



# 2010 COMPREHENSIVE ANNUAL FINANCIAL REPORT

ALEXANDRIA SANITATION AUTHORITY  
Alexandria, Virginia

.....  
For the Years Ended September 30, 2010 and 2009

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# ALEXANDRIA SANITATION AUTHORITY

1500 EISENHOWER AVENUE  
ALEXANDRIA, VIRGINIA 22314

TEL. 703-549-3381

THOMAS VAN WAGNER, CHAIRMAN  
JIM LARRISON, VICE CHAIRMAN  
ELISE FULSTONE, SEC'Y-TREAS.  
EDWARD SEMONIAN, MEMBER  
DAVID C. NICHOLS, MEMBER



KAREN L. PALLANSCH, P.E., BCEE  
ENGINEER-DIRECTOR

McGUIREWOODS LLP  
GENERAL COUNSEL

February 2, 2011

To the Chairman of the Board and Members of the  
Alexandria Sanitation Authority:

The Comprehensive Annual Financial Report for the Alexandria Sanitation Authority's (the Authority) for the fiscal year ended September 30, 2010 is transmitted as attached. Financial data, including all appropriate disclosures, have been prepared in accordance with the standards for financial reporting as permitted by the Governmental Accounting Standards Board. Management believes the data fairly represents the financial position and results of operations of the Authority.

This report was prepared in conformity with the accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. This report was also prepared in accordance with the requirements of the Government Finance Officers' Association Certificate of Achievement in Financial Reporting program.

GAAP requires management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of 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 Authority's MD&A can be found immediately following the independent auditor's report.

## **The Authority**

The Alexandria Sanitation Authority is a public body organized and created under the Virginia Water and Waste Authorities Act of the Code of Virginia of 1950 as amended. The Authority was created by City Council of the City of Alexandria (the City) in 1952. The purpose of the Authority is to "acquire, construct, improve, extend, operate and maintain a sewage disposal system." The Authority is governed by five citizen members appointed by Alexandria City Council to four-year staggered terms. The City Council, through state regulation, now requires a maximum term limit of 10 years. The Authority's Board appoints the Engineer-Director, who is responsible for the daily management of the Authority.

In 1953, the Authority and neighboring Fairfax County (the County) signed a service agreement in which the Authority would build a sewage treatment plant and the County would have reserved treatment capacity and share in the annual operating costs of the plant in proportion to its actual use as measured by the volume of sewage it contributed.

The Service Agreement was last amended and restated in October 1998. The major provisions relating to the County's reserved capacity (60%), the payment of capital, asset additions, (i.e. upgrade costs), and the calculation of its share of operating costs remained unchanged.

The City, ASA and the County of Arlington entered into a service agreement in 1968. This provides sewage treatment services to the northwest quadrant of the City by the County of Arlington.

The Authority receives no financial support from the City and has no taxing power. The revenues of the Authority are derived from sewage disposal charges based on metered water consumption of Alexandria users of the system and payment from Fairfax County for their proportional share of operating expenses.

### **Economic Conditions and Outlook**

The City of Alexandria, Virginia is located on the west bank of the Potomac River across from Washington D.C. is an integral part of the Washington metropolitan area. The service area of the Authority is traversed by major highways and railway systems, as well as having four subway stops within its boundaries. The City and Fairfax County own their collections systems while ASA owns the intercepting sewers, pumping stations and treatment facilities.

While unemployment rates remain lower than the national average in the City, demand for housing has stabilized, office vacancy rates are moderate and the number of jobs in the City has not increased. As of December 31, 2009, 98,288 persons were employed in the City. The local jobless rate was 5.0% in 2010. Total real property assessments decreased in calendar year 2010 by 6.1%. The Authority's major customers are well established entities such as the City public school system, US Patent and Trademark offices, US Department of Defense offices, WMATA, a hospital and the local community college system.

### **Long Term Financial Planning**

Due to the limited revenue streams, the Authority has partnered with both a financial advisory firm and a rate management consulting firm to identify a rate structure that will enable the Authority to continue compliant operations while ensuring overall fiscal stability. The Authority maintains a computer model of its finances, which was recently updated and validated to model a ten year planning period. This model includes projections of sewer capacity utilization, operating revenues and expenses, debt service requirements and cash flows.

The Authority maintains a ten year Capital Improvements Program (CIP) which is reviewed and updated on an annual basis. This CIP details capital projects that are necessary for system upgrades to meet regulatory requirements and rehabilitations. The CIP details planned spending on the projects for this period. This information is updated annually and these updates implemented in the financial model.

The Authority uses this data to facilitate the projection of necessary rate increases and for overall cost management.

### **Internal Control Structure and Budgetary Controls**

The Authority's management is responsible for establishing and maintaining a system of internal accounting controls. Recognizing the cost of control should not exceed the benefits derived from these controls, the internal accounting controls are designed to provide reasonable assurance, but not absolute assurance, that the financial statements will be free from material misstatement. We believe the data in this report presents fairly the financial position and results of operations of the Authority and all disclosures necessary to enable the reader to gain an understanding of the Authority's financial affairs.

The Authority prepares an annual budget for current expenses and capital outlays. The proposed budget is prepared by Authority staff and submitted to the Board of Directors for public input and approval.

The Authority controls current expenses at both management and the functional operational levels. Managers are responsible for budget items within their functional units. Department managers are responsible for costs as they relate to the Authority as a whole.

### **Independent Audit**

Virginia law requires an annual audit of the financial records and transactions of the Authority by independent certified public accountants, as selected by the Board. The Authority's financial statements for the year ended September 30, 2010 were audited by Yount, Hyde, & Barbour, P.C., a firm of licensed certified public accountants. The independent auditor concluded, based upon the audit, there was a reasonable basis for rendering an unqualified opinion that the financial statements are fairly presented in conformity with GAAP. The independent auditors' report is presented in the financial section of this report.

This report was prepared in conformity with the accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. This report was also prepared in accordance with the requirements of the Government Finance Officers' Association Certificate of Achievement in Financial Reporting program.

### **Awards**

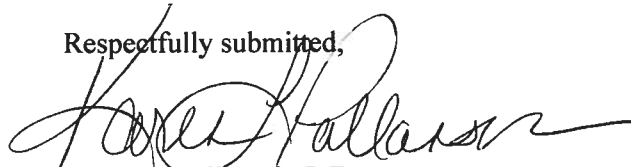
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Alexandria Sanitation Authority for its comprehensive annual financial report for the fiscal year ended September 30, 2009. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

### **Acknowledgements**

In closing, I would like to express my sincere appreciation to everyone within ASA and to our consultants who assisted with and contributed to the preparation of this report. Special recognition goes to the ASA Board of Directors for their dedicated pursuit of excellence and leadership in planning and conducting the financial operations of the Authority.

Respectfully submitted,



Karen L. Pallansch, P.E.,  
Engineer-Director

**ALEXANDRIA SANITATION AUTHORITY**  
**DIRECTORY OF PRINCIPAL OFFICIALS**  
**September 30, 2010**

**BOARD OF DIRECTORS**

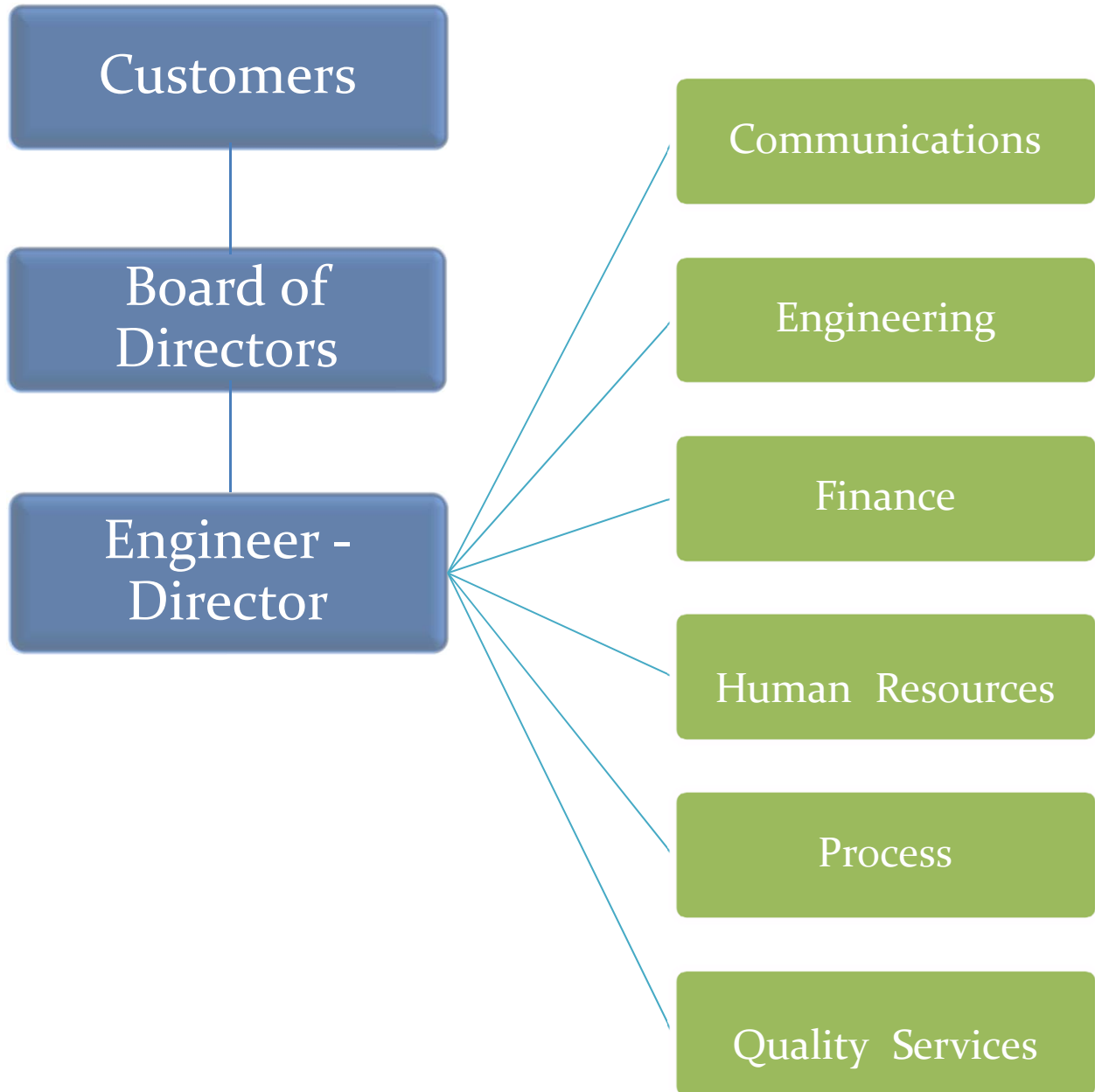
Edward Semonian - Chairman  
Thomas Van Wagner - Vice Chairman  
Elise Fulstone - Secretary/Treasurer  
David C. Nichols  
James Larrison

Shahram Mohsenin, Fairfax County Representative

**ENGINEER – DIRECTOR**

Karen L. Pallansch, P.E., BCEE

**Alexandria Sanitation Authority**  
**Organizational Chart**  
as of September 30, 2010



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## Alexandria Sanitation Authority, Virginia

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 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 read "Jeffrey R. Emer".

President

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

Executive Director

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
City of Alexandria, Virginia, Sanitation Authority  
Alexandria, Virginia

We have audited the accompanying basic financial statements of City of Alexandria, Virginia, Sanitation Authority (the Authority) as of and for the years ended September 30, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Alexandria Sanitation Authority as of September 30, 2010 and 2009, and the respective changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2010 on our consideration of Alexandria Sanitation Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying required supplemental information and management's discussion and analysis are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on them.

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis, and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Yount, Hyde & Barbour, P.C.*

Winchester, Virginia  
January 27, 2011

## **City of Alexandria, Virginia, Sanitation Authority Management's Discussion and Analysis**

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### **Summary of Organization and Business**

The Alexandria Sanitation Authority is a public body organized and created under the Virginia Water and Waste Authorities Act of the Code of Virginia of 1950 as amended. The Authority was created by City Council of the City of Alexandria (the City) in 1952. The purpose of the Authority is to “acquire, construct, improve, extend, operate and maintain a sewage disposal system.”

The Authority is governed by five citizen members appointed by Alexandria City Council to four-year staggered terms.

In 1953, the Authority and neighboring Fairfax County signed a service agreement in which the Authority would build a sewage treatment plant and the County would have reserved treatment capacity and share in the annual operating costs of the plant in proportion to its actual use as measured by the volume of sewage it contributed.

The Service Agreement was last amended and restated in October 1998. The major provisions relating to the County's reserved capacity (60%), the payment of capital, asset additions, (i.e. upgrade costs), and the calculation of its share of operating costs remained unchanged.

The Authority receives no financial support from the City and has no taxing power. The revenues of the Authority are derived from sewage disposal charges based on metered water consumption of Alexandria users of the system, and payment from Fairfax County for their proportional share of operating expenses.

### **Audit Assurance**

The unqualified (i.e. clean) opinion of our independent external auditors, Yount, Hyde & Barbour, P.C., is included in this report.

The financial section presents management's discussion and analysis of the Authority's financial condition and activities for the fiscal years (FY) ended September 30, 2010, 2009 and 2008. This information should be read in conjunction with the financial statements.

### **Financial Highlights**

Management believes the Authority's financial position is strong. The Authority maintained a strong debt service coverage and was in compliance with all debt covenants required by borrowing agreements. The following are key financial highlights:

- The Authority treated 13.38 and 12.50 billion gallons of wastewater during the years ended September 30, 2010 and 2009, respectively. This represents a 7% increase over fiscal year 2009. Some of this increase can be attributed to a increase in rain-induced flow. In 2010 we received 42.6” of rain; in 2009, we received 37” of rain. There was a small increase in the number of accounts (from 25,312 in FY 2009 up to 25,916 in FY 2010).

In prior years, the Authority treated 12.50 and 12.82 billion gallons of wastewater during the years ended September 30, 2009 and 2008, respectively. This represented a 2.56% decrease over fiscal year 2008 and a 1.5% increase from fiscal year 2007. Some of this decrease can be attributed to a reduction in rain-induced flow.

**City of Alexandria, Virginia, Sanitation Authority  
Management's Discussion and Analysis (Continued)**

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**Financial Highlights (Continued)**

- Fairfax County contributed 7.5 and 7.11 billion gallons of wastewater during the years ended September 30, 2010 and 2009, respectively. This represents a 5.7% increase over fiscal year 2009, but within their contracted allocation. The metered water consumption from Fairfax increased in some areas.

In prior years, the County contributed 7.11 and 6.83 billion gallons of wastewater during the years ended September 30, 2009 and 2008, respectively. Fiscal year 2009 contributions were 4.1% higher than fiscal year 2008 and 1.3% higher than fiscal year 2007.

- Debt service coverage, on the accrual basis, was 2.02 and 1.79 for the years ended September 30, 2010 and 2009, respectively, which exceeded the 1.10 required by the Financing Agreement with the Virginia Resources Authority for loans from the Virginia Water Facilities Revolving Fund (VWFRF).

In prior years, debt service coverage, on the accrual basis, was 1.79 and 1.76 for the years ended September 30, 2009 and 2008, respectively.

- Total assets as of September 30, 2010 and 2009 were \$571 million and \$537 million, respectively. Total assets exceeded liabilities in the amount of \$436 million and \$414 million, respectively (i.e. net assets). Of the total net assets, \$23.9 million and \$21.5 million were unrestricted and were available to support short-term operations for the years ended September 30, 2010 and 2009, respectively. The increase in total assets is a result of Enhanced Nutrient Removal (ENR) upgrade, plant and building additions.

In prior years, total assets as of September 30, 2009 and 2008 were \$537 million and \$495 million, respectively. Total assets exceeded liabilities in the amount of \$414 million and \$390 million, respectively. Of the total net assets, \$21.5 million and \$14.3 million was unrestricted and was available to support short-term operations for the years ended September 30, 2009 and 2008, respectively.

- Total assets and total net assets increased from FY 2010 to 2009 in the amounts of \$33.9 million and \$22.0 million, respectively. The increase in total net assets is a result of ENR upgrade, plant and building additions.

In prior years, total assets and total net assets increased from FY 2009 to 2008 in the amounts of \$41.9 million and \$23.9 million, respectively.

- Capital assets increased \$26 million over 2009. Approximately \$17 million was from the purchase of land needed to meet the requirements of nutrient reduction regulations from the Virginia Department of Environmental Quality to improve the health of the Chesapeake Bay. To meet the new regulations, the Authority has begun the planning and design for construction of upgraded facilities, with a projected schedule of seven years for completion of all phases.

- Sewer disposal charges of \$30.6 million represent minimal growth over fiscal year 2009 by \$1.8 million or 6%.

In prior years, sewer disposal charges of \$28.8 million increased over fiscal year 2008 by \$.9 million or 3%.

**City of Alexandria, Virginia, Sanitation Authority  
Management's Discussion and Analysis (Continued)**

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**Financial Highlights (Continued)**

- Payments from Fairfax County of \$12.4 million during fiscal year 2010 represented their share of operating costs based upon their proportional contribution to plant total flow. Fairfax County payments amounted to \$12.8 million in fiscal year 2009. This decrease in the County's payment is a result of lower operating costs for fiscal year 2010.

In prior years, payments from the County were \$12.8 million during fiscal year 2009. Fairfax County payments amounted to \$11.7 million in fiscal year 2008. The payments increased by \$1.1 million or (9%) over fiscal year 2008.

- Total operating expenses for fiscal year 2010 decreased 3% compared to fiscal year 2009. The decrease in operating expenses resulted in large part to personnel expenses, utilities and general expenses. Total operating expenses for fiscal year 2009 increased 3.4% compared to fiscal year 2008.

**Required Financial Statements**

The financial statements of the Authority report information about the Authority's use of accounting methods which are similar to those used by private sector companies. These statements offer short and long-term financial information about its activities.

The statements of net assets include all of the Authority's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and obligations to Authority creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

All of the current year's revenues and expenses are accounted for in the statements of revenue, expenses, and changes in net assets. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its sewage disposal rates and other fees. The Authority's rates are based on a cost of service rate study that was completed in 2006. This rate study is updated at least annually or more often as circumstances warrant.

The final required financial statement is the statements of cash flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities, and the total change in cash during the reporting period.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

**City of Alexandria, Virginia, Sanitation Authority  
Management's Discussion and Analysis (Continued)**

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**Financial Analysis:**

The following comparative condensed financial statements and other selected information provide key financial data and indicators for management, monitoring and planning.

The following table reflects the Authority's net assets at September 30, 2010 and 2009:

**Condensed Statements of Net Assets (Balance Sheets)  
(in Millions of Dollars)**

	2010	2009	\$ Change	% Change
Current assets	\$ 24.20	\$ 18.80	\$ 5.40	28.70 %
Non-current assets	0.20	0.20	--	-- %
Restricted assets	17.20	10.20	7.00	68.60 %
Investments	4.10	8.80	(4.70)	(53.40) %
Plant and equipment, net	525.30	499.10	26.20	5.20 %
<b>Total assets</b>	<b>571.00</b>	<b>537.10</b>	<b>33.90</b>	<b>6.30 %</b>
Current liabilities	20.10	15.60	4.50	28.80 %
Current restricted liabilities	0.10	0.50	(0.40)	(80.00) %
Long-term debt	114.90	107.10	7.80	7.30 %
<b>Total Liabilities</b>	<b>135.10</b>	<b>123.20</b>	<b>11.90</b>	<b>9.70 %</b>
Invested in capital assets net of related debt	394.90	382.90	12.00	3.10 %
Restricted	17.10	9.50	7.60	80.00 %
Unrestricted	23.90	21.50	2.40	11.20 %
<b>Total net assets</b>	<b>\$ 435.90</b>	<b>\$ 413.90</b>	<b>\$ 22.00</b>	<b>5.30 %</b>

**City of Alexandria, Virginia, Sanitation Authority  
Management's Discussion and Analysis (Continued)**

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**Financial Analysis (Continued):**

The following table reflects the Authority's net assets at September 30, 2009 and 2008:

**Condensed Statements of Net Assets (Balance Sheets)  
(in Millions of Dollars)**

	2009	2008	\$ Change	% Change
Current assets	\$ 18.80	\$ 12.20	\$ 6.60	54.10 %
Non-current assets	0.20	--	0.20	-- %
Restricted assets	10.20	10.90	(0.70)	(6.40) %
Investments	8.80	5.30	3.50	66.00 %
Plant and equipment, net	499.10	466.80	32.30	6.90 %
<b>Total assets</b>	<b>537.10</b>	<b>495.20</b>	<b>41.90</b>	<b>8.50 %</b>
Current liabilities	15.60	12.40	3.20	25.80 %
Current restricted liabilities	0.50	0.50	--	-- %
Long-term debt	107.10	92.40	14.70	15.90 %
<b>Total liabilities</b>	<b>123.20</b>	<b>105.30</b>	<b>17.90</b>	<b>17.00 %</b>
Invested in capital assets net of related debt	382.90	365.20	17.70	4.80 %
Restricted	9.50	10.40	(0.90)	(8.70) %
Unrestricted	21.50	14.30	7.20	50.30 %
<b>Total net assets</b>	<b>\$ 413.90</b>	<b>\$ 389.90</b>	<b>\$ 24.00</b>	<b>6.20 %</b>

**City of Alexandria, Virginia, Sanitation Authority  
Management's Discussion and Analysis (Continued)**

**Financial Analysis (Continued)**

The following table summarizes the changes in revenue and expenses for fiscal year 2010 and 2009:

**Condensed Statements of Revenues, Expenses and Changes in Net Assets  
(in Millions of Dollars)**

	2010	2009	\$ Change	% Change
Sewage disposal charges:				
Regular	\$ 30.60	\$ 28.90	\$ 1.70	5.90 %
Fairfax	12.40	12.80	(0.40)	(3.10) %
Total operating revenue	43.00	41.70	1.30	3.10 %
Operating Expenses:			--	
Depreciation and amortization expense	9.30	8.90	0.40	4.50 %
Other operating expenses	23.20	24.60	(1.40)	(5.70) %
Total operating expenses	32.50	33.50	(1.00)	(3.00) %
Operating income	10.50	8.20	2.30	28.00 %
Non-operating revenues (expenses)				
Investment income	0.20	0.20	--	-- %
Non-operating expenses	(4.00)	(4.00)	--	-- %
Non-operating (expenses), net	(3.80)	(3.80)	--	-- %
Changes in net assets before capital contributions	6.70	4.40	2.30	52.30 %
Capital Contributions	15.30	19.60	(4.30)	(21.90) %
Changes in net assets	22.00	24.00	(2.00)	(8.30) %
Net assets:				
Beginning	413.90	389.90	24.00	6.20 %
Ending	\$ 435.90	\$ 413.90	\$ 22.00	5.30 %

**City of Alexandria, Virginia, Sanitation Authority  
Management's Discussion and Analysis (Continued)**

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**Financial Analysis (Continued)**

The following table summarizes the changes in revenue and expenses for fiscal year 2009 and 2008:

**Condensed Statements of Revenues, Expenses and Changes in Net Assets  
(In Millions of Dollars)**

	2009	2008	\$ Change	% Change
Sewage disposal charges:				
Regular	\$ 28.90	\$ 28.00	\$ 0.90	3.20 %
Fairfax	12.80	11.70	1.10	9.40 %
Total operating revenue	41.70	39.70	2.00	5.00 %
Operating expenses:				
Depreciation and amortization expense	8.90	8.80	0.10	1.10 %
Other operating expenses	24.60	23.70	0.90	3.80 %
Total operating expenses	33.50	32.50	1.00	3.10 %
Operating income	8.20	7.20	1.00	13.90 %
Non-operating revenues (expenses):				
Investment income	0.20	0.80	(0.60)	(75.00) %
Non-operating expense	(4.00)	(3.80)	(0.20)	5.30 %
Non-operating (expense), net	(3.80)	(3.00)	(0.80)	26.70 %
Change in net assets before capital contributions	4.40	4.20	0.20	4.80 %
Capital contributions	19.60	3.00	16.60	553.30 %
Change in net assets	24.00	7.20	16.80	233.30 %
Net assets:				
Beginning	389.90	382.70	7.20	1.90 %
Ending	\$ 413.90	\$ 389.90	\$ 24.00	6.20 %

**City of Alexandria, Virginia, Sanitation Authority  
Management's Discussion and Analysis (Continued)**

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The following table summarizes other selected information of the Authority for fiscal year 2010 and 2009:

**Other Selected information**

	2010	2009	Difference	% Change
Selected data:				
Employees at year end	92	119	(27)	(22.70) %
Alexandria accounts	25,916	25,312	604	2.40 %
Wastewater treated (millions of gallons)	13,384	12,504	880	7.00 %
Portion contributed by				
Fairfax County (millions of gallons)	7,518	7,109	409	5.80 %
Percentage contributed by				
Fairfax County	56.17 %	56.85 %	(0.68) %	(1.20) %
Rates				
Charge per 1000 gallons of water consumption	6.36	6.11	0.25	4.10 %
Account service charge per bill rendered	4.51	4.42	0.09	2.00 %
Average residential customer bill:				
Per year	436.16	379.84	56.32	14.80 %
Per quarter	109.04	94.96	14.08	14.80 %
Per month	36.35	31.65	4.70	14.80 %

**City of Alexandria, Virginia, Sanitation Authority  
Management's Discussion and Analysis (Continued)**

The following table summarizes other selected information of the Authority for fiscal year 2009 and 2008:

**Other Selected Information**

	2009	2008	Difference	% Change
Selected data:				
Employees at year-end	119	116	3	2.60 %
Alexandria accounts	25,312	25,879	(567)	(2.20) %
Wastewater treated (millions of gallons)	12,504	12,822	(318)	(2.50) %
Portion contributed by				
Fairfax County (millions of gallons)	7,109	6,826	283	4.10 %
Percentage contributed by				
Fairfax County	56.85%	53.23%	3.62%	6.80 %
Rates:				
Charge per 1000 gallons of water consumption	6.11	5.82	0.29	5.00 %
Account service charge per bill rendered	4.42	4.33	0.09	2.10 %
Average residential customer bill:				
Per year	379.84	359.99	19.85	5.50 %
Per quarter	94.96	90.00	4.96	5.50 %
Per month	31.65	30.00	1.65	5.50 %

**General Trends and Significant Events**

The Authority's service area in the City of Alexandria can be referred to as mature. The City is over 250 years old and for the most part is built out. While there are several tracts of underdeveloped land, the flows from these parcels, when developed, will not increase the Authority's sewage disposal charge revenue significantly. This is especially true given the trend for water conservation and sustainability efforts within our community.

The number of the Authority's Alexandria accounts increased by 604, which represents a 2.4% increase from fiscal year 2009. The current number of accounts, 25,916, represents a 4.9% increase for the ten-year period beginning with fiscal year 2001.

Previously, the number of the accounts decreased in fiscal year 2009 by 567, which represents a 2.2% decrease over fiscal year 2008.

**Financial Condition**

The Authority's financial condition remained strong at year-end with adequate liquid assets and a reasonable level of unrestricted net assets. The current financial condition, operating plans and upgrade plans to meet future water quality requirements are well balanced and under control.

**City of Alexandria, Virginia, Sanitation Authority  
Management's Discussion and Analysis (Continued)**

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**Financial Condition (continued)**

Total assets grew \$34 million (6.3%) and \$41.9 million (8.5%) during fiscal years 2010 and 2009, respectively. Net assets increased by \$22 million during fiscal year 2010, with a substantial portion of the change resulting from an increase in net assets that were invested in capital assets, net of related debt. Additional information on the Authority's capital assets can be found in Notes 1 and 5 of the Notes to Financial Statements.

In prior years, total assets grew \$42 million (8.5%) during fiscal year 2009. Net assets increased by \$24 million during fiscal year 2009, with a substantial portion of the change resulting from an increase in net assets that were invested in capital assets, net of related debt.

Accounts receivable for sewage disposal charges were 9% greater as of September 30, 2010 than September 30, 2009 while total accounts receivable decreased 8% from September 30, 2009 to September 30, 2010. The Authority's bad debts were \$46,299 and \$109,000 for the years ended September 30, 2010 and 2009, respectively.

In prior years, accounts receivable were 28.5% greater as of September 30, 2009 than September 30, 2008. The Authority's bad debts were \$109,000 and \$68,000 for the years ended September 30, 2009 and 2008, respectively.

**Results of Operations**

Operating revenues: The Authority's revenues from operations fall into two main categories: 1) sewage disposal charges to customers in Alexandria which are based upon metered water consumption; these are billed monthly and quarterly for commercial and residential accounts, respectively; and 2) sewer disposal charges to Fairfax County for its share of operating expenses based upon its proportionate share of flow to the plant.

Capital contributions: By a service agreement with Fairfax County, the County pays for 60% of the cost of capital improvements to the plant, such as the current upgrade. Prior to GASB 33 implementation, this money was recorded as direct contributions to the Authority's equity as contributed capital. GASB 33 defines these payments as non-operating revenues and requires reporting the amounts through the Statement of Revenues, Expenses and Changes in Net Assets. Total capital contributions amounted to \$15,278,723 and \$19,565,293 for the years ended September 30, 2010 and 2009, respectively.

Expenses:

*2010-2009 Comparison:* Total operating expenses, excluding depreciation and amortization, decreased by \$1,387,527 or 5.64% over fiscal year 2009. The Authority's personnel services, which include wages, retirement, and insurance, were 36.9% of the total operating expenses of \$32.5 million of fiscal year 2010 and 38.3% of the total operating expenses for 2009.

**City of Alexandria, Virginia, Sanitation Authority  
Management's Discussion and Analysis (Continued)**

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**Results of Operations (Continued)**

*2009-2008 Comparison:* Total operating expenses, excluding depreciation and amortization, increased by \$949,000 or 4.0% over fiscal year 2008. The Authority's personnel services, which include wages, retirement, and insurance, were 38.3% of the total operating expenses of \$33.6 million of fiscal year 2009 and 33.9% of the total operating expenses for 2008.

**Capital Assets**

The Authority maintains investments in a broad range of capital assets, which includes land, buildings, sanitary intercepting sewer lines and force mains, pumping stations, a water reclamation facility, machinery and equipment, computers and vehicles. The Authority also owns capacity rights at the Arlington Water Pollution Control Facility. By a service agreement with Arlington County, the City of Alexandria and ASA, ASA pays for 8.5% of the cost of capital improvements to the Arlington plant. Additional information on the Authority's capital assets can be found in Notes 1 and 5 of the Notes to Financial Statements.

The Authority is currently in the planning and detailed design processes of an upgrade required to improve treatment of the water to meet new standards imposed by the Chesapeake Bay restoration. This project will have a phased construction packages and last upwards of seven years.

The Authority maintains its equipment annually on a prioritized basis through a committed improvements, renewals and replacements fund. By agreement, Fairfax County invests a percentage of the total facility assets into this fund for adequate reinvestment to insure continuing compliance with regulations.

**Long Term Debt**

As of September 30, 2010, the Authority had \$130.4 million in short and long-term debt. Principal payments on outstanding debt of \$6.0 million and new debt of \$20.2 million resulted in a net increase of \$14.2 million in debt over fiscal year 2009.

As of September 30, 2009, the Authority had \$116.2 million in short and long-term debt. Principal payments on outstanding debt of \$5.7 million and new debt of \$19.8 million resulted in a net increase of \$14.1 million in debt over fiscal year 2008.

One area that demonstrates the Authority's financial strength, ability to pay current debt service (principal and interest), and future borrowing capability is seen in its Revenue Covenant which is currently a strong 2.02. This covenant requires the Authority to "establish, fix, charge and collect rates, fees and other charges for the use of and for services furnished by the System so that in each fiscal year net revenues are not less than 1.1 times the debt service (principal and interest) for the fiscal year."

**City of Alexandria, Virginia, Sanitation Authority  
Management's Discussion and Analysis (Continued)**

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**Results of Operations (Continued)**

The following table calculates the Revenue Covenant for the fiscal years 2010 and 2009:  
(in millions)

	2010	2009	% Change
Unrestricted operating revenue	\$ 43.10	\$ 41.73	3.28%
Total operating expenses (Less depreciation and replacements)	22.59	24.57	-8.06%
Net revenue	<u>\$ 20.51</u>	<u>\$ 17.16</u>	19.52%
Annual debt service	<u>\$ 10.16</u>	<u>\$ 9.58</u>	6.05%
Revenue covenant (minimum 1.1 allowed)	<u>2.02</u>	<u>1.79</u>	12.78%

The following table calculates the Revenue Covenant for the fiscal years 2009 and 2008:  
(in millions)

	2009	2008	% Change
Unrestricted operating revenue	\$ 41.73	\$ 39.72	5.06%
Total operating expenses (Less depreciation and replacements)	24.57	23.62	4.02%
Net revenue	<u>\$ 17.16</u>	<u>\$ 16.10</u>	6.58%
Annual debt service	<u>\$ 9.58</u>	<u>\$ 9.14</u>	4.81%
Revenue covenant (minimum 1.1 allowed)	<u>1.79</u>	<u>1.76</u>	1.69%

Additional information on the Authority's debt can be found in Notes 6 and 9 to the Financial Statements.

**Final Comments**

Fiscal year 2010 continued a trend of strong financial performance by the Authority. This strong performance is needed for the Authority to maintain flexibility in future borrowing decisions, ensure that there is an appropriate reserve for operating expenses, and that we continue to provide for the effects of time and usage on the significant investment in equipment that is made as we continue upgrade efforts.

**Contacting the Authority's Financial Management:**

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Alexandria Sanitation Authority, 1500 Eisenhower Avenue, Alexandria, Virginia 22314. You can also call 703.549.3381, or visit us on the web at [www.alexsan.com](http://www.alexsan.com).

**ALEXANDRIA SANITATION AUTHORITY**

**Statements of Net Assets**  
September 30, 2010 and 2009

<b>Assets</b>	<b>2010</b>	<b>2009</b>
<b>Current Assets</b>		
Cash and cash equivalents - unrestricted	\$ 17,292,866	\$ 12,447,164
Cash and cash equivalents - restricted	8,828,484	1,039,198
Accounts receivable	5,859,866	6,364,517
Inventory	349,517	14,622
Prepaid expenses	219,473	--
Investments - restricted	8,379,587	9,170,713
Due from Fairfax County	531,612	--
Total current assets	<u>\$ 41,461,405</u>	<u>\$ 29,036,214</u>
<b>Noncurrent Assets</b>		
Investments	\$ 4,070,002	\$ 8,796,902
Capital assets, net of accumulated depreciation and amortization	525,301,869	499,115,050
Unamortized bond issuance costs	178,690	142,562
Total noncurrent assets	<u>\$ 529,550,561</u>	<u>\$ 508,054,514</u>
Total assets	<u>\$ 571,011,966</u>	<u>\$ 537,090,728</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 6,505,193	\$ 6,018,322
Accrued interest payable	730,100	533,291
Accrued vacation and sick leave	603,071	736,909
Accounts payable and accrued expenses	1,994,929	4,005,405
Line of credit	10,319,950	4,050,000
Due to Fairfax County	--	762,931
Total current liabilities	<u>\$ 20,153,243</u>	<u>\$ 16,106,858</u>
<b>Long-Term Liabilities</b>		
Bonds payable, less current portion, net of unamortized amounts	\$ 113,555,869	\$ 106,113,910
Accrued vacation and sick leave, less current portion	344,443	440,814
Other post employment benefits (OPEB)	985,916	493,689
Total long-term liabilities	<u>\$ 114,886,228</u>	<u>\$ 107,048,413</u>
Total liabilities	<u>\$ 135,039,471</u>	<u>\$ 123,155,271</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	\$ 394,920,857	\$ 382,932,818
Restricted:		
Operating	4,476,014	2,218,739
Parity Debt Service	2,288,425	585,307
Improvement, Renewal and Replacement	9,420,664	6,075,338
Construction	919,876	583,673
Unrestricted	23,946,659	21,539,582
Total net assets	<u>\$ 435,972,495</u>	<u>\$ 413,935,457</u>
Total liabilities and net assets	<u>\$ 571,011,966</u>	<u>\$ 537,090,728</u>

See Notes to Financial Statements.

**ALEXANDRIA SANITATION AUTHORITY**

**Statements of Revenues, Expenses and Changes in Net Assets**  
Years Ended September 30, 2010 and 2009

<b>Operating Revenues</b>	<u>2010</u>	<u>2009</u>
Sewage disposal charges:		
Regular	\$ 29,630,580	\$ 28,165,436
Special	981,635	591,394
Fairfax County:		
Regular	12,461,259	12,794,569
Miscellaneous	<u>33,211</u>	<u>174,044</u>
Total operating revenues	<u>\$ 43,106,685</u>	<u>\$ 41,725,443</u>
<b>Operating Expenses</b>		
Personnel services	\$ 11,984,116	\$ 12,847,090
Utilities	2,894,032	3,739,917
Chemicals	1,355,756	1,654,507
Operations maintenance	1,565,870	1,158,143
Sewage disposal services, Arlington County	1,256,040	1,270,381
Sludge disposal	891,508	989,002
Amortization	684,390	325,498
Depreciation	8,579,387	8,586,583
Replacements, sewage disposal system	622,737	149,707
General, administration, customer service, and other	<u>2,646,080</u>	<u>2,791,919</u>
Total operating expenses	<u>\$ 32,479,916</u>	<u>\$ 33,512,747</u>
Operating income	<u>\$ 10,626,769</u>	<u>\$ 8,212,696</u>
<b>Nonoperating Revenues (Expenses)</b>		
Investment income	\$ 175,253	\$ 237,065
Interest expense	<u>(4,043,707)</u>	<u>(3,951,887)</u>
Total nonoperating revenues (expense)	<u>\$ (3,868,454)</u>	<u>\$ (3,714,822)</u>
Change in net assets before capital contributions	\$ 6,758,315	\$ 4,497,874
<b>Capital Contributions</b>	<u>15,278,723</u>	<u>19,565,293</u>
Change in net assets	\$ 22,037,038	\$ 24,063,167
<b>Net Assets</b>		
Beginning	<u>413,935,457</u>	<u>389,872,290</u>
Ending	<u>\$ 435,972,495</u>	<u>\$ 413,935,457</u>

See Notes to Financial Statements.

**ALEXANDRIA SANITATION AUTHORITY**

**Statements of Cash Flows**

Years Ended September 30, 2010 and 2009

	<b>2010</b>	<b>2009</b>
<b>Cash Flows from Operating Activities</b>		
Cash received from customers	\$ 31,116,866	\$ 27,508,937
Cash received from Fairfax County for operations	11,166,716	12,594,960
Cash received from other sources	33,211	10,118
Cash payments to suppliers	(14,017,604)	(12,364,581)
Cash payments to employees	<u>(11,501,361)</u>	<u>(11,010,524)</u>
Net cash provided by operating activities	<u>\$ 16,797,828</u>	<u>\$ 16,738,910</u>
 <b>Cash Flows from Capital and Related Financing Activities</b>		
Acquisition and construction of capital assets	\$ (35,137,991)	\$ (38,408,276)
Proceeds from capital contributions	15,278,723	19,565,293
Proceeds from issuance of long-term debt	13,942,911	19,711,331
Payment of bond issuance costs	(49,899)	(150,458)
Proceeds from line of credit	6,269,950	--
Principal payments on debt	(6,018,616)	(5,680,131)
Interest paid on borrowings, including capitalized interest of \$294,299 and \$188,155, respectively	<u>(4,141,197)</u>	<u>(3,900,491)</u>
Net cash (used in) capital and related financing activities	<u>\$ (9,856,119)</u>	<u>\$ (8,862,732)</u>
 <b>Cash Flows from Investing Activities</b>		
Proceeds from sales and maturities of investments	\$ 34,405,856	\$ 30,970,285
Purchase of investments	(28,887,830)	(32,898,629)
Investment income received	<u>175,253</u>	<u>237,065</u>
Net cash provided by (used in) investing activities	<u>\$ 5,693,279</u>	<u>\$ (1,691,279)</u>
 Net increase in cash	 \$ 12,634,988	 \$ 6,184,899
 <b>Cash and Cash Equivalents</b>		
Beginning of year	<u>13,486,362</u>	<u>7,301,463</u>
End of year	<u>\$ 26,121,350</u>	<u>\$ 13,486,362</u>
 <b>Reconciliation of Cash and Cash Equivalents</b>		
Unrestricted cash	\$ 17,292,866	\$ 12,447,164
Restricted cash	<u>8,828,484</u>	<u>1,039,198</u>
	<u>\$ 26,121,350</u>	<u>\$ 13,486,362</u>

See Notes to Financial Statements.

**ALEXANDRIA SANITATION AUTHORITY**

**Statements of Cash Flows (continued)**  
 Years Ended September 30, 2010 and 2009

	<b>2010</b>	<b>2009</b>
<b>Reconciliation of Operating Income to Net Cash</b>		
<b>Provided by Operating Activities:</b>		
Operating income	\$ 10,626,769	\$ 8,212,696
Adjustments to reconcile operating income to net cash provided by operating activities:		
Amortization	684,390	325,498
Depreciation	8,579,387	8,586,583
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	504,651	(1,411,819)
(Increase) in inventory	(334,895)	(14,622)
(Increase) in prepaid expenses	(219,473)	--
(Increase) in due from Fairfax County	(531,612)	--
(Decrease) increase in accrued vacation and sick leave	(230,209)	354,720
(Decrease) increase in accounts payable and accrued expenses	(2,010,476)	391,774
(Decrease) in due to Fairfax County	(762,931)	(199,609)
Increase in other post employment benefits	492,227	493,689
Net cash provided by operating activities	\$ 16,797,828	\$ 16,738,910

See Notes to Financial Statements.

# ALEXANDRIA SANITATION AUTHORITY

## Notes to Financial Statements

### Note 1. Summary of Significant Accounting Policies

#### Description of Entity

The Alexandria Sanitation Authority (the Authority) is a special governmental unit created by the City Council of Alexandria, Virginia (City Council) in 1952 for the purpose of constructing, operating and maintaining a wastewater treatment system for the City of Alexandria, Virginia. The Authority is governed and administered by five members who serve staggered terms and are appointed by the City Council.

Although the members of the Authority are appointed by the City Council, the Authority is not part of the City's reporting entity. Significant factors for the exclusion are that the City has no accountability for the Authority's fiscal matters. The Authority's financial statements are not included in the City of Alexandria, Virginia, Comprehensive Annual Financial Report.

No component units are included in the Authority's financial statements.

The following is a summary of the Authority's significant accounting policies:

#### Basis of Presentation and Accounting

The Authority's financial statements are presented on the accrual basis in accordance with accounting principles generally accepted in the United States of America as applicable to enterprise fund of governmental units.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Authority has elected to apply all applicable FASB pronouncements, including those issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net assets. Net assets (i.e., total assets net of total liabilities) are segregated into invested in capital assets, net of related debt; restricted; and unrestricted components.

## Notes to Financial Statements

### Revenues and Expenses

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Authority. Operating revenues consist primarily of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or ancillary activities.

In accordance with an agreement with Fairfax County, the Authority recognizes as revenue the County's proportionate share of current operating expenses.

### Cash and Cash Equivalents

The Authority considers all highly liquid investments with a maturity of three months or less from date of purchase to be cash equivalents.

### Inventory

Inventory, consisting of items held for consumption, are valued at cost using the first-in, first-out method.

### Investments

Investments are stated at fair value, plus accrued interest.

### Capital Assets

Purchased or constructed property, plant and equipment with an estimated useful life of 5 years or more is capitalized and recorded at historical cost. Interest related to costs and major improvements, renewals and replacements is capitalized as a cost of the project. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. The estimated useful lives are as follows:

Plant	67 years
Equipment	10 years
Vehicles and Moving Equipment	5 – 20 years

In October 2009, the Authority increased the threshold for capitalizing assets from \$500 to \$5,000. This change will reduce the Authority's cost of tracking small dollar amount items for financial reporting purposes and corresponds with industry best practices.

Capital assets also include intangible assets such as purchased capacity rights for the Arlington sewer treatment plant upgrade and expansion. Intangible assets are amortized over 40 years.

## Notes to Financial Statements

### Accrued Vacation

It is the Authority's policy to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from service. The amount of accrued vacation earned but unused is \$766,045 and \$978,990 as of September 30, 2010 and 2009, respectively. The accrued vacation is included in the Statements of Net Assets as a liability. The portion of the liability that is estimated to be due within one year is \$570,024 and \$700,720, as of September 30, 2010 and 2009, respectively.

Changes in accrued vacation are as follows:

<u>Balance</u> <u>9/30/09</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>9/30/10</u>
\$ 978,990	\$ 444,893	\$ (657,838)	\$ 766,045

### Unpaid Sick Leave

Personnel policies provide the Authority employees with varying amounts of sick leave. No reimbursement is made upon termination of employees for accumulated sick leave. However, 25% of the accumulated sick leave of qualified retiring employees and qualified resigning employees with equal or greater than 20 years of service is added to any retirement benefit received. The potential liability to the Authority employees at September 30, 2010 and 2009 was approximately \$318,000 and \$361,000, respectfully. A portion of this liability for those employees who have reached the years of service qualification is included in the Statements of Net Assets as a liability. The current portion of unpaid sick leave amounts to \$33,047 and \$36,189 for the years ended September 30, 2010 and 2009, respectively.

Changes in accrued unpaid sick leave are as follows:

<u>Balance</u> <u>9/30/09</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>9/30/10</u>
\$ 198,733	\$ 258,501	\$ (275,765)	\$ 181,469

### Net Assets

Net assets represent the difference between assets and liabilities. Net assets comprise the various net earnings from operating and nonoperating revenues, expenses and contributions of capital. Net assets are classified in the following three components: invested in capital assets, net of related debt; restricted; and unrestricted net assets.

### Allocation of Expenses

For purposes of the statements of revenues, expenses and changes in net assets, payroll taxes and fringe benefits were allocated to operations and administration based on direct salaries.

## Notes to Financial Statements

### Restricted Net Assets

Certain funds have been or will be created in accordance with the flow of funds provisions of a Master Indenture of Trust executed in connection with bonds issued by the Authority to finance the installation of upgrade facilities for wastewater treatment and related costs. The following is a summary of those funds:

#### Operating Fund

The Operating Fund pays operating expenses for administration and operation and maintenance of the Sewage Disposal System as they become due. By the fifth business day before the end of each month, the Authority transfers an amount to bring the balance on deposit to one-sixth of the current annual amount budgeted for operating expenses, in accordance with the provisions outlined by the Master Indenture of Trust. The balance of the Operating Fund as of September 30, 2010 and 2009 was \$4,476,014 and \$2,281,739, respectively.

#### Parity Debt Service Fund

The Parity Debt Service Fund is created for debt that is in parity to revenue bonds pursuant to the Master Indenture of Trust. This fund is used to pay interest and principal payments for the Virginia Revolving Loan Fund when they become due. By the fifth business day before the end of the month, the Authority transfers an amount to bring the balance on deposit equal to the interest and principal accrued until the payment is due. The balance of the Parity Debt Service Fund as of September 30, 2010 and 2009 was \$2,288,425 and \$585,307, respectively.

#### Improvement, Renewal and Replacement Fund

The purpose of this fund is to provide for payment of capital improvements, costs of renewals and replacements, and improvements to the treatment plant portion of the Sewage Disposal System that is used jointly by the Authority and Fairfax County. The contribution to the fund is .7% of the total amount of capital expenditures made subsequent to October 1, 1997 for the joint portion of the system. This contribution is funded by the Authority at 40% and Fairfax County at 60%. The balance of the Improvement, Renewal and Replacement Fund as of September 30, 2010 and 2009 was \$9,420,664 and \$6,075,338, respectively.

#### Construction Fund

The Construction Fund was established to pay for the constructing of any improvement to the portion of the plant used jointly by the Authority and Fairfax County. The balance of the Construction Fund as of September 30, 2010 and 2009 was \$919,876 and \$583,673, respectively.

Certain cash and investments are restricted to meet the requirements of the Master Indenture of Trust.

### Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## Notes to Financial Statements

### Note 2. Cash on Deposit

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. Amounts on deposit in financial institutions, which are described as cash in the Authority's financial statements, are covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (the Act). Under the Act, banks holding public deposits in excess of the amounts insured by the Federal Deposit Insurance Corporation must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks. The State Treasury Board also assumes responsibility for the remaining 50% of the excess deposits not collateralized by the bank.

In addition, trustee cash is secured by Section 6.1-21 of the Code of Virginia relating to funds by the trust department of a financial institution. Consequently, the Authority's cash on deposit is not exposed to custodial credit risk.

### Note 3. Receivables and Payables

Receivables and payables were composed of the following as of September 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Trade receivables:		
Billed services	\$ 2,637,985	\$ 2,401,815
Unbilled services	2,832,311	2,616,757
Other receivables	<u>389,570</u>	<u>1,345,945</u>
	<u>\$ 5,859,866</u>	<u>\$ 6,364,517</u>
Accounts payable:		
Vendors	\$ 1,397,477	\$ 3,617,392
Accrued expenses:		
Payroll, payroll taxes and other	<u>597,452</u>	<u>388,013</u>
Total accounts payable and accrued expenses	<u>\$ 1,994,929</u>	<u>\$ 4,005,405</u>

## Notes to Financial Statements

### Note 4. Investments

Investments consist of the following at September 30, 2010 and 2009:

	2010	2009
Money market funds	\$ 2,288,425	\$ 7,825,738
Repurchase agreements, backed by obligations of U.S. government and agencies	4,070,002	4,066,539
Virginia Local Government Investment Pool	6,091,162	6,075,338
	\$ 12,449,589	\$ 17,967,615

### Credit Risk

State statutes authorize the Authority to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia and other states or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank) and Asian Development Bank, Commercial Paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool. The Authority has complied with this requirement. The State Treasurer's Local Government Investment Pool was rated 'AAA' by Standard and Poor's Corporation.

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Credit Exposure as a % of Total Investments</u>
Mutual Funds	AAA	Standard & Poor's	18.4%
US Agencies	AAA/Aaa	S&P/Moody's	32.7%
LGIP	AAAm	Standard & Poor's	48.9%

### Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are made and insured pursuant to the Virginia Security for Public Deposits Act, Section 6.1-21 of the Virginia Code and the Federal Deposit Insurance Corporation, if appropriate. At September 30, 2010 and 2009, none of the Authority's investments are exposed to custodial credit risk.

## Notes to Financial Statements

### Interest Rate Risk

The Authority's investments as of September 30, 2010 and 2009 are classified by interest rate risk as detailed below:

#### 2010

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than One Year</u>	<u>1-3 Years</u>
Mutual Funds	\$ 2,288,425	\$ 2,288,425	\$ --
US Agencies	4,070,002	4,070,002	--
LGIP	<u>6,091,162</u>	<u>6,091,162</u>	--
Total	<u>\$ 12,449,589</u>	<u>\$ 12,449,589</u>	<u>\$ --</u>

### Reconciliation of Investments

#### Investments

Investments - restricted	\$ 8,379,587
Investments	<u>4,070,002</u>
Total	<u>\$ 12,449,589</u>

#### 2009

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than One Year</u>	<u>1-3 Years</u>
Mutual Funds	\$ 7,825,738	\$ 7,825,738	\$ --
US Agencies	4,066,539	4,066,539	--
LGIP	<u>6,075,338</u>	<u>6,075,338</u>	--
Total	<u>\$ 17,967,615</u>	<u>\$ 17,967,615</u>	<u>\$ --</u>

### Reconciliation of Investments

#### Investments

Investments - restricted	\$ 9,170,713
Investments	<u>8,796,902</u>
Total	<u>\$ 17,967,615</u>

## Notes to Financial Statements

### Note 5. Capital Assets

Changes in capital assets are as follows:

	<b>Balance, September 30, 2009</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance, September 30, 2010</b>
Capital assets, not being depreciated:				
Land	\$ 22,970,016	\$ 16,996,362	\$ --	\$ 39,966,378
Construction in progress	<u>8,175,096</u>	<u>1,549,041</u>	<u>--</u>	<u>9,724,137</u>
Total capital assets, not being depreciated	<u>\$ 31,145,112</u>	<u>\$ 18,545,403</u>	<u>\$ --</u>	<u>\$ 49,690,515</u>
Capital assets, being depreciated				
Plant	\$ 554,428,199	\$ 4,212,937	\$ --	\$ 558,641,136
Office equipment	1,546,623	38,874	--	1,585,497
Vehicles	<u>2,199,175</u>	<u>1,290,664</u>	<u>--</u>	<u>3,489,839</u>
Total capital assets, being depreciated	<u>\$ 558,173,997</u>	<u>\$ 5,542,475</u>	<u>\$ --</u>	<u>\$ 563,716,472</u>
Less accumulated depreciation for:				
Plant	\$ (107,360,362)	\$ (8,301,249)	\$ --	\$ (115,661,611)
Office equipment	(1,102,103)	(105,444)	--	(1,207,547)
Vehicles	<u>(1,998,996)</u>	<u>(172,694)</u>	<u>--</u>	<u>(2,171,690)</u>
Total capital assets being depreciated, net	<u>\$ 447,712,536</u>	<u>\$ (3,036,912)</u>	<u>\$ --</u>	<u>\$ 444,675,624</u>
Capital assets, being amortized				
Capacity rights	<u>\$ 20,971,170</u>	<u>\$ 11,344,412</u>	<u>\$ --</u>	<u>\$ 32,315,582</u>
Less accumulated amortization for:				
Capacity rights	<u>\$ (713,768)</u>	<u>\$ (666,084)</u>	<u>\$ --</u>	<u>\$ (1,379,852)</u>
Total capital assets being amortized, net	<u>\$ 20,257,402</u>	<u>\$ 10,678,328</u>	<u>\$ --</u>	<u>\$ 30,935,730</u>
Total capital assets	<u>\$ 499,115,050</u>	<u>\$ 26,186,819</u>	<u>\$ --</u>	<u>\$ 525,301,869</u>

## Notes to Financial Statements

	<b>Balance, September 30, 2008</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance, September 30, 2009</b>
Capital assets, not being depreciated:				
Land	\$ 2,230,853	\$ 20,739,163	\$ --	\$ 22,970,016
Construction in progress	<u>2,847,746</u>	<u>5,327,350</u>	<u>--</u>	<u>8,175,096</u>
Total capital assets, not being depreciated	<u>\$ 5,078,599</u>	<u>\$ 26,066,513</u>	<u>\$ --</u>	<u>\$ 31,145,112</u>
Capital assets, being depreciated				
Plant	\$ 548,481,605	\$ 5,946,594	\$ --	\$ 554,428,199
Office equipment	1,725,807	56,386	(235,570)	1,546,623
Vehicles	<u>2,199,175</u>	<u>--</u>	<u>--</u>	<u>2,199,175</u>
Total capital assets, being depreciated	<u>\$ 552,406,587</u>	<u>\$ 6,002,980</u>	<u>\$ (235,570)</u>	<u>\$ 558,173,997</u>
Less accumulated depreciation for:				
Plant	\$ (99,037,488)	\$ (8,322,874)	\$ --	\$ (107,360,362)
Office equipment	(1,201,764)	(135,909)	235,570	(1,102,103)
Vehicles	<u>(1,871,196)</u>	<u>(127,800)</u>	<u>--</u>	<u>(1,998,996)</u>
	<u>\$ (102,110,448)</u>	<u>\$ (8,586,583)</u>	<u>\$ 235,570</u>	<u>\$ (110,461,461)</u>
Total capital assets being depreciated, net	<u>\$ 450,296,139</u>	<u>\$ (2,583,603)</u>	<u>\$ --</u>	<u>\$ 447,712,536</u>
Capital assets, being amortized				
Capacity rights	<u>\$ 11,887,453</u>	<u>\$ 9,083,717</u>	<u>\$ --</u>	<u>\$ 20,971,170</u>
Less accumulated amortization for:				
Capacity rights	<u>\$ (400,765)</u>	<u>\$ (313,003)</u>	<u>\$ --</u>	<u>\$ (713,768)</u>
Total capital assets being amortized, net	<u>\$ 11,486,688</u>	<u>\$ 8,770,714</u>	<u>\$ --</u>	<u>\$ 20,257,402</u>
Total capital assets	<u>\$ 466,861,426</u>	<u>\$ 32,253,624</u>	<u>\$ --</u>	<u>\$ 499,115,050</u>

### **Arlington County Purchased Capacity Rights**

Alexandria Sanitation Authority has entered into agreements with Arlington County, in which capacity is purchased for the rights to use Arlington County's wastewater treatment plant. These costs are capitalized as an intangible asset. Arlington County holds title to the plant.

## Notes to Financial Statements

### Note 6. Long-Term Debt

On March 15, 1999, the Authority executed a new Master Indenture of Trust for the purpose of issuing sewer revenue bonds from time to time. These bonds will provide funds to pay the cost, or any part of the cost, of the Sewage Disposal System additions or improvements or to refund indebtedness and obligations previously incurred for such purposes. The Authority has issued and sold sewer revenue bonds to the Virginia Water Facilities Revolving Fund, acting by and through the Virginia Resources Authority (VRA). The Master Indenture of Trust constitutes a contract among the Authority, the Trustee and VRA governing bond issuance.

Sewer bonds consist of the following at September 30, 2010 and 2009:

	<b>2010</b>	<b>2009</b>
Sewer revenue bond, Series 1998A, \$9,000,000; secured equally and ratably with other bond issues by pledge of revenues of the Authority; semi-annual installments of \$334,540, including principal and interest at 4% due through March 2019.	\$ 4,781,207	\$ 5,245,078
Sewer revenue bond, Series 2000A, \$25,000,000; secured equally and ratably with other bond issues by pledge of revenues of the Authority; semi-annual installments of \$889,850, including principal and interest at 3.5% due through March 2020.	14,278,580	15,525,698
Sewer revenue bond, Series 2000B, \$60,400,000; by pledge of revenues of the Authority; interest only payments due March 2002 and March 2005; semi-annual installments of approximately \$2,405,000, including principal and interest at 3.85% due through September 2022.	48,287,758	50,903,638
Sewer revenue bond, Series 2004, \$22,000,000; secured equally and ratably with other bond issues by pledge of revenues of the Authority; semi-annual installments of \$742,125, including principal and interest beginning March 2006 at 3.10% due through September 2024.	16,754,184	17,697,076
Sewer revenue bond, Series 2006A, \$3,000,000; secured equally and ratably with other bond issues by pledge of revenues of the Authority; semi-annual installments of \$105,060, including principal and interest beginning in March 2006 at 3.10% due through September 2024.	2,371,822	2,505,304
Sewer revenue bond, Series 2006B, \$12,000,000; secured equally and ratably with other bond issues by pledge of revenues of the Authority; semi-annual installments of \$412,313 beginning March 2008 at 3.10% due through March 2027.	10,588,108	11,073,481

## Notes to Financial Statements

Sewer revenue bond, Series 2008B, \$9,265,000; secured equally and ratably with other bond issues by pledge of revenues of the Authority; annual installments of \$181,569 to \$595,081, including principal and interest, increasing annually, beginning October 2009 at an average interest cost of 5.37% due through October 2038.

2010	2009
9,135,000	9,265,000

Sewer revenue bond, Series 2009, \$15,000,000; secured equally and ratably with other bond issues by pledge of revenues of the Authority; semi-annual installments of \$536,250, including principal and interest, beginning March 2011 at 3.55% due through September 2030.

13,942,911	-
\$ 120,139,570	\$ 112,215,275
(78,508)	(83,043)
\$ 120,061,062	\$ 112,132,232

Less unamortized discounts

Debt service requirements on long-term debt at September 30 are as follows:

Years Ending September 30,	Principal	Interest	Total
2011	\$ 6,505,193	\$ 4,541,929	\$ 11,047,122
2012	7,003,507	4,125,048	11,128,555
2013	7,264,159	3,869,994	11,134,153
2014	7,529,081	3,607,153	11,136,234
2015	7,803,617	3,335,160	11,138,777
2016-2020	43,466,667	12,218,544	55,685,211
2021-2025	28,857,161	4,555,334	33,412,495
2026-2030	7,400,185	1,839,184	9,239,369
2031-2035	2,150,000	852,556	3,002,556
2036-2040	2,160,000	231,669	2,391,669
	\$ 120,139,570	\$ 39,176,571	\$ 159,316,141

Future debt service requirements for principal and interest for each debt outstanding as of September 30, 2010 are as follows:

Years Ending September 30,	1998 Loan		2000 Loan		2004 Loan		2006 Loan		2008 Loan		2009 Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 482,611	\$ 186,470	\$ 4,011,376	\$ 2,321,703	\$ 972,349	\$ 511,902	\$ 637,884	\$ 396,861	\$ 150,000	\$ 455,675	\$ 250,973	\$ 669,318	\$ 6,505,193	\$ 4,541,929
2012	502,108	166,972	4,165,471	2,170,355	1,002,725	481,526	657,814	376,934	160,000	447,731	515,389	481,530	7,003,507	4,125,048
2013	522,393	146,687	4,325,506	2,013,178	1,034,051	450,200	678,362	356,383	170,000	440,475	533,847	463,071	7,264,159	3,869,994
2014	543,498	125,583	4,491,706	1,849,947	1,066,355	417,896	699,555	335,191	175,000	434,584	552,967	443,952	7,529,081	3,607,153
2015	565,455	103,625	4,664,313	1,680,430	1,099,668	384,583	721,409	313,337	180,000	429,038	572,772	424,147	7,803,617	3,335,160
2016-2020	2,165,142	176,640	27,094,671	5,633,161	6,035,622	1,385,632	3,959,571	1,214,194	1,025,000	2,010,984	3,186,661	1,797,933	43,466,667	12,218,544
2021-2025	--	--	13,813,295	689,197	5,543,414	393,590	4,405,773	557,492	1,295,000	1,730,141	3,799,679	1,184,914	28,857,161	4,555,334
2026-2030	--	--	--	--	--	--	1,199,562	37,377	1,670,000	1,347,838	4,530,623	453,969	7,400,185	1,839,184
2031-2035	--	--	--	--	--	--	--	--	2,150,000	852,556	--	--	2,150,000	852,556
2036-2040	--	--	--	--	--	--	--	--	2,160,000	231,669	--	--	2,160,000	231,669
Total	\$ 4,781,207	\$ 905,977	\$ 62,566,338	\$ 16,357,971	\$ 16,754,184	\$ 4,025,329	\$ 12,959,930	\$ 3,587,769	\$ 9,135,000	\$ 8,380,691	\$ 13,942,911	\$ 5,918,834	\$ 120,139,570	\$ 39,176,571

## Notes to Financial Statements

The changes in debt for the years ending September 30, 2010 and 2009 are as follows:

	<b>Balance September 30, 2009</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance September 30, 2010</b>	<b>Due Within One Year</b>
Sewer revenue bonds	\$ 112,215,275	\$ 13,942,911	\$ (6,018,616)	\$ 120,139,570	\$ 6,505,193
Less deferred amounts:					
Issuance discount	(83,043)	--	4,535	(78,508)	--
Total bonds payable	<u>\$ 112,132,232</u>	<u>\$ 13,942,911</u>	<u>\$ (6,014,081)</u>	<u>\$ 120,061,062</u>	<u>\$ 6,505,193</u>

	<b>Balance September 30, 2008</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance September 30, 2009</b>	<b>Due Within One Year</b>
Sewer revenue bonds	\$ 98,096,433	\$ 19,798,973	\$ (5,680,131)	\$ 112,215,275	\$ 6,018,322
Less deferred amounts:					
Issuance discount	--	(87,642)	4,599	(83,043)	--
Total bonds payable	<u>\$ 98,096,433</u>	<u>\$ 19,711,331</u>	<u>\$ (5,675,532)</u>	<u>\$ 112,132,232</u>	<u>\$ 6,018,322</u>

Interest expense under the above obligations was \$3,994,433 and \$3,908,650 for the years ended September 30, 2010 and 2009, respectively. During fiscal years 2010 and 2009, the Authority was in compliance with the covenants associated with the outstanding bond indentures.

### Note 7. Net Assets

Net assets represent the difference between assets and liabilities. The classification of net assets at September 30, 2010 and 2009 were as follows:

	<b>2010</b>	<b>2009</b>
Invested in Capital Assets, Net of Related Debt:		
Net property and equipment in service	\$ 525,301,869	\$ 499,115,050
Less:		
Revenue bonds payable	(120,061,062)	(112,132,232)
Line of credit	(10,319,950)	(4,050,000)
	<u>\$ 394,920,857</u>	<u>\$ 382,932,818</u>
Restricted:		
Operating	\$ 4,476,014	\$ 2,218,739
Parity debt service	2,288,425	585,307
Improvement, renewal and replacement	9,420,664	6,075,338
Construction	919,876	583,673
	<u>\$ 17,104,979</u>	<u>\$ 9,463,057</u>
Unrestricted	<u>\$ 23,946,659</u>	<u>\$ 21,539,582</u>

## Notes to Financial Statements

### Note 8. Pension Plan

The Authority has adopted Government Accounting Standards Statement No. 27, *Accounting for Pensions by State and Federal Government Employers*. There was no pension liability both before and at the effective date.

#### Plan Description

The Authority funds, on a noncontributory basis, the defined benefit pension plans administered by the Virginia Retirement System (VRS), an agent and cost sharing multiple-employer defined benefit pension plan that acts as a common investment and administrative agent for political subdivisions in the Commonwealth of Virginia. The Authority's payroll for employees covered by the VRS for the actuarial year end June 30, 2010 and 2009 was \$7,894,472 and \$9,060,442, respectively.

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Participating employees are eligible for an unreduced retirement benefit at age 65 with five years of service and at age 50 with 30 years of service payable monthly for life in an amount equal to 1.7% of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases (limited to five percent per year), beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of reported compensation. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information. A copy of that report may be downloaded from their website at <http://www.varetire.org> or writing to the Virginia Retirement System, P. O. Box 2500, Richmond, Virginia 23218-2500.

#### Funding Policy

Plan members are required by title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. The Authority is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The Authority contribution rate was 5.3% and 5.3% of the annual covered payroll for the actuarial year ended June 30, 2010 and June 30, 2009, respectively. The Authority has elected to contribute the 5% employee contribution. Therefore, the total contribution rate of the Authority was 10.3% and 10.3% of the annual covered payroll for the actuarial year ended June 30, 2010 and 2009, respectively.

## Notes to Financial Statements

### Annual Pension Cost

The annual required contribution for fiscal year 2010 was determined as a part of the June 30, 2007, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumption included (a) 7.0% investment rate of return (b) projected salary increases ranging from 3.75% to 5.60% per year, and (c) 2.5% per year cost-of-living adjustments. The actuarial value of the assets was determined using the modified market method. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. Any unfunded actuarial accrued liability is being amortized over a period of 20 years.

As of the actuarial valuation performed at June 30, 2010, the Authority's actuarial accrued liability (AAL) is approximately \$41.5 million, and the actuarial value of the assets is approximately \$32.6 million, or approximately 79% of the AAL. See the information presented in the Required Supplementary Information section of this CAFR for the schedule of funding progress.

#### Three-Year Trend Information

<u>Year Ended September 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2008	\$ 1,016,801	100%	\$ --
2009	\$ 940,585	100%	\$ --
2010	\$ 855,662	100%	\$ --

The Schedule of Funding Progress for the defined benefit pension plan can be found immediately following the notes to the financial statements. This schedule presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

### Other Post Employment Benefits

The Authority provides limited postretirement benefits such as health and life insurance to retirees who have five or more years of service with the Authority. The Authority pays 20% of medical insurance costs of retirees with five to twenty years of service and 40% of medical insurance costs of retirees with greater than twenty years of service. The remaining amounts of insurance premiums are paid by the retiree. Post-retirement life insurance benefit is also provided to retirees. The amount of life insurance coverage is the lesser of (1) 50% of Base Annual Earnings at retirement or (2) \$25,000. Life insurance premiums are paid by the Authority for retirees.

## Notes to Financial Statements

The Authority had an actuarial valuation of post employment benefits performed as of September 30, 2008 for the fiscal years ending September 30, 2010 and 2009. GASB Statement No. 45 does not require pre-funding of OPEB liabilities. As a result, the Authority has elected not to pre-fund OPEB liabilities at this time and continues to fund the OPEB costs on a pay as you go basis. The Authority has not created a trust fund as of September 30, 2010 for the purpose of making the required contributions. When the required contribution is not pre-funded, the difference between the OPEB annual expense and cash payments for OPEB benefits is treated as a liability in the financial statements. As of September 30, 2010 and 2009 the Authority had recorded a liability of \$985,916 and \$493,689, respectively, on the Statement of Net Assets.

The Authority's annual OPEB cost is \$520,511 and \$75,223, for the health and life insurance plans, respectively for the fiscal year ending September 30, 2010. The Authority's OPEB cost was \$502,893 and \$73,264, for the health and life insurance plans, respectively for the fiscal year ending September 30, 2009. The pay as you go cost for the Authority's OPEB benefits is \$79,963 and \$23,544, and \$60,739 and \$21,729, for the health and life insurance plans, for the years ending September 30, 2010 and 2009, respectively. The percentage of annual OPEB cost contributed is 17% and 14%, respectively, for the fiscal years ending September 30, 2010 and 2009. In accordance with GASB Statement No. 45, the Authority's OPEB expense is calculated based on the annual required contribution (ARC). The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) over a period not to exceed thirty years.

### Actuarial Methods and Assumptions

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

In the actuarial valuation, the entry age normal actuarial cost method was used. The valuation results are based on an investment rate of return assumption (discount rate) of 3.0%, an annual payroll growth rate of 2.5%, and an annual healthcare cost trend rate of 9% initially, decreasing annually to a rate of 5% after seven years. The unfunded liability is amortized over a period of 30 years at a level percentage of pay.

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

## Notes to Financial Statements

The following table shows the calculation of the net OPEB obligation as of September 30:

Fiscal Year Ended	Annual Required Contribution (ARC)	Add: Interest on Obligation	Less: ARC Adjustment	Annual OPEB Cost	Pay as You Go OPEB Costs (Contributions)	Increase in Net OPEB Obligations	Net OPEB Obligation Beginning of Year	Net OPEB Obligation End of Year
September 30, 2010	\$ 599,096	\$ 14,811	\$ (18,173)	\$ 595,734	\$ (103,507)	\$ 492,227	\$ 493,689	\$ 985,916
September 30, 2009	576,157	--	--	576,157	(82,468)	493,689	--	493,689

As of September 30, 2009, the most recent actuarial valuation date, the plan was not funded. The actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$7,383,839 and \$1,244,662, for the health and life insurance plans, respectively. The unfunded actuarial accrued liability (UAAL) was \$6,990,205 and \$1,201,637, for the health and life insurance plans, respectively for the fiscal year ending September 30, 2008.

### Three-Year Trend Information

	Annual OPB Costs	Percentage of Annual OPEB Contributions	Net OPEB Obligations End of Year
September 30, 2010	\$ 595,734	17.75%	\$ 985,916
September 30, 2009	576,157	14.31%	493,689

#### Note 9. Line of Credit

The Authority had a \$15,000,000 revolving credit agreement expiring on December 31, 2012. The interest rate is a variable rate calculated for each month as 68% of the one-month LIBOR rate plus 35 basis points. The rate was 0.82% and 0.54% at September 30, 2010 and 2009, respectively. The Authority has pledged the net revenues to secure the payment of principal and interest. The revolving credit agreement constitutes subordinate debt under the Master Indenture of Trust discussed in Note 6.

The Authority's line of credit was established to provide for funds to meet cash flow needs for construction activity as required. Activity on this line of credit for the years ended September 30, 2010 and 2009 consists of the following:

	2010	2009
Balance, beginning	\$ 4,050,000	\$ 4,050,000
Increases	6,269,950	--
Decreases	--	--
Balance, ending	\$ 10,319,950	\$ 4,050,000

Interest of \$49,274 and \$43,237 was paid on the line of credit during the fiscal years ending September 30, 2010 and 2009, respectively.

## Notes to Financial Statements

### Note 10. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There have been no significant reductions in insurance coverage from the prior year. Settled claims have not exceeded insurance coverage in the past three years.

### Note 11. Commitments and Contingencies

#### Waste-to-Energy Facility

In 1984, as an accommodation to the City of Alexandria and Arlington County, the Authority agreed to be a party to an agreement to construct a waste-to-energy facility. The Authority's main role is to help meet imposed funding requirements. During 1985, the facility was sold to a private equity owner. As a condition of the sale, the Alexandria Sanitation Authority and the Arlington Solid Waste Authority will hold title to the facility until the obligation of the purchase agreements are met.

In 1998, two series of revenue bonds were issued on behalf of the waste-to-energy facility. The Series 1998A revenue bonds were issued to refund the original Series 1954 bonds. Series 1998B bonds were issued to finance capital improvements, including retrofitting the facility with certain air pollution control equipment.

In accordance with the agreements, at no time will the revenues or assets of the Authority be obligated or used to satisfy the debts and liabilities of the waste-to-energy facility.

#### Other

During the fiscal year, the Authority entered into various construction contracts. As of September 30, 2010, approximately \$1.6 million is outstanding for work that has not yet been completed.

From time to time, the Authority is involved in various legal actions arising in the normal course of business. In the opinion of management, such matters will not have a material effect upon the financial position of the Authority.

## Notes to Financial Statements

### Note 12. New Governmental Accounting Standards Board (GASB) Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statement of the Authority:

- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, will be effective for the Authority beginning with its fiscal year ending September 30, 2011. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.
- GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, will be effective for the Authority beginning with its fiscal year ending September 30, 2012. This statement addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans.
- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, will be effective for the Authority beginning with its fiscal year ending September 30, 2013. This statement addresses issues related to service concession arrangements.
- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and 34*, will be effective for the Authority beginning with its fiscal year ending September 30, 2013. This statement aims to improve financial reporting for governmental reporting entities by addressing issues that have arisen in the industry since the previous statements were issued.
- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, will be effective for the Authority beginning with its fiscal year ending September 30, 2013. This statement incorporates certain accounting and financial reporting guidance into the GASB's authoritative literature.

### Note 13. Reclassification of Certain Accounts

Certain accounts on the Statements of Net Assets and Statements of Revenue, Expenses, and Changes in Net Assets for the year ended September 30, 2009 have been reclassified, with no effect on net income, to be consistent with the classifications adopted for the year ended September 30, 2010.

## Notes to Financial Statements

### Note 14. Subsequent Events

The Authority has evaluated all subsequent events through January 27, 2011, the date the financial statements were available to be issued. Subsequent to year end, the Authority sold a parcel of land for \$200,000. In addition, the Authority entered into a contract to purchase acetic acid for approximately \$980,000.

Effective October 1, 2010, the Authority's began collecting a Residential Bay Protection Charge. This fixed charge is to help recover capital expenses needed to upgrade the infrastructure to meet new, lower nutrient discharge limits to help protect the Chesapeake Bay Watershed.

**ALEXANDRIA SANITATION AUTHORITY**

**Required Supplementary Information  
(Unaudited - See Accompanying Independent Auditor's Report)**

**Schedule of Funding Progress - Virginia Retirement System**

<b>Actuarial Valuation Date June 30</b>	<b>Actuarial Value of Assets ( a )</b>	<b>Actuarial Accrued Liability (AAL) Entry Age ( b )</b>	<b>Unfunded AAL (UAAL) ( b-a )</b>	<b>Funded Ratio ( a/b )</b>	<b>Covered Payroll ( c )</b>	<b>UAAL as a Percentage of Covered Payroll [(b-a)/c]</b>
2004	\$ 22,786,318	\$ 20,525,924	\$ (2,260,394)	111.01 %	\$ 6,658,177	(33.95) %
2005	23,521,687	27,007,914	3,486,227	87.09 %	7,135,059	48.86 %
2006	24,995,555	27,586,729	2,591,174	90.61 %	7,132,052	36.33 %
2007	28,404,542	31,288,056	2,883,514	90.78 %	8,126,370	35.48 %
2008	31,717,101	34,428,790	2,711,689	92.12 %	8,597,495	31.54 %
2009	32,435,739	37,765,246	5,329,507	85.89 %	9,060,442	58.82 %
2010	32,620,483	41,532,353	8,911,870	78.54 %	7,894,472	112.89 %

**Schedule of Funding Progress - Other Post Employment Benefits**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets ( a )</b>	<b>Actuarial Accrued Liability (AAL) ( b )</b>	<b>Unfunded AAL (UAAL) ( b-a )</b>	<b>Funded Ratio ( a/b )</b>	<b>Covered Payroll ( c )</b>	<b>UAAL as a Percentage of Covered Payroll [(b-a)/c]</b>
9/30/2008	\$ --	\$ 8,191,842	\$ 8,191,842	-- %	\$ 9,158,860	89.40 %
9/30/2009	\$ --	\$ 8,628,501	\$ 8,628,501	-- %	\$ 8,912,552	96.80 %

## Financial Trends

Financial trend information is intended to assist users in understanding how the Authority's financial position has changed over time. The tables below disclose comparative financial data.

TABLE 1

**Condensed Statements of Net Assets  
Last Ten Fiscal Years**

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>Assets</b>										
Current Assets	\$ 41,461,405	\$ 29,036,214	\$ 23,043,703	\$ 23,639,988	\$ 20,711,317	\$ 17,272,843	\$ 14,098,160	\$ 10,598,502	\$ 8,749,279	\$ 6,961,635
Non-current Assets	529,550,561	508,054,514	472,111,155	468,933,019	471,170,047	472,618,050	463,262,613	417,404,933	384,248,058	329,501,922
<b>Total Assets</b>	<b>\$ 571,011,966</b>	<b>\$ 537,090,728</b>	<b>\$ 495,154,858</b>	<b>\$ 492,573,007</b>	<b>\$ 491,881,364</b>	<b>\$ 489,890,893</b>	<b>\$ 477,360,773</b>	<b>\$ 428,003,435</b>	<b>\$ 392,997,337</b>	<b>\$ 336,463,557</b>
<b>Liabilities</b>										
Current Liabilities	\$ 20,153,243	\$ 16,106,858	\$ 12,866,266	\$ 11,315,849	\$ 11,601,742	\$ 22,069,487	\$ 23,109,166	\$ 19,442,239	\$ 15,610,343	\$ 4,531,767
Long-term Liabilities	114,886,228	107,048,413	92,416,302	98,553,566	102,159,807	103,449,536	103,613,687	88,226,452	79,683,995	65,820,129
<b>Total Liabilities</b>	<b>\$ 135,039,471</b>	<b>\$ 123,155,271</b>	<b>\$ 105,282,568</b>	<b>\$ 109,869,415</b>	<b>\$ 113,761,549</b>	<b>\$ 125,519,023</b>	<b>\$ 126,722,853</b>	<b>\$ 107,668,691</b>	<b>\$ 95,294,338</b>	<b>\$ 70,351,896</b>
<b>Net Assets</b>										
Invested in Capital Assets (net of related debt)	\$ 394,920,857	\$ 382,932,818	\$ 364,871,030	\$ 359,840,983	\$ 359,054,970	\$ 347,647,952	\$ 334,673,711	\$ 298,717,606	\$ 275,864,599	\$ 247,691,807
Restricted Net Assets	17,104,979	9,463,057	10,445,651	10,888,604	11,507,755	8,720,691	10,801,537	6,971,687	5,877,581	4,082,660
Unrestricted Net Assets	23,946,659	21,539,582	14,555,609	11,974,005	7,557,090	8,003,227	5,162,672	14,645,451	15,960,819	14,337,194
<b>Total Net Assets</b>	<b>\$ 435,972,495</b>	<b>\$ 413,935,457</b>	<b>\$ 389,872,290</b>	<b>\$ 382,703,592</b>	<b>\$ 378,119,815</b>	<b>\$ 364,371,870</b>	<b>\$ 350,637,920</b>	<b>\$ 320,334,744</b>	<b>\$ 297,702,999</b>	<b>\$ 266,111,661</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 571,011,966</b>	<b>\$ 537,090,728</b>	<b>\$ 495,154,858</b>	<b>\$ 492,573,007</b>	<b>\$ 491,881,364</b>	<b>\$ 489,890,893</b>	<b>\$ 477,360,773</b>	<b>\$ 428,003,435</b>	<b>\$ 392,997,337</b>	<b>\$ 336,463,557</b>

Source: Alexandria Sanitation Authority

Financial Trends (Continued)

TABLE 2

**Condensed Statements of Revenues, Expenses and Changes in Net Assets  
Last Ten Fiscal Years**

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>Operating Revenues</b>										
Water and Sewer										
Service Charges	\$ 43,073,474	\$ 41,551,399	\$ 39,690,012	\$ 37,732,681	\$ 32,026,238	\$ 31,492,565	\$ 29,017,987	\$ 29,093,697	\$ 26,750,757	\$ 26,849,961
Other	33,211	174,044	21,929	11,900	305,532	303,446	--	1,750,959	3,870	7,428
<b>Total Operating Revenues</b>	<u>\$ 43,106,685</u>	<u>\$ 41,725,443</u>	<u>\$ 39,711,941</u>	<u>\$ 37,744,581</u>	<u>\$ 32,331,770</u>	<u>\$ 31,796,011</u>	<u>\$ 29,017,987</u>	<u>\$ 30,844,656</u>	<u>\$ 26,754,627</u>	<u>\$ 26,857,389</u>
<b>Non-operating Revenues</b>										
Investment and										
Other Income	\$ 175,253	\$ 237,065	\$ 733,564	\$ 1,236,613	\$ 905,585	\$ 481,581	\$ 217,363	\$ 239,955	\$ 414,366	\$ 731,020
Contributions from										
Developers/Others	15,278,723	19,565,293	3,022,634	1,759,696	16,715,099	16,295,571	32,301,581	20,431,221	27,121,732	55,748,686
<b>Total Non-operating Revenues</b>	<u>\$ 15,453,976</u>	<u>\$ 19,802,358</u>	<u>\$ 3,756,198</u>	<u>\$ 2,996,309</u>	<u>\$ 17,620,684</u>	<u>\$ 16,777,152</u>	<u>\$ 32,518,944</u>	<u>\$ 20,671,176</u>	<u>\$ 27,536,098</u>	<u>\$ 56,479,706</u>
<b>Total Revenues</b>	<u>\$ 58,560,661</u>	<u>\$ 61,527,801</u>	<u>\$ 43,468,139</u>	<u>\$ 40,740,890</u>	<u>\$ 49,952,454</u>	<u>\$ 48,573,163</u>	<u>\$ 61,536,931</u>	<u>\$ 51,515,832</u>	<u>\$ 54,290,725</u>	<u>\$ 83,337,095</u>
<b>Operating Expenses</b>										
Personnel Services	\$ 11,984,116	\$ 12,847,090	\$ 11,029,141	\$ 10,379,489	\$ 8,844,751	\$ 8,657,982	\$ 8,998,099	\$ 8,902,648	\$ 8,228,127	\$ 8,176,290
Utilities	2,894,032	3,739,917	3,874,631	3,558,767	4,053,959	3,199,573	3,049,913	2,946,236	2,020,433	1,985,446
General and Administration	2,646,080	2,791,919	3,347,052	3,564,800	3,970,737	3,691,293	3,655,343	3,125,294	2,649,708	2,632,745
Other	5,691,911	5,221,740	5,517,226	5,977,560	6,785,341	7,031,707	6,101,553	6,159,366	5,951,521	6,268,777
<b>Total Operating Expenses</b>	<u>\$ 23,216,139</u>	<u>\$ 24,600,666</u>	<u>\$ 23,768,050</u>	<u>\$ 23,480,616</u>	<u>\$ 23,654,788</u>	<u>\$ 22,580,555</u>	<u>\$ 21,804,908</u>	<u>\$ 21,133,544</u>	<u>\$ 18,849,789</u>	<u>\$ 19,063,258</u>
<b>Non-operating Expenses</b>										
Depreciation/Amortization	\$ 9,263,777	\$ 8,912,081	\$ 8,757,792	\$ 8,626,400	\$ 8,471,500	\$ 7,714,100	\$ 6,885,800	\$ 4,985,400	\$ 3,255,600	\$ 3,059,951
Interest/Other Expenses	4,043,707	3,951,887	3,773,599	4,050,097	4,078,221	4,544,558	2,543,047	2,765,143	593,998	504,733
<b>Total Non-operating Expenses</b>	<u>\$ 13,307,484</u>	<u>\$ 12,863,968</u>	<u>\$ 12,531,391</u>	<u>\$ 12,676,497</u>	<u>\$ 12,549,721</u>	<u>\$ 12,258,658</u>	<u>\$ 9,428,847</u>	<u>\$ 7,750,543</u>	<u>\$ 3,849,598</u>	<u>\$ 3,564,684</u>
<b>Total Expenses</b>	<u>\$ 36,523,623</u>	<u>\$ 37,464,634</u>	<u>\$ 36,299,441</u>	<u>\$ 36,157,113</u>	<u>\$ 36,204,509</u>	<u>\$ 34,839,213</u>	<u>\$ 31,233,755</u>	<u>\$ 28,884,087</u>	<u>\$ 22,699,387</u>	<u>\$ 22,627,942</u>
<b>Change in Net Assets</b>	<u>\$ 22,037,038</u>	<u>\$ 24,063,167</u>	<u>\$ 7,168,698</u>	<u>\$ 4,583,777</u>	<u>\$ 13,747,945</u>	<u>\$ 13,733,950</u>	<u>\$ 30,303,176</u>	<u>\$ 22,631,745</u>	<u>\$ 31,591,338</u>	<u>\$ 60,709,153</u>
<b>Total Net Assets, Beginning of Year</b>	<u>\$ 413,935,457</u>	<u>\$ 389,872,290</u>	<u>\$ 382,703,592</u>	<u>\$ 378,119,815</u>	<u>\$ 364,371,870</u>	<u>\$ 350,637,920</u>	<u>\$ 320,334,744</u>	<u>\$ 297,702,999</u>	<u>\$ 266,111,661</u>	<u>\$ 205,402,508</u>
<b>Total Net Assets, End of Year</b>	<u>\$ 435,972,495</u>	<u>\$ 413,935,457</u>	<u>\$ 389,872,290</u>	<u>\$ 382,703,592</u>	<u>\$ 378,119,815</u>	<u>\$ 364,371,870</u>	<u>\$ 350,637,920</u>	<u>\$ 320,334,744</u>	<u>\$ 297,702,999</u>	<u>\$ 266,111,661</u>

Source: Alexandria Sanitation Authority

**Revenue Capacity Information**

Revenue capacity information is provided to assist users in understanding the factors affecting the Authority's ability to generate sources of revenue. The Authority strives to cover operating and capital costs with user fees. User fees are comprised of two components, the account service charge and the usage charge. The following table represents comparative user rate charges.

**TABLE 3**

**User Charges  
Last Ten Fiscal Years (in dollars)**

<b>Fiscal Year</b>	<b>Usage Charge*</b>	<b>Service Charge</b>
2010	\$ 6.36	\$ 4.51
2009	6.11	4.42
2008	5.82	4.33
2007	5.39	4.25
2006	4.49	4.17
2005	4.06	4.17
2004	3.72	4.00
2003	3.54	3.93
2002	3.41	3.85
2001	3.41	3.74

\* - Based on 1,000 gallons of consumption.

Source: Alexandria Sanitation Authority

## Revenue Capacity Information (continued)

TABLE 4

Ten Principal Customers by Year  
Shown as Percentage of Revenue

Name	Type	2010	2009	2008	2007	2006
Southern Towers	Apartments	0.89%	1.10%	0.89%	1.03%	1.15%
Watergate at Landmark	Condos	0.50%	0.46%	0.60%	0.60%	0.57%
Legum and Norman, Inc.	Apartments	0.30%	--	--	--	--
SBAF	Apartments	0.26%	0.30%	--	--	--
The 4600 Condomium	Condos	0.22%	0.22%	0.22%	0.25%	--
AlSCO, Inc.	Business	0.21%	0.24%	0.24%	0.20%	--
Davidson Hotel Company	Hotel	0.20%	0.21%	--	0.20%	0.22%
Alexandria Hospital	Hospital	0.19%	0.20%	0.24%	-	0.02%
Tower 2000	Apartments	0.17%	0.17%	0.25%	0.20%	0.17%
ARHA	Town Houses	0.17%	--	--	--	--
Willorun Residential	Condos	--	0.21%	--	--	--
The Seasons	Condos	--	0.20%	0.28%	0.30%	0.27%
Hampton Inn/Old Town	Hotel	--	--	0.78%	--	--
Realty Management Services	Apartments	--	--	0.22%	0.20%	--
LCOR	Business	--	--	0.22%	--	--
Mid-Atlantic Coca-Cola	Bottling Plant	--	--	--	0.27%	--
Cuisine Solutions	Business	--	--	--	0.20%	--
	MG Usage	416,900	414,454	505,518	436,136	623,593
	Other Customer Usage	<u>12,967,482</u>	<u>12,089,326</u>	<u>12,316,911</u>	<u>12,193,864</u>	<u>12,438,332</u>
	Total Usage	<u>13,384,382</u>	<u>12,503,780</u>	<u>12,822,429</u>	<u>12,630,000</u>	<u>13,061,925</u>

Source: Alexandria Sanitation Authority

**Debt Capacity Information**

Debt capacity information is intended to assist users in understanding the Authority's debt burden and the ability to issue new debt. The ultimate guarantors of the Authority's debt are its customers.

**TABLE 5**

**Outstanding Debt Per Customer  
September 30, 2010**

	<u>Outstanding Debt</u>	<u># of Customers</u>	<u>Outstanding debt per Customer</u>
VRA Revolving Loan Fund & SRF	\$ 110,874,570	25,916	\$ 4,278.23
VRA Pooled Financing Program	<u>9,265,000</u>	25,916	\$ 357.50
Total	<u>\$ 120,139,570</u>	25,916	\$ 4,635.73

Source: Alexandria Sanitation Authority

**TABLE 6**

**Pledged Revenue Coverage (1.10 Required)**

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Pledged revenue	\$ 43,106,685	\$ 41,725,443	\$ 39,722,431	\$ 37,744,581	\$ 32,333,296	\$ 31,796,011	\$ 29,017,987	\$ 30,844,656	\$ 26,754,627
Operating expenses	(22,593,402)	(24,570,242)	(23,620,161)	(23,326,129)	(23,506,011)	(22,442,440)	(21,692,906)	(21,033,341)	(18,791,553)
Net revenues	20,513,283	17,155,201	16,102,270	14,418,452	8,827,285	9,353,571	7,325,081	9,811,315	7,963,074
Principal and Interest Requirements	10,159,813	9,588,780	9,139,498	8,728,160	8,642,050	8,705,511	7,197,400	6,969,970	3,894,829
Debt coverage	2.02	1.79	1.76	1.65	1.02	1.07	1.02	1.41	2.04

Source: Alexandria Sanitation Authority

**Demographic and Economic Information**

Demographic and economic information is intended to assist users in understanding the socio-economic environment in which the Authority operates.

**TABLE 7****Demographic Statistics**

July 31, 2010

**Population**

<u>Calendar Year</u>	<u>Population</u>	<u>Calendar Year</u>	<u>Population</u>
1940	33,523	1990	111,183
1950	61,787	2000	128,283
1960	91,023	2008	143,885
1970	110,938	2009	144,100
1980	103,217	2010	151,056

Source: U.S. Bureau of Census, "General Population Characteristics"

**TABLE 8****Population Indicators****Per Capita Income \***

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Alexandria	\$ 45,956	\$ 48,106	\$ 52,125	\$ 52,344	\$ 53,711	\$ 58,365	\$ 61,147	\$ 65,141	\$ 70,632	\$ 72,220
Arlington	\$ 45,703	\$ 49,555	\$ 52,673	\$ 53,860	\$ 54,207	\$ 58,893	\$ 59,389	\$ 63,827	\$ 68,270	\$ 72,317
Fairfax (includes Fairfax City and Falls Church)	\$ 47,306	\$ 50,035	\$ 51,931	\$ 52,494	\$ 53,981	\$ 57,169	\$ 60,289	\$ 64,698	\$ 67,909	\$ 69,885
Washington MSA	\$ 35,848	\$ 37,777	\$ 40,672	\$ 42,404	\$ 43,693	\$ 46,311	\$ 48,697	\$ 57,746	\$ 62,484	\$ 56,510

\* The BEA has revised these numbers.

Source: U.S. Bureau of Economic Analysis (BEA)

Demographic and Economic Information (continued)

TABLE 9

City of Alexandria Employment Data  
Current and Nine Years Ago

Current		Nine Years Ago	
<u>Employer</u>	<u>Employees</u>	<u>Employer</u>	<u>Employees</u>
<b>PUBLIC EMPLOYERS</b>		<b>PUBLIC EMPLOYERS</b>	
U.S. Patent Trademark Offices	2,000 - 10,000	U.S. Department of Defense	7,545
U.S. Department of Defense	2,000 - 10,000	City of Alexandria	2,132
City of Alexandria	2,328	Alexandria Public Schools	1,837
Alexandria Public Schools	2,098	WMATA	1,369
WMATA	500-2000	U.S. Postal Service	794
Northern VA Community College	500-2000	U.S. Department of Agriculture	605
U.S. Army	500-2000	Northern VA Community College	534
<hr/>		<hr/>	
<b>PRIVATE EMPLOYERS</b>		<b>PRIVATE EMPLOYERS</b>	
INOVA Alexandria Hospital	500-2,000	Alexandria Hospital	1,589
American Building Maintenance Co.	500-2,000	Institute for Defense Analysis	792
Institute of Defense Analysis	500-2,000	Boat Owners Assoc. of the U.S.	550
Center for Naval Analysis	500-2,000	Pentagon Federal Credit Union	538
Gali Services Corporation	500-2,000		
Grant Thornton LLC	200-500		
Oblon Spivak McClelland	200-500		
<hr/>		<hr/>	

Source: City of Alexandria Fiscal Year 2010 CAFR

TABLE 10

City of Alexandria Unemployment Rate

2010	5.0
2009	4.7
2008	2.9
2007	2.2
2006	2.6
2005	3.1
2004	3.2
2003	2.9
2002	3.6
2001	2.5

Source: US Department of Labor; Bureau of Labor Statistics

**Operating Information**

Operating information is intended to provide information about the Authority's operations.

**TABLE 11**

**Number of Employees by Activity**  
Years Ended September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>Process</b>		
Manager	1	1
Administrative Assistant	--	1
Interceptors/Pump Stns/Chem Feed	10	11
All Settling Tanks	6	12
Operating Shift D	5	5
Operating Shift B	5	5
Pretreatment Coordinator	--	1
Engineering Programs Coordinator	1	1
Director	--	1
Thickening, Dewater,Prepast,Digestion	10	9
BRB's.Blowers,UV	7	12
Campus	7	17
Operating Shift C	5	5
Operating Shift A	5	5
ProcessTech Candidates	3	--
<b>Solutions &amp; Innovations</b>		
Manager	1	1
Engineering	2	3
Information Systems	2	3
Contracts Specialist	--	1
<b>Quality Services</b>		
Laboratory	7	7
Environmental Programs Coordinator	1	1
<b>Fiscal Services</b>		
Controller	1	1
Administrative Assistant	1	1
Fiscal Services	4	4
<b>Employee Services</b>		
Employee Services	5	5
Safety Manager	1	1
<b>Administration</b>		
	<u>2</u>	<u>2</u>
	<u>92</u>	<u>119</u>

Source: Alexandria Sanitation Authority

## Operating Information (continued)

TABLE 12

## ALEXANDRIA SANITATION AUTHORITY

## Number of Customers and Consumption

For the Fiscal Year Ending September 30,

<u>Fiscal Year</u>	<u>Customer Accounts</u>	<u>MG Treated</u>
2010	25,916	13,384
2009	25,312	12,504
2008	25,879	12,822
2007	25,123	12,630
2006	27,240	13,061
2005	25,768	13,470
2004	25,584	14,260
2003	25,431	14,950
2002	25,039	10,928
2001	24,700	12,970

Source: Alexandria Sanitation Authority

Operating Information (continued)

TABLE 13

**ALEXANDRIA SANITATION AUTHORITY**

**Wastewater Treatment Capacity and Assets Owned**

For the Fiscal Year Ending September 30, 2010

Wastewater treatment capacity:	Design Capacity	54 MGD (million gallons per day)
<u>Asset:</u>		<u>Capacity:</u>
Four Mile Run Pump Station	Pump Station	Firm pumping capacity 11.4 MGD
Slater's Lane Pump Station	Pump Station	Firm pumping capacity 1.5 MGD
Potomac Yard Pump Station	Pump Station	Firm pumping capacity 9.5 MGD
River Road Pump Station	Pump Station	Firm pumping capacity .7 MGD
Bush Hill Service Chamber	Lift Station	Firm pumping capacity 0.35 MGD
Jefferson at Carlyle Mills Service Chamber	Lift Station	Firm pumping capacity 0.105 MGD
Holmes Run Trunk Sewer	Gravity Sewer	Design Capacity 69.4 MGD
Commonwealth Interceptor	Gravity Sewer & Force Main	Design Capacity 24 MGD
Potomac Yard Trunk Sewer	Gravity Sewer & Force Main	Design Capacity 11 MGD
Potomac Interceptor	Gravity Sewer	Design Capacity 16 MGD

Alexandria City owns the collection system; Alexandria Sanitation Authority owns the intercepting sewer system, the pump stations and the treatment facility.

Source: Alexandria Sanitation Authority



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