

Fauquier County
Water and Sanitation Authority
Warrenton, Virginia

**Comprehensive Annual
Financial Report**



**YEARS ENDED
JUNE 30, 2020 AND 2019**

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

WARRENTON, VIRGINIA

Comprehensive Annual Financial Report
Years Ended June 30, 2020 and 2019

Prepared by:

Deborah A. Whitley
Director of Finance

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Comprehensive Annual Financial Report Years Ended June 30, 2020 and 2019

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OFFICERS AND BOARD MEMBERS

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

AUDIT COMMITTEE

Ross W. D'Urso
A. William Chipman, III

SENIOR MANAGEMENT

Benjamin R. Shoemaker, Executive Director
Cheryl St. Amant, Associate Executive Director
Deborah A. Whitley, Director of Finance

FAUQUIER COUNTY

WATER & SANITATION AUTHORITY

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Warrenton, Virginia 20187-3907

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



October 27, 2020

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

Gentlemen:

The Comprehensive Annual Financial Report for the Fauquier County Water and Sanitation Authority (the Authority) for the year ended June 30, 2020 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, 2020.

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 Authority was created by a resolution of the Board of Supervisors of Fauquier County, Virginia in 1964 for a period of 50 years, and extended to 2025 in 1975. The Authority is chartered by the State Corporation Commission and is an independent public body responsible for providing comprehensive county-wide water and wastewater services.

The management of the Authority is vested in a board of five members appointed by the Board of Supervisors. The Authority Board appoints 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 has declined due to the uncertainty of the COVID-19 pandemic reflective in the unemployment rate increase. Estimated population in Fauquier County as of July 2020 is approximately 71,395. This is expected to exceed 78,698 by the year 2030 and 84,851 by the year 2040. Per the Virginia Employment Commission, as of July 2020, the total civilian labor force in Fauquier County was 36,513, of which 34,444 are employed, and 2,069 are unemployed. Unemployment is at its highest rate since 2011 at 5.7%, up from 2.6% in 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 a slight increase in customer base as water and wastewater connections grew by 56 and 65, respectively, in FY2020. However, Availability fee revenue decreased by \$776,937 in FY2020 as building slowed down in the service area.

*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 Finance Department prepares an annual budget for current revenue, expenses, and capital outlays. The proposed budget is reviewed by management and submitted to the Board of Directors for approval.

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*

Investments are made to safeguard principal, meet liquidity objectives, and seek fair value rates of return within the parameters of the *Code of Virginia*. Funds held for capital projects are invested in accordance with these objectives in addition to ensuring compliance with U.S. Treasury arbitrage regulations.

The state and federal governments enacted regulations dated December 31, 2010 on the nutrient quality of wastewater entering the Chesapeake Bay and its tributaries. The Authority implemented a two-phase plan to meet these regulatory requirements. The first-phase upgrades, completed in FY2012, allowed credit trading of nutrients between two of the plants to assist in meeting the regulatory requirements. The Authority estimates this process provided a ten to fifteen-year window before construction of the second phase of upgrades are required. The two-phase plan should produce the best effect on user rates to cover new debt service. Debt service in FY2020 was \$1,647,723 and will reduce to \$931,332 in FY2030. The Authority began a review of phase two options in FY2020. When required, 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.

The Authority adopted a \$13.4 million, 5-year Capital Improvement Plan (CIP) in its FY2021 budget for water exploration, sources, storage, and treatment facilities. A \$18.3 million, 5-year Replacement and Renewal Program (R&R) was also adopted 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, 2020 have been audited by Robinson, Farmer, Cox Associates, an independent firm of licensed certified public accountants. The fiscal year 2020 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 Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2019. This is a prestigious national 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 comprehensive annual 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 Comprehensive Annual Financial Report conforms to the Certificate of Achievement Program requirements, and we are submitting the CAFR to the GFOA to determine its eligibility for a Certificate for FY2020.

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 cursive script, reading "Deborah A. Whitley".

Deborah A. Whitley
Director of Finance

FY2020





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Fauquier County Water & Sanitation
Authority, Virginia**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morrell

Executive Director/CEO



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Independent Auditors' Report

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

Report on the Financial Statements

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, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Fauquier County Water and Sanitation Authority, as of June 30, 2020 and 2019, and the changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-10, and schedules related to pension and OPEB funding on pages 55-60 be presented to supplement the basic financial statements. Such information, 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.

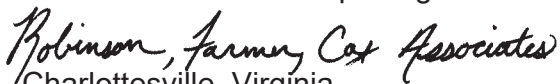
Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fauquier County Water and Sanitation Authority's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2020, on our consideration of the 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.


Charlottesville, Virginia
October 13, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the Fauquier County Water and Sanitation Authority's (the Authority) financial performance provides a narrative overview of the financial activities of the Authority for the Fiscal Year (FY) ending June 30, 2020. 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 FY2020 budget focus on customer service, water and wastewater system upgrades, supervisory control and data acquisition (SCADA) upgrades, wastewater inflow and infiltration (I&I) rehabilitation, and equipment replacement. 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 \$731,811 as a result of the completion of the Remington Sludge Bay, New Baltimore G-4 Well, New Baltimore SCADA, and I&I projects in Remington, Marshall, and Vint Hill; as well as the purchase of heavy equipment and machinery;
- Construction in Progress projects decreased by \$1,059,891 in FY2020;
- Net Position increased by \$1.2 million from \$86,879,437 to \$88,116,436;
- Total Revenues, including Capital Contributions, were \$12,797,239; and Total Expenses were \$11,560,240;
- Net Operating Income was \$55,906 in FY2020 and \$572,512 in FY2019;
- 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 thirteen years.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Comprehensive Annual Financial Report (CAFR) 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 – Statement of Net Position; Statement of Revenues, Expenses and Changes in Net Position; and Statement of Cash Flows. The Statement 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 Statement 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 Statement 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

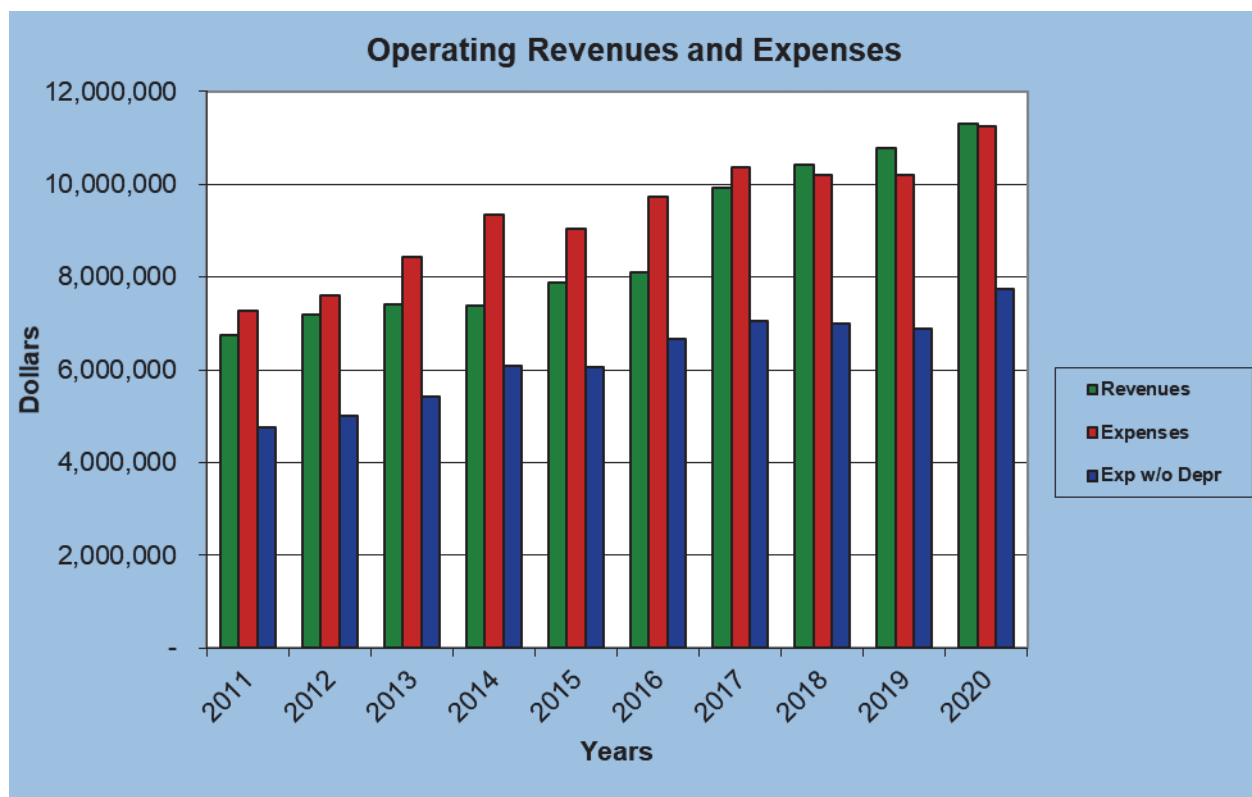
The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Authority's activities that determine if the overall financial position has improved during the year. These two statements help determine the financial health of the organization, 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. The Authority's financial strength has continued to improve during FY2020 as Operating Revenues are covering Operating Expenses as described in the following sections of this report.

Net Position and Liabilities -The Authority's **Total Net Position** increased in FY2020 by \$1.2 million, or 1.4%, as compared to Net Position as of June 30, 2019. Total Net Position increased in FY2019 by \$5.7 million, or 7.1%, as compared to Net Position as of June 30, 2018. Total Net Position in FY2018 increased by \$4.7 million, or 6.3%, as compared to net position as of June 30, 2017. A significant portion of this increase was due to Capital Contributions of \$0.3, \$3.5, and \$1.8 million in FY2020, FY2019, and FY2018, respectively, as well as availabilities fees of \$0.8, \$1.6, and \$3 million in FY2020, FY2019, and FY2018, respectively. In FY2020 the **Total Liabilities** increased by \$0.3 million, or 2%, from FY2019 as a new capital lease was obtained for heavy equipment and machinery. FY2019's Total Liabilities decreased by \$2 million, or 12.6% from FY2018. FY2018's Total Liabilities decreased by \$0.3 million, or 2.4%, over FY2017. The following table depicts the Authority's assets and liabilities as of June 30, 2020, 2019, and 2018:

	Net Position		
	2020	2019	2018
Current and other assets	\$ 21,531,164	\$ 21,064,890	\$ 20,836,575
Capital assets	80,449,076	79,717,265	76,173,481
Total assets	\$ 101,980,240	\$ 100,782,155	\$ 97,010,056
Deferred outflows of resources	\$ 600,024	\$ 284,324	\$ 338,780
Total assets and deferred outflows of resources	\$ 102,580,264	\$ 101,066,479	\$ 97,348,836
Noncurrent liabilities	\$ 11,788,414	\$ 11,560,963	\$ 12,825,570
Other liabilities	2,474,431	2,368,611	3,060,280
Total liabilities	\$ 14,262,845	\$ 13,929,574	\$ 15,885,850
Deferred inflows of resources	\$ 200,983	\$ 257,468	\$ 351,212
Net position:			
Net investment in capital assets	\$ 71,821,673	\$ 71,184,508	\$ 67,587,981
Restricted	369,386	369,386	369,386
Unrestricted	15,925,377	15,325,543	13,154,407
Total net position	\$ 88,116,436	\$ 86,879,437	\$ 81,111,774
Total liabilities, deferred inflows of resources and net position	\$ 102,580,264	\$ 101,066,479	\$ 97,348,836

FINANCIAL ANALYSIS: (Continued)

Operating Income – In FY2020 the **Operating Revenues** were \$11.3 million, a 4.9% increase over FY2019. The increase reflects a 3% rate increase to users in year 4 of a five-year rate increase plan, voted in by the Authority Board, after a rate study was completed in late FY2016. Operating Revenues in FY2019 were \$10.7 million, a 3.5% increase over FY2018. The increase reflects a 3% rate increase to users in year 3 of the five-year rate increase plan. In FY2018 Operating Revenues were \$10.4 million, a 5.9% increase over FY2017 because of the 7% rate increase to users in year 2 of the five-year plan. In FY2020, the **Operating Expenses** increased by \$1 million, a 10.3% increase over FY2019. The increase reflects a one-time salary adjustment in Salaries and Benefits as a result of a salary and benefits compensation study performed by Gallagher Benefits Services in FY2019 as well as increases in Administrative, Operations, Maintenance and Depreciation Expense. As in FY2019, FY2020's Operating Revenues completely covered Operating Expenses. In FY2019, the Operating Expenses increased to \$10.2 million, or 0.2%, from FY2018. Operating Expenses in FY2018 decreased to \$10.1 million, or 1.5%, under FY2017. FY2019 saw a reduction in Salaries and Fringe Benefits from position vacancies; and increases in Operations and Maintenance, and Depreciation Expenses. Depreciation Expense represents 31%, 33%, and 31%, of Operating Expense in FY2019, FY2018, and FY2017, 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 Municipal & Financial Services Group in late FY2016, that determined rate increases were needed to cover CIP, R&R, rising operating costs, and debt service. As such, the Board voted in the five-year rate increase plan, with Year 1 – 9.5%, Year 2 – 7%, and Years 3-5 (FY2019-21) having planned user increases of 3% each. 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. However, due to economic uncertainty regarding the COVID-19 pandemic, the Board adopted a reduced FY2021 annual budget with negligible changes to operating expenses and continued FY2020 user rates indefinitely. The Authority will have a rate study performed in FY2021.

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, 2020, 2019, and 2018.

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating revenues:			
Water service	\$ 5,094,624	\$ 4,793,437	\$ 4,630,031
Sewer service	5,353,484	5,144,754	4,867,411
Septic service	439,891	388,808	364,114
Late charges	124,090	181,607	194,015
Other operating revenues	303,788	276,633	368,109
Total operating revenues	<u>\$ 11,315,877</u>	<u>\$ 10,785,239</u>	<u>\$ 10,423,680</u>
Operating expenses:			
Salaries	\$ 3,539,417	\$ 3,093,075	\$ 3,167,950
Fringe benefits	1,044,151	837,296	872,536
General and administrative	582,573	497,459	639,812
Operations and maintenance	2,589,780	2,463,265	2,311,448
Depreciation expense	3,504,050	3,321,632	3,198,751
Total operating expenses	<u>\$ 11,259,971</u>	<u>\$ 10,212,727</u>	<u>\$ 10,190,497</u>
Net operating income (loss)	<u>\$ 55,906</u>	<u>\$ 572,512</u>	<u>\$ 233,183</u>
Nonoperating revenue and expenses:			
Availability fees	\$ 893,800	\$ 1,670,737	\$ 3,043,318
Interest earned	232,502	299,055	221,570
Interest expense	(300,269)	(315,493)	(349,662)
Net nonoperating revenue	<u>\$ 826,033</u>	<u>\$ 1,654,299</u>	<u>\$ 2,915,226</u>
Net income (loss) before capital contributions	\$ 881,939	\$ 2,226,811	3,148,409
Capital Contributions	<u>355,060</u>	<u>3,540,852</u>	<u>1,875,351</u>
Change in net position	<u>\$ 1,236,999</u>	<u>\$ 5,767,663</u>	<u>\$ 5,023,760</u>
Net position, at beginning of year	<u>86,879,437</u>	<u>81,111,774</u>	<u>76,088,014</u>
Net position, at end of year	<u><u>\$ 88,116,436</u></u>	<u><u>\$ 86,879,437</u></u>	<u><u>\$ 81,111,774</u></u>

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets - The increase in capital assets for FY2020 is the result of completed CIP and R&R projects, Contributed Capital completed and placed in service, and the purchase of vehicles, equipment, and machinery. The detail of additions to Capital Assets being depreciated is as follows:

Contributed Capital	\$ 355,060
Vehicles	532,270
Equipment and Machinery	812,050
CIP and R&R Projects	2,401,107

The largest Construction in Progress projects as of June 30, 2020, were:

I&I Projects	\$ 978,490
Marshall Salem Wells #3 and #4	491,930

The following table shows capital asset balances for the fiscal years ending June 30, 2020, 2019, and 2018:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Land	\$ 651,060	\$ 651,060	\$ 651,060
Construction in progress	2,280,997	3,340,888	3,212,677
Structures and improvements	60,986,584	58,636,264	56,239,263
Infrastructure	60,307,393	58,913,661	55,066,662
Vehicles	1,872,862	1,335,008	1,175,406
Machinery and equipment	<u>14,750,883</u>	<u>13,844,913</u>	<u>13,661,994</u>
Total Property & Equipment	\$ 140,849,779	\$ 136,721,794	\$ 130,007,062
Less: Accumulated Depreciation (as restated)	<u>60,400,703</u>	<u>57,004,529</u>	<u>53,833,581</u>
Net property & equipment	<u>\$ 80,449,076</u>	<u>\$ 79,717,265</u>	<u>\$ 76,173,481</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. Due to the economic uncertainty caused by the COVID-19 pandemic, the Board continued the FY2020 rates indefinitely. However, the Authority will perform a rate study in FY2020. The Board also determined a portion of the water and sewer availability fees would be set aside to cover future CIP and R&R projects. 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:

	Uncommitted Cash Balances	Voluntary Cash Reserves
FY2021	\$ 1,762,363	\$ 5,246,523
FY2022	912,459	5,279,263
FY2023	372,924	5,312,003
FY2024	173,075	5,312,003
FY2025	93,109	5,344,743

These projected cash flow balances presume economic recovery after the pandemic, no user rate increases, 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.

Capital Projects -

Below is a summary schedule of our planned capital projects (CIP) and replacement and renewals (R&R) for the next five years:

Five Year Capital Improvement Program (FY 21 - 25) FY2021 Approved Budget						
Project	FY2021	FY2022	FY2023	FY2024	FY2025	5 YR Totals
Opal/Bealeton/Remington Master Plan	\$ 100,000	\$ -	\$ -	\$ -	\$ -	100,000
Bealeton Water Master Plan	100,000	-	-	-	-	100,000
Marshall Water Master Plan	100,000	-	-	-	-	100,000
Remington Water Master Plan	70,000	-	-	-	-	70,000
ENR Phase 2 For 2.0 MGD	200,000	1,000,000	1,000,000	-	-	2,200,000
ENR for 2.5 MGD	-	-	-	-	250,000	250,000
High Rock/E Wells Treatment	-	500,000	500,000	-	-	1,000,000
Bethel Academy Nitrate Treatment (Ion Exchange)	-	-	-	-	300,000	300,000
The Plains Route 55 - Nitrate Treatment (Ion Exchange)	-	-	-	300,000	-	300,000
Nitrate Treatment (Ion Exchange)	-	-	-	-	300,000	300,000
E-6 Well	100,000	500,000	-	-	-	600,000
E-7 Well	100,000	1,000,000	-	-	-	1,100,000
K Well	-	100,000	-	-	-	100,000
Exploratory Well Work	-	100,000	100,000	100,000	100,000	400,000
Opal Phase 1A, 250 GPM well, 250,000 gal storage tank (County Funded)	-	-	2,600,000	2,600,000	-	5,200,000
TPL - 1A Well	100,000	500,000	700,000	-	-	1,300,000
Project Totals	\$ 870,000	\$ 3,700,000	\$ 4,900,000	\$ 3,000,000	\$ 950,000	\$ 13,420,000

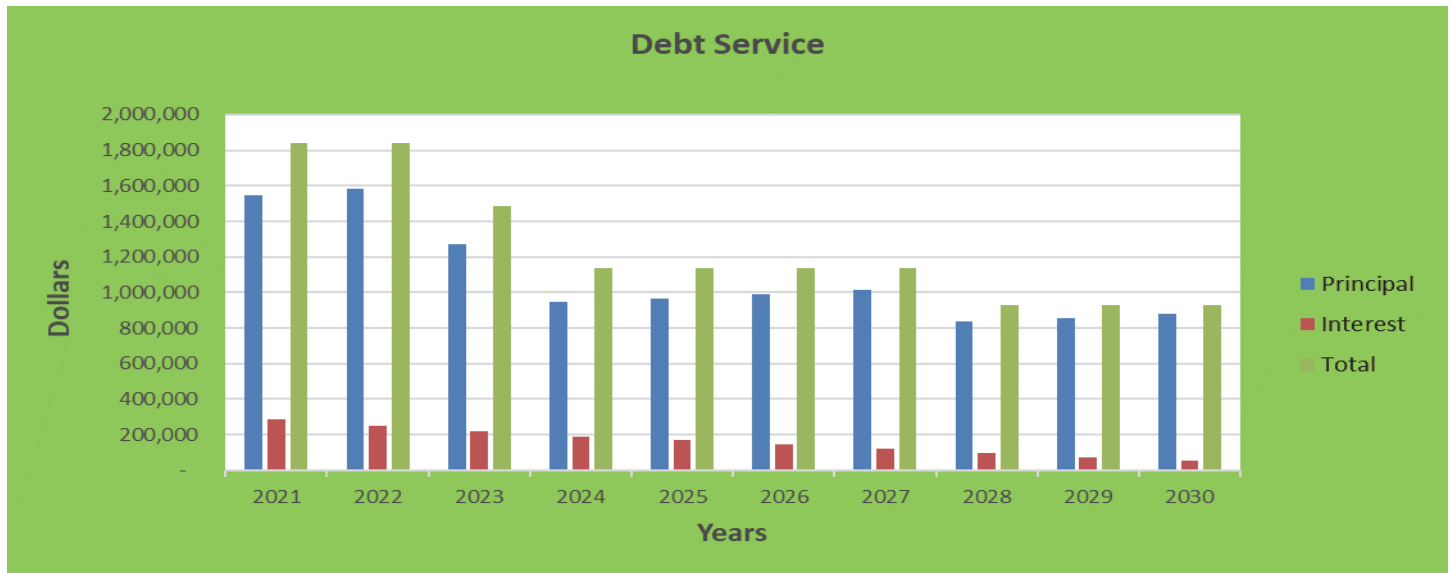
CAPITAL ASSETS AND LONG-TERM DEBT: (Continued)

Five Year Replacement and Renewal Program (FY 21 - 25)						
FY 2021 Approved Budget						
Project	FY2021	FY2022	FY2023	FY2024	FY2025	5 YR Totals
Systemwide Security Upgrades to Water/Wastewater/Admin Facilities	\$ 230,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 430,000
Arc Flash Analysis	-	50,000	50,000	50,000	50,000	200,000
Road maintenance (MWWTP road, High Rock Driveway, VH WWTTP)	30,000	30,000	30,000	30,000	30,000	150,000
Wastewater Systems Major Replacements	60,000	60,000	60,000	60,000	60,000	300,000
Water System Major Replacements	60,000	60,000	60,000	60,000	60,000	300,000
Aqua Aerobic Aerator	10,000	-	-	-	-	10,000
LakeSide Aeroductor Grit Chamber Equipment Replacement	25,000	-	-	-	-	25,000
Seepex Pump Replacement	10,000	-	-	-	-	10,000
Reactor Effluent Pump KSB	20,000	-	-	-	-	20,000
Reliance Pump for EQ Basin	10,000	-	-	-	-	10,000
PLC Upgrade	30,000	-	-	-	-	30,000
Treatment Plant Security Improvements	10,000	10,000	10,000	10,000	10,000	50,000
EPA Risk & Resilience Assessment + Emergency Response Plan	25,000	-	-	-	-	25,000
Influent Structure Project	-	-	200,000	1,000,000	1,000,000	2,200,000
Treatment Plant Security Improvements	20,000	20,000	20,000	20,000	20,000	100,000
Remington Generator Replacement	-	500,000	-	-	-	500,000
Replace Centrifuge	-	-	-	750,000	-	750,000
Centrifuge Rebuild and Conveyor	70,000	-	-	-	-	70,000
Schreiber Maintenance and Repairs	16,000	-	-	-	-	16,000
UV Complete Rebuild	105,000	-	-	-	-	105,000
New Reactor Blowers	11,000	11,000	-	-	-	22,000
PLC Upgrades	50,000	50,000	-	-	-	100,000
Ferric Chloride System Rehabilitation	-	-	40,000	-	-	40,000
Generator Replacement	100,000	100,000	100,000	100,000	100,000	500,000
Green Meadows Electrical Upgrades	50,000	-	-	-	-	50,000
Bealeton Miller School Well - Generator	100,000	-	-	-	-	100,000
EPA Risk & Resilience Assessment + Emergency Response Plan	25,000	-	-	-	-	25,000
SCADA Master Plan	200,000	-	-	-	-	200,000
SCADA Major Repairs	25,000	25,000	25,000	25,000	25,000	125,000
Lift Station Automation - Craig Run and Tinpot	25,000	25,000	-	-	-	50,000
Lift Station Automation - "C" and Mt Shade	25,000	25,000	-	-	-	50,000
Lift Station Automation - Mill Run and Riley Road	25,000	25,000	-	-	-	50,000
PLC Upgrades - 17/66	125,000	-	-	-	-	125,000
Marshall Well System Automation	-	-	25,000	25,000	-	50,000
Remington Well Automation - The Meadows and The Ridge	-	25,000	-	-	-	25,000
PLC Upgrades	50,000	50,000	-	-	-	100,000
Treatment Plant Security Improvements	20,000	20,000	20,000	20,000	20,000	100,000
Control Building Modification	100,000	300,000	-	-	-	400,000
SBR Equipment Replacement	120,000	-	-	-	-	120,000
Effluent Pump #3	20,000	-	-	-	-	20,000
Lab Equipment	3,500	-	-	-	-	3,500
Chem Scan Rebuild	5,000	-	-	-	-	5,000
Filter Air Compressor Replacement	3,500	-	-	-	-	3,500
UV Replacement Parts	10,000	-	-	-	-	10,000
Denitrification Filter Air Lift Replacement	6,000	-	-	-	-	6,000
Replace belt press	-	500,000	-	-	-	500,000
I/I - Town of Remington	680,000	370,000	-	-	-	1,050,000
I/I - Bealeton East of CR PS - Flow Area #5 - SSES/CIP Development	-	250,000	-	-	-	250,000
I/I - Bealeton East of CR PS - Flow Area #5	-	-	600,000	-	-	600,000
Flow Monitoring I/I Evaluation	-	-	-	100,000	-	100,000
I/I - The Plains	200,000	600,000	-	-	-	800,000
I/I - Marshall South Main Street	-	-	400,000	500,000	-	900,000
Flow Monitoring I/I Evaluation	-	-	-	-	100,000	100,000
New Baltimore Phase 1 Flow Monitoring	-	-	-	-	100,000	100,000
Lift Station Improvements	75,000	20,000	20,000	20,000	20,000	155,000
Craig Run and Tin Pot LS wetwell coating	-	200,000	-	-	-	200,000
VFD Replacement - East End PS (2) and Brookside PS (1)	30,000	-	-	-	-	30,000
Leak Detection Services and Repairs	50,000	50,000	50,000	50,000	50,000	250,000
AMI - Utility Management	-	50,000	-	-	-	50,000
Water System - Hydrotank Automation (Repairs and Cleaning Services)	60,000	60,000	60,000	-	-	180,000
Repair Well Houses	20,000	20,000	20,000	20,000	20,000	100,000
Upgrade Water Meters with radio read	70,000	70,000	-	-	-	140,000
Fire Hydrant Testing and Maintenance Program	-	-	-	-	200,000	200,000
New Baltimore Water Systems Upgrade (Based on Water Modeling)	100,000	1,000,000	1,000,000	1,000,000	1,000,000	4,100,000
Anderson Avenue Line Replacement	115,000	-	-	-	-	115,000
Salem Avenue Line Replacement	-	115,000	-	-	-	115,000
Bethel Academy Line Replacement	-	-	-	200,000	-	200,000
Well G-4 Monitoring Service	30,000	30,000	-	-	-	60,000
Marshall Well Monitoring	40,000	-	-	-	-	40,000
Waterloo rehabilitation, redrill, tie in well #4	-	-	-	200,000	200,000	400,000
Project Totals	\$ 3,300,000	\$ 4,771,000	\$ 2,840,000	\$ 4,290,000	\$ 3,115,000	\$ 18,316,000

CAPITAL ASSETS AND LONG TERM DEBT: (Continued)

Long-Term Debt –

The Authority has five Revenue Bonds and one Capital Lease, totaling \$12,323,800, as of June 30, 2020. The Authority obtained one new Capital Lease in FY2020 to purchase heavy equipment and machinery. The following graph provides detail of principal and interest amounts due on the Revenue Bonds over the next ten years:



More detailed information on the Authority's long-term obligations are presented in Note 8.

ECONOMIC FACTORS

In FY2020, the Authority's Non-Cash Revenue from Developer Contribution in the form of infrastructure was \$355,060. Availability Fee Revenue has decreased in FY2020 to \$893,800 as building projects in the service district are completed. In FY2020, FY2019, and FY2018 availability fee revenues were \$893,800, \$1.6 million, \$3 million, 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 met these goals in FY2020, the effects of the pandemic, inflation, cost increases due to regulatory changes, and the need to establish set-aside funds to continue to cover the costs of capital replacement make increases to user rates probable over the next several fiscal years.

REQUEST FOR INFORMATION

The financial report is intended to provide customers, note holders, 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 request for additional financial information should be directed to the Director of Finance, Fauquier County Water and Sanitation Authority, by mail or in person at 7172 Kennedy Road, Warrenton, Virginia, 20187, by telephone at (540) 349-2092, or by visiting the Authority's website at www.fcwsa.org.

Basic Financial Statements

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FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Statements of Net Position
At June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 15,167,229	\$ 14,608,172
Accounts receivable (net of allowance for doubtful accounts)	1,681,008	1,515,636
Due from other governments	100,000	100,000
Other receivable	150,627	-
Prepaid items	117,723	142,419
Other current assets	<u>16,600</u>	<u>16,600</u>
Total current assets	<u>\$ 17,233,187</u>	<u>\$ 16,382,827</u>
Noncurrent Assets:		
Restricted Assets:		
Cash and cash equivalents:		
Security deposits and construction meter deposits	\$ 153,075	\$ 152,693
Performance bonds	13,231	90,007
Opal water system	369,386	369,386
Unexpended bond proceeds	<u>3,712,285</u>	<u>3,880,593</u>
Total restricted assets	<u>\$ 4,247,977</u>	<u>\$ 4,492,679</u>
Net pension asset	<u>\$ -</u>	<u>\$ 133,634</u>
Other noncurrent assets	<u>\$ 50,000</u>	<u>\$ 55,750</u>
Capital Assets:		
Capital assets not being depreciated:		
Land	\$ 651,060	\$ 651,060
Construction in progress	2,280,997	3,340,888
Capital assets being depreciated:		
Structures and improvements	60,986,584	58,636,264
Infrastructure	60,307,393	58,913,661
Vehicles	1,872,862	1,335,008
Machinery and equipment	14,750,883	13,844,913
Accumulated depreciation	<u>(60,400,703)</u>	<u>(57,004,529)</u>
Net capital assets	<u>\$ 80,449,076</u>	<u>\$ 79,717,265</u>
Total noncurrent assets	<u>\$ 84,747,053</u>	<u>\$ 84,399,328</u>
Total assets	<u>\$ 101,980,240</u>	<u>\$ 100,782,155</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related items	\$ 540,353	\$ 245,212
OPEB related items	<u>59,671</u>	<u>39,112</u>
Total deferred outflows of resources	<u>\$ 600,024</u>	<u>\$ 284,324</u>
Total assets and deferred outflows of resources	<u><u>\$ 102,580,264</u></u>	<u><u>\$ 101,066,479</u></u>

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Statements of Net Position
At June 30, 2020 and 2019 (Continued)

	<u>2020</u>	<u>2019</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 661,349	\$ 634,633
Accrued interest	37,098	40,785
Retainage payable	10,692	74,588
Revenue bonds - current portion	1,370,741	1,339,109
Capital lease - current portion	179,000	-
Compensated absences - current portion	49,245	36,796
Liabilities payable from Restricted Assets:		
Performance bonds	13,231	90,007
Security deposits and construction meter deposits	<u>153,075</u>	<u>152,693</u>
Total current liabilities	<u>\$ 2,474,431</u>	<u>\$ 2,368,611</u>
Noncurrent Liabilities:		
Revenue bonds - less current portion	\$ 9,619,059	\$ 10,989,800
Capital lease - less current portion	1,155,000	-
Compensated absences-less current portion	443,200	331,163
Net pension liability	313,884	-
Net OPEB liability	<u>257,271</u>	<u>240,000</u>
Total noncurrent liabilities	<u>\$ 11,788,414</u>	<u>\$ 11,560,963</u>
Total liabilities	<u>\$ 14,262,845</u>	<u>\$ 13,929,574</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred amount on refunding	\$ 5,196	\$ 9,853
Pension related items	176,966	222,615
OPEB related items	<u>18,821</u>	<u>25,000</u>
Total deferred inflows of resources	<u>\$ 200,983</u>	<u>\$ 257,468</u>
NET POSITION		
Net investment in capital assets	\$ 71,821,673	\$ 71,184,508
Restricted:		
Opal water system	369,386	369,386
Unrestricted	<u>15,925,377</u>	<u>15,325,543</u>
Total net position	<u>\$ 88,116,436</u>	<u>\$ 86,879,437</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 102,580,264</u></u>	<u><u>\$ 101,066,479</u></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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating revenues:		
Water service	\$ 5,094,624	\$ 4,793,437
Sewer service	5,353,484	5,144,754
Septic service	439,891	388,808
Late charges	124,090	181,607
Other operating revenues	303,788	276,633
Total operating revenues	\$ <u>11,315,877</u>	\$ <u>10,785,239</u>
Operating expenses:		
Salaries	\$ 3,539,417	\$ 3,093,075
Fringe benefits	1,044,151	837,296
General and administrative	582,573	497,459
Operations and maintenance	2,589,780	2,463,265
Depreciation expense	3,504,050	3,321,632
Total operating expenses	\$ <u>11,259,971</u>	\$ <u>10,212,727</u>
Net operating income (loss)	\$ <u>55,906</u>	\$ <u>572,512</u>
Nonoperating revenue (expenses):		
Availability fees	\$ 893,800	\$ 1,670,737
Interest income	232,502	299,055
Interest expense	(300,269)	(315,493)
Net nonoperating revenue (expenses)	\$ <u>826,033</u>	\$ <u>1,654,299</u>
Net income (loss) before capital contributions	\$ 881,939	\$ 2,226,811
Capital Contributions	<u>355,060</u>	<u>3,540,852</u>
Change in net position	\$ 1,236,999	\$ 5,767,663
Net position, beginning of year	<u>86,879,437</u>	<u>81,111,774</u>
Net position, end of year	\$ <u><u>88,116,436</u></u>	\$ <u><u>86,879,437</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 11,156,637	\$ 10,725,129
Payments to suppliers for goods and services	(3,218,317)	(3,138,113)
Payments to and on behalf of employees for services	(4,361,821)	(3,920,866)
Net cash provided by (used for) operating activities	<u>\$ 3,576,499</u>	<u>\$ 3,666,150</u>
Cash flows from capital and related financing activities:		
Purchases of property, equipment and construction in progress	\$ (3,997,948)	\$ (3,821,216)
Interest payments	(308,613)	(328,860)
Principal payments on long-term debt	(1,339,109)	(1,433,462)
Proceeds from long-term debt issued	1,334,000	-
Proceeds from availability fees	893,800	1,670,737
Net cash (used for) capital and related financing activities	<u>\$ (3,417,870)</u>	<u>\$ (3,912,801)</u>
Cash flows from noncapital financing activities:		
Performance bond	\$ (76,776)	\$ -
Cash flows from investing activities:		
Interest income	\$ 232,502	\$ 299,055
Net increase (decrease) in cash and cash equivalents	\$ 314,355	\$ 52,404
Cash and cash equivalents at beginning of year	19,100,851	19,048,447
Cash and cash equivalents at end of year	<u>\$ 19,415,206</u>	<u>\$ 19,100,851</u>
Reconciliation of operating (loss) to net cash provided by (used for) operating activities:		
Cash flows from operations:		
Income (loss) from operating activities	\$ 55,906	\$ 572,512
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	3,504,050	3,321,632
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(165,372)	(24,450)
(Increase) decrease in due from other governments	-	19,922
(Increase) decrease in other receivable	(150,627)	-
(Increase) decrease in prepaid items	24,696	(126,197)
(Increase) decrease in other noncurrent assets	5,750	(5,000)
Increase (decrease) in compensated absences	124,486	83,891
(Increase) decrease in deferred outflows of resources - pension	(295,141)	64,836
Increase (decrease) in deferred inflows of resources - pension	(45,649)	(85,656)
(Increase) decrease in deferred outflows of resources - OPEB	(20,559)	(10,380)
Increase (decrease) in deferred inflows of resources - OPEB	(6,179)	(2,000)
(Increase) decrease in net pension liability/asset	447,518	(40,186)
Increase (decrease) in net OPEB liability	17,271	(1,000)
Increase (decrease) in operating accounts payable	79,967	(51,192)
Increase (decrease) in security deposits	382	(50,582)
Net cash provided by (used for) operating activities	<u>\$ 3,576,499</u>	<u>\$ 3,666,150</u>
Reconciliation of Cash:		
Cash and cash equivalents	\$ 15,167,229	\$ 14,608,172
Restricted cash and cash equivalents	4,247,977	4,492,679
Total	<u>\$ 19,415,206</u>	<u>\$ 19,100,851</u>
Noncash investing, capital and financing activities		
Contributions of capital assets	\$ 355,060	\$ 3,540,852
(Increase) decrease in retainage payable for capital projects	63,896	91,427

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, 2020 and 2019

NOTE 1–BASIS OF PRESENTATION:

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:

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
 - Statement of Net Position
 - Statement of Revenues, Expenses, and Changes in Net Position
 - Statement of Cash Flows
 - Notes to Financial Statements
- 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 Program
- Schedule of Employer Contributions – Group Life Insurance Program
- Notes to Required Supplementary Information – Group Life Insurance Program

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2020 and 2019 (Continued)

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

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.

E. Capital Assets

Capital assets include property, plant, and equipment 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.

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2020 and 2019 (Continued)

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

E. Capital Assets: (Continued)

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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized to construction projects during the current or prior fiscal year. Depreciation expense totaled \$3,504,050 for the year ended June 30, 2020 and \$3,321,632 for the year ended June 30, 2019.

Property and equipment is being depreciated 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
Other furnishings and equipment	5-10 years

F. 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 \$116,945 at June 30, 2020 and \$93,602 for the year ended June 30, 2019.
- 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.

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2020 and 2019 (Continued)

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

G. 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.

H. 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.

I. 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.

J. 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.

K. Restatement / Reclassifications

Certain amounts in previously issued financial statements have been reclassified to conform to current year classifications.

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2020 and 2019 (Continued)

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

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 will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position 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 the measurement of the net pension liability (asset) and net OPEB liability and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension asset and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position 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 the measurement of the net pension liability (asset) and net OPEB liability 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, 2020 and 2019 (Continued)

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

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. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

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, 2020 and 2019 (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, 2020 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	\$ 7,502,187
Virginia State Non-Arbitrage Program	3,910,507
Total	<u>\$ 11,412,694</u>

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2020 and 2019 (Continued)

NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

External Investment Pools: (Continued)

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 type	Investment Maturities (in years)	
	Fair Value	Less than 1 yr
Local Government Investment Pool	\$ 7,502,187	\$ 7,502,187
Virginia State Non-Arbitrage Program	3,910,507	3,910,507
Total	<u>\$ 11,412,694</u>	<u>\$ 11,412,694</u>

NOTE 4—RESTRICTED ASSETS:

Restricted assets and net position at June 30, 2020 and 2019 consist of the following:

	Balance June 30, 2020	Balance June 30, 2019
Restricted Assets:		
Security deposits and construction meter deposits	\$ 153,075	\$ 152,693
Performance bonds	13,231	90,007
Opal water system	369,386	369,386
Unexpended bond proceeds	<u>3,712,285</u>	<u>3,880,593</u>
Total restricted assets	\$ 4,247,977	\$ 4,492,679
Restricted net position:		
Less:		
Security deposits and construction meter deposits	(153,075)	(152,693)
Performance bonds	(13,231)	(90,007)
Unexpended bond proceeds	<u>(3,712,285)</u>	<u>(3,880,593)</u>
Total restricted net position	<u>\$ 369,386</u>	<u>\$ 369,386</u>

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2020 and 2019 (Continued)

NOTE 5—DUE TO/FROM OTHER GOVERNMENTS:

At June 30, 2020 and 2019, respectively, the Authority has receivables from other governments as follows:

	Balance June 30, 2020	Balance June 30, 2019
Fauquier County	\$ 100,000	\$ 100,000
Total	<u>\$ 100,000</u>	<u>\$ 100,000</u>

NOTE 6—CAPITAL ASSETS:

Property and Equipment

The following is a summary of changes to property and equipment for the year ending June 30, 2020:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets, not being depreciated:				
Land	\$ 651,060	\$ -	\$ -	\$ 651,060
Construction in progress	3,340,888	1,903,911	2,963,802	2,280,997
Total capital assets not being depreciated	<u>\$ 3,991,948</u>	<u>\$ 1,903,911</u>	<u>\$ 2,963,802</u>	<u>\$ 2,932,057</u>
Capital assets being depreciated:				
Structures and improvements	\$ 58,636,264	\$ 2,350,320	\$ -	\$ 60,986,584
Infrastructure	58,913,661	1,393,732	-	60,307,393
Vehicles	1,335,008	537,854	-	1,872,862
Machinery and equipment	13,844,913	1,013,846	107,876	14,750,883
Total capital assets being depreciated	<u>\$ 132,729,846</u>	<u>\$ 5,295,752</u>	<u>\$ 107,876</u>	<u>\$ 137,917,722</u>
Accumulated depreciation:				
Structures and improvements	\$ 26,299,046	\$ 2,010,352	\$ -	\$ 28,309,398
Infrastructure	17,122,269	1,199,415	-	18,321,684
Vehicles	905,760	95,366	-	1,001,126
Machinery and equipment	12,677,454	198,917	107,876	12,768,495
Total accumulated depreciation	<u>\$ 57,004,529</u>	<u>\$ 3,504,050</u>	<u>\$ 107,876</u>	<u>\$ 60,400,703</u>
Total capital assets being depreciated, net	<u>\$ 75,725,317</u>	<u>\$ 1,791,702</u>	<u>\$ -</u>	<u>\$ 77,517,019</u>
Business-type activities capital assets, net	<u>\$ 79,717,265</u>	<u>\$ 3,695,613</u>	<u>\$ 2,963,802</u>	<u>\$ 80,449,076</u>

Depreciation expense for the year ended June 30, 2020 totaled \$3,504,050.

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2020 and 2019 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Property and Equipment: (Continued)

The following is a summary of changes to property and equipment for the year ending June 30, 2019:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets, not being depreciated:				
Land	\$ 651,060	\$ -	\$ -	\$ 651,060
Construction in progress	3,212,677	2,597,340	2,469,129	3,340,888
Total capital assets not being depreciated	\$ 3,863,737	\$ 2,597,340	\$ 2,469,129	\$ 3,991,948
Capital assets being depreciated:				
Structures and improvements	\$ 56,239,263	\$ 2,397,001	\$ -	\$ 58,636,264
Infrastructure	55,066,662	3,846,999	-	58,913,661
Vehicles	1,189,697	160,975	15,664	1,335,008
Machinery and equipment	13,647,703	332,230	135,020	13,844,913
Total capital assets being depreciated	\$ 126,143,325	\$ 6,737,205	\$ 150,684	\$ 132,729,846
Accumulated depreciation:				
Structures and improvements	\$ 24,358,216	\$ 1,940,830	\$ -	\$ 26,299,046
Infrastructure	15,999,794	1,122,475	-	17,122,269
Vehicles	847,171	74,253	15,664	905,760
Machinery and equipment	12,628,400	184,074	135,020	12,677,454
Total accumulated depreciation	\$ 53,833,581	\$ 3,321,632	\$ 150,684	\$ 57,004,529
Total capital assets being depreciated, net	\$ 72,309,744	\$ 3,415,573	\$ -	\$ 75,725,317
Business-type activities capital assets, net	\$ 76,173,481	\$ 6,012,913	\$ 2,469,129	\$ 79,717,265

Depreciation expense for the year ended June 30, 2019 totaled \$3,321,632.

Computation of net investment in capital assets:

	Balance June 30, 2020	Balance June 30, 2019
Net capital assets	\$ 80,449,076	\$ 79,717,265
Revenue bonds	(10,989,800)	(12,328,909)
Capital leases	(1,334,000)	-
Debt proceeds received but unexpended on capital assets	3,712,285	3,880,593
Retainage payable	(10,692)	(74,588)
Deferred amount on refunding	(5,196)	(9,853)
Net investment in capital assets	\$ 71,821,673	\$ 71,184,508

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2020 and 2019 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

The following is a summary of capital project activity for the fiscal year ending June 30, 2020 and 2019:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
New Baltimore G-4 Well	\$ 635,780	\$ 98,085	\$ 733,865	\$ -
I & I Remington and Marshall	752,099	950,523	752,099	950,523
Remington Sludge Bay Extension	407,276	144,966	552,242	-
Marshall Salem Well	386,666	14,333	-	400,999
Miscellaneous projects	1,159,067	696,004	925,596	929,475
Total contruction in progress	<u>\$ 3,340,888</u>	<u>\$ 1,903,911</u>	<u>\$ 2,963,802</u>	<u>\$ 2,280,997</u>
	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
New Baltimore Water Tank	\$ 795,446	\$ 631,731	\$ 1,427,177	\$ -
New Baltimore G-4 Well	193,041	519,386	76,647	635,780
I & I Remington and Marshall	662,858	89,241	-	752,099
Remington Sludge Bay Extension	61,564	345,712	-	407,276
Marshall Salem Well	350,886	35,780	-	386,666
Rock Springs Line Replacement	294,192	11,954	306,146	-
Miscellaneous projects	854,690	963,536	659,159	1,159,067
Total contruction in progress	<u>\$ 3,212,677</u>	<u>\$ 2,597,340</u>	<u>\$ 2,469,129</u>	<u>\$ 3,340,888</u>

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2020 and 2019 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS:

The following is a summary of changes in long-term obligation transactions for the year ended June 30, 2020 and 2019:

Description	Beginning Balance July 1, 2019	Issuances/ Additions	Retirements/ Deletions	Ending Balance June 30, 2020	Due Within One Year
Direct borrowings and placements:					
Revenue bonds	\$ 12,328,909	\$ -	\$ 1,339,109	\$ 10,989,800	\$ 1,370,741
Total direct borrowings and placements	\$ 12,328,909	\$ -	\$ 1,339,109	\$ 10,989,800	\$ 1,370,741
Capital lease	-	1,334,000	-	1,334,000	179,000
Net pension liability	-	1,069,873	755,989	313,884	-
Net OPEB liability	240,000	75,069	57,798	257,271	-
Compensated absences	367,959	225,368	100,882	492,445	49,245
Total	\$ 12,936,868	\$ 2,704,310	\$ 2,253,778	\$ 13,387,400	\$ 1,598,986
Description	Restated Beginning Balance July 1, 2018	Issuances/ Additions	Retirements/ Deletions	Ending Balance June 30, 2019	Due Within One Year
Direct borrowings and placements:					
Revenue bonds	\$ 13,762,371	\$ -	\$ 1,433,462	\$ 12,328,909	\$ 1,339,109
Total direct borrowings and placements	\$ 13,762,371	\$ -	\$ 1,433,462	\$ 12,328,909	\$ 1,339,109
Net OPEB liability	241,000	53,000	54,000	240,000	-
Compensated absences	284,068	142,034	58,143	367,959	36,796
Total	\$ 14,287,439	\$ 195,034	\$ 1,545,605	\$ 12,936,868	\$ 1,375,905

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2020 and 2019 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

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

Year Ending June 30,	Direct Borrowings and Placements			
	Revenue Bonds		Capital Lease	
	Principal	Interest	Principal	Interest
2021	\$ 1,370,741	\$ 263,772	\$ 179,000	\$ 25,064
2022	1,403,136	231,377	183,000	21,419
2023	1,083,787	199,134	187,000	17,693
2024	753,936	177,396	191,000	13,887
2025	773,383	157,948	194,000	10,010
2026	793,333	137,998	198,000	6,062
2027	813,798	117,534	202,000	2,034
2028	834,791	96,540	-	-
2029	856,327	75,005	-	-
2030	878,418	52,913	-	-
2031	705,133	31,575	-	-
2032	723,017	12,930	-	-
Total	\$ 10,989,800	\$ 1,554,122	\$ 1,334,000	\$ 96,169

Revenue bonds totaling \$10,989,800 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, 2020 and 2019 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of long-term obligations as of June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Direct Borrowings and Placements:		
Revenue Bonds:		
\$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% .	\$ 1,579,011	\$ 2,188,678
\$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%.	128,698	177,222
\$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%.	1,949,016	2,086,521
\$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%.	5,639,076	6,036,920
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.	<u>1,693,999</u>	<u>1,839,568</u>
Total Direct Borrowings and Placements	\$ 10,989,800	\$ 12,328,909
Capital Lease:		
\$1,334,000 capital lease for financing the acquisition of equipment, due in varying annual maturities, including interest at 2.014%, which is due in semi-annually.	1,334,000	-
Net Pension liability	313,884	-
Net OPEB liability	257,271	240,000
Compensated absences	<u>492,445</u>	<u>367,959</u>
Total long-term obligations	<u>\$ 13,387,400</u>	<u>\$ 12,936,868</u>

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2020 and 2019 (Continued)

NOTE 8—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 \$492,445 for fiscal year ended June 30, 2020 and \$367,959 for fiscal year ended June 30, 2019.

NOTE 9—LITIGATION:

At June 30, 2020, 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.

NOTE 10—CONSTRUCTION COMMITMENT:

At June 30, 2020 the Authority did not have any construction commitments outstanding.

NOTE 11—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.

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2020 and 2019 (Continued)

NOTE 11—PENSION PLAN: (CONTINUED)

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.

- a. Employees hired 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 creditable service or age 50 with at least 30 years of creditable service. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of creditable service or age 50 with at least 10 years of creditable service.
- b. Employees hired on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of 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 creditable service 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 creditable service.
- c. Non-hazardous duty employees hired 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 creditable service, 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 creditable service. 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 creditable service. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.7% 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.

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2020 and 2019 (Continued)

NOTE 11—PENSION PLAN: (CONTINUED)

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 creditable service 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 creditable service 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.

Employees Covered by Benefit Terms

As of the June 30, 2018 and June 30, 2017 actuarial valuations, the following employees were covered by the benefit terms of the pension plan:

	June 30, 2018 Number	June 30, 2017 Number
Inactive members or their beneficiaries currently receiving benefits	15	12
Inactive members:		
Vested inactive members	3	2
Non-vested inactive members	10	8
Inactive members active elsewhere in VRS	10	11
Total inactive members	<u>23</u>	<u>21</u>
Active members	45	46
Total covered employees	<u>83</u>	<u>79</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, 2020 and June 30, 2019 was 3.93% of covered employee compensation. These rates were based on actuarially determined rates from actuarial valuations as of June 30, 2017.

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2020 and 2019 (Continued)

NOTE 11–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 \$108,553 and \$121,771 for the years ended June 30, 2020 and June 30, 2019, 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, 2019. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation performed as of June 30, 2018 and rolled forward to the measurement date of June 30, 2019.

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, 2018, 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, 2019.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2020 and 2019 (Continued)

NOTE 11—PENSION PLAN: (CONTINUED)

Actuarial Assumptions—General Employees: (Continued)

Mortality rates:

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

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2020 and 2019 (Continued)

NOTE 11—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:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	88.00%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.63%

*The above allocation provides a one-year return of 7.63%. 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 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Discount Rate

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, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2020 and 2019 (Continued)

NOTE 11—PENSION PLAN: (CONTINUED)

Discount Rate (Continued)

employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. From July 1, 2019 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, 2018	\$ 7,315,078	\$ 7,448,712	\$ (133,634)
Changes for the year:			
Service cost	\$ 246,411	\$ -	\$ 246,411
Interest	504,181	-	504,181
Changes of assumptions	281,227	-	281,227
Differences between expected and actual experience	166,548	-	166,548
Contributions - employer	-	105,933	(105,933)
Contributions - employee	-	146,362	(146,362)
Net investment income	-	503,694	(503,694)
Benefit payments, including refunds of employee contributions	(224,975)	(224,975)	-
Administrative expenses	-	(4,822)	4,822
Other changes	-	(318)	318
Net changes	\$ 973,392	\$ 525,874	\$ 447,518
Balances at June 30, 2019	\$ 8,288,470	\$ 7,974,586	\$ 313,884

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2020 and 2019 (Continued)

NOTE 11—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, 2017	\$ 6,832,685	\$ 6,926,133	\$ (93,448)
Changes for the year:			
Service cost	\$ 244,681	\$ -	\$ 244,681
Interest	469,509	-	469,509
Changes of assumptions	-	-	-
Differences between expected and actual experience	19,035	-	19,035
Contributions - employer	-	119,358	(119,358)
Contributions - employee	-	143,020	(143,020)
Net investment income	-	515,935	(515,935)
Benefit payments, including refunds of employee contributions	(250,832)	(250,832)	-
Administrative expenses	-	(4,358)	4,358
Other changes	-	(544)	544
Net changes	\$ 482,393	\$ 522,579	\$ (40,186)
Balances at June 30, 2018	\$ 7,315,078	\$ 7,448,712	\$ (133,634)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate as of June 30, 2020

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:

	Rate		
	(5.75%)	(6.75%)	(7.75%)
2020			
Authority's Net Pension Liability (Asset)	\$ 1,563,766	\$ 313,884	\$ (664,221)

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2020 and 2019 (Continued)

NOTE 11—PENSION PLAN: (CONTINUED)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate as of June 30, 2019

The following presents the net pension asset of the Authority using the discount rate of 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	(6.00%)	(7.00%)	(8.00%)
2019			
Authority's Net Pension Liability (Asset)	1,011,566	(133,634)	(1,064,688)

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

For the year ended June 30, 2020, the Authority recognized pension expense of \$215,298. At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 207,069	\$ 25,614
Change in assumptions	224,756	80,231
Net difference between projected and actual earnings on pension plan investments	-	71,121
Employer contributions subsequent to the measurement date	108,533	-
Total	\$ 540,358	\$ 176,966

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2020 and 2019 (Continued)

NOTE 11—PENSION PLAN: (CONTINUED)

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

For the year ended June 30, 2019, the Authority recognized pension expense of \$39,838. At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 139,321	\$ 37,583
Change in assumptions	-	117,723
Net difference between projected and actual earnings on pension plan investments	-	67,309
Employer contributions subsequent to the measurement date	<u>105,891</u>	<u>-</u>
Total	\$ <u>245,212</u>	\$ <u>222,615</u>

\$108,533 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, 2021. 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:

Year ended June 30

2021	\$ 88,441
2022	(9,992)
2023	84,256
2024	92,154
2025	-
Thereafter	-

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2020 and 2019 (Continued)

NOTE 11—PENSION PLAN: (CONTINUED)

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

\$105,891 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, 2020. 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>	
--	---------------------------	--

2020	\$	34,502
2021		(5,171)
2022		(103,604)
2023		(9,356)
2024		335
Thereafter		-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTE 12—GROUP LIFE INSURANCE (GLI) Plan (OPEB PLAN):

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.

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2020 and 2019 (Continued)

NOTE 12—GROUP LIFE INSURANCE (GLI) Plan (OPEB PLAN):

Plan Description: (Continued)

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, safety belt 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 creditable service, 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 \$8,463 as of June 30, 2020.

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 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% 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, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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 \$17,523 and \$16,112 for the years ended June 30, 2020 and June 30, 2019, respectively.

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2020 and 2019 (Continued)

NOTE 12—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

At June 30, 2020, the entity reported a liability of \$257,271 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 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, 2018 and rolled forward to the measurement date of June 30, 2019. 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, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the participating employer's proportion was 0.01581% as compared to 0.01579% at June 30, 2018.

For the year ended June 30, 2020, the participating employer recognized GLI OPEB expense of \$7,921. 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, 2019, the participating employer recognized GLI OPEB expense of \$3,000. 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.

At June 30, 2020, 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	\$ 17,110	\$ 3,336
Net difference between projected and actual earnings on GLI OPEB program investments	-	5,285
Change in assumptions	16,243	7,758
Changes in proportion	8,795	2,442
Employer contributions subsequent to the measurement date	<u>17,523</u>	<u>-</u>
Total	<u>\$ 59,671</u>	<u>\$ 18,821</u>

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2020 and 2019 (Continued)

NOTE 12—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, 2019, 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	\$ 12,000	\$ 4,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	8,000
Change in assumptions	-	10,000
Changes in proportion	11,000	3,000
Employer contributions subsequent to the measurement date	<u>16,112</u>	<u>-</u>
Total	<u>\$ 39,112</u>	<u>\$ 25,000</u>

\$17,523 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, 2021. 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:

<u>Year Ended June 30</u>	
2021	\$ 2,886
2022	2,886
2023	5,124
2024	5,807
2025	5,134
Thereafter	1,490

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2020 and 2019 (Continued)

NOTE 12—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)

\$16,112 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, 2020. 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:

<u>Year Ended June 30</u>	
2020	\$ (3,000)
2021	(3,000)
2022	(3,000)
2023	1,000
2024	4,000
Thereafter	2,000

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

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*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of OPEB liabilities.

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2020 and 2019 (Continued)

NOTE 12—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Mortality Rates—Largest Ten Locality Employers—General Employees

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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 and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2020 and 2019 (Continued)

NOTE 12—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, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

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, 2019 and 2018, NOL amounts for the Group Life Insurance Plan is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Plan	
	2019	2018
Total GLI OPEB Liability	\$ 3,390,238	\$ 3,113,508
Plan Fiduciary Net Position	1,762,972	1,594,773
Employers' Net GLI OPEB Liability (Asset)	<u>\$ 1,627,266</u>	<u>\$ 1,518,735</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.00%	51.22%

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2020 and 2019 (Continued)

NOTE 12—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

NET GLI OPEB LIABILITY: (CONTINUED)

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.

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:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.63%

*The above allocation provides a one-year return of 7.63%. 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 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly in the 40th percentile of expected long-term results of the VRS fund asset allocation.

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2020 and 2019 (Continued)

NOTE 12—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 member contributions will be made per the VRS guidance 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. Through the fiscal year ended June 30, 2019, 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, 2019 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 as of June 30, 2020

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%)
2020			
Authority's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 337,982	\$ 257,271	\$ 191,816

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate as of June 30, 2019

The follow presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
2019			
Authority's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 313,000	\$ 240,000	\$ 180,000

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2020 and 2019 (Continued)

NOTE 12—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Group Life Insurance Plan Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 13—RISK MANAGEMENT:

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.

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Financial Statements
As of June 30, 2020 and 2019 (Continued)

NOTE 13—RISK MANAGEMENT:

B. Health and Dental: (Continued)

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.

NOTE 14—SUBSEQUENT EVENT:

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency stemming from a new strain of coronavirus that was spreading globally (the “COVID-19 outbreak”). On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and a significant negative impact on the global economy. The COVID-19 pandemic has developed rapidly in 2020 and remains a quickly evolving situation. As a result of the spread of COVID-19, economic uncertainties have arisen which are likely to negatively impact economic activity. Fauquier County Water and Sanitation Authority is not able to estimate the effects of the COVID-19 pandemic for fiscal year 2021.

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Required Supplementary Information

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FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Pension Plan
For the Measurement Dates of June 30, 2014 through June 30, 2019

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 246,411	\$ 244,681	\$ 235,183	\$ 210,790	\$ 210,819	\$ 233,185
Interest	504,181	469,509	454,867	411,798	381,354	351,577
Changes in assumptions	281,227	-	(192,707)	-	-	-
Difference between expected and actual experience	166,548	19,035	(61,521)	245,293	78,832	-
Benefit payments, including refunds of employee contributions	(224,975)	(250,832)	(202,483)	(302,722)	(169,477)	(149,264)
Net change in total pension liability	\$ 973,392	\$ 482,393	\$ 233,339	\$ 565,159	\$ 501,528	\$ 435,498
Total pension liability - beginning	7,315,078	6,832,685	6,599,346	6,034,187	5,532,659	5,097,161
Total pension liability - ending (a)	\$ 8,288,470	\$ 7,315,078	\$ 6,832,685	\$ 6,599,346	\$ 6,034,187	\$ 5,532,659
Plan fiduciary net position						
Contributions - employer	\$ 105,933	\$ 119,358	\$ 120,399	\$ 141,775	\$ 131,280	\$ 166,227
Contributions - employee	146,362	143,020	141,283	162,447	128,938	121,744
Net investment income	503,694	515,935	755,805	106,166	264,236	766,252
Benefit payments, including refunds of employee contributions	(224,975)	(250,832)	(202,483)	(302,722)	(169,477)	(149,264)
Administrative expense	(4,822)	(4,358)	(4,233)	(3,680)	(3,477)	(3,968)
Other	(318)	(544)	(754)	(45)	(56)	41
Net change in plan fiduciary net position	\$ 525,874	\$ 522,579	\$ 810,017	\$ 103,941	\$ 351,444	\$ 901,032
Plan fiduciary net position - beginning	7,448,712	6,926,133	6,116,116	6,012,175	5,660,731	4,759,699
Plan fiduciary net position - ending (b)	\$ 7,974,586	\$ 7,448,712	\$ 6,926,133	\$ 6,116,116	\$ 6,012,175	\$ 5,660,731
Authority's net pension liability (asset) - ending (a) - (b)	\$ 313,884	\$ (133,634)	\$ (93,448)	\$ 483,230	\$ 22,012	\$ (128,072)
Plan fiduciary net position as a percentage of the total pension liability	96.21%	101.83%	101.37%	92.68%	99.64%	102.31%
Covered payroll	\$ 3,098,487	\$ 3,002,308	\$ 2,959,345	\$ 2,728,127	\$ 2,495,933	\$ 2,386,659
Authority's net pension (asset) liability as a percentage of covered payroll	10.13%	-4.45%	-3.16%	17.71%	0.88%	-5.37%

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, 2011 through June 30, 2020

Date	Contributions in Relation to			Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
2020	\$ 108,533	\$ 108,533	\$ -	\$ 3,369,779	3.93%
2019	105,891	105,891	-	3,098,487	3.93%
2018	124,405	124,405	-	3,002,308	4.38%
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	5.35%
2014	166,589	166,589	-	2,386,659	6.98%
2013	163,810	163,810	-	2,346,852	6.98%
2012	102,513	102,513	-	2,238,283	4.58%
2011	100,762	100,762	-	2,200,037	4.58%

Current year contributions are from Authority records and prior year contributions are from the VRS actuarial valuation performed each year.

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Required Supplementary Information

Pension Plan

Year Ended June 30, 2020

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, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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, 2019

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)
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, 2011 through June 30, 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
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%
2013	11,265	11,265	-	2,346,852	0.48%
2012	6,267	6,267	-	2,238,283	0.28%
2011	6,160	6,160	-	2,200,037	0.28%

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
Year Ended June 30, 2020

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, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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:

Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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.

7

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.

12

Other Information

These tables contain miscellaneous data

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

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Net Position by Component
Last Ten years

	Fiscal Years				
	2020	2019	2018	2017	2016
Net position:					
Net Investment in capital assets	\$ 71,821,673	\$ 71,184,508	\$ 67,421,966	\$ 64,987,481	\$ 65,074,202
Restricted	369,386	369,386	369,386	468,724	-
Unrestricted	<u>15,925,377</u>	<u>15,325,543</u>	<u>13,320,422</u>	<u>10,881,809</u>	<u>7,996,376</u>
Total net position	<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>

	Fiscal Years				
	2018	2014	2013	2012	2011
Net position:					
Net Investment in capital assets	\$ 60,030,622	\$ 58,184,968	\$ 54,323,804	\$ 53,333,168	\$ 53,412,822
Restricted	-	111,972	-	31,915	445,567
Unrestricted	<u>8,011,147</u>	<u>7,413,933</u>	<u>5,110,621</u>	<u>4,339,839</u>	<u>2,525,847</u>
Total net position	<u>\$ 68,041,769</u>	<u>\$ 65,710,873</u>	<u>\$ 59,434,425</u>	<u>\$ 57,704,922</u>	<u>\$ 56,384,236</u>

Source: Fauquier County Water and Sanitation Authority

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Changes in Net Position Last Ten Years

	2020	2019	2018
Operating revenues:			
Water service	\$ 5,094,624	4,793,437	\$ 4,630,031
Sewer service	5,353,484	5,144,754	4,867,411
Septic service	439,891	388,808	364,114
Late charges	124,090	181,607	194,015
Other operating revenues	303,788	276,633	368,109
Total operating revenues	<u>\$ 11,315,877</u>	<u>10,785,239</u>	<u>\$ 10,423,680</u>
Operating expenses:			
Salaries	\$ 3,539,417	3,093,075	\$ 3,167,950
Fringe benefits	1,044,151	837,296	872,536
General and administrative	582,573	497,459	639,812
Operations and maintenance	2,589,780	2,463,265	2,311,448
Depreciation expense	3,504,050	3,321,632	3,198,751
Total operating expenses	<u>\$ 11,259,971</u>	<u>10,212,727</u>	<u>\$ 10,190,497</u>
Net operating income (loss)	<u>\$ 55,906</u>	<u>572,512</u>	<u>\$ 233,183</u>
Nonoperating revenue (expenses):			
Availability fees	\$ 893,800	1,670,737	\$ 3,043,318
Interest earned	232,502	299,055	221,570
Interest expense	(300,269)	(315,493)	(349,662)
Net nonoperating revenue (expenses)	<u>\$ 826,033</u>	<u>1,654,299</u>	<u>\$ 2,915,226</u>
Net income (loss) before capital contributions	<u>\$ 881,939</u>	<u>2,226,811</u>	<u>\$ 3,148,409</u>
Capital Contributions	<u>355,060</u>	<u>3,540,852</u>	<u>1,875,351</u>
Change in net position	<u>\$ 1,236,999</u>	<u>5,767,663</u>	<u>\$ 5,023,760</u>
Net position, at beginning of year	<u>86,879,437</u>	<u>81,111,774</u>	<u>* 76,088,014</u>
Net position, at end of year	<u><u>\$ 88,116,436</u></u>	<u><u>86,879,437</u></u>	<u><u>\$ 81,111,774</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

2017	2016	2015	2014	2013	2012	2011
\$ 4,351,789	\$ 3,438,450	\$ 3,519,398	\$ 3,290,504	\$ 3,278,523	\$ 3,110,188	\$ 3,150,219
4,515,284	3,874,505	3,524,999	3,390,211	3,202,582	3,178,717	3,132,887
387,223	337,780	295,896	222,908	490,042	468,705	176,063
163,712	129,880	151,975	161,898	147,231	171,640	147,980
420,630	334,378	383,291	328,601	294,476	267,671	148,189
<u>\$ 9,838,638</u>	<u>\$ 8,114,993</u>	<u>\$ 7,875,559</u>	<u>\$ 7,394,122</u>	<u>\$ 7,412,854</u>	<u>\$ 7,196,921</u>	<u>\$ 6,755,338</u>
\$ 3,135,875	\$ 2,848,966	\$ 2,622,093	\$ 2,515,181	\$ 2,338,834	\$ 2,308,237	\$ 2,172,426
984,579	1,138,118	882,093	829,358	926,274	847,748	786,446
584,324	556,190	477,316	537,264	388,643	428,523	400,482
2,359,475	2,128,639	2,082,445	2,192,251	1,768,958	1,419,252	1,388,562
3,304,507	3,063,090	2,982,641	3,276,736	3,002,676	2,599,488	2,521,187
<u>\$ 10,368,760</u>	<u>\$ 9,735,003</u>	<u>\$ 9,046,588</u>	<u>\$ 9,350,790</u>	<u>\$ 8,425,385</u>	<u>\$ 7,603,248</u>	<u>\$ 7,269,103</u>
<u>\$ (530,122)</u>	<u>\$ (1,620,010)</u>	<u>\$ (1,171,029)</u>	<u>\$ (1,956,668)</u>	<u>\$ (1,012,531)</u>	<u>\$ (406,327)</u>	<u>\$ (513,765)</u>
\$ 2,295,031	\$ 2,095,670	\$ 1,952,908	\$ 3,687,466	\$ 1,168,821	\$ 603,542	\$ 520,656
81,424	31,869	40,078	32,504	26,253	32,346	34,240
(250,894)	(168,652)	(188,494)	(219,958)	(495,053)	(331,064)	(370,451)
<u>\$ 2,125,561</u>	<u>\$ 1,958,887</u>	<u>\$ 1,804,492</u>	<u>\$ 3,500,012</u>	<u>\$ 700,021</u>	<u>\$ 304,824</u>	<u>\$ 184,445</u>
\$ 1,595,439	\$ 338,877	\$ 633,463	\$ 1,543,344	\$ (312,510)	\$ (101,503)	\$ (329,320)
1,671,997	4,689,932	1,868,668	4,733,104	2,042,013	1,422,189	1,730,322
\$ 3,267,436	\$ 5,028,809	\$ 2,502,131	\$ 6,276,448	\$ 1,729,503	\$ 1,320,686	\$ 1,401,002
73,070,578	68,041,769	65,539,638	59,434,425	57,704,922	56,384,236	54,983,234
<u>\$ 76,338,014</u>	<u>\$ 73,070,578</u>	<u>\$ 68,041,769</u>	<u>\$ 65,710,873</u>	<u>\$ 59,434,425</u>	<u>\$ 57,704,922</u>	<u>\$ 56,384,236</u>

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY
Table 3

 Schedule of Revenues
 Last Ten Fiscal Years

Fiscal Years		Water Service		Sewer Service		Availability Fees		Other Revenues		Total
2011	\$	3,150,219	\$	3,132,887	\$	520,656	\$	506,472	\$	7,310,234
2012		3,110,188		3,178,717		603,542		940,362		7,832,809
2013		3,278,523		3,202,582		1,168,821		958,002		8,607,928
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

Source: Fauquier County Water and Sanitation Authority

Schedule of Rates
Last Ten Years

Fiscal Year	Water Usage Fee (1)	Water Base Service Fees	Sewer Usage Fee (2)	Sewer Base Service Fees
2011	\$ 3.36	\$ 18.04	\$ 6.63	\$ 18.26
2012	3.36	18.04	6.63	18.26
2013	3.47	18.59	6.83	18.81
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

(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
2011	90	5,063	1.81%	114	3,388	3.48%
2012	107	5,170	2.11%	114	3,502	3.36%
2013	109	5,279	2.11%	84	3,586	2.40%
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%

Source: Fauquier County Water and Sanitation Authority connection records

* Table has been restated in prior years per new information provided to management

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

Calendar Year	Water Processed	Wastewater Treated
2011	525,137,807	442,022,000
2012	536,037,859	469,519,300
2013	534,209,766	480,046,100
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

Source: Fauquier County Water and Sanitation Authority

Schedule of Operating Expenses
Last Ten Fiscal Years

Fiscal Years	Salaries	Fringe Benefits	General & Administrative	Operations & Maintenance	Depreciation Expense	Total
2011	\$ 2,172,426	\$ 786,446	\$ 400,482	\$ 1,388,562	\$ 2,521,187	\$ 7,269,103
2012	2,308,237	847,748	428,523	1,419,252	2,599,488	7,603,248
2013	2,338,834	926,274	388,643	1,768,958	3,002,676	8,425,385
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

Source: Fauquier County Water and Sanitation Authority

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY
Table 8
**Outstanding Debt by Type
Last Ten Fiscal Years**

	Fiscal Year				
	2020	2019	2018	2017	2016
Revenue Refunding Bond 2017	\$ 1,949,016	\$ 2,086,521	\$ 2,220,626	\$ 2,350,262	\$ -
Revenue Refunding Bond 2017	5,639,076	6,036,920	6,424,924	6,800,000	-
Revenue Bond 7-9-2009	1,693,999	1,839,568	1,981,259	2,119,172	2,253,410
Revenue Bond 9-20-10	-	-	125,240	270,038	410,421
Revenue Bond 11-16-2012	-	-	-	-	1,949,592
Revenue Refunding Bond 2012	1,579,011	2,188,678	2,786,184	3,371,772	3,945,678
Revenue Refunding Bond 2012	128,698	177,222	224,138	269,502	313,364
Capital lease	1,334,000	-	-	-	-
Total outstanding debt	\$ 12,323,800	\$ 12,328,909	\$ 13,762,371	\$ 15,180,746	\$ 8,872,465
Debt per capita (1)	\$ 173	\$ 401	\$ 442	\$ 281	\$ 280

	Fiscal Year				
	2015	2014	2013	2012	2011
Notes Payable VHEDA	\$ -	\$ -	\$ -	\$ -	\$ 938,800
Note Payable - Brookside	-	-	516,150	516,150	525,450
Notes Payable Opal system	-	-	-	-	451,831
VRA Water Revenue Bond	-	-	-	455,811	491,089
VRA Water Revenue Bond	-	-	-	1,575,992	1,704,310
VRA Water Revenue Bond	-	-	-	1,246,396	1,326,713
Revenue Bond 7-9-2009	2,384,070	2,507,394	2,622,917	2,735,447	2,903,781
Revenue Bond 2011	-	-	-	3,113,956	3,417,208
Revenue Bond 9-20-10	546,525	678,480	806,412	1,127,971	1,242,201
Revenue Bond 11-16-2012	273,176	80,341	80,341	-	-
Revenue Refunding Bond 2012	4,508,136	5,059,374	5,599,617	-	-
Revenue Refunding Bond 2012	355,775	396,782	436,432	-	-
Virginia Water Facility Bond	-	-	-	180,000	350,000
Total outstanding debt	\$ 8,067,682	\$ 8,722,371	\$ 10,061,869	\$ 10,951,723	\$ 13,351,383
Debt per capita	\$ 289	\$ 345	\$ 382	\$ 476	\$ 476

Source: Fauquier County Water and Sanitation Authority

(1) 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
2011	7,310,234	4,747,916	2,562,318	1,108,704	356,213	1,464,917	1.75
2012	7,832,809	5,003,760	2,829,049	999,729	454,370	1,454,099	1.95
2013	8,607,928	5,422,709	3,185,219	1,105,769	437,768	1,543,537	2.06
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	7,755,921	4,686,258	1,370,741	263,772	1,634,513	2.87

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

Year	Estimated Population (1)	Personal Income (expressed in thousands) (2)	Per Capita Personal Income (2)	Unemployment Rate (3)	County Civilian Labor Force (3)	At-Place Employment Annual Average (3)	School Enrollment (4)
2011	65,460	\$ 3,823,425	\$ 57,797	5.7%	36,637	20,771	11,241
2012	65,780	4,096,730	61,441	5.4%	36,761	21,381	11,201
2013	66,131	3,992,753	59,326	5.2%	36,742	21,212	11,032
2014	66,573	4,081,897	59,695	4.8%	36,696	21,070	11,084
2015	67,512	4,316,279	62,832	4.2%	36,618	21,517	11,055
2016	67,898	4,410,308	63,854	3.7%	36,294	22,043	11,042
2017	68,168	4,637,197	66,756	3.4%	36,989	22,093	11,007
2018	69,098	5,002,860	70,787	2.8%	37,613	22,021	11,104
2019	70,150	*	*	2.6%	37,765	36,157	11,153
2020	71,395	*	*	5.7%	36,513	34,228	11,039

Sources: (1) Weldon Cooper Center for Public Service, provisional estimate for FY2020 as of July 1, 2019
 (2) Bureau of Economic Analysis, calendar year data.
 (3) Virginia Employment Commission, Virginia Labor Market Information, calendar year end data for FY2009 through FY2017, provisional estimate for FY2018, as of July 2018
 (4) Fauquier County Schools Adopted Budgets

* Unavailable

Principal Employers
Current Year and Nine Years Ago

Employer	2020		2011	
	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
Town of Warrenton	6	100 to 249	9	100 to 249
Food Lion	7	100 to 249	7	100 to 249
Blue Ridge Orthopaedic Associates	8	100 to 249		
County Chevrolet, Peugeot	9	100 to 249		
Home Depot	10	100 to 249		
Warrenton Overlook Health & Rehab Center			6	100 to 249
Buccaneer Computer System			8	100 to 249
Oak Springs Nursing Home			10	100 to 249

Source: Virginia Employment Commission Top 50 Employers

Operating and Capital Indicators
Last Ten Fiscal Years

	<u>FY2020</u>	<u>FY2019</u>	<u>FY2018</u>	<u>FY2017</u>	<u>FY2016</u>	<u>FY 2015</u>	<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 2012</u>	<u>FY 2011</u>
Water System:										
Number of water systems	16	16	16	16	16	16	16	14	14	14
Number of service connections	6236	6034	6021	5888	5717	5,576	5,466	5,279	5,170	5,063
Miles of water mains	143	143	143	142	142	141	127	100	100	100
Daily average consumption per MGD	1.43	1.89	1.42	1.63	1.49	1.38	1.365	1.34	1.323	1.455
Average daily water distributed per MGD	1.43	1.89	1.42	1.63	1.49	1.38	1.365	1.34	1.323	1.455
Storage capacity in million gallons	5.904	5.154	5.154	5.154	5.154	5.154	5.154	5.154	5.154	5.154
Sewerage System:										
Number of treatment plants	3	3	3	3	3	3	3	3	3	3
Number of pump stations	15	15	15	14	14	14	14	13	13	16
Number of service connections	4404	4339	4196	4062	3927	3,812	3,697	3,586	3,502	3,388
Miles of sanitary sewer mains	96	96	96	91	91	91	91	82	82	82
Daily average treatment per MGD	1.561	0.857	1.28	1.328	1.492	1.254	1.365	1.319	1.289	1.289
Design capacity of treatment plants per MGD	3.59	3.59	3.59	3.59	3.59	3.59	3.59	3.59	3.236	3.236
Number of Full-Time Employees:	46	47	47	47	46	46	42	44	44	44

MGD - Million Gallon per Day

Source: Fauquier County Water and Sanitation Authority

* Table has been restated in prior years per new information provided to management

FAUQUIER COUNTY WATER AND SANITATION AUTHORITY

Principal Water and Sewer Customers
Last Ten Fiscal Years

Principal Users of the Water System	Principal Business	FY 2020		FY 2019		FY 2018	
		000/Gals	% of System	000/gals	% of System	000/gals	% of System
FAUQUIER COUNTY PUBLIC SCHOOLS	Public Schools	8,281	1.83%	9,752	1.89%	11,945	2.01%
CHUCK DAVIS	ODEC	7,448	1.65%	6,090	1.18%	7,230	1.22%
WAKEFIELD SCHOOL	Private School	5,632	1.25%				
FEDERAL AVIATION ADM	Federal FFA buliding	4,469	0.99%	6,846	1.33%	5,064	0.85%
ASPEN SOUTH	Apartments	3,178	0.70%	4,900	0.95%	2,638	0.44%
BEALETON VILLAGE CENTER LLC	Shopping Center	2,929	0.65%	985	0.19%		
CEDAR LEE CONDO ASSOCIATES	Apartments	2,650	0.59%	3,500	0.68%	2,654	0.45%
SUFFIELD MEADOW CONDO	Condos	1,750	0.39%	1,889	0.37%	1,142	0.19%
WAVERLY STATION	Apartments	1,721	0.38%	1,901	0.37%	1,611	0.27%
NORTH FORTY ASPEN PLUS	Apartments	1,567	0.35%	1,330	0.26%	1,628	0.27%
BROOKSIDE HOA	Homeowners Association			977	0.19%	1,029	0.17%
VAN MANAGEMENT INC	Marshall McDonalds					1,028	0.17%
CEDAR LEE CONDO ASSOCIATES	Apartments						
ASPEN CLUB APTS/NORTH 40	Apartments						
R. B. DRUMHELLER INC.	Bealeton McDonalds						
Total		39,625	8.78%	38,170	7.40%	9,092	1.76%
Total Water System Annual Consumption		451,497		434,569		432,214	

Principal Users of the Sewer System	Principal Business	000/gals	System	000/gals	System	000/gals	System
FAUQUIER COUNTY PUBLIC SCHOOLS	Public Schools	11,483	3.93%	12,189	3.89%	10,985	2.26%
BLUE RIDGE CHRISTIAN HOME	Nursing Home	8,932	3.05%				
BEALETON VILLAGE CENTER LLC	Shopping Center	8,531	2.92%	375	0.12%	930	5.18%
CEDAR LEE CONDO ASSOCIATES	Condos	8,509	2.91%	4,628	1.48%	2,654	0.55%
SHEETZ # 221 UTILITIES	Convenience Store, Gas Station	5,735	1.96%	1,581	0.51%	2,128	0.44%
FEDERAL AVIATION ADM	Federal FFA building	4,469	1.53%	5,156	1.65%	5,064	1.04%
ASPEN CLUB APTS/NORTH 40	Apartments	3,648	1.25%				
ASPEN SOUTH	Apartments	3,231	1.10%	3,528	1.13%	2,638	0.54%
WAVERLY STATION	Apartments	1,721	0.59%	1,884	0.60%	1,611	0.33%
NORTH FORTY ASPEN PLUS	Apartments	1,567	0.54%	1,565	0.50%	1,628	0.34%
OPAL OIL, INC.	Quarles Q Stop			1,293	0.41%		
BROOKSIDE HOA	Homeowners Association			1,007	0.32%	259	0.05%
VAN MANAGEMENT INC	Marshall McDonalds					1,028	0.21%
R. B. DRUMHELLER INC.	Bealeton McDonalds						
WAKEFIELD SCHOOL	Private School						
CHUCK DAVIS	ODEC						
Total		57,826	19.78%	33,206	10.61%	17,940	3.85%

Table 13

FY 2017		FY 2016		FY 2015		FY 2014		FY 2013		FY 2012		FY 2011	
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
11,667	1.96%	12,252	2.32%	9,946	1.96%	10,696	2.26%	9,684	2.05%	13,035	2.76%	17,338	3.61%
6,683	1.12%	8,900	1.68%	3,765	0.74%	9,029	1.91%	299	0.06%	1,931	0.41%	957	0.20%
				772	0.15%			448	0.09%	586	0.12%		0.00%
13,657	2.30%	2,470	0.47%	3,646	0.72%	3,911	0.83%	3,661	0.77%	4,487	0.95%	4,643	0.97%
5,826	0.98%	3,191	0.60%	3,165	0.62%	3,223	0.68%	3,168	0.67%	2,963	0.63%	3,348	0.70%
				794	0.16%			6,667	1.41%	1,377	0.29%	1,012	0.21%
6,960	1.17%	2,880	0.54%	3,562	0.70%			1,840	0.39%	526			
5,577	0.94%	12,605	2.38%	2,485	0.49%	3,480	0.74%	3,193	0.68%	773	0.16%		
3,273	0.55%	1,422	0.27%	1,520	0.30%	1,507	0.32%	1,055	0.22%	717	0.15%		
3,757	0.63%	1,754	0.33%	1,730	0.34%	1,520	0.32%	1,402	0.30%	4,900	1.04%	1,649	0.34%
4,313	0.72%	1,047	0.20%										
2,022	0.34%			1,030	0.20%	1,234	0.26%			1,280	0.27%	1,462	0.30%
		2,880	0.54%	3,562	0.70%			1,840	0.39%	526			
		1,080	0.20%	1,879	0.37%	2,347	0.50%	2,753	0.58%	2,084	0.44%	3,231	0.67%
				790	0.16%	852	0.18%						
63,735	10.71%	48,011	9.08%	35,000	6.90%	33,888	7.17%	32,349	6.83%	30,698	6.27%	28,997	6.04%
439,931		402,214		385,873		337,318		334,209		336,037		325,137	
000/gals	System	000/gals	System	000/gals	System	000/gals	System	000/gals	System	000/gals	System	000/gals	System
9,632	1.99%	12,835	2.50%	9,885	1.91%	10,025	1.99%	8,397	1.67%	12,837	2.55%	15,024	3.35%
				1,271	0.25%			930	0.18%	1,026	0.20%	1,212	0.27%
1,981	0.41%			794	0.15%			6,667	1.41%	1,377	0.29%	1,012	0.21%
6,960	1.44%	2,880	0.56%	3,562	0.69%			1,840	0.37%	526	0.10%	1,515	0.34%
2,227	0.46%	2,285	0.45%	2,095	0.41%	2,190	0.43%	1,978	0.39%	1,875	0.37%	1,929	0.43%
13,657	2.82%	2,470	0.48%	3,646	0.71%	3,911	0.78%	3,660	0.73%	4,487	0.89%	4,643	1.03%
		1,080	0.21%	1,879	0.36%	2,347	0.47%	2,753	0.55%	2,084	0.41%	3,231	0.72%
5,826	1.20%	3,191	0.62%	3,165	0.61%	3,223	0.64%	3,168	0.63%	2,963	0.59%	3,343	0.74%
3,273	0.67%	1,422	0.28%	1,520	0.29%	1,507	0.30%	1,055	0.21%	717	0.14%		0.00%
3,757	0.77%	1,754	0.34%	1,730	0.33%	1,520	0.30%	1,402	0.28%	4,900	0.97%	1,649	0.37%
				1,474	0.29%	1,461	0.29%						
4,313	0.89%	1,047	0.20%										
2,022	0.42%			1,030	0.20%	1,234	0.24%	1,084	0.22%	1,280	0.25%	1,482	0.33%
				790	0.15%	852	0.18%						
				772	0.15%			448	0.09%	586	0.12%		0.00%
		8,900	1.73%	1,970	0.38%	9,029	1.79%	359	0.07%	3,880	0.77%	2,993	0.67%
53,648	11.06%	35,394	6.90%	31,937	6.18%	21,160	4.19%	27,074	5.37%	37,161	7.36%	37,021	8.25%

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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***

**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, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated October 13, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fauquier County Water and Sanitation Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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's 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 may exist that have not been identified.

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 determination of financial statement amounts. 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 13, 2020