

An underwater photograph of a young child swimming towards the camera, with a sea turtle swimming above them. The water is clear blue with many bubbles. The text 'Fairfax County Water Authority' is overlaid on the image in a white, sans-serif font, arranged in a grid-like pattern.

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Annual Report 2002

Members of the Authority

The Fairfax County Water Authority is governed by a board of 10 members who are appointed by the Board of Supervisors of Fairfax County, Virginia, each for a term of three years. Three non-voting representatives are appointed by wholesale customers or jurisdictions served by the Water Authority. Members of the Authority held 17 public meetings in 2002 providing guidance and oversight to all aspects of operation.



Harry F. Day, Chairman
Mason District
Member since July 16, 1987
Vice-Chairman 1992–2002
Chairman since September 5, 2002



Burton J. Rubin
Springfield District
Member since July 1, 1984



Philip W. Allin, Vice-Chairman
Sully District
Member since April 7, 1992
Treasurer 1995–2002
Vice-Chairman since October 3, 2002



Paul J. Andino
Braddock District
Member since July 1, 1988



Constance M. Houston, Treasurer
Providence District
Member since July 31, 1989
Secretary 1995–2002
Treasurer since October 3, 2002



Richard G. Terwilliger
At-Large Member
Member since July 1, 1997



Pamela B. Danner, Secretary
Dranesville District
Member since July 1, 1992
Secretary since October 3, 2002



Martha V. Pennino
Hunter Mill District
Member since October 19, 1998



Fred C. Morin, Chairman Emeritus
Lee District
Member since September 6, 1961
Chairman 1969–2002
Chairman Emeritus since 2002

Mr. Barry A. Cianflone
Non-Voting Representative
Prince William County
Representative since 1981

Mr. Fred P. Griffith, Jr.
Non-Voting Representative
Town of Herndon
Loudoun County Sanitation Authority
Representative since 1993



Bill G. Evans
Mt. Vernon District
Member since July 8, 1970
Vice-Chairman 1976–1986

Ms. Suzanne Salva
Non-Voting Representative
City of Alexandria
Representative since 2002

Authority Staff

The Water Authority, managed by Mr. Charlie C. Crowder, Jr., and assisted by Mr. James A. Warfield, Jr., is staffed by a team of seasoned experts. In total, the Water Authority's Senior Management team boasts a combined total of over 200 years of professional experience.



Charlie C. Crowder, Jr.
General Manager



Steven T. Edgemon
Director
Finance Division



James A. Warfield, Jr.
Executive Officer



Ibrahim J. "Abe" Homs
Director
Maintenance and Emergency
Services Division



Thomas P. Bonacquisti
Director
Water Quality and Production Division



David L. Rasmussen
Director
Support Services Division



C. David Binning, Jr.
Director
Planning and Engineering Division

Highlights

Population Served – over 1.2 million people

Water Sales (in millions) – \$77.3

Total Revenue (in millions) – \$122.5

Average Daily Production (mgd) – 144

Metered Accounts – 222,402

Miles of Water Main – 3,073

Fire Hydrants – 21,117

Authorized Employees – 390

Table of Contents

Chairman's Letter	3
2002—It was a very dry year...	4
Water Quality	8
Planning and Engineering	10
Customer Service	12
Maintenance and Emergency Services	14
Finance	16
Report of Independent Public Accountants	19

Chairman's Letter



In 2002 the Fairfax County Water Authority continued to demonstrate its commitment to provide a superior quality product and excellent service to the 1.2 million Virginians who depend on it for their drinking water.

Construction of the new, state-of-the-art Griffith Water Treatment Plant in Lorton proceeded through the year. This plant, slated to begin production in 2004, will replace three older plants in Occoquan and Lorton. Construction also continued on the important Off-Shore Potomac River Intake, which will provide us better quality raw water for our treatment works in Herndon, the Corbalis Water Treatment Plant. (This Intake was completed and placed in service in April 2003.)

As the Griffith Water Treatment Plant approaches completion, the Authority moved ahead with authorizing the design of a 75-million-gallon-per-day expansion of the Corbalis Plant. Construction of the first phase of this expansion will begin in early 2005, and will provide for the increasing needs of our retail and wholesale service areas through the middle of the next decade.

We also awarded the construction contract for a Centralized Laboratory and Visitor Center at our Corbalis Water Treatment Plant during the year. This new facility, along with the Visitor Center at the new Griffith Water Treatment Plant, will enable us to increase and expand our outreach to school children and other organizations as we advocate the importance of protecting our water resources and hopefully encourage a new generation of citizens to explore opportunities in the water supply industry.

Pursuing our strong commitment to customer service, we took several measures during the year to improve our computer information systems. We will be able to improve the efficiency of running our business and to give customers more options for paying their bills (on-line or through direct debiting of their bank accounts). We also began building an electronic network that will provide more efficient control and monitoring of our transmission and distribution system.

The Authority is unswerving in its commitment to find newer and better ways to operate your water utility more efficiently.

Finally I would like to express my appreciation to Fred C. Morin for his tireless leadership as Chairman of the Authority for 33 years. We are fortunate that he will continue serving on the Authority's Board of Directors as Chairman Emeritus. He piloted the Authority through its greatest period of expansion, and his guidance and counsel are highly valued.

Harry F. Day
Chairman

2002—It was a very dry year...

On August 30, 2002, Governor Mark R. Warner declared a state of emergency due to extreme drought conditions throughout the Commonwealth of Virginia. By Executive Order the governor imposed mandatory water restrictions on much of the Commonwealth of Virginia. However, the Northern Virginia area, largely served by the Fairfax County Water Authority, was exempt from these restrictions. The reason? Simply, good planning.

The vision and foresight that prepared the Water Authority and its sister water utilities in the Washington metropolitan area were, in reality, no simple matter. More than 20 years ago, the Fairfax County Water Authority, the Washington Aqueduct, and the Washington Suburban Sanitary Commission purchased over 17 billion gallons of water supply storage in two upstream reservoirs, the Jennings Randolph Reservoir and the Little Seneca Reservoir. This amplified storage capacity is designed to meet the unrestricted water needs of the metropolitan area's

utility customers, even in the event of a more severe drought than has been experienced to date. Two of the utilities, the Water Authority and the Washington Suburban Sanitary Commission, own additional reservoirs that are not on the Potomac River.

Through cooperative agreements, the Interstate Commission on the Potomac River Basin (ICPRB) is responsible for managing water resource drought operations for the three utilities. In times of low-flow in the Potomac River, the ICPRB uses a range of analytical tools to assess and predict flow conditions on the



The cooperative efforts of the region have been very successful. At no time has our service area been forced to consider voluntary or mandatory restrictions.





river. Should the flow of the river need enhancing, releases are made from the reservoirs.

But the success of water resource planning in the Washington metropolitan area extends beyond the cooperative efforts of the water utilities and encompasses the collaborative efforts of the entire region. In 2000, through the Metropolitan Washington Council of Governments, the metropolitan area developed a Water Supply and Drought Awareness Response Plan for the Potomac River System. This plan delineates a four-stage proactive approach to water conservation measures throughout the region. As a year-round approach, the

first stage of the plan calls for Wise Water Use. (You can find Wise Water Use tips on the Water Authority's website at www.fcwa.org/outreach/conservation.htm) The second stage of the plan calls for voluntary water conservation measures. These include efforts such as watering lawns and washing cars less frequently and taking shorter showers. The third and fourth phases call for voluntary, followed by mandatory, water restrictions. The conditions experienced during 2002 warranted voluntary conservation measures.

The cooperative efforts of the region have been very successful. At no time has our service area been forced to consider voluntary or mandatory restrictions. In 2000, the ICPBR reviewed the resources for the Washington metropolitan area and concluded that resources will be adequate to meet water demands in the year 2030 even under severe drought conditions such as a repeat of the historical drought of record.

Source Water Protection Activities

The Water Authority continues to support regional programs in the Potomac and Occoquan Watersheds. The Occoquan Watershed Monitoring Program includes collection of nutrient, pesticide, and other water quality monitoring data and provides information for making sound policy decisions. In addition, the Water Authority works with local jurisdictions and other agencies through the Occoquan Nonpoint Source Program to address nonpoint source pollution in the basin.

Under provisions of the Safe Drinking Water Act, states are required to develop comprehensive Source Water Assessment Programs that identify the watersheds that supply public tap water, provide an inventory of contaminants present in the watershed, and assess susceptibility to contamination in the watershed. The Water Authority has completed a Source Water Assessment for its Potomac River and Occoquan Reservoir supplies. The Assessment includes a delineation of critical watershed areas, an inventory of potential sources of contamination in the critical areas, and an assessment of susceptibility to contamination from those sources. The Assessment results will be used to develop strategies to better protect the Water Authority's raw water sources from contamination.

Water Quality



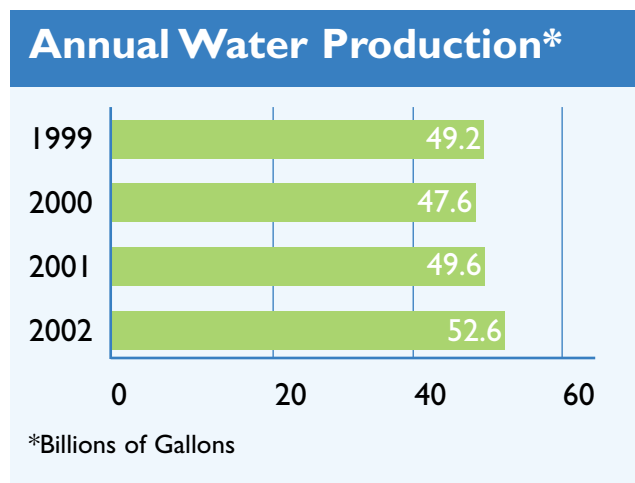
Our number one goal is to continue to deliver the highest possible level of water quality to our customers.

Clear, clean, refreshing—these are just a few of the descriptors that come to mind when thinking about the water produced at the Water Authority’s treatment plants. But the bottom line is that our number one goal is to continue to deliver the highest possible level of water quality to our customers. The Water Authority continues to promote the use of the best available technologies in treating drinking water. In pursuit of this goal, in 2002 construction continued on a new state-of-the-art water treatment facility in the southern end of the county. This facility, the Griffith Water Treatment Plant, will feature ozonation and deep-bed granular activated carbon filters in addition to the conventional treatment processes of coagulation, sedimentation, filtration, and disinfection. The Corbalis Water Treatment Plant, which already incorporates ozonation and granular activated carbon filtration, continues to achieve excellent water quality results.

The Water Authority’s superior monitoring program also plays a key role in ensuring the integrity and

reliability of the quality of drinking water. This process begins with water at the source, sometimes many miles upstream of our intakes, and follows the water through many different stages of treatment to our finished product. Water Authority staff perform three to four times more testing than the minimum required by law. As a result of this monitoring, we can say with assurance that the water delivered to our customers meets or exceeds all federal and state drinking water quality standards.

The Annual Water Quality Report, published and sent to customers in June, can be viewed at www.fcwa.org.



Planning and Engineering

10



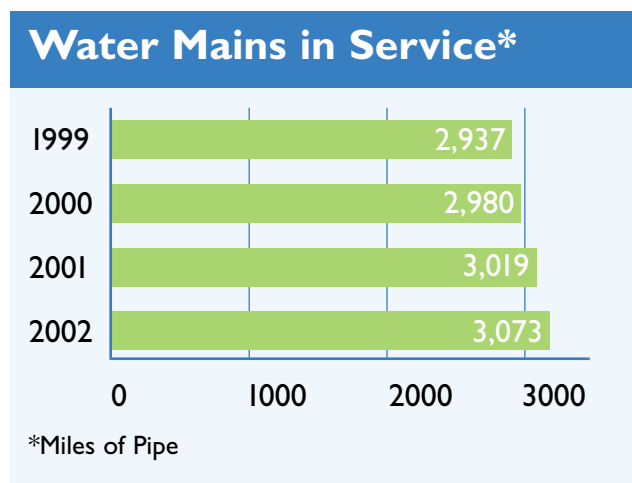
In 2002, significant progress was made on the construction of the Griffith Water Treatment Plant and the offshore intake on the Potomac River.

Construction, engineering, planning, water resource protection, outreach, and consumer education—these are a few of the descriptors that can be used to illustrate the varied functions of the Planning and Engineering department at the Water Authority. Each year, the Planning and Engineering Division undertakes the development of a 10-year Capital Improvement Plan (CIP). The CIP is a planning tool used by the Water Authority to ensure the safety and reliability of our water system. It includes a wide range of items such as new business system software and the design and construction of a state-of-the-art water quality laboratory. In 2002, the CIP's projected 10-year expenditures totaled \$542 million.

In 2002, significant progress was made on the construction of two major Planning and Engineering department projects: the Griffith Water Treatment Plant and the offshore intake on the Potomac River. The Griffith Plant, which will produce up to 120 million gallons per day when completed, replaces the three treatment plants in the southern end of the

county served by the Occoquan Reservoir. This state-of-the-art facility will feature conventional treatment supplemented by ozonation and granular activated carbon filters. The Water Authority currently implements this treatment regime at its Corbalis Water Treatment Plant and has seen a more than 30 percent reduction in the formation of disinfection by-products. Once complete, this facility will also feature a visitor's and education center and public meeting rooms. The visitor's and education center will highlight educational displays on the many aspects involved in the water treatment process—from source water protection to finished water distribution.

The Water Authority also made significant progress on the construction of the offshore intake on the Potomac River. Completed in spring 2003, the intake provides an even higher quality source water to the Corbalis Plant than the current onshore intake.



Customer Service

12



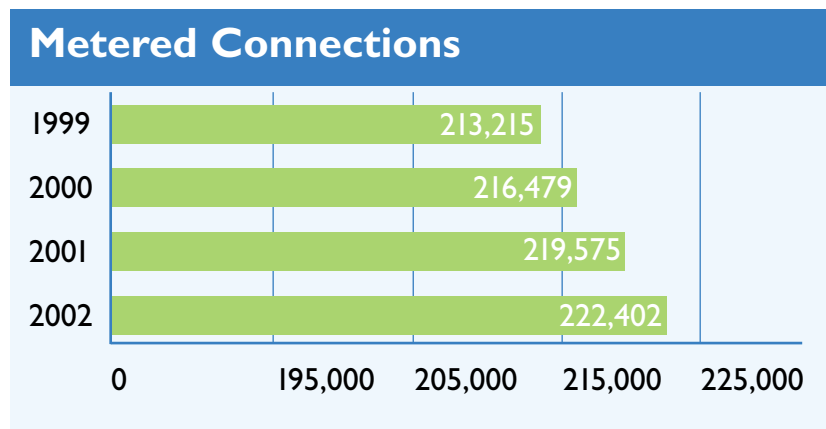
In 2002, as Fairfax County continues to grow, the Water Authority added 2,827 retail customers, bringing the total number of county residents served to over 751,000.

Prompt, professional, accurate, and courteous service: these are the service goals shared throughout the Water Authority. Customer Service department personnel, the faces and the voices most seen and heard, exemplify these aspirations.

In 2002, as Fairfax County continues to grow, the Water Authority added 2,827 retail customers, bringing the total number of county residents served to over 751,000. Fast, reliable, courteous service was carried out in over 178,000 telephone and email interactions with our customers. Many of these interactions—over 97,000—were followed by personal “house calls” to ensure our customers’ satisfaction. This decline in the need for direct services over the demand seen in past

years can be attributed to an increase in the availability of information and services offered on our website.

Customers can now request routine services and update their account information through our website, www.fcwa.org. The Customer Service and Information Technology departments continue to develop and implement an increasingly innovative customer information system that will allow customers to take advantage of the latest bill payment and account access options—features the Water Authority is eager to provide. We are committed to using the best in proven technologies to deliver exceptional service.



Maintenance and Emergency Services



14

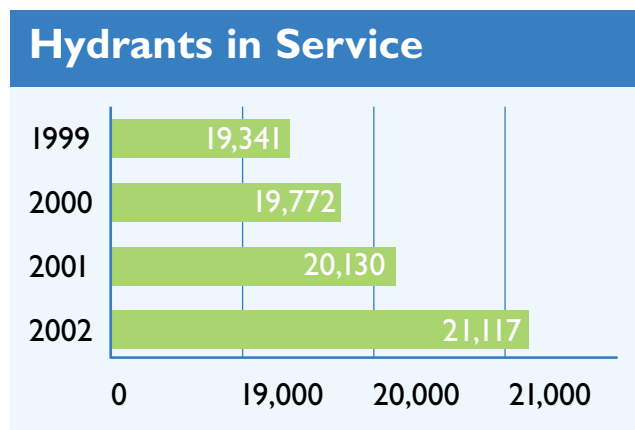
The thorough proactive maintenance program implemented by the Water Authority improves overall operational reliability through careful inspection, preventive maintenance, upgrades at critical facilities, and, when necessary, the repair and replacement of equipment.

In every success story, you can usually find people behind the scenes who have contributed greatly to the achievements recognized by the public. In the case of the Water Authority, the Maintenance and Emergency Services Division staff members are important behind-the-scenes personnel who help create and support dependable and quality service. The Water Authority relies on its maintenance and emergency services personnel to provide the essential preventive and emergency repairs that keep its water treatment plants, pump stations, distribution system, service facilities, and vehicles operating efficiently.

The thorough proactive maintenance program implemented by the Water Authority improves overall operational reliability through careful inspection, preventive maintenance, upgrades at critical facilities, and, when necessary, the repair and replacement of equipment.

On an annual basis, the Water Authority conducts a comprehensive hydrant flushing program. This program is essential to ensuring both the delivery of high-quality water to our customers and the reliability of the county's fire protection system. This year the Water Authority inspected and exercised 4,902 fire hydrants.

Currently, the Water Authority maintains more than 3,000 miles of water mains. In 2002, the exceptionally harsh winter resulted in an increase in water main breaks. As a result, the Water Authority repaired 280 main breaks in 2002. However, it is noteworthy that customers affected by these main breaks were without water service, on average, for less than four hours.



Finance

In anticipation of a major bond issue during 2002, the Water Authority received an additional AAA bond rating from Fitch Ratings.

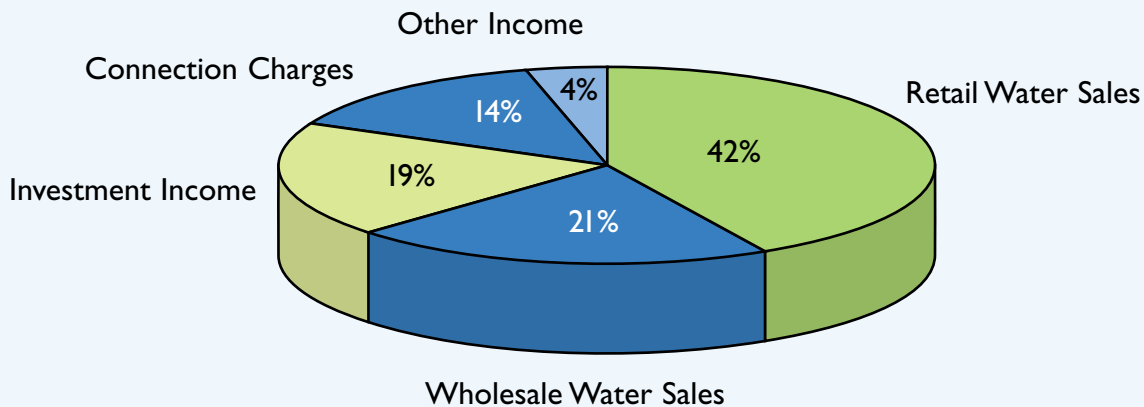
The Water Authority maintains a strong financial position. In anticipation of a major bond issue during 2002, the Water Authority received an additional AAA bond rating from Fitch Ratings. This rating enhances the AAA rating by Standard & Poor's and the Aa1 rating by Moody's. These high ratings reflect the sound financial management under which the Water Authority operates. Excellent bond ratings equate to lower interest costs and ultimately result in lower costs to the Water Authority's 1.2 million customers.

The Water Authority issued revenue bonds in the amount of \$174,495,000 in early 2002. The proceeds from these bonds were directed to refinance a portion of the Water Authority's outstanding debt and to fund

projects contained in the Capital Improvement Program.

The Water Authority also completed its annual review of rates and charges, using methods set forth in its latest comprehensive study on rates. As contemplated in earlier studies, rates were adjusted to solidify the Authority's financial position. The most notable change was an increase of five cents on the commodity charge. The Water Authority's customers continue to enjoy the lowest rates in the region.

2002 Revenue Components (As a Percentage of Total Income)



2002 Total Water Sales Revenue: \$77,300,000

Fairfax County Water Authority

*Management's Discussion and Analysis, Basic Financial Statements and
Supplementary Information*

December 31, 2002

(With Independent Auditors' Report thereon)

Table of Contents

Independent Auditors' Report	19
Management's Discussion and Analysis	20
Basic Financial Statements:	
Balance sheet	23
Statement of revenues, expenses and changes in net assets	25
Statement of cash flows	26
Notes to basic financial statements	28
Supplementary Information:	
Schedule of bonds payable	35



2001 M Street NW
Washington, DC 20036

Independent Auditors' Report

To the Members of the
Fairfax County Water Authority:

We have audited the accompanying basic financial statements of the Fairfax County Water Authority (Authority) as of and for the year ended December 31, 2002, as listed in the table of contents. These basic 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 auditing standards generally accepted in the United States of America. 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of the Authority as of December 31, 2002, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the financial statements, the Authority implemented Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, and Statement No. 38, *Certain Financial Statement Note Disclosures*, effective January 1, 2002.

The management's discussion and analysis, as listed in the table of contents, and the Schedule of Funding Progress in Note 8 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 it.

Our audit was conducted for the purpose of forming an opinion on the Authority's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG LLP

March 21, 2003



KPMG LLP/KPMG LLC a U.S. limited liability partnership is
a member of KPMG International, a Swiss association.

Fairfax County Water Authority

Management's Discussion and Analysis

Required Supplementary Information

This section of the Fairfax County Water Authority (the Authority) annual financial report presents our discussion of the Authority's financial performance during the fiscal year ended December 31, 2002. Please read it in conjunction with the Authority's basic financial statements, which follow this section.

Financial Highlights

- The Authority maintained AAA bond ratings from Standard & Poor's and Fitch Ratings as well as Aa1 bond rating from Moody's Investors Service.
- Effective April 1, 2002, the Authority increased the commodity charge and peak use charge by five cents. Even with this increase, the Authority's rates continue to be one of the lowest in the area. Other fees and connection charges were also revised at that time.
- The volume of water delivered to the system and related water consumption charges for fiscal year 2002 increased by approximately 8% over fiscal year 2001.
- Operating expenses decreased by approximately \$700,000 during fiscal year 2002.
- Capital assets (water lines, water tanks, treatment plants, pumping stations, multi-purpose facilities and other facilities), net of accumulated depreciation, increased by \$82.9 million.
- The increase in net assets during the year included operating income, net of nonoperating expenses, of \$51.1 million, and capital contributions of \$12.6 million.

Overview of the Financial Statements

This annual financial report consists of three parts – management's discussion and analysis, the basic financial statements, and supplementary information. The basic financial statements consist of:

- Balance sheet
- Statement of revenues, expenses and changes in net assets
- Statement of cash flows

The balance sheet provides a snapshot of the Authority's financial position at December 31, the end of the fiscal year. Amounts on the balance sheet are cumulative from inception. The Authority's balance sheet presents current and long-term assets and liabilities, as well as net assets.

The Authority's statement of revenues, expenses and changes in net assets reflects activity for the fiscal year. The statement measures operating revenues and expenses as well as nonoperating revenues and expenses. The statement also presents capital contributions, as well as changes in net assets.

The statement of cash flows presents the Authority's inflow and outflow of cash. Cash flows from operating activities, capital and related financing activities, and investment activities are all shown separately. Cash provided by operating activities is reconciled to operating income. The Authority uses the direct method for presenting the cash flow statement.

The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

The Authority operates as an enterprise fund, which is one type of proprietary fund. Enterprise funds operate similarly to private businesses in that charges for services to customers are expected to cover expenses. The Authority's basic financial statements are presented using the accrual basis of accounting and the economic resources measurement focus. Revenue is recognized when water or other services are delivered. Expenses are recognized when goods and services are received. All revenues and expenses are recognized regardless of when cash is received or paid.

Financial Analysis

Net Assets

The following table reflects the Authority's net assets at December 31, 2002 and 2001:

Net Assets (in millions of dollars)				
	2002	2001	Increase (Decrease)	% Change
Current and other assets	\$ 571.6	\$ 322.1	\$ 249.5	77.5
Capital assets, net of accumulated depreciation	1,040.5	957.6	82.9	8.7
Total assets	1,612.1	1,279.7	332.4	26.0
Current and other liabilities	264.2	52.7	211.5	401.3
Bonds payable, net of current maturities	403.2	346.1	57.1	16.5
Total liabilities	667.4	398.8	268.6	67.4
Net assets:				
Invested in capital assets, net of related debt	630.0	605.9	24.1	4.0
Restricted for debt service	16.7	11.8	4.9	41.5
Restricted for construction	4.4	12.5	(8.1)	(64.8)
Unrestricted	293.6	250.7	42.9	17.1
Total net assets	\$ 944.7	\$ 880.9	\$ 63.8	7.2

The Authority's net assets increased 7.2% to \$944.7 million. Capital assets, net of accumulated depreciation, increased 8.7% to \$1,040.5 million. The majority of this increase is attributable to construction of the Griffith Water Treatment Plant. During 2002, developers constructed \$5.0 million of these capital assets and donated them to the Authority. Additional information is presented in the Capital Asset and Debt Administration section of this discussion.

Total debt, including current maturities, increased 16.7% to \$410.5 million. Capital contributions of \$12.6 million and income before contributions of \$51.1 million were available to finance capital projects during the year. These funding sources reduced the amount of bonds the Authority needed to sell for construction of water projects. A more detailed description of the Authority's long-term debt can be found in Note 7 of the basic financial statements.

Beginning in 2002, cash received as collateral on securities lending transactions and investments made with such cash are reported as assets and as related liabilities for collateral received. In 2001, such transactions were not reported as assets and liabilities of the Authority and amounted to approximately \$122.5 million at December 31, 2001. Additional information can be found in Note 3 of the basic financial statements.

Changes in Net Assets

The following table reflects the Authority's changes in net assets for the years ended December 31, 2002 and 2001:

Changes in Net Assets (in millions of dollars)				
	2002	2001	Increase (Decrease)	% Change
Operating revenues	\$ 98.4	\$ 97.0	\$ 1.4	1.4
Operating expenses	(35.8)	(36.5)	(0.7)	(1.9)
Depreciation expense	(16.5)	(15.8)	0.7	4.4
Nonoperating revenues (expenses)	5.0	4.2	0.8	19.0
Increase in net assets before contributions	51.1	48.9	2.2	4.5
Extraordinary item	—	(18.6)	18.6	100.0
Capital contributions	12.6	5.7	6.9	121.1
Increase in net assets	\$ 63.7	\$ 36.0	\$ 27.7	76.9

The Authority's operating revenues increased 1.4% to \$98.4 million. The amount of water delivered to the system, and related water consumption charges, was approximately 8% higher than fiscal year 2001 due to drought conditions during the year and increased rates. Operating expenses decreased by 1.9% to \$35.8 million.

Consequently, there was a 4.5% increase in income before contributions to \$51.1 million. Capital contributions increased by 121.1% to \$12.6 million due in part to the donation of a parcel of land valued at approximately \$3.2 million. Capital assets donated by developers increased \$0.2 million in comparison to fiscal year 2001.

There were no extraordinary items during 2002 leading to a positive change in net assets of \$27.7 million.

Capital Asset and Debt Administration

Capital Assets

As of December 31, 2002, the Authority has invested \$1,040.5 million in a broad range of capital assets including water lines, water tanks, treatment plants, pumping stations, multi-purpose facilities and other facilities. This amount represents a net increase of \$82.9 million, or 8.7% over fiscal year 2001.

Capital Assets (net of depreciation, in millions of dollars)

	2002	2001	Increase (Decrease)	% Change
Land and rights of way	\$ 8.4	\$ 5.2	\$ 3.2	61.5
Construction in progress	127.9	87.1	40.8	46.8
Water Supply	65.1	63.3	1.8	2.8
Water Treatment	202.8	193.9	8.9	4.6
Transmission	205.3	196.3	9.0	4.6
Distribution	289.0	277.4	11.6	4.2
General Plant	142.0	134.4	7.6	5.7
Total capital assets	\$ 1,040.5	\$ 957.6	\$ 82.9	8.7

The increase in capital assets in fiscal year 2002 is primarily attributable to construction activity on the Griffith Water Treatment Plant, which is scheduled to be completed in 2004.

Bonds Payable

At the end of fiscal year 2002, bonds outstanding totaled \$410.5 million. This is a 16.7% increase from the previous fiscal year. This increase was attributable to a new bond issue used to fund new construction. The new bond issue also allowed for the defeasance of older issues containing higher interest rates. The primary source of revenue utilized for repayment of debt is water consumption charges. In addition, the Authority obtains funds from other sources to reduce the amount of bonds it needs to sell to construct water projects. These other sources include payments from applicants for new service, payments from other jurisdictions for projects that specifically benefit them, and state and federal grants. A more detailed description of the Authority's bonds payable can be found in Note 7 of the basic financial statements.

Bonds Payable (in millions of dollars)

	2002	2001	Increase (Decrease)	% Change
Series 1992	\$ 56.2	\$ 167.1	\$ (110.9)	(66.3)
Series 1994	53.2	56.6	(3.4)	(6.1)
Series 1997	100.9	101.2	(0.3)	(0.2)
Series 2000	49.2	50.0	(0.8)	(1.6)
Series 2002	174.5	-	174.5	100.0
Total	434.0	374.9	59.1	17.8
Current maturities	7.5	5.8	1.7	29.3
Long-term portion	417.6	369.1	57.4	15.6
Unamortized bond discount	(9.1)	(14.2)	(5.1)	(35.9)
Deferred amount	(14.4)	(9.0)	5.4	60.0
Total bonds payable	\$ 410.5	\$ 351.7	\$ 58.8	16.7

Bond Ratings

During fiscal year 2001, Moody's Investors Service and Standard & Poor's assigned ratings of Aa1 and AAA, respectively, to the Authority's outstanding revenue bonds. In 2002, Fitch Ratings assigned a rating of AAA.

Request for Information

This financial report is designed to provide an overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Fairfax County Water Authority, Attention: Director, Finance Division, P.O. Box 1500, Merrifield, VA 22116-0815

Fairfax County Water Authority

Balance Sheet

December 31, 2002

Assets

Current assets:

Cash and cash equivalents		
Unrestricted	\$	19,075,955
Restricted		2,598,323
Investments		
Unrestricted		22,705,484
Restricted		24,189,711
Cash collateral received under securities lending agreements		203,211,166
Accrued interest receivable		2,917,737
Customers' receivables, net of allowance for doubtful accounts of \$103,391		2,335,032
Unbilled revenue		6,069,744
Notes receivable		29,223
Grants receivable		216,790
Inventory		2,540,618
Other current assets		48,571
Total current assets		<u>285,938,354</u>

Noncurrent assets:

Investments		
Unrestricted		273,882,717
Restricted		7,918,137
Notes receivable		1,834,532
Deferred financing costs		2,041,618
Capital assets, net of accumulated depreciation		<u>1,040,479,132</u>
Total noncurrent assets		<u>1,326,156,136</u>
Total assets	\$	<u>1,612,094,490</u>

Fairfax County Water Authority

Balance Sheet

December 31, 2002

Liabilities and Net Assets

Current liabilities:

Accounts payable and accrued expenses	\$	11,645,307
Payable for collateral under securities lending agreements		203,211,166
Compensated absences		1,520,263
Bonds payable, current maturities		7,276,930
Accrued interest on bonds payable		5,521,418
Deferred revenue		22,537,736
Construction contract retainage		5,677,207
Total current liabilities		<u>257,390,027</u>

Noncurrent liabilities:

Compensated absences		1,047,586
Refundable construction advances		5,812,728
Bonds payable, net of current portion		403,179,717
Total noncurrent liabilities		<u>410,040,031</u>
Total liabilities		<u>667,430,058</u>

Net assets:

Invested in capital assets, net of related debt		630,022,485
Restricted for debt service		16,709,392
Restricted for construction		4,341,538
Unrestricted		293,591,017
Total net assets		<u>944,664,432</u>
Total liabilities and net assets	\$	<u>1,612,094,490</u>

The accompanying notes are an integral part of these basic financial statements.

Fairfax County Water Authority

Statement of Revenues, Expenses and Changes in Net Assets

For the year ended December 31, 2002

Operating revenues:

Sales to retail customers	\$	51,489,002
Sales to wholesale customers		25,853,739
Customer connection charges		16,777,034
Sewer service billing charges		2,546,409
Other		1,779,327
Total operating revenues		<u>98,445,511</u>

Operating expenses:

Supply facilities		2,282,219
Treatment facilities		14,172,553
Transmission system		2,119,291
Distribution system		6,983,140
Administrative and general		10,268,384
Total operating expenses before depreciation		<u>35,825,587</u>
Operating income before depreciation		62,619,924
Depreciation		<u>(16,486,936)</u>
Operating income		<u>46,132,988</u>

Nonoperating revenues (expenses):

Investment income		24,063,125
Interest expense		<u>(19,075,316)</u>
Total nonoperating revenues (expenses)		<u>4,987,809</u>
Increase in net assets before contributions		51,120,797

Capital contributions

Increase in net assets		<u>63,737,176</u>
Net assets, beginning of year		<u>880,927,256</u>
Net assets, end of year	\$	<u>944,664,432</u>

The accompanying notes are an integral part of these basic financial statements.

Fairfax County Water Authority

Statement of Cash Flows

For the year ended December 31, 2002

Cash flows from operating activities:

Cash received from customers	\$	165,695,516
Cash paid to employees		(19,890,903)
Cash paid to suppliers		(15,836,585)
Sewer collections remitted to Fairfax County		(63,057,994)
Net cash provided by operating activities		<u>66,910,034</u>

Cash flows from capital and related financing activities:

Net bond proceeds		173,937,217
Purchased interest paid to bondholders		(464,372)
Amounts expended to defease bonds		(110,643,764)
Principal paid on bonds		(5,830,000)
Interest paid on bonds		(21,422,204)
Construction of capital assets		(84,455,046)
Proceeds from disposition of capital assets		65,541
Cash received from federal grants		285,400
Cash contributions received from developers		1,403,232
Net cash used by capital and related financing activities		<u>(47,123,996)</u>

Cash flows from investing activities:

Gross purchases of investments		(388,478,158)
Gross sales and maturities of investments		337,040,414
Cash paid for accrued interest purchased		(261,727)
Interest received		17,855,147
Net cash used by investing activities		<u>(33,844,324)</u>

Net decrease in cash and cash equivalents **(14,058,286)**

Cash and cash equivalents, beginning of year **35,732,564**

Cash and cash equivalents, end of year **\$ 21,674,278**

(continued)

Fairfax County Water Authority

Statement of Cash Flows (continued)

For the year ended December 31, 2002

Reconciliation of operating income to net cash provided by operating activities:

Operating income	\$ 46,132,988
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	16,486,936
Change in assets and liabilities:	
Customers' receivables, net	1,083,108
Unbilled revenue	(26,167)
Other assets	(31,570)
Accounts payable and accrued expenses	(395,417)
Compensated absences	98,447
Deferred revenue	3,561,709
Total adjustments	<u>20,777,046</u>
Net cash provided by operating activities	<u>\$ 66,910,034</u>

Supplemental Schedule of Noncash Investing, Capital and Financing Activities

Capital Contributions—	
Estimated Fair Value of Capital Assets Received from Developers and Others	<u>\$ 8,176,805</u>

The accompanying notes are an integral part of these basic financial statements.

Fairfax County Water Authority

Notes to Basic Financial Statements

December 31, 2002

1. The Authority

The Fairfax County Water Authority (the Authority) is a public body, corporate and politic, exercising public and essential governmental functions in the Commonwealth of Virginia. The Authority was created by the Board of Supervisors of Fairfax County, Virginia, and chartered by the State Corporation Commission in 1957 for the purpose of establishing and operating a comprehensive county-wide water system. The management is vested in a board of ten members appointed by the Fairfax County Board of Supervisors.

2. Summary of Significant Accounting Policies

A. Reporting Entity

The Authority is not considered a component unit of Fairfax County (the County) and all governmental entities operating within the County are excluded from the Authority's financial statements. Although the Fairfax County Board of Supervisors appoints the members of the Authority's Board of Directors, the County is not financially accountable for the Authority. In addition, there is no potential for the Authority to provide specific financial benefit to, or impose specific financial burdens on, the County, and the Authority is not fiscally dependent on the County.

B. Basis of Accounting

The accompanying financial statements have been prepared using the economic resources measurement focus and accrual basis of accounting. Under the accrual basis of accounting, revenues are generally recognized when earned and expenses are recognized when incurred.

In accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Entities that Use Proprietary Fund Accounting*, the Authority has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and interpretations, Accounting Principles Board (APB) opinions, and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

C. Change in Accounting Principles

The Authority implemented GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*; Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures*, in 2002. The primary impacts of the implementation of these new standards on the Authority's financial statements are: (a) the presentation of the Management's Discussion and Analysis as required supplementary information; (b) the classification of net assets into the following categories: (i) invested in capital assets, net of related debt; (ii) restricted net assets; and (iii) unrestricted net assets; and (c) the addition of certain financial statement note disclosures.

D. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of 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.

E. Revenue Recognition

Rates, fees, and charges for wholesale and retail customers are established to provide sufficient funds to cover the cost of operations, debt service, and essential repairs and improvements to capital assets. Metered sales are recognized as revenue as customers use water. At year-end, the amount of revenue generated for which customers have not been billed is recorded as unbilled revenue. Retail customers pay availability, local facility, and service connection charges for each new service connection and meter installation. These charges are recognized as revenue as service connections are made. Wholesale customers pay a charge to reserve capacity of purification and transmission based on a multi-year contract. Such revenues are recognized at the time the Authority has an enforceable claim to such revenues. Sewer service billing charges are derived from the billing of sewer service on behalf of Fairfax County.

F. Operating and Nonoperating Revenues and Expenses

The Authority's statement of revenues, expenses and changes in net assets distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are from metered sales to customers, customer service connection charges, and customer availability and capacity fees. Operating expenses include the cost of water supply, treatment, transmission and distribution, depreciation

of capital assets and general and administrative costs. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

G. Cash equivalents

For the purpose of the statement of cash flows, cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less. At December 31, 2002 such investments were primarily comprised of repurchase agreements and money market funds.

H. Investments

Investments are reported at fair value, with any related gain or loss reported in investment income on the accompanying statement of revenues, expenses and changes in net assets. Restricted investments represent investments held by the Trustee for debt service and investments held by the Authority for construction in accordance with applicable bond covenants.

I. Inventory

Inventories of materials and supplies are accounted for using the consumption method and are carried at average costs. Under this method, inventories are expensed as they are consumed.

J. Capital Assets

Capital assets are carried at cost, which, for assets constructed by the Authority, includes associated payroll, fringe benefits, administrative costs, and interest charges on debt-financed construction. Contributed assets consist principally of water mains constructed by developers and subsequently donated to the Authority. Such assets are valued at the Authority's estimated cost to construct similar assets, which approximates fair value. Recurring normal maintenance and repair costs are charged to operations, whereas major repairs, improvements, and replacements are capitalized. Interest earned on bond proceeds to be used for capital asset construction and temporarily invested during the construction period is offset against the amount of interest expense capitalized. The capital assets are depreciated on the straight-line basis at a composite rate of 1-1/2 percent of the average capital asset balance.

K. Unamortized debt discount and expense

Debt discount and bond issuance costs are amortized over the life of the related bond issuance using the effective interest rate and straight-line methods, respectively. The current year amortization is included in interest expense. The debt discount is netted against the related debt and bond issuance costs are reported as deferred financing costs on the accompanying balance sheet.

L. Compensated Absences

Employees earn vacation and sick pay based on a prescribed formula that allows employees to accumulate a maximum of 40 days in vacation pay and an unlimited amount of sick pay. The value of vacation and sick pay earned but not used by the Authority's employees is accrued as a liability.

M. Use of Net Assets

It is the Authority's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

3. Cash, Investments and Securities Lending

A. Cash and cash equivalents—Cash in bank accounts is insured by the FDIC and/or collateralized in accordance with the Virginia Security for Public Deposits Act.

As of December 31, 2002, the carrying value of the Authority's deposits with banks was \$(243,414), with a bank balance of \$792,707.

As of December 31, 2002, the Authority held \$6,742,000 in a repurchase agreement, which has been classified as cash and cash equivalents. The repurchase agreement matured on January 2, 2003. The repurchase agreement held at the end of the year was collateralized by U.S. Government securities and held in an account with First Union National Bank in the Authority's name.

As of December 31, 2002, the Authority held \$15,175,692 of cash equivalents in the Commonwealth Cash Reserve Fund and STI Classic Fund, which are money market funds.

B. Investments—State statutes authorize the Authority to invest in obligations of the United States or agencies thereof; obligations of the Commonwealth of Virginia or political subdivisions thereof; qualifying obligations of other states and their political subdivisions; repurchase agreements; commercial paper, rated A-1 or better by at least two of the rating agencies; bankers' acceptances rated A-1 by Standard & Poor's and P-1 by Moody's Investors Service; corporate notes with a maturity no greater than five years and a minimum long-term debt rating of Aa by Moody's Investors Service and AA by Standard & Poor's; negotiable certificates of deposits or bank notes; registered money market mutual funds; savings accounts, time deposits and certificates of deposit.

All investments are held by agents of the Authority in the Authority's name and consist of U.S. Treasury and U.S. Agency securities, Corporate Notes and Resolution Funding Corporation stripped securities (REFCO Strips). Accrued interest at December 31, 2002 of \$13,340,957 on the REFCO Strips is classified with the REFCO Strips in unrestricted investments. Maturity dates of the investments determine the balance sheet classification.

The fair value of investments as of December 31, 2002 was \$328,696,049, with a cost of \$310,219,642.

C. Securities Lending—State statutes and Authority policy permit the Authority to use investments of the Authority to enter into securities lending transactions—loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. The Authority's custodial bank serves as the Authority's agent in lending the securities and receives cash as collateral. Cash is initially pledged at 102 percent of the fair value of the securities lent plus accrued interest. Additional collateral has to be provided if its value falls to less than 100 percent of the fair value of the securities lent. Cash collateral is invested in accordance with the investment guidelines approved by the Authority. The collateral securities cannot be pledged or sold by the Authority unless the borrower defaults.

	<u>Carrying Value</u>	<u>Fair Value</u>
Investments—Category I (Held by Authority's agent in Authority's name)		
Cash equivalents	\$ 3,141,424	\$ 3,141,424
Asset-backed securities	44,996,800	45,137,484
Commercial paper	59,932,987	59,932,987
Repurchase agreements	50,000,000	50,000,000
Domestic corporate fixed-income securities	45,000,000	44,999,271
Total	<u>\$ 203,071,211</u>	<u>\$ 203,211,166</u>

At December 31, 2002, the Authority had no credit risk exposure to borrowers because the amounts the Authority owed the borrowers exceeded the amounts the borrowers owed the Authority. The contract with the lending agent requires that it indemnify the Authority if the borrowers fail to return the securities and the collateral is inadequate to replace the securities lent or if the borrowers fail to pay the Authority for income distributions by the securities issuers while the securities are on loan.

All securities loans can be terminated on demand by either the Authority or the borrower. All term securities loans can be terminated with five days' notice by either the Authority or the borrower. Cash received as collateral on securities lending transactions and investments made with such cash are reported as assets and as related liabilities for collateral received.

4. Capital Assets

The changes in the Authority's capital assets for the year ended December 31, 2002 follow (in thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land and rights of way	\$ 5,248	\$ 3,209	\$ (46)	\$ 8,411
Construction in progress	87,096	73,497	(32,684)	127,909
Total capital assets not being depreciated	<u>92,344</u>	<u>76,706</u>	<u>(32,730)</u>	<u>136,320</u>
Capital assets being depreciated:				
Water supply	78,054	2,532	–	80,586
Water treatment	239,116	12,660	–	251,776
Transmission	242,063	12,743	(588)	254,218
Distribution	342,059	16,501	(830)	357,730
General plant	165,609	10,987	–	176,596
Total capital assets being depreciated	<u>1,066,901</u>	<u>55,423</u>	<u>(1,418)</u>	<u>1,120,906</u>
Less accumulated depreciation for:				
Water supply	14,755	753	–	15,508
Water treatment	45,200	3,766	–	48,966
Transmission	45,758	3,791	(588)	48,961
Distribution	64,660	4,909	(830)	68,739
General plant	31,305	3,268	–	34,573
Total accumulated depreciation	<u>201,678</u>	<u>16,487</u>	<u>(1,418)</u>	<u>216,747</u>
Capital assets being depreciated, net	<u>865,223</u>	<u>38,936</u>	<u>–</u>	<u>904,159</u>
Total capital assets, net	<u>\$ 957,567</u>	<u>\$ 115,642</u>	<u>\$ (32,730)</u>	<u>\$ 1,040,479</u>

The amounts shown in the statement of revenues, expenses and changes in net assets for investment income and interest expense are net of \$660,261 and \$4,912,978, respectively, capitalized in 2002.

5. Capital Contributions

Capital contributions for the year ended December 31, 2002, are as follows:

Donated assets	\$ 8,176,805
Cash contributions	3,644,049
Expired construction advances	293,335
Federal grants	502,190
Total	<u>\$ 12,616,379</u>

Contributed assets consist principally of water mains constructed by developers and subsequently donated to the Authority, mains constructed by the Authority and paid for by the developers as well as a donation of land valued at approximately \$3.2 million. Additionally, the Authority receives assets and cash in aid of construction from developers under the Authority's offsite water main policy, which are refundable over a ten-year period, based on the number of applicable connections made to the contributed water mains. At the end of ten years, the portion not refunded is considered a capital contribution.

6. Other Noncurrent Liabilities

Other noncurrent liabilities activity for the year ended December 31, 2002 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance	Current Maturities
Compensated absences	\$ 2,423	\$ 145	\$ -	\$ 2,568	\$ 1,520
Refundable construction advances	5,239	1,085	(512)	5,812	-
Total other noncurrent liabilities	<u>\$ 7,662</u>	<u>\$ 1,230</u>	<u>\$ (512)</u>	<u>\$ 8,380</u>	<u>\$ 1,520</u>

7. Bonds Payable

Bonds payable activity for the year ended December 31, 2002 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance	Current Maturities
Bonds payable:					
Series 1992 bonds	\$ 167,085	\$ -	\$ (110,880)	\$ 56,205	\$ -
Series 1994 bonds	56,655	-	(3,475)	53,180	3,630
Series 1997 bonds	101,170	-	(285)	100,885	295
Series 2000 bonds	49,990	-	(760)	49,230	795
Series 2002 bonds	-	174,495	-	174,495	2,785
	<u>374,900</u>	<u>174,495</u>	<u>(115,400)</u>	<u>433,995</u>	<u>7,505</u>
Less unamortized discount	(14,258)	(1,022)	6,156	(9,124)	(229)
Less deferred amount	(8,954)	(6,407)	947	(14,414)	-
Total bonds payable	<u>\$ 351,688</u>	<u>\$ 167,066</u>	<u>\$ (108,297)</u>	<u>\$ 410,457</u>	<u>\$ 7,276</u>

On November 15, 1992, the Authority issued water refunding revenue bonds in the aggregate principal amount of \$270,570,000 (the Series 1992 Bonds) pursuant to the 1992 General Trust Indenture. The Series 1992 Bonds bear interest at rates ranging from 3.40 to 6.00 percent per annum. The bonds began maturing on April 1, 1994. Interest on the Series 1992 Bonds is payable semiannually on each April 1 and October 1, which commenced on April 1, 1993. The Series 1992 Bonds became eligible for redemption on April 1, 2002. During 2002, the Authority advance refunded \$109,570 of the Series 1992 Bonds. Details of the advance refunding are discussed below.

On February 23, 1994, the Authority issued water revenue bonds in the aggregate principal amount of \$76,305,000 (the Series 1994 Bonds). The Series 1994 Bonds were issued as additional bonds, in accordance with the 1992 General Trust Indenture, and are on parity with the previously issued and outstanding water revenue bonds. The Series 1994 Bonds bear interest at rates ranging from 2.90 to 5.15 percent per annum. The bonds began maturing on April 1, 1995. Interest on the Series 1994 Bonds is payable semiannually on each April 1 and October 1, which commenced on October 1, 1994. The Series 1994 Bonds are not subject to early redemption prior to April 2004.

On February 23, 1994, the Authority placed \$81.6 million of cash and securities in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1965, 1967, and 1977 series bonds. The 1965, 1967, and 1977 series bonds, which mature between 1994 and 2016, are considered to be defeased and the liability for those bonds was eliminated in 1994. The debt is considered to be extinguished, even though the refunded bonds continue to be obligations of the Authority until redeemed or called. In conjunction with this transaction, the above-mentioned bonds are deemed to have been paid, and the lien of the 1965 Trust Agreement has been released with no remaining force or effect. Refunded bonds outstanding at December 31, 2002, amounted to \$61,235,000.

Effective July 15, 1997, the Authority issued water refunding revenue bonds in the aggregate principal amount of \$102,210,000 (the Series 1997 Bonds), pursuant to the 1992 General Trust Indenture, with interest rates ranging from 3.80 to 5.00 percent

per annum to advance refund \$93,815,000 of outstanding 1992 series bonds with interest rates ranging from 5.75 to 6.00 percent. The net proceeds of \$97,628,000 (after \$4,230,049 in bond discounts and \$352,000 in issuance costs) and an additional investment already held by the Authority of approximately \$2,000,000, net of the gain on the investment transferred, were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded 1992 series bonds. As a result, the refunded portion of the 1992 series bonds was considered to be defeased and the liability for those was eliminated in 1997. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$11,861,178. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations as a component of interest expense through the year 2029, the life of the new debt, using the effective interest method. Refunded bonds outstanding at December 31, 2002, amounted to \$33,340,000.

On June 1, 2000, the Authority issued water revenue bonds in the aggregate principal amount of \$51,160,000 (the Series 2000 Bonds). The Series 2000 Bonds were issued as additional bonds, in accordance with the 1992 General Trust Indenture, and are on parity with the previously issued and outstanding water revenue bonds. The Series 2000 Bonds bear interest at rates ranging from 4.500 to 6.125 percent per annum. The bonds began maturing on April 1, 2001. Interest on the Series 2000 Bonds is payable semiannually on each April 1 and October 1, which commenced on October 1, 2000. The Series 2000 Bonds are not subject to early redemption prior to April 2012.

On March 1, 2002, the Authority issued water revenue and refunding revenue bonds in the aggregate principal amount of \$174,495,000 (the Series 2002 Bonds). \$62,785,000 of the total principal amount of the Series 2002 Bonds was issued as additional bonds, in accordance with the 1992 General Trust Indenture, and is on parity with the previously issued and outstanding water revenue bonds. Interest on the Series 2002 Bonds is payable semiannually on each April 1 and October 1, which commenced on October 1, 2002. The Series 2002 Bonds are not subject to redemption prior to April 2012. The remaining \$111,710,000 of the Series 2002 Bonds was issued to advance refund \$109,570,000 of the outstanding Series 1992 Bonds. The net proceeds of \$110,076,000 (after \$1,439,089 in bond discounts and \$195,011 in issuance costs) were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded 1992 series bonds. As a result, the refunded portion of the 1992 series bonds was considered to be defeased and the liability for those was eliminated in 2002. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$6,447,404. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations, as a component of interest expense, through the year 2029, the life of the new debt, using the effective interest method. The Authority completed the advance refunding to reduce its total debt service payments from 2002 through 2029 by approximately \$15.5 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately \$8.5 million. Refunded bonds outstanding at December 31, 2002, amounted to \$109,570,000.

At December 31, the Authority is required to have an account balance with the Trustee sufficient to pay principal and interest due on the outstanding bonds issued under the 1992 General Trust Indenture on the following April 1. At December 31, 2002, this amount consisted of cash equivalents of \$660,004 and investments in U.S. Government securities of \$17,889,106 with a market value of approximately \$18,198,900 meeting the requirements of the 1992 General Trust Indenture.

Under the terms of the 1992 General Trust Indenture, before the commencement of each fiscal year, the Authority is required to fix, establish, or maintain or cause to be fixed, established, and/or maintained such rates, fees, and charges for the provision of water service, and revise or cause to be revised the same prior to the commencement of each fiscal year, as necessary, as will produce net revenues, in the opinion of the Consulting Engineer, at least equal in such fiscal year to the total of 110 percent of the principal and interest requirements during that fiscal year.

Future debt payments under all debt agreements as of December 31, 2002 is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 7,505,000	\$ 21,929,687	\$ 29,434,687
2004	7,810,000	21,616,204	29,426,204
2005	8,130,000	21,292,064	29,422,064
2006	8,450,000	20,949,775	29,399,775
2007	8,810,000	20,583,475	29,393,475
2008–2012	50,375,000	96,406,517	146,781,517
2013–2017	65,320,000	82,142,349	147,462,349
2018–2022	90,335,000	60,739,624	151,074,624
2023–2027	117,100,000	33,346,956	150,446,956
2028–2032	70,160,000	5,326,400	75,486,400
Total	\$ 433,995,000	\$ 384,333,051	\$ 818,328,051

The 1986 Federal Tax Reform Act requires local jurisdictions to report and rebate arbitrage earnings on debt issues to the Federal Government every five years. As of December 31, 2002, the Authority had an arbitrage obligation of approximately \$1,800.

8. Defined Benefit Pension Plan

Plan Description

The Authority contributes to the Fairfax County Water Authority Retirement Plan (the Plan), a single-employer, defined benefit, public-employee retirement system. The Plan document assigns all the responsibilities of maintaining the Plan to the Authority Board, including the approval of Plan changes, setting benefit and contribution levels under the Plan, and ensuring that the Plan is funded sufficiently to meet its benefit obligations. The Authority has established a Benefits Trust Committee to be responsible for the administration of the Plan. Additional information may be obtained from the Plan documents, and members of the Plan receive annual statements providing their statements of earnings. The Plan also issues a separate stand-alone financial report that can be obtained by contacting the Treasurer of the Benefits Trust Committee at P.O. Box 1500, Merrifield, Virginia 22116.

Upon service retirement, a member of the Plan shall receive an annual basic retirement allowance, payable monthly for life, which shall be an amount determined by Plan elections made by the employee. In addition to the basic retirement allowance, members who retire prior to the earliest date of eligibility for Social Security benefits shall receive a supplemental benefit of 1 percent of the average final compensation to the Social Security breakpoint multiplied by the number of years of creditable service. Such allowance will cease upon attaining such eligibility, whether or not application for Social Security benefits has been made or awarded.

As part of the application for service retirement, a member may elect to receive a decreased basic retirement allowance during the member's lifetime and have such basic retirement allowance, or designated fraction thereof, continued after the member's death to the member's named beneficiary during the remainder of the designated payment period. Retirees, surviving spouses or divorced spouses with a qualified domestic relations order are eligible for partial payment of certain health insurance premium costs.

Funding Policy

All regular full-time employees of the Authority are participants in the Plan as well as Board members of the Authority who elected to participate in the Plan prior to December 31, 2002. Employee contributions vary between 4 and 5 percent of annual wages, determined by each participant's Plan elections.

The Authority's funding policy is to make an annual contribution to the Plan in an amount estimated to fully fund all employee benefits at the time of their retirement. The Authority's contribution rate for 2002 was 13.82 percent of covered employees' compensation.

The contributions made by the Authority to the Plan for 2002, 2001, and 2000, were in accordance with actuarially determined requirements and amounted to \$2,803,746, \$2,795,179, and \$2,297,146, respectively. Employee contributions amounted to \$973,244, \$934,097, and \$885,042 for the same periods, respectively.

The annual required contribution for the current year was determined as part of the January 1, 2001 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8.5 percent (compounded annually) investment rate of return (net of administrative expenses) and (b) projected salary increases of 6.0 percent (compounded annually, effective each July 1) per year. Both (a) and (b) included an inflation component of 4 percent. The assumptions did include postretirement benefit increases of 4 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. Beginning January 1, 1995, unfunded actuarial accrued liabilities are amortized over 20 years, and any subsequent gains and losses, plan changes, or changes in methods are also amortized over 20 years.

Trend Information

The table below summarizes the required three-year trend information for the Authority.

Three-Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2000	\$ 2,297,146	100%	\$ -
12/31/2001	2,795,179	100	-
12/31/2002	2,803,746	100	-

Required Supplementary Information (Unaudited)

The table below provides detail on the funding progress for the Authority.

Schedule of Funding Progress (in thousands)						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2000	\$ 97,123	\$ 109,876	\$ 12,753	88.39%	\$ 18,218	70.00%
1/1/2001	105,313	115,900	10,587	90.87%	18,939	55.90%
1/1/2002	108,806	127,858	19,052	85.10%	20,009	95.21%

The disclosures in this note reflect the financial activity associated with pension and post-employment healthcare benefits funded by the Authority through the Plan on a combined basis. A separate disclosure of this activity by type of benefit has not been provided as such information is not available.

9. Post-employment Benefits Other Than Pensions

Employees and their eligible dependents that have previously been covered under the Fairfax County Water Authority Welfare Benefit Trust (the Trust) prior to retirement are eligible for health coverage under the Fairfax County Water Authority Retirement Plan (the Plan). The Plan makes contributions to the Trust for post-employment benefits other than pensions. The Plan provides partial payment of certain health insurance premium costs of the Authority's retirees, surviving spouses and divorced spouses under a qualified domestic relations order. The Authority advance funds the benefit on an actuarially determined basis through the Plan. There were 150 active participants receiving post-employment benefits other than pensions in 2002. The benefit is equal to 3 percent times years of creditable service under the Plan, up to 25 years, times the designated premium. The Plan paid \$605,263 to the Trust for post-employment benefits other than pensions in 2002.

10. Commitments and Contingencies

In connection with its ongoing capital improvement program, the Authority has entered into various construction contracts. As of December 31, 2002, the uncompleted cost of these and other contracts is approximately \$96,136,000.

The Authority has also agreed, in principle, to pay certain portions of the capital and annual operation and maintenance costs relating to various water supply augmentation facilities constructed and proposed to be constructed by other parties for the use and benefit of the Authority and other water supply agencies in the Washington, D.C., metropolitan area. The Authority's share of the capital costs is presently estimated at \$10,919,469, which is to be paid with interest over the next 38 years. The Authority's share of annual operation and maintenance costs associated with these facilities for 2003 is estimated to be \$140,000.

In addition, the Authority is contingently liable for claims that arose in the ordinary course of operations and in connection with its capital improvement program. It is the opinion of the Authority and legal counsel that any losses that may ultimately be incurred as a result of any claims will not be material to the balance sheets, results of operations and accumulated net income, or cash flows.

The Authority receives grant funds, principally from the U.S. government. Expenditures of these funds are subject to audit by the grantor, and the Authority is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of management of the Authority, no material refunds will be required as a result of expenditures that may be disallowed by the grantors.

11. Deferred Compensation Plan

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (the Code) Section 457. The deferred compensation plan, available to all employees, permits them to defer a portion of their salaries to future years. All of the assets of the deferred compensation plan are held in a trust for the exclusive benefit of participants and beneficiaries and the assets and liabilities are not reported on the accompanying balance sheet. Participants' rights under the plan are equal to the fair market value of the deferred account for each participant.

12. Tax-exempt Status

The Authority is considered a political subdivision under the Commonwealth of Virginia and is tax-exempt under section 115 of the Code.

13. 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. With the exception of medical coverage for employees, 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, and settled claims have not exceeded insurance coverage in any of the past three years.

The Authority has established the Fairfax County Water Authority Welfare Benefit Trust (the Trust). The purpose of the Trust is to receive and hold assets to provide medical benefits for Authority employees and retirees. Amounts deposited to the Trust are based on projected benefit levels determined on an annual basis less projected employee contributions. The Authority is protected from catastrophic losses through a stop-loss insurance policy for losses in excess of \$125,000 per individual per year. The Authority and the Retirement Plan contributed \$2,068,067 to the Trust in 2002. The assets, liabilities and net assets of the Trust amounted to approximately \$1,428,000, \$431,000 and \$997,000 at December 31, 2002. Such amounts have not been included in the accompanying financial statements.

Fairfax County Water Authority

Schedule of Bonds Payable

As of December 31, 2002

Description	Date of Issue	Maturity Dates	Interest		Amount Issued	Outstanding January 1, 2002	Retired During 2002	Outstanding December 31, 2002
			Rate	Dates				
Water Refunding Revenue Bonds, Series 1992	11/15/1992	4/1/2002	5.350	4/1-10/1	\$ 1,310,000	\$ 1,310,000	\$ 1,310,000	\$ -
	11/15/1992	4/1/2003	5.450	4/1-10/1	1,375,000	1,375,000	1,375,000	-
	11/15/1992	4/1/2004	5.550	4/1-10/1	1,445,000	1,445,000	1,445,000	-
	11/15/1992	4/1/2005	5.650	4/1-10/1	1,520,000	1,520,000	1,520,000	-
	11/15/1992	4/1/2006	5.750	4/1-10/1	1,605,000	1,605,000	1,605,000	-
	11/15/1992	4/1/2007	5.850	4/1-10/1	1,700,000	1,700,000	1,700,000	-
	11/15/1992	4/1/2008	5.900	4/1-10/1	3,375,000	2,120,000	2,120,000	-
	11/15/1992	4/1/2009	5.750	4/1-10/1	3,570,000	2,240,000	2,240,000	-
	11/15/1992	4/1/2010	5.750	4/1-10/1	3,770,000	2,370,000	2,370,000	-
	11/15/1992	4/1/2011	5.750	4/1-10/1	3,990,000	2,505,000	2,505,000	-
	11/15/1992	4/1/2012	5.750	4/1-10/1	4,220,000	2,650,000	2,650,000	-
	11/15/1992	4/1/2013	5.750	4/1-10/1	4,465,000	2,805,000	2,805,000	-
	11/15/1992	4/1/2014	5.750	4/1-10/1	4,715,000	2,960,000	2,960,000	-
	11/15/1992	4/1/2015	6.000	4/1-10/1	4,990,000	3,135,000	-	3,135,000
	11/15/1992	4/1/2016	6.000	4/1-10/1	5,280,000	3,315,000	-	3,315,000
	11/15/1992	4/1/2017	6.000	4/1-10/1	11,365,000	7,135,000	-	7,135,000
	11/15/1992	4/1/2018	6.000	4/1-10/1	12,045,000	7,560,000	-	7,560,000
	11/15/1992	4/1/2019	6.000	4/1-10/1	12,770,000	8,015,000	-	8,015,000
	11/15/1992	4/1/2020	6.000	4/1-10/1	13,535,000	8,495,000	-	8,495,000
	11/15/1992	4/1/2021	6.000	4/1-10/1	14,350,000	9,005,000	-	9,005,000
	11/15/1992	4/1/2022	6.000	4/1-10/1	15,210,000	9,545,000	-	9,545,000
	11/15/1992	4/1/2023	5.750	4/1-10/1	16,120,000	10,115,000	10,115,000	-
	11/15/1992	4/1/2024	5.750	4/1-10/1	17,050,000	10,700,000	10,700,000	-
	11/15/1992	4/1/2025	5.750	4/1-10/1	18,030,000	11,315,000	11,315,000	-
	11/15/1992	4/1/2026	5.750	4/1-10/1	19,065,000	11,965,000	11,965,000	-
	11/15/1992	4/1/2027	5.750	4/1-10/1	20,160,000	12,650,000	12,650,000	-
	11/15/1992	4/1/2028	5.750	4/1-10/1	21,320,000	13,380,000	13,380,000	-
	11/15/1992	4/1/2029	5.750	4/1-10/1	22,550,000	14,150,000	14,150,000	-
						167,085,000	110,880,000	56,205,000



Fairfax County Water Authority

Schedule of Bonds Payable

As of December 31, 2002

Description	Date of Issue	Maturity Dates	Interest		Amount Issued	Outstanding January 1, 2002	Retired During 2002	Outstanding December 31, 2002
			Rate	Dates				
Water Revenue Bonds, Series 1994	2/1/1994	4/1/2002	4.40	4/1-10/1	3,475,000	3,475,000	3,475,000	—
	2/1/1994	4/1/2003	4.50	4/1-10/1	3,630,000	3,630,000	—	3,630,000
	2/1/1994	4/1/2004	4.60	4/1-10/1	3,800,000	3,800,000	—	3,800,000
	2/1/1994	4/1/2005	4.70	4/1-10/1	3,980,000	3,980,000	—	3,980,000
	2/1/1994	4/1/2006	4.80	4/1-10/1	4,165,000	4,165,000	—	4,165,000
	2/1/1994	4/1/2007	4.90	4/1-10/1	4,365,000	4,365,000	—	4,365,000
	2/1/1994	4/1/2008	5.00	4/1-10/1	3,005,000	3,005,000	—	3,005,000
	2/1/1994	4/1/2009	5.05	4/1-10/1	3,155,000	3,155,000	—	3,155,000
	2/1/1994	4/1/2010	5.10	4/1-10/1	3,320,000	3,320,000	—	3,320,000
	2/1/1994	4/1/2011	5.15	4/1-10/1	3,490,000	3,490,000	—	3,490,000
	2/1/1994	4/1/2012	5.00	4/1-10/1	3,665,000	3,665,000	—	3,665,000
	2/1/1994	4/1/2013	5.00	4/1-10/1	3,850,000	3,850,000	—	3,850,000
	2/1/1994	4/1/2014	5.00	4/1-10/1	4,045,000	4,045,000	—	4,045,000
	2/1/1994	4/1/2015	5.00	4/1-10/1	4,245,000	4,245,000	—	4,245,000
	2/1/1994	4/1/2016	5.00	4/1-10/1	4,465,000	4,465,000	—	4,465,000
						56,655,000	3,475,000	53,180,000

Fairfax County Water Authority

Schedule of Bonds Payable

As of December 31, 2002

Description	Date of Issue	Maturity Dates	Interest		Amount Issued	Outstanding January 1, 2002	Retired During 2002	Outstanding December 31, 2002
			Rate	Dates				
Water Refunding Revenue Bonds, Series 1997	7/15/1997	4/1/2002	4.10	4/1-10/1	285,000	285,000	285,000	—
	7/15/1997	4/1/2003	4.20	4/1-10/1	295,000	295,000	—	295,000
	7/15/1997	4/1/2004	4.30	4/1-10/1	310,000	310,000	—	310,000
	7/15/1997	4/1/2005	4.30	4/1-10/1	325,000	325,000	—	325,000
	7/15/1997	4/1/2006	4.35	4/1-10/1	335,000	335,000	—	335,000
	7/15/1997	4/1/2007	4.40	4/1-10/1	350,000	350,000	—	350,000
	7/15/1997	4/1/2008	4.45	4/1-10/1	1,620,000	1,620,000	—	1,620,000
	7/15/1997	4/1/2009	4.55	4/1-10/1	1,695,000	1,695,000	—	1,695,000
	7/15/1997	4/1/2010	4.65	4/1-10/1	1,765,000	1,765,000	—	1,765,000
	7/15/1997	4/1/2011	4.70	4/1-10/1	1,850,000	1,850,000	—	1,850,000
	7/15/1997	4/1/2012	4.75	4/1-10/1	1,940,000	1,940,000	—	1,940,000
	7/15/1997	4/1/2013	4.80	4/1-10/1	2,030,000	2,030,000	—	2,030,000
	7/15/1997	4/1/2014	5.00	4/1-10/1	2,130,000	2,130,000	—	2,130,000
	7/15/1997	4/1/2015	5.00	4/1-10/1	2,235,000	2,235,000	—	2,235,000
	7/15/1997	4/1/2016	5.00	4/1-10/1	2,345,000	2,345,000	—	2,345,000
	7/15/1997	4/1/2017	5.00	4/1-10/1	4,610,000	4,610,000	—	4,610,000
	7/15/1997	4/1/2018	5.00	4/1-10/1	4,840,000	4,840,000	—	4,840,000
	7/15/1997	4/1/2019	5.00	4/1-10/1	5,080,000	5,080,000	—	5,080,000
	7/15/1997	4/1/2020	5.00	4/1-10/1	5,335,000	5,335,000	—	5,335,000
	7/15/1997	4/1/2021	5.00	4/1-10/1	5,605,000	5,605,000	—	5,605,000
	7/15/1997	4/1/2022	5.00	4/1-10/1	5,885,000	5,885,000	—	5,885,000
	7/15/1997	4/1/2023	5.00	4/1-10/1	6,180,000	6,180,000	—	6,180,000
	7/15/1997	4/1/2024	5.00	4/1-10/1	6,490,000	6,490,000	—	6,490,000
	7/15/1997	4/1/2025	5.00	4/1-10/1	6,810,000	6,810,000	—	6,810,000
	7/15/1997	4/1/2026	5.00	4/1-10/1	7,150,000	7,150,000	—	7,150,000
	7/15/1997	4/1/2027	5.00	4/1-10/1	7,510,000	7,510,000	—	7,510,000
	7/15/1997	4/1/2028	5.00	4/1-10/1	7,885,000	7,885,000	—	7,885,000
	7/15/1997	4/1/2029	5.00	4/1-10/1	8,280,000	8,280,000	—	8,280,000
						101,170,000	285,000	100,885,000

Fairfax County Water Authority

Schedule of Bonds Payable

As of December 31, 2002

Description	Date of Issue	Maturity Dates	Interest		Amount Issued	Outstanding January 1, 2002	Retired During 2002	Outstanding December 31, 2002
			Rate	Dates				
Water Revenue Bonds, Series 2000	6/1/2000	4/1/2002	4.750	4/1-10/1	760,000	760,000	760,000	-
	6/1/2000	4/1/2003	4.875	4/1-10/1	795,000	795,000	-	795,000
	6/1/2000	4/1/2004	4.900	4/1-10/1	835,000	835,000	-	835,000
	6/1/2000	4/1/2005	4.970	4/1-10/1	875,000	875,000	-	875,000
	6/1/2000	4/1/2006	5.000	4/1-10/1	915,000	915,000	-	915,000
	6/1/2000	4/1/2007	5.050	4/1-10/1	965,000	965,000	-	965,000
	6/1/2000	4/1/2008	5.125	4/1-10/1	1,010,000	1,010,000	-	1,010,000
	6/1/2000	4/1/2009	5.125	4/1-10/1	1,065,000	1,065,000	-	1,065,000
	6/1/2000	4/1/2010	5.200	4/1-10/1	1,120,000	1,120,000	-	1,120,000
	6/1/2000	4/1/2011	5.250	4/1-10/1	1,175,000	1,175,000	-	1,175,000
	6/1/2000	4/1/2012	5.375	4/1-10/1	1,240,000	1,240,000	-	1,240,000
	6/1/2000	4/1/2013	5.400	4/1-10/1	1,305,000	1,305,000	-	1,305,000
	6/1/2000	4/1/2014	6.000	4/1-10/1	1,375,000	1,375,000	-	1,375,000
	6/1/2000	4/1/2015	6.000	4/1-10/1	1,460,000	1,460,000	-	1,460,000
	6/1/2000	4/1/2016	5.125	4/1-10/1	1,545,000	1,545,000	-	1,545,000
	6/1/2000	4/1/2017	5.625	4/1-10/1	1,640,000	1,640,000	-	1,640,000
	6/1/2000	4/1/2018	5.500	4/1-10/1	1,735,000	1,735,000	-	1,735,000
	6/1/2000	4/1/2019	5.500	4/1-10/1	1,830,000	1,830,000	-	1,830,000
	6/1/2000	4/1/2020	5.625	4/1-10/1	1,930,000	1,930,000	-	1,930,000
	6/1/2000	4/1/2021	5.625	4/1-10/1	2,035,000	2,035,000	-	2,035,000
	6/1/2000	4/1/2022	5.625	4/1-10/1	2,150,000	2,150,000	-	2,150,000
	6/1/2000	4/1/2023	5.625	4/1-10/1	2,275,000	2,275,000	-	2,275,000
	6/1/2000	4/1/2024	5.625	4/1-10/1	2,400,000	2,400,000	-	2,400,000
	6/1/2000	4/1/2025	5.625	4/1-10/1	2,535,000	2,535,000	-	2,535,000
	6/1/2000	4/1/2026	5.750	4/1-10/1	2,680,000	2,680,000	-	2,680,000
	6/1/2000	4/1/2027	5.750	4/1-10/1	2,830,000	2,830,000	-	2,830,000
	6/1/2000	4/1/2028	5.750	4/1-10/1	2,995,000	2,995,000	-	2,995,000
	6/1/2000	4/1/2029	5.750	4/1-10/1	3,165,000	3,165,000	-	3,165,000
	6/1/2000	4/1/2030	5.750	4/1-10/1	3,350,000	3,350,000	-	3,350,000
						49,990,000	760,000	49,230,000

Fairfax County Water Authority

Schedule of Bonds Payable

As of December 31, 2002

Description	Date of Issue	Maturity Dates	Interest		Amount Issued	Outstanding January 1, 2002	Retired During 2002	Outstanding December 31, 2002
			Rate	Dates				
Water Revenue and Refunding Revenue Bonds, Series 2002	3/1/2002	4/1/2003	3.500	4/1-10/1	2,785,000	—	—	2,785,000
	3/1/2002	4/1/2004	3.000	4/1-10/1	2,865,000	—	—	2,865,000
	3/1/2002	4/1/2005	3.000	4/1-10/1	2,950,000	—	—	2,950,000
	3/1/2002	4/1/2006	3.000	4/1-10/1	3,035,000	—	—	3,035,000
	3/1/2002	4/1/2007	3.300	4/1-10/1	3,130,000	—	—	3,130,000
	3/1/2002	4/1/2008	3.600	4/1-10/1	3,550,000	—	—	3,550,000
	3/1/2002	4/1/2009	4.125	4/1-10/1	2,185,000	—	—	2,185,000
	3/1/2002	4/1/2009	3.800	4/1-10/1	1,495,000	—	—	1,495,000
	3/1/2002	4/1/2010	5.000	4/1-10/1	2,795,000	—	—	2,795,000
	3/1/2002	4/1/2010	3.900	4/1-10/1	1,050,000	—	—	1,050,000
	3/1/2002	4/1/2011	4.000	4/1-10/1	4,010,000	—	—	4,010,000
	3/1/2002	4/1/2012	4.125	4/1-10/1	4,175,000	—	—	4,175,000
	3/1/2002	4/1/2013	5.500	4/1-10/1	3,590,000	—	—	3,590,000
	3/1/2002	4/1/2013	4.250	4/1-10/1	785,000	—	—	785,000
	3/1/2002	4/1/2014	5.500	4/1-10/1	4,500,000	—	—	4,500,000
	3/1/2002	4/1/2014	4.400	4/1-10/1	100,000	—	—	100,000
	3/1/2002	4/1/2015	5.375	4/1-10/1	1,235,000	—	—	1,235,000
	3/1/2002	4/1/2015	4.500	4/1-10/1	495,000	—	—	495,000
	3/1/2002	4/1/2016	5.375	4/1-10/1	1,725,000	—	—	1,725,000
	3/1/2002	4/1/2016	4.600	4/1-10/1	100,000	—	—	100,000
	3/1/2002	4/1/2017	5.375	4/1-10/1	1,625,000	—	—	1,625,000
	3/1/2002	4/1/2017	4.650	4/1-10/1	300,000	—	—	300,000
	3/1/2002	4/1/2018	5.375	4/1-10/1	1,640,000	—	—	1,640,000
	3/1/2002	4/1/2018	4.750	4/1-10/1	380,000	—	—	380,000
	3/1/2002	4/1/2019	5.375	4/1-10/1	2,030,000	—	—	2,030,000
	3/1/2002	4/1/2019	4.850	4/1-10/1	105,000	—	—	105,000



Fairfax County Water Authority

Schedule of Bonds Payable

As of December 31, 2002

Description	Date of Issue	Maturity Dates	Interest		Amount Issued	Outstanding January 1, 2002	Retired During 2002	Outstanding December 31, 2002
			Rate	Dates				
Water Revenue and Refunding Revenue Bonds, Series 2002 (continued)	3/1/2002	4/1/2020	5.375	4/1-10/1	2,220,000	—	—	2,220,000
	3/1/2002	4/1/2020	4.900	4/1-10/1	35,000	—	—	35,000
	3/1/2002	4/1/2021	5.375	4/1-10/1	1,925,000	—	—	1,925,000
	3/1/2002	4/1/2021	4.900	4/1-10/1	450,000	—	—	450,000
	3/1/2002	4/1/2022	5.375	4/1-10/1	1,690,000	—	—	1,690,000
	3/1/2002	4/1/2022	5.000	4/1-10/1	815,000	—	—	815,000
	3/1/2002	4/1/2023	5.000	4/1-10/1	12,710,000	—	—	12,710,000
	3/1/2002	4/1/2024	5.000	4/1-10/1	13,350,000	—	—	13,350,000
	3/1/2002	4/1/2025	5.000	4/1-10/1	14,015,000	—	—	14,015,000
	3/1/2002	4/1/2026	5.000	4/1-10/1	14,715,000	—	—	14,715,000
	3/1/2002	4/1/2027	5.000	4/1-10/1	15,450,000	—	—	15,450,000
	3/1/2002	4/1/2028	5.000	4/1-10/1	16,220,000	—	—	16,220,000
	3/1/2002	4/1/2029	5.000	4/1-10/1	17,030,000	—	—	17,030,000
	3/1/2002	4/1/2030	5.000	4/1-10/1	3,560,000	—	—	3,560,000
	3/1/2002	4/1/2031	5.000	4/1-10/1	3,740,000	—	—	3,740,000
	3/1/2002	4/1/2032	5.000	4/1-10/1	3,935,000	—	—	3,935,000
						—	—	174,495,000
Total Bonds—All Series						\$374,900,000	\$115,400,000	\$433,995,000





Fairfax County Water Authority

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