that are owned by, or that provide service to, the County, the purchase of additional capacity at certain wastewater treatment facilities for the benefit of the County and the costs of certain additions, extensions, and improvements to the County's sewage collection, treatment, and disposal systems.

The outstanding bonds as of June 30, 2010, consist of \$85,050,000 and \$152,255,000 of Series 2004 Refunding Bonds and Series 2009 Revenue Bonds, respectively, that bear interest at varying rates and mature in varying amounts, as follows:

Series 2009				Series 2004			
Fiscal Year	Interest Rate	Principal	Interest	Fiscal Year	Interest Rate	Principal	Interest
2011	3.000	\$ 2,380,000	7,272,475	2011	3.000	\$ 2,835,000	3,835,056
2012	2.500	2,445,000	7,206,213	2012	3.000	2,935,000	3,748,506
2013	5.000	2,540,000	7,112,150	2013	3.250	3,045,000	3,655,000
2014	5.000	2,670,000	6,981,900	2014	5.000	3,155,000	3,526,644
2015	5.000	2,805,000	6,845,025	2015	5.000	3,335,000	3,364,394
2016	5.000	2,950,000	6,701,150	2016	5.000	3,515,000	3,193,144
2017	5.000	3,105,000	6,549,775	2017	5.000	3,715,000	3,012,394
2018	5.000	3,260,000	6,390,650	2018	5.000	3,920,000	2,821,519
2019	5.000	3,430,000	6,223,400	2019	5.000	4,130,000	2,620,269
2020	5.000	3,605,000	6,047,525	2020	4.000	4,355,000	2,429,919
2021	5.000	3,790,000	5,862,650	2021	4.375	4,550,000	2,243,288
2022	5.000	3,985,000	5,668,275	2022	4.500	4,770,000	2,036,431
2023	5.000	4,190,000	5,463,900	2023	4.500	5,005,000	1,816,494
2024	5.000	4,405,000	5,249,025	2024	4.625	5,255,000	1,582,359
2025	4.000	4,605,000	5,046,800	2025	4.625	5,520,000	1,333,187
2026	4.000	4,795,000	4,858,800	2026	4.750	5,795,000	1,067,906
2027	4.000	4,990,000	4,663,100	2027	4.500	6,095,000	793,138
2028	4.000	5,195,000	4,459,400	2028	5.000	6,395,000	496,125
2029	5.000	5,435,000	4,219,625	2029	5.000	6,725,000	168,125
2030	5.000	5,710,000	3,941,000	Total		<u>\$ 85,050,000</u>	<u>43,743,898</u>
2031	5.000	6,005,000	3,648,125				
2032	5.000	6,310,000	3,340,250				
2033	5.000	6,635,000	3,016,625				
2034	5.000	6,975,000	2,676,375				
2035	5.000	7,335,000	2,318,625				
2036	5.000	7,710,000	1,942,500				
2037	5.000	8,105,000	1,547,125				
2038	5.000	8,520,000	1,131,500				
2039	5.000	8,955,000	694,625				
2040	5.000	9,415,000	235,375				
Total		<u>\$ 152,255,000</u>	<u>137,313,963</u>				

(b) Subordinated Sewer Revenue Bonds

In June 2001 and June 2002, the System issued 20-year subordinated sewer revenue bonds in the amounts of \$40,000,000 and \$50,000,000, respectively, to the Virginia Water Facilities Revolving Fund, acting by and through the Virginia Resources Authority (VRA). The proceeds have been used to finance a portion of the System’s share of the expansion and upgrade costs of the Alexandria Sanitation Authority’s wastewater treatment facilities, which provide service to certain County residents. These bonds bear interest rates of 4.10% per annum and 3.75% per annum, respectively, and require semi-annual debt service payments of \$1,499,642 and \$1,818,894, respectively. These bonds are subordinated to all outstanding prior bond issues of the System and payments for operation and maintenance expenses.

As of June 30, 2010, the principal and interest payment schedule for the 2001 and 2002 subordinated revenue bonds is as follows:

Fiscal Year	2001 Subordinated Revenue Bonds			2002 Subordinated Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 1,938,922	1,060,362	2,999,284	2,351,078	1,286,710	3,637,788
2012	2,019,232	980,052	2,999,284	2,440,070	1,197,718	3,637,788
2013	2,102,869	896,415	2,999,284	2,532,431	1,105,357	3,637,788
2014	2,189,971	809,313	2,999,284	2,628,287	1,009,501	3,637,788
2015	2,280,680	718,604	2,999,284	2,727,772	910,016	3,637,788
2016	2,375,146	624,138	2,999,284	2,831,022	806,766	3,637,788
2017	2,473,525	525,759	2,999,284	2,938,181	699,607	3,637,788
2018	2,575,980	423,304	2,999,284	3,049,396	588,392	3,637,788
2019	2,682,677	316,607	2,999,284	3,164,820	472,968	3,637,788
2020	2,793,794	205,490	2,999,284	3,284,613	353,175	3,637,788
2021	2,909,515	89,769	2,999,284	3,408,941	228,847	3,637,788
2022	-	-	-	3,537,974	99,814	3,637,788
Total	\$ 26,342,311	6,649,813	32,992,124	34,894,585	8,758,871	43,653,456

(c) Upper Occoquan Sewage Authority (UOSA) Debt

In January 1993, UOSA, a joint venture, issued \$63,310,000 of Regional Sewer System Revenue Refunding Bonds to refund certain outstanding bonds that had been issued to refund earlier bonds. In January 1995, UOSA issued \$288,600,000 of Regional Sewer System Revenue Bonds to finance the cost of expanding the capacity of its wastewater treatment facilities from 32 million gallons per day (MGD) to 54 MGD and \$42,260,000 of Regional Sewer System Revenue Refunding Bonds to refund certain outstanding bonds that had been issued to finance a prior expansion. On December 15, 2003, UOSA issued \$58,150,000 of Regional Sewer System Revenue Refunding Bonds, of which the System's share is \$36,848,116, to advance refund the outstanding Series 1993 bonds, resulting in a \$1,514,494 accounting gain, which is being amortized over the life of the Series 2003 Bonds. On November 9, 2004, UOSA issued \$49,395,000 of Regional Sewer System Revenue Refunding Bonds, of which the System's share is \$31,866,527, to advance refund a portion of the outstanding Series 1995 Bonds, resulting in a \$619,329 accounting gain, which is being amortized over the life of the Series 2004 Bonds. On July 1, 2005, UOSA issued \$82,465,000 of Regional Sewer System Revenue Refunding Bonds, of which the System's share is \$53,201,198, to advance refund another portion of the outstanding Series 1995 Bonds, resulting in a \$1,909,604 accounting gain, which is being amortized over the life of the Series 2005 Bonds. In February 2007, UOSA issued \$90,315,000 of Regional Sewer System Revenue Refunding Bonds, of which the System's share is \$58,265,521, to advance refund another portion of the outstanding Series 1995 Bonds, resulting in a \$83,868 accounting loss, which is being amortized over the life of the Series 2007 Bonds. In December 2007, UOSA issued \$119,715,000 of Regional Sewer System Revenue Bonds, of which the System's share is \$53,925,458, to finance the cost of expanding its wastewater treatment and conveyance facilities.

As of June 30, 2010, the System is obligated to fund its proportionate share of outstanding UOSA Regional Sewer System Revenue and Refunding Bonds, as follows:

Fiscal Year	Principal	Interest	Total
2011	\$ 6,291,593	11,982,075	18,273,668
2012	6,605,819	11,667,495	18,273,314
2013	6,926,610	11,345,125	18,271,735
2014	7,234,442	11,037,380	18,271,822
2015	7,599,992	10,669,757	18,269,749
2016	8,104,131	10,289,757	18,393,888
2017	8,517,895	9,876,306	18,394,201
2018	8,950,898	9,441,741	18,392,639
2019	9,406,308	8,985,080	18,391,388
2020	9,887,466	8,505,184	18,392,650
2021	10,045,942	8,000,731	18,046,673
2022	10,783,460	7,498,435	18,281,895
2023	11,322,149	6,959,262	18,281,411
2024	11,889,869	6,393,155	18,283,024
2025	12,538,233	5,798,661	18,336,894
2026	13,605,933	5,172,230	18,778,163
2027	14,218,813	4,559,963	18,778,776
2028	14,857,498	3,920,116	18,777,614
2029	15,528,440	3,251,529	18,779,969
2030	3,522,508	2,552,749	6,075,257
2031	3,693,679	2,385,430	6,079,109
2032	3,867,102	2,209,980	6,077,082
2033	4,051,785	2,026,293	6,078,078
2034	4,243,226	1,833,833	6,077,059
2035	4,445,928	1,632,279	6,078,207
2036	4,644,125	1,432,213	6,076,338
2037	4,853,584	1,223,227	6,076,811
2038	5,072,052	1,004,816	6,076,868
2039	5,299,528	776,573	6,076,101
2040	5,565,293	511,597	6,076,890
2041	4,666,648	233,332	4,899,980
Total	\$ 248,240,949	173,176,304	421,417,253

(9) COMMITMENTS AND CONTINGENCIES

(a) Cost Sharing Agreement with the City of Alexandria, Virginia, Sanitation Authority

The System is obligated under an agreement with the ASA to share in the construction and operating costs and debt service requirements for ASA’s sewage treatment facility. Currently, the System has a capacity entitlement of 32.4 MGD, which is 60% of the facility’s total capacity of 54 MGD. Although the System is allowed one nonvoting representative at the meetings of the ASA, the System has no significant influence in the management of the treatment facilities. In addition, the System has no direct ongoing equity interest in the assets or liabilities of the ASA. Accordingly, the System does not account for this commitment as a joint venture.

The ASA facility completed major improvements to meet new water quality standards in 2005. A new construction program to build enhanced nutrient removal facilities has been initiated. The System paid the ASA \$11,865,568 and \$15,438,711 in fiscal years 2010 and 2009, respectively, to fund its share of the construction and land acquisition costs; the system estimates its share of the remaining costs to be \$34,300,000, of which \$5,130,000 is expected to be incurred in fiscal year 2011 and the balance over fiscal years 2012 to 2015. In addition, the System made payments of \$13,840,642 and \$14,170,985 to the ASA during fiscal years 2010 and 2009, respectively, for its share of the ASA’s operating costs.

(b) Cost-Sharing Agreement with the District of Columbia (District)

The System is obligated under the 1985 Blue Plains Intermunicipal Agreement between the County; the District; Montgomery County, Maryland; Prince George's County, Maryland; and the Washington Suburban Sanitary Commission to share the construction and operating costs of the Blue Plains Wastewater Treatment Plant, which is operated by the District of Columbia Water and Sewer Authority (WASA). Currently, the System has a capacity entitlement of 31 MGD, which is approximately 8.4% of the Plant's total capacity of 370 MGD. WASA has a Board of Directors comprised of six members from the District, two each from Montgomery and Prince George's Counties, and one from the County. The System has no significant control over plant operations and construction and no ownership interest in the assets of WASA. Accordingly, the System does not account for this commitment as a joint venture.

The Blue Plains Plant is currently undergoing a major renovation of its chemical additions and sludge disposal systems. The System paid WASA \$12,851,793 and \$8,783,339 during fiscal years 2010 and 2009, respectively, to fund its share of construction costs; the System estimates its share of the remaining construction costs to be \$115,000,000, of which \$23,400,000 is expected to be incurred in fiscal year 2011 and the balance over fiscal years 2012 to 2015. In addition, the System made payments of \$12,279,110 and \$12,516,382 to WASA during fiscal years 2010 and 2009, respectively, for its share of the Plant's operating costs.

(c) Joint Venture – Upper Occoquan Sewage Authority (UOSA)

UOSA is a joint venture created under the provisions of the Virginia Water and Waste Authorities Act on March 3, 1971, by a concurrent resolution of the governing bodies of the County, Prince William County, and the Cities of Manassas and Manassas Park to finance, construct, and operate a regional sewage treatment facility. The governing body of UOSA is an eight member board of directors consisting of two members from each participating jurisdiction appointed to four year terms. The UOSA Board of Directors adopts an annual operating budget based on projected sewage flows.

In 1996, UOSA issued revenue bonds to finance the expansion of its treatment facility from a capacity of 32 MGD to 54 MGD, which was substantially completed in fiscal year 2003. The System's allocation of the expanded facility's total capacity increased to 27.6 MGD. In 2008, the System sold a combined total of 3.0 MGD of its allocation to Prince William County Authority and the City of Manassas reducing its share of the facility's total capacity to 24.6 MGD or 45%.

The County has no explicit and measurable interest in UOSA but does have an ongoing financial responsibility for its share of UOSA's operating costs, construction costs, and annual debt service. The System made payments to UOSA in fiscal years 2010 and 2009 of \$12,944,970 and \$13,171,944, respectively, to pay its share of UOSA's operating costs.

Summarized UOSA financial information as of and for the years ended June 30, 2009, and 2008, (the most recent available audited financial information) is shown on the right. The complete financial statements for UOSA can be obtained by writing to UOSA at 14631 Compton Road, Centreville, Virginia 20121.

	2009	2008
Total assets	\$ 560,892,614	571,653,519
Total liabilities	<u>(456,551,831)</u>	<u>(464,752,975)</u>
Total net assets	<u>\$ 104,340,783</u>	<u>106,900,544</u>
Operating revenues	\$ 25,736,882	24,774,140
Operating expenses	(48,139,820)	(47,749,375)
Nonoperating revenues, net	11,027,772	3,941,553
Capital contributions	<u>8,815,405</u>	<u>8,461,046</u>
Increase in net assets	<u>\$ (2,559,761)</u>	<u>(10,572,636)</u>

(d) Cost Sharing Agreement with Arlington County, Virginia (Arlington)

The System is obligated under the 1989 Sewage Conveyance Treatment and Disposal Agreement with Arlington to share the construction and operating costs of the sewage treatment facility owned and operated by Arlington. Currently, the System has a capacity entitlement of 3 MGD, which is 10% of the facility’s total capacity of 30 MGD. The System has no direct ongoing equity interest in the facility’s assets and liabilities. Furthermore, the System has no significant influence in the management of Arlington’s treatment facility. Accordingly, the System does not account for this commitment as a joint venture.

The Arlington facility is currently undergoing a major upgrade to meet new water quality standards. The System paid Arlington \$7,056,697 and \$9,570,140 in fiscal years 2010 and 2009, respectively, to fund its share of the construction costs; the System estimates its share of the remaining construction costs to be \$27,700,000, of which \$4,700,000 is expected to be incurred in fiscal year 2011 and the balance over fiscal years 2012 to 2015. In addition, the System made payments of \$1,607,662 and \$1,595,998 to Arlington during fiscal years 2010 and 2009, respectively, for its share of Arlington’s operating costs.

(e) Other Commitments

At June 30, 2010 and 2009, the System had contractual commitments of approximately \$67,400,000 and \$53,700,000 respectively, for construction of various sewer projects, excluding the UOSA, DC WASA, ASA, and Arlington County contractual commitments noted above.

(f) Other Contingencies

The System is contingently liable with respect to lawsuits and other claims which arise in the ordinary course of its operations. It is the opinion of the management of the System and the County, as well as the County Attorney, that any losses which may ultimately be incurred as a result of those suits and claims will not be material to the System’s financial statements.

(10) RISK MANAGEMENT

The System 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 citizens, and natural disasters. For all of these risks, the System participates in the County’s insurance program, which includes self-insurance and the purchase of certain commercial insurance policies. The System is charged by the County for costs associated with workers’ compensation, vehicle and general liability risks, and the costs associated with other risks are borne by the County. There were no claims settlements in excess of insurance coverage in any of the past three fiscal years. Information regarding the County’s insurance program is available in the County’s CAFR for the fiscal year ended June 30, 2010.

(11) OTHER POST-EMPLOYMENT BENEFITS

The System participates in the County's program to subsidize the health benefit coverage of certain retirees and surviving spouses, which the County pays on behalf of the System. In order to participate, retirees must have reached the age of 55 or be on disability retirement and must have health benefit coverage in a plan provided by the County. Retirees must have five years of service in order to participate in this program. The amount of monthly subsidy provided by the County is based on years of service and ranges from \$15 per month to \$175 per month. Retirees receiving the subsidy prior to fiscal year 2004 are grandfathered at \$100 per month unless their years of service entitle them to receive a higher monthly subsidy. Beginning in fiscal year 2008; the subsidy is funded under the guidance of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which requires the County to recognize the cost of the retiree health subsidy and other post-employment benefits during the period of employees' active employment.

In addition, the System participates in a County program to subsidize the continuation of term life insurance, at reduced coverage amounts, for retirees who choose to participate in this cost-sharing program. The cost associated with the System's retirees is paid by the County on behalf of the System.

Additional information regarding these programs is available in the County's CAFR for the year ended June 30, 2010.

(12) IMPLEMENTATION OF NEW ACCOUNTING PRONOUNCEMENT

In Fiscal Year 2010, the County implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The County has opted not to retroactively report internally generated intangible assets. Intangible assets with an indefinite useful life held by the System consisted of permanent easements which were previously included in the value of land; as a result, there was no impact to the total net assets previously reported. The system presents comparative statements; therefore, the \$17,659,783 land value as of June 30, 2009 reported in the FY2009 CAFR has been reclassified as land \$17,370,540 and easement \$289,243.

FAIRFAX COUNTY WASTEWATER MANAGEMENT



Quality of Water = Quality of Life

FAIRFAX COUNTY WASTEWATER MANAGEMENT



Quality of Water = Quality of Life



STATISTICAL SECTION

**FAIRFAX COUNTY
WASTEWATER MANAGEMENT**



Quality of Water = Quality of Life

**INTEGRATED SEWER SYSTEM COUNTY OF FAIRFAX, VIRGINIA
STATISTICAL SECTION**

1.0 FINANCIAL TRENDS

Financial trends information is intended to assist users in understanding and assessing how the System's financial position has changed over time. There are four tables presented in this section.

TABLE 1.1 - NET ASSETS BY COMPONENT (a) - LAST TEN FISCAL YEARS

	Fiscal Year				
	2010	2009	2008	2007	2006
Invested in capital assets, net of related debt	\$ 748,697,093	757,858,955	757,799,128	789,479,735	786,263,108
Restricted	44,371,666	35,945,622	28,251,270	46,489,817	57,514,949
Unrestricted	76,855,173	84,277,881	109,530,192	61,756,541	61,442,481
Total net assets	\$ 869,923,932	878,082,458	895,580,590	897,726,093	905,220,538

	Fiscal Year				
	2005	2004	2003	2002	2001
Invested in capital assets, net of related debt	\$ 787,889,313	755,683,261	651,624,011	621,870,392	609,779,729
Restricted	56,463,753	85,025,111	144,412,547	160,184,103	169,078,501
Unrestricted	63,234,893	63,547,596	105,456,857	126,632,172	108,354,864
Total net assets	\$ 907,587,959	904,255,968	901,493,415	908,686,667	887,213,094

Source: Fairfax County Wastewater Management Program

Notes:

- (a) Certain amounts for fiscal years 2001 - 2005 and 2009 have been reclassified and/or adjusted for comparability and/or to retroactively reflect accounting changes made during this period.

TABLE 1.2 - CHANGES IN NET ASSETS (a) - LAST TEN FISCAL YEARS

	Fiscal Year				
	2010	2009	2008	2007	2006
Operating revenues:					
Sales of service	\$ 126,681,734	108,723,096	100,297,089	95,943,712	87,213,834
Operating expenses:					
Personnel services	23,131,023	22,907,919	21,569,257	20,542,951	19,823,094
Materials and supplies	11,636,425	13,774,422	11,975,303	11,464,005	11,976,080
Contractual services	47,468,305	47,861,675	45,869,419	41,209,777	40,227,839
Depreciation and amortization	46,680,568	45,575,080	45,701,515	45,846,313	45,412,396
Professional fees and other	876,238	762,872	456,078	446,152	677,658
Total operating expenses	129,792,559	130,881,968	125,571,572	119,509,198	118,117,067
Operating income (loss)	(3,110,825)	(22,158,872)	(25,274,483)	(23,565,486)	(30,903,233)
Nonoperating revenues (expenses):					
Availability fees	10,668,539	11,461,530	13,909,729	19,513,484	36,144,561
Investment earnings	1,303,897	2,301,005	5,127,079	5,825,962	4,449,036
Interest expense	(25,929,969)	(18,309,964)	(17,224,651)	(17,650,673)	(18,138,416)
Amortization of bond issuance costs	(45,476)	(18,729)	(16,294)	(16,294)	(16,294)
Amortization of deferred amounts on refundings	229,931	229,931	229,931	229,931	235,922
Gain (loss) on disposal of capital assets	47,503	46,048	60,674	31,481	(27,923)
Total nonoperating revenues (expenses)	(13,725,575)	(4,290,179)	2,086,468	7,933,891	22,646,886
Loss before contributions and special item	(16,836,400)	(26,449,051)	(23,188,015)	(15,631,595)	(8,256,347)
Capital contributions:					
Grants from the Commonwealth	4,100,498	-	253,030	351,247	-
Federal Stimulus Grants	1,974,575	-	-	-	-
From Fairfax County	78,301	-	-	-	-
From developers	2,524,500	8,950,919	9,834,910	7,785,903	5,888,926
Special items:					
Gain on sale of purchased capacity	-	-	10,954,572	-	-
Loss on redemption of bonds	-	-	-	-	-
Change in net assets	\$ (8,158,526)	(17,498,132)	(2,145,503)	(7,494,445)	(2,367,421)

Source: Fairfax County Wastewater Management Program

Notes:

(a) Certain amounts for fiscal years 2001 - 2005 have been reclassified and/or adjusted for comparability and/or to retroactively reflect accounting changes made during this period.

	Fiscal Year				
	2005	2004	2003	2002	2001
Operating revenues:					
Sales of service	\$ 86,710,115	\$ 83,670,548	81,506,869	79,690,837	76,920,019
Operating expenses:					
Personnel services	19,752,758	19,595,106	18,666,356	17,688,856	17,599,191
Materials and supplies	10,772,931	10,912,367	11,649,401	9,774,641	9,895,363
Contractual services	35,915,779	38,834,410	39,607,942	40,760,858	33,980,842
Depreciation and amortization	40,242,429	32,720,208	32,043,471	23,473,238	24,309,988
Professional fees and other	784,403	782,413	654,934	440,444	311,724
Total operating expenses	<u>107,468,300</u>	<u>102,844,504</u>	<u>102,622,104</u>	<u>92,138,037</u>	<u>86,097,108</u>
Operating income (loss)	<u>(20,758,185)</u>	<u>(19,173,956)</u>	<u>(21,115,235)</u>	<u>(12,447,200)</u>	<u>(9,177,089)</u>
Nonoperating revenues (expenses):					
Availability fees	31,303,560	33,751,549	26,642,689	30,654,936	29,238,219
Investment earnings	3,505,410	2,594,001	4,319,270	7,033,632	16,692,076
Interest expense	(18,020,181)	(21,563,175)	(24,251,996)	(13,549,231)	(12,141,529)
Amortization of bond issuance costs	(44,038)	(50,396)	(79,097)	(79,097)	(79,097)
Amortization of deferred amounts on refundings	140,442	84,139	-	-	-
Gain (loss) on disposal of capital assets	(43,147)	46,719	46,265	(1,922)	54,668
Total nonoperating revenues (expenses)	<u>16,842,046</u>	<u>14,862,837</u>	<u>6,677,131</u>	<u>24,058,318</u>	<u>33,764,337</u>
Loss before contributions and special item	<u>(3,916,139)</u>	<u>(4,311,119)</u>	<u>(14,438,104)</u>	<u>11,611,118</u>	<u>24,587,248</u>
Capital contributions:					
Grants from the Commonwealth	1,306,639	614,346	481,255	1,250,023	1,755,137
Federal Stimulus Grants	-	-	-	-	-
From Fairfax County	-	-	-	-	-
From developers	5,941,491	8,272,786	6,763,597	8,612,432	9,315,013
Special items:					
Gain on sale of purchased capacity	-	-	-	-	-
Loss on redemption of bonds	-	(1,813,460)	-	-	-
Change in net assets	<u>\$ 3,331,991</u>	<u>2,762,553</u>	<u>(7,193,252)</u>	<u>21,473,573</u>	<u>35,657,398</u>

TABLE 1.3 - OPERATING REVENUES DETAIL - LAST TEN FISCAL YEARS

	Fiscal Year				
	2010	2009	2008	2007	2006
Sewer service:					
County connections	\$ 117,550,994	100,493,512	92,095,867	87,893,949	79,966,998
City of Fairfax	2,327,558	1,886,339	1,902,188	2,095,041	1,902,214
Town of Herndon	2,508,622	2,221,125	2,147,874	2,302,247	2,007,822
Arlington County	662,576	657,186	564,330	440,374	550,118
Fort Belvoir	1,617,141	1,285,825	1,245,801	1,242,398	916,342
City of Falls Church	887,498	1,242,233	1,166,939	1,070,659	1,085,477
Town of Vienna	589,075	453,261	405,636	477,315	458,961
Other (a)	296,331	293,946	290,664	242,803	109,232
Other services	241,940	189,669	477,790	178,926	216,670
Total operating revenues	\$ 126,681,734	108,723,096	100,297,089	95,943,712	87,213,834

	Fiscal Year				
	2005	2004	2003	2002	2001
Sewer service:					
County connections	\$ 79,082,085	75,992,659	73,788,899	70,514,976	70,203,028
City of Fairfax	1,918,704	2,120,990	1,772,535	4,144,369	1,856,823
Town of Herndon	2,090,091	1,866,892	2,301,472	1,791,726	1,316,841
Arlington County	553,268	580,519	565,897	501,974	421,005
Fort Belvoir	1,036,112	1,052,325	1,237,019	928,610	996,072
City of Falls Church	1,159,953	1,038,764	1,013,452	941,231	1,191,372
Town of Vienna	525,038	596,438	408,003	458,205	470,378
Other (a)	117,648	100,727	117,048	157,899	107,095
Other services	227,216	321,234	302,544	251,847	357,405
Total operating revenues	\$ 86,710,115	83,670,548	81,506,869	79,690,837	76,920,019

Source: Fairfax County Wastewater Management Program

Notes:

- (a) Other sewer service revenues include revenues from Fairfax Water and the County's solid waste resource recovery facility.

TABLE 1.4 - OPERATING EXPENSES DETAIL - LAST TEN FISCAL YEARS

	Fiscal Year				
	2010	2009	2008	2007	2006
Wastewater treatment expenses (a):					
Noman M. Cole, Jr.	\$ 19,246,868	21,300,335	18,933,101	18,155,049	19,221,705
Alexandria Sanitation Authority	13,840,642	14,170,985	14,125,041	13,336,025	13,595,553
DCWASA Blue Plains	12,279,110	12,516,382	11,868,018	9,279,874	9,051,453
Upper Occoquan Sewage Authority	12,944,970	13,171,944	12,634,484	12,233,492	11,015,818
Arlington County	1,607,662	1,595,998	1,502,058	1,634,568	1,391,823
Other (b)	560,153	672,775	393,200	164,410	169,006
Total wastewater treatment expenses	60,479,405	63,428,419	59,455,902	54,803,418	54,445,358
Other operating expenses:					
Pumping, collection, and inspection	12,909,408	13,034,159	12,316,625	11,423,464	11,325,450
System repairs and renovations	537,236	611,624	926,450	566,103	621,792
Planning, engineering, and monitoring support	3,520,455	3,110,606	2,819,735	2,875,051	2,218,746
Billing and bill collection	5,665,487	5,122,080	4,351,345	3,994,849	4,093,325
Depreciation and amortization	46,680,568	45,575,080	45,701,515	45,846,313	45,412,396
Total operating expenses	\$ 129,792,559	130,881,968	125,571,572	119,509,198	118,117,067

	Fiscal Year				
	2005	2004	2003	2002	2001
Wastewater treatment expenses (a):					
Noman M. Cole, Jr.	\$ 17,361,416	17,314,256	17,947,392	16,170,698	16,482,065
Alexandria Sanitation Authority	12,359,112	13,062,472	10,219,480	10,476,230	9,182,116
DCWASA Blue Plains	8,753,826	7,812,268	9,859,558	9,473,593	7,736,984
Upper Occoquan Sewage Authority	9,414,103	8,364,644	7,593,754	8,047,974	6,878,626
Arlington County	959,477	982,496	935,706	1,013,449	989,172
Other (b)	168,949	165,738	178,748	161,840	160,930
Total wastewater treatment expenses	49,016,883	47,701,874	46,734,638	45,343,784	41,429,893
Other operating expenses:					
Pumping, collection, and inspection	11,025,968	11,025,968	10,102,884	9,564,817	9,214,988
System repairs and renovations	1,133,907	3,196,949	4,892,535	8,825,907	5,609,734
Planning, engineering, and monitoring support	3,072,209	3,143,613	4,429,817	2,254,205	3,176,249
Billing and bill collection	2,976,904	5,055,892	4,418,759	2,676,086	2,356,256
Depreciation and amortization	40,242,429	32,720,208	32,043,471	23,473,238	24,309,988
Total operating expenses	\$ 107,468,300	102,844,504	102,622,104	92,138,037	86,097,108

Source: Fairfax County Wastewater Management Program

Notes:

(a) Wastewater treatment expenses are direct operating expenses, excluding depreciation and amortization.

(b) Other plants include Harbor View and Prince William County Service Authority.

2.0 REVENUE CAPACITY

Revenue capacity information is intended to assist users in understanding and assessing the factors affecting the System’s ability to generate its own-source revenues. There are six tables presented in this section.

TABLE 2.1 - SEWER RATE STRUCTURE (a) - LAST TEN FISCAL YEARS

Fiscal Year	Availability Fee (b) (Per Unit)			Retail Sewer Service Charge (c) (Per 1,000 gallons)	Retail Sewer Service Base Charge (d) (Per Bill)
	Single Family Residence	Townhouse/ Apartment	Commercial Fixture		
2010	\$ 7,310	5,848	378	4.50	5.00
2009	6,896	5,517	357	4.10	
2008	6,506	5,205	337	3.74	
2007	6,138	4,910	318	3.50	
2006	5,874	4,699	304	3.28	
2005	5,621	4,497	291	3.20	
2004	5,431	4,345	281	3.03	
2003	5,247	4,198	271	2.95	
2002	5,069	4,056	262	2.88	
2001	4,898	3,919	253	2.81	

Connection Charge (e) - The rate has been \$6 per foot since December 1970.

Lateral Spur Fee (f) - The rate has been \$600 per spur connection since March 1981.

Source: Fairfax County Wastewater Management Program

Notes:

- (a) Sewer rates are established by the Board of Supervisors pursuant to Chapter 67.1 of the County Code. Rates and code language are reviewed annually by the County staff as part of the County's annual long-range planning and short-term budgeting process and revised as necessary. These rates are in effect for County customers only. Customers outside the County are billed subject to sale of service agreements.
- (b) Availability Fee - This is a one-time charge collected from all new customers prior to connection to the System to cover in part the new customer's proportionate cost of System facilities beyond the collector system. Residential units pay on a per unit basis. Commercial units pay an equivalent residential (single family residence) unit fee for the first 19 plumbing fixture units, then on a per fixture unit basis for any fixture units in excess of the residential equivalent amount.
- (c) Retail Sewer Service Charge - Single family residences and townhouses are billed sewer service charges quarterly based on water consumption from the previous winter quarter. Apartment and nonresidential complexes are billed based on consumption used during the billing period. These charges are collected by three water billing agents: Fairfax Water; the City of Falls Church; and the Town of Vienna.
- (d) Beginning in FY 2010, a base charge of \$5.00 per bill is assessed, in addition to the sewer service charge, to partially recover fixed expenses for billing, wastewater collection, engineering, planning, and administrative expenses.
- (e) Connection Charge - Frequently called the front footage charge, this is a one-time charge collected from new customers prior to connection to the System as a partial repayment of County installed collector sewers.
- (f) Lateral Spur Fee - This is a one-time charge that applies only to those new customers who are connecting to County installed sanitary sewers where the lateral spurs have been installed at County expense.

TABLE 2.2 - CUSTOMER BASE BY TREATMENT PLANT - LAST TEN FISCAL YEARS

Treatment Plant	Fiscal Year				
	2010	2009	2008	2007	2006
Noman M. Cole, Jr.	146,810	144,407	143,900	143,040	140,569
DCWASA Blue Plains	86,575	85,937	85,197	83,874	81,446
Alexandria Sanitation Authority	67,069	66,278	65,448	65,088	63,938
Upper Occoquan Sewage Authority	48,889	48,796	48,647	48,058	46,732
Arlington County	10,623	10,445	9,947	9,917	9,893
Other (a)	345	342	339	334	326
Customer base	360,311	356,205	353,478	350,311	342,904

Treatment Plant	Fiscal Year				
	2005	2004	2003	2002	2001
Noman M. Cole, Jr.	139,771	137,402	135,975	133,678	129,913
DCWASA Blue Plains	81,305	80,229	79,926	79,354	75,080
Alexandria Sanitation Authority	63,825	63,660	63,462	62,812	61,633
Upper Occoquan Sewage Authority	46,287	45,345	44,315	43,182	40,110
Arlington County	9,891	9,887	9,887	9,861	9,859
Other (a)	311	285	283	281	268
Customer base	341,390	336,808	333,848	329,168	316,863

Source: Fairfax County Wastewater Management Program

Notes:

- (a) Other service areas include Harbor View and Prince William County Service Authority. In addition, there are holding tank facilities in the Town of Clifton and Gunston Wiley.

TABLE 2.3 - CUSTOMER BASE BY SERVICE CLASS - LAST TEN FISCAL YEARS

Service Class	Fiscal Year				
	2010	2009	2008	2007	2006
Residential units:					
Single family	161,777	161,271	160,681	159,907	158,515
Multi-family	95,476	94,872	94,123	93,140	90,197
Townhouse	76,811	76,698	76,532	76,329	75,880
Total residential units	334,064	332,841	331,336	329,376	324,592
Nonresidential units (a)	26,247	23,364	22,142	20,935	18,312
Total customer base	360,311	356,205	353,478	350,311	342,904

Service Class	Fiscal Year				
	2005	2004	2003	2002	2001
Residential units:					
Single family	157,853	156,224	154,842	153,249	150,584
Multi-family	90,018	88,779	88,607	87,088	83,252
Townhouse	75,333	74,083	72,821	71,779	69,648
Total residential units	323,204	319,086	316,270	312,116	303,484
Nonresidential units (a)	18,186	17,722	17,578	17,052	13,379
Total customer base	341,390	336,808	333,848	329,168	316,863

Source: Fairfax County Wastewater Management Program

Notes:

(a) Nonresidential units include long-term care, dorms, and extended-stay rooms.

TABLE 2.4 - NUMBER OF SEWER CONNECTIONS SOLD (a) - LAST TEN FISCAL YEARS

Service Class	Fiscal Year				
	2010	2009	2008	2007	2006
Residential units:					
Single family	290	305	321	401	804
Multi-family	704	501	1,026	1,705	1,708
Townhouse	96	131	146	207	257
Total residential units	1,090	937	1,493	2,313	2,769
Nonresidential units (b)	8	20	847	810	54
Total sewer connections sold	1,098	957	2,340	3,123	2,823
Additional commercial fixture units sold	10,132	11,518	13,076	20,307	18,710

Service Class	Fiscal Year				
	2005	2004	2003	2002	2001
Residential units:					
Single family	1,313	1,575	1,565	1,499	1,592
Multi-family	2,843	3,112	1,306	2,934	1,839
Townhouse	1,286	1,322	1,462	1,216	1,333
Total residential units	5,442	6,009	4,333	5,649	4,764
Nonresidential units (b)	137	553	428	142	787
Total sewer connections sold	5,579	6,562	4,761	5,791	5,551
Additional commercial fixture units sold	17,174	17,851	22,049	22,558	30,514

Source: Fairfax County Wastewater Management Program

Notes:

- (a) The number of sewer connections sold include only County customers. Availability fees are generated by sewer connections sold. See Table 2.1 for the rate structure.
- (b) Nonresidential units include long-term care, dorms and extended-stay rooms.

TABLE 2.5 - NUMBER OF NEW SEWER CONNECTIONS - LAST TEN FISCAL YEARS

Service Class	Fiscal Year				
	2010	2009	2008	2007	2006
Residential units:					
Single family	506	590	774	1,398	656
Multi-family	604	749	983	2,935	187
Townhouse	113	166	203	451	545
Total residential units	1,223	1,505	1,960	4,784	1,388
Nonresidential units (a)					
Total new sewer connections	4,106	2,727	3,167	7,407	1,514

Service Class	Fiscal Year				
	2005	2004	2003	2002	2001
Residential units:					
Single family	1,629	1,382	1,599	2,659	1,672
Multi-family	1,239	172	1,191	4,164	2,829
Townhouse	1,250	1,262	1,044	2,129	1,512
Total residential units	4,118	2,816	3,834	8,952	6,013
Nonresidential units (a)					
Total new sewer connections	4,582	2,960	4,360	12,629	6,831

Source: Fairfax County Wastewater Management Program

Notes:

(a) Nonresidential units include long-term care, dorms and extended-stay rooms.

TABLE 2.6 - TEN LARGEST CUSTOMERS - CURRENT YEAR AND NINE YEARS AGO

Name	Fiscal Year 2010			Fiscal Year 2001		
	Annual Revenues	Rank	Percentage of Total Operating Revenues	Annual Revenues	Rank	Percentage of Total Operating Revenues
Fairfax Hospital	\$ 376,663	1	0.30 %	\$ 264,639	1	0.34 %
Greenspring Village	300,266	2	0.24	-	-	-
Shenandoah's Pride	227,635	3	0.18	107,394	3	0.14
Reston Hospital Center	167,468	4	0.13	-	-	-
Homart Development Corp.	153,745	5	0.12	212,824	2	0.28
Montenbello Condo Unit	148,412	6	0.12	-	-	-
Hyatt Regency Reston	120,952	7	0.10	75,415	7	0.10
Quest Diagnostic Nichols Inst.	113,152	8	0.09	-	-	-
McLean Hilton Hotel Assoc.	105,317	9	0.08	69,168	8	0.09
Ritz-Carlton Hotel Co.	105,011	10	0.08	85,865	4	0.11
Mobil Oil Corp.	-	-	-	82,617	5	0.11
Rolling Fullerton	-	-	-	80,792	6	0.11
Marriot Westfields	-	-	-	64,446	9	0.08
Fairview Park Marriot Hotel	-	-	-	56,068	10	0.07
Totals	\$ 1,818,620		1.44 %	\$ 1,099,228		1.43 %

Source: Fairfax County Wastewater Management Program

3.0 DEBT CAPACITY

Debt capacity information is intended to assist users in understanding and assessing the System’s debt burden and its ability to issue additional debt. There are three tables in this section.

TABLE 3.1 - RATIOS OF OUTSTANDING DEBT - LAST TEN FISCAL YEARS

	Fiscal Year				
	2010	2009	2008	2007	2006
Senior debt:					
2009 Sewer Revenue Bonds	\$ 152,255,000	\$ 152,255,000	-	-	-
2004 Sewer Revenue Refunding Bonds	85,050,000	87,790,000	90,435,000	92,995,000	93,495,000
1996 Sewer Revenue Bonds	-	-	-	-	1,925,000
Total senior debt	237,305,000	240,045,000	90,435,000	92,995,000	95,420,000
Subordinate debt:					
Upper Occoquan Sewage Authority Bonds	248,240,949	253,660,620	258,823,549	209,858,982	214,533,963
Virginia Resource Authority Bonds	61,236,896	65,364,033	69,334,502	73,154,261	76,829,041
Total subordinate debt	309,477,845	319,024,653	328,158,051	283,013,243	291,363,004
Total outstanding debt	\$ 546,782,845	559,069,653	418,593,051	376,008,243	386,783,004
Outstanding Debt Ratios:					
Per capita (a)	\$ 509	532	402	362	374
Percent of personal income (a)	0.71%	0.75%	0.59%	0.56%	0.61%
Per connection (b)	\$ 1,518	1,570	1,184	1,073	1,128
To operating revenues (c)	\$ 4.32	5.14	4.17	3.92	4.43

	Fiscal Year				
	2005	2004	2003	2002	2001
Senior debt:					
2004 Sewer Revenue Refunding Bonds	-	-	-	-	-
1996 Sewer Revenue Bonds	94,005,000	\$ 96,870,000	98,475,000	99,985,000	101,405,000
1993 Sewer Revenue Refunding Bonds	3,735,000	-	58,660,000	61,685,000	64,405,000
Total senior debt	97,740,000	96,870,000	157,135,000	161,670,000	165,810,000
Subordinate debt:					
Upper Occoquan Sewage Authority Bonds	220,498,281	224,950,247	230,099,817	233,531,240	236,773,054
Virginia Resource Authority Bonds	80,364,355	83,765,506	87,037,596	89,320,358	40,000,000
Total subordinate debt	300,862,636	308,715,753	317,137,413	322,851,598	276,773,054
Total outstanding debt	\$ 398,602,636	405,585,753	474,272,413	484,521,598	442,583,054
Outstanding Debt Ratios:					
Per capita (a)	\$ 390	401	472	492	456
Percent of personal income (a)	0.68%	0.74%	0.90%	0.95%	0.91%
Per connection (b)	\$ 1,168	1,204	1,421	1,472	1,397
To operating revenues (c)	\$ 4.60	4.85	5.82	6.08	5.75

Source: Fairfax County Wastewater Management Program

Notes:

- (a) See Table 4.1 for population and personal income data. Ratios are based on the population and personal income data as of the prior calendar year.
- (b) See Tables 2.2 and 2.3 for customer base data.
- (c) See Table 1.3 for operating revenue data.

TABLE 3.2 - PLEDGED REVENUE COVERAGE - LAST TEN FISCAL YEARS

Fiscal Year	Gross Revenues (a)	Operating Expenses (b)	Net Revenue Available for Debt Service	Debt Service Requirements (e)			Debt Coverage (f)		
				Senior Debt (c)	Subordinate Debt (d)	Total	Senior	Total	
								w/AF	w/o AF
2010	\$ 138,701,673	83,111,991	55,589,682	10,881,182	24,297,131	35,178,313	5.11	1.58	1.28
2009	122,531,678	85,306,888	37,224,790	6,644,456	23,022,158	29,666,614	5.60	1.25	0.87
2008	119,394,571	79,870,054	39,524,517	6,637,531	21,745,381	28,382,912	5.95	1.39	0.90
2007	121,314,639	73,662,889	47,651,750	6,602,572	21,744,580	28,347,152	7.22	1.68	0.99
2006	127,779,508	72,704,671	55,074,837	6,617,769	21,320,672	27,938,441	8.32	1.97	0.68
2005	121,475,938	67,225,870	54,250,068	5,654,798	21,635,055	27,289,853	9.59	1.99	0.84
2004	120,062,817	70,124,296	49,938,521	12,165,404	21,731,156	33,896,560	4.10	1.47	0.48
2003	112,515,093	70,578,633	41,936,460	13,518,282	20,188,387	33,706,669	3.10	1.24	0.45
2002	117,377,483	68,664,799	48,712,684	13,342,964	16,663,150	30,006,114	3.65	1.62	0.60
2001	122,904,982	61,787,120	61,117,862	13,454,119	15,162,523	28,616,642	4.54	2.14	1.11

Source: Fairfax County Wastewater Management Program

Notes:

- (a) Gross revenues include all revenues, except amortization of deferred gains on bond refundings.
- (b) Operating expenses do not include depreciation and amortization.
- (c) Senior debt includes sewer revenue bonds issued by the System and the System's share of debt of the Alexandria Sanitation Authority.
- (d) Subordinate debt is paid after senior debt and operating expenses and includes debt service on the System's share of debt of UOSA Revenue Bonds and VRA Revenue Bonds.
- (e) The same resources are used for all debt service requirements. See Table 3.3 for details of principal and interest amounts.
- (f) The minimum senior debt service coverage should be no less than 1.25 times. The Sewer Fund will change the minimum senior debt coverage to 2.0 times in FY 2011. The Sewer Fund intends to meet a total debt coverage of 1.25 times, without availability fee (AF) revenue, by FY 2013.

TABLE 3.3 - DEBT SERVICE REQUIREMENTS - LAST TEN FISCAL YEARS

	Fiscal Year				
	2010	2009	2008	2007	2006
Senior debt:					
2009 Sewer Revenue Bonds	\$ 4,222,501	-	-	-	-
2004 Sewer Revenue Refunding Bonds	6,658,681	6,644,456	6,637,531	4,623,431	4,648,581
1996 Sewer Revenue Bonds	-	-	-	1,979,141	1,969,188
Total senior debt	<u>10,881,182</u>	<u>6,644,456</u>	<u>6,637,531</u>	<u>6,602,572</u>	<u>6,617,769</u>
Subordinate debt:					
Upper Occoquan Sewage Authority Bonds	17,660,059	16,385,086	15,108,309	15,107,508	14,683,600
Virginia Resource Authority Bonds	6,637,073	6,637,072	6,637,072	6,637,072	6,637,072
Total subordinate debt	<u>24,297,132</u>	<u>23,022,158</u>	<u>21,745,381</u>	<u>21,744,580</u>	<u>21,320,672</u>
Total debt service requirements	<u>\$ 35,178,314</u>	<u>29,666,614</u>	<u>28,382,912</u>	<u>28,347,152</u>	<u>27,938,441</u>

	Fiscal Year				
	2005	2004	2003	2002	2001
Senior debt:					
2004 Sewer Revenue Refunding Bonds	\$ 1,048,075	-	-	-	-
1996 Sewer Revenue Bonds	4,606,723	7,243,493	7,236,103	7,228,509	7,218,978
1993 Sewer Revenue Refunding Bonds	-	4,921,911	6,282,179	6,114,455	6,235,141
Total senior debt	<u>5,654,798</u>	<u>12,165,404</u>	<u>13,518,282</u>	<u>13,342,964</u>	<u>13,454,119</u>
Subordinate debt:					
Upper Occoquan Sewage Authority Bonds	14,997,983	15,094,083	15,226,053	15,163,508	15,162,523
Virginia Resource Authority Bonds	6,637,072	6,637,073	4,962,334	1,499,642	-
Total subordinate debt	<u>21,635,055</u>	<u>21,731,156</u>	<u>20,188,387</u>	<u>16,663,150</u>	<u>15,162,523</u>
Total debt service requirements	<u>\$ 27,289,853</u>	<u>33,896,560</u>	<u>33,706,669</u>	<u>30,006,114</u>	<u>28,616,642</u>

Source: Fairfax County Wastewater Management Program

4.0 DEMOGRAPHIC AND ECONOMIC INFORMATION

Demographic and economic information is intended to assist users in understanding the socioeconomic environment within which a government entity operates and to provide information that facilitates comparisons of financial statement information over time and among governments. There are two tables presented in this section.

TABLE 4.1 - DEMOGRAPHIC AND ECONOMIC STATISTICS - LAST TEN CALENDAR YEARS

Calendar Year	County Population		Personal Income (c) (000s)	Per Capita Personal Income (c)	Unemployment Rate (d)
	Total (a)	On County Sewer (b)			
2009	1,074,227	878,170	\$ 77,325,008	\$ 71,982	5.2 %
2008	1,050,315	874,200	74,385,409	70,822	3.4
2007	1,041,507	873,500	70,500,650	67,691	2.2
2006	1,037,311	865,232	67,111,947	64,698	2.2
2005	1,033,646	852,030	63,917,568	61,837	2.5
2004	1,022,298	841,200	58,830,183	57,547	2.7
2003	1,012,090	831,200	54,771,275	54,117	3.1
2002	1,004,435	821,100	52,744,891	52,512	3.4
2001	984,366	797,600	51,126,001	51,938	2.5
2000	969,749	781,800	48,522,361	50,036	1.6

Notes:

- (a) Total population data includes the Cities of Fairfax and Falls Church and is obtained from U.S. Census Bureau's American Fact Finder.
- (b) Population data for those on County Sewer is obtained from the Fairfax County Wastewater Management Program.
- (c) Personal income data is obtained from the Bureau of Economic Analysis, U.S. Department of Commerce and includes the Cities of Fairfax and Falls Church. Data for Fairfax County only is not available, however, it is believed that the inclusion of these Cities does not significantly affect the County's data. Fairfax County data for 2009 is estimated using Virginia's percent change in per capita personal income from 2007 to 2008. It is believed that this increase approximates the increase for the County.
- (d) Unemployment rates are obtained from the Virginia Employment Commission, Annual Unemployment Statistics for the calendar year, not seasonally adjusted.

TABLE 4.2 - PRINCIPAL EMPLOYERS - CURRENT YEAR AND NINE YEARS AGO

Employer	Fiscal Year 2010 (1)			Fiscal Year 2001		
	Number of Employees (2)	Rank	Pct. of Total County Employment	Number of Employees (2)	Rank	Pct. of Total County Employment
Fairfax County Public Schools	22,852	1	3.99 %	20,174	1	3.74 %
Federal Government	17,370	2	3.03	11,993	2	2.22
Fairfax County Government	11,184	3	1.95	10,383	3	1.92
Booz Allen Hamilton	7,000-10,000	4	1.48	4,000-5,000	6	0.83
Inova Health System	7,000-10,000	5	1.48	9,000-10,000	4	1.76
Science Applications International Corporation	4,000-6,999	6	0.96	5,000-6,000	5	1.02
Federal Home Loan Mortgage	4,000-6,999	7	0.96	3,000-4,000	10	0.65
Northrop Grumman	4,000-6,999	8	0.96	-	-	-
George Mason University	4,000-6,999	9	0.96	-	-	-
Lockheed Martin	4,000-6,999	10	0.96	-	-	-
American Management Systems, Inc.	-	-	-	4,000-5,000	7	0.83
Verizon	-	-	-	3,000-4,000	8	0.65
Exxon Mobil Corporation	-	-	-	3,000-4,000	9	0.65
Totals			<u>16.73 %</u>			<u>14.27 %</u>

Source: Fairfax County Economic Development Authority (using Virginia Employment Commission data); Fairfax County Public Schools; Fairfax County Department of Management and Budget

Notes:

- (1) Employment information for fiscal year 2010, excluding data for Fairfax County Government and Fairfax County Public Schools, is from the 1st quarter of calendar year 2010, which represents the most recent data available. Employment information for fiscal year 2001 is from third quarter 2000 through second quarter 2001, corresponding to the actual County fiscal year.
- (2) Employment estimates for separate facilities of the same firm have been combined to create company totals. Employment ranges for the private sector are given to ensure confidentiality.
- (3) Percentages are based on the midpoint of the employment range.

Average total County employment for fiscal year 2010 is estimated at 572,708.

Average total County employment for fiscal year 2001 is estimated at 539,893 according to VEC.

5.0 OPERATING INFORMATION

Operating information is intended to provide contextual information about a government entity’s operations and resources to assist readers in using financial statement information to understand and assess a government entity’s economic condition. There are nine tables presented in this section.

TABLE 5.1 - WASTEWATER MANAGEMENT EMPLOYEES BY DIVISION (a) - LAST TEN FISCAL YEARS

Division	Fiscal Year				
	2010	2009	2008	2007	2006
Planning & Administration	25	25	26	23	23
Laboratory	21	21	19	19	20
Collection	140	140	141	142	144
Treatment	135	135	135	144	144
Total	321	321	321	328	331

Division	Fiscal Year				
	2005	2004	2003	2002	2001
Planning & Administration	24	27	28	29	29
Laboratory	20	20	20	22	20
Collection	144	149	150	152	144
Treatment	145	149	151	149	165
Total	333	345	349	352	358

Source: Fairfax County Wastewater Management Program

Notes:

(a) Number of employees represent full time equivalents as of June 30.

TABLE 5.2 - TREATMENT PLANT CAPACITIES (MGD) - LAST TEN FISCAL YEARS

Treatment Plant	Fiscal Year				
	2010	2009	2008	2007	2006
Noman M. Cole, Jr.	67.00	67.00	67.00	67.00	67.00
DCWASA Blue Plains	31.00	31.00	31.00	31.00	31.00
Alexandria Sanitation Authority	32.40	32.40	32.40	32.40	32.40
Upper Occoquan Sewage Authority	24.60	24.60	24.60	27.60	27.60
Arlington County	3.00	3.00	3.00	3.00	3.00
Other (a)	0.18	0.18	0.18	0.18	0.18
Treatment plant capacity	158.18	158.18	158.18	161.18	161.18

Treatment Plant	Fiscal Year				
	2005	2004	2003	2002	2001
Noman M. Cole, Jr.	67.00	54.00	54.00	54.00	54.00
DCWASA Blue Plains	31.00	31.00	31.00	31.00	31.00
Alexandria Sanitation Authority	32.40	32.40	32.40	32.40	32.40
Upper Occoquan Sewage Authority	27.60	27.60	27.60	13.19	13.19
Arlington County	3.00	3.00	3.00	3.00	3.00
Other (a)	0.18	0.18	0.18	0.18	0.18
Treatment plant capacity	161.18	148.18	148.18	133.77	133.77

Source: Fairfax County Wastewater Management Program

Notes:

(a) Other plants include Harbor View and Prince William County Service Authority.

TABLE 5.3 - AVERAGE WASTEWATER FLOWS (MGD) BY TREATMENT PLANT - LAST TEN FISCAL YEARS

Treatment Plant	Fiscal Year				
	2010	2009	2008	2007	2006
Noman M. Cole, Jr.	42.04	41.12	40.53	42.80	41.55
DCWASA Blue Plains	29.65	28.05	26.67	29.37	27.26
Alexandria Sanitation Authority	20.81	16.90	17.04	20.03	19.07
Upper Occoquan Sewage Authority	13.14	12.44	12.61	12.94	12.49
Arlington County	2.02	1.98	1.95	2.04	2.02
Other (a)	0.07	0.07	0.04	0.03	0.03
Total system flow	107.73	100.56	98.84	107.21	102.42

Treatment Plant	Fiscal Year				
	2005	2004	2003	2002	2001
Noman M. Cole, Jr.	42.67	43.58	42.09	39.51	42.79
DCWASA Blue Plains	26.67	28.00	28.78	27.20	27.27
Alexandria Sanitation Authority	20.45	22.10	20.56	17.31	19.12
Upper Occoquan Sewage Authority	12.18	12.33	12.40	10.61	10.87
Arlington County	2.18	2.21	2.18	2.18	2.29
Other (a)	0.03	0.04	0.03	0.04	0.05
Total system flow	104.18	108.26	106.04	96.85	102.39

Source: Fairfax County Wastewater Management Program

Notes:

(a) Other plants include Harbor View and Prince William County Service Authority.

TABLE 5.4 - AVERAGE WASTEWATER FLOWS (MGD) BY SOURCE - LAST TEN FISCAL YEARS

Source	Fiscal Year				
	2010	2009	2008	2007	2006
County connections	96.79	90.51	88.63	96.56	91.52
City of Fairfax	3.46	3.27	3.49	3.50	3.65
Town of Herndon	2.59	2.40	2.40	2.48	2.61
Arlington County	1.57	1.42	1.40	1.61	1.69
Fort Belvoir	1.16	1.07	1.12	1.12	1.02
City of Falls Church	1.12	1.04	1.02	1.02	1.08
Town of Vienna	0.86	0.67	0.61	0.82	0.77
Loudoun County	0.07	0.07	0.05	0.04	-
Other (a)	0.11	0.11	0.12	0.06	0.08
Total system flow	107.73	100.56	98.84	107.21	102.42

Source	Fiscal Year				
	2005	2004	2003	2002	2001
County connections	92.64	95.86	93.61	86.75	92.41
City of Fairfax	3.80	4.10	3.77	3.11	3.39
Town of Herndon	2.77	2.78	3.61	2.85	1.99
Arlington County	1.72	1.96	1.60	1.43	1.53
Fort Belvoir	1.05	1.16	1.42	1.08	1.20
City of Falls Church	1.18	1.28	1.09	0.85	1.02
Town of Vienna	0.92	1.03	0.84	0.65	0.75
Other (a)	0.10	0.09	0.10	0.13	0.10
Total system flow	104.18	108.26	106.04	96.85	102.39

Source: Fairfax County Wastewater Management Program

Notes:

(a) Other sources of wastewater include Fairfax Water and the County's solid waste resource recovery facility.

TABLE 5.5 - MAXIMUM MONTHLY FLOWS (MGD) BY TREATMENT PLANT - LAST TEN FISCAL YEARS

Treatment Plant	Recent Five Years		Past Ten Years	
	Flow	Month	Flow	Month
Noman M. Cole, Jr.	50.19	May-08	51.73	Jun-03
DCWASA Blue Plains	33.89	Dec-09	33.89	Dec-09
Alexandria Sanitation Authority	25.62	Mar-10	26.57	Dec-03
Upper Occoquan Sewage Authority	15.96	May-08	15.96	May-08
Arlington County	2.21	Dec-09	2.51	Jun-01

Source: Fairfax County Wastewater Management Program

TABLE 5.6 - AVERAGE UNUSED CAPACITY (MGD) BY TREATMENT PLANT (a) - LAST TEN FISCAL YEARS

Treatment Plant	Fiscal Year				
	2010	2009	2008	2007	2006
Noman M. Cole, Jr.	24.96	25.88	26.47	24.20	25.45
DCWASA Blue Plains	1.35	2.95	4.33	1.63	3.75
Alexandria Sanitation Authority	11.59	15.50	15.37	12.37	13.33
Upper Occoquan Sewage Authority	11.46	12.16	11.99	14.66	15.11
Arlington County	0.98	1.02	1.06	0.96	0.98
Other (b)	0.11	0.11	0.14	0.15	0.15
Total unused capacity	50.45	57.62	59.36	53.97	58.77

Treatment Plant	Fiscal Year				
	2005	2004	2003	2002	2001
Noman M. Cole, Jr.	24.33	10.42	11.91	14.49	11.21
DCWASA Blue Plains	4.33	3.00	2.22	3.80	3.73
Alexandria Sanitation Authority	11.95	10.30	11.84	15.09	13.28
Upper Occoquan Sewage Authority	15.42	15.27	15.20	2.58	2.32
Arlington County	0.82	0.79	0.82	0.82	0.71
Other (b)	0.15	0.14	0.15	0.14	0.13
Total unused capacity	57.00	39.92	42.14	36.92	31.38

Source: Fairfax County Wastewater Management Program

Notes:

(a) See Table 5.2 for treatment plant capacity.

(b) Other plants include Harbor View and Prince William County Service Authority.

TABLE 5.7 - AVERAGE CAPACITY UTILIZATION (a) BY TREATMENT PLANT - LAST TEN FISCAL YEARS

Treatment Plant	Fiscal Year				
	2010	2009	2008	2007	2006
Noman M. Cole, Jr.	62.75 %	61.37	60.50	63.88	62.02
DCWASA Blue Plains	95.65	90.48	86.02	94.74	87.92
Alexandria Sanitation Authority	64.23	52.16	52.58	61.82	58.87
Upper Occoquan Sewage Authority	53.41	50.57	51.26	46.88	45.24
Arlington County	67.33	66.00	64.83	68.00	67.47
Other (b)	38.89	38.89	20.00	15.56	15.56
Total system capacity utilization	68.11 %	63.57	62.48	66.51	63.54

Treatment Plant	Fiscal Year				
	2005	2004	2003	2002	2001
Noman M. Cole, Jr.	63.69 %	80.70	77.94	73.17	79.24
DCWASA Blue Plains	86.03	90.32	92.84	87.74	87.97
Alexandria Sanitation Authority	63.12	68.21	63.46	53.43	59.01
Upper Occoquan Sewage Authority	44.13	44.67	44.93	80.44	82.41
Arlington County	72.67	73.67	72.67	72.67	76.33
Other (b)	16.67	22.22	16.67	22.22	27.78
Total system capacity utilization	64.64 %	73.06	71.56	72.40	76.54

Source: Fairfax County Wastewater Management Program

Notes:

(a) See Table 5.2 for treatment plant capacity.

(b) Other plants include Harbor View and Prince William County Service Authority.

TABLE 5.8 - AVERAGE UNIT COST OF WASTEWATER TREATMENT (\$/MG) BY TREATMENT PLANT - LAST TEN FISCAL YEARS

Treatment Plant	Fiscal Year				
	2010	2009	2008	2007	2006
Noman M. Cole, Jr.	\$ 1,254	1,419	1,268	1,162	1,267
DCWASA Blue Plains	1,135	1,223	1,210	962	910
Alexandria Sanitation Authority	1,822	2,296	2,246	1,823	1,953
Upper Occoquan Sewage Authority	2,699	2,902	2,725	2,597	2,417
Arlington County	2,178	2,204	2,106	2,180	1,884

Treatment Plant	Fiscal Year				
	2005	2004	2003	2002	2001
Noman M. Cole, Jr.	\$ 1,115	1,089	1,168	1,121	1,055
DCWASA Blue Plains	899	764	939	954	777
Alexandria Sanitation Authority	1,656	1,619	1,362	1,657	1,316
Upper Occoquan Sewage Authority	2,117	1,860	1,678	2,079	1,733
Arlington County	1,206	1,220	1,176	1,273	1,183

Source: Fairfax County Wastewater Management Program

TABLE 5.9 - CAPITAL ASSET STATISTICS - LAST TEN FISCAL YEARS

Fiscal Year	Treatment Plants (a)		Number of Pumping Stations	Number of Metering Stations	Miles of Sewer Pipe
	System-Owned	Purchased Capacity			
2010	1	5	65	54	3,380
2009	1	5	65	54	3,375
2008	1	5	65	54	3,353
2007	1	5	65	54	3,328
2006	1	5	65	54	3,306
2005	1	5	64	53	3,289
2004	1	5	64	53	3,267
2003	1	4	61	53	3,240
2002	1	4	61	53	3,212
2001	1	4	63	51	3,177

Source: Fairfax County Wastewater Management Program

Notes:

- (a) The System owns one treatment plant, the Noman M. Cole, Jr. Plant, and has purchased capacity in treatment plants owned by other local jurisdictions - DCWASA Blue Plains, Alexandria Sanitation Authority, Upper Occoquan Sewage Authority, Arlington County, and Prince William County Service Authority.

6.0 MISCELLANEOUS INFORMATION

Miscellaneous information is additional information presented that may be of interest to readers of this report. There are two tables and a wastewater treatment plant service area map presented in this section.

TABLE 6.1 - WASTEWATER FLOW (GPD) PER CAPITA BY TREATMENT PLANT - LAST TEN FISCAL YEARS

Treatment Plant	Fiscal Year				
	2010	2009	2008	2007	2006
Noman M. Cole, Jr.	116	100	99	103	101
DCWASA Blue Plains	142	109	111	123	113
Alexandria Sanitation Authority	126	97	99	116	111
Upper Occoquan Sewage Authority	111	105	107	111	107
Arlington County	77	77	79	83	82
Total system flow per capita	122	101	102	110	106
Annual rainfall, inches	41.48	42.32	42.39	37.62	45.93

Treatment Plant	Fiscal Year				
	2005	2004	2003	2002	2001
Noman M. Cole, Jr.	105	108	105	103	114
DCWASA Blue Plains	110	117	119	117	126
Alexandria Sanitation Authority	121	131	123	105	117
Upper Occoquan Sewage Authority	107	110	114	100	107
Arlington County	89	90	89	89	94
Total system flow per capita	109	114	113	106	116
Annual rainfall, inches	42.71	50.40	52.82	31.59	37.65

Source: Fairfax County Wastewater Management Program

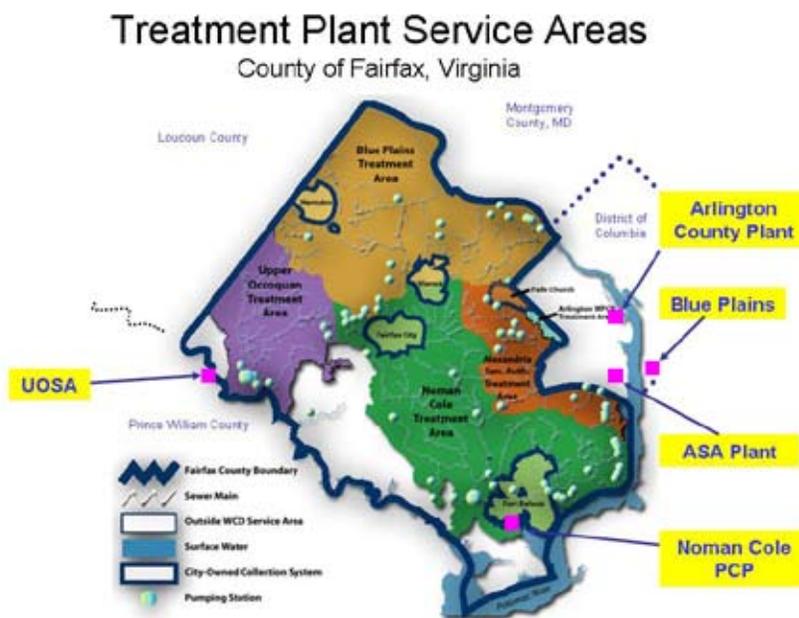
TABLE 6.2 - WASTEWATER FLOW (GPD) PER CONNECTION BY TREATMENT PLANT - LAST TEN FISCAL YEARS

Treatment Plant	Fiscal Year				
	2010	2009	2008	2007	2006
Noman M. Cole, Jr.	286	250	247	261	256
DCWASA Blue Plains	342	263	270	301	282
Alexandria Sanitation Authority	310	239	247	292	281
Upper Occoquan Sewage Authority	268	261	260	269	267
Arlington County	190	190	196	206	205
Total system flow per connection	299	250	253	275	267

Treatment Plant	Fiscal Year				
	2005	2004	2003	2002	2001
Noman M. Cole, Jr.	264	271	265	259	288
DCWASA Blue Plains	272	290	294	288	316
Alexandria Sanitation Authority	302	327	307	262	294
Upper Occoquan Sewage Authority	263	272	280	246	271
Arlington County	220	223	220	221	232
Total system flow per connection	272	285	281	264	292

Source: Fairfax County Wastewater Management Program

WASTEWATER TREATMENT PLANT SERVICE AREA MAP



FAIRFAX COUNTY WASTEWATER MANAGEMENT



Quality of Water = Quality of Life

The three droplets in the logo range in color from dark to medium to light tones to signify the purification process that takes place at treatment facilities.

The end result of this process is water that is returned to the County's streams at a high level of quality that supports a healthy ecosystem and end uses such as recreational boating, swimming and fishing.

The fish—the alewife—portrayed within the droplet, along with the aquatic grasses shown, are bellwethers of a hospitable environment.

The slogan, "Quality of Water = Quality of Life," represents the care taken by Wastewater Management to produce an end product that enhances the quality of residents' environmental and recreational lives.

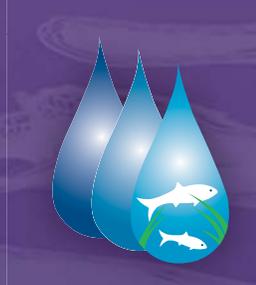
About The Fairfax County Wastewater Management Logo

VISION We aspire to achieve a pure and natural state of air and water quality by providing superior wastewater utility service in a spirit of teamwork and excellent customer service.

MISSION Our mission is to collect, treat, and monitor wastewater in compliance with all regulatory requirements, using state-of-the-art technology in the most effective manner. We work to improve the environment and enhance the quality of life in Fairfax County.



FAIRFAX COUNTY
WASTEWATER MANAGEMENT



Quality of Water = Quality of Life

Fairfax County is committed to a policy of nondiscrimination in all county programs, services and activities and will provide reasonable accommodations upon request. Special accommodations/alternative information formats will be provided upon request. Call 703-324-5030, TTY 711.

