

City of Alexandria, Virginia

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2-28-01

MEMORANDUM

DATE: FEBRUARY 21, 2001
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: PHILIP SUNDERLAND, CITY MANAGER
SUBJECT: ALEXANDRIA SANITATION AUTHORITY'S FINANCIAL REPORT

ISSUE: Receipt of the Alexandria Sanitation Authority's September 30, 2000 Financial Report.

RECOMMENDATION: That City Council receive the Alexandria Sanitation Authority's Financial Report.

DISCUSSION: The City of Alexandria, Virginia, Sanitation Authority, (the Authority) is a public body organized under the provisions of the Virginia Water and Sewer Authorities Act (Chapter 28, Title 15.1, Code of Virginia, 1950 as amended). The Authority was created by City Council in 1952 and chartered by the State Corporation Commission in 1953 for the purpose of "acquiring, constructing, improving, extending, operating, and maintaining a sewage disposal system." The Authority's Wastewater Treatment plant is designed to process 54 million gallons per day and provides wastewater treatment for Alexandria and a portion of Fairfax County. The revenues of the Authority are derived from user charges imposed in the City, payments from Fairfax County, and interest on investments.

City staff reviewed the September 30, 2000, Financial Report and made the following observations:

- The Authority received a "clean" audit opinion from its independent auditors indicating that the financial statements were prepared in accordance with Generally Accepted Accounting Principles (Financial Report, page 1).
- The Authority finished the year with net operating revenues exceeding operating expenses by \$4.3 million (Financial Report, page 3), compared to \$6.2 million last year. According to the Authority staff, the \$4.3 million in net operating revenue was planned. This year's net earnings along with the \$6.2 million last year will be used to finance, on a cash capital pay-as-you-go basis, a portion of the Alexandria share of the Authority's Capital Improvement Program.
- The Authority is in the process of a \$310 million Capital Improvement Plan. It is anticipated that approximately \$20 million of the plans costs would be financed from grants, the remainder of the cost would be split between Alexandria customers (40%

or \$116 million) and Fairfax County customers (60% or \$174 million). Of the City customer's portion, \$13.6 million will be financed primarily from the sewage rate charge to Alexandria customers with the remaining \$102.4 million financed with debt issued by the Authority with debt service being added to the sewage rate charge to Alexandria customers. Of the Fairfax County customer portion \$80 million will be financed with debt issued by Fairfax County and \$94 million along with the money to repay the debt service, would come from sewer system revenue, or pay-as-you go financing. Approximately 73% of Fairfax sewer system's revenue comes from customer sewer rate charges, the remaining 27% comes from sewer growth related, availability fee or tap connection charges. Therefore, including debt service, for its capital obligation, Fairfax County customers will be paying approximately \$127 million (73% of \$174 million) through sewer rate charges and approximately \$47 million (27% of \$174 million) through new development and growth related availability fee or tap connection charges.

- Revenues from sewage disposal charges to City of Alexandria customers totaled \$15.8 million, approximately the same amount as in FY 1999.
- During fiscal year 2000, the Authority issued 20 year sewer revenue bonds in the amount of \$25 million at a rate of 3.5% secured by revenues of the Authority.
- The Virginia Resources Authority has authorized additional 20 year sewer revenue bonds in the amount of \$65 million at 4.5% per annum. The Authority expects to draw these bonds during FY 2001. These bonds will be used as part of the Authority's bonds issued to pay a portion of Alexandria's capital share.
- During fiscal year 2000, the Authority renewed a revolving line of credit for \$25 million which expires October 25, 2001. No balance was outstanding at the end of 2000 and 1999.

The Authority is committed under various contracts pertaining to the \$310 million upgrade to the advanced wastewater treatment plant as of September 30, 2000. A portion of this upgrade, scheduled to be completed in the spring of 2002, is needed to meet the rigorous pollution requirements of the Potomac Embayment Policy (Virginia Administrative Code 25-415-10) and the nutrient reduction goals from the 1987 Chesapeake Bay agreement between Virginia, Maryland, Pennsylvania and the District of Columbia. The remainder of the upgrade will be completed in late 2005.

The upgrade includes construction of the:

- filter effluent conduits, post aeration tanks, and plant water system,
- new laboratory and administration building,
- solids processing building and
- biological reactor basins.

It also includes modifying eight of the existing tertiary settling tanks, and constructing and rehabilitating digesters and support facilities.

Of the total project costs of \$310 million, contracts for approximately \$196 million have been entered into and remain outstanding as of September 30, 2000.

ATTACHMENT: City of Alexandria, Virginia, Sanitation Authority Report as of September 30, 2000

STAFF: Mark Jinks, Assistant City Manager
D. A. Neckel, Director of Finance

**CITY OF ALEXANDRIA,
VIRGINIA, SANITATION
AUTHORITY**

FINANCIAL REPORT

SEPTEMBER 30, 2000 and 1999



KELLER BRUNER & COMPANY

Certified Public Accountants • Management Consultants

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
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FINANCIAL STATEMENTS	
Balance sheets	2
Statements of revenue, expenses and changes in retained earnings	3 - 4
Statements of cash flows	5
Notes to financial statements	6 - 14



KELLER BRUNER & COMPANY, LLP

Certified Public Accountants • Management Consultants

INDEPENDENT AUDITOR'S REPORT

To the Members
City of Alexandria, Virginia,
Sanitation Authority
Alexandria, Virginia

We have audited the balance sheet of the City of Alexandria, Virginia, Sanitation Authority (the Authority) as of September 30, 2000, and the related statements of revenue, expenses, and changes in retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 the Authority, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statements referred to above present fairly, in all material respects, the financial position of the City of Alexandria, Virginia, Sanitation Authority as of September 30, 2000, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the City of Alexandria, Virginia, Sanitation Authority for the year ended September 30, 1999, were audited by Minter, Morrison and Grant, whose partners merged with Keller Bruner & Company, LLP on December 1, 1999. Minter, Morrison and Grant's report, dated November 3, 2000, expressed an unqualified opinion on those statements.

Keller Bruner & Company, L.L.P.

November 22, 2000

LIABILITIES AND FUND EQUITY

	2000	1999
Current Liabilities		
Current maturities of long-term debt	\$ 1,237,400	\$ 312,171
Accounts payable and accrued expenses	2,350,360	3,621,659
Due to Fairfax County	82,792	208,804
Total current liabilities	3,670,552	4,142,634
Long-Term Debt, less current maturities	32,003,520	9,976,557
	35,674,072	14,119,191
Equity		
Contributed capital	70,324,770	21,048,027
Retained earnings		
Restricted		
Operating	1,709,044	2,226,193
Parity debt service	206,991	-
Improvement, renewal and replacement	1,451,145	1,431,542
Construction	269,295	817,527
	3,636,475	4,475,262
Unrestricted	131,441,263	125,621,317
	135,077,738	130,096,579
	205,402,508	151,144,606
	\$ 241,076,580	\$ 165,263,797

1999

Total	Unrestricted	Restricted
\$ 15,772,111	\$ 15,772,111	\$ -
51,614	51,614	-
10,787,754	10,787,754	-
11,381	11,381	-
4,915	3,144	1,771
<u>26,627,775</u>	<u>26,626,004</u>	<u>1,771</u>
766,125	766,125	-
6,320,230	6,320,230	-
1,230,695	1,230,695	-
1,114,420	1,114,420	-
264,011	264,011	-
1,544,728	1,544,728	-
2,458,562	2,458,562	-
670,075	670,075	-
35,953	35,953	-
227,952	227,952	-
348,120	348,120	-
682,119	682,119	-
1,777,272	1,777,272	-
479,081	479,081	-
25,039	25,039	-
2,494,648	2,494,648	-
3,677	-	3,677
<u>20,442,707</u>	<u>20,439,030</u>	<u>3,677</u>
<u>\$ 6,185,068</u>	<u>\$ 6,186,974</u>	<u>\$ (1,906)</u>

1999

Total	Unrestricted	Restricted
\$ 6,185,068	\$ 6,186,974	\$ (1,906)
441,501	230,741	210,760
(7,519)	(7,519)	-
(137,234)	(137,234)	-
(35,750)	(35,750)	-
(23,183)	(23,183)	-
237,815	27,055	210,760
6,422,883	6,214,029	208,854
123,673,696	121,139,580	2,534,116
-	15,327,577	(15,327,577)
-	(17,059,869)	17,059,869
-	(1,732,292)	1,732,292
\$ 130,096,579	\$ 125,621,317	\$ 4,475,262

CITY OF ALEXANDRIA, VIRGINIA, SANITATION AUTHORITY

STATEMENTS OF CASH FLOWS
Years Ended September 30, 2000 and 1999

	2000	1999
Cash Flows from Operating Activities		
Operating income	\$ 4,253,481	\$ 6,185,068
Noncash expenses included in operating income		
Amortization of bond discount		
Series 1976	-	17,796
Series 1977	-	12,906
Depreciation	2,727,130	2,494,648
Change in working capital components		
Increase (decrease) in:		
Accounts receivable	(3,743)	(718,897)
Accounts payable and accrued expenses	194,692	52,579
Due to Fairfax County	(126,012)	74,958
Other receivables	(60,132)	-
Net cash provided by operating activities	6,985,416	8,119,058
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	34,671,767	20,491,059
Purchase of investments	(34,441,936)	(26,395,770)
Investment income	727,678	441,501
Net cash provided by (used in) investing activities	957,509	(5,463,210)
Cash Flows from Capital and Related Financing Activities		
Proceeds from long-term debt	24,553,090	10,288,728
Principal payments on long-term debt	(1,600,898)	(4,050,000)
Interest payments on long-term debt, net of interest capitalized	-	(203,686)
Proceeds from capital contributions	49,276,743	15,551,517
Additions to property	(80,704,657)	(23,937,750)
Net cash (used in) capital financing activities	(8,475,722)	(2,351,191)
Net increase (decrease) in cash	(532,797)	304,657
Cash		
Beginning	867,321	562,664
Ending	\$ 334,524	\$ 867,321
Supplemental Disclosures of Cash Flow Information		
Cash payments for interest	\$ 665,693	\$ 418,490
Supplemental Schedule of Noncash Investing Activities		
Property and equipment additions included in accounts payable	\$ 1,598,463	\$ 3,064,454

See Notes to Financial Statements.

CITY OF ALEXANDRIA, VIRGINIA, SANITATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Operations and Significant Accounting Policies

Nature of operations: The City of Alexandria, Virginia, Sanitation Authority (the Authority) is a special governmental unit created by the City Council of Alexandria in 1952 for the purpose of constructing, operating and maintaining a wastewater treatment system for the City of Alexandria. 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 exercises no oversight responsibility and 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.

A summary of the Authority's significant accounting policies follows:

Basis of accounting: The financial statements are presented on the accrual basis of accounting, as required by generally accepted accounting principles (GAAP) for enterprise funds as provided by the Government Accounting Standards Board (GASB), in which revenue is recognized when earned and expenses are recorded when incurred. The Authority applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Revenue: Sewage disposal rates, fees and charges are established to provide sufficient funds to cover the cost of operations, debt service, and improvements, renewals and replacements of the sewage disposal system. Revenue is recognized when earned.

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

Property and equipment: Property and equipment purchased or constructed is stated at 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. Depreciation on property acquired by contributed capital is closed into contributed capital and not into retained earnings.

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 \$512,107 and \$529,000 at September 30, 2000 and 1999, respectively. This liability is included in the financial statements as an accrued expense.

CITY OF ALEXANDRIA, VIRGINIA, SANITATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Operations and Significant Accounting Policies (Continued)

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 with equal to or greater than 20 years of service is added to any retirement benefit received. The potential liability to Authority employees at September 30, 2000 and 1999, is approximately \$200,000 and \$178,000, respectively. The Authority believes that only a small portion of the employees will actually qualify at retirement to receive the benefit. This liability is not included in the financial statements.

Contributed capital: Grants, entitlements and shared revenue received by the Authority and restricted for the acquisition or construction of capital assets are recorded as contributed capital. Contributed capital is amortized to the extent of depreciation attributable to assets purchased or constructed with contributed capital.

Restricted retained earnings: 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 shall pay 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 shall transfer an amount to bring the balance on deposit to one-sixth of the current amount budgeted for operating expenses.

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 shall transfer an amount to bring the balance on deposit equal to the interest and principal accrued until the payment is due.

Improvement, Renewal and Replacement Fund: The purpose of this fund is to pay for the cost of additions, 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.

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.

Estimates: The preparation of financial statements in conformity with generally accepted accounting principles 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.

CITY OF ALEXANDRIA, VIRGINIA, SANITATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash on Deposit

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. 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 held by the trust department of a financial institution.

Note 3. Investments

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.

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.

Investments are presented at market value. In the following table, category (1) includes investments that are insured or registered for which the securities are held by the Authority or its safekeeping agent in the Authority's name. Category (2) includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department or safekeeping agent but not in the Authority's name. Investments consist of the following at September 30:

	2000	1999
Category (1)		
Obligations as authorized per State statutes	\$ 3,250,769	\$ 4,976,835
Category (2)		
Repurchase agreements, backed by obligations of U.S. government and agencies	3,922,293	2,491,507
Virginia Local Government Investment Pool		
This pooled investment fund is recognized as an investment type under GASB 3 that does not require disclosure of the indication of the level of risk assumed by the Authority. These funds are available on demand.	2,119,971	2,054,522
	<u>\$ 9,293,033</u>	<u>\$ 9,522,864</u>

CITY OF ALEXANDRIA, VIRGINIA, SANITATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 4. Property and Equipment

Property and equipment consists of the following as of and for the years ended September 30, 2000 and 1999:

ASSETS					
	Balance September 30, 1999	Additions	Deductions	Transfers	Balance, September 30, 2000
Land	\$ 407,616	\$ -	\$ -	\$ 27,862	\$ 435,478
Plant	162,047,618	1,158,297	-	25,164,000	188,369,915
Office equipment	420,112	-	-	322,412	742,524
Vehicles	794,117	37,950	(43,261)	-	788,806
Construction in progress	36,646,091	78,042,419	-	(25,514,274)	89,174,236
	<u>\$ 200,315,554</u>	<u>\$ 79,238,666</u>	<u>\$ (43,261)</u>	<u>\$ -</u>	<u>\$ 279,510,959</u>

ACCUMULATED DEPRECIATION						
	Estimated Useful Life	Balance September 30, 1999	Additions	Deductions	Transfers	Balance, September 30, 2000
Plant	67 years	\$ 47,069,601	\$ 2,628,131	\$ -	\$ -	\$ 49,697,732
Office equipment	10 years	323,684	54,572	-	-	378,256
Vehicles	5 years	688,813	44,428	(43,261)	-	689,980
		<u>\$ 48,082,098</u>	<u>\$ 2,727,131</u>	<u>\$ (43,261)</u>	<u>\$ -</u>	<u>\$ 50,765,968</u>

ASSETS					
	Balance September 30, 1998	Additions	Deductions	Transfers	Balance, September 30, 1999
Land	\$ 407,616	\$ -	\$ -	\$ -	\$ 407,616
Plant	161,523,302	524,316	-	-	162,047,618
Office equipment	408,038	12,074	-	-	420,112
Vehicles	724,164	69,953	-	-	794,117
Construction in progress	10,250,230	26,395,861	-	-	36,646,091
	<u>\$ 173,313,350</u>	<u>\$ 27,002,204</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,315,554</u>

ACCUMULATED DEPRECIATION						
	Estimated Useful Life	Balance September 30, 1998	Additions	Deductions	Transfers	Balance, September 30, 1999
Plant	67 years	\$ 44,642,801	\$ 2,426,800	\$ -	\$ -	\$ 47,069,601
Office equipment	10 years	296,753	26,931	-	-	323,684
Vehicles	5 years	647,896	40,917	-	-	688,813
		<u>\$ 45,587,450</u>	<u>\$ 2,494,648</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,082,098</u>

CITY OF ALEXANDRIA, VIRGINIA, SANITATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 5. 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 revenue bonds consists of the following at September 30, 2000 and 1999:

	2000	1999
Sewer revenue bond, Series 1998A, \$9,000,000; secured equally and ratably with other bond issues by pledge of revenues of the Authority; payable in semi-annual installments of \$334,540 including principal and interest at 4%.	\$ 8,687,830	\$ 9,000,000
Sewer revenue bond, Series 1999A, secured equally and ratably with other bond issues by pledge of revenue of the Authority.	-	1,288,728
Sewer revenue bond, Series 2000A, \$25,000,000; secured equally and ratably with other bond issues by pledge of revenues of the Authority; payable in semi-annual installments of \$889,850 including principal and interest at 3.5%.	24,553,090	-
	<u>\$ 33,240,920</u>	<u>\$ 10,288,728</u>

Debt service requirements on long-term debt at September 30, 2000, are as follows:

Years ending September 30,	Principal	Interest	Total
2001	\$ 1,237,400	\$ 1,211,380	\$ 2,448,780
2002	1,282,741	1,166,039	2,448,780
2003	1,329,751	1,119,029	2,448,780
2004	1,378,490	1,070,290	2,448,780
2005	1,429,023	1,019,757	2,448,780
2006-2020	26,583,515	7,807,809	34,391,324
	<u>\$ 33,240,920</u>	<u>\$ 13,394,304</u>	<u>\$ 46,635,224</u>

CITY OF ALEXANDRIA, VIRGINIA, SANITATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Debt (Continued)

Interest expense under the above obligations at September 30, 2000 and 1999, consists of the following:

	2000	1999
Total interest charges	\$ 665,693	\$ 352,038
Less capitalized interest	665,693	214,804
Net interest expense	\$ -	\$ 137,234

Note 6. Pension Plan

The Authority has adopted Government Accounting Standard 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.

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 salary (AFS) 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 beginning in their second year of retirement. AFS is defined as the highest consecutive 36 months of salary. 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 obtained by 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 has made this contribution for its eligible employees. In addition, the Authority is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The Authority contribution rate was 5.06% for a combined rate of 10.06% of the annual covered payroll for the actuarial year ended June 30, 2000. Effective July 1, 2000, the combined rate will be 7.07%.

CITY OF ALEXANDRIA, VIRGINIA, SANITATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 6. Pension Plan (Continued)

Annual pension cost: For the year ended September 30, 2000, the Authority's annual required pension cost was \$632,846. The annual required contribution was determined as a part of the June 30, 1999, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumption included (a) 8% investment rate of return which includes inflation at 4% (b) payroll growth rate of 4% (c) projected salary increases ranging from 4.00% to 6.15% per year, and (d) 3.5% per year cost-of-living adjustments. The actuarial value of the assets was determined using the modified market method. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at September 30, 1999, was 10 years.

Three – Year Trend Information

Final Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
September 30, 1998	\$ 728,010	100%	\$ -
September 30, 1999	693,450	100%	-
September 30, 2000	632,846	100%	-

Required Supplementary Information
Schedule of Funding Progress

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as % of Payroll
June 30, 1994	\$ 7,304,758	\$ 7,157,663	\$ (147,095)	102.1%	\$ 6,252,262	(2.4%)
June 30, 1996	9,798,476	9,776,985	(21,491)	100.2%	6,863,779	(0.3%)
June 30, 1998	13,945,091	12,979,532	(965,559)	107.4%	7,011,705	(13.8%)
June 30, 1999	16,320,956	14,598,169	(1,722,787)	111.8%	6,782,348	(25.4%)

Note 7. Contributed Capital

Total contributed capital payments received are as follows as of September 30:

Source	2000	1999
Fairfax County	\$ 43,069,977	\$ 14,087,411
Commonwealth of Virginia	6,206,766	1,464,106
Total additions	49,276,743	15,551,517
Contributed capital Beginning	21,048,027	5,496,510
Ending	\$ 70,324,770	\$ 21,048,027

CITY OF ALEXANDRIA, VIRGINIA, SANITATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 8. Line of Credit and Loan Commitments

The Authority has a \$25,000,000 revolving credit agreement which expires on October 25, 2000. The interest rate is a variable rate calculated for each month as 99.5% of the one-month LIBOR rate minus 36 basis points. The Authority has pledged the net revenues to secure the payment of principal and interest. The revolving rate constitutes subordinate debt under the Master Indenture of Trust discussed in Note 5. No balance was outstanding at September 30, 2000 and 1999. The line of credit was renewed for an additional year as of October 25, 2000, on the same terms.

The Virginia Resources Authority has authorized an additional loan in the amount of \$65,300,000 at 4.5% per annum, for a term of 20 years in the form of a sewer revenue bond. The Authority expects to draw down on this loan during the year ending September 30, 2001.

Note 9. 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 1984 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.

Capital improvements: The Authority is committed under various contracts pertaining to an upgrade to the advanced wastewater treatment plant totaling approximately \$302,000,000 at September 30, 2000. Sixty percent of the cost of the projects is absorbed by Fairfax County. Some of the projects are being partially funded with state assistance awards. Of the total project costs of \$302,000,000, contracts for approximately \$196,000,000 have been entered into and remain outstanding as of September 30, 2000.

Contingencies: 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.

CITY OF ALEXANDRIA, VIRGINIA, SANITATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 10. New Governmental Accounting Standards Board (GASB) Standards

Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – For State and Local Governments*, issued June 1999 will be effective for the Authority for the fiscal year ending September 30, 2003. Statement No. 34 imposes new standards for financial reporting. Management has not yet completed their assessment of the statement; however, it will have a material effect on the overall financial statement presentation of the Authority.

Note 11. Reclassification

The 1999 financial statements have been reclassified to reflect the operating fund, which includes cash and investments, as a restricted activity. Consequently, \$2,226,193 of retained earnings as of September 30, 1999, has been reclassified from unrestricted to restricted retained earnings.