

10. Welfare Benefit Trust

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 \$2,042,106 and \$1,764,790 to the Trust in 2000 and 1999, respectively.

11. Commitments

In connection with its ongoing capital improvement program, the Authority has entered into various construction contracts. As of December 31, 2000, the uncompleted cost of these and other contracts is approximately \$115,973,766.

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 metropolitan Washington area. The Authority's share of the capital costs is presently estimated at \$11,229,000, which is to be paid with interest over the next 40 years. The Authority's share of annual operation and maintenance costs associated with these facilities for 2001 is estimated to be \$130,000.

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 sheet, results of operations, or cash flows.

12. Wholesale Water Revenue

On June 1, 1992, the Authority entered into an Escrow Deposit Agreement with Loudoun County Sanitation Authority and Crestar Bank, as Escrow Agent. On July 1, 1992, Loudoun County Sanitation Authority placed various Resolution Funding Corporation (REFCO) stripped securities into the escrow account with an original value of \$27,377,881, which will provide a cash flow to the Authority of approximately \$2.1 million annually until the year 2029. The Authority may, at any time, substitute the investments in the escrow account with any other investments authorized by the laws of Virginia. The cash flow was designed to be equal to or greater than the cash flow that Loudoun County Sanitation Authority was obligated to pay to the Authority for its purchase of 10 million gallons per day of capacity rights in the Authority's system. The Authority recognized the entire amount as wholesale water revenue in 1992 and has included these as investments held in escrow. At December 31, 2000 and 1999, the carrying amount in escrow was \$30,061,939 and \$27,178,576, respectively.

13. Statements of Cash Flows

The following schedule reconciles net cash provided by operating activities to income from operations:

	2000	1999
Cash Flows From Operating Activities:		
Income from operations	\$ 18,408,181	\$ 21,443,459
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	15,222,311	14,631,854
Change in assets and liabilities:		
Decrease in customers' receivables, net	111,422	352,879
(Increase) in unbilled revenue	(354,560)	(348,945)
Decrease in other assets	61,270	261,037
Increase in accounts payable	769,506	2,676
(Decrease) increase in customer deposits payable	-	(2,046,877)
Increase in accrued expenses	168,395	182,988
Increase in unearned service connection	391,502	127,814
Total adjustments	16,396,846	13,163,426
Net cash provided by operating activities	\$ 34,778,027	\$ 34,606,885

Supplemental noncash information is presented below:

	2000	1999
Noncash Investing, Capital, and Financing Activities:		
Contributed capital:		
Estimated fair value of utility plant received from developers	\$ 3,888,310	\$ 4,577,671

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The Authority takes pride in its commitment to sound planning, state-of-the-art technology, and a respect for the environment.