

**Fauquier County**  
**Water and Sanitation Authority**  
**Warrenton, Virginia**

**Annual Comprehensive  
Financial Report**



**YEARS ENDED  
JUNE 30, 2023 AND 2022**



**FAUQUIER COUNTY WATER AND SANITATION AUTHORITY**

**WARRENTON, VIRGINIA**

Annual Comprehensive Financial Report  
Years Ended June 30, 2023 and 2022

**Prepared by:**

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Deborah A. Whitley  
Director of Finance



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# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

## Annual Comprehensive Financial Report Years Ended June 30, 2023 and 2022

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# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

## Annual Comprehensive Financial Report Years Ended June 30, 2023 and 2022

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## **OFFICERS AND BOARD MEMBERS**

Ross W. D'Urso, Chairperson  
A. William Chipman, Vice-Chairperson  
William G. Downey, Treasurer  
Michael J. Focazio  
Richard R. Gerhardt

## **AUDIT COMMITTEE**

A. William Chipman  
William G. Downey

## **SENIOR MANAGEMENT**

Benjamin R. Shoemaker, Executive Director  
Deborah A. Whitley, Director of Finance and Administration  
Richard L. Landis, Director of Maintenance and Construction  
Michael B. Edelen, Director of Engineering  
Milas E. Smith, Director of Operations

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FAUQUIER COUNTY

**WATER & SANITATION AUTHORITY**

7172 Kennedy Road • Vint Hill Farms

Warrenton, Virginia 20187-3907

Phone (540) 349-2092 • Fax (540) 347-7689



October 31, 2023

Board of Directors of the  
Fauquier County Water and Sanitation Authority  
Fauquier County, Virginia

Gentlemen:

The Annual Comprehensive Financial Report (ACFR) for the Fauquier County Water and Sanitation Authority (Authority) for the year ended June 30, 2023 is submitted herewith. Financial data, including all appropriate disclosures, have been prepared in accordance with the standards for financial reporting promulgated or permitted by the Governmental Accounting Standards Board.

Management is responsible, in all material respects, for the accuracy of this data and the completeness and fairness of these presentations, including all disclosures. We believe the data presents fairly the financial position and results of operations of the Authority for the year ended June 30, 2023.

Generally Accepted Accounting Principles require that management provide a narrative introduction, overview, and analysis to accompany the basic statements in the form of Management's Discussion and Analysis (MD&A). This transmittal letter is designed to complement the MD&A and should be read in conjunction with it. The Authority's MD&A is included in the Financial Section of this report, immediately following the report of the independent auditors.

*The Authority*

The Fauquier County Water and Sanitation Authority is an independent political subdivision of the Commonwealth empowered by the Virginia Water and Waste Authorities Act §15.2-5100 et seq. of the Code of Virginia, 1950 as amended, to provide water and sewer service in the County of Fauquier. The Authority was first chartered in 1964 and is governed by a five-member Board. The Authority's charter was extended to 2072 by the Fauquier County Board in July 2022. Individual Board Members are appointed by the Fauquier County Board of Supervisors and serve four-year terms. The Authority Board contracts the Executive Director, who is responsible for the daily management of the Authority.

*Economic  
Conditions and  
Outlook*

The Authority is located in rural Fauquier County approximately 40 miles southwest of Washington, D.C., and 95 miles northwest of Richmond. The service area of the Authority is traversed by several highways providing access to the metropolitan area and surrounding jurisdictions. The Authority owns and operates fourteen public water systems and three wastewater (sewer) treatment plants; and operates an additional two water systems.

The local economy continues to improve in Fauquier County as evident in the decreased unemployment rate. Estimated population in Fauquier County as of July 2022 is approximately 73,536. This is expected to exceed 79,584 by the year 2030 and 87,195 by the year 2040. Per the Virginia Employment Commission, as of July 2022, the total civilian labor force in Fauquier County was 37,428. The unemployment rate dropped to 2.6% from 2.8% in 2022 matching the pre-pandemic figure of 2.6% from 2019.

The Authority provides water and/or wastewater services to single and multi-family housing developments, county schools, a federal complex, and various shopping centers. The Authority experienced an increase in customer base as water and wastewater connections grew by 135 and 225, respectively, in FY2023. Availability fee revenue increased by \$1,424,660 and Developer Contributions increased by \$2,290,236 as new development was experienced in the service areas in FY2023.

*Internal Control  
Structure and  
Budgetary  
Controls*

The Authority's management is responsible for establishing and maintaining internal controls. Estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. Internal controls are designed to provide reasonable, but not absolute, assurances regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records used to prepare financial statements that are free of any material misstatements. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits require estimates and judgments made by management. Management reviews internal controls on a continuous basis.

The Authority Board annually adopts an Operating Budget and Capital Improvement Plan prepared by the Finance Department and approved by the Executive Director. Revenue and expenditure projections are based on historic performance, operational needs, current trends, regulatory developments, local markets, building approvals, and environmental activities.

The Authority controls current expenses at both the functional and operating division levels. Division managers are responsible for budgetary items that are controllable within their divisions. The Finance department is responsible for general Authority costs, as well as monitoring expenses by function for the Authority. Controlling all expenses at different levels strengthens the overall budgetary and management controls.

*Relevant  
Financial  
Policies*

The Authority is committed to fiscal integrity and financial leadership. It operates as an enterprise fund, has no taxing power, and receives no financial assistance from Fauquier County. In May 2021, the Authority adopted new financial policies intended to reinforce its commitment to provide high quality services as economically as possible and recognize the overarching priority of protecting the investment its customers have made in the system. Authority funds are invested with the following objectives in order of priority: (1) Legality – funds are only invested in those investments permitted by federal, state, and local law as it relates to public funds, (2) Safety – investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the portfolio, (3) Liquidity – the investment portfolio shall remain sufficiently liquid to meet all cash requirements that may be reasonably anticipated, and (4) Yield – the portfolio shall be designed to attain a fair rate of return consistent with the investment risk constraints and cash flow characteristics of the portfolio. Funds held for capital projects are invested in accordance with these objectives in addition to ensuring compliance with U.S. Treasury arbitrage regulations.

*Regulatory*

WASTEWATER

December 31, 2010, State and Federal governments enacted wastewater regulations to improve water quality in the Chesapeake Bay. The vehicle for implementing the regulations is Watershed Implementation Plans (WIPs). WIPs are roadmaps for how Chesapeake Bay states and the District of Columbia, in partnership with federal and local governments, will attain the Chesapeake Bay Total Maximum Daily (TMDL) pollutant load reduction goals.

Over the past several decades, coordinated efforts by local government agencies, state and federal programs, farmers, landowners, conservation groups, consultants, and many others have significantly improved Virginia's water quality. The Commonwealth's successes result from the collective effort of the public and private sectors.

Virginia's Phase III Watershed Implementation Plan (WIP III) was completed in August 2019 to achieve nutrient and sediment reductions needed to restore the Chesapeake Bay and its tidal tributaries. It details best management practices and programmatic actions necessary to achieve state basin planning targets for nitrogen and phosphorus (P and N).

The Fauquier County Water and Sanitation Authority implemented a two-phase plan to meet the WIP regulatory requirements. The first-phase upgrades, completed in FY2012, allowed P and N credit trading between Remington Wastewater Treatment Plant (RWWTP) and Marshall Wastewater Treatment Plant (MWWTP). In FY2020, the Authority completed a capacity evaluation for the RWWTP and MWWTP.

This evaluation included a review of regulatory requirements and funding options, the development of flow and load projections for a 20-year planning horizon (2040), capacity evaluations for existing facilities, and a

summary of recommendations for each plant. The RWWTP and MWWTP, in addition to other regulatory requirements, are subject to the Chesapeake Bay TMDL Program and associated nutrient wastewater discharge limitations. Phase III WIPs were introduced by the state in 2019.

The WIP Phase III may require more stringent annual nutrient wastewater discharge limitations for all facilities discharging to the Chesapeake Bay. Given this development, the Authority initiated this evaluation to determine potential upgrades needed at the RWWTP and MWWTP to meet regulatory requirements, including WIP Phase III, flow and load projections, and repair/replacement of aging assets over the next 20 years (2040).

As a result, the Authority will begin phase two of upgrades on the Remington and Marshall wastewater treatment plants at a potential cost of \$31 million and \$21 million, respectively, when required by regulatory permit in conjunction with growth affecting flows and pollutant loads over the next 20 years (2040).

## WATER

As early as 1916, the Department of Health (VDH) has been protecting the purity of drinking water for Virginia citizens. The statutes, as stated in the Code of Virginia, are periodically amended to: Ensure that all Virginians have safe drinking water; Provide a simple and effective regulatory program for waterworks; Adapt to new health concerns in drinking water treatment and distribution systems; and Provide a means to improve inadequate waterworks.

In January 2007, the EPA Groundwater Rule became effective. The rule increases protection against microbial pathogens in public drinking water supplies that use groundwater sources. This rule requires groundwater systems at risk of fecal contamination to take corrective action to reduce cases of illness and deaths due to exposure to microbial pathogens. The rule uses the following four major components to determine whether groundwater is not at risk of fecal contamination: Periodic sanitary surveys of groundwater systems require the evaluation of eight critical elements and the identification of significant deficiencies; Source water monitoring to test for the presence of *E. coli*; Corrective actions are required for any waterworks with a significant deficiency or source water fecal contamination; Compliance monitoring to ensure that treatment technologies installed to treat drinking water reliably achieve at least 99.99 percent (4-log) inactivation or removal of viruses.

On January 15, 2021, the United States Environmental Protection Agency (EPA) published the Lead and Copper Rule Revisions (LCRR) in the Federal Register. The revised rule makes significant changes to the existing lead and copper rule. The LCRR intends to further protect public health by minimizing lead (Pb) and copper (Cu) levels in drinking water, primarily by reducing water corrosivity. Pb and Cu enter drinking water mainly from corrosion of Pb and Cu containing plumbing materials.

The LCRR requires the Authority to identify, inventory, and plan for the removal of lead, galvanized needing replacement, and unknown service lines by October 2024. The inventory must include identifying pipe material on both sides of the water meter. As a result, the Authority has begun aligning resources to complete the required Lead Service Line inventory and subsequent Replacement Plan.

Of note are evolving federal regulations regarding PFAS/PFOA. More time and analysis are required at the federal, state, and local levels to identify the potential financial impacts on Authority operations.

#### *Budget*

Debt service in FY2023 was \$1,992,968.41 and will reduce to \$504,441 in FY2033. The Authority adopted an overall \$56.2 million, 5-year Capital Improvement Plan in its FY2023 budget. Of which, \$30.2 million is for its Capital Improvement Plan (CIP) projects for water exploration, sources, storage, and treatment facilities; and \$26 million is for its Replacement and Renewal Program (R&R) for repairs and upgrades to its existing water and wastewater systems.

#### *Independent Audit*

The *Code of Virginia* requires that an external audit be performed annually. The Authority's financial statements for the year ended June 30, 2023 have been audited by Robinson, Farmer, Cox Associates, an independent firm of licensed certified public accountants. The fiscal year 2023 Independent Auditors' Report is in the financial section of this report.

#### *Awards*

The Governmental Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Fauquier County Water & Sanitation Authority for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022. This is the sixteenth consecutive year the Authority has achieved this prestigious award recognizing conformance with the highest standards for preparation of state and local governmental financial reports. To be awarded a Certificate of Achievement, a government must publish an easily readable, and efficiently organized annual comprehensive financial report, whose contents conform to program standards. Said report must satisfy both generally accepted accounting principles and applicable legal requirements.

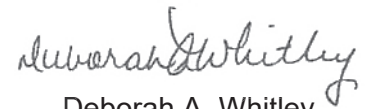
A Certificate of Achievement is valid for a period of one year. The Authority believes our current Annual Comprehensive Financial Report conforms to the Certificate of Achievement Program requirements, and we are submitting the Annual Comprehensive Finance Report to the GFOA to determine its eligibility for a Certificate for FY2023.

The GFOA awarded its Distinguished Budget Presentation Award to the Authority for fiscal year 2023 for the third consecutive year.

*Acknowledgments*

The preparation of this report could not have been accomplished without the efficient and dedicated services of the Finance and Administration staff of the Authority. All members of the division have my sincere appreciation for their contributions to the preparation of this report. I would also like to thank the Executive Director and Board of Directors for their interest and support in planning and conducting the financial operations of the Authority in a responsible and progressive manner.

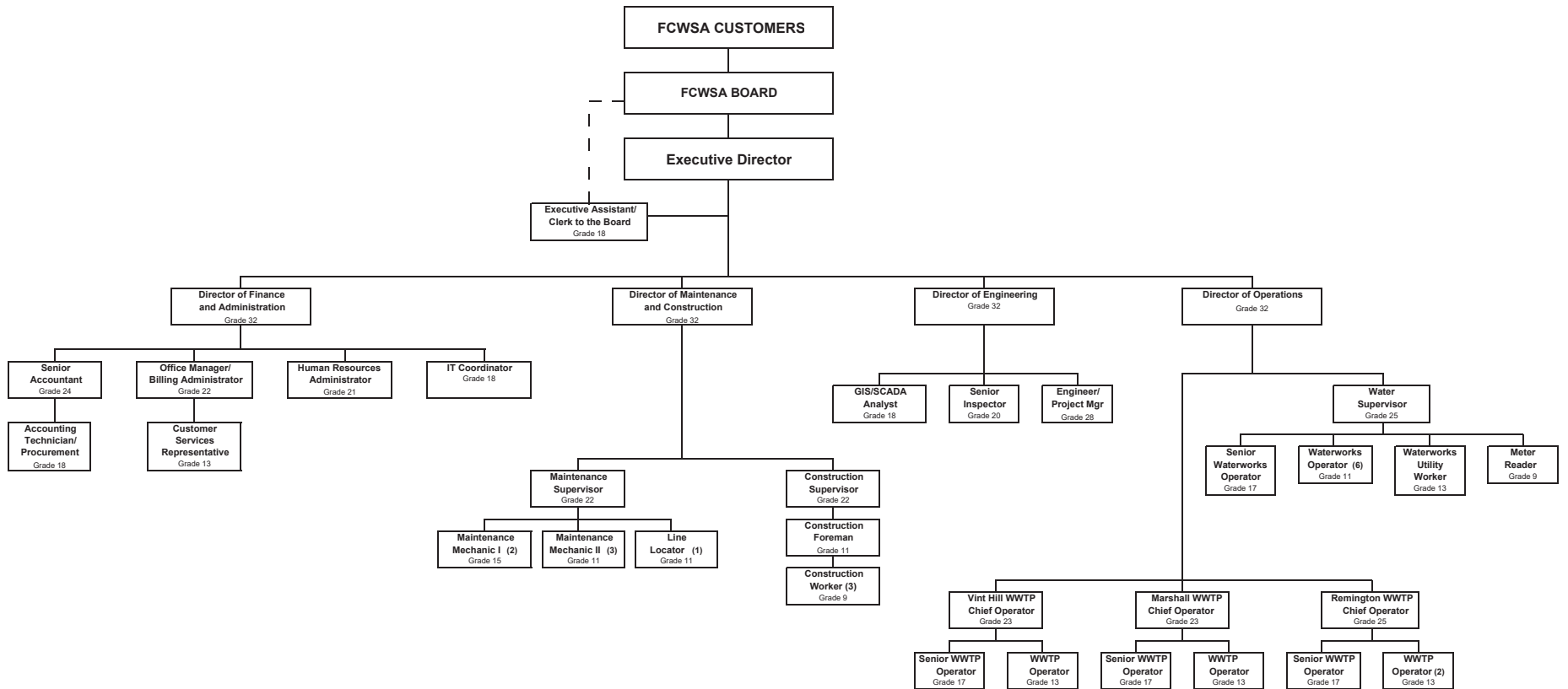
Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Deborah A. Whitley". The signature is fluid and cursive, with the first name "Deborah" and last name "Whitley" clearly distinguishable.

Deborah A. Whitley  
Director of Finance

# FCWSA ORGANIZATION

Adopted 6/30/2022  
FY2023



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Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Fauquier County Water & Sanitation Authority  
Virginia**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2022

*Christopher P. Morill*

Executive Director/CEO

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

*Certified Public Accountants*

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**Independent Auditors' Report**

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**To The Honorable Members of the Board of Directors  
Fauquier County Water and Sanitation Authority  
Warrenton, Virginia**

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the accompanying financial statements of the business-type activities of Fauquier County Water and Sanitation Authority, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Fauquier County Water and Sanitation Authority, as of June 30, 2023 and 2022, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Fauquier County Water and Sanitation Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Change in Accounting Principle***

As described in Note 13 to the financial statements, in 2023, Fauquier County Water and Sanitation Authority adopted new accounting guidance, GASB Statement No. 96, *Subscription-Based IT Arrangements (SBITAs)*. Our opinion is not modified with respect to this matter.

## ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Fauquier County Water and Sanitation Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Authorities, Boards, and Commissions* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Authorities, Boards, and Commissions*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Fauquier County Water and Sanitation Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Fauquier County Water and Sanitation Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules related to pension and OPEB funding as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2023, on our consideration of Fauquier County Water and Sanitation Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Fauquier County Water and Sanitation Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fauquier County Water and Sanitation Authority's internal control over financial reporting and compliance.

*Robinson, Farmer, Cox Associates*

Charlottesville, Virginia  
October 18, 2023

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following discussion and analysis of the Fauquier County Water and Sanitation Authority's (Authority) financial performance provides a narrative overview of the financial activities of the Authority for the Fiscal Year (FY) ending June 30, 2023. The Authority's mission is to provide quality, reliable water and wastewater services to its current and future customers in an environmentally responsible and sustainable manner. To accomplish this, the Authority set its FY2023 budget focus on customer service, water and wastewater system upgrades, supervisory control and data acquisition (SCADA) upgrades, wastewater inflow and infiltration (I&I) rehabilitation, equipment replacement, and master planning. We encourage readers to consider the information presented here in conjunction with the audited financial statements that follow this section.

### **FINANCIAL HIGHLIGHTS**

- Net Capital Assets increased by \$5,338,148 due to Developer Contributions and the completion of the Marshall Salem Wells #3 and 4 Projects, Whiting Road Project, Waterloo Line Relocation, and Remington I&I;
- Construction in Progress projects decreased by \$117,785 in FY2023;
- Total Net Position increased by \$5,913,596 from \$91,144,822 to \$97,058,418;
- Total Revenues were \$19,239,823; and Total Expenses were \$13,326,227;
- Net Operating Income (Loss) was (\$441,551) in FY2023 and \$157,946 in FY2022;
- The Authority has received unmodified audit opinions for over thirty years and has received the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting for the past sixteen years. And for the third time, the Authority was awarded the Distinguished Budget Presentation Award from GFOA for FY2023.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This Annual Comprehensive Financial Report (ACFR) is presented in three main sections. The Introductory Section includes the Letter of Transmittal, the GFOA Certificate of Achievement, a list of Authority Board Members and Officers, and an Organizational Chart. The Financial Section includes the Independent Auditors' Report, Management's Discussion and Analysis, the Basic Financial Statements with related notes, and Required Supplementary Information. The Statistical Section includes selected financial and demographic information about the Authority and the surrounding area.

There are three financial statements included in the Financial Section of this report – Statements of Net Position; Statement of Revenues, Expenses and Changes in Net Position; and Statements of Cash Flows. The Statements of Net Position includes the Authority's assets and liabilities using the accrual basis of accounting. It provides the basis for evaluating the capital structure of the Authority, and its liquidity and flexibility. All current and prior years' revenues and expenses are accounted for in the Statements of Revenues, Expenses and Changes in Net Position. This statement measures the performance of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered its costs through user fees and other charges. The Statements of Cash Flows reports the cash provided and used by operating activities, as well as other cash sources, such as investment income and cash payments for debt and capital additions. The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the statements.

## **FINANCIAL ANALYSIS**

The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position report information about the Authority's activities that determine if the overall financial position has improved during the year. These two statements help determine the financial health of the organization, and whether its financial position is improving or deteriorating. Non-financial factors such as economic conditions, population growth, and changes in governmental legislation need to be considered as well. Though Operating Revenues did not completely cover Operating Expenses, the Authority maintained its financial strength in FY2023 as Total Net Position increased as described in the following sections of this report.

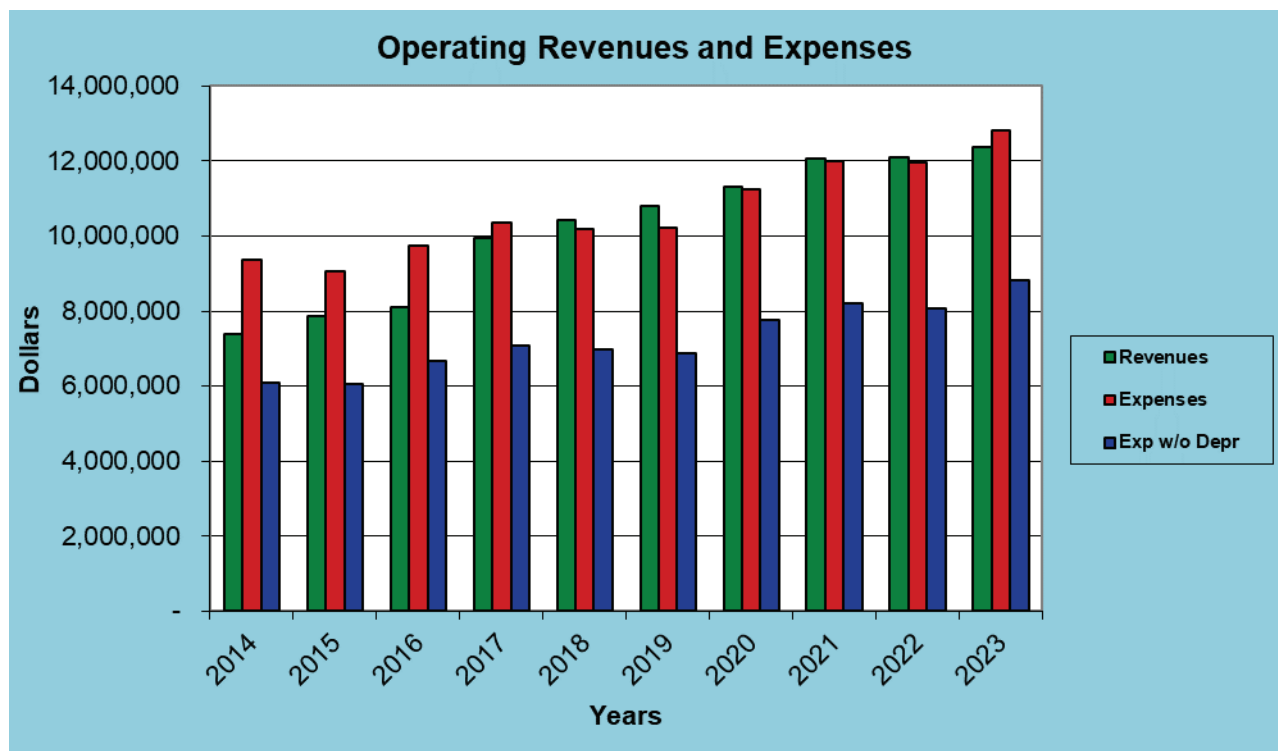
**Net Position and Liabilities** - The Authority's **Total Net Position** increased in FY2023 by \$5,913,596, or 6.49%, as compared to Net Position as of June 30, 2022. Total Net Position in FY2022 increased by \$2,377,148, or 2.7%, as compared to Net Position as of June 30, 2021. Total Net Position in FY2021 increased \$651,238, or 0.7% as compared to Net Position as of June 30, 2020. A significant portion of the increase in FY2023 and FY2022 was due to Capital Contributions, however, no capital contributions were received in FY2021. Capital contributions were \$3.6, \$1.4, \$0 million in FY2023, FY2022 and FY2021, respectively. Availabilities fees of \$2.4, \$0.9, and \$0.8 million in FY2023, FY2022, and FY2021, respectively, contributed to the increase in Net Position as well. In FY2023 the **Total Liabilities** increased by \$5.4 million, or 44.7%, from FY2022 due to a new \$6.1 million Revenue Bond for SCADA for the Wastewater Upgrade as well as arbitrage for said bond in the amount of \$77,726. The Authority also booked \$59,363 for Subscription based IT arrangements (SPITAs) per GASB 96. In addition, the Authority had \$728,640 in unearned revenues due to a prepaid developer agreement which will convert to Availability revenue in FY2024 once the agreement is complete. In FY2022 the Total Liabilities decreased by \$3 million, or 2.2%, from FY2021. In FY2021, the Total Liabilities decreased by \$0.4 million, or 2.8%, from FY2020. The following table depicts the Authority's assets and liabilities as of June 30, 2023, 2022, and 2021:

	<b>Net Position</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
Current and other assets	\$ 26,404,432	\$ 20,091,252	\$ 20,255,993
Capital assets	87,956,161	82,618,013	81,517,247
Deferred outflows of resources	480,636	720,480	1,054,416
Total assets and deferred outflows of resources	<u>\$ 114,841,229</u>	<u>\$ 103,429,745</u>	<u>\$ 102,827,656</u>
Noncurrent liabilities	\$ 13,212,193	\$ 8,615,521	\$ 11,062,169
Other liabilities	3,988,638	2,288,592	2,929,389
Deferred inflows of resources	581,980	1,380,810	68,424
Total liabilities	<u>\$ 17,782,811</u>	<u>\$ 12,284,923</u>	<u>\$ 14,059,982</u>
Net position:			
Net investment in capital assets	\$ 79,753,230	\$ 74,909,014	\$ 72,469,768
Restricted	562,475	1,015,080	369,386
Unrestricted	16,742,713	15,220,728	15,928,520
Total net position	<u>\$ 97,058,418</u>	<u>\$ 91,144,822</u>	<u>\$ 88,767,674</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 114,841,229</u>	<u>\$ 103,429,745</u>	<u>\$ 102,827,656</u>



## **FINANCIAL ANALYSIS: (Continued)**

In FY2023, The **Operating Revenues** were \$12.4 million, a 2.15% increase over FY2022 reflective of Year 1 of the five-year rate increase plan adopted by the Authority Board in June 2022. In FY2022, the Operating Revenues were \$12.1 million, a 0.4% increase over FY2021 reflective of the 3% rate increase to users in Year 5 of the five-year rate increase to users plan adopted by the Board in 2016 that had been postponed in FY2021 due to COVID-19; and a reduction in septic hauler fee revenue due to the need to restrict haulers dumping only Fauquier County waste at the Remington WWTP in order to meet regulatory rules. In FY2021, the Operating Revenues were \$12.0 million, a 6.5% increase over FY2020. The increase reflects \$72,000 in Grant Revenue received in FY2021. In FY2023, the **Operating Expenses** increased by \$860,335, a 7.20% increase from FY2022. The increase is reflective in Operations and Maintenance, Depreciation, Administration, and Salaries, while Fringe Benefits decreased. In FY2022, the Operating Expenses decreased by \$50,458, a 0.4% decrease from FY2021. The decrease was reflective in Fringe Benefits and Operations and Maintenance expense while expenses in Salaries, General and Administration, and Depreciation increased. In FY2021, the Operating Expenses increased by \$744,713, a 6.6% increase over FY2020. The increase was contributable to the rise of health care costs during the pandemic as well as increases to Operations, Maintenance, and Depreciation Expense. Unlike FY2022 and FY2021, FY2023's Operating Revenues did not completely cover Operating Expenses. Depreciation Expense represents 31.1%, 32.4%, and 31.6% of Operating Expense in FY2023, FY2022, and FY2021, respectively. The following chart depicts **Operating Revenues** as compared to **Operating Expenses**, with Depreciation and **Operating Expenses without Depreciation Expense** during the last ten years.



As a not-for-profit governmental entity, the Authority's goal is to match revenues with expenses and not to generate a profit. Consequently, the Authority will generally experience a small loss or profit, neither of which significantly affects the financial condition of the organization.

## **FINANCIAL ANALYSIS: (Continued)**

The Authority had a rate study performed by Stantec in FY2022 that determined rate increases were needed to cover rising operating costs, CIP, R&R, and debt service; as such the Board adopted a five-year rate increase plan for years FY2023-2027. The additional rate adjustments would further strengthen the financial position of the organization and allow the budget focus to remain on customer service and quality, reliable water and wastewater services. The five year rate increase plan: Year 1 – Reduction to base service fees for water and sewer and a 6% water user fee increase to large users, Year 2 – 6% water rate increase, Year 3 – 5.5% water rate increase, Year 4 – 3% water and sewer rate increase, Year 5 – 3% water and 3% sewer rate increase. This plan aligns water revenues with water expenses and sewer revenues with sewer expenses as determined by Stantec during the rate study.

The following table is a comparison of Operating Revenues, Operating Expenses, Non-Operating Revenues and Expenses, Net Income (Loss), and Capital Contributions for the years ending June 30, 2023, 2022, and 2021.

### Statements of Revenues, Expenses, and Changes in Net Position-- Years Ended June 30, 2023 and 2022 and 2021

	<b>2023</b>	<b>2022</b>	<b>2021</b>
<b>Operating revenues:</b>			
Water service	\$ 5,484,704	\$ 5,443,990	\$ 5,113,110
Sewer service	5,909,875	5,802,569	5,426,486
Septic service	393,420	306,174	439,608
Late charges	178,566	152,895	107,643
Other operating revenues	406,082	406,181	968,349
Total operating revenues	<u>\$ 12,372,647</u>	<u>\$ 12,111,809</u>	<u>\$ 12,055,196</u>
<b>Operating expenses:</b>			
Salaries	\$ 3,654,459	\$ 3,616,774	\$ 3,527,031
Fringe benefits	1,005,791	1,109,622	1,361,582
General and administrative	644,611	635,469	475,141
Operations and maintenance	3,517,071	2,721,844	2,844,547
Depreciation expense	3,992,266	3,870,154	3,796,021
Total operating expenses	<u>\$ 12,814,198</u>	<u>\$ 11,953,863</u>	<u>\$ 12,004,321</u>
<b>Net operating income (loss)</b>	<u>\$ (441,551)</u>	<u>\$ 157,946</u>	<u>\$ 50,875</u>
<b>Nonoperating revenue and expenses:</b>			
Availability fees	\$ 2,405,450	\$ 980,790	\$ 828,590
Interest income	771,051	44,207	47,841
Debt issuance costs	(35,000)	-	-
Interest expense	(399,303)	(247,222)	(280,663)
Arbitrage rebate expense	(77,726)	-	-
Insurance Proceeds	-	40,988	4,595
Net nonoperating revenue	<u>\$ 2,664,472</u>	<u>\$ 818,763</u>	<u>\$ 600,363</u>
Net income (loss) before capital contributions	\$ 2,222,921	\$ 976,709	\$ 651,238
<b>Capital Contributions</b>	<u>3,690,675</u>	<u>1,400,439</u>	<u>-</u>
Change in net position	\$ 5,913,596	\$ 2,377,148	\$ 651,238
<b>Net position, at beginning of year</b>	<u>91,144,822</u>	<u>88,767,674</u>	<u>88,116,436</u>
<b>Net position, at end of year</b>	<u><u>\$ 97,058,418</u></u>	<u><u>\$ 91,144,822</u></u>	<u><u>\$ 88,767,674</u></u>

## **CAPITAL ASSETS AND LONG-TERM DEBT**

**Capital Assets** - The increase in capital assets for FY2023 is the result of completed CIP and R&R projects, and the purchase of vehicles, equipment, and machinery. The detail of major additions to Capital Assets being depreciated is as follows:

Vehicles	\$ 282,658
Equipment and Machinery	17,704
Infrastructure	3,690,675
CIP and R&R Projects	4,508,588

The largest Construction in Progress projects as of June 30, 2023, were:

SCADA Wastewater Upgrade & Replacement	\$ 1,332,792
Bealeton WTP 3rd Skid	1,172,192
Vint Hill WWTP Influent Line Replacement	528,556

The following table shows capital asset balances for the fiscal years ending June 30, 2023, 2022, and 2021:

	<b><u>2023</u></b>	<b><u>2022</u></b>	<b><u>2021</u></b>
Land	\$ 702,885	\$ 702,885	\$ 702,885
Construction in progress	5,030,122	5,147,907	4,076,703
Structures and improvements	65,772,389	62,262,663	61,644,113
Infrastructure	70,264,533	65,015,554	62,111,128
Vehicles	1,600,904	1,328,872	1,800,227
Machinery and equipment	14,285,052	14,174,786	14,758,499
Subscription asset	59,229	-	-
Financed machinery and equipment	<u>1,315,078</u>	<u>1,315,078</u>	<u>-</u>
Total Property & Equipment	\$ 159,030,192	\$ 149,947,745	\$ 145,093,555
Less: Accumulated Depreciation	<u>71,074,031</u>	<u>67,329,732</u>	<u>63,576,308</u>
Net property & equipment	\$ <u><u>87,956,161</u></u>	\$ <u><u>82,618,013</u></u>	\$ <u><u>81,517,247</u></u>

Additional information on the capital assets can be reviewed in Note 6.

## **CAPITAL ASSETS AND LONG-TERM DEBT: (Continued)**

**Cash Balances** – In FY2016, the Authority’s Board and Management determined that a multi-year rate setting plan would provide the Authority a basis for budgeting Operating and Capital projects and adopted a five-year rate increase plan. In FY2022, a rate study was performed by Stantec, and as such the Authority Board adopted a multi-year rate setting plan for years FY2023-2027. By analyzing rates on an annual basis, the five-year cash flow is used to indicate the probability of, or necessity for, future rate adjustments. The *Code of Virginia* requires the advertisement of new rates and a public rate hearing in the event additional rate adjustments are deemed necessary. The following are the projected ending cash balances for the next five years:

### **Cash Balances**

<b>FY2024</b>	\$	14,870,814
<b>FY2025</b>		14,687,200
<b>FY2026</b>		14,780,605
<b>FY2027</b>		14,983,436
<b>FY2028</b>		14,974,918

These projected cash flow balances presume continued economic growth, rate increases in all years, and availability fee revenues in future years. In addition, the Authority may approve cash funding for some CIP & R&R projects which will affect the cash balances.

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## **CAPITAL ASSETS AND LONG-TERM DEBT: (Continued)**

### **Capital Projects -**

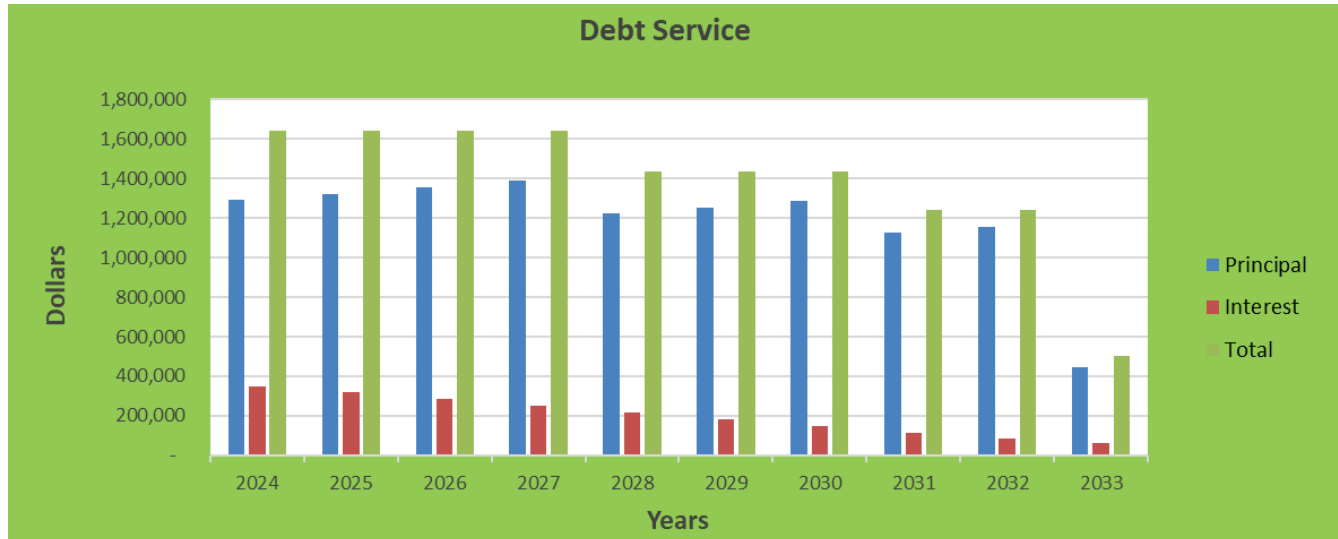
The following is a summary schedule of the Authority's planned Capital Improvement Projects (CIP) and Replacement and Renewal Projects (R&R) for the next five years:

FAUQUIER COUNTY WATER & SANITATION AUTHORITY FY2024-2028 CIP/R&R Projects - Adopted 5/30/2023						
Project Name	CIP, R&R	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
SCADA Wastewater Upgrade and Replacement Project	R&R	\$5,500,000				
Opal Water System (County-Funded)	CIP	\$3,775,000	\$3,775,000			
Marshall Cunningham Farm Water Supply Phase 2	CIP	\$2,837,000	\$2,837,000			
Water Meter Upgrade Project	R&R	\$1,250,000	\$1,250,000	\$10,000	\$10,000	\$10,000
High Rock/E Wells Treatment	CIP	\$1,000,000				
Bealeton - Meadowbrook #1 Return to Service	CIP	\$750,000				
Bealeton - Second Water Tower	CIP	\$500,000	\$2,500,000			
Replace belt press/centrifuge	R&R	\$500,000				
Remington Generator Replacement - estimated 2024/2025	R&R	\$400,000				
Control Building Modification	R&R	\$350,000				
Remington Clarifier 1 Rehabilitation	R&R	\$260,000				
Influent Structure Project - Headworks	R&R	\$250,000				
Overhead Structure - UV System, Filter Base, Headworks, Clarifiers	R&R	\$170,000				
Bealeton WTP-Additional Treatment Unit	CIP	\$150,000				
East End Pump Station	R&R	\$125,000				
Marsh Run Lift Station	R&R	\$100,000	\$2,000,000			
Systemwide Security Upgrades to Water, Wastewater, and Administration Facilities	R&R	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Wastewater Systems Major Replacements	R&R	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Water System Major Replacements	R&R	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Marshall Exploratory Well Work	CIP	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Bealeton Exploratory Well Work	CIP	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
New Baltimore Exploratory Well Work	CIP	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Generator Replacement	R&R	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Marshall WWTP Receiving Manhole Upgrade - gap between plant and Van Metre	CIP	\$100,000				
Remington Water Master Plan	CIP	\$100,000				
Marshall Water Master Plan	CIP	\$100,000				
Marshall Wastewater Master Plan	CIP	\$100,000				
17/66 Storage Tank R&R	R&R	\$100,000				
Vint Hill WWTP Influent Line Replacement	R&R	\$100,000				
Craig Run and Tin Pot LS wetwell coating	R&R	\$100,000				
Water System - Hydrotank Repairs and Cleaning Services	R&R	\$60,000				
Marshall Frost Street Sewer and Water Upgrade	R&R	\$50,000	\$350,000			
Arc Flash Analysis	R&R	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Leak Detection Services and Repairs	R&R	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
SCADA Major Repair	R&R	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Force Main Evaluations	R&R	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Remington Near-Term Septage Mgmt	CIP	\$50,000				
Old Solids Building Rehab(Plug+Actuator, Overhead Door Replacment, Crane, Gutters & Downspout)	R&R	\$50,000				
Remington Exploratory Well Work	CIP	\$50,000				
Vint Hill Pre-Treatment Study	CIP	\$35,000				
Remington Well Automation - The Meadows and The Ridge	R&R	\$25,000				
The Meadows Water PER	CIP	\$8,138				
Anderson Avenue Water Main Upgrade Phase 2	R&R		\$300,000			
I/I - Marshall South Main Street and The Plains	R&R		\$500,000	\$500,000	\$500,000	\$200,000
Aeration Blower and Header Replacement	R&R		\$400,000			
Bethel Academy Nitrate Treatment ( Ion Exchange)	CIP		\$300,000			
The Plains Route 55 - Nitrate Treatment ( Ion Exchange)	CIP		\$300,000			
I/I Bealeton West of CR PS-Flow Area#5, SSES/CIP Development	R&R		\$150,000			
Bealeton Additional Well	CIP		\$100,000	\$500,000		
Waterloo rehabilitation, redrill, tie in well #4	R&R		\$100,000	\$300,000		
New Baltimore Water System Distribution Upgrades	R&R			\$1,000,000	\$1,000,000	\$1,000,000
Marshall WWTP - Rehabilitate Aeration Tanks	R&R			\$1,000,000		
Replace Centrifuge	R&R			\$750,000		
ENR Phase 2 For 2.0 MGD (Including Septage Evaluation)	CIP			\$400,000	\$2,500,000	
I/I - Bealeton East of CR PS - Flow Area #5	R&R			\$400,000		
Botha Nitrate Treatment ( Ion Exchange)	CIP			\$300,000		
Fire Hydrant Testing and Maintenance Program	R&R			\$250,000		
Bethel Academy Line Replacement	R&R			\$200,000		
Baldwin Ridge Booster Pumping Station	CIP			\$150,000	\$1,500,000	
High Zone Booster Pumping Station	CIP			\$150,000	\$1,500,000	
Flow Monitoring I/I Evaluation (Marshall)	R&R			\$100,000		
New Baltimore K Well	CIP				\$100,000	
Marshall Distribution Upgrades	CIP					\$2,000,000
The Plains Forcemain Rehab (3 mile line)	R&R					\$1,000,000
ENR Design for 2.5 MGD	CIP					\$250,000
Salem Avenue Line Replacement	R&R					\$250,000
New Baltimore Phase 1 Flow Monitoring	R&R					\$100,000
<b>Total Projects</b>		<b>\$19,845,138</b>	<b>\$15,762,000</b>	<b>\$6,910,000</b>	<b>\$8,010,000</b>	<b>\$5,710,000</b>

## **CAPITAL ASSETS AND LONG-TERM DEBT: (Continued)**

### **Long-Term Debt –**

The Authority has four Revenue Bonds and one Lease, totaling \$13,761,133, as of June 30, 2023. The Authority closed on a \$6.1 million bond for the SCADA Wastewater Upgrade and Replacement Project in July of 2022. The following graph provides detail of principal and interest amounts due on the Revenue Bonds and Lease over the next ten years:



More detailed information on the Authority's long-term obligations is presented in Note 6.

### **ECONOMIC FACTORS**

In FY2023, the Authority received \$3,690,675 in Developer Contributions in the form of infrastructure. Availability Fee Revenue increased by \$1,424,660 in FY2023 as building projects in the service districts are completed. In FY2023, FY2022, and FY2021 availability fee revenues were \$ 2,405,450, \$980,790, and \$828,590, respectively. The Authority will continue to forecast its revenues in a conservative manner. In addition, the Authority will continue to monitor its operational and capital requirements to ensure that quality, reliable water and wastewater services are provided to customers in an environmentally responsible and sustainable manner.

The Authority's rates, fees, and other charges are structured to produce enough revenue to service debt, and to meet all operational expenses. While user rates were just under meeting this goal for FY2023, the effects and costs of inflation, regulatory changes, and the costs of capital replacement make increases to user rates necessary over the next four fiscal years as determined by the rate study performed in FY2022 by Stantec and adopted by the Authority Board at their June 2022 Meeting.

The FY2024 adopted budget includes \$13,506,867 in total revenues, a 1.79% increase from FY2023 and \$15,485,776 in total expenses, a 0.08% increase from FY2023. The FY2024 rate structure increases user water rates by 6%.

### **REQUEST FOR INFORMATION**

The financial report is intended to provide customers, bondholders, and creditors with a general overview of the Authority's financial position, and to demonstrate its ability to provide services to its customers. Questions concerning information provided in this report, or requests for additional financial information should be directed to the Director of Finance, Fauquier County Water and Sanitation Authority, 7172 Kennedy Road, Warrenton, Virginia, 20187, telephone (540) 349-2092, or by visiting the Authority's website at [www.fcwsa.org](http://www.fcwsa.org).

## Basic Financial Statements

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# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Statements of Net Position  
At June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 17,853,860	\$ 15,389,251
Accounts receivable (net of allowance for doubtful accounts)	1,800,139	1,618,433
Prepaid items	165,989	132,550
Other current assets	<u>21,610</u>	<u>21,610</u>
<b>Total current assets</b>	<u>\$ 19,841,598</u>	<u>\$ 17,161,844</u>
<b>Noncurrent Assets:</b>		
<b>Restricted Assets:</b>		
Cash and cash equivalents:		
Security deposits and construction meter deposits	\$ 193,550	\$ 171,125
Performance bonds	88,655	113,993
Opal water system	294,928	294,928
Unexpended bond proceeds	<u>5,668,154</u>	<u>1,479,210</u>
<b>Total restricted assets</b>	<u>\$ 6,245,287</u>	<u>\$ 2,059,256</u>
Net pension asset	<u>\$ 267,547</u>	<u>\$ 720,152</u>
Other noncurrent assets	<u>\$ 50,000</u>	<u>\$ 150,000</u>
<b>Capital Assets:</b>		
Capital assets not being depreciated:		
Land	\$ 702,885	\$ 702,885
Construction in progress	5,030,122	5,147,907
Capital assets being depreciated:		
Structures and improvements	65,772,389	62,262,663
Infrastructure	70,264,533	65,015,554
Vehicles	1,600,904	1,328,872
Machinery and equipment	14,285,052	14,174,786
Subscription asset	65,998	-
Lease machinery and equipment	1,315,078	1,315,078
Accumulated depreciation	<u>(71,080,800)</u>	<u>(67,329,732)</u>
Net capital assets	<u>\$ 87,956,161</u>	<u>\$ 82,618,013</u>
<b>Total noncurrent assets</b>	<u>\$ 94,518,995</u>	<u>\$ 85,547,421</u>
<b>Total assets</b>	<u>\$ 114,360,593</u>	<u>\$ 102,709,265</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension related items	\$ 423,388	\$ 646,629
OPEB related items	<u>57,248</u>	<u>73,851</u>
<b>Total deferred outflows of resources</b>	<u>\$ 480,636</u>	<u>\$ 720,480</u>
<b>Total assets and deferred outflows of resources</b>	<u><u>\$ 114,841,229</u></u>	<u><u>\$ 103,429,745</u></u>

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

## Statements of Net Position

At June 30, 2023 and 2022 (Continued)

	<u>2023</u>	<u>2022</u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 1,474,237	\$ 649,157
Accrued interest	31,019	28,260
Retainage payable	50,589	-
Revenue bonds - current portion	1,099,936	1,083,787
Financed purchase - current portion	191,000	187,000
Subscription liability - current portion	19,812	-
Compensated absences - current portion	53,568	55,270
Unearned revenue	728,640	-
Arbitrage rebate liability	77,726	-
Liabilities payable from Restricted Assets:		
Performance bonds	88,655	113,993
Security deposits and construction meter deposits	193,550	171,125
<b>Total current liabilities</b>	<u>\$ 4,008,732</u>	<u>\$ 2,288,592</u>
<b>Noncurrent Liabilities:</b>		
Revenue bonds - less current portion	\$ 11,876,197	\$ 7,132,135
Financed purchase - less current portion	594,000	785,000
Subscription liability - less current portion	39,551	-
Compensated absences-less current portion	482,110	497,433
Net OPEB liability	200,241	200,953
<b>Total noncurrent liabilities</b>	<u>\$ 13,192,099</u>	<u>\$ 8,615,521</u>
<b>Total liabilities</b>	<u>\$ 17,200,831</u>	<u>\$ 10,904,113</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred amount on refunding	\$ -	\$ 287
Pension related items	533,720	1,302,208
OPEB related items	48,260	78,315
<b>Total deferred inflows of resources</b>	<u>\$ 581,980</u>	<u>\$ 1,380,810</u>
<b>NET POSITION</b>		
Net investment in capital assets	\$ 79,753,230	\$ 74,909,014
Restricted:		
Opal water system	294,928	294,928
Net pension asset	267,547	720,152
Unrestricted	16,742,713	15,220,728
<b>Total net position</b>	<u>\$ 97,058,418</u>	<u>\$ 91,144,822</u>
<b>Total liabilities, deferred inflows of resources and net position</b>	<u>\$ 114,841,229</u>	<u>\$ 103,429,745</u>

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

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

## Statements of Revenues, Expenses, and Changes in Net Position Years Ended June 30, 2023 and 2022

	<b>2023</b>	<b>2022</b>
<b>Operating revenues:</b>		
Water service	\$ 5,484,704	\$ 5,443,990
Sewer service	5,909,875	5,802,569
Septic service	393,420	306,174
Late charges	178,566	152,895
Other operating revenues	406,082	406,181
Total operating revenues	<u>\$ 12,372,647</u>	<u>\$ 12,111,809</u>
<b>Operating expenses:</b>		
Salaries	\$ 3,654,459	\$ 3,616,774
Fringe benefits	1,005,791	1,109,622
General and administrative	644,611	635,469
Operations and maintenance	3,517,071	2,721,844
Depreciation expense	3,992,266	3,870,154
Total operating expenses	<u>\$ 12,814,198</u>	<u>\$ 11,953,863</u>
<b>Net operating income (loss)</b>	<u>\$ (441,551)</u>	<u>\$ 157,946</u>
<b>Nonoperating revenue (expenses):</b>		
Availability fees	\$ 2,405,450	\$ 980,790
Interest income	771,051	44,207
Debt issuance costs	(35,000)	-
Interest expense	(399,303)	(247,222)
Arbitrage rebate expense	(77,726)	-
Insurance proceeds	-	40,988
Net nonoperating revenue (expenses)	<u>\$ 2,664,472</u>	<u>\$ 818,763</u>
Net income (loss) before capital contributions	\$ 2,222,921	\$ 976,709
<b>Capital Contributions</b>	<u>3,690,675</u>	<u>1,400,439</u>
Change in net position	\$ 5,913,596	\$ 2,377,148
<b>Net position, beginning of year</b>	<u>91,144,822</u>	<u>88,767,674</u>
<b>Net position, end of year</b>	<u><u>\$ 97,058,418</u></u>	<u><u>\$ 91,144,822</u></u>

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

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

## Statements of Cash Flows

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 13,042,006	\$ 11,950,234
Payments to suppliers for goods and services	(4,182,778)	(3,596,889)
Payments to and on behalf of employees for services	(4,784,081)	(4,977,319)
Net cash provided by (used for) operating activities	<u>\$ 4,075,147</u>	<u>\$ 3,376,026</u>
Cash flows from capital and related financing activities:		
Purchases of property, equipment and construction in progress	\$ (4,811,413)	\$ (3,682,167)
Interest payments	(396,831)	(252,796)
Principal payments on long-term obligations	(1,610,424)	(1,586,136)
Proceeds from long-term obligations issued	6,242,998	-
Proceeds from availability fees	2,405,450	980,790
Insurance proceeds	-	40,988
Net cash (used for) capital and related financing activities	<u>\$ 1,829,780</u>	<u>\$ (4,499,321)</u>
Cash flows from noncapital financing activities:		
Performance bond	\$ (25,338)	\$ 105,008
Cash flows from investing activities:		
Interest income	\$ 771,051	\$ 44,207
Net increase (decrease) in cash and cash equivalents	\$ 6,650,640	\$ (974,080)
Cash and cash equivalents at beginning of year	17,448,507	18,422,587
Cash and cash equivalents at end of year	<u>\$ 24,099,147</u>	<u>\$ 17,448,507</u>
Reconciliation of operating (loss) to net cash provided by (used for) operating activities:		
Cash flows from operations:		
Income (loss) from operating activities	\$ (441,551)	\$ 157,946
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	3,992,266	3,870,154
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(181,706)	65,647
(Increase) decrease in prepaid items	(33,439)	(10,011)
(Increase) decrease in other current assets	-	(5,010)
(Increase) decrease in other noncurrent assets	100,000	(139,813)
Increase (decrease) in compensated absences	(17,025)	(29,418)
(Increase) decrease in deferred outflows of resources - pension	223,241	335,731
Increase (decrease) in deferred inflows of resources - pension	(768,488)	1,245,824
(Increase) decrease in deferred outflows of resources - OPEB	16,603	(1,795)
Increase (decrease) in deferred inflows of resources - OPEB	(30,055)	68,272
(Increase) decrease in net pension liability/asset	452,605	(1,797,301)
Increase (decrease) in net OPEB liability	(712)	(72,236)
Increase (decrease) in operating accounts payable	47,343	(224,555)
Increase (decrease) in unearned revenue	728,640	(101,109)
Increase (decrease) in security deposits	22,425	13,700
Net cash provided by (used for) operating activities	<u>\$ 4,075,147</u>	<u>\$ 3,376,026</u>
Reconciliation of Cash:		
Cash and cash equivalents	\$ 17,853,860	\$ 15,389,251
Restricted cash and cash equivalents	6,245,287	2,059,256
Total	<u>\$ 24,099,147</u>	<u>\$ 17,448,507</u>
Noncash investing, capital and financing activities		
Contributions of capital assets	\$ 3,690,675	\$ 1,400,439
Increase (decrease) in arbitrage rebate liability	77,726	-
Increase (decrease) in retainage payable for capital projects	50,589	111,686

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

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022

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## NOTE 1–BASIS OF PRESENTATION:

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### A. Organization and Purpose

The Fauquier County Water and Sanitation Authority was created by the Fauquier County Board of Supervisors, pursuant to the provisions of the Virginia Water and Sanitation Authorities Act, Section 15.2-5100 et. seq. of the Code of Virginia, 1950, as amended. The by-laws and rules for the transaction of the business of the Fauquier County Water and Sanitation Authority are made pursuant to authority vested in this Authority by the general provisions of the Virginia Water and Waste Authorities Act. The Authority is authorized to acquire, construct, operate, and maintain an integrated water and sewer system for Fauquier County, Virginia.

### B. Financial Reporting Entity

The Fauquier County Water and Sanitation Authority has determined that it is a related organization to Fauquier County in accordance with Governmental Accounting Standards Board Statement 14. The Authority is a legally separate organization whose Board members are appointed by the Fauquier County Board of Supervisors. Since the Board of Supervisors cannot impose its will on the Authority and since there is no potential financial benefit (or burden) in the relationship, the Board of Supervisors is not financially accountable for the Authority. Accordingly, the Authority is not considered a component unit of the County.

## NOTE 2–SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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### A. Basic Financial Statements

Since the Authority is only engaged in business-type activities, it is required to present only the financial statements required for enterprise funds. For the Authority, the basic financial statements and required supplementary information consist of:

- Management's discussion and analysis
- Enterprise fund financial statements
  - Statements of Net Position
  - Statements of Revenues, Expenses, and Changes in Net Position
  - Statements of Cash Flows
  - Notes to Financial Statements

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

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## **NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

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### **A. Basic Financial Statements: (Continued)**

- Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
- Schedule of Employer Contributions – Pension Plan
- Notes to Required Supplementary Information – Pension Plan
- Schedule of Authority's Share of Net OPEB Liability – Group Life Insurance (GLI) Plan
- Schedule of Employer Contributions – Group Life Insurance (GLI) Plan
- Notes to Required Supplementary Information – Group Life Insurance (GLI) Plan

### **B. Basis of Accounting**

The Authority operates as an enterprise fund and its accounts are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. The Authority accrues revenue for services rendered but not yet billed at the end of the fiscal year.

The Authority 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 charges to customers for sales and services. The Authority also recognizes as operating revenue the portion of availability charges intended to recover the cost of connecting new customers to the system. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### **C. Cash and Cash Equivalents**

The Authority's cash and cash equivalents consist of cash on hand, demand deposits, certificates of deposit and short-term investments with original maturities of three months or less from the date of acquisition.

### **D. Restricted Assets**

The Authority records security deposit amounts received from customers as restricted assets on the statement of net position.

Also, certain proceeds of the Authority's revenue bonds are classified as restricted assets on the statement of net position because they are to be expended on various water and sewer capital projects and/or used for certain purposes.

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

NOTE 2–SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

E. Capital Assets

Capital assets are tangible and intangible assets include property, plant, equipment, subscriptions, and infrastructure. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$3,500, except for water meters for new construction, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. At the commencement of a subscription-based IT arrangement, the Authority initially measures the subscription liability at the present value of payments expected to be made during the subscription term. A subscription liability and a subscription asset is recognized in the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s life are not capitalized.

Major outlays for capital assets are capitalized as projects are constructed. Depreciation expense totaled \$3,922,266 for the year ended June 30, 2023 and \$3,870,154 for the year ended June 30, 2022.

Land and construction in progress are not depreciated. The other tangible and intangible property, plant, equipment subscription assets, and infrastructure are depreciated/amortized using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Treatment plant	28 years
Buildings and improvements	28 years
Water and sewer lines	50 years
Meters	10-15 years
Vehicles	6 years
Subscription assets	3-5 years
Machinery and equipment	5-10 years
Other furnishings and equipment	5-10 years

F. Subscription-Based IT Arrangements

The Authority has a subscription-based IT arrangement (SBITAs) requiring recognition. A SBITA is defined as a contract that conveys control of the right to use another party’s (a SBITA vendor’s) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.



# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

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## **NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

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### **F. Subscription-Based IT Arrangements: (Continued)**

#### *Subscriptions*

The Authority recognizes intangible right-to-use subscription assets (subscription assets) and corresponding subscription liabilities with an initial value of \$3,500, in individually or in the aggregate, in the government-wide financial statements. At the commencement of the subscription, the subscription liability is measured at the present value of payments expected to be made during the subscription liability term (less any contract incentives). The subscription liability is reduced by the principal portion of payments made. The subscription asset is measured at the initial amount of the subscription liability payments made to the SBITA vendor before commencement of the subscription term, and capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. The subscription asset is amortized over the shorter of the subscription term or the useful life of the underlying IT asset.

#### *Key Estimates and Judgments*

Subscription-based IT arrangement accounting includes estimates and judgments for determining the (1) rate used to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The Authority uses the interest rate stated in subscription contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the Authority uses its estimated incremental borrowing rate as the discount rate for subscriptions.
- The subscription term includes the noncancellable period of the subscription and certain periods covered by options to extend to reflect how long the subscription is expected to be in effect, with terms and conditions varying by the type of underlying asset.
- Fixed and certain variable payments as well as subscription incentives and certain other payments are included in the measurement of the subscription liability.

The Authority monitors changes in circumstances that would require a remeasurement or modification of its subscriptions. The Authority will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

### **G. Other Significant Accounting Policies**

- All trade receivables are shown net of an allowance for doubtful accounts. The Authority calculates its allowance for doubtful accounts using historical collection data and, in certain cases, specific account analysis. The allowance totaled \$102,339 at June 30, 2023 and \$100,521 for the year ended June 30, 2022.



# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

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## **NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

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### **G. Other Significant Accounting Policies: (CONTINUED)**

- Investments - Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs)) and external investment pools are measured at amortized cost. All other investments are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

### **H. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **I. Net Position**

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

### **J. Net Position Flow Assumption**

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's position to consider restricted net position to have been depleted before unrestricted net position is applied.

### **K. Compensated Absences**

The Authority accrues compensated absences (annual and sick leave benefits) when vested. The current and noncurrent portions of the compensated absences liabilities are recorded as accrued liabilities.

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

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## **NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

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### **L. Non-exchange Transactions**

The Authority receives non-exchange transactions from developers of property, lines and improvements. These non-exchange transactions are considered capital contributions on the statements of revenues, expenses and changes in net position.

### **M. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority has one item that qualifies for reporting in this category. It is comprised of certain items related to pension and OPEB. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has multiple items that qualify for reporting in this category. One item is the deferred amount on refunding debt. In addition, certain items related to pension and OPEB are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

### **N. Pensions**

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's Retirement Plan and the additions to/deductions from the Authority's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

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## NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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### O. Other Postemployment Benefits (OPEB)

#### ***Group Life Insurance***

For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### P. Upcoming Pronouncements

Statement No. 99, *Omnibus 2022*, addresses (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The effective dates differ based on the requirements of the Statement, ranging from April 2022 to for fiscal years beginning after June 15, 2023.

Statement No. 100, *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62, provides more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability for accounting changes and error corrections. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. It aligns the recognition and measurement guidance under a unified model and amends certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.

Implementation Guide No. 2021-1, *Implementation Guidance Update—2021*, with dates ranging from reporting periods beginning after June 15, 2022 to reporting periods beginning after June 15, 2023.

Implementation Guide No. 2023-1, *Implementation Guidance Update—2023*, effective for fiscal years beginning after June 15, 2023.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

NOTE 3—DEPOSITS AND INVESTMENTS:

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”) Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice will pledge collateral that ranges in amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

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, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, banker’s acceptances, repurchase agreements and the State Treasurer’s Local Government Investment Pool (LGIP).

Credit Risk of Debt Securities

State statutes require that commercial paper have a short-term debt rating of no less than “A-1” (or its equivalent) from at least two of the following: Moody’s Investors Service, Standard & Poor’s and Fitch Investor’s Service. Corporate notes, negotiable Certificates of Deposit and bank deposit notes maturing in less than one year must have a short-term debt rating of at least “A-1” by Standard & Poor’s and “P-1” by Moody’s Investor Service. Notes having a maturity of greater than one year must be rated “AA” by Standard & Poor’s and “Aa” by Moody’s Investor Service. The Authority’s rated debt investments as of June 30, 2023 were rated by Standard & Poor’s and/or an equivalent national rating organization and the ratings are presented below using the Standard & Poor’s rating scale.

Authority's Rated Debt Investments' Values	
Rated Debt Investments	Fair Quality
	Ratings
	AAAm
Local Government Investment Pool	\$ 10,663,148
Virginia State Non-Arbitrage Program	6,152,641
Total	\$ 16,815,789

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

## NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

### External Investment Pools:

The value of the positions in the external investment pools (Local Government Investment Pool and State Non-Arbitrage Pool) is the same as the value of the pool shares. As LGIP and SNAP are not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP and SNAP are amortized cost basis portfolios. There are no withdrawal limitations or restrictions imposed on participants.

### Interest Rate Risk

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment.

Investment Maturities (in years)		
Investment type	Fair Value	Less than 1 yr
Local Government Investment Pool	\$ 10,663,148	\$ 10,663,148
Virginia State Non-Arbitrage Program	6,152,641	6,152,641
Total	<u>\$ 16,815,789</u>	<u>\$ 16,815,789</u>

## NOTE 4—RESTRICTED ASSETS:

Restricted assets and net position at June 30, 2023 and 2022 consist of the following:

	Balance June 30, 2023	Balance June 30, 2022
Restricted Assets:		
Security deposits and construction meter deposits	\$ 193,550	\$ 171,125
Performance bonds	88,655	113,993
Opal water system	294,928	294,928
Unexpended bond proceeds	5,668,154	1,479,210
Net pension asset	267,547	720,152
Total restricted assets	<u>\$ 6,512,834</u>	<u>\$ 2,779,408</u>
Restricted net position:		
Less:		
Security deposits and construction meter deposits	(193,550)	(171,125)
Performance bonds	(88,655)	(113,993)
Unexpended bond proceeds	<u>(5,668,154)</u>	<u>(1,479,210)</u>
Total restricted net position	<u>\$ 562,475</u>	<u>\$ 1,015,080</u>

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

## NOTE 5—CAPITAL ASSETS:

### Property and Equipment

The following is a summary of changes to property and equipment for the year ending June 30, 2023:

	<b>Balance July 1, 2022</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>Balance June 30, 2023</b>
Capital assets, not being depreciated:					
Land	\$ 702,885	\$ -	\$ -	\$ -	\$ 702,885
Construction in progress	<u>5,147,907</u>	<u>5,062,718</u>	<u>5,180,503</u>	<u>-</u>	<u>5,030,122</u>
Total capital assets not being depreciated	<u>\$ 5,850,792</u>	<u>\$ 5,062,718</u>	<u>\$ 5,180,503</u>	<u>\$ -</u>	<u>\$ 5,733,007</u>
Capital assets being depreciated:					
Structures and improvements	\$ 62,262,663	\$ 3,509,726	\$ -	\$ -	\$ 65,772,389
Infrastructure	65,015,554	5,248,979	-	-	70,264,533
Vehicles	1,328,872	300,000	99,162	71,194	1,600,904
Machinery and equipment	14,174,786	323,496	142,036	(71,194)	14,285,052
Subscription asset	-	65,998	-	-	65,998
Financed machinery and equipment	<u>1,315,078</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,315,078</u>
Total capital assets being depreciated	<u>\$ 144,096,953</u>	<u>\$ 9,448,199</u>	<u>\$ 241,198</u>	<u>\$ -</u>	<u>\$ 153,303,954</u>
Accumulated depreciation:					
Structures and improvements	\$ 32,368,809	\$ 2,168,367	\$ -	\$ -	\$ 34,537,176
Infrastructure	20,812,337	1,321,453	-	-	22,133,790
Vehicles	1,012,102	181,841	99,162	71,194	1,165,975
Machinery and equipment	12,812,010	151,599	142,036	(71,194)	12,750,379
Subscription asset	-	6,769	-	-	6,769
Financed machinery and equipment	<u>324,474</u>	<u>162,237</u>	<u>-</u>	<u>-</u>	<u>486,711</u>
Total accumulated depreciation	<u>\$ 67,329,732</u>	<u>\$ 3,992,266</u>	<u>\$ 241,198</u>	<u>\$ -</u>	<u>\$ 71,080,800</u>
Total capital assets being depreciated, net	<u>\$ 76,767,221</u>	<u>\$ 5,455,933</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,223,154</u>
Business-type activities capital assets, net	<u>\$ 82,618,013</u>	<u>\$ 10,518,651</u>	<u>\$ 5,180,503</u>	<u>\$ -</u>	<u>\$ 87,956,161</u>

Depreciation expense for the year ended June 30, 2023 totaled \$3,992,266.

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

## NOTE 5—CAPITAL ASSETS: (CONTINUED)

### Property and Equipment: (Continued)

The following is a summary of changes to property and equipment for the year ending June 30, 2022:

	Balance July 1, 2021	Additions	Deletions	Transfers	Balance June 30, 2022
Capital assets, not being depreciated:					
Land	\$ 702,885	\$ -	\$ -	-	\$ 702,885
Construction in progress	4,076,703	1,494,942	423,738	-	5,147,907
Total capital assets not being depreciated	\$ 4,779,588	\$ 1,494,942	\$ 423,738	-	\$ 5,850,792
Capital assets being depreciated:					
Structures and improvements	\$ 61,644,113	\$ 618,550	\$ -	-	\$ 62,262,663
Infrastructure	62,111,128	2,904,426	-	-	65,015,554
Vehicles	1,297,199	108,954	77,281	-	1,328,872
Machinery and equipment	13,946,449	267,786	39,449	-	14,174,786
Financed machinery and equipment	1,315,078	-	-	-	1,315,078
Total capital assets being depreciated	\$ 140,313,967	\$ 3,899,716	\$ 116,730	-	\$ 144,096,953
Accumulated depreciation:					
Structures and improvements	\$ 30,232,676	\$ 2,136,133	\$ -	-	\$ 32,368,809
Infrastructure	19,548,973	1,263,364	-	-	20,812,337
Vehicles	996,637	92,746	77,281	-	1,012,102
Machinery and equipment	12,635,785	215,674	39,449	-	12,812,010
Financed machinery and equipment	162,237	162,237	-	-	324,474
Total accumulated depreciation	\$ 63,576,308	\$ 3,870,154	\$ 116,730	-	\$ 67,329,732
Total capital assets being depreciated, net	\$ 76,737,659	\$ 29,562	\$ -	-	\$ 76,767,221
Business-type activities capital assets, net	\$ 81,517,247	\$ 1,524,504	\$ 423,738	-	\$ 82,618,013

Depreciation expense for the year ended June 30, 2022 totaled \$3,870,154.

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

## NOTE 5—CAPITAL ASSETS: (CONTINUED)

### Property and Equipment: (Continued)

Computation of net investment in capital assets:

	<b>Balance June 30, 2023</b>	<b>Balance June 30, 2022</b>
Net capital assets	\$ 87,956,161	\$ 82,618,013
Revenue bonds	(12,976,133)	(8,215,922)
Financed purchase	(785,000)	(972,000)
Subscription liability	(59,363)	-
Debt proceeds received but unexpended on capital assets	5,668,154	1,479,210
Retainage payable	(50,589)	-
Deferred amount on refunding	-	(287)
Net investment in capital assets	<u>\$ 79,753,230</u>	<u>\$ 74,909,014</u>

The following is a summary of capital project activity for the fiscal year ending June 30, 2023 and 2022:

	<b>Balance July 1, 2022</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2023</b>
Whiting Road Project	\$ 580,025	\$ 140	\$ 580,165	\$ -
Marshall Salem Wells	2,902,517	47,768	2,950,285	-
Bealeton WTP 3rd Skid	-	1,172,192	-	1,172,192
SCADA Wastewater Upgrade	-	1,332,792	-	1,332,792
Vint Hill Sewer Main Rehab	-	528,556	-	528,556
Miscellaneous projects	1,665,365	1,981,270	1,650,053	1,996,582
Total construction in progress	<u>\$ 5,147,907</u>	<u>\$ 5,062,718</u>	<u>\$ 5,180,503</u>	<u>\$ 5,030,122</u>

	<b>Balance July 1, 2021</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2022</b>
Whiting Road Project	\$ 312,916	\$ 267,109	\$ -	\$ 580,025
Marshall Salem Wells	2,422,799	479,718	-	2,902,517
Miscellaneous projects	1,340,988	743,504	419,127	1,665,365
Total construction in progress	<u>\$ 4,076,703</u>	<u>\$ 1,490,331</u>	<u>\$ 419,127</u>	<u>\$ 5,147,907</u>



# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

## NOTE 6—LONG-TERM OBLIGATIONS:

The following is a summary of changes in long-term obligation transactions for the year ended June 30, 2023 and 2022:

Description	Beginning Balance July 1, 2022	Issuances/ Additions	Retirements/ Deletions	Ending Balance June 30, 2023	Due Within One Year
Direct borrowings and placements:					
Revenue bonds	\$ 8,215,922	\$ 6,177,000	\$ 1,416,789	\$ 12,976,133	\$ 1,099,936
Total direct borrowings and placements	\$ 8,215,922	\$ 6,177,000	\$ 1,416,789	\$ 12,976,133	\$ 1,099,936
Financed purchase	972,000	-	187,000	785,000	191,000
Subscription liability	-	65,998	6,635	59,363	19,812
Net OPEB liability	200,953	126,633	127,345	200,241	-
Compensated absences	552,703	239,250	256,275	535,678	53,568
Total	\$ 9,941,578	\$ 6,608,881	\$ 1,994,044	\$ 14,556,415	\$ 1,364,316

Description	Beginning Balance July 1, 2021	Issuances/ Additions	Retirements/ Deletions	Ending Balance June 30, 2022	Due Within One Year
Direct borrowings and placements:					
Revenue bonds	\$ 9,619,058	\$ -	\$ 1,403,136	\$ 8,215,922	\$ 1,083,787
Total direct borrowings and placements	\$ 9,619,058	\$ -	\$ 1,403,136	\$ 8,215,922	\$ 1,083,787
Financed purchase	1,155,000	-	183,000	972,000	187,000
Net pension liability	1,077,149	1,258,419	2,335,568	-	-
Net OPEB liability	273,189	78,187	150,423	200,953	-
Compensated absences	582,121	231,116	260,534	552,703	55,270
Total	\$ 12,706,517	\$ 1,567,722	\$ 4,332,661	\$ 9,941,578	\$ 1,326,057

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

## NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)

Annual requirements to amortize long-term obligations are as follows:

Year Ending June 30,	Direct Borrowings and Placements					
	Revenue Bonds		Financed Purchase		Subscription Liability	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 1,099,936	\$ 335,616	\$ 191,000	\$ 13,887	\$ 19,812	\$ 1,358
2025	1,129,384	306,376	194,000	10,010	20,372	797
2026	1,159,333	276,354	198,000	6,062	19,179	224
2027	1,189,798	245,539	202,000	2,034	-	-
2028	1,221,791	213,902	-	-	-	-
2029	1,254,327	181,416	-	-	-	-
2030	1,287,418	148,066	-	-	-	-
2031	1,126,133	115,149	-	-	-	-
2032	1,155,014	84,605	-	-	-	-
2033	445,000	59,441	-	-	-	-
2034	457,000	46,858	-	-	-	-
2035	470,000	33,926	-	-	-	-
2036	484,000	20,618	-	-	-	-
2037	497,000	6,933	-	-	-	-
Total	\$ 12,976,134	\$ 2,074,799	\$ 785,000	\$ 31,993	\$ 59,363	\$ 2,379

Revenue bonds totaling \$12,976,134 contain a provision that in the event of default, the bond owner may declare all amounts payable under the bond to be immediately due and payable.

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

## NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of long-term obligations as of June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
<b>Direct Borrowings and Placements:</b>		
<b>Revenue Bonds:</b>		
\$5,870,600 revenue refunding bonds, issued November 16, 2012, payable in quarterly installments of \$162,320, including principal and interest, beginning February 1, 2013 through November 1, 2022, interest payable at 2.02% .	\$ -	\$ 322,197
\$456,400 revenue refunding bonds, issued November 16, 2012, payable in quarterly installments of \$13,476, including principal and interest, beginning February 1, 2013 through November 1, 2022, interest payable at 3.38%.	-	26,614
\$2,350,262 revenue refunding bonds Series 2017A, issued May 25, 2017, payable in semi-annual installments of \$94,612, including principal and interest, beginning December 1, 2017 through May 1, 2032, interest payable at 2.52%.	1,515,222	1,663,456
\$6,800,000 revenue bonds Series 2017 B, issued May 25, 2017, payable in semi-annual installments of \$273,742, including principal and interest, beginning December 1, 2017 through May 1, 2032, interest payable at 2.52%.	4,383,984	4,812,867
Revenue bonds, issued July 9, 2009 payable in 35 semiannual installments of \$103,810 through September 1, 2029, final payment of \$83,981 due March 1, 2030, interest at 3.55%. On October 23, 2014 the Authority received notification of a Cost of Funds reduction from 3.55% to 2.72%. Beginning March 1, 2015, each semi-annual payment decreased to \$97,312 with a final installment of \$97,312 due March 1, 2030.	1,232,928	1,390,788
\$6,177,000 revenue bonds Series 2022, issued July 12, 2022, with principal payable in annual installments of varying amounts starting at \$333,000 and interest payable in semi-installments of varying amounts starting at \$73,244, beginning December 15, 2022 through December 15, 2036, interest payable at 2.79%.	<u>5,844,000</u>	<u>-</u>
<b>Total Direct Borrowings and Placements</b>	<b>\$ 12,976,134</b>	<b>\$ 8,215,922</b>

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

## NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)

	<u>2023</u>	<u>2022</u>
<b>Financed Purchase:</b>		
\$1,223,000 for financing the acquisition of equipment, due in varying annual maturities, including interest at 2.014%, which is due in semi-annually.	\$ 785,000	\$ 972,000
<b>Subscription Liability:</b>		
Subscription based IT arrangement for Linuxup GPS System with recurring monthly payments of \$1,768 beginning March 2023 through June 2026, interest at 2.79%.	59,363	-
<b>Net OPEB liability</b>	200,241	200,953
<b>Compensated absences</b>	<u>535,678</u>	<u>552,703</u>
<b>Total long-term obligations</b>	\$ <u>14,556,416</u>	\$ <u>9,941,578</u>

## NOTE 7—COMPENSATED ABSENCES:

In accordance with GASB statement 16 “Accounting for Compensated Absences,” the Authority has accrued the liability arising from outstanding compensated absences.

Authority employees accrue vacation and sick leave at various rates. The Authority has outstanding accrued vacation and sick pay at June 30 in the amount of \$535,678 for fiscal year ended June 30, 2023 and \$552,703 for fiscal year ended June 30, 2022.

## NOTE 8—LITIGATION:

At June 30, 2023, there were no matters of litigation involving the Authority which would materially affect the Authority’s financial position should any court decisions on pending matters not be favorable to the Authority.

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

## NOTE 9—CONSTRUCTION COMMITMENT:

At June 30, 2023 the Authority had the following construction commitments outstanding:

<u>Projects</u>	<u>Contract Amount</u>	<u>Expenses to Date</u>	<u>Balance</u>
Wastewater SCADA Upgrades	\$ <u>6,090,707</u>	\$ <u>1,252,446</u>	\$ <u>4,838,261</u>
Total	\$ <u><u>6,090,707</u></u>	\$ <u><u>1,252,446</u></u>	\$ <u><u>4,838,261</u></u>

## NOTE 10—PENSION PLAN:

### *Plan Description*

All full-time, salaried permanent employees of the Authority are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

### *Benefit Structures*

The System administers three different benefit structures for covered employees – Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.
- Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit.

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

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## NOTE 10—PENSION PLAN: (CONTINUED)

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### ***Benefit Structures (Continued)***

- c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 – April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

### ***Average Final Compensation and Service Retirement Multiplier***

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

### ***Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits***

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of service credit are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of service credit are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

## FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

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### NOTE 10—PENSION PLAN: (CONTINUED)

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#### *Employees Covered by Benefit Terms*

As of the June 30, 2021 and June 30, 2020 actuarial valuations, the following employees were covered by the benefit terms of the pension plan:

	<u>June 30, 2021</u> <u>Number</u>	<u>June 30, 2020</u> <u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	17	16
Inactive members:		
Vested inactive members	6	6
Non-vested inactive members	10	12
Inactive members active elsewhere in VRS	<u>9</u>	<u>10</u>
Total inactive members	<u>25</u>	<u>28</u>
Active members	<u>46</u>	<u>46</u>
Total covered employees	<u><u>88</u></u>	<u><u>90</u></u>

#### *Contributions*

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The Authority's contractually required employer contribution rate for the years ended June 30, 2023 and June 30, 2022 was 5.34% and 5.68%, respectively, of covered employee compensation. These rates were based on actuarially determined rates from actuarial valuations as of June 30, 2021.

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

NOTE 10–PENSION PLAN: (CONTINUED)

**Contributions: (Continued)**

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$152,964 and \$172,614 for the years ended June 30, 2023 and June 30, 2022, respectively.

**Net Pension Liability (Asset)**

The net pension liability (asset) is calculated separately for each employer and represents that particular employer’s total pension liability determined in accordance with GASB Statement No. 68, less that employer’s fiduciary net position. The Authority’s net pension liability (asset) was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation performed as of June 30, 2021 and rolled forward to the measurement date of June 30, 2022.

**Actuarial Assumptions–General Employees**

The total pension liability for General Employees in the Authority’s Retirement Plan was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.50%
Salary increases, including inflation	3.50% – 5.35%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Mortality rates:

All Others (Non 10 Largest) – Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years



# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

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## NOTE 10—PENSION PLAN: (CONTINUED)

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### ***Actuarial Assumptions—General Employees: (Continued)***

Mortality rates: (Continued)

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the changes in the discount rate, which was based on the VRS Board actions effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest)—Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

## NOTE 10—PENSION PLAN: (CONTINUED)

### *Long-Term Expected Rate of Return*

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class (Strategy)</b>	<b>Long-Term Target Asset Allocation</b>	<b>Arithmetic Long-term Expected Rate of Return</b>	<b>Weighted Average Long-term Expected Rate of Return*</b>
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	<u>100.00%</u>		<u>5.33%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return**	<u>7.83%</u>

\*The above allocation provides a one-year expected return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

\*\*On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

## NOTE 10—PENSION PLAN: (CONTINUED)

### *Discount Rate (Continued)*

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Authority was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2021 actuarial valuations, whichever was greater. From July 1, 2022 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

### *Changes in Net Pension Liability (Asset)*

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2021	\$ 9,799,836	\$ 10,519,988	\$ (720,152)
Changes for the year:			
Service cost	\$ 289,697	\$ -	\$ 289,697
Interest	673,250	-	673,250
Changes of assumptions	-	-	-
Differences between expected and actual experience	(192,620)	-	(192,620)
Contributions - employer	-	173,238	(173,238)
Contributions - employee	-	168,460	(168,460)
Net investment income	-	(17,774)	17,774
Benefit payments, including refunds of employee contributions	(230,906)	(230,906)	-
Administrative expenses	-	(6,451)	6,451
Other changes	-	249	(249)
Net changes	\$ 539,421	\$ 86,816	\$ 452,605
Balances at June 30, 2022	\$ 10,339,257	\$ 10,606,804	\$ (267,547)

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

## NOTE 10—PENSION PLAN: (CONTINUED)

### *Changes in Net Pension Liability (Asset): (Continued)*

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2020	\$ 9,235,843	\$ 8,158,694	\$ 1,077,149
Changes for the year:			
Service cost	\$ 276,191	\$ -	\$ 276,191
Interest	615,354	-	615,354
Changes of assumptions	122,509	-	122,509
Differences between expected and actual experience	(211,091)	-	(211,091)
Contributions - employer	-	172,263	(172,263)
Contributions - employee	-	165,886	(165,886)
Net investment income	-	2,267,294	(2,267,294)
Benefit payments, including refunds of employee contributions	(238,970)	(238,970)	-
Administrative expenses	-	(5,395)	5,395
Other changes	-	216	(216)
Net changes	\$ 563,993	\$ 2,361,294	\$ (1,797,301)
Balances at June 30, 2021	\$ 9,799,836	\$ 10,519,988	\$ (720,152)

### *Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate*

The following presents the net pension asset of the Authority using the discount rate of 6.75%, as well as what the Authority's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

Authority's Net Pension Liability (Asset)	Rate		
	(5.75%)	(6.75%)	(7.75%)
June 30, 2023	\$ 1,409,732	\$ (267,547)	\$ (1,591,565)
June 30, 2022	\$ 833,382	\$ (720,152)	\$ (1,962,548)

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

## NOTE 10—PENSION PLAN: (CONTINUED)

### *Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

For the year ended June 30, 2023, the Authority recognized pension expense of \$60,946. At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 155,077	\$ 248,801
Change in assumptions	115,347	-
Net difference between projected and actual earnings on pension plan investments	-	284,919
Employer contributions subsequent to the measurement date	<u>152,964</u>	<u>-</u>
Total	<u>\$ 423,388</u>	<u>\$ 533,720</u>

For the year ended June 30, 2022, the Authority recognized pension expense of (\$42,479). At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 270,945	\$ 158,917
Change in assumptions	203,070	5,249
Net difference between projected and actual earnings on pension plan investments	-	1,138,042
Employer contributions subsequent to the measurement date	<u>172,614</u>	<u>-</u>
Total	<u>\$ 646,629</u>	<u>\$ 1,302,208</u>

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

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## NOTE 10—PENSION PLAN: (CONTINUED)

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### ***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: (Continued)***

\$152,964 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction (increase) of the Net Pension Asset in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>		
2024	\$	(18,216)
2025		(143,971)
2026		(243,611)
2027		142,502
2028		-
Thereafter		-

\$172,614 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction (increase) of the Net Pension Asset in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>		
2023	\$	(125,186)
2024		(117,288)
2025		(243,041)
2026		(342,678)
2027		-
Thereafter		-

### ***Pension Plan Data***

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/Pdf/Publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

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## **NOTE 11—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN):**

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### ***Plan Description***

The Group Life Insurance (GLI) Plan was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Plan. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Plan OPEB.

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

### ***Eligible Employees***

The GLI Plan was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

### ***Benefit Amounts***

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the Plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, seatbelt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment. The minimum benefit adjusted for the COLA was \$8,984 as of June 30, 2023.



# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

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## NOTE 11—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

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### ***Contributions***

The contribution requirements for the Group Life Insurance Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2023, was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Plan from the entity were \$19,516 and \$19,364 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$30.4 million to the Group Life Insurance Plan. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

### ***GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Plan OPEB***

At June 30, 2023, the entity reported a liability of \$200,241 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2022 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021 and rolled forward to the measurement date of June 30, 2022. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Plan for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the participating employer's proportion was 0.01660% as compared to 0.01730% at June 30, 2021.

For the year ended June 30, 2023, the participating employer recognized GLI OPEB expense of \$10,586. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

For the year ended June 30, 2022, the participating employer recognized GLI OPEB expense of \$13,657. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.



# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

## NOTE 11—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

### *GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Plan OPEB: (Continued)*

At June 30, 2023, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 15,857	\$ 8,033
Net difference between projected and actual earnings on GLI OPEB program investments	-	12,512
Change in assumptions	7,469	19,504
Changes in proportion	14,406	8,211
Employer contributions subsequent to the measurement date	<u>19,516</u>	<u>-</u>
Total	\$ <u>57,248</u>	\$ <u>48,260</u>

At June 30, 2022, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 22,919	\$ 1,531
Net difference between projected and actual earnings on GLI OPEB program investments	-	47,963
Change in assumptions	11,078	27,495
Changes in proportion	20,490	1,326
Employer contributions subsequent to the measurement date	<u>19,364</u>	<u>-</u>
Total	\$ <u>73,851</u>	\$ <u>78,315</u>

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

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## **NOTE 11—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)**

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### ***GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Plan OPEB: (Continued)***

\$19,516 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

#### **Year Ended June 30**

2024	\$	(679)
2025		(1,347)
2026		(8,003)
2027		2,453
2028		(2,952)
Thereafter		-

\$19,364 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

#### **Year Ended June 30**

2023	\$	(4,476)
2024		(3,605)
2025		(4,270)
2026		(11,185)
2027		(292)
Thereafter		-

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

NOTE 11–GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022. The assumptions include several employer groups. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS ACFR.

Inflation	2.50%
Salary increases, including inflation:	
Locality - General employees	3.50%-5.35%
Investment rate of return	6.75%, net of investment expenses, including inflation

Mortality Rates–Non-Largest Ten Locality Employers–General Employees

- Pre-Retirement:  
    Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years
- Post-Retirement:  
    Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year
- Post-Disablement:  
    Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years
- Beneficiaries and Survivors:  
    Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally
- Mortality Improvement Scale:  
    Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

## NOTE 11—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

### Actuarial Assumptions: (Continued)

#### Mortality Rates—Non-Largest Ten Locality Employers—General Employees: (Continued)

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the changes in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

### NET GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Plan represents the Plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2022 and 2021, NOL amounts for the Group Life Insurance Plan is as follows (amounts expressed in thousands):

	<b>Group Life Insurance OPEB Plan</b>	
	<b>2022</b>	<b>2021</b>
Total GLI OPEB Liability	\$ 3,672,085	\$ 3,577,346
Plan Fiduciary Net Position	2,467,989	2,413,074
Employers' Net GLI OPEB Liability (Asset)	<u>\$ 1,204,096</u>	<u>\$ 1,164,272</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.21%	67.45%

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

## NOTE 11—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

### *Long-Term Expected Rate of Return*

The long-term expected rate of return on the System's investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class (Strategy)</b>	<b>Long-Term Target Asset Allocation</b>	<b>Arithmetic Long-term Expected Rate of Return</b>	<b>Weighted Average Long-term Expected Rate of Return*</b>
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	<u>100.00%</u>		<u>5.33%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return**	<u>7.83%</u>

\*The above allocation provides a one-year expected return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

\*\*On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly in the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

## NOTE 11—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

### **Discount Rate**

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2022, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2022 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

### **Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate**

The follow presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Authority's proportionate share of the Group Life Insurance Program Net OPEB Liability			
June 30, 2023	\$ 291,374	\$ 200,241	\$ 126,593
June 30, 2022	\$ 293,600	\$ 200,953	\$ 126,136

### **Group Life Insurance Plan Fiduciary Net Position**

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/Pdf/Publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

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## **NOTE 12–RISK MANAGEMENT:**

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### **A. The Authority**

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.

The Authority is a member of the Virginia Risk Sharing Association (VRSA) for its property, automobile, liability, public officials, and workers' compensation coverage. Each association member jointly and severally agrees to assume, pay and discharge any liability. The Authority pays VRSA contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The Authority carries commercial insurance for all risks of loss. During the last three fiscal years, settled claims from these risks have not exceeded commercial coverage.

### **B. Health and Dental**

Anthem Blue Cross and Blue Shield administers the group health insurance and prescription programs and Delta Dental administers the group dental insurance for employees and their dependents. The plans are self-insured by the Authority under Fauquier County. The Authority collects employee contributions bi-monthly. Anthem processes claims from the hospitals, doctors, and other health care providers. Fauquier County is then billed for these paid claims and must reimburse Anthem for these costs. Fauquier County then bills the Authority their portion of the claims and administration fees. The program is a minimum premium design subject to an aggregate attachment point and a specific stop loss of \$50,000. The stop loss coverage was carved out of the Anthem policy and is administered by Symetra. Symetra insures both medical and prescription claims that are in excess of \$50,000. Symetra reimburses the Authority for the amount. The premiums the Authority pays Symetra are based on covered employees.

The dental plans are fully insured by Delta Dental and administered by Fauquier County. Delta Dental processes claims, from dentists and other dental providers, and pays these claims. The Authority is only responsible for the premiums set by Delta Dental.

The Authority has a Health Insurance Reserve of \$50,000 held by Fauquier County for claims run out in case of termination of the self-insured plan. In addition, the Authority Board restricted \$40,000 in a fund for health insurance.

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements  
As of June 30, 2023 and 2022 (Continued)

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## **NOTE 13—ADOPTION OF ACCOUNTING PRINCIPLES:**

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The Authority implemented the provisions of GASB Statement No. 96, *Subscription-Based IT Arrangements (SBITAs)* during the fiscal year ended June 30, 2023. Statement No. 96, *SBITAs* requires recognition of certain subscription assets and liabilities for certain contracts that convey control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. No restatement of beginning net position was required as a result of this implementation.



## Required Supplementary Information

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios  
Pension Plan  
For the Measurement Dates of June 30, 2014 through June 30, 2022

	2022	2021	2020	2019	2018
<b>Total pension liability</b>					
Service cost	\$ 289,697	\$ 276,191	\$ 267,968	\$ 246,411	\$ 244,681
Interest	673,250	615,354	551,698	504,181	469,509
Changes in assumptions	-	122,509	-	281,227	-
Difference between expected and actual experience	(192,620)	(211,091)	358,025	166,548	19,035
Benefit payments, including refunds of employee contributions	(230,906)	(238,970)	(230,318)	(224,975)	(250,832)
<b>Net change in total pension liability</b>	\$ 539,421	\$ 563,993	\$ 947,373	\$ 973,392	\$ 482,393
<b>Total pension liability - beginning</b>	9,799,836	9,235,843	8,288,470	7,315,078	6,832,685
<b>Total pension liability - ending (a)</b>	<u>\$ 10,339,257</u>	<u>\$ 9,799,836</u>	<u>\$ 9,235,843</u>	<u>\$ 8,288,470</u>	<u>\$ 7,315,078</u>
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 173,238	\$ 172,263	\$ 108,419	\$ 105,933	\$ 119,358
Contributions - employee	168,460	165,886	157,724	146,362	143,020
Net investment income	(17,774)	2,267,294	153,552	503,694	515,935
Benefit payments, including refunds of employee contributions	(230,906)	(238,970)	(230,318)	(224,975)	(250,832)
Administrative expense	(6,451)	(5,395)	(5,085)	(4,822)	(4,358)
Other	249	216	(184)	(318)	(544)
<b>Net change in plan fiduciary net position</b>	\$ 86,816	\$ 2,361,294	\$ 184,108	\$ 525,874	\$ 522,579
<b>Plan fiduciary net position - beginning</b>	10,519,988	8,158,694	7,974,586	7,448,712	6,926,133
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 10,606,804</u>	<u>\$ 10,519,988</u>	<u>\$ 8,158,694</u>	<u>\$ 7,974,586</u>	<u>\$ 7,448,712</u>
<b>Authority's net pension liability (asset) - ending (a) - (b)</b>	\$ (267,547)	\$ (720,152)	\$ 1,077,149	\$ 313,884	\$ (133,634)
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	102.59%	107.35%	88.34%	96.21%	101.83%
<b>Covered payroll</b>	\$ 3,617,193	\$ 3,563,832	\$ 3,369,779	\$ 3,098,487	\$ 3,002,308
<b>Authority's net pension (asset) liability as a percentage of covered payroll</b>	-7.40%	-20.21%	31.96%	10.13%	-4.45%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios  
Pension Plan  
For the Measurement Dates of June 30, 2014 through June 30, 2022

	2017	2016	2015	2014
<b>Total pension liability</b>				
Service cost	\$ 235,183	\$ 210,790	\$ 210,819	\$ 233,185
Interest	454,867	411,798	381,354	351,577
Changes in assumptions	(192,707)	-	-	-
Difference between expected and actual experience	(61,521)	245,293	78,832	-
Benefit payments, including refunds of employee contributions	(202,483)	(302,722)	(169,477)	(149,264)
<b>Net change in total pension liability</b>	<b>\$ 233,339</b>	<b>\$ 565,159</b>	<b>\$ 501,528</b>	<b>\$ 435,498</b>
<b>Total pension liability - beginning</b>	<b>6,599,346</b>	<b>6,034,187</b>	<b>5,532,659</b>	<b>5,097,161</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 6,832,685</b>	<b>\$ 6,599,346</b>	<b>\$ 6,034,187</b>	<b>\$ 5,532,659</b>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 120,399	\$ 141,775	\$ 131,280	\$ 166,227
Contributions - employee	141,283	162,447	128,938	121,744
Net investment income	755,805	106,166	264,236	766,252
Benefit payments, including refunds of employee contributions	(202,483)	(302,722)	(169,477)	(149,264)
Administrative expense	(4,233)	(3,680)	(3,477)	(3,968)
Other	(754)	(45)	(56)	41
<b>Net change in plan fiduciary net position</b>	<b>\$ 810,017</b>	<b>\$ 103,941</b>	<b>\$ 351,444</b>	<b>\$ 901,032</b>
<b>Plan fiduciary net position - beginning</b>	<b>6,116,116</b>	<b>6,012,175</b>	<b>5,660,731</b>	<b>4,759,699</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 6,926,133</b>	<b>\$ 6,116,116</b>	<b>\$ 6,012,175</b>	<b>\$ 5,660,731</b>
<b>Authority's net pension liability (asset) - ending (a) - (b)</b>	<b>\$ (93,448)</b>	<b>\$ 483,230</b>	<b>\$ 22,012</b>	<b>\$ (128,072)</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>101.37%</b>	<b>92.68%</b>	<b>99.64%</b>	<b>102.31%</b>
<b>Covered payroll</b>	<b>\$ 2,959,345</b>	<b>\$ 2,728,127</b>	<b>\$ 2,495,933</b>	<b>\$ 2,386,659</b>
<b>Authority's net pension (asset) liability as a percentage of covered payroll</b>	<b>-3.16%</b>	<b>17.71%</b>	<b>0.88%</b>	<b>-5.37%</b>

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

## Schedule of Employer Contributions

### Pension Plan

Years Ended June 30, 2014 through June 30, 2023

<b>Date</b>	<b>Contractually Required Contribution (1)*</b>	<b>Contributions in Relation to Contractually Required Contribution (2)*</b>	<b>Contribution Deficiency (Excess) (3)</b>	<b>Employer's Covered Payroll (4)</b>	<b>Contributions as a % of Covered Payroll (5)</b>
2023	\$ 152,964	\$ 152,964	\$ -	\$ 3,641,030	4.20%
2022	172,614	172,614	-	3,617,193	4.77%
2021	171,609	171,609	-	3,563,832	4.82%
2020	108,533	108,533	-	3,369,779	3.22%
2019	105,891	105,891	-	3,098,487	3.42%
2018	124,405	124,405	-	3,002,308	4.14%
2017	129,619	129,619	-	2,959,345	4.38%
2016	145,955	145,955	-	2,728,127	5.35%
2015	133,532	131,280	-	2,495,933	5.26%
2014	166,589	166,589	-	2,386,659	6.98%

\*Excludes contributions (mandatory and match on voluntary) to the defined contribution portion of the Hybrid plan.

## FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Required Supplementary Information  
Pension Plan  
Year Ended June 30, 2023

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**Changes of benefit terms** – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

**Changes of assumptions** – The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

## Schedule of Authority's Share of Net OPEB Liability

### Group Life Insurance (GLI) Plan

For the Measurement Dates of June 30, 2017 through June 30, 2022

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2022	0.01660% \$	200,241 \$	3,617,193	5.54%	67.21%
2021	0.01730%	200,953	3,563,832	5.64%	67.45%
2020	0.01640%	273,189	3,569,779	7.65%	52.64%
2019	0.01581%	257,271	3,098,487	8.30%	52.00%
2018	0.01579%	240,000	3,002,308	7.99%	51.22%
2017	0.01604%	241,000	2,959,345	8.14%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

**FAUQUIER COUNTY WATER AND SANITATION AUTHORITY**

Schedule of Employer Contributions

Group Life Insurance (GLI) Plan

For the Years Ended June 30, 2014 through June 30, 2023

<b>Date</b>	<b>Contractually Required Contribution (1)</b>	<b>Contributions in Relation to Contractually Required Contribution (2)</b>	<b>Contribution Deficiency (Excess) (3)</b>	<b>Employer's Covered Payroll (4)</b>	<b>Contributions as a % of Covered Payroll (5)</b>
2023	\$ 19,516	\$ 19,516	\$ -	\$ 3,641,030	0.54%
2022	19,364	19,364	-	3,617,193	0.54%
2021	19,245	19,245	-	3,563,832	0.54%
2020	17,523	17,523	-	3,369,779	0.52%
2019	16,112	16,112	-	3,098,487	0.52%
2018	15,732	15,732	-	3,002,308	0.52%
2017	15,389	15,389	-	2,959,345	0.52%
2016	13,095	13,095	-	2,728,127	0.48%
2015	11,994	11,994	-	2,498,762	0.48%
2014	11,456	11,456	-	2,386,659	0.48%

## FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Required Supplementary Information  
Group Life Insurance (GLI) Plan  
Year Ended June 30, 2023

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**Changes of benefit terms** – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

**Changes of assumptions** – The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

### Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change



## Statistical Section

### Contents

### Tables

#### Financial Trends

These tables contain trend information to help the reader understand how the the Authority's financial performance has changed over time.

1-2

#### Revenue, Rates and Usage Information

These tables contain information to help the reader assess the factors affecting the Authority's change in revenues and its ability to generate revenues.

3-6

#### Expenses

This table contains comparative information about the Authority's expenses.

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#### Debt Capacity

These tables present information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the Authority's ability to issue debt in the future.

8-9

#### Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place and to help make comparisons over time.

10-11

#### Operating Information

These tables contain information about the Authority's operations and resources to help the reader understand how the Authority's financial information relate to the activities it performs.

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#### Other Information

These tables contain miscellaneous data

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*Sources:* Unless otherwise noted, the information in these tables is derived from the annual comprehensive financial reports for the relevant year.

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Net Position by Component  
Last Ten years

	Fiscal Years				
	2023	2022	2021	2020	2019
Net position:					
Net Investment in capital assets	\$ 79,812,592	\$ 74,909,014	\$ 72,469,768	\$ 71,821,673	\$ 71,184,508
Restricted	562,475	1,015,080	369,386	369,386	369,386
Unrestricted	<u>16,683,351</u>	<u>15,220,728</u>	<u>15,928,292</u>	<u>15,925,377</u>	<u>15,325,543</u>
Total net position	<u>\$ 97,058,418</u>	<u>\$ 91,144,822</u>	<u>\$ 88,767,446</u>	<u>\$ 88,116,436</u>	<u>\$ 86,879,437</u>

	Fiscal Years				
	2018	2017	2016	2015	2014
Net position:					
Net Investment in capital assets	\$ 67,421,966	\$ 64,987,481	\$ 65,074,202	\$ 60,030,622	\$ 58,184,968
Restricted	369,386	468,724	-	-	111,972
Unrestricted	<u>13,320,422</u>	<u>10,881,809</u>	<u>7,996,376</u>	<u>8,011,147</u>	<u>7,413,933</u>
Total net position	<u>\$ 81,111,774</u>	<u>\$ 76,338,014</u>	<u>\$ 73,070,578</u>	<u>\$ 68,041,769</u>	<u>\$ 65,710,873</u>

Source: Fauquier County Water and Sanitation Authority

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

## Changes in Net Position Last Ten Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating revenues:			
Water service	\$ 5,484,704	\$ 5,443,990	\$ 5,113,110
Sewer service	5,909,875	5,802,569	5,426,486
Septic service	393,420	306,174	439,608
Late charges	178,566	152,895	107,643
Other operating revenues	406,082	406,181	968,349
Total operating revenues	<u>\$ 12,372,647</u>	<u>\$ 12,111,809</u>	<u>\$ 12,055,196</u>
Operating expenses:			
Salaries	\$ 3,654,459	\$ 3,616,774	\$ 3,527,031
Fringe benefits	1,005,791	1,109,622	1,361,809
General and administrative	644,611	635,469	475,141
Operations and maintenance	3,517,071	2,721,844	2,844,547
Depreciation expense	3,992,266	3,870,154	3,796,021
Total operating expenses	<u>\$ 12,814,198</u>	<u>\$ 11,953,863</u>	<u>\$ 12,004,549</u>
Net operating income (loss)	<u>\$ (441,551)</u>	<u>\$ 157,946</u>	<u>\$ 50,647</u>
Nonoperating revenue (expenses):			
Availability fees	\$ 2,405,450	\$ 980,790	\$ 828,590
Interest earned	771,051	44,207	47,841
Debt issuance costs	(35,000)	-	-
Interest expense	(399,303)	(247,222)	(280,663)
Abitrage rebate expense	(77,726)	-	-
Insurance proceeds	-	40,988	4,595
Net nonoperating revenue (expenses)	<u>\$ 2,664,472</u>	<u>\$ 818,763</u>	<u>\$ 600,363</u>
Net income (loss) before capital contributions	<u>\$ 2,222,921</u>	<u>\$ 976,709</u>	<u>\$ 651,010</u>
Capital Contributions	<u>3,690,675</u>	<u>1,400,439</u>	<u>-</u>
Change in net position	<u>\$ 5,913,596</u>	<u>\$ 2,377,148</u>	<u>\$ 651,010</u>
Net position, at beginning of year	<u>91,144,822</u>	<u>88,767,674</u>	<u>88,116,436</u>
Net position, at end of year	<u><u>\$ 97,058,418</u></u>	<u><u>\$ 91,144,822</u></u>	<u><u>\$ 88,767,446</u></u>

Source: Fauquier County Water and Sanitation Authority.

\* During FY2018, the Authority prospectively implemented GASB Statement No. 75, which resulted in a restatement of beginning net position. In the year of implementation, comparative information for the net OPEB liability and related items was unavailable. Therefore, the FY2017 amounts related to OPEB have not be restated to reflect the requirements of GASB Statement No. 75.

Table 2

2020	2019	2018	2017	2016	2015	2014
\$ 5,094,624	\$ 4,793,437	\$ 4,630,031	\$ 4,351,789	\$ 3,438,450	\$ 3,519,398	\$ 3,290,504
5,353,484	5,144,754	4,867,411	4,515,284	3,874,505	3,524,999	3,390,211
439,891	388,808	364,114	387,223	337,780	295,896	222,908
124,090	181,607	194,015	163,712	129,880	151,975	161,898
303,788	276,633	368,109	420,630	334,378	383,291	328,601
<u>\$ 11,315,877</u>	<u>\$ 10,785,239</u>	<u>\$ 10,423,680</u>	<u>\$ 9,838,638</u>	<u>\$ 8,114,993</u>	<u>\$ 7,875,559</u>	<u>\$ 7,394,122</u>
\$ 3,539,417	\$ 3,093,075	\$ 3,167,950	\$ 3,135,875	\$ 2,848,966	\$ 2,622,093	\$ 2,515,181
1,044,151	837,296	872,536	984,579	1,138,118	882,093	829,358
582,573	497,459	639,812	584,324	556,190	477,316	537,264
2,589,780	2,463,265	2,311,448	2,359,475	2,128,639	2,082,445	2,192,251
3,504,050	3,321,632	3,198,751	3,304,507	3,063,090	2,982,641	3,276,736
<u>\$ 11,259,971</u>	<u>\$ 10,212,727</u>	<u>\$ 10,190,497</u>	<u>\$ 10,368,760</u>	<u>\$ 9,735,003</u>	<u>\$ 9,046,588</u>	<u>\$ 9,350,790</u>
\$ 55,906	\$ 572,512	\$ 233,183	\$ (530,122)	\$ (1,620,010)	\$ (1,171,029)	\$ (1,956,668)
\$ 893,800	\$ 1,670,737	\$ 3,043,318	\$ 2,295,031	\$ 2,095,670	\$ 1,952,908	\$ 3,687,466
232,502	299,055	221,570	81,424	31,869	40,078	32,504
-	-	-	-	-	-	-
(300,269)	(315,493)	(349,662)	(250,894)	(168,652)	(188,494)	(219,958)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 826,033</u>	<u>\$ 1,654,299</u>	<u>\$ 2,915,226</u>	<u>\$ 2,125,561</u>	<u>\$ 1,958,887</u>	<u>\$ 1,804,492</u>	<u>\$ 3,500,012</u>
\$ 881,939	\$ 2,226,811	\$ 3,148,409	\$ 1,595,439	\$ 338,877	\$ 633,463	\$ 1,543,344
355,060	3,540,852	1,875,351	1,671,997	4,689,932	1,868,668	4,733,104
\$ 1,236,999	\$ 5,767,663	\$ 5,023,760	\$ 3,267,436	\$ 5,028,809	\$ 2,502,131	\$ 6,276,448
86,879,437	81,111,774 *	76,088,014	73,070,578	68,041,769	65,539,638	54,556,403
<u>\$ 88,116,436</u>	<u>\$ 86,879,437</u>	<u>\$ 81,111,774</u>	<u>\$ 76,338,014</u>	<u>\$ 73,070,578</u>	<u>\$ 68,041,769</u>	<u>\$ 60,832,851</u>

Schedule of Revenues  
Last Ten Fiscal Years

<b>Fiscal Years</b>		<b>Water Service</b>		<b>Sewer Service</b>		<b>Availability Fees</b>		<b>Other Revenues</b>		<b>Total</b>
2014	\$	3,290,504	\$	3,390,211	\$	3,687,466	\$	745,911	\$	11,114,092
2015		3,519,398		3,524,999		1,952,908		871,240		9,868,545
2016		3,438,450		3,874,505		2,095,670		833,907		10,242,532
2017		4,351,789		4,515,284		2,295,031		1,052,989		12,215,093
2018		4,630,031		4,867,411		3,043,318		1,147,808		13,688,568
2019		4,793,437		5,144,754		1,670,737		1,146,103		12,755,031
2020		5,094,624		5,353,484		893,800		1,100,271		12,442,179
2021		5,113,110		5,426,486		828,590		1,568,036		12,936,222
2022		5,443,990		5,802,569		980,790		950,445		13,177,794
2023		5,484,704		5,909,875		2,405,450		1,749,119		15,549,148

Source: Fauquier County Water and Sanitation Authority

Schedule of Rates  
Last Ten Years

<b>Fiscal Year</b>	<b>Water Usage Fee (1)</b>	<b>Water Base Service Fees</b>	<b>Sewer Usage Fee (2)</b>	<b>Sewer Base Service Fees</b>
2014	\$ 3.47	\$ 18.59	\$ 6.83	\$ 18.81
2015	3.70	19.80	7.27	20.03
2016	3.94	21.09	7.74	21.33
2017	4.06	25.59	8.48	25.86
2018	4.35	27.39	9.07	27.67
2019	4.48	28.21	9.34	28.50
2020	4.61	29.05	9.62	29.35
2021	4.61	29.05	9.62	29.35
2022	4.75	29.92	9.91	30.23
2023	5.94	22.24	11.57	25.99

(1) This is the first step of several steps in the Water Usage Fee schedule.

(2) There is only one rate for the Sewer Usage Fee.

Source: Fauquier County Water and Sanitation Authority

Schedule of New Connections  
Last Ten Fiscal Years

Fiscal Year	WATER			SEWER		
	New Connections	Cumulative Connections	% of Growth	New Connections	Cumulative Connections	% of Growth
2014	187	5,466	3.54%	111	3,697	3.10%
2015	110	5,579	2.01%	115	3,812	3.11%
2016	141	5,717	2.53%	115	3,927	3.02%
2017	171	5,888	2.99%	135	4,062	3.44%
2018	133	6,021	2.26%	134	4,196	3.30%
2019	159	6,180	2.64%	143	4,339	3.41%
2020	56	6,236	0.91%	65	4,404	1.50%
2021	218	6,454	3.50%	195	4,599	4.43%
2022	440	6,894	6.82%	27	4,626	0.59%
2023	135	7,029	1.96%	225	4,851	4.86%

Source: Fauquier County Water and Sanitation Authority connection records



Schedule of Water Processed and Wastewater Treated (in gallons)  
Last Ten Calendar Years

<b>Fiscal Year</b>	<b>Water Processed</b>	<b>Wastewater Treated</b>
2014	537,318,945	558,264,400
2015	546,562,030	461,156,400
2016	545,205,211	546,088,100
2017	596,703,569	461,951,400
2018	573,800,866	512,976,900
2019	553,532,301	749,957,300
2020	523,397,812	569,722,300
2021	522,518,917	643,819,900
2022	564,763,851	515,840,660
2023	580,081,373	626,842,557

Source: Fauquier County Water and Sanitation Authority

Schedule of Operating Expenses  
Last Ten Fiscal Years

<b>Fiscal Years</b>	<b>Salaries</b>	<b>Fringe Benefits</b>	<b>General &amp; Administrative</b>	<b>Operations &amp; Maintenance</b>	<b>Depreciation Expense</b>	<b>Total</b>
2014	\$ 2,515,181	\$ 829,358	\$ 537,264	\$ 2,192,251	\$ 3,276,736	\$ 9,350,790
2015	2,622,093	882,093	477,316	2,082,445	2,982,641	9,046,588
2016	2,848,966	1,138,118	556,190	2,128,639	3,113,765	9,785,678
2017	3,135,875	984,579	584,324	2,359,475	3,393,628	10,457,881
2018	3,167,950	872,536	639,812	2,311,448	3,198,751	10,190,497
2019	3,093,075	837,296	497,459	2,463,265	3,321,632	10,212,727
2020	3,539,417	1,044,151	582,573	2,589,780	3,504,050	11,259,971
2021	3,527,031	1,361,809	475,141	2,844,547	3,796,021	12,004,549
2022	3,616,774	1,109,622	635,469	2,721,844	3,870,154	11,953,863
2023	3,654,459	1,005,791	644,611	3,517,071	3,992,266	12,814,198

Source: Fauquier County Water and Sanitation Authority

Outstanding Debt by Type  
Last Ten Fiscal Years

	Fiscal Year				
	2023	2022	2021	2020	2019
Revenue Refunding Bond 2022	\$ 5,844,000				
Revenue Refunding Bond 2017	1,515,222	1,663,456	1,808,023	1,949,016	2,086,521
Revenue Refunding Bond 2017	4,383,983	4,812,867	5,231,144	5,639,076	6,036,920
Revenue Bond 7-9-2009	1,232,928	1,390,788	1,544,441	1,693,999	1,839,568
Revenue Refunding Bond 2012		322,197	956,935	1,579,011	2,188,678
Revenue Refunding Bond 2012		26,614	78,515	128,698	177,222
Lease Liability	785,000	972,000	1,155,000	1,334,000	
Total outstanding debt	\$ <u>13,761,133</u>	<u>9,187,922</u>	<u>10,774,058</u>	<u>12,323,800</u>	<u>12,328,909</u>
Outstanding Debt per personal income (1)	2.40%	1.60%	2.15%	2.46%	2.66%
Debt per capita (1)	\$ <u>187</u>	<u>125</u>	<u>151</u>	<u>401</u>	<u>442</u>
	Fiscal Year				
	2018	2017	2016	2015	2014
Revenue Refunding Bond 2017	\$ 2,220,626	2,350,262			
Revenue Refunding Bond 2017	6,424,924	6,800,000			
Revenue Bond 7-9-2009	1,981,259	2,119,172	2,253,410	2,384,070	2,507,394
Revenue Bond 9-20-10	125,240	270,038	410,421	546,525	678,480
Revenue Bond 11-16-2012			1,949,592	273,176	80,341
Revenue Refunding Bond 2012	2,786,184	3,371,772	3,945,678	4,508,136	5,059,374
Revenue Refunding Bond 2012	224,138	269,502	313,364	355,775	396,782
Total outstanding debt	\$ <u>13,762,371</u>	<u>\$ 15,180,746</u>	<u>\$ 8,872,465</u>	<u>8,067,682</u>	<u>8,722,371</u>
Outstanding Debt per personal income (1)	3.12%	3.52%	2.17%	2.02%	2.13%
Debt per capita	\$ <u>281</u>	<u>\$ 280</u>	<u>\$ 289</u>	<u>345</u>	<u>382</u>

Source: Fauquier County Water and Sanitation Authority

(1) Personal income and population data can be found in the table of demographic and economic statistics, reference Table 10.

Revenue Bond Coverage (Water and Sewer Bonds)  
Last Ten Fiscal Years

Fiscal Year	Gross Revenue	Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			
				Principal	Interest	Total	Coverage
2014	\$ 11,114,092	\$ 6,074,054	\$ 5,040,038	\$ 1,339,498	\$ 200,278	\$ 1,539,776	3.27
2015	9,868,545	6,063,947	3,804,598	847,524	164,159	1,011,683	3.76
2016	10,242,532	6,671,913	3,570,619	871,465	156,916	1,028,381	3.47
2017	12,215,093	7,064,253	5,150,840	892,390	260,741	1,153,131	4.47
2018	13,688,568	6,991,746	6,696,822	1,418,375	367,544	1,785,919	3.75
2019	12,755,031	6,891,095	5,863,936	1,339,109	295,404	1,634,513	3.59
2020	12,442,179	6,891,095	5,551,084	1,370,741	263,772	1,634,513	3.40
2021	12,936,222	8,208,528	4,727,694	1,403,136	231,377	1,634,513	2.89
2022	13,177,794	8,083,709	5,094,085	1,083,787	199,134	1,282,921	3.97
2023	15,549,148	8,821,932	6,727,216	1,099,936	335,616	1,435,552	4.69

Note: Details regarding the Authority's outstanding debt can be found in the notes to the financial statements. Gross revenues includes investment earnings and availability fees. Operating expenses do not include interest or depreciation.

Revenue means:

- i All rates, fees, rentals, charges, income and money property allocable to the System in accordance with general accepted accounting principles or resulting from the Borrower's ownership or operation of the System, excluding customer and other deposits subject to refund until such deposits have become the Borrower's property,
- ii The proceeds of any insurance covering business interruption loss relating to the System,
- iii Interest on any money or securities related to the System held by or on behalf of the Borrower,
- iv Any other money from other sources pledged by the Borrower to the payment of its Local Bond.

Source: Fauquier County Water and Sanitation Authority

Demographic and Economic Statistics  
Last Ten Fiscal Years

<b>Year</b>	<b>Estimated Population (1)</b>	<b>Personal Income (expressed in thousands) (2)</b>	<b>Per Capita Personal Income (2)</b>	<b>Unemployment Rate (3)</b>	<b>County Civilian Labor Force (3)</b>	<b>At-Place Employment Annual Average (3)</b>	<b>School Enrollment (4)</b>
2014	66,573	\$ 4,081,897	\$ 59,695	4.8%	36,676	21,076	11,084
2015	67,512	4,316,279	62,832	4.2%	36,626	21,549	11,055
2016	67,898	4,410,308	63,854	3.7%	36,308	22,054	11,042
2017	68,168	4,637,197	66,756	3.4%	36,573	22,116	11,007
2018	69,098	5,002,860	70,787	2.8%	37,212	22,417	11,104
2019	70,150	5,169,053	72,577	2.6%	38,163	22,249	11,153
2020	70,580	5,368,172	62,189	5.7%	36,646	21,969	11,039
2021	70,996	5,730,279	66,305	3.1%	36,977	21,803	11,058
2022	73,536	*	*	2.8%	37,428	*	11,177
2023	*	*	*	2.6%	*	*	*

Sources: (1) Weldon Cooper Center for Public Service population intercensal estimates as of July 1  
 (2) Bureau of Economic Analysis, calendar year data.  
 (3) Bureau of Labor Statistics  
 (4) Fauquier County Schools Adopted Budgets

\* Unavailable

Principal Employers  
Current Fiscal Year and Nine Years Ago

Employer	2023		2015	
	Rank	Number of Employees	Rank	Number of Employees
Fauquier County School Board	1	1,000 and over	1	1,000 and over
Fauquier Health System	2	500 to 999	2	500 to 999
County of Fauquier	3	500 to 999	3	500 to 999
US Department of Transportation	4	250 to 499	4	250 to 499
Walmart	5	100 to 249	5	100 to 249
Pearson Government Solutions, Inc.	6	100 to 249		
Town of Warrenton	7	100 to 249	7	100 to 249
Food Lion	8	100 to 249	8	100 to 249
Oak Springs Nursing Home	9	100 to 249		
Lord Fairfax Community College	10	100 to 249	10	100 to 249
Buccaneer Computer System, Inc.			6	100 to 249
Airlie Foundation			9	100 to 249

Source: Virginia Employment Commission Top 50 Employers

Operating and Capital Indicators  
Last Ten Fiscal Years

	<u>FY2023</u>	<u>FY2022</u>	<u>FY2021</u>	<u>FY2020</u>	<u>FY2019</u>	<u>FY2018</u>	<u>FY2017</u>	<u>FY2016</u>	<u>FY 2015</u>	<u>FY 2014</u>
<b>Water System:</b>										
Number of water systems	16	16	16	16	16	16	16	16	16	16
Number of service connections	7029	6894	6,454	6236	6034	6021	5888	5717	5,576	5,466
Miles of water mains	145	143	143	143	143	143	142	142	141	127
Daily average consumption per MGD	1.59	1.54	1.43	1.43	1.89	1.42	1.63	1.49	1.38	1.365
Average daily water distributed per MGD	1.59	1.54	1.43	1.43	1.89	1.42	1.63	1.49	1.38	1.365
Storage capacity in million gallons	5.904	5.904	5.904	5.904	5.904	5.154	5.154	5.154	5.154	5.154
<b>Sewerage System:</b>										
Number of treatment plants	3	3	3	3	3	3	3	3	3	3
Number of pump stations	15	15	15	15	15	15	14	14	14	14
Number of service connections	4851	4626	4,599	4404	4339	4196	4062	3927	3,812	3,697
Miles of sanitary sewer mains	97	96	96	96	96	96	91	91	91	91
Daily average treatment per MGD	1.71	1.23	1.764	1.561	0.857	1.28	1.328	1.492	1.254	1.365
Design capacity of treatment plants per MGD	3.59	3.59	3.59	3.59	3.59	3.59	3.59	3.59	3.59	3.59
 <b>*Number of Full-Time Employees:</b>	 46	 47	 48	 46	 47	 47	 47	 46	 46	 42

MGD - Million Gallon per Day

Source: Fauquier County Water and Sanitation Authority

# FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Principal Water and Sewer Customers  
Last Ten Fiscal Years

Principal Users of the Water System	Principal Business	FY2023		FY2022		FY 2021	
		000/gals	% of System	000/gals	% of System	000/gals	% of System
FAUQUIER COUNTY PUBLIC SCHOOLS	Public Schools	9,249	1.94%	11,472	2.51%	6,892	1.68%
CHUCK DAVIS	ODEC	4,993	1.05%	6,299	1.38%	6,120	1.49%
FEDERAL AVIATION ADM	Federal FFA Building	4,152	0.87%	5,064	1.11%	3,758	0.91%
ASPEN CLUB APTS/NORTH 40	Apartments	4,089	0.86%	4,920	1.08%		0.00%
GOOSE POND GROVE	Apartments	3,912	0.82%	3,863	0.84%		
RYAN HOMES	Builder	3,766	0.79%				
ASPEN SOUTH	Apartments	3,477	0.73%	3,330	0.73%	3,117	0.76%
VILLA AT SUFFIELD MEADOWS	Apartments	3,169	0.67%	3,803	0.83%		
CEDAR LEE CONDO ASSOCIATES	Apartments	2,836	0.60%	3,293	0.72%	3,147	0.77%
MINTBROOK SENIOR APARTMENT	Apartments	2,168	0.46%	2,280	0.50%	2,121	0.52%
BROOKSIDE HOA	Homeowners Association			2,469	0.54%	9,070	2.21%
WAVERLY STATION	Apartments			1,764	0.39%	6,612	1.61%
SUFFIELD MEADOW CONDO	Condos					4,633	1.13%
NORTH FORTY ASPEN PLUS	Apartments					5,564	1.35%
WAKEFIELD SCHOOL	Private School					923	0.22%
BEALETON VILLAGE CENTER LLC	Shopping Center						
VAN MANAGEMENT INC	Marshall McDonalds						
CEDAR LEE CONDO ASSOCIATES	Apartments						
R. B. DRUMHELLER INC.	Bealeton McDonalds						
Total		41,811	8.79%	48,557	10.62%	51,957	12.64%
Total Water System Annual Consumption		475,689		457,218		411,072	

Principal Users of the Sewer System	Principal Business	FY2023		FY2022		FY 2021	
		000/gals	% of System	000/gals	% of System	000/gals	% of System
FAUQUIER COUNTY PUBLIC SCHOOLS	Public Schools	8,622	1.77%	10,433	2.20%	6,578	1.51%
FEDERAL AVIATION ADM	Federal FFA Building	4,152	0.85%	5,064	1.07%	3,758	0.86%
ASPEN CLUB APTS/NORTH 40	Apartments	4,089	0.84%	4,920	1.04%	2,473	0.57%
GOOSE POND GROVE	Apartments	3,912	0.80%	3,863	0.81%	3,998	0.92%
ASPEN SOUTH	Apartments	3,478	0.71%	3,330	0.70%	3,117	0.72%
CHUCK DAVIS	ODEC	3,201	0.66%	2,834	0.60%	2,747	0.63%
CEDAR LEE CONDO ASSOCIATES	Condos	2,836	0.58%	3,293	0.69%	3,147	0.72%
MINT BROOK SENIOR APARTMENTS	Apartments	2,168	0.44%	2,280	0.48%	2,121	0.49%
WAVERLY STATION	Apartments	1,856	0.38%	1,764	0.37%		0.00%
RYAN HOMES	Builder	1,613	0.33%				
SHEETZ # 221 UTILITIES	Convenience Store, Gas Station			1,455	0.31%	1,273	0.29%
NORTH FORTY ASPEN PLUS	Apartments					1,546	0.36%
BEALETON VILLAGE CENTER LLC	Shopping Center					791	0.18%
OPAL OIL, INC.	Quarles Q Stop						
BROOKSIDE HOA	Homeowners Association						
VAN MANAGEMENT INC	Marshall McDonalds						
BLUE RIDGE CHRISTIAN HOME	Nursing Home						
R. B. DRUMHELLER INC.	Bealeton McDonalds						
WAKEFIELD SCHOOL	Private School						
Total		35,927	7.37%	39,236	8.26%	31,549	7.24%



Table 13

FY 2020		FY 2019		FY 2018		FY 2017		FY 2016		FY 2015		FY 2014	
000/gals	% of System	000/gals	% of System	000/gals	% of System	000/gals	% of System	000/gals	% of System	000/gals	% of System	000/gals	% of System
8,281	1.83%	9,752	2.24%	11,945	2.76%	11,667	1.96%	12,252	2.32%	9,946	1.96%	10,696	2.26%
7,448	1.65%	6,090	1.40%	7,230	1.67%	6,683	1.12%	8,900	1.68%	3,765	0.74%	9,029	1.91%
4,469	0.99%	6,846	1.58%	5,064	1.17%	13,657	2.30%	2,470	0.47%	3,646	0.72%	3,911	0.83%
	0.00%							1,080	0.20%	1,879	0.37%	2,347	0.50%
3,178	0.70%	4,900	1.13%	2,638	0.61%	5,826	0.98%	3,191	0.60%	3,165	0.62%	3,223	0.68%
2,650	0.59%	3,500	0.81%	2,654	0.61%	6,960	1.17%	2,880	0.54%	3,562	0.70%		
	0.00%	977	0.22%	1,029	0.24%	4,313	0.72%	1,047	0.20%				
1,721	0.38%	1,901	0.44%	1,611	0.37%	3,273	0.55%	1,422	0.27%	1,520	0.30%	1,507	0.32%
1,750	0.39%	1,889	0.43%	1,142	0.26%	5,577	0.94%	12,605	2.38%	2,485	0.49%	3,480	0.74%
1,567	0.35%	1,330	0.31%	1,628	0.38%	3,757	0.63%	1,754	0.33%	1,730	0.34%	1,520	0.32%
5,632	1.25%									772	0.15%		
2,929	0.65%	985	0.23%							794	0.16%		
	0.00%			1,028	0.24%	2,022	0.34%			1,030	0.20%	1,234	0.26%
								2,880	0.54%	3,562	0.70%		
39,625		38,170	8.78%	9,092	1.76%	63,735	10.71%	48,011	9.08%	790	0.16%	852	0.18%
										35,000	6.90%	33,888	7.17%
<u>451,497</u>		<u>434,569</u>		<u>432,214</u>		<u>439,931</u>		<u>404,214</u>		<u>385,873</u>		<u>337,318</u>	
000/gals	% of System	000/gals	% of System	000/gals	% of System	000/gals	% of System	000/gals	% of System	000/gals	% of System	000/gals	% of System
11,483	3.93%	12,189	3.89%	10,985	3.97%	9,632	1.99%	12,835	2.50%	9,885	1.91%	10,025	1.99%
4,469	1.53%	5,156	1.65%	5,064	1.83%	13,657	2.82%	2,470	0.48%	3,646	0.71%	3,911	0.78%
3,648	1.25%							1,080	0.21%	1,879	0.36%	2,347	0.47%
3,231	1.10%	3,528	1.13%	2,638	0.95%	5,826	1.20%	3,191	0.62%	3,165	0.61%	3,223	0.64%
	0.00%							8,900	1.73%	1,970	0.38%	9,029	1.79%
8,509	2.91%	4,628	1.48%	2,654	0.96%	6,960	1.44%	2,880	0.56%	3,562	0.69%		
1,721	0.59%	1,884	0.60%	1,611	0.58%	3,273	0.67%	1,422	0.28%	1,520	0.29%	1,507	0.30%
5,735	1.96%	1,581	0.51%	2,128	0.77%	2,227	0.46%	2,285	0.45%	2,095	0.41%	2,190	0.43%
1,567	0.54%	1,565	0.50%	1,628	0.59%	3,757	0.77%	1,754	0.34%	1,730	0.33%	1,520	0.30%
8,531	2.92%	375	0.12%	930	5.18%	1,981	0.41%			794	0.15%		
1,293	0.44%	1,293	0.41%							1,474	0.29%	1,461	0.29%
		1,007	0.32%	259	0.09%	4,313	0.89%	1,047	0.20%				
				1,028	0.37%	2,022	0.42%			1,030	0.20%	1,234	0.24%
8,932	3.05%									1,271	0.25%		
										790	0.15%	852	0.18%
										772	0.15%		
<u>31,340</u>		<u>33,206</u>	<u>10.61%</u>	<u>17,940</u>	<u>3.85%</u>	<u>53,648</u>	<u>11.06%</u>	<u>35,394</u>	<u>6.90%</u>	<u>31,937</u>	<u>6.18%</u>	<u>21,160</u>	<u>4.19%</u>

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

*Certified Public Accountants*

**Independent Auditors' Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

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**To The Honorable Members of the Board of Directors  
Fauquier County Water and Sanitation Authority  
Warrenton, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Fauquier County Water and Sanitation Authority, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Fauquier County Water and Sanitation Authority's basic financial statements and have issued our report thereon dated October 18, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Fauquier County Water and Sanitation Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fauquier County Water and Sanitation Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Fauquier County Water and Sanitation Authority internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fauquier County Water and Sanitation Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Robinson, Farmer, Cox Associates*

Charlottesville, Virginia

October 18, 2023